TURLOCK IRRIGATION DISTRICT

annual report 2009

WATER & POWER

Serving Central California since 1887

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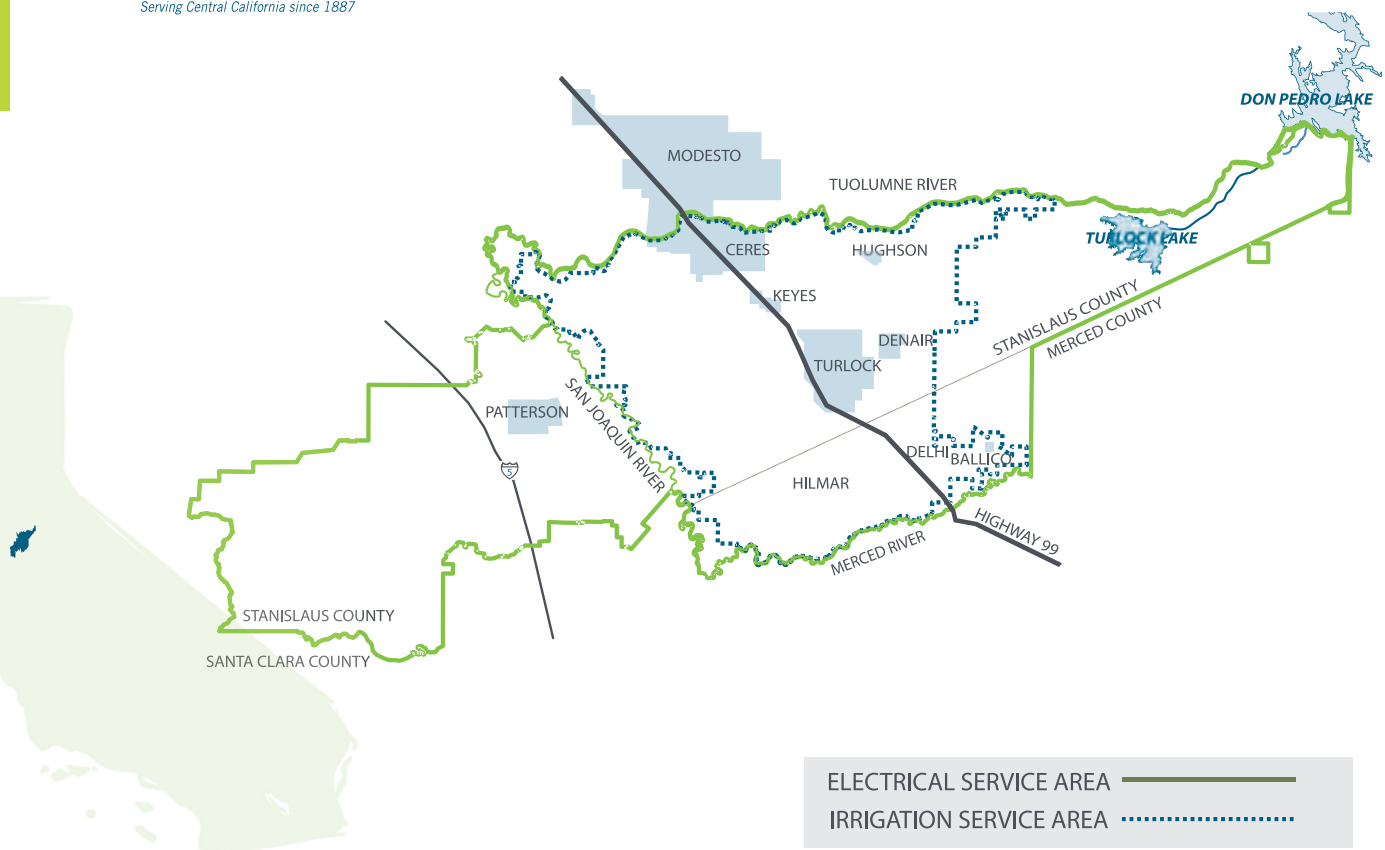

