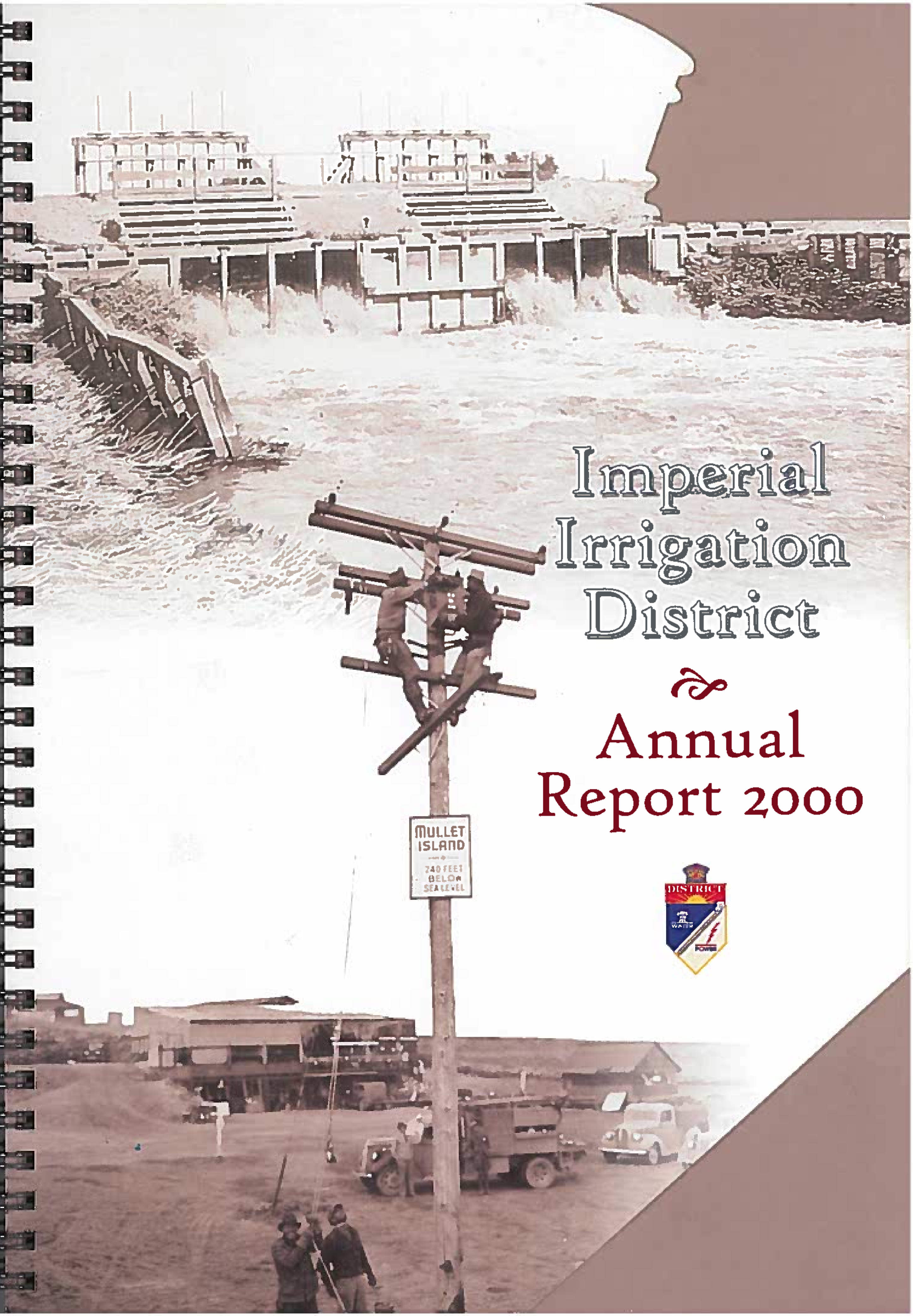

Imperial Irrigation District

Annual Report 2000

(top photo)
Water gushes through the gate at Sharp's Heading in 1901.

(bottom photo)
Linemen work at top of a power pole at Mullet Island circa 1920.

Imperia.
333 E. Barı.
Imperial, CA
www.iid.com

In 2000, Imperial Irrigation District concluded its first proud century of service while preparing for the coming 100 years of progress.

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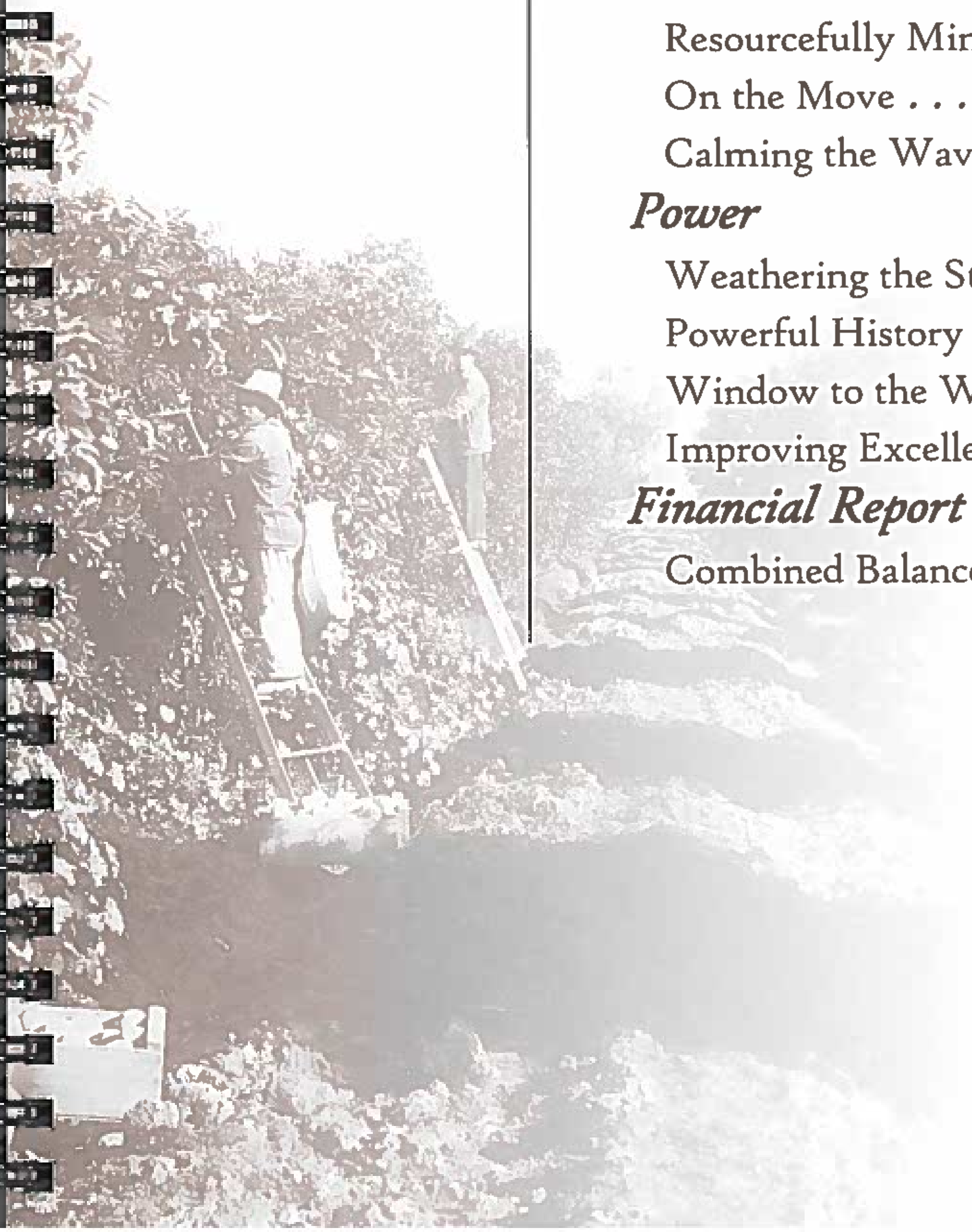
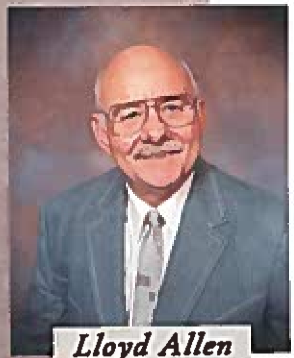
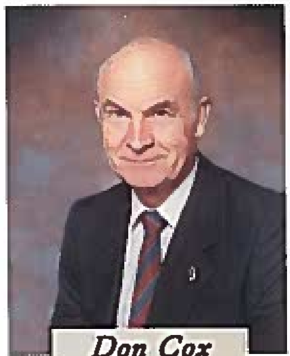
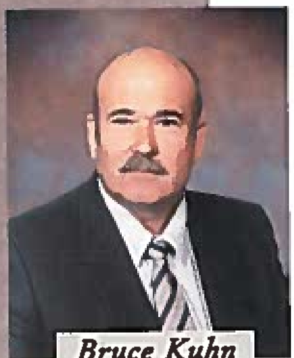




Lloyd Allen
Division 3



Don Cox
Division 4



Bruce Kuhn
Division 2

Andy Horne
Division 1

In a very real sense, the Imperial Irrigation District and the areas it serves in the Imperial and Coachella valleys have grown up together. Since its inception as a water district in 1911 and as a power provider in Imperial in 1936 and in Coachella in 1943, IID has been an integral part of the communities it serves.

A lot of things have changed since then. Laser land leveling has replaced mules and Fresno scrapers. Fiber-optic communication has replaced the party line. And air conditioning has made the desert life a whole lot more comfortable.

Yet, throughout our shared histories, one thing has remained the same: IID's commitment to serving its communities and helping them grow and prosper.

As a public utility, IID shares a special relationship with the community and people it serves. Like more than 2,000 public utility providers across the nation, IID offers not-for-profit rates, local control and a unique responsiveness to community needs. Since rates do not include profits to be paid to stockholders, IID offers rates that are among the lowest in California.

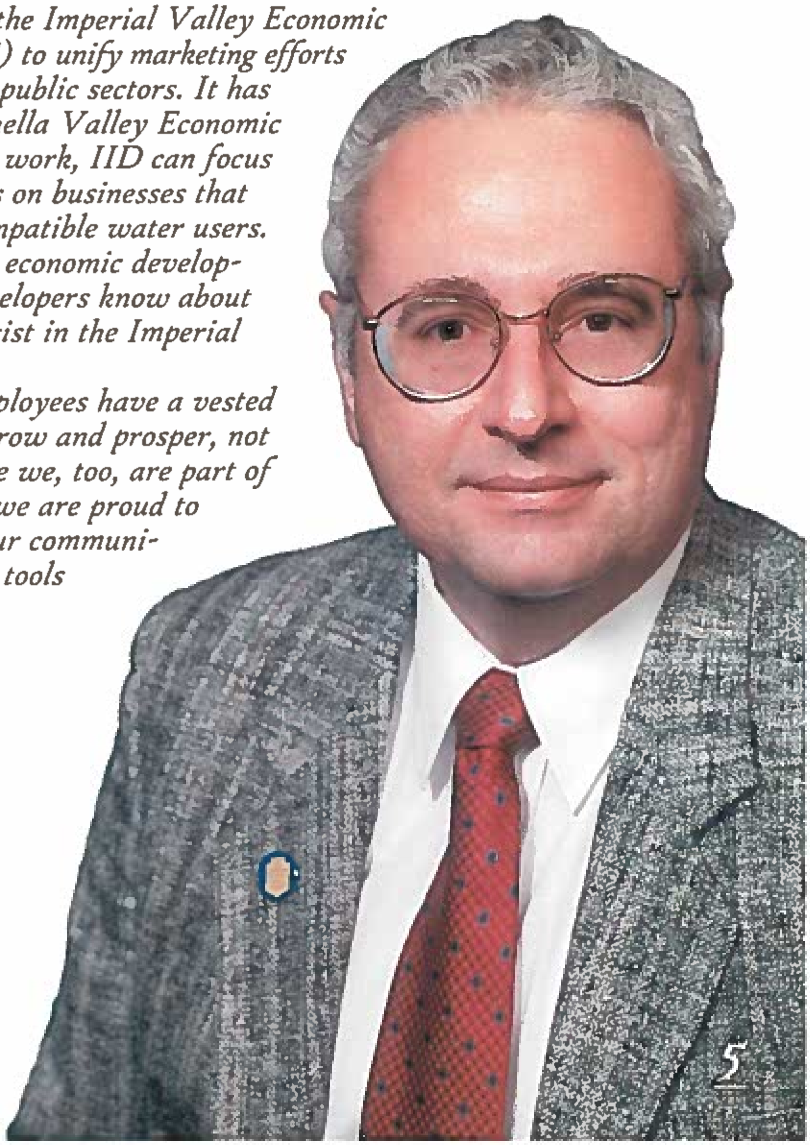
One of the ways to keep costs competitive is to continually expand a utility's customer base. That fact, and IID's history of developing along with the communities it serves, led to the utility's commitment to economic development.

To that end, IID has developed an economic development power rate to help large businesses' start-up operations. In 2000, IID held a series of meetings with businesses and developers to see if there are specific steps to take to facilitate the start of new projects that would be advantageous to the communities. The utility also has been instrumental in assisting aggressive economic development programs in both the Imperial and Coachella valleys.

