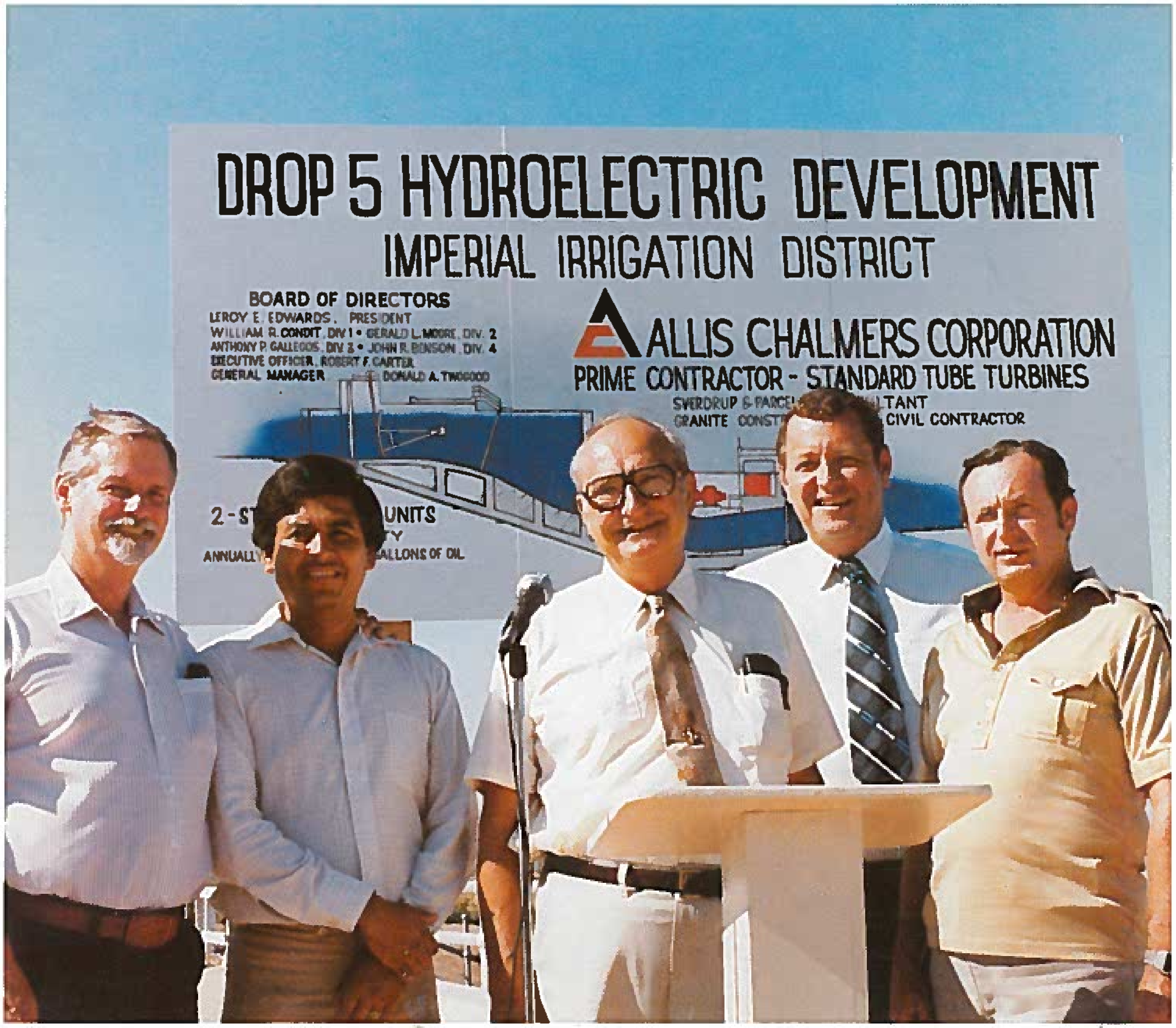
Go, Go, Go, HYDRO!



IMPERIAL IRRIGATION DISTRICT

ANNUAL REPORT

1981

Post Office Box 499
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El Centro, California 92244
(714) 352-2462

I.I.D.

Contents

Leroy E. Edwards
President of the Board

President's Message 1981

To the Board of Directors of Imperial Irrigation District and to the customers the District serves in Imperial, Bard and Coachella Valleys:

Seventy years ago, the District purchased the holdings of the private water companies delivering water to Imperial Valley. Forty-five years ago, the District began serving the power service areas of the District with electric power.

During and since that time, the Board of Directors of Imperial Irrigation District has continued to expand its water and power facilities. In power, by installing gas turbine generation and purchasing capacity in lines to be constructed, buying energy in different states, and negotiating agreements to intertie with several agencies so that peak and off-peak operations of of each utility can be an advantage to this District during the time that capacity and energy is available to the District, as required, and at the same time, provide outlet sources for delivery of power to others, such as geothermal power, etc.

Insofar as the Water Department is concerned, deliveries are established, therefore, expansion programs of this department are accomplished by concrete lining the lateral canal system, installing remote controls at critical operating points and, of course, vigorously pursuing the District's water conservation program to eventually accomplish its goal of only making deliveries of irrigation water to users who use the same beneficially.

The Board, under my direction, has been continuously involved in negotiating and reviewing studies and proposals prepared and rendered by others who had been retained by the Board to advise the Board as concerns the best plan of action the District should take with respect to developing and/or obtaining capacity and energy to supply all District customers until the year 2000. This, I am happy to say, is being accomplished.

Notwithstanding everyday operations, such as budget presentation and control thereof, rate reviews, and inspection of particular tariffs which require attention, the Board has embarked upon a program of harnessing all hydroelectric power generation sites which have sufficient drop and water flow in an effort to take advantage of energy which can be furnished to District customers without the use of one drop of fuel oil. One can say without reservation that the days of operating our vast power and water systems network with simplicity and ease are gone forever, but this should not and will not be a deterrent for the District to furnish the services to its customers, for they are entitled to the water required to irrigate the land now being operated, as long as the same is used beneficially, and the right to power and/or energy, as may be required, depending upon their choice and demands. The customers so served deserve no less.

Yours very truly,

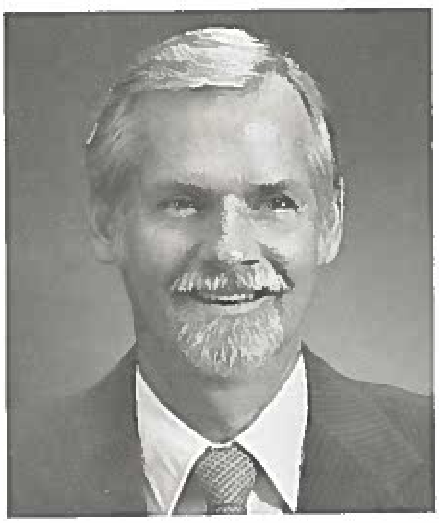
Leroy E. Edwards

". . . the Board has embarked upon a program of harnessing all hydroelectric power generation sites . . . to take advantage of energy . . . without the use of one drop of fuel oil."