Electric Service Area → 662 square–miles

Number of Electric Accounts at year end → 99,453

Irrigation Service Area → 307 square–miles

Number of Acres Irrigated → 145,559

Employees → 460

Customers per mile of Distribution Line → 45

Customers per mile of Transmission Line → 290

Miles of Distribution Line → 2,193

Established in 1887, TID was the first publicly owned irrigation district in the state and one of only four in California today that also provides electric retail energy directly to homes, farms and businesses. Organized under the Wright Act, TID operates under the provisions of the California Water Code as a special district. TID is also an independent control area and is governed by a five member Board of Directors.

from the GENERAL MANAGER

Looking back, you could say we have a history of making history.

As of last year, TID is the leading electric utility in California supplying 28% of its energy from qualified renewable resources to our consumers. Of course, our goal is not to be first, but to be focused. And we are. We're focused on promoting sustainability and a healthy environment through our own efforts and by encouraging energy–wise action at the individual level, from homeowners to businesses. We believe in the profound ripple effect that's possible when you lead by example, when you make the effort to be the change you want to see. By advancing our acquisitions and pursuing ownership over contracts that expire, we will protect our consumers long–term through competitive rates and assets to show for our investment.

While water and power are common commodities, our approach to providing them is, and always has been, anything but common. In 2009, TID leaned strategically into the future by putting new processes and technologies in place that build on our existing accomplishments and developments. For example, the beginning of our transition to Smart Meters will improve the way we gather and report power usage. Facility enhancements like the Almond 2 Power Plant and the Red Mountain Pump Storage projects will bring growth. Additions like our purchase of the Tuolumne Wind Project, or the solar panels we installed atop our parking structure to promote and illustrate the possibilities of alternative energy sources will hopefully serve as further catalysts for change within our customer community. True, these new initiatives were a major part of 2009's success but so was our strategic management of existing resources. As in years past, by closely monitoring drought conditions and conserving as necessary, we were able to supply water to our growers throughout the 2009 season.

On a more individual level, it was a record year for key members of the TID team as well. TID Linemen roped first place in the Annual American Public Power Association Lineworkers Rodeo. Public utilities of all sizes participated and competitors were judged based on safe work practices, neatness, ability, equipment handling and timely event completion. A win for them is a win for our customers because their expertise is a reflection of our high standards and commitment to providing customers with reliable power.

In closing, while harnessing the power of natural resources to provide our customers with reliable energy and water is certainly an effective course for change, harnessing the power of inspired and informed individuals is equally important. TID has invested itself through projects, incentive programs and more, to build lasting, more influential relationships with customers of all rate levels. The reason why is clear. In our view, when you empower people, you power the world.

Larry Weis

A GREENER tomorrow

In the tradition of TID's history of utilizing renewable energy and serving customers with safe, reliable and affordable energy, TID purchased a 62 turbine, 136.6 megawatt wind farm, located in Klickitat County, Washington.

Construction of the project was completed in spring 2009, and commercial operation commenced May 28, 2009. It includes 20 wind turbines manufactured by REpower Systems AG, each with a rated capacity of 2.0 megawatts, and 42 wind turbines manufactured by Siemens Power Generation Inc., each with a rated capacity of 2.3 megawatts.

These 62 turbines are all three–bladed, upwind, horizontal–axis wind turbines with rotor diameters ranging from 92 to 101 meters, set atop 80 meter towers.

The Tuolumne Wind Project, located near the town of Goldendale on the border of Washington and Oregon, is along a ridgeline property that overlooks the Columbia River. The project is an eligible renewable resource and is used to exceed the renewable portfolio standard (RPS) adopted by the TID board.

A SOLAR success

generate power, educate the public

TID is taking its commitment to renewable energy practices and educating the community about alternative energy to new heights. TID is proud to report that it installed a 70 kilowatt AC array atop its newly renovated parking structure located at its administration building.