IID has worked to help develop the Imperial Valley Economic Development Corporation (IVEDC) to unify marketing efforts of all Imperial Valley's private and public sectors. It has also actively worked with the Coachella Valley Economic Partnership (CVEP). Through this work, IID can focus the recruitment and retention efforts on businesses that are significant electric users and compatible water users.

In 2000, IID also helped sponsor economic development conferences to let potential developers know about the tremendous opportunities that exist in the Imperial and Coachella valleys.

IID's Board and the utility's employees have a vested interest in seeing our communities grow and prosper, not just because it is our job, but because we, too, are part of the communities we serve. At IID, we are proud to keep alive the tradition of serving our communities even as we bring new ideas and tools to the job of economic development.



Rudy Maldonado
Board President
Division 5

Opposite Page
(top) Porter N. Ferguson
First Board President, 1911
(bottom) H.L. Peck (*Imperial*), Porter N. Ferguson (*Holtville*), Fritz Kloke (*Calexico*), E.C. Pound (*Brawley*) and W.O. Hamilton (*El Centro*) served as IID's first Board of Directors in 1911.

Imperial Irrigation District's roots run deep in the desert southwest. The depth and breadth of the public utility's history is evident throughout our service area.

It blooms in the fields of alfalfa, lettuce and nearly 100 other crops that transform the desert into an agricultural oasis. It sustains the houses and businesses that make up the communities in the Imperial and Coachella valleys that IID serves. It shows in the dedication with which our employees do their jobs.

As IID begins its 90th year of operation in 2001, the public utility continues to evolve from roots that took hold at a time when few thought the desert could grow and prosper. Our success over the decades is firmly rooted on the principle of providing excellent customer service to our water and power customers.

Our growth is nourished by IID's dedication to innovation and excellence.

(Background photo)
Charles R. Rockwood
Chief Engineer and
General Superintendent
1916

In a sense, 2000 brought the District full circle. Efforts to protect the Imperial Valley's water rights dominated the year, just as they did during the District's formative years. IID helped negotiate a Quantification Settlement Agreement (QSA) that spells out how California will divide the water it gets from the Colorado River. The agreement, which some compare in importance to the historic 1922 Colorado River Compact, for the first time caps IID's water entitlement. More importantly, the agreement promises to herald in a new age in which all of California's Colorado River water users will be able to plan and operate without threat of costly legal battles for a period that could last up to 75 years.

On the power side of the organization, IID's tradition of providing reliable, reasonably priced power stood the utility in good stead as it faced the storm of power deregulation that left investor-owned utilities reeling. IID has been a power provider since it began producing power from its diesel plant in Brawley in 1936. It expanded its power distribution area into the Coachella Valley in 1943.

With more than 100,000 power customers in a 6,471-square-mile service area, IID is now the sixth largest power utility in California. As a public power provider, the District has been able to spare customers the rolling blackouts and exorbitant rate increases that have become the hallmark of California's deregulated power market.

Because IID does not have to generate a profit for investors it can concentrate on doing what it has always done, work for our customers. To that end, the District has diversified its energy sources, negotiated favorable pricing structures and planned to meet growing customer needs.

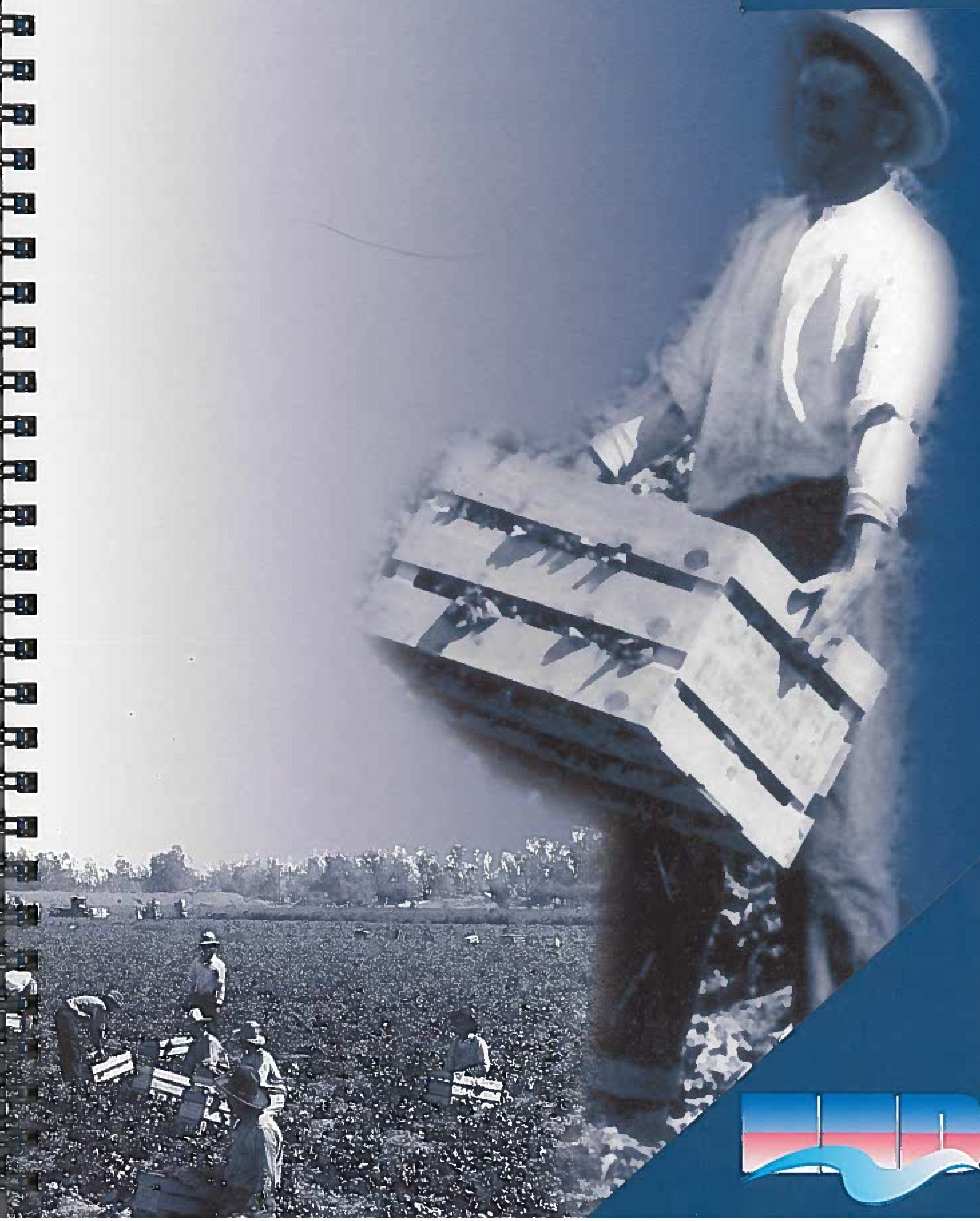
The year 2000 proved IID is still out there making history. For the first time ever, Imperial Valley voters elected a woman to the IID Board of Directors. Stella Mendoza was sworn in Dec. 1, 2000, to fill the Division 4 seat following her election in the November General Election. She replaced Director Don Cox who retired after serving 12 years on the Board.

While new faces and new ideas help mold today's IID, our roots keep us grounded on serving our customers. At IID, good service isn't just an idea – it is our essence.

Jesse P. Silva
General Manager

"Making the most of
the resource we have at our use is
what we have done since the first settlers
arrived here. Some projects we do today
remind us that we still are on the
frontier of possibilities."

Jesse P. Silva
General Manager



As far back as the mid and late 1800s, when the Imperial Valley was little but desert scrub, such visionaries as Dr. Oliver M. Wozencraft, Charles Rockwood and George Chaffey dreamed of turning a wasteland into an oasis.

100 Years of Water History

It's probably fair to say that the pioneers who helped make the first delivery of water in the Imperial Valley possible would be proud of today's valley.

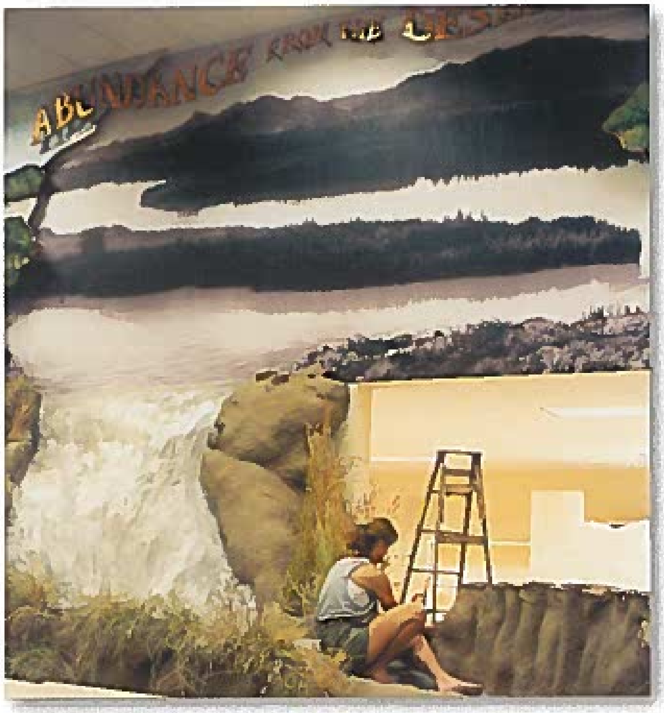
Proud and *amazed*.

After all, their vision, dedication and hard work, started over 100 years ago, has made the valley a very different place.

The idea to bring Colorado River water to the valley began as early as 1850 when a few men of vision realized that the area could be made productive with an assured water supply. The feat didn't happen, however, until a hot summer day in June 1901, when the first delivery of water worked its way through Mexico, entering the Imperial Valley at Sharp's Heading near Mexicali.

Water has transformed the desert, once described as a "forbidding wasteland," into a bountiful, beautiful oasis with a future. And it is the vital ingredient to the valley's thriving economy, supporting jobs, homes, communities and people – essentially, life itself. Thanks in part to IID's well-designed and managed water delivery system, the agricultural industry in the Imperial Valley produces nearly $1 billion in crops annually and is

Meandering Colorado River at Williams Rim, 1929.



Artist Jo Ann Dutton works on the first phase of IID's Abundance from the Desert Floor exhibit at Pioneers Museum.

the backbone of today's local economy.The harnessing of water is truly a tribute to Imperial Valley pioneers worthy of honor and recognition. To preserve this history, IID began to plan for the June 2001, 100th anniversary celebration of water's first arrival in the Imperial Valley.

To mark this historic occasion, IID began designing and constructing a permanent exhibit at Pioneer's Museum that depicts the early arrival of water in the Imperial Valley, including the great flood of 1905 and subsequent control through the All-American Canal. Interactive features are being built into the display so young and old can participate in learning about the history of water and IID.

Dedication of the exhibit coincided with the 100th anniversary celebration.

The water history exhibit will be the first of five displays depicting IID history at Pioneers Museum, to be enjoyed for years to come.

1901

First water delivery to the Imperial Valley from the Colorado River through the Alamo Canal, routed mostly through Mexico.

IID's first water crew

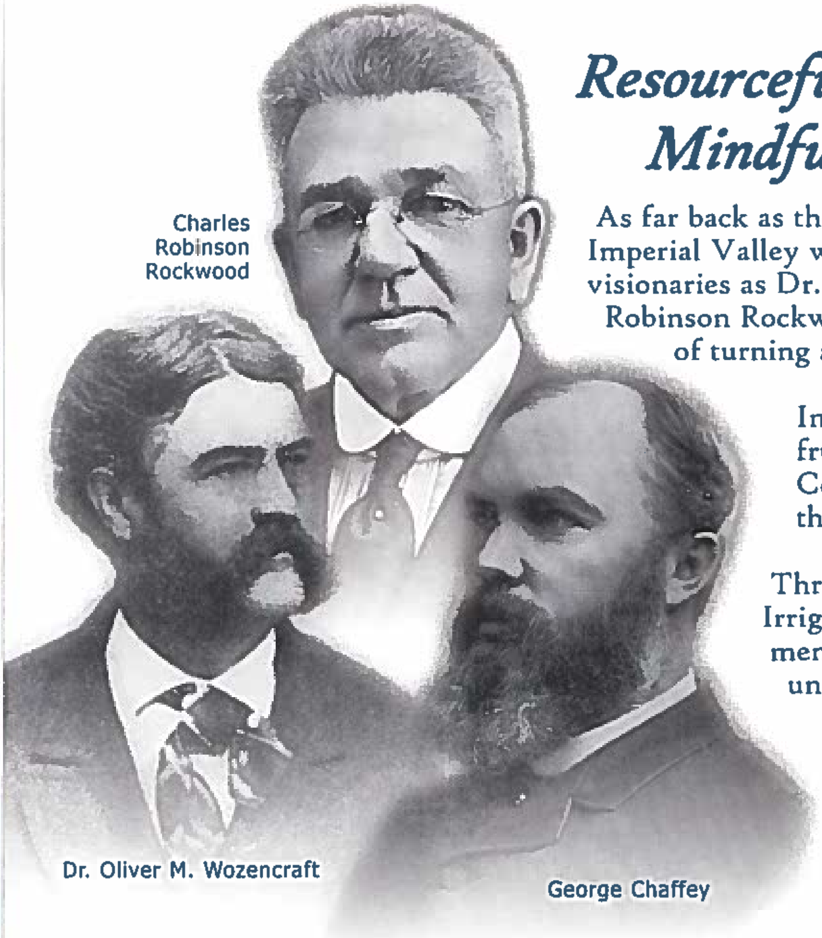
1905-07

Salton Sea forms and the New and Alamo rivers enlarge due to the flooding of the Colorado River.

