ROCKLIN
CALIFORNIA

CITY OF ROCKLIN ENERGY OPTIONS

July 24, 2020

Prepared by:

MB MC
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Mr. Steven Rudolph
City Manager
City of Rocklin
3970 Rocklin Road
Rocklin, CA 95677

July 24, 2020

Dear Mr. Rudolph:

Michael Bell Management Consulting (MBMC) is pleased to submit this Report on the City of Rocklin Energy Options for your information and consideration. The Report provides the City with a high-level analysis of the options available to it given current conditions in the local energy market. There are a number of options available to the City. They represent a wide range of costs and risks that should be considered before selecting a path forward. At the conclusion of the Report MBMC offers its suggestions based upon this analysis, but ultimately the decision should be made by local officials with the best understanding of the community's interests.

It has been a pleasure working with you and your staff. If I can be of any further assistance, please let me know. I believe that it is wise for the City to continue to monitor the situation moving forward so that local needs and concerns continue to be met.

Very truly yours,

Michael Bell, Principal

Michael Bell Management Consulting, Inc.

1.0 INTRODUCTION

Michael Bell Management Consulting, Inc. (MBMC) has been engaged by the City of Rocklin (Rocklin or City) to identify and describe broadly the potential energy service provision options available to the City. The City of Lincoln has also requested a similar analysis with a comparable scope of work. While similar, these studies were performed separately yet simultaneously since the circumstances in both cities are different and merit independent consideration.

The purpose of this report is to identify the potential range of options available to the City to exercise greater local control of its energy future. Options evaluated in this analysis include a broad spectrum from the full provision of electric service as a municipally owned public utility to taking no action. This high-level review includes a discussion of the pros, cons, costs, opportunities, risks, and likelihood of success of each of the options identified. These considerations do not purport to be all inclusive and additional analysis, including but not limited to the costs, should be considered to the extent the City elects to proceed further with any option outlined herein. Hopefully, this information will help to assist the City and its stakeholders, including policy makers, to identify what alternatives merit considering and potentially pursuing further with the interests of the community in mind.

1.1 Historical Context

The provision of electric service in California has evolved meaningfully since the State's unsuccessful experiment with deregulation in the late 1990's. One significant change has been the ongoing evolution of the business model for investor owned utilities (IOUs). At its heart, IOU's once were the dominant players, with few alternatives, who controlled every aspect of providing power to the retail customer. This is no longer the case today with substantial alternatives for the procurement of power and ample political and financial pressure on IOU's given their performance and customer service levels. The investor owned utilities continue to change from vertically integrated service providers (generation, transmission, and distribution service) to predominantly transmission and distribution companies. This evolution is ongoing but is a trend that continues to develop. IOU's have either divested or are in the process of retiring most of their generation resources. Unlike IOU's, municipal utilities have continued their vertical integration, but rely more on contracted generation, particularly for renewable resources. Filling this void, Community Choice Aggregators (CCA's) such as the current local CCA, PCE have become a significant and growing source of supply for many customers including those in Rocklin.

The Cities' incumbent electric service provider, Pacific Gas and Electric Company (PG&E) has had a challenging time adapting to changes that have occurred in the industry over the last 25 years, as evidenced by their most recent bankruptcy filing. These challenges are also not limited to the most recent events, including wildfire. In 2001, PG&E declared bankruptcy for the first time when it was unable to meet its power purchase obligations due to power market manipulation by companies such as ENRON. The State had to become PG&E's supplier of last resort through power supply contracts procured through the Department of Water Resources. The legacy and cost of these problems from

two decades ago still remain with the last of these contracts, which are part of PG&E's current charges, due to expire in the next 3 years.

In recent years, PG&E has had a succession of reliability and safety problems which combined with drought and climate change has made it susceptible to the gas and electric service disasters which have created tens of billions of dollars of liabilities resulting in what is now PG&E's second bankruptcy. Documented maintenance, safety, and record keeping/reporting shortcomings as well as inappropriate contacts with regulatory officials at the California Public Utilities Commission (CPUC) by the company has resulted in huge fines, criminal convictions and has severely eroded public confidence in the utility. Recent Public Safety Power Shutoffs (PSPS) has exacerbated the situation and created the environment that many communities are reacting to. For cities like Rocklin, the disruption to local residents and businesses is simply unacceptable, particularly if this is expected to become the new norm as PG&E has stated. The question then becomes what alternatives may exist in whole or part that can help the City to achieve potentially greater energy independence.