Board of Directors

Leroy E. Edwards
President of the Board
Division 5

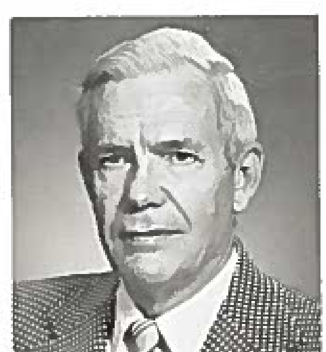
John R. Benson
Division 4



William R. Condit
Division 1

Anthony P. Gallegos
Division 3

Gerald L. Moore
Division 2



Larry E. Beck
Secretary to the Board

An Often Overlooked Advance

As noted on the cover and discussed elsewhere in this annual report this is the year the IID Board of Directors established a policy of tapping *all* the hydro-power resources available to us that are cost effective.

The maximum development of hydro-power is an idea whose time came with the rapid increase in the price of oil and gas and the Board is proud to have moved when the time was right.

It is also time for the IID to consider interconnecting with other utilities in order to import power, as well as to export it when we have a surplus. The Board has charted this new course—which will bring IID out of relative isolation to become an active member of a large family of utilities.

Drain Tile

But as we highlight these new directions of effort we must not overlook on-going programs that were started years ago and continue to expand, year after year, to the benefit of the Valley. One such program, which requires the joint participation of the Soil Conservation Service, IID, and the landowners, involves the installation of underground drain tile. Because of this program Imperial Valley, unlike many agricultural areas, becomes more productive every year.

The first drain tile was installed in the Valley in 1929. Each year since has seen more drain tile added. Today there are 27,872 miles of drain tile throughout the District, and the job goes on. In 1981, for example, 866 miles of new tile was installed. There will be that much, if not more, added in 1982.

Salt Decreasing

The increased presence of drain tile has meant a steady decrease in the salt content of Imperial Valley soils, and a steady increase in productivity. Studies show that in many parts of the country farms are growing less and less productive from over use and the salt content of irrigated soils is increasing, posing serious threats for the future. Just the opposite is happening in Imperial Valley, where there are ample drain tiles.

Water "leaches" the soil by perculating down to the drain tiles, picking up salt from the soil as it goes down, then flushes it out of the field through the drain tiles.

In 1981 almost twenty percent more salt was flushed out of the Valley by this procedure than entered the Valley via the Colorado River. Every year the soils in Imperial Valley become less salty—and more productive—thanks to a drainage system that was started more than fifty years ago, has been extended every year since, and will continue to expand for the forseeable future.

"In many parts of the country the salt content of irrigated soils is increasing . . . just the opposite is happening in Imperial Valley . . ."

Robert F. Carter
Executive Officer to the Board of Directors

Executive Officer's Report

District operations for 1981 might be summarized by reciting some of the main departmental activities which were reviewed as plans to put into operational reality in the near future. They were:

Studies by consultants to determine the validity of investing in the 500-KV extra-high voltage transmission line which is scheduled to be constructed across the floor of Imperial Valley in a corridor determined by a great number of agencies, including a power advisory committee appointed by the Board of Directors. The District as an ownership participant in this line will be able to take advantage of lower cost power originating in other states and delivering the same to the customers we serve, as well as use said line from time to time to deliver excess geothermal-generated energy to places outside of the Imperial Valley which require the same.

Different consultants were retained by the Board of Directors to study the various locations throughout the valley in which sufficient drop and canal flow existed, thus justifying the installation of hydro-electric power generation plants. This low cost energy will be a boom to the customers the District serves within its power service area. Installation of those which appear to be promising will be developed starting next year. Notwithstanding the study, the District's Board of Directors decided to complete Drop 5 power plant by installing a turbine and ancillary equipment in a substructure that was built in 1933-35. This plant is expected to be completed and in operation in early 1982.

Water conservation received a great deal of attention during 1981 not only by the Board of Directors and staff of the District but also by the Water Conservation Advisory Board which is a committee appointed by the Board of Directors, in an effort to make certain that each diversion made from the Colorado River is used wisely and prudently in keeping with the All-American Canal contract between Imperial Irrigation District and the United States, as well as other documents which make reference to the manner in which said water shall be used, and here I am speaking of the Constitution of the state as well as the United States of America.

Dealing with the subject of litigation, one case which deserves attention is the Salton Bay Marina, Inc., v. Imperial Irrigation District matter in which the jury found the District negligent of the manner in which it delivered its water. Several facets of this case leading up to the judgment leaves a great deal to be desired, and the legal department has been authorized as a result thereof to file an appeal with the appropriate court in connection with this case.

By and large, 1981 was an interesting, though challenging, year, for the cost of doing business was very expensive due to increases beyond the District's control in product costs created by others who supply the ingredients required, high interest rates, not to mention the various rules and regulation initiated by the state and federal governments which made it much more difficult to operate the two divisions of the District without increasing rates to compensate for these very costly changes in doing business.

All departments; namely, water, power, finance & accounting, operations services, and personnel, succeeded in performing their assigned tasks successfully in spite of the difficult times each department manager experienced.

By and large, the operations as a whole, though not as successful as the year before, was still an improvement over other years, and we believe under the circumstances that the job accomplished was one well done.

Our thanks go out to our customers and to those we do business with, and it is pledged that while our rates might be somewhat more expensive in years to come, we will do our best to make the product we sell available at the lowest possible cost.

R. F. Carter

"This low cost energy (hydro) will be a boom to the customers the District serves within it's power service area."

Donald A. Twogood
General Manager

L. R. McGlocklin
Assistant to the
General Manager

General Manager's Report

The Board of Directors adopted a record budget for 1981 of 80.1 million dollars in expenditures to operate and maintain the vast water and power systems. Actual expenditures for 1981 were within budget at 75.9 million dollars.

Water Conservation Expanded

In order to expand the District's already stringent water conservation program, the Board of Directors increased the amount to be spent for concrete lining of canals and laterals from 1.3 to 2.0 million dollars per year, accelerated the construction of regulating reservoirs, and employed a Water Conservation Specialist to head the program. These programs are funded by the addition of $1/A.F. on July 1, 1981, to the water rate which had been in effect for one year, making the water rate $7.50/A.F. This remains among the lowest irrigation water rates in the desert southwest.

Water conservation efforts are beginning to pay off as shown by these statistics:

1. Water delivered to Valley farms was 90.27% of the amount received at Drop 1 on the All-American Canal, the highest efficiency ever;
2. Total acres cropped (600,035 acres) was the third highest of the past 23 years;
3. Inflow to Salton Sea from Imperial Valley, excluding runoff from Mexico, was the lowest amount (962,925 A.F.) in 12 years.

Low Power Rates

Forty-five years ago, in 1936, Imperial Irrigation District entered the power business in competition with the private utility then serving the area. Two years later the District was serving 3,040 customers with annual sales of 6,927,000 kilowatt-hours, averaging 2.52 cents per kilowatt-hour. In 1981, the District sold 1,092,000,900 kilowatt-hours to over 55,000 customers.

The average residential power rate (fixed basic charge plus variable fuel energy charge) for the year was 4.6 cents per kilowatt-hour—among the lowest rates in the southwest and below the national average of 5.5.

Power Demands Increase

Electric power demands in our service area, unlike water demands, continue to increase, reflecting moderate growth in population as demonstrated by the following:

1. Electric meters increased by a record number of 2,604 to 56,396—a rate of 4.8%;
2. Kilowatt-hour sales increased 5.3%;
3. Peak demand hit a new high of 382 MW, an increase of 3.8%.