1911

IID was formed under the California Irrigation District Act to acquire properties of the bankrupt California Development Company and its Mexican subsidiary. Eleven years later the District acquires the 13 mutual water companies, which had developed and operated the distribution canals.

Resourcefully Mindful of the Land



Charles Robinson Rockwood

Dr. Oliver M. Wozencraft

George Chaffey

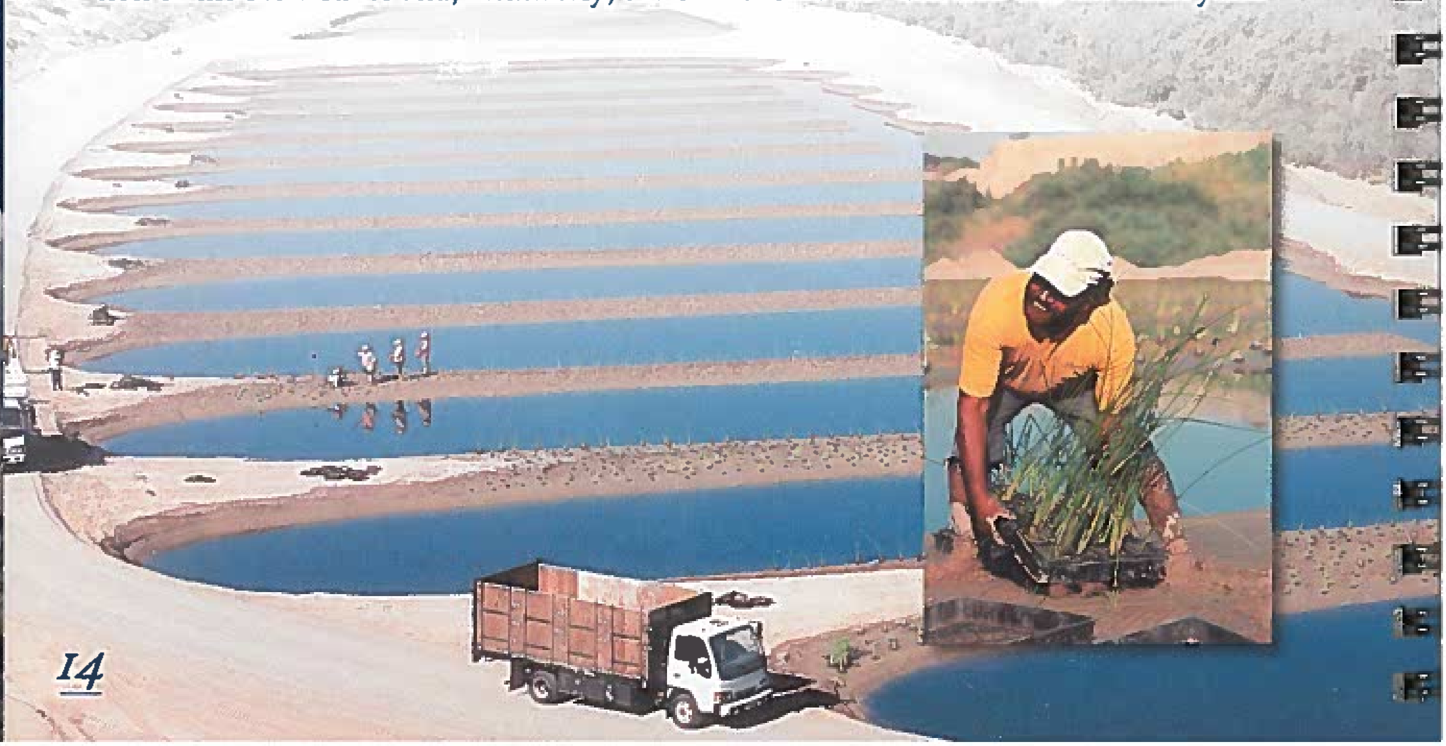
As far back as the mid and late 1800s, when the Imperial Valley was little but desert scrub, such visionaries as Dr. Oliver M. Wozencraft, Charles Robinson Rockwood and George Chaffey dreamed of turning a wasteland into an oasis.

In 1901 their dreams began to bear fruit when water diverted from the Colorado River began flowing into the Imperial Valley.

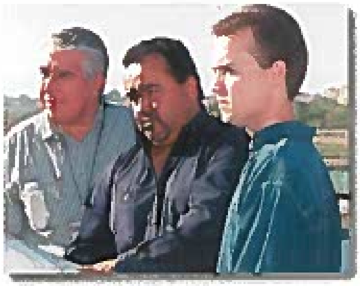
Through its history, the Imperial Irrigation District has applied the mental and physical muscle to turn unreachable, even unthinkable, dreams into realities for farmers, growing communities and the environment. The first year of the new millennium was no different. IID pushed the envelope still further in 2000 by constructing wetlands to clean agricultural drain water and developing new technology that may ultimately help farmers use water more efficiently.

"Making the most of the resource we have at our use is what we have done since the first settlers arrived here," said General Manager Jesse Silva. "Some projects we do today remind us that we still are on the frontier of possibilities."

One such project is IID's wetlands that was built on a 68-acre tract of river bottom wasteland in rural Imperial. In partnership with Desert Wildlife Unlimited and other groups and funding from a $3.75 million federal grant, IID embarked on the project to test whether constructed wetlands can improve drain water quality and thus the condition of the New River and, ultimately, the Salton Sea. IID will also test for three years



the effectiveness of the wetlands, which operates on the principle of providing time and space for nature to do the work of cleaning impure water.



Paul Lopez, Mario Escalera and Stephen Charlton review the plans for the wetlands as the project takes shape.

IID built its wetlands to treat Rice 3 Drain water on a mile-long sliver of District property that snakes along the New River. Drain water enters the wetlands through two large ponds where silt and pollutants settle out. The drain water then meanders through a series of wetland ponds in which fingers of land form a maze of shallow channels. Fast growing native vegetation planted in the wetlands filter nitrogen, phosphates and heavy metals from the water while creating a lush habitat for birds and waterfowl.

Drain water percolates through the wetlands for about five days shedding pollutants before entering the New River.

Elston Grubaugh, principle technical advisor for the Resources Planning and Management Department, said, "There has been tremendous community support for the project and growing excitement about its possibilities."

There was also excitement in 2000 over IID's development of an implement that may move farming light years ahead – IID's new Salinity Assessment Vehicle (SAV). Though it looks like a shiny new tractor, it works more like a Mars landing rover.

The SAV uses a high frequency electromagnetic radio signal, computer and a global positioning satellite (GPS) receiver to determine how much salt the soil in a farm field contains.

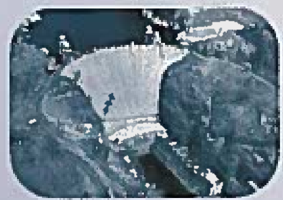
The SAV was built in partnership with the U.S. Bureau of Reclamation as part of a two-year pilot project to determine whether more accurate soil salinity information can help farmers conserve water.

Though soil salinity testing is not a new concept, the SAV takes the process to a new dimension of precision. While normally salinity testing involves taking soil samples from a handful of sites in a field, the SAV analysis is based on about 10,000 readings taken from throughout a field.

Steve Burch, an IID engineering technician who designed the SAV, said, "I look at this as being a tool in the toolbox for the farmer. But this is a high tech, cyberspace kind of a tool."

1928

Congress approves the Boulder Canyon Project Act authorizing construction of Hoover Dam and All-American Canal.



1932

IID signs agreement with the Secretary of the Interior to help repay the construction loan for the All-American Canal.

1934

Excavation of the All-American Canal begins.

1936

With the Brawley Diesel Plant complete, IID serves its first power customer.

1938

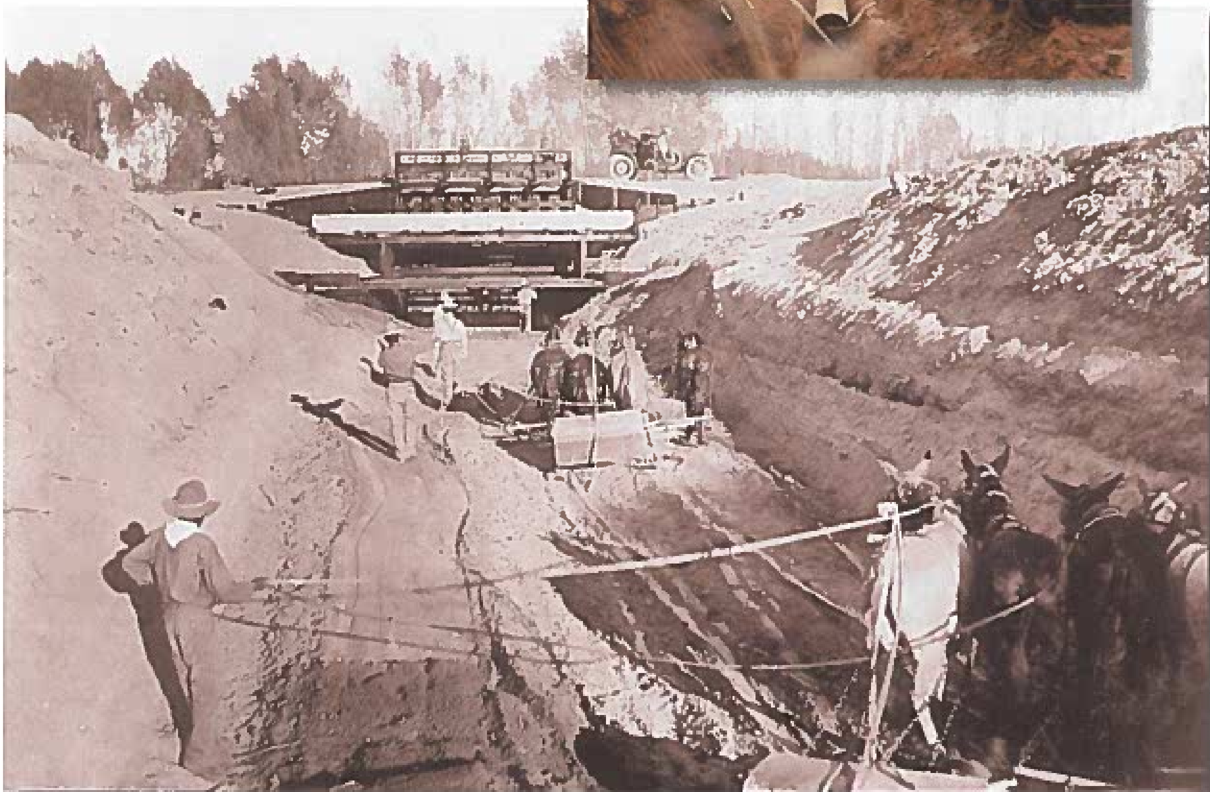
Imperial Dam, located 20 miles northeast of Yuma, Arizona, is completed.

HIGHWAY 111 PROJECT

Putting IID on the move

IID was on the move in 2000, digging right into the middle of one of the largest highway expansion projects in the Imperial Valley.

In doing its part to serve the future of the Imperial Valley, District construction crews began the colossal task of relocating several miles of water and power structures along Highway 111, one of the area's busiest roads.



(top photo) Modern-day equipment digs along Highway 111 and (bottom photo) Fresnos, in the old days, work on the Matamoros Canal.

Under the direction of the state department of transportation (Caltrans), the expansion project widens several miles of the two-lane road into a four-lane expressway between Ross Road and State Route 78. The section is a major shipping and commuter route and a vital artery expected to accommodate increased trade traffic due to residential and commercial development and NAFTA, the North American Free Trade Agreement. Over 7,000 vehicles use the highway each day, with 35,000 expected by 2020.

Since the project cuts across IID irrigation and drainage systems in many places, the District has carefully designed and coordinated the work, taking a balanced approach to meet the challenges of the project and, at times, calling in additional resources as needed. "IID is committed to this project," said Mario Escalera, Water Department construction and maintenance general superintendent. "We are using all our resources so we can complete this project as scheduled, with as little impact as possible to the Imperial Valley community."

