

Municipal Electric Utilities -

Analysis and Case Studies

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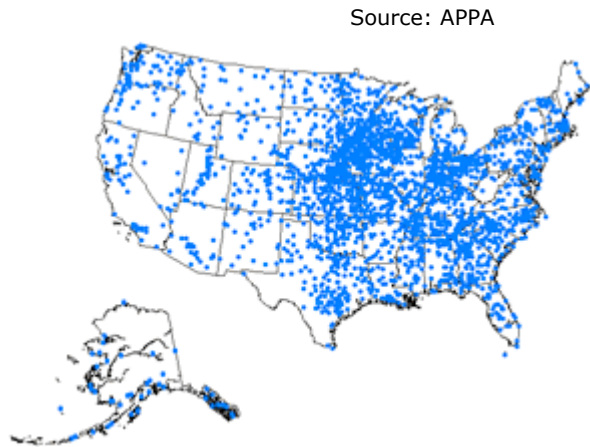
Municipal Electric Utilities – An Overview

United States

In the United States, there are over 2,000 public electric utilities servicing an estimated 43 million customers.¹

“Public power” entities include municipalities, state power agencies, and municipal marketing authorities.²

“Municipal electric utilities” are defined as those public power providers that are owned and operated by cities, towns, and counties. Other “public power” providers include public utility districts and state-owned providers³.



In the U.S., public electric utilities service approximately 14% of the total number of electricity customers. Of the remaining customers, 69% are serviced by investor-owned utilities, 12% by rural electric associations (REAs), and 5% by power marketers.⁴

Approximately 1,400 public electric utilities service communities with populations of less than 10,000. The largest municipal electric utility is the city of Los Angeles which services over 1.4 million customers.⁵

¹ *Public Power: Shining a Light on Public Service*. American Public Power Association. November 2005.
<http://appanet.files.cms-plus.com/PDFs/PPFactSheet.pdf>

² *2004 State Electricity Profiles – Table 9*. Energy Information Administration. November, 2005.
http://www.eia.doe.gov/cneaf/electricity/st_profiles/colorado.pdf

³ *Public Power: Shining a Light on Public Service*. American Public Power Association. November 2005.
<http://appanet.files.cms-plus.com/PDFs/PPFactSheet.pdf>

⁴ *Public Power: Shining a Light on Public Service*. American Public Power Association. November 2005.
<http://appanet.files.cms-plus.com/PDFs/PPFactSheet.pdf>

⁵ *About Public Power*. American Public Power Association. November, 2005.
<http://www.appanet.org/aboutpublic/index.cfm?ItemNumber=429>

Colorado

In Colorado, 29 public electric utilities service approximately 17% of the state's 2.3 million customers. Two investor-owned utilities service 60% of the customers, and 28 REAs service 23%. A remaining fractional percentage is serviced by federal and facility systems.⁶

The top five electric utilities in Colorado sell 75% of the total megawatt hours used in the state. These providers are, in order of 2004 megawatt hours sold, Xcel Energy (investor-owned), the City of Colorado Springs Utilities (municipal), Intermountain Rural Electric Association (REA), Aquila (investor-owned), and Fort Collins Utilities (municipal).⁷

Xcel Energy alone provides 55% of the annual megawatt hours sold in the state. By comparison, the City of Colorado Springs Utilities sells 9%, Intermountain Rural Electric Association sells 4%, Aquila sells 4%, and Fort Collins Utilities sells 3%.⁸

On average, Colorado retail customers pay 6.31 cents per kilowatt hour if their provider is a public electric utility, 6.98 cents per kilowatt hour if they purchase their electricity from an investor-owned utility, and 7.54 cents per kilowatt hour if they receive their service from an REA.⁹

Municipalization of an Investor-Owned Electric Utility

Since the early 1900's, city and country governments have made attempts, some successful and some not, to take ownership and control of their local electric, gas, and water utilities by municipalization of these utilities.

⁶ 2004 *State Electricity Profiles – Table 9*. Energy Information Administration. November, 2005.
http://www.eia.doe.gov/cneaf/electricity/st_profiles/colorado.pdf

⁷ 2004 *State Electricity Profiles – Table 3*. Energy Information Administration. November, 2005.
http://www.eia.doe.gov/cneaf/electricity/st_profiles/colorado.pdf

⁸ 2004 *State Electricity Profiles – Table 3*. Energy Information Administration. November, 2005.
http://www.eia.doe.gov/cneaf/electricity/st_profiles/colorado.pdf

⁹ 2004 *State Electricity Profiles – Table 9*. Energy Information Administration. November, 2005.
http://www.eia.doe.gov/cneaf/electricity/st_profiles/colorado.pdf

The transfer of ownership and control of an electric utility is typically vehemently protested by the current provider and tends to be a controversial local issue.