1.2 Summary Findings

A detailed Summary of Costs and Recommendations is presented in Section 4 of this report. While there are many alternatives, and subsets of each, that exist for the City, MBMC recommends that the City open a dialogue with: i) PG&E, and ii) PCE in order to assess how each entity may serve as a partner with the City to achieve greater energy independence, reliability, customer service and local control. We do not recommend taking no action, nor do we recommend creating a stand-alone municipal utility at this juncture without the benefit of the recommended dialogue.

The electric service industry is undergoing transformative change, and the City is well advised to consider how these changes will impact the community moving forward. While each of the alternatives have different levels of cost and complexity – and in turn likelihood of success – our recommendation is to take steps today that will help to define better what alternatives are the most feasible. By opening a dialogue with key players in the short term, the City will be able to refine the options for policymakers in order to identify a preferred alternative from a financial, operational and policy perspective.

2.0 RANGE OF OPTIONS

There are a wide range of potential options open to the City depending upon its objectives and risk appetite. Each option has its own unique structure, opportunities, risks and costs. Importantly, these options are not always mutually exclusive, and in some cases, it may be valuable and informative to start down one path if it is easier and cheaper to determine if more substantial steps, even if more complex and costly, merit pursuing.

When other California Cities have considered such options in the past, they have made a variety of choices dependent upon local needs, priorities and resources. The alternatives available today can be further complicated by the history that a community or region may have in the provision of

electric service. For example, some cities established municipal utilities one hundred years ago to be competitive with areas that were beginning to be served by IOU's. At the time, these communities were typically smaller cities that the IOU's were not interested in serving due to the perceived high cost of doing so. Many of these cities believed in the importance of local control and the value of energy independence, including as an important tool of economic development. Over time, additional cities and special districts, such as the Sacramento Municipal Utility District (SMUD), came into existence as a cheaper alternative to the IOU's with greater customer participation, input and accountability. More recently, new options such as CCA's have continued this trend by providing an avenue for greater local control on the generation side of the business. Such local control has frequently resulted in new resource development, particularly green power that have also contributed to the economic development and addition of jobs in the local community.

Today, after experiencing reliability problems, runaway costs and lengthy precautionary PSPS outages that have wreaked havoc on local economies, many cities like Rocklin are in early stages of reviewing the range of potential alternative that may exist in order to take greater control of their energy future. The analysis presented herein is intended to outline broadly the spectrum of options available to the City that may merit additional analysis and consideration. The analysis is further intended to be far reaching by looking at a wide range of alternatives from forming a stand-alone fully integrated utility to facilitating electric service through other service providers to attempting to influence PG&E's operations or practices based upon local circumstances to simply doing nothing. Each of these alternatives have a different set of considerations, including cost, complexity and the likelihood of success. In some cases, it may be valuable to look at several alternatives simultaneously to determine which option is viable; however, in all cases, there is a question of fit and what makes the most sense for the City balancing the different – and at times competing – considerations while always recognizing and putting the needs of the community first.

3.0 OPTIONS ASSESSMENT

An entire spectrum of options is available to the City. In order to begin to make a more informed decision about a potential path forward, each of the identified options for Rocklin's consideration include:

- estimated costs;
- pros and cons;
- the likelihood of success, and
- basic steps needed to implement.

Finally, MBMC provides its preliminary recommendations to the City based on these identified considerations. It is important to note that the provision of electric service is a complicated business, and this is one reason that the IOU's have successfully held such a dominant market share for so long by trading off of this narrative of complexity for an essential service. This is not to downplay the wide-ranging challenges that this business presents. The complexity of providing electric service introduces nuance into any decision because there are financial, credit, customer service, risk and policy implications that are all deeply intertwined. In some ways, there are no right or wrong answers to this question. The ultimate path depends on local needs, risk appetite,

and resources as determined by the elected officials and policy makers that have the best knowledge of their constituents' interests and priorities.

