



Sale of Electric Utility

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“Electricity is really just organized lightning” — George Carlin

Ask

That Council give direction on whether it wishes to further investigate the sale of the electric utility.



Recap

Services	Direct Access Greenfield	Methodology	Resolution, Ordinance, Election, Bid and Sale
Prior direction	Further investigate (2020) Address key questions	Unknown buyer/bidder	SCE, City of Riverside, others!
Reliability	Porphyry line extension completed 2021	Renewable Requirements	SB100 100% zero carbon by 2045

Key Questions

Rate Comparison

How do our rates compare to other agencies?

Solar

What impact will solar have on the utility?

Capital Projects

What projects do we have planned?

Pre-qualification

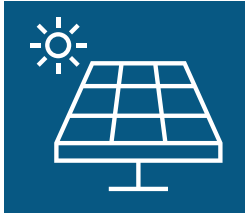
Can we pre-qualify bidders?

Financials

What is the utility worth if we sell it?



RATE COMPARISON: Compared 20 residential accounts against SCE and RPU; Corona was lower in the majority



SOLAR: Corona would stop approving solar applications once solar generation reaches 5%. Currently the Utility is at 1.75%



CAPITAL PROJECTS: reinvestment in the system through preventive maintenance program

Pre-Qualification



Set up an evaluation committee



Set minimum qualifications to evaluate each potential Bidder



Provide notice to all potential Bidders and request application for pre-qualification



Review applications and pre-qualify every bidder that meets the minimum standards

Financial

June 30, 2021 – Financial Statement as basis for valuation*

** 2021 statement can be found in 2021 ACFR
pages 42-43*



Impacts to the current financial position

Sell bundled retail customers and
release DA accounts
Dismantle the electric division



Greenfield Assets

3 Valuation Methods

Original Cost Less Depreciation (Book Value) (OCLD)
Reconstruction Cost New Less Depreciation (RCNLD)
Market Cost Method (Comparable Sales)



Direct Access

Contracts for Power
Contracts for Customers



FMV of Greenfield Assets

**Original Cost Less
Depreciation
(OCLD) Method**



\$5.7 Million

**Reconstruction
Cost New Less
Depreciation
(RCNLD) Method**



\$8.4 Million




**Market Cost
Method**

Based on average
premium over OCLD
paid



Low, 19% \$6.7 Million
Average, 27% \$7.2 Million
High, 36% \$7.7 Million

FMV of Direct Access Assets

1	Current customers will drop back to local provider (SCE) no exit fee for customers	
2	Current Power Purchase Agreements (PPA's) most have obligations to assign to other partners – Opportunity for sale is limited	
3	Transaction costs to close out current agreements	



Greenfield

Greenfield assets range between \$5.7 and \$8.4 million

Actual market value may differ at the time of sale

For comparison, a value of \$7 million will be used



Direct Access

Right of First Refusal to other parties
Net value = likely zero

Transaction costs

Resell output = risk

Timing with customers / contracts

Financial Position

	Current	At Sale	Description
Net Assets	\$39,269,931	\$39,269,931	Represents book assets as of 6/30/21
Depreciated Book Value		\$(5,700,000)	Book value to be removed upon sale of assets
Sale of Assets		\$7,000,000	Potential revenue
Adjusted Asset Value	\$39,269,931	\$40,569,931	Value of assets after sale
Total Liabilities	\$(13,773,203)	\$(13,773,203)	Represents liabilities as of 6/30/21
Net Value	\$25,496,728	\$26,796,728	Adjusted Asset Value Less Total Liabilities
Restricted Funds	\$7,539,177	\$7,539,177	Represents restricted fund cash value as of 6/30/21
Net Value Available	\$17,957,551	\$19,257,551	Net Value Less Restricted Funds

Utility value ranges from \$19.2 million to \$26.8 million

Key Considerations

1

Corona rates
based on service,
not profit



2

Outage response
will be based on
new owner



3

Unknown
purchaser



4

Will require an
election



5

Will affect multiple
City accounts that
are DA



Recommendation

- Forgo further action and revisit in the future if needed.



Ask

That Council give direction on whether it wishes to further investigate the sale of the electric utility.



Questions?



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Next steps