Recognizing that electric power demands are and will be increasing in the coming years, several important decisions were made by the Board in 1981, namely:

1. Retention of Engineering Consultants to study and report on future power requirements and resources to meet those needs;
2. Signing of Agreement with the Southern California Public Power Authority (SCPPA) to purchase an ownership interest of 14.6 MW of capacity, and electric energy in the Palo Verde Nuclear Generating Station in Arizona;
3. Expression of intent to purchase an interest in the Palo Verde—San Diego 500 KV Transmission Line, which facility will provide the path for importation of power from existing and planned generating sources east of California;
4. After considerable deliberation and several public hearings, the Board approved a 5% increase across-the-board in the basic electric power rates, which was implemented on October 1, 1981, as recommended by the consulting firm Toward Utility Rate Normalization (TURN); the first increase in the basic rate since 1974.

Hydro Expanded

The hydroelectric power plant was in process of installation at the All-American Canal Drop #5 during 1981, and the Board of Directors has approved major work authorizations for the development of hydroelectric generation at All-American Canal Drop #1 and at the East Highline Canal Turnout with contracts being awarded for engineering work, indicating a firm commitment to developing hydro projects wherever feasible.

Our major goal in 1981, as it has been each and every year, was to provide water and electric power to our consumers—the owners of the District—in quantities and, at times requested at the lowest possible cost. I am pleased to report that we met that goal by delivering 2.5 million acre-feet of water to over 5,000 farm headgates, numerous service pipes, and to the nine cities and towns in the Valley; and by procuring and distributing over 1.3 billion kilowatt-hours of electric power, serving the requirements of over 100,000 people in Imperial and Coachella Valleys.

"Water conservation is working . . ." The IID Board has indicated a "firm commitment to developing hydro projects wherever feasible."

J. Penn Carter
Chief Legal Counsel

Legal Department

The Legal Department furnishes legal advice and counsel to the Board of Directors and to the officers and employees of the District acting in their official capacity.

All litigation involving the District, or in which the District may be interested, is handled by the Legal Department. This Department, with respect to the legal features involved, supervises the preparation and execution of contracts, bids, purchases, leases, rights-of-way, annexations, deposits of funds, and other related District matters. With the exception of litigation, the activities of the Legal Department are largely reflected in the activities of the other departments of the District.

The Legal Department reviews state and federal legislative proposals which are of interest to the District and makes recommendations when necessary and as requested. The Legal Department handles all workers' compensation cases and participates in proceedings before state and federal administrative tribunals and agencies.

The Legal Department consists of the Chief Counsel, a Special Counsel, and four Assistant Counsels.

Major litigation pending during 1981 includes the following:

Flooding Cases

Hurricane Kathleen (1976) and Tropical Storm Doreen (1977) caused severe and extensive damages in the Imperial Valley. A number of lawsuits have been filed against the District, the County of Imperial, the State of California, and various municipalities claiming that their facilities caused much of the damage. One of these cases resulted in an adverse jury verdict against the District and the City of Imperial during 1980. The judgment against the District was reversed on appeal in 1981, and the case is scheduled to be retried during 1982.

A series of related claims and lawsuits have been filed against the District and the Coachella Valley Water District by reason of the rising level of the Salton Sea inundating various properties located around the Salton Sea. In 1981, a jury determined that the District was liable for causing or contributing to the flooding of properties owned by 34 separate claimants. Another trial will be held in 1982 to ascertain the amount of damages, if any, each claimant is entitled to recover. The remaining claims should be tried sometime during 1982.

Arizona vs. California

This case, pending since 1952, determined that the District has present perfected rights to beneficially use up to 2.6 million acre feet of water per annum from the Colorado River.

During 1979, five Indian tribes, having rights to Colorado River water, filed application with the Supreme Court for increase in those rights by reason of additional land within the Reservation being suitable for irrigation. Hearings were concluded in 1981, and it is anticipated that the Special Master will present his recommendations to the United States Supreme Court during 1982. If the Indian tribes are successful, the rights of the District will not be affected because the allocation of water to the tribes will be taken from other users with a lower priority than the District.

Miscellaneous Litigation

The Legal Department handled other litigation during the year, including actions filed against the District for personal injuries and wrongful death, actions filed on behalf of the District for collection of delinquent accounts, and actions filed on behalf of the District for recovery of damages for injuries sustained by District facilities.

"This case (Arizona vs. California), pending since 1952, determined that the District has present perfected rights to beneficially use up to 2.6 million acre feet of water per annum from the Colorado River."

Kristine K. Fontaine
Finance and Accounting Manager

Finance and Accounting

Financial Review

The District's cash reserves decreased in 1981 from $17.8 million at the beginning of the year to $15.4 million at year's end. Power funds decreased $3.1 million and water funds increased $0.7 million.

Sales revenue for both water and power increased in 1981. The increase in water sales revenue is attributable to an increase in water rates for conservation purposes, while the increase in power sales revenue can be attributed to higher consumption and a 5% rate increase in October 1981.

Of the $12 million increase in electric operating expense, $10.2 million was an increase in fuel and purchased power costs. Irrigation operating expense increased a modest 5% due in part to a heavier emphasis placed on irrigation construction for conservation.

An increase in interest income due to high interest rates was not enough to offset the 29% increase in fuel and purchased power costs. The Fuel Energy Charge (FE) did not adequately recover the increased fuel costs and has been modified to include a balancing factor.

Computer Operations

During 1981, many additions and improvements were made to the computer operations. Guaranty Deposits were added with an automatic application of deposits to closing bills. A Billing Prepass was programmed to increase the accuracy of the billing procedure. Automatic bank reconciliations were begun with acquisition of a tape drive.

Several new systems were also added. These included Accounts Payable, Inventory, and Fixed Assets. These new systems will make it possible to implement the Financial Management package in January of 1982.

Accounting Procedures

In order to effectively implement the new Financial Management System, which includes the general ledger and budget, a study was undertaken to determine the applicability of the accounting system. The study resulted in a complete restructuring of the work order system which will provide a more detailed cost analysis by expense classification.

CALDERON, JAHAM, GLUD & COLTON
AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS
257 NORTH EIGHTH STREET
P. O. BOX 1039
EL CENTRO, CALIFORNIA 92244
(714) 352-6022 (714) 352-3520

Board of Directors
Imperial Irrigation District
El Centro, California

We have examined the combining balance sheet of the departments of Imperial Irrigation District (a political subdivision of the State of California) as of December 31, 1981, and the related combining statements of net revenues, capitalization, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described further in note 2 to the financial statements, a change was made, during the year, in the method by which fuel oil inventories are costed and, therefore, in the method by which fuel costs are charged against operations. Such inventories were previously costed on the first-in, first-out basis. They are now costed on a moving average basis similar to the other inventories.

In our opinion, the financial statements referred to above present fairly (1) the financial position of Imperial Irrigation District as of December 31, 1981, the results of its operations and the changes in its financial position for the year then ended, and (2) the assets, capitalization and liabilities of the individual departments of the District as of December 31, 1981, and their net revenues and the changes in their financial position for the year then ended in conformity with generally accepted accounting principles which, except for the change in the method of computing fuel oil inventory cost, with which we concur, have been applied on a basis consistent with that of the preceding year.