According to the American Public Power Association (APPA), there have been 16 municipal electric utilities formed in the last ten years, 46 in the last 20 years, and 72 in the last 30 years. Some electric utilities have completed the transition from investor-owned to municipally-owned in a year or two while a few of the most hard-fought municipalization campaigns have taken seven or eight years to complete. The average length of time for the transition from an investor-owned utility to a municipally-owned utility is three to four years.

The general process for municipalization of an electric utility is as follows:¹⁰

- 1) The contract with the servicing investor-owned electric utility is expiring or the utility has made the decision to sell the electric utility assets within the service area.
- 2) The local city/county council makes an internal decision to pursue a feasibility analysis of municipalization of the electric utility.
- 3) An independent contractor is hired to perform the feasibility analysis, and once complete, presents the analysis to the council.
- 4) The council votes to proceed or not to proceed with the municipalization effort.
- 5) If the decision is made to proceed, the council and/or council staff prepare the measure for general election.
- 6) The local citizens vote to approve or disapprove the measure.
- 7) If the measure is approved, the city begins a process to condemn and purchase the current utility's assets.
- 8) A legal process ensues in which the municipality and the utility negotiate the price and ownership of the utility's assets. This process is almost always resolved in court.

¹⁰ Lock, Dave. Executive Director, Colorado Association of Municipal Utilities. Personal Interview. October 3, 2005.

Key factors involved in the success or failure of a municipalization effort include:¹¹

- 1) Ability of the proponents to secure funding for the campaign. Utilities typically spend millions of dollars fighting a municipalization effort. Local governments are legally restrained from spending tax revenues for campaigns and therefore rely heavily on private sponsors and political action committees to fund municipalization campaigns.
- 2) Whether or not the local government currently and successfully operates other utilities such as gas or water. Lack of experience or poor performance in operating a utility can be detrimental to the campaign effort.
- 3) Citizen satisfaction with the local government. High satisfaction rates correlate positively with favorable election results, poor satisfaction rates with unfavorable election results.
- 4) Citizen satisfaction with the incumbent utility. If service and rates are perceived as fair and reasonable, it is difficult to displace the existing utility. However, dissatisfaction in either category helps to support a municipalization effort.

Pros and Cons of Municipalization

The American Public Power Association reports the following advantages offered by municipal electric utilities:¹²

- Municipal electric utilities generally provide a profitable revenue source for the city, which serves to both support the utility and to provide other benefits to the citizenry.
- Emphasis of long term community goals as demonstrated by investment in the local infrastructure, energy conservation, renewable energy, pollution prevention, and safety.
- Lower electric prices by a national average of ten percent.
- Superior operational and customer service.
- Local ownership and accountability to the people served with no split allegiance between customers and stockholders.
- Enhanced local control and local employment.
- Equal or greater reliability

¹¹ Lock, Dave. Executive Director, Colorado Association of Municipal Utilities. Personal Interview. October 3, 2005.

¹² *Benefits of Public Power*. American Public Power Association. November, 2005.
<http://www.appanet.org/aboutpublic/index.cfm?ItemNumber=429>

Edison Electric, the primary investor-owned electric utility trade organization, argues against municipalization with the following points:¹³

- Municipal utilities are not large enough or sophisticated enough to deliver excellent service.
- A new municipal utility does not have the money and the expertise to hire and manage crews, purchase and maintain equipment, or provide call center and billing services.
- Municipal utilities do not have the resources to provide reliable power in the event of a major storm or outage.
- Utility businesses are always most efficient when operated on a larger scale.
- Municipalization efforts, for the most part, are overwhelmingly unsuccessful and those that succeed may take many years.

Municipalization Campaigns - Strategies and Challenges

From the perspective of the municipality, the process requires first that the feasibility of the municipalization be established and second that the voting public be convinced that the municipalization will best serve their interests. Only then can the process proceed to what is typically a lengthy and complicated legal battle in which a court eventually determines a compromise fair-market value for the assets and orders the utility to transfer ownership.