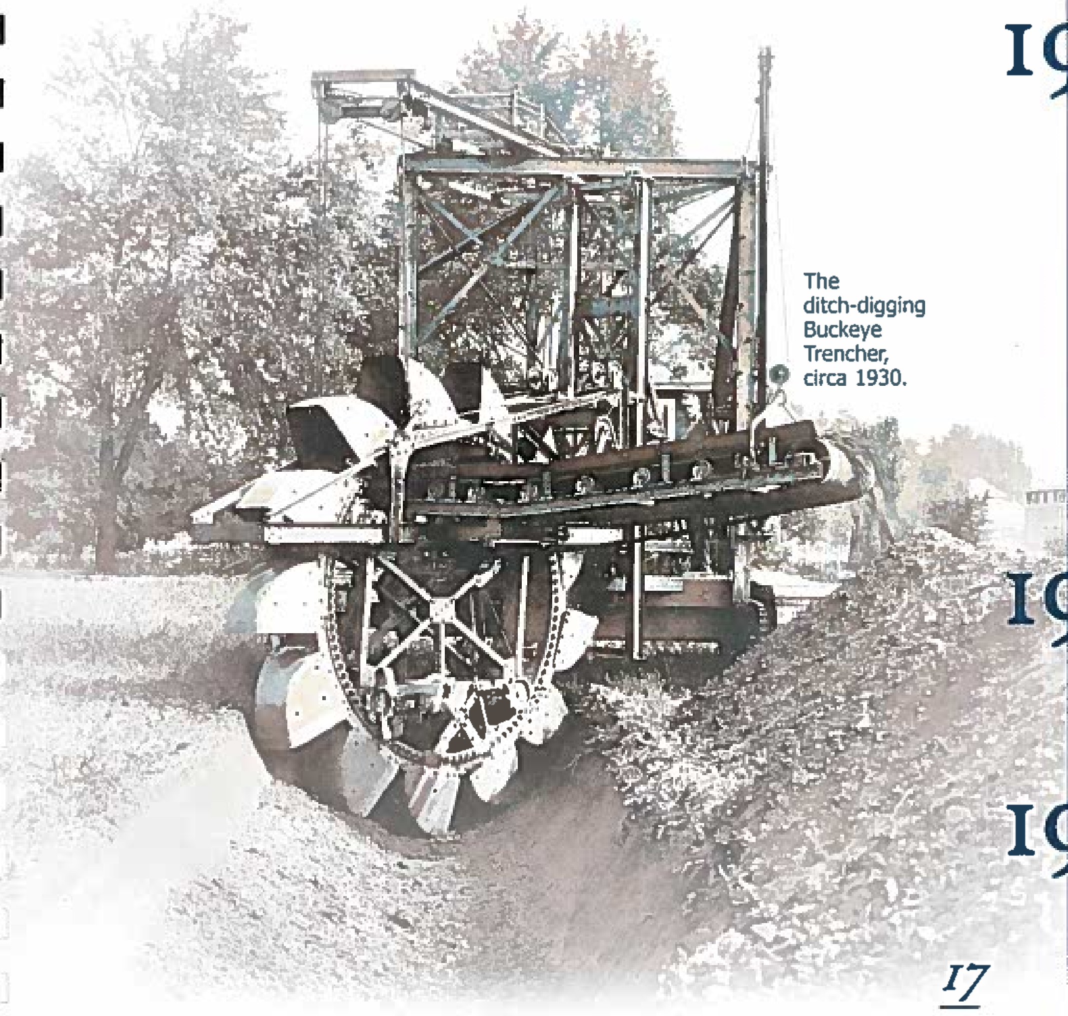
IID is also taking the relocation opportunity to retrofit its utility structures where needed, improving the water and power delivery systems in the process. The water delivery system relocation work requires moving and/or replacing laterals, drains, irrigation siphons, canals, head ditches and installing concrete sleeves on some crossings.

During the first phase of the multi-year project, District crews commandeered a state-of-the-art laser-guided excavator and worked to install over 11,000 feet of plastic and concrete pipe and haul over 3,000 tons of rock. IID expects to wrap up its work on the three-phase project in about three years.

Caltrans is expected to spend $98.5 million on the project. All IID costs will be reimbursed.

The Highway 111 widening project is one part of Caltrans' overall goal to improve the transportation network in the Imperial Valley. District engineers are also in the planning and designing stages for the upcoming State Route 7 improvement project, which is expected to begin in 2002.

Rising to meet the challenges posed by progress is just one way IID works to serve everyone better.



The ditch-digging Buckeye Trencher, circa 1930.

1940

First scheduled water is delivered through the All-American Canal.

1942

Drops 3 and 4 begin generating hydroelectric power.

The All-American Canal is complete, becoming the sole source of water for the Imperial Valley.

1943

IID purchases the California Electric Company.

1949

Unit 1 at El Centro Steam Plant is activated.

1953

Drop 2 hydro plant is installed.

Water future

Calming the Waves of Discontent

On the surface, at least, the politics of the water world in 2000 seemed as serene as the gently flowing Colorado River. The calm, however, belied frenzied efforts to reach an agreement to help California reduce its use of the river before the change in administration and the departure of Secretary of Interior Bruce Babbitt, whose prodding, cajoling and understanding of the complex issues sparked the opportunity for reaching accord.

For Imperial Irrigation District, maintaining calm on the river comes at a stiff price. In 2000, the Imperial Irrigation District decided to issue bonds to cover the cost of protecting the Imperial Valley's water rights for future generations.

In many ways the epic effort of 2000 paralleled the negotiations that resulted in the compacts of the 1920s and 1930s and the foundation of what has become known as "The Law of the River." In 2000, however, computer-generated documents replaced those generated on typewriters and carbon paper. Fax and e-mail replaced snail mail. And negotiating sessions occurred by tele-

phone conference call as often as they did around a negotiating table.

The Quantification Settlement Agreement (QSA) grew out of negotiations stemming back to 1998 when the Coachella Valley Water District (CVWD) threatened to take legal action to block the water conservation and transfer agreement between IID and the San Diego County Water Authority. The Metropolitan Water District of Southern California (MWD) joined the talks because the Department of the Interior insisted California live within its 4.4 million acre-foot Colorado River entitlement, which would cut the state's use by more than 500,000 acre-feet a year.

By the end of 1999, the talks led to a compromise plan that offered Southern California water agencies control of their water destiny by having urban water users help pay for extraordinary conservation of agriculture. Of key importance, the agreement provides for long-term peace among the agencies, which allows them to meet their water needs and plan for the future without fear of legal challenge from one another. The agreement could last up to 75 years.

Public workshops were held on the Key Terms for Quantification Settlement Agreement early in 2000 while negotiators for the agencies continued to hammer out the details of the agreement's specific provisions. The fleshed out package of agreements was not released until December 2000.

The agreement includes a water budget that spelled out how each agency would meet its long-term needs and included additional water conservation and transfers by IID to be funded by its urban neighbors. The agreement calls for IID to cap its annual Colorado River allocation for the first time at 3.1 million acre-feet and it capped Coachella's allocation at 330,000 acre-feet.

At the same time, IID continued working on the environmental review required for the San Diego water conservation and transfer. The legal, environmental and staff costs associated with water rights protection continued to mount. IID's Board of Directors in 2000 agreed to issue bonds totaling $20 million to finance the costs that peaked at $7.6 million in 2000 and are expected to continue in the millions for the next few years.

For IID, paying to protect Imperial Valley water rights is not just an expense – it is an investment in the future.

1954

IID's final costs under the All-American Canal contract were $25 million. District begins program to concrete line canals and laterals.

1957

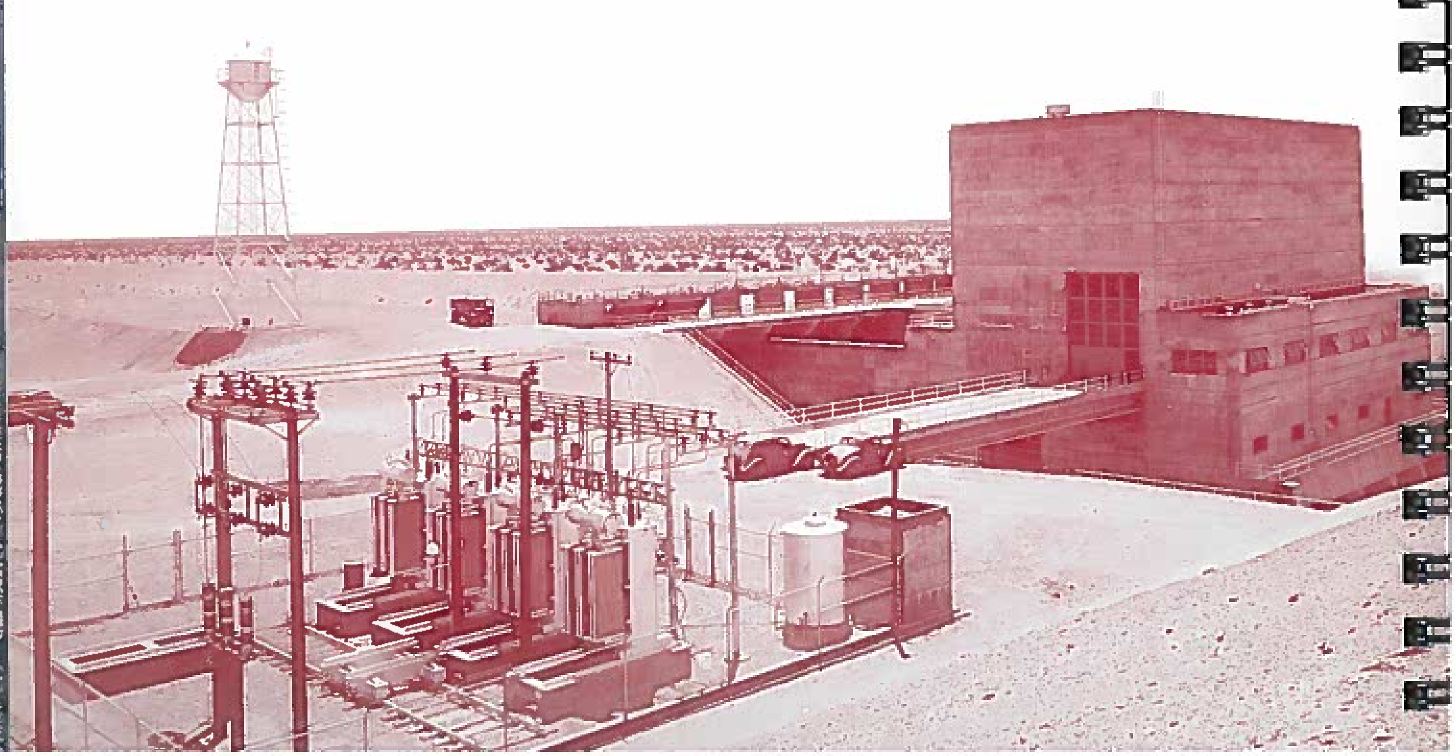
Pilot Knob plant goes into operation.

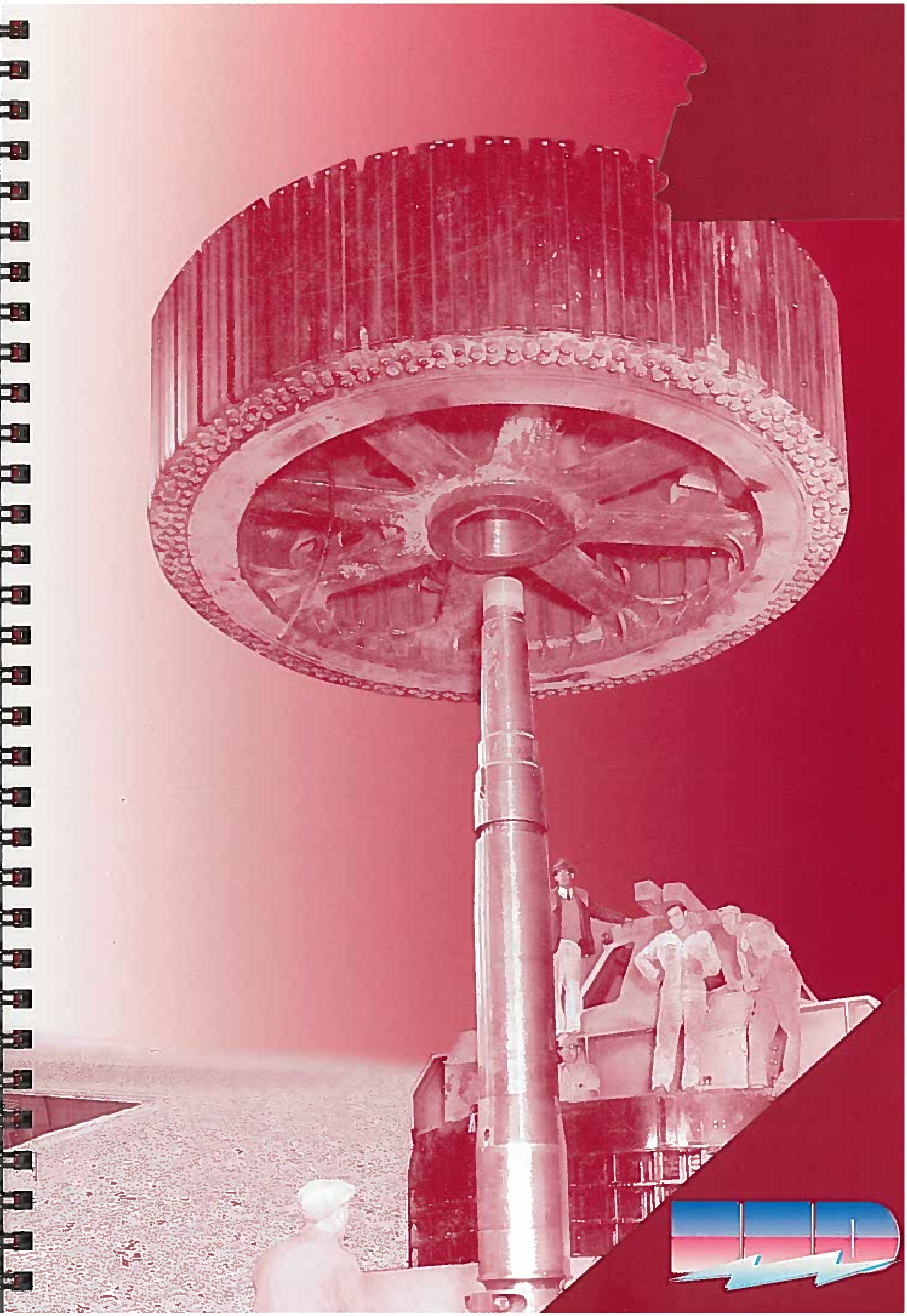
1964

U.S. Supreme Court decrees Arizona's right to 2.8 million acre-feet (MAF) of Colorado River water, 4.4 million to California and 300,000 to Nevada, and recognizes that the Secretary of the Interior has contracts with California. These contracts allocate 3.85 MAF to agriculture in accordance with the priorities established in the Seven-Party Agreement and the Boulder Canyon Project Act.