3.1 STAND-ALONE MUNICIPAL UTILITY

There are substantial examples of stand-alone municipal utilities in California, but most of these have been in existence for a long time. Forming a new stand-alone municipal utility has proven more challenging in recent years given the financial and operational challenges and the generally widespread political opposition by the IOU's. A number of cities and special districts have attempted to form their own local utilities by acquiring PG&E assets over the last 20-30 years. Many of these attempts began after PG&E's first bankruptcy in 2000. None have been successful in replacing PG&E as service provider. Examples of nearby jurisdictions that have attempted or are attempting to replace PG&E include:

- City and County of San Francisco
- Yolo County including the Cities of West Sacramento, Davis, and Woodland
- South San Joaquin Irrigation District

Using information gathered from these attempts at municipalization along with data gleaned from the City of Roseville's Electric Utility (Roseville Electric), as well as PG&E information obtained from PCE's implementation of the Placer County CCA, MBMC has been able to make high level estimates of the potential range of costs to acquire and operate a stand-alone municipal utility in Rocklin.

In its 2016 Feasibility Study PCE reported that there were approximately 33,600 electric customers in Rocklin using around 346,000 MWh annually, with a peak demand of 61.9 MW.[1]

3.1.1 Acquisition Cost

Using the offers made to PG&E by several jurisdictions and data available in financial reports from Roseville Electric MBMC estimates the acquisition cost of the PG&E system in the city of Rocklin to be between $ 62 million to $ 192 million. It is worth noting that there will always be a significant range of the potential acquisition cost given different methodologies for valuation and disparate views as to the relative worth depending on one's perspective. Further complicating the objective value is the business strategy associated with any individual bid for particular assets, which may or may not have additional and intrinsic value for a local community. Table 1 provides offers made to PG&E on a per customer basis by the City and County of San Francisco and Yolo County through it's Valley Clean Energy CCA. The Roseville investment is based on data obtained for non-generation assets of Roseville Electric from its 2019 audited financial statements. Based upon MBMC's experience in other jurisdictions PG&E would likely value its system in Rocklin in the range of $350-$400 million. In other jurisdictions PG&E argues for

[1] Placer County Community Choice Energy Financial Analysis and Due Diligence Report, October 10, 2016

replacement cost new less depreciation rather than depreciated cost, which is commonly used to calculate an offer price.

Table 1
Sample Investment per Customer

Jurisdiction	Offer/Investment Amount	Number of Customers	Dollar Investment/ Customer
San Francisco	$ 300 million offer	150,000	$ 2,000
Yolo County	$ 2.5 billion offer	425,000	$ 5,531
Roseville Electric	$ 347 million investment	60,752	$ 5,719

In many cases over the years PG&E has simply rejected such offers stating that their system is not for sale. PG&E has spent millions fighting, litigating and investing considerable sums in public petitions, advertising and political contributions to successfully deter such attempts. The City of Rocklin, should it decide to proceed with the formation of a municipal utility, can expect that PG&E may vigorously oppose such acquisition. It may include claims that PG&E is basically the only viable option based upon their assumptions regarding power cost; operations, maintenance, administrative, general expenses; public benefits programs; in-lieu tax payments; exit fees, and future capital investments. Importantly, PG&E may assert that any alternative will put customers at risk in receiving this essential service.

An excellent example of one of several acquisitions that PG&E has been fighting since 2005 is the South San Joaquin Irrigation District (SSJID). In 2006 SSJID offered PG&E $ 79.6 million for its system within the SSJID service area. In September 2019 SSJID raised their offer to $116 million. PG&E has steadfastly stated that its system is not for sale and claimed before the San Joaquin LAFCo that its system was worth $426 million. This significant disparity in value can be expected, not just between a buyer and seller, but in this case by PG&E fundamentally trying to hold onto its asset base and business model.