The system is expected to generate a total of 132,460 kilowatt–hours a year, and includes a total of 378 Sanyo 210n series panels. The solar array uses high–efficiency photovoltaic (PV) modules to generate maximum energy output per square–foot.

TID selected the parking structure for the system because the available space lined up well with its educational objectives, and the panels as well as the inverters are all visible and easily accessible.

One of the system's most unique features is its transparency. Anyone can view real time electricity generation information on the TID website. The data shows what the system is currently generating, as well as the daily, weekly, monthly and annual output. This creates a working model that invites customers to see what they can expect from a system and how solar energy might be right for their needs.

A solar array provides environmental benefits by eliminating certain greenhouse gas emissions. Using a calculator feature, the site shows how much carbon dioxide, nitrogen dioxide and sulfur dioxide is kept out of the atmosphere as a result of the solar generation.

NEW CERES OFFICE
lights the way

On October 19, the TID local office in Ceres opened for business. Though the office building is new, TID still provides the same great services that it became known for during the past five years, plus some added conveniences. The new building, located near historic downtown Ceres, is 3,375 square–feet and features a spacious lobby where customers can pay their electric bills as well as obtain personal assistance and information regarding the many rebates and programs TID provides.

To increase the functionality of the space, there is also a conference room for community presentations and events. Additionally, the office features a lighted pathway that leads to the connecting Ceres Drugstore where customers can pay other utility bills.

ALMOND 2 POWER PLANT
building on our belief

TID has a long–held belief in the wisdom and strategy of owning and operating generation facilities that allow TID greater flexibility in meeting electric needs. Staying true to this strategy, TID is in the process of engineering and constructing a state–of–the–art, natural–gas fired, simple–cycle peaking power generation facility directly adjacent to the existing Almond Power Plant located in Ceres.

With the addition of the Almond 2 Power Plant (A2PP), TID will add 174 megawatts to its current generating output. The added output will assist TID in meeting its resource adequacy and reserve needs well into the future as additional load growth occurs. A2PP will increase the reliability of the electric grid by giving TID the ability to quickly switch from solar and wind generated electricity, which can vary significantly depending on weather conditions.

Although the addition of renewable resources is vital to reducing dependence on fossil fuels, maintaining electric system reliability remains a core focus for TID.

improving ENERGY CONSERVATION

Reaching your goals is good. Exceeding them is great. And in 2009, TID exceeded it's conservation goal for the third consecutive year. This push toward improved energy efficiency and sustainability gained momentum in September 2007 when the TID Board of Directors adopted an aggressive 10–year plan to promote energy conservation. The plan involved offering several residential, commercial, industrial and agricultural incentive and rebate programs that helped save TID customers money and reduce energy consumption. From standardized residential rebates for qualifying efficiency measures to fully customizable, complex industrial process upgrades, TID's commitment to saving energy and helping customers is paramount. The goal for 2009 was to conserve 12.6 million kilowatt–hours, and working with its customers TID achieved a savings of 13 million kilowatt–hours.

Further, TID provides financial grade audits to customers of all rate classes: residential, commercial and industrial. On the home front or business, large or small, this personalized service enables TID representatives to give customers a big–picture view of how they use energy, how they can conserve energy, and the efficiency rebates for which they may qualify. The value of this service helps customers better manage their energy consumption, as well as provides TID opportunities to develop more personal, long–term relationships with its customers, keeping them engaged in sustainable practices.

SMART Meters,
the next step toward a "smart grid"

As a retail electric utility, one of TID's most basic functions is to measure customer energy consumption and bill them for it. Within this traditional approach, the bill itself is the connection between the consumer and the utility. TID's new "SMART meter" project is changing that.