"We have managed a relatively smooth sail through the storm of deregulation and uncertainty thus far by developing a diversified power base and by planning ahead. We are very proud of this record of service."

Jesse P. Silva
General Manager





(left photo)
Hydro Drop 3
(right photo)
Workmen around a shrinking generator field spider on shaft at Drop 4 on the All-American Canal

By never wavering from its focus on its customers, IID proved in 2000 that the desert truly is a safe port in the storm of power restructuring.

POWER

Weathering the storm of deregulation

Electrician Darrin Thomason peers out of the top of a transformer under construction at the new Park View Substation, Brawley.

Throughout its history, the Imperial Irrigation District's dedication to its power customers has withstood the force of major earthquakes, blistering summer temperatures, hurricane force storms and a variety of other climatic and political calamities.

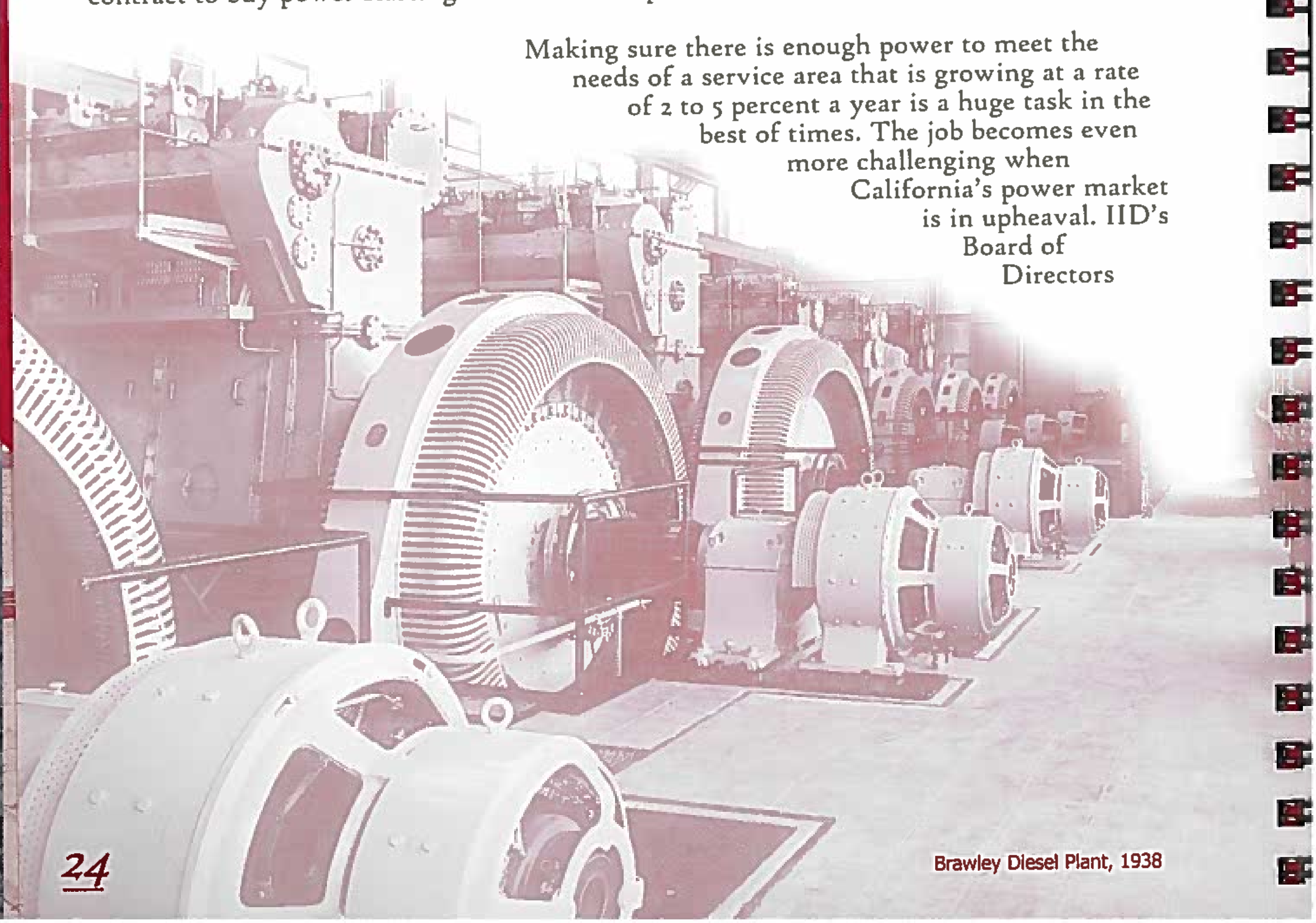
In 2000, IID faced a challenge to rival all others when the political storm provoked by California's deregulated power market ravaged the state, leaving consumers reeling from alarming rate hikes and rolling blackouts.

While most of California suffered from uncertainty, IID's over 100,000 customers continue to get reliable power service at one of the lowest rates in the state.

"We have managed a relatively smooth sail through the storm of deregulation and uncertainty thus far by developing a diversified power base and by planning ahead," General Manager Jesse Silva said. "We are very proud of this record of service."

IID supplies a mix of power through long-term contracts and generating facilities it operates in the Imperial and Coachella valleys. IID has contracts to buy power from generating facilities in Arizona and New Mexico. The District has entered into a contract to buy power starting in 2002 from a plant under construction in Arizona.

Making sure there is enough power to meet the needs of a service area that is growing at a rate of 2 to 5 percent a year is a huge task in the best of times. The job becomes even more challenging when California's power market is in upheaval. IID's Board of Directors



Brawley Diesel Plant, 1938

and staff have spent many hours researching the issue and learning how to best provide for the future needs of the District's customers.

"The bottom line," Power Department Manager John Steffen said, "is we have to be dedicated to building a relationship with our customers by providing exceptional service. Good customer service has to be at the root of everything we do."

To that end, IID invested more than $30 million in upgrades to improve power system reliability and prepare for future needs.

Power projects completed in 2000 included:

- Development of the 92kV Park View Substation in Brawley. The new substation will be able to distribute over twice as much electricity as the old Rio Vista Substation it replaces. The new sub will be better equipped to handle the city's growth. It also includes upgrading to a double circuit for improved reliability.

- Handled scores of projects in La Quinta to upgrade infrastructure and make power available to several new developments being built.

- Provided power to Chiriaco Summit, home of the General George S. Patton Museum, in eastern Riverside County by building a new 8.5-mile, 12.5-kilovolt electric transmission line and substation. The museum had relied solely on generators before completion of IID's project. The project was made all the more challenging because the site is located on 30 acres of desert tortoise habitat.

Additionally, IID has expanded the programs it offers through funding from the state-mandated Public Benefits Charge. The $4.8 million in programs included rate reductions of up to 25 percent for qualified low-income customers and a variety of programs to conserve energy, develop alternate energy sources and otherwise benefit residential and commercial power.

By never wavering from its focus on its customers, IID proved in 2000 that the desert truly is a safe port in the storm of power restructuring.

Electrician Ruben Salgado anchors a bushing to a transformer at the Park View Substation.

1965

Imperial Valley's first generation of electric power from experimental geothermal sources began in the Red Hill area near the Salton Sea.

IID's first power crew

1967

IID taxes on land discontinued. Board votes to pay off property bonded indebtedness (irrigation bonds), $2.9 million.

1970

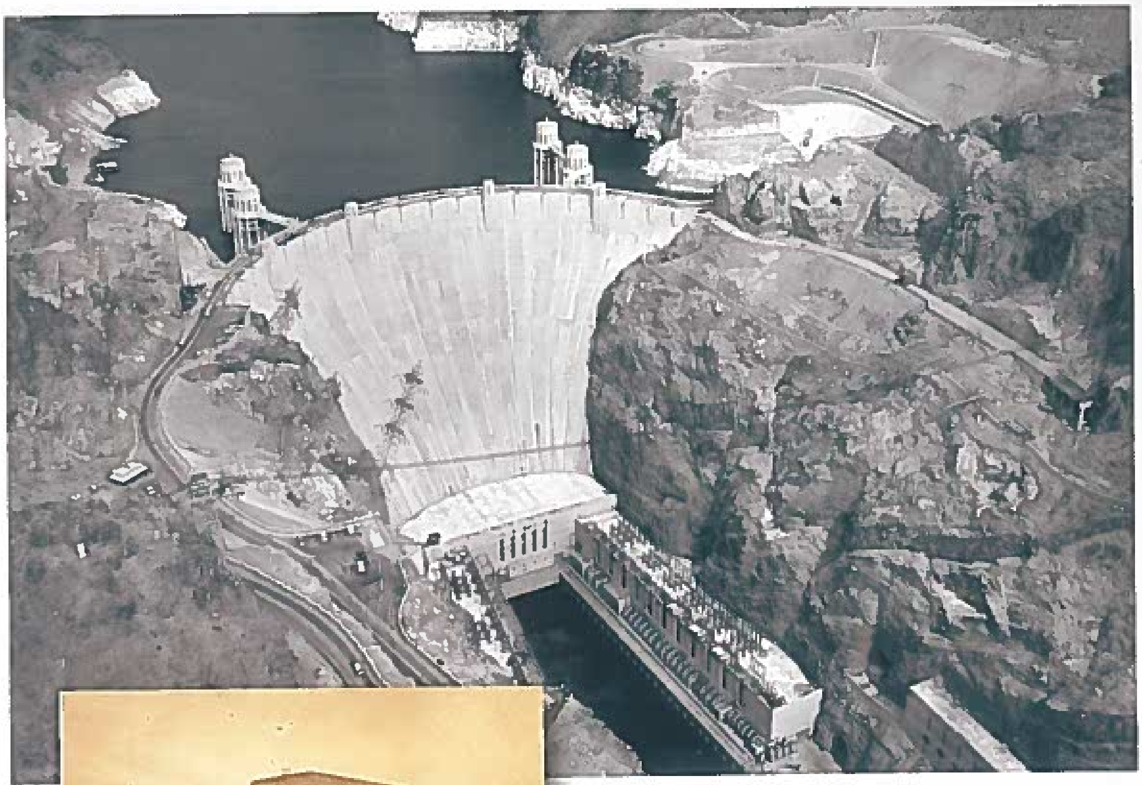
A 60,000-kilowatt power plant for the Coachella Valley receives construction authorization.

1976

The first water regulating reservoir, located on the East Highline Canal, is placed in service.

1979

Rockwood Unit No. 1 gas turbine near Brawley goes on-line. Unit No. 2 on-line in 1980.



(top photo)
Hoover Dam and
(left photo)
Drop 4, which are
part of the IID's
public power system

Power History

Since day one, the Imperial Irrigation District has been committed to providing excellent service to its power customers.

IID entered the power business in the mid-1930s at a time when electrical service was provided only to urban residents, and at a very high price. IID changed all that in 1936 when it served public power to its first customer from the District's diesel plant near Brawley.