March 5, 1982

Calderon, Jaham, Glud & Colton

IMPERIAL IRRIGATION DISTRICT

COMBINING STATEMENT OF FINANCIAL POSITION

December 31, 1981

ASSETS	*Water Department*	*Power Department*	*Combined*
CURRENT ASSETS			
Operating funds (deficit)	$ (9,576)	$ (2,865,107)	$ (2,874,683)
Accounts receivable, net of allowance for doubtful accounts, Water $28,350; Power $90,511	2,629,008	4,372,982	7,001,990
Inventories:			
Fuel oil	-0-	5,258,981	5,258,981
Materials and supplies	683,544	1,819,634	2,503,178
Prepaid expenses & deferred charges	29,189	513,727	542,916
Total current assets	3,332,165	9,100,217	12,432,382
RESTRICTED ASSETS			
Debt service funds	-0-	1,191,836	1,191,836
Construction funds	1,998,458	4,746,712	6,745,170
Self-insurance funds	4,536,311	-0-	4,536,311
Other restricted funds	1,871,878	3,984,397	5,856,275
	8,406,647	9,922,945	18,329,592
UTILITY PLANT, at cost			
Plant in service	111,447,042	145,827,919	257,274,961
Less accumulated depreciation	17,070,050	71,922,732	88,992,782
	94,376,992	73,905,187	168,282,179
Construction in process	65,805	4,065,168	4,130,973
	94,442,797	77,970,355	172,413,152
OTHER ASSETS	316,986	-0-	316,986
	$106,498,595	$ 96,993,517	$203,492,112

See notes to combining financial statements.

Exhibit A

LIABILITIES AND CAPITALIZATION	*Water Department*	*Power Department*	*Combined*
CURRENT LIABILITIES			
Current maturities of long-term debt	$ 736,812	$ 1,602,010	$ 2,338,822
Accounts payable	754,098	5,446,573	6,200,671
Accrued interest payable	-0-	189,909	189,909
Accrued compensation and payroll taxes	839,301	-0-	839,301
Accrued vacation and sick leave	638,643	648,620	1,287,263
Advances and deposits from customers	64,879	396,747	461,626
Deferred revenues, current portion	1,113,052	-0-	1,113,052
Total current liabilities	4,146,785	8,283,859	12,430,644
LONG-TERM DEBT			
Electric revenue bonds	-0-	1,075,000	1,075,000
All-American Canal obligation	8,380,067	489,609	8,869,676
Obligation under capital lease	59,618	2,550,732	2,610,350
	8,439,685	4,115,341	12,555,026
DEFERRED CREDITS AND OTHER LIABILITIES			
Deferred revenues, noncurrent portion	69,458	-0-	69,458
Advances for construction	-0-	358,473	358,473
Accrued sick leave, noncurrent portion	169,520	174,033	343,553
	238,978	532,506	771,484
COMMITMENTS AND CONTINGENCIES (Note 8 and 11)			
CAPITALIZATION			
Accumulated net revenues	85,150,912	84,061,811	169,212,723
Contributions received in aid of construction	8,522,235	-0-	8,522,235
	93,673,147	84,061,811	177,734,958
	$106,498,595	$96,993,517	$203,492,112

IMPERIAL IRRIGATION DISTRICT
COMBINING STATEMENT OF NET REVENUES
Year Ended December 31, 1981

Exhibit B

	Water Department	*Power Department*	*Combined*
OPERATING REVENUES			
Sales of:			
Power	$ -0-	$59,668,869	$59,668,869
Water	17,737,042	-0-	17,737,042
Water availability charge	1,065,670	-0-	1,065,670
Rentals	306,037	45,185	351,222
Interdepartmental charge for use of All-American Canal	334,499	-0-	334,499
Other	11,716	554,270	565,986
	19,454,964	60,268,324	79,723,288
OPERATING EXPENSES			
Cost of fuel	-0-	19,959,570	19,959,570
Purchased power	-0-	25,157,780	25,157,780
Other power expenses	-0-	8,215,601	8,215,601
Interdepartmental charge for use of All-American Canal	-0-	334,499	334,499
Operation and maintenance of All-American Canal	1,168,470	-0-	1,168,470
Operation and maintenance of irrigation system and dams	9,393,897	-0-	9,393,897
General and administration expense	2,511,767	3,627,717	6,139,484
Provision for depreciation (Note 10)	1,531,249	3,970,951	5,502,200
Provision for loss on experimental farm	110,354	-0-	110,354
	14,715,737	61,266,118	75,981,855
Net operating revenues (Loss)	4,739,227	(997,794)	3,741,433
FINANCIAL REVENUES (EXPENSES)			
Interest income	1,199,986	1,596,971	2,796,957
Interest expense on electric revenue bonds	-0-	(61,794)	(61,794)
	1,199,986	1,535,177	2,735,163
CUMULATIVE EFFECT of Change in Accounting Principle (Note 2)	-0-	43,872	43,872
NET REVENUES, retained to finance operations and plant additions	$ 5,939,213	$ 581,255	$ 6,520,468

See notes to combining financial statements.

IMPERIAL IRRIGATION DISTRICT
COMBINING STATEMENT OF CAPITALIZATION
Year Ended December 31, 1981

Exhibit C

	Water Department	*Power Department*	*Combined*
ACCUMULATED NET REVENUES			
Balance, beginning	$79,211,699	$83,480,556	$162,692,255
Add net revenue	5,939,213	581,255	6,520,468
Balance, ending	$85,150,912	$84,061,811	$169,212,723
CONTRIBUTIONS RECEIVED IN AID OF CONSTRUCTION			
Balance, beginning	$8,111,103	$ -0-	$8,111,103
Add contributions received	411,132	-0-	411,132
Balance, ending	$8,522,235	$ -0-	$8,522,235

See notes to combining financial statements.

Exhibit D

IMPERIAL IRRIGATION DISTRICT

COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31, 1981

	Water Department	*Power Department*	*Combined*
FINANCIAL RESOURCES PROVIDED BY			
Operations:			
Net revenues	$ 5,939,213	$ 581,255	$ 6,520,468
Items which did not require outlay of working capital during the year:			
Depreciation	2,058,514	3,970,951	6,029,465
Increase in noncurrent portion of accrued sick leave	11,819	58,104	69,923
Total working capital provided by operations	8,009,546	4,610,310	12,619,856
Proceeds from long-term borrowing	-0-	3,541,941	3,541,941
Contributions received in aid of construction	411,132	-0-	411,132
	8,420,678	8,152,251	16,572,929
FINANCIAL RESOURCES APPLIED TO			
Acquisitions of long-term assets:			
Addition to utility plant in service, net	6,697,830	8,610,072	15,307,902
Addition to construction work-in-process	61,258	3,324,498	3,385,756
Long-term debt transferred to current liabilities	736,812	1,532,009	2,268,821
Transfers to restricted funds, net	818,542	525,237	1,343,779
Increase in other assets	16,171	-0-	16,171
Decrease in deferred credits and other liabilities, net	38,322	9,305	47,627
	8,368,935	14,001,121	22,370,056
Increase (Decrease) in working capital	$ 51,743	$ (5,848,870)	$ (5,797,127)
SUMMARY OF CHANGES IN WORKING CAPITAL COMPONENTS			
Increase (Decrease) in Current Assets:			
Operating funds	$ (130,607)	$ (3,619,656)	$ (3,750,263)
Accounts receivable	259,781	514,382	774,163
Inventories	(45,446)	574,386	528,940
Prepaid expenses	(47,101)	2,588	(44,513)
Decrease (Increase) in Current Liabilities:			
Current maturities on long-term debt	(1,708)	(531,209)	(532,917)
Accounts payable	74,324	(2,531,772)	(2,457,448)
Accrued expenses	(142,866)	(236,858)	(379,724)
Advances and deposits	49,767	(20,731)	29,036
Deferred revenue	35,599	-0-	35,599
Increase (Decrease) in working capital	$ 51,743	$ (5,848,870)	$ (5,797,127)

See notes to combining financial statements.