SMART meters represent a strategic shift in the way TID gathers and disseminates electric consumption data. Historically, electric meters were read on site by trained staff each month. Today, using proven and reliable technology, that same function is done electronically. SMART meters will continue to help TID improve its service and, over time, will provide customers with the information and tools that give them a clearer picture of and better control over their energy use and bill.

SMART meters are more than a step forward. They're a big leap forward on the path toward a "smart grid" and a smarter energy future. While some features are still a few years away from being fully implemented, when completed a smart grid will deliver electricity using digital technology to save energy, reduce costs and increase reliability.

Weathering drought conditions

It was anticipated that 2009 would be a dry water year, especially following consecutive drought conditions in 2007 and 2008. However, improved watershed conditions resulted in more water available for growers than originally forecasted in the beginning of the season. Also, TID's 2008 conservation measures helped to compensate for dry spring conditions and left more water in the reservoir for the 2009 season.

Originally, the TID Board established the allotment at 33 inches and capped water at 48 inches. In July, the allotment was increased to 48 inches and the cap was increased to 54 inches. The Board's decision was based in part on the current runoff figures which exceeded the projections set in April when the original allotment was established.

Although conditions improved, the state was still in a drought. To encourage water conservation and to reserve water in Don Pedro Reservoir for 2010, TID maintained a reduced allotment, placed a cap on available water and shortened the irrigation season.

Planning for Re-Licensing

Don Pedro Reservoir is central to both TID's water and energy operations, and is licensed by the Federal Energy Regulatory Commission (FERC). The FERC license will expire and will need to be renewed in 2016. Because the re–licensing process can be a long, arduous and expensive process, in its role as majority owner and project operator of the reservoir and generation facilities, TID began working with other project partners to outline the work needed to ensure a smooth methodology for the multi–year re–licensing efforts that will focus on, in large part, in–stream flow releases and fisheries habitat below Don Pedro Reservoir.

RED MOUNTAIN BAR PUMPED STORAGE
thinking outside the box

Continuing its legacy of maximizing water resources to generate hydroelectric power, TID is in the initial process of investigating the feasibility and economics of a pumped storage reservoir project to generate a boost in electricity production during peak demand. The concept calls for a small reservoir to be built above Don Pedro Reservoir. This allows water to be pumped into the reservoir at night when demand for energy is low and the price for electricity is less expensive. The water would then be released back into Don Pedro Reservoir to generate power when the demand and price for electricity is high.

The nature of the pumped storage project will increase the electric grid's reliability with the ability to quickly replace solar and wind generated electricity that varies significantly with weather conditions.

Board of Directors

Michael Frantz – Division 1
Charles Fernandes – Division 2 – Vice President
Joe Alamo – Division 3
Rob Santos – Division 4 – President
Ron Macedo – Division 5

Management Team

Larry Weis – General Manager/CEO
Jeff Barton – Assistant General Manger, Civil Engineering & Water Resources
Randy Baysinger – Assistant General Manager, Power Supply
Steve Boyd – Assistant General Manager, Consumer Services
Keith Cargill – Assistant General Manager, Water Operations, Construction & Maintenance
James Farrar – Assistant General Manager, Resource Management Planning & Rates
Casey Hashimoto – Assistant General Manager, Electrical Engineering & Operations
Joe Malaski – Assistant General Manager, Financial Services/CFO

Advisors

Griffith & Masuda – General Counsel
PricewaterhouseCoopers LLP – Independent Accountants
Public Financial Management, Inc. – Financial Advisor
R.W. Beck, Inc. – Consulting Engineers

Revenue Bond Ratings

Moody's A1
Fitch A+
Standard & Poor's A+

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TID Financial Statements
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The attached disc contains the Turlock Irrigation District's 2009 Financial Statements. This document is stored in the Adobe Acrobat (PDF) format. To view the document you will need to have the Adobe Acrobat Reader® installed on your computer.

The PDF files are also available through the TID website at www.tid.com or by calling the TID business office at 209.883.8300.

ATTACHMENT AVAILABLE FROM CLERK

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