In response to PG&E's unwillingness to negotiate, some communities have looked to more drastic measures to force PG&E to sell through condemnation. In 2009 SSJID requested that the San Joaquin County Local Agency Formation Commission (San Joaquin LAFCo) approve its plan to provide retail electric service through eminent domain. After five years the San Joaquin LAFCo approved SSJID's plan to move forward with acquisition attempts. To this day, PG&E has kept the implementation tied up in ongoing legal proceedings, even with San Joaquin LAFCo's approval of the plan. SSJID reports that it has spent $27.7 million to date pursuing this acquisition, including $4.2 million for consultants, and $18.5 million for legal support. SSJID has been able to fund these costs without impacting rate revenue from their water customers by using revenues generated from hydroelectric power generation and water transfer revenues, but the financial and administrative cost is very substantial. [2]

[2] ssjid.com/district.services/electric-services/opinion-editorial-retcit-electric.worth-the-cost/

This example is included to provide Rocklin with actual context around PG&E's reaction to an attempted municipalization. It can be argued that PG&E is concerned that if just one of these municipal efforts succeeds it will lead to a domino effect across their entire system. Given their recent bankruptcy, PG&E's apprehension in regard to breaking up their assets is likely only heightened. It is further worth noting that notwithstanding the tremendous financial and political pressure caused by PG&E's actions and inactions – not the least of which is the admitted loss of life – they continue to protect their core business model, and there is no reason to believe that this approach will change over the immediate future.

3.1.2 Ongoing Operating Cost including Renewals and Replacements

Operating and maintaining an electric utility is an expensive and complicated activity. This is not likely an activity that the City alone could effectively construct from the ground up. If the City were to proceed with the acquisition of PG&E assets it would likely need to obtain expertise from another provider to operate and maintain the system. Logically, a local or nearby provider with such experience, such as Roseville Electric or SMUD, may be best qualified to provide operational support and the core expertise necessary to run this highly specialized service. While logical from an operational perspective, the City would also need to recognize that the relative appetite to do so may be governed by their own policy and business decisions. SMUD in particular, after PG&E's highly political opposition to a prior Yolo annexation move, may not entertain the idea. Alternatively, a private provider such as an out of state provider could be another option worth considering filling in the skills, requirements and expertise necessary.

Beyond the complexity of finding or augmenting the operational skills necessary, the cost of operating the utility is not insignificant. The annual operating expenses including renewals and replacements, again based on per customer data obtained from Roseville Electric, is estimated to be approximately $88,100,000 per year.

3.1.3 Pros, Cons and Likelihood of Success of Stand-Alone Municipal Utility

- Pros:
    - Self-rule and policy determination – Replace State regulation (CPUC) with City Council jurisdiction.
    - Local control and accountability – Local control is one of the greatest benefits of this ownership model. The utility is accountable to local ratepayers through elected officials who hear first-hand what their constituents likes, and dislikes are.
    - Potential reduction of PSPS in future – Although it might take time and be costly to Rocklin since it would be a new operation, most municipal utilities have greater control over disruptions of power service and reliability standards. Roseville Electric and SMUD are good examples, having not disrupted the provision of power when the power was turned off in Rocklin. It also should be noted that Roseville Electric and SMUD's reliability is higher than PG&E's.

- Cons:
    - Cost – Rocklin may lack the financial resources that other larger organizations such as San Francisco and SSJID have to fund such efforts without having a negative impact on the City's budget.
    - Time and impediments to implementation – As identified above, the barriers to entry are considerable as are the legal proceedings that are likely to be employed
- Likelihood of success – Given PG&E's decades of success in fighting off such efforts it would appear to be highly unlikely that a community the size of Rocklin could pull off what much larger organizations have been unable to achieve.

3.1.4 Implementation Outline and Timeline

As provided in the SSJID example this option could take many years to implement, and realistically may not be achieved at any cost. Major steps for implementation include:

- Detailed Feasibility Study, including appraisal
- Offer to PG&E
- Placer LAFCo process
- Eminent Domain process
- Severance from PG&E
- Operational Set-Up

3.2 FORM JOINT UTILITY DISTRICT TO SERVE EXISTING ROCKLIN AND LINCOLN ELECTRIC SERVICE

Since the City of Lincoln has also expressed an interest in evaluating their electric service options, also being studied by MBMC, it is possible for the cities to combine their efforts and form a joint utility district to serve both cities and/or pursue some sort of joint strategy for energy independence. This section of the report provides the same information as previously presented using the same methodology but adding in the City of Lincoln to the analysis.