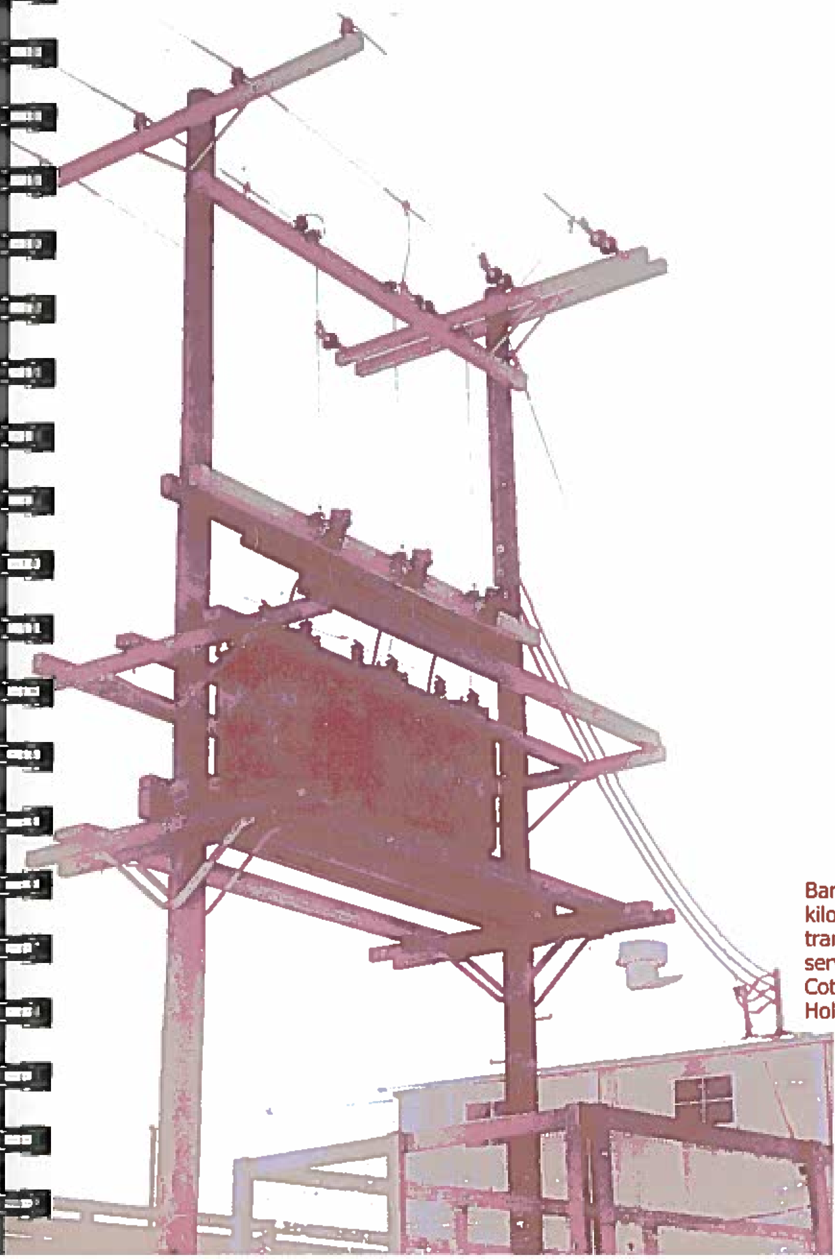
Competition with the existing private electric company was stiff, but by 1938 IID was serving 1,700 customers and as many as 7,000 a year later.

Work to develop the public power system began years before, however. The 1928 passage of the Boulder Canyon Project Act was the springboard for hydroelectric power in the valley, authorizing the construction of Hoover Dam and the All-American Canal. District leaders recognized that the valley could repay its share of the canal's construction loans and serve consumers better by producing reliable and less expensive hydroelectric power. Construction of the canal began in 1934.

IID's first hydroelectric plants were completed at Drops 3 and 4 in 1941 and, two years later, the competition for power customers ended when the District purchased the competitors' Imperial and Coachella valley properties.

IID's main source of power, the El Centro Generating Station, went into operation in 1949. Since then, the District has added numerous energy producing units and capital improvements and has made key agreements with outside energy suppliers to meet the demand for public power and keep it reasonably priced. Today, IID serves over 100,000 power customers in Imperial and parts of Riverside and San Diego counties (an area of 6,471 square miles), with over half of those customers living in the Coachella Valley.

Over the years, the District's service to its power customers has grown significantly, to say the least. When IID was preparing to enter the power business, the District planned for an annual load demand of 13 million kilowatt-hours, projecting revenues of $465,000 and net income of $148,000. In 2000, the District served a load total of 2.5 *billion* kilowatt-hours. The gross revenues for the year, $236.3 million, yielded $25.8 million net income to be invested in capital improvements to meet future consumer needs.



Bank of 3-100 kilovolt amp transformers serving Sturges Cotton Gin in Holtville, 1953.

1980

In June, the U.S. Supreme Court unanimously exempts Imperial Valley from the 160-acre limit, overcoming a 1977 Ninth Circuit Court of Appeals ruling, ending 20 years of legal battles.

The first geothermal power generated by a 10-megawatt facility (operated by Edison) goes on-line.

1981

IID joins the Southern California Public Power Authority to purchase 14.6-megawatt interest in the Palo Verde Nuclear Generating Station and an interest in the Palo Verde/San Diego 500-kilovolt transmission line.

1984

IID enters into negotiations with the Metropolitan Water District of Southern California to transfer conserved water.

Drop 1 and East Highline turnout hydro plants are completed.

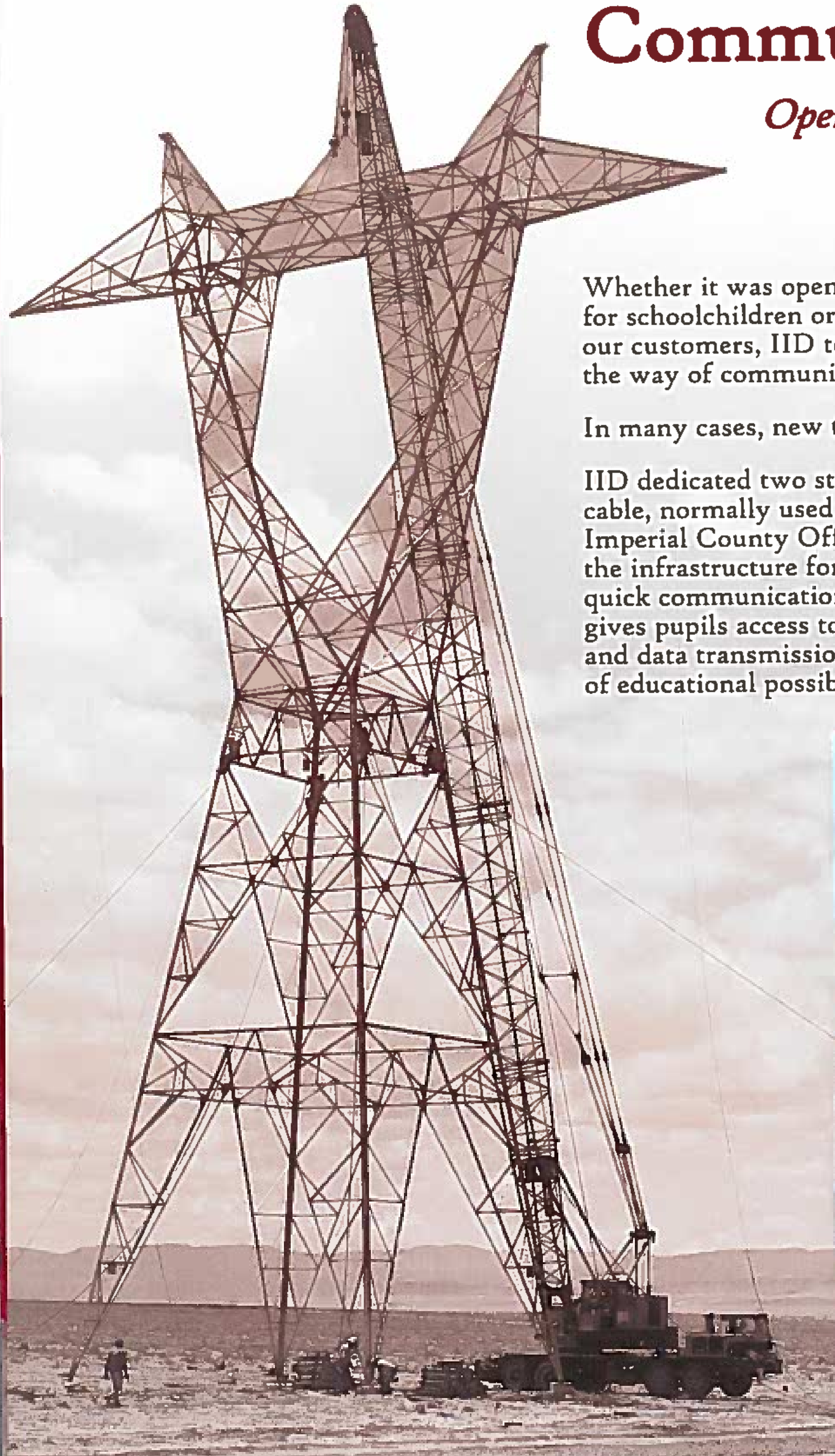
Communications

Opening a window to the world and other possibilities

Whether it was opening a window to the world for schoolchildren or meeting one-on-one with our customers, IID took new ground in 2000 in the way of communications.

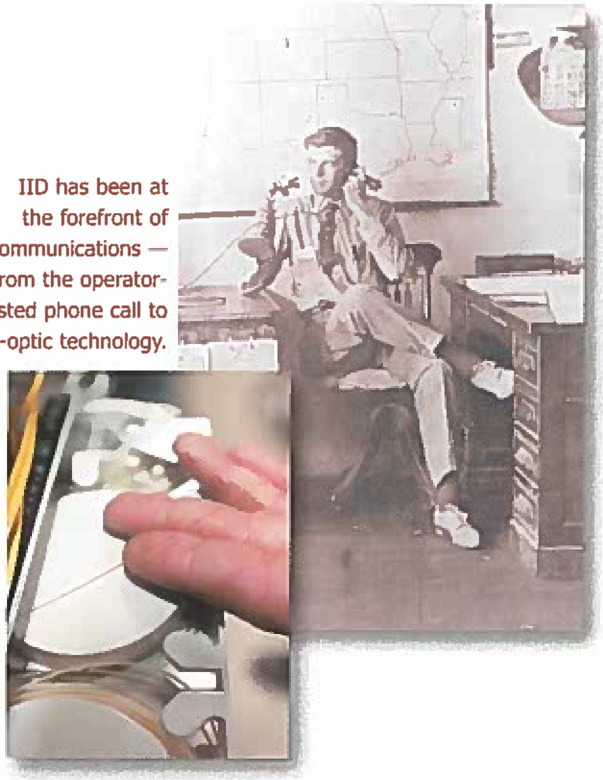
In many cases, new technology played a big part.

IID dedicated two strands of excess fiber-optic cable, normally used for power operations, to the Imperial County Office of Education, providing the infrastructure for the 21st century lightning-quick communication system. The new system gives pupils access to high quality voice, video and data transmission and opens a door to a host of educational possibilities.



Communications and Controls Technician Foreman Chuck Scroggins adjusts a portable antenna used by the new radio system.

Construction of a transmission tower east of the El Centro Steam Plant, carrying the 161kV A-Line to Yuma, 1969.



IID has been at the forefront of communications — from the operator-assisted phone call to fiber-optic technology.

"In our role of being a good corporate citizen, IID is proud to help," said General Manager Jesse Silva. "We're very enthusiastic about building the future of our community by making opportunities available to our children."

IID also invested $3.6 million in an advanced new radio system to improve District-wide communication and customer service. The new system operates on a clearer frequency and allows for better access and expandability. Eventually, field crews will be able to use the radio system to access real-time data, helping IID provide better customer service.

Not all strides made in communications involved high technology, however. To serve customers better, the Water Department began holding a series of town hall meetings with farmers.

"We're facilitating better communication between farmers and the District," said Water Department Manager Michael King. "And we're happy to better meet their needs."

The meetings have proven fruitful. The effort also led to the creation of a new communications tool (a newsletter), dedicated to addressing concerns and detailing the District's duties, responsibilities and accomplishments.

The District also took strides in 2000 to develop the "voice of IID." In response to the 300-plus requests IID receives each year for public presentations, the training section developed a Speaker's Bureau. The 12-hour course helps employees sharpen their public speaking skills and has resulted in a team of qualified speakers who can better serve this need.

Improving communications, as a company and as a good corporate citizen, is just one of the things IID is doing to serve our customers better.

1985

Experimental triploid grass carp are introduced into the canal system to control hydrilla, resulting in near total success in the eradication of the aquatic plant in the following years.

1986

System Operations Center (SOC), an elaborate microwave communications system, opens at the El Centro Generating Station.

Power Department completes a 230-kV Mirage-to-Coachella transmission line, an important connection for access to the rest of the southwestern power grid, as well as a contract for the long-time purchase of electrical power from El Paso Electric Company.

1988

The U.S. House of Representatives authorizes the construction of a new lined concrete canal to replace a 23-mile section of the All-American Canal.

Improving on excellence

Whether it was taking a pro-active approach to improve safety, or learning to protect nature's delicate creatures while working in the desert, IID remained committed to excellence in 2000.

Being the best takes time, effort and sacrifice. In the past 90 years, the District has come a long way, proudly investing over 20,000 hours in work-force training alone in 2000. And in many instances, our employees have taken it upon themselves to sharpen their skills to become even better at what we do.

Highlighting the year was the District's "Target Zero! Shoot for Zero Accidents" training series. The 3-5 year educational program, developed in cooperation with NASA, takes a pro-active approach to eliminate accidents. In the first year, the District witnessed a 40 percent reduction in vehicle accidents and the lowest injury rate in 10 years. We've increased productivity, reduced injury-related expenses and have made the District a better place to provide services.

IID also embarked on a sensitive environmental training series to protect California's official state reptile, the threatened desert tortoise. The entire Power Department, and equipment crews from the Water Department, learned how to conduct business in critical habitat areas without endangering the species.

Supervisors, power dispatchers, welders and additional employee groups also improved their skills to meet the needs of a changing industry. New supervisors underwent an 18-week course to improve communication and operational skills and build teamwork. Dispatchers dedicated personal time to prepare for and pass the latest power industry certification exams, and IID's welding crew began tackling a series of certifications to sharpen their skills, doing the type of work, as one employee said, upon which the lives of others depend.

IID's commitment to excellence has a purpose – we want to be the best and serve our customers better than anyone. Our success is firmly rooted on the principle of providing excellent customer service, and our growth is nourished by our personal and professional dedication to innovation and excellence.