IMPERIAL IRRIGATION DISTRICT

NOTES TO COMBINING FINANCIAL STATEMENTS

December 31, 1981

Note 1 - Summary of Significant Accounting Policies

Separate accounting records are maintained for the Water and Power Departments of the Imperial Irrigation District. The account classifications used by the District for accounting and financial reporting purposes are comparable to those used by other irrigation districts and electric utility companies. With respect to the Power Department, the account classifications used are those specified by the Uniform System of Accounts prescribed by the Federal Power Commission, which system of accounts was adopted to facilitate computations required by a provision of the All-American Canal contract discussed in Note 5. The effects of interdepartmental transactions have not been eliminated because it is the intention of the Board of Directors of the District that the operating results of such departments be segregated and because such segregation is required for compliance with covenants relating to the issuance of electric revenue bonds.

Utility plant

Utility plant is stated at cost, which includes labor, materials, purchased services and, in the case of the Water Department general and administrative expenses. General and administrative expenses related to construction activities of the Power Department are not charged to utility plant since such allocated amounts would not be significant. Water plant retirements are removed from the accounts at cost, together with related accumulated depreciation balance, and any resultant gains or losses are recorded in miscellaneous income. Electric plant retirements are charged to the reserve for depreciation at cost, less net salvage, and no gains or losses are recognized on ordinary retirements.

Depreciation

Buildings, vehicles, equipment, drainage structures, canal linings, and canal structures owned by the Water Department are depreciated on a straight-line basis over their estimated useful lives. The provision for depreciation for 1981 was equivalent in the aggregate to an annual rate of approximately 1.9% of the average gross investment in all water plant in service, other than land and land rights. Electric plant is depreciated on the composite method using an overall rate of 3% per annum. The costs of repairs and replacements of minor items of utility plant are charged to maintenance expense.

Inventories

Inventories of fuel oil and materials and supplies are recorded at cost, on a moving average basis (See Note 2).

Revenues

The principal water customers of the Water Department are farmers and cities. These customers are billed at the end of each month for sales made during the month. Each landowner, including cities, pays an annual water availability fee which is based upon his acreage within the District. All customers of the Power Department are billed on a cycle basis. Water and power revenues are recorded when billed, except for the water availability fee which is billed in December but recorded as revenue when earned in the following year.

Restricted assets

Restricted funds represent allocations of cash balances pursuant to provisions of the All-American Canal contract and the covenants of the electric revenue bonds and for other purposes specified by the Board of Directors.

Operating funds - water

During 1981, the cash allocated to the operating fund was depleted. It was necessary for the operating fund to use cash allocated to funds restricted by the Board of Directors. Though the amount of the deficit has been reduced by transfers to the operating fund from the funds restricted by the Board of Directors, a deficit balance of $543,701 still exists at December 31, 1981.

NOTE 2 - Change in Accounting Principle

As of January 1, 1981, the District adopted the moving average cost method of accounting for inventories of fuel oil. All prior years' inventories were recorded on a first-in first-out cost method. The moving average cost is preferable to the first-in first-out cost because it more reasonably approximates the cost of a homogeneous inventory, such as fuel oil.

Had inventories been traditionally valued in this manner the inventory of fuel oil as of December 31, 1980 would have been $43,872 more. The resulting decrease in the cost of fuel oil used in prior years is reflected in the accompanying combined statement of net revenues as the cumulative effect of change in accounting principle.

Had the inventory of fuel oil, as of December 31, 1981, been valued as in prior years the cost of fuel oil in the accompanying combined statement of net revenue would have been $206,905 less.

Note 3 - Significant Interdepartmental Transactions

Although the Water and Power Departments of the District maintain separate accounting records, there are significant interdepartmental transactions. The more significant of these transactions involve charges by the Water Department to the Power Department for the use of water to generate electricity on the canal system and for the use of buildings, vehicles and equipment.

The interdepartmental charge for use of water in the All-American Canal to generate electricity is based upon amounts authorized by the Board of Directors in 1976. Such amounts are not supported by a formal current study.

Charges for use of buildings, vehicles and equipment are based upon pro-rata distribution of costs of related maintenance operation and depreciation. In accordance with covenants of electric revenue bonds, the Water Department is charged for electric service furnished by the Power Department.

General and administrative expenses by the District are allocated between departments, with the majority of the allocations being 50% to the Power Department and 50% to the Water Department. These allocations are not supported by a formal current study.

The combined accrued salaries, wages and payroll taxes of the District are reflected as a current liability of the Water Department in the accompanying financial statements because funds had previously been transferred to the Water Department by the Power Department to provide for its portion of these payments.

Note 4 - Long-Term Debt

Long-term debt consists of the following:

	Water Department		Power Department	
	Due Within One Year	Due After One Year	Due Within One Year	Due After One Year
Electric revenue bonds, secured by a pledge of the net revenues of the Power Department, with interest ranging from 2¾% to 3½%, maturing as follows:				
1981 and prior maturities not presented for payment	$ -0-	$ -0-	$ 70,000	$ -0-
1982	-0-	-0-	500,000	-0-
1983	-0-	-0-	-0-	475,000
1984	-0-	-0-	-0-	600,000
	$ -0-	$ -0-	$ 570,000	$ 1,075,000
All-American Canal obligation, described in Note 5	709,799	8,380,067	40,801	489,609
Obligation under capital lease, described in Note 6	27,013	59,618	991,209	2,550,732
	$ 736,812	$ 8,439,685	$ 1,602,010	$ 4,115,341

IMPERIAL IRRIGATION DISTRICT

NOTES TO COMBINING FINANCIAL STATEMENTS

December 31, 1981

Note 6 - Capital Leases

The District entered into a lease for electronic data processing equipment in December 1979. A lease for the hydroelectric generators was entered into in December 1980. The leases, which are both for 5 years, have been classified as capital leases.

The following is a schedule by year of minimum lease payments under the capital commitments together with the present value of the net minimum lease payments as of December 31, 1981:

	Electronic Data Processing Equipment	Hydroelectric Generators Drop 5	Total
1982	$ 32,860	$ 991,209	$ 1,024,069
1983	32,860	991,209	1,024,069
1984	32,860	991,209	1,024,069
1985		991,209	991,209
1986		991,209	991,209
Total minimum lease payments	98,580	4,956,045	5,054,625
Less amount representing interest	11,949	753,597	765,546
Present value of minimum lease payments	$ 86,631	$ 4,202,448*	$ 4,289,079

*As of December 31, 1981, the District had received a total of $3,541,741. In the combined balance sheet this amount is included, as appropriate, under "Current portion of long-term debt" and "Obligation under capital leases." On February 22, 1982, the District received an additional $660,707 bringing the total amount of the lease to $4,202,448. The first payment, due March 1, 1982, will be made up of the first, scheduled, $991,209 payment, which payment will be applied in total to principle, and interest on each of the various advances under the lease, at 9% per annum, computed for the period from date of receipt to March 1, 1981.

Note 5 - All-American Canal Contract

Pursuant to the terms of the Boulder Canyon Project, All-American Canal contract dated December 1, 1932 and the amendment and supplement to that contract dated March 4, 1952, the District assumed an obligation of $25,020,000 to the United States. This amount represents the District's share of the cost of construction of the All-American Canal system, which obligation has been allocated to the Water and Power Departments based on the relative cost of their plant located on the All-American Canal system.