3.2.1 Acquisition Cost

Using the same methodology described above, a joint acquisition of PG&E facilities in the cities would amount to approximately $111 million to $335 million based on other such offers and Roseville Electric's investments in their system. It is likely that PG&E would claim that the value is between $600 million to $700 million and that they have no intention to sell any of their assets.

3.2.2 Ongoing Operating Cost including Renewals and Replacements

Again, based on Roseville data, MBMC estimates that the combined Rocklin/Lincoln annual operating and replacement cost would be approximately $153.6 million per year.

3.2.3 Pros, Cons and Likelihood Success of Joint Utility District

The pros and cons of a Joint Utility District are similar to those identified in the stand-alone municipal utility analysis in the previous section of the report. With this consideration, it would differ in this sense:

- Pros
    - Shared resources with Lincoln provide economies of scale and some sharing of risk.
- Cons
    - Less control than stand-alone municipal utility, but more than with current provider.
    - More difficult and costly to separate from PG&E given larger footprint.

3.2.4 Implementation Outline and Timeline

The steps and timeline of this option is basically the same as described in the previous section. This option may be a little more complicated as it involves two cities rather than one, however, it would likely be less costly to the City sine there are economies of scale. The impediments would be no less formidable.

- Detailed Feasibility Study, including appraisal
- Offer to PG&E
- Placer LAFCo process
- Eminent Domain process
- Severance from PG&E
- Operational Set-Up

3.3 FORM JOINT UTILITY DISTRICT WITH LINCOLN AND ROSEVILLE FOR NEW DEVELOPMENT

Rocklin's limited new development opportunity is located on the north-eastern side of the City. The new developments on the eastern edge of Rocklin and Lincoln would not be good candidates due to their distance from Roseville. New developments in those areas would need to be served by PG&E as a matter of practicality. Conversely, the City of Lincoln has significant new development plans, much of which is within relatively close proximity to Roseville.

The Rocklin, Lincoln and Roseville Spheres of Influence are provided in Attachment 1. Having Roseville Electric serve the new developments on the west side of Lincoln may be an option that will improve service and reliability from what currently exists with PG&E within the existing city limits. Unfortunately, this opportunity does not appear to be feasible for Rocklin.

3.4 ADVOCATE FOR LARGER CONSUMER OWNED ENTERPRISE

Another option is to look for broader based solutions that may involve other municipalities beyond the local communities surrounding the City. Last year, more than 20 city and county governments lead by San Jose advocated for the formation of a statewide electric cooperative to become the successor agency though the PG&E bankruptcy. Practically, this idea may likely be the best model for replacing PG&E as the northern state electric service provider since it was unlikely that the state would allow PG&E to be split into numerous smaller pieces. Splitting off large numbers of urban customers would leave rural service areas without an adequate base of revenues to cover the cost of providing safe and reliable electric service, particularly given PG&E's neglect in maintaining their largely rural service area. Given that PG&E has managed to emerge from bankruptcy this option is no longer viable, at least for the time being.

New legislation has just passed the legislature and is on the governor's desk that would create a public benefit corporation that could take over PG&E if it fails to emerge from bankruptcy by September 30, 2020 or fails to meet safety obligations in the future.[3]

Given all of PG&E's problems that have been exposed in recent years it is entirely possible that the utility could fail once again. There are a number of risks in addition to wildfires that could cause this to happen. PG&E will likely be on probation for criminal violations for years to come and promises made to reform could be culturally difficult to deliver as the organization has repeatedly failed to deliver on promises of improvement. Whatever goodwill the organization had is lost and customer patience for reform could well expire before the organization can correct all of its deficiencies. The public benefit corporation option could well re-emerge again at some point in the future.