At IID, we're doing what it takes to serve our customers better.

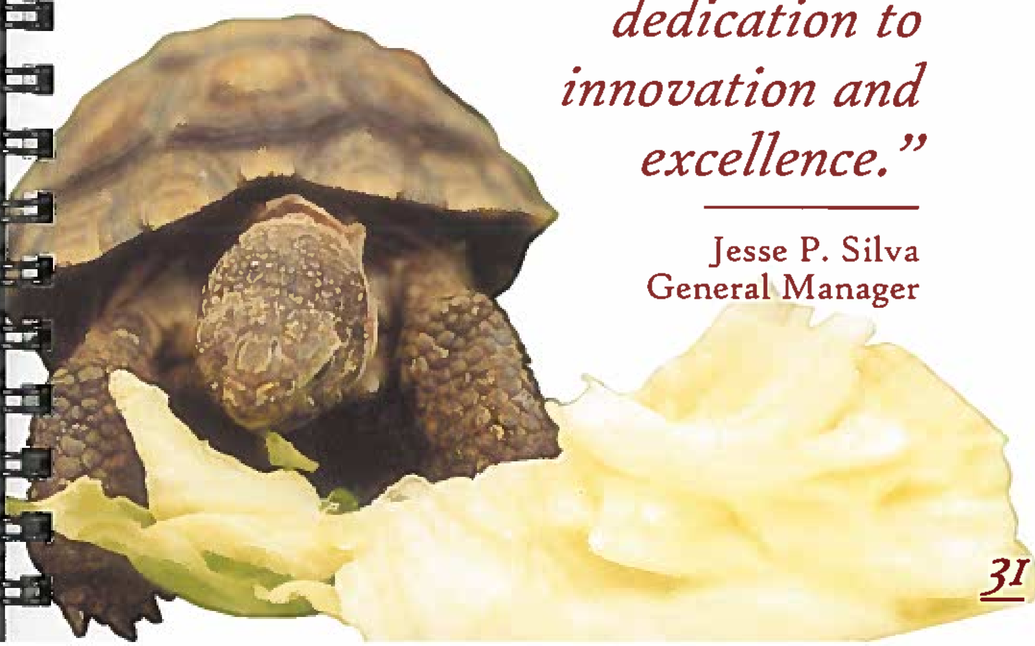
IID welders focus on being the best.

Water Department and Public Affairs staff address farmers' concerns.

Specialists share details about the nature of the threatened desert tortoise.

"Our success is firmly rooted on the principle of providing excellent customer service, and our growth is nourished by our personal and professional dedication to innovation and excellence."

Jesse P. Silva
General Manager



1989

Ground is broken for operational and administrative headquarters on a 40-acre site in the city of La Quinta, to serve Coachella area customers.

IID/MWD Water Conservation and Transfer Agreement is signed and heralded as one of the most innovative and aggressive water conservation programs ever undertaken by a water district.

1990

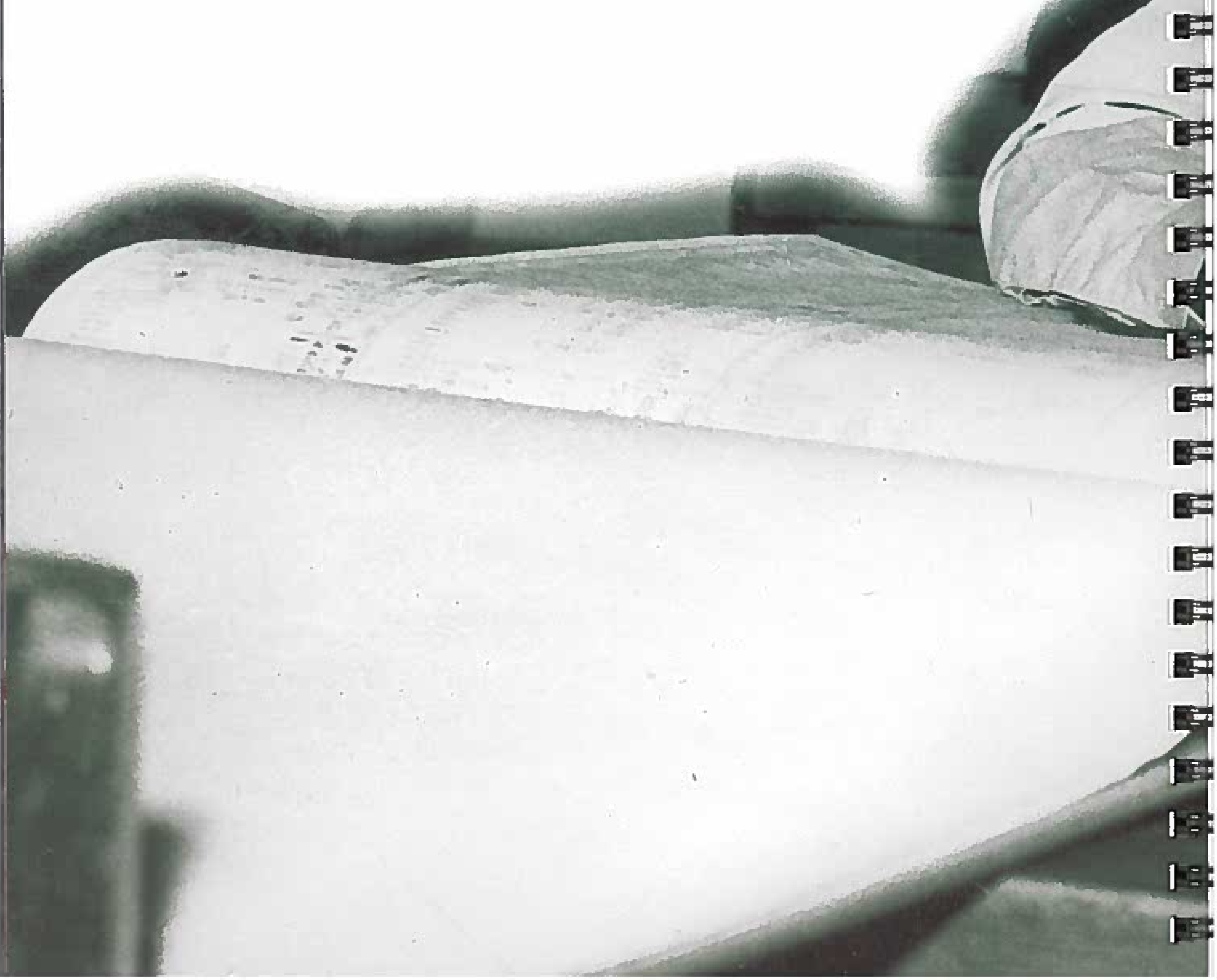
IID/MWD water conservation construction and automation of IID's water delivery system begins.

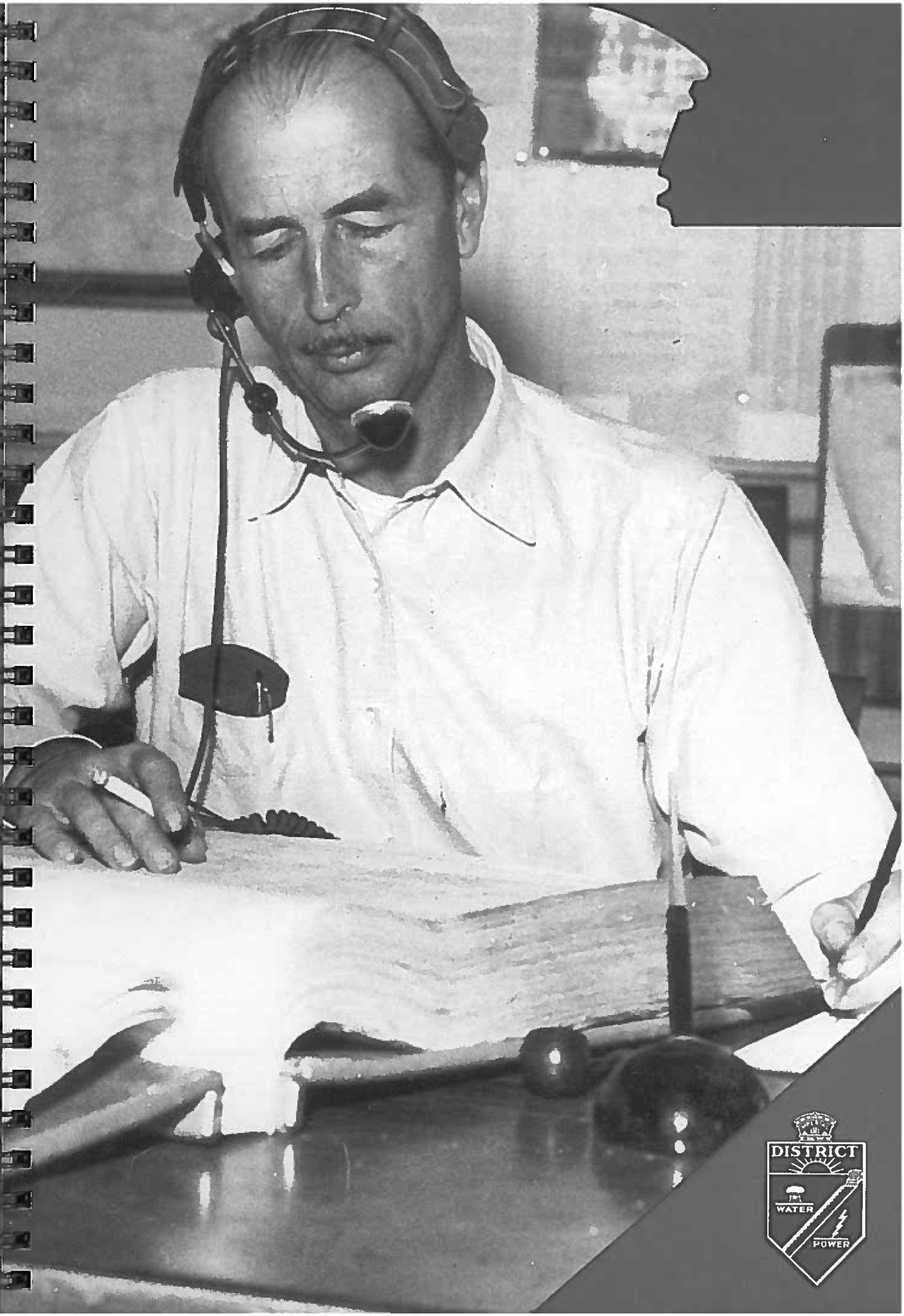
A $58 million project to re-power the El Centro Steam Plant to increase generating capacity begins.

A 92-kV line running from El Centro to La Quinta is converted to a 161-kV line.

"Ninety years ago, the
Imperial Irrigation District started
out with nothing. Today, IID proudly
manages over $1 billion in combined assets
and is stronger than ever, meeting the
present and future needs of our
water and power customers."

Kris Fontaine
Chief Financial Officer





DISTRICT
WATER
POWER

Watermaster H. K. Roben, receiving division water order, 1954.

Financial Report

IMPERIAL IRRIGATION DISTRICT

Combined Balance Sheets
December 31, 2000 and 1999

Assets	2000 Water Department	2000 Power Department	2000 Combined	1999 Water Department	1999 Power Department	1999 Combined
Current assets:						
Cash and investments	$ 0	$ 0	$ 0	$ 703,390	$ 0	$ 703,390
Receivables:						
Trade	6,599,139	16,713,045	23,312,184	7,684,573	19,854,419	27,538,992
Interest	160,440	1,443,962	1,604,402	194,040	1,961,957	2,155,997
Other	6,652,458	8,191,567	14,844,025	509,607	3,529,655	4,039,262
	13,412,037	26,348,574	39,760,611	8,388,220	25,346,031	33,734,251
Less allowance for doubtful accounts	(798,470)	(2,610,907)	(3,409,377)	(304,999)	(1,327,598)	(1,632,597)
Net receivables	12,613,567	23,737,667	36,351,234	8,083,221	24,018,433	32,101,654
Inventories:						
Fuel oil	0	2,767,981	2,767,981	0	2,682,355	2,682,355
Materials and supplies	1,915,948	12,617,582	14,533,530	2,195,605	9,812,250	12,007,855
Total inventories	1,915,948	15,385,563	17,301,511	2,195,605	12,494,605	14,690,210
Prepaid expenses and deferred charges	861,322	1,984,453	2,845,775	559,824	3,438,846	3,998,670
Total current assets	15,390,837	41,107,683	56,498,520	11,542,040	39,951,884	51,493,924
Cash and investments, restricted as to use and allocated for:						
Debt service	4,655,699	16,065,307	20,721,006	2,473,932	15,992,233	18,466,165
Construction	22,218,608	34,150,175	56,368,783	8,036,418	52,920,630	60,957,048
Self-insurance	11,000,000	8,000,000	19,000,000	9,000,000	7,100,000	16,100,000
Other	14,043,364	13,781,904	27,825,268	18,564,787	7,359,831	25,924,618
	51,917,671	71,997,386	123,915,057	38,075,137	83,372,694	121,447,831
Other restricted assets – refundable to customers	0	9,516,766	9,516,766	0	5,521,815	5,521,815
Utility plant, at cost:						
Plant in service	350,731,893	933,824,325	1,284,556,218	340,107,566	876,274,326	1,216,381,892
Less accumulated depreciation	(88,826,681)	(326,235,451)	(415,062,132)	(84,083,622)	(299,127,751)	(383,211,373)
	261,905,212	607,588,874	869,494,086	256,023,944	577,146,575	833,170,519
Construction in process	0	1,576,130	1,576,130	0	48,638	48,638
	261,905,212	609,165,004	871,070,216	256,023,944	577,195,213	833,219,157
Other Assets:						
Protection of water rights	11,024,638	0	11,024,638	5,248,635	0	5,248,635
Less Accumulated Amortization	(319,593)		(319,593)	(143,320)		(143,320)
	10,705,045	0	10,705,045	5,105,315	0	5,105,315
	$339,918,765	$731,786,839	$1,071,705,604	$310,746,436	$706,041,606	$1,016,788,042

1993

New automated Water Control Center opens at headquarters. District appeals and prevails in an EPA order directing the District to develop plans to monitor and manage its canal water to Safe Drinking Water Act standards.