The District receives its entire water supply for its irrigation system from the United States under this contract. The deliveries of water and use in perpetuity of the All-American Canal are guaranteed to the District as long as the provisions of the contract are met. Except for the combined annual payments of $750,600 through 1994, no other amounts are due to the United States for water supplied to the District.

Under the All-American Canal contract and certain other agreements, the District has the right to avail itself of hydroelectric generation from the water flow through the Canal, subject to the sharing with other water districts of "net power proceeds" (as defined in the contract) derived from the sale of this generation. The most important sharing arrangement is with the Coachella Valley Water District, which, under an arrangement made in 1934, leased its power rights on the Canal to the District for a period of 99 years for an amount of equal to 8% of "net power proceeds." In the opinion of the District's management, the District has fulfilled all its obligations under this arrangement, including making all payments required to date.

Note 7 - Accrued Sick Leave

The District maintains a plan under which eligible employees are paid a portion of their accumulated sick leave upon termination. The total liability under the plan as of December 31, 1980 was $516,909 of which $173,356 has been classified as a current liability and $343,553 as a noncurrent liability.

Note 8 - Commitments and Contingencies

In October 1979 an earthquake damaged portions of the District's utility plant. Substantially all known damage to Water Department assets was repaired in 1979. Cost of required repairs to Power Department were completed in 1981. The total cost of these repairs was $378,861. Of this amount, a total of $251,649 has not yet been charged against operations but is reflected in the accompanying combined balance sheet, under current assets, as a deferred charge. How much of this deferred amount will eventually be charged against operations, if any, is dependent upon the amount which will be recovered through a claim for aid, filed pursuant to Public Law 93-288, with the State of California, Office of Emergency Services.

The District is self-insured as to workers' compensation claims, employee medical care benefits and general liability. Funds are set aside for payment of future claims. An accrual is made for the projected liability on workers' compensation claims in progress. No liability is accrued for future claims in any of the programs since the amounts of such future claims cannot be reasonably determined.

Certain claims and legal actions have been filed against the District. See Note 11 for further discussion of these items.

The District has entered into contracts for the acquisition of new hydroelectric generation equipment on the All-American Canal, estimated to cost approximately $20 million. This equipment will be financed through a long-term leasing program for which the District has obtained a commitment.

Note 9 - Employee Pension Plan

The District has maintained a voluntary contributory retirement plan for its employees since 1947. Under the terms of the plan, as modified in 1969, employees are eligible to participate in the plan after completing six months of continuous service. Employee contributions to the plan and retirement benefits vary depending upon the age of the employee at the date of entry into the plan, the average basic monthly salary attained, and the employee's retirement age. Additional amounts required to fund the actuarially computed benefits ultimately payable to participating employees are paid by the District and amounted to $587,661 in 1981. The present value of vested benefits of participants, as of December 31, 1981, was fully funded.

Note 11 - Litigation

A number of claims and legal actions have been filed against the District and are either pending or in process. One such action involves damage to property bordering the Salton Sea, which damage was due to rises in the level of the Salton Sea. The District is alleged to have been a major contributor to these rises. A court has found the District liable in this action and has fixed damages at $7 million to which would be added approximately $3 million in pre-and-post-judgment interest as well as attorneys' fees. Counsel for the District, however, feel there is substantial reason to believe the District will prevail in appeals of the court's decisions. In the event the court's decisions are upheld on appeal, a substantial portion of the liability would be offset by insurance proceeds. For these reasons, it is not possible, at the time, to reasonably estimate what the eventual liability to the District will be, if any.

As to other claims and legal actions, neither management nor legal counsel are able to estimate the outcome or the ultimate liability to the District, if any.

NOTE 10 - Provision For Depreciation

Depreciation expense for 1981 was as follows:

	Water Department	Power Department
Included in operation and maintenance expenses	$ 527,265	$ -0-
Provision for depreciation	1,531,249	3,970,951
	$2,058,514	$3,970,951

J. Robert Wilson
Water Manager

Water

The Water Department's responsibilities include operation and maintenance of the All-American Canal headworks and desilting basins at Imperial Dam where water is diverted from the Colorado River to Imperial, Yuma and Coachella Valleys. The Department is also responsible for 80 miles of All-American Canal, 3 miles of New Briar Canal, a 1,625 mile network of other main canals and laterals, 52 miles of drains in All-American Canal Section and 1,042 miles of main and lateral drains. The District's gravity flow canal and drainage systems serve an area of 507,325 acres for agricultural, industrial and domestic purposes. All Imperial Valley cities and towns receive Colorado River water from District canals.

The total diversion through the All-American Canal headworks in 1981, was 4,864,013 acre-feet (an acre-foot equals 326,000 gallons), including 187,187 acre-feet used in desilting operations and returned to the river.

The total diversion to the District below Drop #1 was 2,769,112 acre-feet. Comparable figures for 1980 and 1979, were 2,769,495 and 2,803,166 acre-feet respectively. Of the 2,769,112 acre-feet below Drop #1, 90.27% was delivered to users.

The District treated 30,000 acres of canal and drain rights-of-way, to control weed growth, with 4,444 gallons and 174,018 pounds of herbicides.

Drying canals for three days each month controls some aquatic growth, however, mechanical methods—chaining, disking, plowing, and dredging were used on 5,756 miles of channel.

Salton Sea, located in Riverside and Imperial Counties, is the repository of drainage and storm runoff water from both counties and from Mexicali Valley, Baja California, Mexico. The present salinity of the sea is slightly greater than ocean water with 52.29 tons of salt per-acre-foot of water compared to the ocean's 47.80 tons.

For the 31st straight year, a favorable salt balance was maintained in Imperial Valley soils as 19.82% more salt was discharged through the District's drainage system than was brought into the Valley by importation of Colorado River water for irrigation. This has resulted from installation of 27,876 miles of underground drain tile in individual fields since 1929, 866 miles of which were installed in 1981.

A Water Conservation Supervisor, A Water Conservation Specialist and two Water Conservation Helpers were employed in the Water Conservation Program permitting the District to enter into a two-year irrigation scheduling demonstration program.

Two neutron probes for determining soil moisture content were purchased to help farmers determine adequate irrigation needs.

A total of 19,361 acre-feet of water was diverted to the J.M. Sheldon Reservoir on the Westside Main Canal and 24,202 acre-feet to the Kakoo Singh Reservoir on the East Highline Canal. Surface field discharge was checked at 40,513 heads of water and 6,983 heads were found wasting 15% or more of the water delivered. After a second check there were 2,348 of the orders assessed accordingly.

Hydrilla

The Imperial Irrigation District, State and County are seeking ways to control the highly prolific water weed, hydrilla, which was discovered growing in our system in June, 1977.

A Lead, Research Scientist and two Biologists were employed in and effort to control and/or eradicate hydrilla.

Hydrilla, discovered in the Central Main Canal at Bowker Road January 30, 1981, was isolated and treated. A small growth of Hydrilla found in the Central Main Canal above the Briar Canal crossing, was removed by a hydraulic excavator in June, 1981, and to date has not reappeared.

Magnacide "H" Herbicide (Acrolein Inhibited) was induced into the Woodbine Lateral 3 Canal on July 22, 1981, and Wistaria Laterals 6 and 6-A on July 23, 1981, to study its effect on hydrilla. Komeen was induced into the Woodbine Lateral 2 Canal August 4. Aquathol k and Komeen with Nalquatic were induced into Wistaria Lateral 6-A Canal August 4. The effects of these treatments were inconclusive.