3.4.1 Pros, Cons and Likelihood of Success of Advocating for Consumer Owned Enterprise

- Pros:
  - Removes source of problems – PG&E
  - Provides for public ownership – Greater public participation and accountability, albeit not nearly as responsive as local ownership

- Cons:
  - Would require further failures by PG&E
  - Could take years to harden PG&E's facilities serving Rocklin

- Likelihood of success – This option is something of a long shot given that PG&E appears likely to reemerge from bankruptcy

[3] Senate Bill (SB) 350

3.4.2 Implementation Outline and Timeline

It is not possible to identify today as this is not currently a viable option. The feasibility and timeline would need to be determined if and when an opportunity exists.

3.5 INFLUENCE INCUMBENT SERVICE PROVIDERS WITH REGARD TO LOCAL CONCERNS

Another option is for the City to open up a dialogue with PG&E to see if any local concerns could be addressed and/or improvements made. The objective would be to work in partnership as opposed to an environment of political and potentially legal confrontation. The success of this approach is likely the hardest to handicap, but at the same time, the ability to determine if this alternative can be meaningfully fruitful may be easiest to ascertain in a shorter timeframe. PG&E has recently proposed for the authorization of the CPUC to be reimbursed for the cost recovery of several programs to help address grid outage events. PG&E proposes to deploy a Distributed Generation Enabled Microgrid Services (DGEMS) program at PG&E substations[4]. The components of this proposal include the following:

- **Make-Ready Program** – This program would enable prioritized substations to operate in islanded mode when the transmission line serving the substation is de-energized.
- **Temporary Generation Program** – This program would deploy temporary mobile generation to critical facilities such as hospitals, water, wastewater treatment facilities, and transportation.
- **Community Microgrid Enablement Program (CMEP)** – CMEP proposes to provide technical and financial support for community requested microgrids for PSPS mitigation purposes.

The City could attempt to work proactively with PG&E to adopt such programs locally to help alleviate the impacts of future PSPS and improve reliability for critical services such as hospitals, water, wastewater treatment facilities, and transportation.

On June 4, 2020, a coalition of 11 Community Choice Aggregators, not including PCE, issued a Request For Information to collect information that may ultimately be used to further explore opportunities for locally located long-duration storage projects that would simultaneously assist the state in reduction of greenhouse gases and provide a minimum of eight hours storage to help the CCA meet Resource Adequacy requirements[5]. Such a program could potentially mitigate the effects of PSPS's, particularly if other efforts to decrease the duration of such events are successful. The City could attempt to work

[4] CPUC Order Instituting Rulemaking Regarding Microgrids Pursuant to Senate Bill 1339 and Resiliency Strategies, Rulemaking 19-09-009, June 11, 2020.

[5] https://www.utilitydive.com/news/california-ccas-solicit-info-on-long-duration-storage-with-possible-procur/579505/

proactively with PCE to locate long-duration storage projects within the City that may help mitigate the impacts of future PSPS events.

The unsustainable commercial economic and residential lifestyle consequences of PSPS are likely to result in additional programs and grants to attempt to reduce the number and duration of future outages. It can be argued that PG&E has greater challenges than SDG&E and SCE with regard to wildfire safety and overall system resilience, and as a result, it may be likely that significant resources will be dedicated to northern California.

If the City was successful in engaging PG&E and new programs or resources were made available locally or regionally, it may be possible for Rocklin to help ensure that critical services such as police, fire, water and wastewater, hospitals and schools retain service during PSPS events at little or no cost to the City. Certainly, the relative cost would be much less than some of the more complex and fulsome alternatives associated with running a utility directly or indirectly, but the City would also need to decide if the outcome of any such dialogue meaningfully helped energy independence and the provision of critical essential services for the community.

3.5.1 Pros, Cons and Likelihood of Success of Influencing Incumbent Service Providers with regard to local concerns

- Pros:
  - Could provide for alternative solutions

- Cons:
  - Piecemeal approach
  - Resources (Time and money to implement)
  - May not be successful

- Likelihood of success – Given the range of alternatives available it is likely that the City could achieve at least some of these objectives through various sources; however, the materiality of any such changes would only be known after further dialogue.