IMPERIAL IRRIGATION DISTRICT

Combined Balance Sheets
December 31, 2000 and 1999

Liabilities and District Equity	2000 Water Department	2000 Power Department	2000 Combined	1999 Water Department	1999 Power Department	1999 Combined
Current liabilities:						
Current maturities of long-term debt	$ 1,409,037	$ 3,003,373	$ 4,412,410	$ 1,112,033	$ 2,952,033	$ 4,064,066
Accounts payable	1,075,266	12,911,633	13,986,899	749,529	12,106,119	12,855,648
Accrued interest payable	21,830	1,226,642	1,248,472	5,286	1,315,230	1,320,516
Accrued compensation and payroll taxes	2,581,597	2,982,129	5,563,726	1,326,106	1,326,106	2,652,212
Accrued vacation and sick leave	120,113	103,416	223,529	367,376	909,187	1,276,563
Deferred revenue - water availability charges	145,261	0	145,261	2,107,970	0	2,107,970
Total current liabilities	5,353,104	20,227,193	25,580,297	5,668,300	18,608,675	24,276,975
Liabilities payable from restricted assets:						
Current maturities of long-term debt	1,090,000	7,315,837	8,405,837	585,000	6,560,379	7,145,379
Other accrued expenses, noncurrent portion	11,000,000	8,000,000	19,000,000	9,300,000	7,100,000	16,400,000
Advances and deposits from customers	40,054	1,889,430	1,929,484	10,861	1,950,015	1,960,876
Total liabilities payable from restricted assets	12,130,054	17,205,267	29,335,321	9,895,861	15,610,394	25,506,255
Long-term debt:						
Certificates of participation	42,535,564	117,779,488	160,315,052	14,808,925	124,051,464	138,860,389
Bonds payable	1,411,983	0	1,411,983	1,498,033	0	1,498,033
Capital leases	1,085,354	2,117,054	3,202,408	1,396,209	3,213,501	4,609,710
Total long-term debt	45,032,901	119,896,542	164,929,443	17,703,167	127,264,965	144,968,132
Deferred credits and other liabilities:						
Advances for construction	2,240	7,370	9,610	0	7,370	7,370
Accrued vacation and sick leave, noncurrent portion	3,398,018	3,090,510	6,488,528	2,801,207	1,900,479	4,701,686
Total deferred credits and other liabilities	3,400,258	3,097,880	6,498,138	2,801,207	1,907,849	4,709,056
Total liabilities	65,916,317	160,426,882	226,343,199	36,068,535	163,391,883	199,460,418
District equity:						
Contributions in aid of construction	105,607,024	35,977,833	141,584,857	105,981,941	33,667,865	139,649,806
Retained earnings	168,395,424	535,382,124	703,777,548	168,695,960	508,981,858	677,677,818
Total District equity	274,002,448	571,359,957	845,362,405	274,677,901	542,649,723	817,327,624
	$339,918,765	$731,786,839	$1,071,705,604	$310,746,436	$706,041,606	$1,016,788,042

1994

IID works with other districts and nearby counties to organize the Salton Sea Symposium, the largest meeting to address the problems with the sea.

IMPERIAL IRRIGATION DISTRICT

Combined Statements of Income Years Ended December 31, 2000 and 1999

	2000 Water Department	2000 Power Department	2000 Combined	1999 Water Department	1999 Power Department	1999 Combined
Operating revenues:						
Power sales	$ 0	227,677,482	227,677,482	0	201,548,912	201,548,912
Water sales	40,297,730	0	40,297,730	39,589,609	0	39,589,609
Water availability charges	1,969,390	0	1,969,390	2,017,967	0	2,017,967
Interdepartmental charges:						
Use of All-American Canal	3,930,700	(3,930,700)	0	3,811,000	(3,811,000)	0
Power sales	(1,523,553)	1,523,553	0	(1,381,180)	1,381,180	0
Heber-Mirage transmission credits	0	0	0	0	376,302	376,302
Wheeling charges	0	10,092,608	10,092,608	0	8,994,786	8,994,786
Other	0	989,560	989,560	0	712,866	712,866
	44,674,267	236,352,503	281,026,770	44,037,396	209,203,046	253,240,442
Operating expenses:						
Purchased power	0	97,943,646	97,943,646	0	92,660,043	92,660,043
Cost of fuel	0	34,537,142	34,537,142	0	20,240,460	20,240,460
Other power expenses	0	28,666,990	28,666,990	0	32,021,377	32,021,377
Operation and maintenance of All-American Canal	2,659,706	0	2,659,706	2,312,760	0	2,312,760
Operation and maintenance of irrigation system and dams	34,841,735	0	34,841,735	19,454,480	0	19,454,480
General and administration expense	9,753,723	17,889,610	27,643,333	11,050,112	17,390,944	28,441,056
Provision for depreciation and amortization	6,092,891	28,645,474	34,738,365	4,011,318	26,819,451	30,830,769
	53,348,055	207,682,862	261,030,917	36,828,670	189,132,275	225,960,945
Operating (loss) income	(8,673,788)	28,669,641	19,995,853	7,208,726	20,070,771	27,279,497
Nonoperating revenues (expenses):						
Investment income	2,806,263	4,426,963	7,233,226	1,728,971	5,532,474	7,261,445
(Decrease) increase in fair value of investments	(475,700)	(659,682)	(1,135,382)	(1,245,993)	(2,822,360)	(4,068,353)
Interest expense	(1,183,576)	(8,967,557)	(10,151,133)	(1,160,164)	(8,082,404)	(9,242,568)
Other income	3,176,204	3,188,474	6,364,678	1,389,926	7,045,702	8,435,628
Other expenses	(212,214)	(2,002,020)	(2,214,234)	0	0	0
	4,110,977	(4,013,822)	97,155	712,740	1,673,412	2,386,152
Net (loss) income	($4,562,811)	$24,655,819	$20,093,008	$7,921,466	$21,744,183	$29,665,649

1994

The Unit 2 Repowering Project is completed, resulting in the most efficient fossil-fueled power plant in California.

COMPARATIVE STATISTICS

Power Department

	2000	1999	1998	1997	1996	1995
Revenues from Energy Sales ($000)						
Residential	$97,661	$87,186	$81,949	$80,210	$76,310	$68,637
Commercial/Industrial	101,262	90,747	98,969	104,537	99,759	97,416
Other	28,754	23,615	13,872	13,304	13,157	12,221
	$227,677	$201,548	$194,790	$198,051	$189,226	$178,274
Energy Sold (MWh)						
Residential	1,096,389	1,084,937	983,589	952,866	942,020	867,229
Commercial/Industrial	1,157,604	1,111,631	1,139,335	1,297,306	1,272,742	1,276,291
Other	302,921	184,345	230,935	162,161	167,684	157,593
	2,556,914	2,380,913	2,353,859	2,412,333	2,382,446	2,301,113
Electric Customers						
Residential	85,193	78,737	75,521	74,213	72,995	71,081
Commercial/Industrial	15,596	14,347	12,242	12,256	11,972	11,758
Other	2,031	1,982	2,889	2,634	2,598	2,549
	102,820	95,066	90,652	89,103	87,565	85,388
Electric Plant						
Net Utility Plant	$609,165,005	$577,195,213	$557,701,980	$535,722,843	$518,824,995	$500,447,215
Miles of Lines:						
Transmission	1,642	1,638	1,543	1,643	1,648	1,637
Distribution	3,648	3,648	3,393	3,583	3,499	3,415
Bonded Indebtedness	$125,095,325	$130,611,842	$136,613,593	$145,973,898	$157,145,735	$167,704,643
Power Supply (MWh)						
Purchases	1,962,842	1,834,918	1,493,146	1,869,842	1,945,076	2,192,687
Generation	1,304,318	887,759	1,025,792	943,125	806,068	756,462
Peak Demand (MW)	705	680	684	632	639	630
Historical Average Electric Rates (cents)						
Base Rate	8.62	8.05	7.92	7.84	7.94	7.40
Energy Cost Adjustment	0.05	0.05	0.05	0.16	0.00	0.35
	8.67	8.10	7.97	8.00	7.94	7.75

1998

IID and the San Diego County Water Authority sign a historic water transfer agreement, a cornerstone in California's 4.4 plan to meet future water needs.

COMPARATIVE STATISTICS
Water Department

	2000	1999	1998	1997	1996	1995
Revenues from Water Sales ($000)						
Agricultural	$38,664	$37,586	$36,699	$34,672	$34,855	$31,886
Industrial	1,407	1,209	1,184	1,089	1,134	1,071
Municipal	467	447	416	398	430	412
Miscellaneous	531	513	492	444	499	291
	$41,069	$39,755	$38,791	$36,603	$36,918	$33,660
Water Delivered (acre feet)						
Agricultural	2,795,767	2,728,923	2,740,661	2,803,640	2,821,987	2,678,768
Industrial	20,511	17,246	17,573	17,458	18,130	17,708
Municipal	55,468	31,905	30,858	31,734	34,267	34,052
	2,871,746	2,778,074	2,789,092	2,852,832	2,874,384	2,730,528
Historical Water Rates						
Water (per acre foot)	$14.00	$14.00	$13.50	$12.50	$12.50	$12.00
Water (July 1, 2000)	$14.50					
Water Availability (per acre)	$3.80	$3.80	$5.70	$5.70	$5.70	$3.80
Fund Balances ($000) (December 31)						
Water Operating Fund	$36,338	$13,197	$19,581	$22,889	$26,921	$11,701
Capital Reserves	2,806	2,763	2,869	3,363	939	2,649
Indirect Reserve Fund	12,774	23,927	19,106	22,162	16,512	16,020
	$51,918	$39,887	$41,556	$48,414	$44,372	$30,370

2000

District has all-time power peak of 705 megawatts in June.

COMPARATIVE STATISTICS
Power Department

Reconciliation of Net Earnings to Balance Available for Debt Service ($000)	**2000**	**1999**	**1998**	**1997**	**1996**	**1995**
Net Earnings	$24,656	$21,744	$24,371	$34,409	$33,169	$21,102
Miscellaneous	0	(376)	(378)	(2,472)	(8,208)	(8,505)
Add Back:						
Depreciation	28,646	28,271	23,153	21,887	21,253	21,072
Unrealized Loss on Invest	660	0	0	0	0	0
Interest Expense	8,967	8,082	8,672	8,923	9,696	10,539
Balance Available for Debt Service	$62,929	$57,721	$55,818	$62,747	$55,910	$44,208
Debt Service	$13,508	$13,960	$20,467	$20,499	$20,512	$20,527
Coverage on Debt Service	4.66	4.13	2.73	3.06	2.73	2.15
Add Back Obligation Service	$17,199	$14,460	$14,460	$14,460	$12,743	$11,651
Balance Available for Debt and Obligation Services	$80,128	$72,181	$70,278	$77,207	$68,653	$55,859
Coverage on Debt and Obligation Services	2.61	2.54	2.01	2.21	2.06	1.74

COMPARATIVE STATISTICS
Water Department

Reconciliation of Net Earnings to Balance Available for Debt Service ($000)	**2000**	**1999**	**1998**	**1997**	**1996**	**1995**
Net Earnings	($4,564)	$5,090	$9,976	($237)	$3,914	($6,854)
Miscellaneous						
Add Back:						
Depreciation	$6,093	$5,870	$7,727	$7,339	$6,747	$6,321
Interest Expense	1,184	1,160	1,151	1,215	416	68
Unrealized Loss on Invest	476	0	0	0	0	0
Balance Available for Debt Service	$3,189	$12,120	$18,854	$8,317	$11,077	($465)
Debt Service	$1,594	$1,593	$1,597	$1,555	$145	$145
Coverage on Debt Service	2.00	7.61	11.81	5.35	76.39	(3.21)
Add Back Obligation Service	0	0	0	0	0	0
Balance Available for Debt and Obligation Services	$3,189	$12,120	$18,854	$8,317	$11,077	($465)
Coverage on Debt and Obligation Services	2.00	7.61	11.81	5.35	76.39	(3.21)

2000

Following months of negotiations, IID and other California water users unveiled the Quantification Settlement Agreement, a document that offers long-term peace among the agencies, allowing the people of Southern California to meet their water needs and plan for the future without fear of legal challenge by the participants. The document awaits ratification.

IID...

IID's first rural power pole, erected in 1938 at Magnolia School, draws a crowd.

Building on our roots of service.

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