Hybrid Grass Carp

As part of the continuing study of aquatic weed control, approximately 78 hybrid grass carp were put into the Wormwood Lateral 3, and approximately 100 put into the first section of Wormwood Lateral 3 Canal.

"For the 31st straight year, a favorable salt balance was maintained in Imperial Valley soils as 19.82 percent more salt was discharged . . . than was brought into the Valley . . ."

Henry Legaspi
Power Manager

Power

The IID 8oard of Directors established a policy of developing as many hydro-power plants within the District's irrigation system as is practical as a way to conserve expensive fuel oil. In 1981 the District began carrying out that policy.

A study of the District's hydro-power potential disclosed cost effective hydro sites could be developed at Drop #1, Drop #5 and at the East Highline Turnout on the All-American Canal. Another plant was deemed feasible at North End Dam on the Alamo River.

In June, 1981 ground was broken for a four megawatt plant at Drop #S. The plant is scheduled to go on line in early 1982. Plans were drawn for plants at Drop #1 and at the East Highline Turnout both of which are scheduled for construction in 1982.

More Imported Power

For the first time since the Imperial Irrigation District commenced power operations in May, 1936, the District imported more energy than was generated at District facilities. In 1972, approximately 4S% of the District's generation was produced at the El Centro Steam Plant when a barrel of oil cost $2.25, and approximately 30% of the energy was imported. In 1981, with the cost of a barrel of oil at $23.05, only 27% of the District's generation was produced at the El Centro Steam Plant, while 53% was imported.

With the District's commitment to the full development of the hydro potential on the District's canal system, along with the continuing search for outside resources, the District has embarked on a course that will enable holding down increases in rates to the lowest practical amount.

Efficiency Improved

During the past year the cooling towers on both Unit #1 and Unit #2, at the El Centro Steam Plant, were completely replaced resulting in improved efficiency on the turbine-generators as well as increased capacity. In addition, Unit # 1 at Rockwood Generating Station was converted to dual fuel (gas/diesel) operation. Operation of this combustion turbine on gas rather than oil results in approximately 60% reduced cost.

The IID is continuing negotiations with San Diego Gas & Electric Company (SDG&E) and Southern California Edison Company (SCE) in order to interconnect our respective electrical systems, which not only would enhance the reliability of the District's system, but would also serve as a means of importing greater amounts of low-cost coal energy.

Negotiations are almost completed with both SDG&E and SCE allowing for the transmission of their geothermal energy, produced in the Imperial Valley, through the District's transmission network toward their systems. In future years, this source of income to the District will substantially contribute toward the stabilization of District rates.

". . . The District has embarked on a course that will enable holding down increases in rates to the lowest practical amount."

CAPITAL EXPENDITURES ON CURRENT ADDITIONS AND IMPROVEMENTS

Production Plant	$ 1,253,822
Distribution Plant	5,017,349
Transmission Plant	1,669,507
Engineering and Supervision	667,277
General Plant	48,968
Hydro Drop #5 Leasing	3,541,941
Hydro Drop #1	33,038
Hydro Drop #5	2,804,953
Hydro EHL Canal	67,017
Hydro Alamo/ North End Dam	40,856
Cooling Tower #2	347,521
TOTAL	$15,492,249

SOURCE OF POWER REQUIREMENTS - 1981

Hydro	18%
Thermal	29%
USBR	10%
Axis	10%
AEPCO - Coal	31%
Geothermal	2%

MAJOR DISTRIBUTION PLANT EXPENDITURES

Transformers	$1,001,146
Poles and Fixtures	763,496
Conductors and Devices	510,833
Meters	296,190
Services	163,552
Station Equipment	1,516,893
Underground	512,800
Lighting	207,186
TOTAL	$4,972,096

AVERAGE NUMBER OF CUSTOMERS - 1981

Residential	45,269
Commercial and Industrial	8,164
Agricultural	860
Other	913
TOTAL	55,206

An Increase of 2,257 over 1980.

POWER SALES - 1981

Ultimate Consumers		Per-Cent 1981	Per-Cent 1980
Domestic	$26,313,915	43.9	42.6
Commercial and Industrial	28,682,502	47.9	49.4
Agricultural Pumps	2,749,267	4.6	4.5
Street and Rural Lighting	433,087	0.7	0.7
Public Authorities	1,142,789	1.9	1.9
Inter-Departmental	347,309	0.5	0.8
Total Ultimate Consumers	59,668,869	99.5	99.9
Other Utilities	271,900	0.5	0.1
Total Revenue	$59,940,769	100.0	100.0

AVERAGE ANNUAL RESIDENTIAL KILOWATT-HOUR USAGE

Average	12.603

A gain of 417 over 1980.

KILOWATT-HOUR SALES — 1981

Ultimate Consumers	1,337,521,900
Other Utilities	6,430,000
Total	1,331,091,900

A gain of 74,119,900 over 1980.

SALES IN DOLLARS - 1981

Ultimate Consumers	$59,940,769
Other Utilities	271,900
Total	$59,668,869

A gain of $4,043,503 over 1980.

COST OF OPERATION AND MAINTENANCE

Steam Generation	$20,004,334
Hydro Generation	541,957
Other Generation	1,797,937
Purchased Power	25,157,780
Other Production Expense	125,503
Transmission	740,162
Distribution	3,037,760
Customer Accounting & Collecting	1,374,502
Sales Promotion	40,001
Administrative and General	3,538,998
Total	$56,358,934

COMBINED STATISTICAL REVIEW
POWER AND WATER

	1981	1980	1979	1978	1971
Sales:					
Electric Sales					
Residential					
Revenue (000)	$26,313.9	$23,864.5	21,827.5	$17,813.2	$ 6,362.6
MWH (000)	569.0	523.7	538.9	513.3	375.3
Number of Customers	45,269	43,214	41,098	39,281	32,160
Commercial & Industrial					
Revenue (000)	$28,682.5	$27,624.8	$24,399.3	$19,869.9	$ 6,837.8
MWH (000)	651.9	633.9	646.7	611.8	443.4
Number of Customers	8,164	8,017	7,848	7,548	6,965
Other					
Revenue (000)	$ 4,672.5	$ 4,407.9	$ 3,806.7	$ 3,049.6	$ 1,011.0
MWH (000)	110.2	105.8	105.2	100.0	70.4
Number of Customers	1,773	1,718	1,646	1,593	1,401
Total Electric Sales					
Revenue (000)	$59,668.9	$55,897.2	$50,033.5	$40,732.7	$14,211.4
MWH (000)	1,331.1	1,263.4	1,290.8	1,225.1	889.1
Number of Customers	55,206	52,949	50,592	48,422	40,526
Water Sales					
Revenue (000)	$17,737.0	$15,243.8	$13,154.9	$11,658.7	$ 5,797.2
Acre-Feet (000)	2,500	2,519.7	2,570.9	2,440.7	2,534.6
Total Sales (000)	$77,405.9	$71,141.0	$63,188.4	$52,391.4	$20,008.6
Operating Expenses: (000)					
Electric	$61,266.1	$49,242.9	$45,232.7	$35,583.6	$11,639.0
Irrigation	14,715.7	13,938.6	11,637.2	11,094.5	5,318.0
Other Electric	(2,134.6)	(1,768.4)	(1,376.9)	(822.8)	(97.3)
Other Irrigation	(2,917.9)	(2,269.0)	(1,928.0)	(1,672.5)	(1,345.0)
Total Expense (000)	$70,929.3	$59,144.1	$53,565.0	$44,182.8	$15,514.7
Net Income from Operations	$ 6,476.6	$11,996.9	$ 9,623.4	$ 8,208.6	$ 4,493.9
Extraordinary Income (Loss)	$ 43.9	$ 290.3	(345.9)	(544.3)	--
Net Revenue Retained to Finance Operations and Plant Additions	$ 6,520.5	$12,287.2	$ 9,277.5	$ 7,664.3	$ 4,493.9
Plant & Equipment Expenditures (000)					
Major Work Authorizations	$ 347.5	$ 811.2	$ 8,953.3	$ 158.5	$ 174.2
Hydro-Plants	2,945.9	740.7			
Electrical System	8,656.9	4,669.8	4,422.2	3,534.0	2,100.8
Irrigation System	6,326.7	3,508.3	3,653.9	1,986.6	2,003.3
Total	$18,277.0	$ 9,730.0	$17,029.4	$ 5,679.1	$ 4,278.3