3.5.2 Implementation Outline and Timeline

There is no timeline associated with this option as it would become an ongoing process. However, as this problem is prominent and currently has the attention of the State. Time is of the essence should Rocklin decide to pursue these options as implementation is moving swiftly. It is also worth noting that this alternative is not necessarily independent of other options and could be pursued simultaneously. The City may want to open up this dialogue to see what may or may not be feasible, especially given the cost and complexity of the other alternatives. In many ways, what PG&E can and will do in response to the City's concerns may help crystalize the preferred alternative as a policy and financial matter for the City moving forward.

3.6 TAKING NO ACTION

All of the other options discussed herein come with some incremental financial cost and City resource requirements, some of them very substantial. The last option, taking no action, has no immediate financial cost or resource impacts on the City government. Depending upon public expectations, this might not be an issue. On the other hand, public expectations may dictate that the City at least attempt to improve upon the current situation in some demonstrated fashion even if the likelihood of success is limited or low. The reason is because taking no action is not costless. Interruptions in essential service, lack of reinvestment in safety and service, and lack of local control and accountability all have tangible costs to the City, its businesses and its residents. The question becomes how strongly the community recognizes and feels these costs and what the corresponding political will is to pursue greater energy independence.

4.0 SUMMARY AND RECOMMENDATIONS

There are multiple options available to the City, each one of which comes with its own risks and costs. MBMC has attempted to outline a range of considerations for different alternatives in order to allow Rocklin to make an informed decision as to how to proceed from this point in time. Ultimately such decisions are best made by locally elected leaders and policy makers.

4.1 SUMMARY OF COSTS

A high-level estimate of the costs of each of the options identified is contained in Table 3. Acquisition costs represent what in MBMC's opinion would be most reasonable. If higher than this range the economics of the feasibility would questionable. Set-up fees represent an approximation of the legal and consulting fees that would be necessary to implement the option.

Table 3
Summary of Costs

Option	Acquisition	Set Up Fees	Annual Cost
Municipalization	$62-$192 million	$20 million	$88.1 million
District – Existing Customers	$111-$335 million	$15 million	$153.6 million
District – New Customers	N/A	N/A	N/A
Consumer Owned Enterprise	N/A	N/A	N/A
Work with Existing Providers	N/A	$100-$200 thousand	N/A
Take No Action	$0	$0	$0

4.2 SUMMARY RECOMMENDATIONS

Based upon MBMC's experience in this sector with this subject matter the following recommendations for actions and recommendations for inaction are offered. As stated at the outset, ultimately this is a local decision reflecting local priorities and values that rightfully should be made by elected officials that know the community and its risk appetite

best. There is no right or wrong answer, but there is the opportunity to refine further the City's thinking in assessing and ultimately choosing a preferred alternative.

4.2.1 Recommendations for Proceeding:

- Open dialogue with PG&E to institute programs that will directly, tangibly and measurably reduce the impacts of PSPS outages, provide for local essential services, and increase the reliability of local service. Set a timeframe and metrics for measuring success.
- Open dialogue with PCE to review and evaluate the development of local projects that provide resources, local jobs and alternative power supply to reduce the effects of PSPS.

4.2.2 Recommendations for Not-Proceeding:

- Forming a Stand-Alone Municipal Utility. It is a very costly process that has not been proven to be successful in jurisdictions much larger and better equipped financially than Rocklin.
- Form Joint Utility District with Lincoln. It has the same formidable hurdles as the Stand-Alone Municipal Utility.
- Open dialogue with Roseville to review the feasibility of teaming with Roseville Electric to provide service to new developments within Rocklin does not appear to be feasible.
- Taking no action. While certainly an option, business as usual is not a viable strategy for the future. The electric landscape continues to evolve considerably and the PG&E's current and past business and operational model for the provision of electric service is not meeting the needs of local communities and their residents. Significant steps need to be taken and alternatives need to be systematically evaluated and eliminated in order to boost customer service, reliability and local control.

MBMC appreciates and thanks the City of Rocklin for the opportunity to submit this analysis. Working with your City Manager and staff has been a pleasure. Appreciation is also expressed to Roseville Utility for providing information on their own costs which has proven to be most helpful in this analysis.