Rosemary P. Henderson
Treasurer

Treasurer's Report

The District's 1981 cash receipts totaled $87,018,182, an increase of $9,201,248 over 1980. Resulting from a 4.76% increase in revenue from power sales and a 17% increase in revenue from water sales, expenditures for 1981 which were $89,423,412, an increase of $16,526,444 over 1980.

All monies not required for immediate disbursement were invested in interest-bearing accounts in banks located within the District service area. The resulting earned-interest income increased by 32% for a total of $2,501,732 which was available for operating purposes.

Electric revenue bonds, issued from 1937 to 1954 to aid in financing the District's long-range power development program, including additions and improvements to its expanding power system, amount to $37,963,000. The total remaining unpaid on December 31, 1981 was $1,645,000 as shown in the following tabulation:

Year	Indebtedness Beginning of Year	Bonds Retired	Indebtedness End of Year
1978	6,258,000	1,299,000	4,959,000
1979	4,959,000	1,393,000	3,566,000
1980	3,566,000	961,000	2,605,000
1981	2,605,000	960,000	1,645,000

A comparison of cash receipts and expenditures is tabulated below:

Year	Receipts	Expenditures
1978	56,134,665	49,492,914
1979	66,882,853	73,128,559
1980	77,816,934	72,896,968
1981	87,018,182	89,423,412

Bruce I. Penner
Personnel Manager

Personnel

The Personnel Department serves to advise and assist management in planning, coordinating, directing and managing District human resources.

Also, to advise and assist employees in their vocational goals and problems within the working environment.

Personnel functions have been grouped together into four primary sections of responsibility: Administration and employee relations; employee benefits and services; employment, development and affirmative action; and payroll.

1. **District Employment** – District employment averaged 990.3 employees for the year with a total payroll of $19,490,573.

2. **Affirmative Action** – Minority employment increased to 48.6% with a goal of 53.6%. This represents a gain of 1.7% over 1980 and a 26.8% increase since the Affirmative Action program began in September, 1972. Affirmative Action and minority employment continued to be stressed throughout the year. A training session for management and supervisory employees, titled "Supervision," was presented with part of the employees attending in September and the remaining employees attending in November. Each session was conducted by the Fair Employment Supervisor.

3. **Classification and Compensation** – The District engaged Public Personnel Consultants to make a complete restudy of the wage and salary structure and present a package for years 1981 and 1982. The completed study was presented to the Board of Directors in May, and after meeting and conferring with both employee groups over some additional modifications, the Board approved the study on June 23, 1981. First year costs amounted to approximately an 11.4% increase.

4. **Benefits** – The ending of 1981 marked the third full year in which the District has been self-insured for medical benefits. Hospital and doctor costs jumped enormously during 1981, plus several employees had very serious and lengthy illnesses and injuries. 1981 District costs amounted to $1,045,185 compared to $521,044 for 1980. Employees and retired employees contributed $242,192 or 18.8% toward the total cost of $1,287,377, and the District's contribution amounted to 81.2%.

William R. Mordah
Operations Services Manager

Operations Services

Moving ahead in developing hydro-power was a major order of business for Operations Services in 1981.

Much time was spent administering the contract for constructing the 4,000 kilowatt hydro-plant at Drop #5 on the All-American Canal, and in purchasing complex generating equipment for hydro-plants to be built at Drop #1 and on the East Highline Canal Turnout. The equipment has been ordered and is scheduled for arrival in the Fall of 1982.

In addition to these new responsibilities the Department continued its basic function of providing operations and maintenance services for all Departments.

Building and Grounds Section

Building and Grounds personnel completed the following:

- Remodeled counters and installed bank rails in Calexico, Brawley, El Centro, Indio and Coachella Division offices.
- Constructed a stairway in the Rockwood Substation warehouse, made repairs to #4 cooling tower at the Steam plant and installed a partition and counter at the Power Dispatcher's office.
- In Coachella the parking lot was improved and water lines installed.
- In the new Brawley Water office utility connections were installed, wheelchair ramps, sidewalks and curbing were constructed.
- Two new walkways were constructed on the west side of the El Centro Executive Building.
- Extensive termite treatment for Building J-1, Headquarters Yard, was completed.
- Several District houses were painted and interior and exterior repairs made.
- A new automotive hoist was installed at the El Centro Yard Service Station.

Mechanical Section

Several items were purchased for the heavy field equipment fleet, including: a self-propelled Caterpillar Model 613B scraper, a Link-Belt Model LS-78 ¾-yard dragline/lifting crane, and a Link-Belt Model HC-48A 20-ton truck crane. All contained air conditioning. In addition, seven heavy field equipment units were air conditioned.

Shop equipment purchased included: A Clausing-Colchester Model 8052 engine lathe, and Oster Model 716 pipe threading machine, a hydraulic transmission jack, an orbital air sander, a safety cleaning tank and a heavy duty gear and bearing puller set.

Purchasing and Stores Section

There were 116 bid invitations prepared and issued, and 44 written requests made for quotation to obtain materials and services.

Water and power stores were maintained with a combined inventory of about 5,944 items valued at $2.6 million. The transition period from manual inventory records keeping to computer records was completed.

Three public auctions were held with net proceeds of $120,686.

Right of Way Section

Applications to the Bureau of Land Management for rights of way for power lines to I.T. Corporation's disposal site, East Mesa Geothermal Field and Squaw Lake were completed. Additionally, the Bureau of Land Management approved power and water line applications for Texas Industries Cement Plant site and mine. The following agreements were prepared and completed: (1) agreement with Coachella Valley Television for pole contact rental, (2) agreement with Ed Mealey Construction Company for payment for rock materials removed from the District's Mt. Signal Pit, (3) agreement with City of Calexico to allow their use of District's pipeline for raw water storage pond and (4) a joint agreement with Bureau of Reclamation/CalTrans/City of Calexico concerning the replacement of All-American Drain #9 under Highway 98.

Two parcels of land required by the District for Oscar Fudge Reservoir site were purchased. Additional land needed to enlarge Alamorio Substation was acquired by securing a permanent easement from landowner. Negotiations began to secure land for the Red Sperber Reservoir.

"Much time was spent administering the contract for constructing the 4,000 kilowatt hydro plant at Drop No. 5 on the All-American Canal . . ."

I.I.D.

Edited and Published by

COMMUNITY AND SPECIAL SERVICES

Richard N. Taylor, Director

IMPERIAL PRINTERS EL CENTRO, CALIF.