Establishing feasibility is one of the easier tasks in the process. Independent consultants generally use relatively conservative assumptions in their analysis of the projects and, independent of the municipalization process itself, municipal electric utilities typically do make economic sense for the local community.¹⁴

From the feasibility point forward, the process becomes increasingly more challenging. Investor-owned utilities tend to mount extensive and expensive campaigns to maintain their control of the service area.

In a demonstration of the organization and focus of the investor-owned utility industry, the utility industry's trade association, Edison

¹³ *Municipalization in a New Energy Environment – It Doesn't Work*. Edison Electric. November 2005. http://www.eei.org/industry_issues/electricity_policy/state_and_local_policies/municipalization/study.pdf

¹⁴ Lock, Dave. Executive Director, Colorado Association of Municipal Utilities. Personal Interview. October 3, 2005.

Electric, published a handbook in 2002 entitled *New Public Power Takeovers: Strategic Resources for Defeating Municipalization*.

The handbook reportedly presents a series of best-practices to investor-owned utilities for defeat of municipalization efforts. One sample message for the utilities to communicate to the public: "A new public power takeover will be costly and is fraught with hidden risks and uncertainties".¹⁵

Utility tactics include challenging the fundamentals of the feasibility of the project, attacks on the ability of the local government to effectively manage the utility, delay of the municipalization process with legal actions, and promotion of general confusion regarding the issues – all designed to convince the voting public that the municipalization is not optimal.

One of the key components of a utility strategy is to discredit the feasibility analysis by overestimating the value of the utilities assets. In Yolo County California, a current controversy over annexation of part of Pacific Gas & Electric's (PG&E's) service territory into SMUD's service territory has the utility claiming an asset value of over \$500 million while the SMUD estimates the value at \$100 million. This discrepancy creates issues with SMUD's rate forecasts for residents of the affected area.¹⁶

Other strategies focus on confounding the issues. In the Yolo County case, PG&E has made several creative attempts to thwart SMUD's annexation of the service area. First, the company began a process to install advanced meters in the area, an activity that would drive up the value of the utilities assets. This was blocked by a citizen protest with the local board of supervisors.¹⁷ PG&E then filed a case with the commission that the proposed municipalization would harm non-municipal customers. This case was rejected November 18, 2005 by the California Public Utilities Commission.¹⁸

And then there's the money. In 2002, PG&E spent more than \$2 million to defeat the public-power measure Proposition D in San

¹⁵ *PG&E's Playbook*. Sacramento News & Review. October 13, 2005.

<http://www.newsreview.com/issues/sacto/2005-10-13/cover.asp?Print=1>

¹⁶ *PG&E's Playbook*.

¹⁷ Yolo County Board Minutes. April 19, 2005.

<http://www.yolocounty.org/SMUD/29.pdf>

¹⁸ *CPUC staff: SMUD annexation will not hurt customers*. Public Power Weekly. November 8, 2005.

http://pro.energycentral.com/professional/news/power/news_article.cfm?id=6080057

Francisco. By contrast, the proponents of the measure were only able to raise about \$70,000.¹⁹

According to Phil Marler at SMUD, “local governments and SMUD aren’t allowed to mount the kind of advertising campaign PG&E can to create fear and doubt in the minds of John Q. Public. We can’t campaign; we can only educate people.”²⁰

Clearly, local governments are financially constrained and therefore at a distinct disadvantage in the campaigning process. Political action committee and independent sponsor financial and campaign support are critical. Grass roots campaign efforts including informational consumer polling and local meetings are important and frequently employed campaign strategies.

Even when the election is over, the process is not. Assuming a positive election result is achieved, the municipality must negotiate with the utility for a “fair market value” purchase price of the utilities assets within the service area. The amounts put forth by the parties are typically hundreds of millions of dollars apart.

The ensuing legal struggle over valuation and transfer of assets can last for years. In the 1989 case in Clyde Ohio, (population 6,000), the municipality eventually ceased negotiations with the electric utility and set up new infrastructure within the service area.²¹ The city then required the investor-owned utility to remove the “abandoned” power lines within a specified number of days. The issue to note is that not only did the incumbent investor-owned utility get nothing for their infrastructure, they also had to pay to remove the lines.²²

This example, while impractical for a larger population area, demonstrates the challenges inherent in the municipalization process.

Municipalization Case Studies

There are many cases of municipalization efforts available for review. The four studies presented have been selected based on their regional or strategic relevance to Boulder.

¹⁹ *PG&E’s Playbook*.

²⁰ *PG&E’s Playbook*.

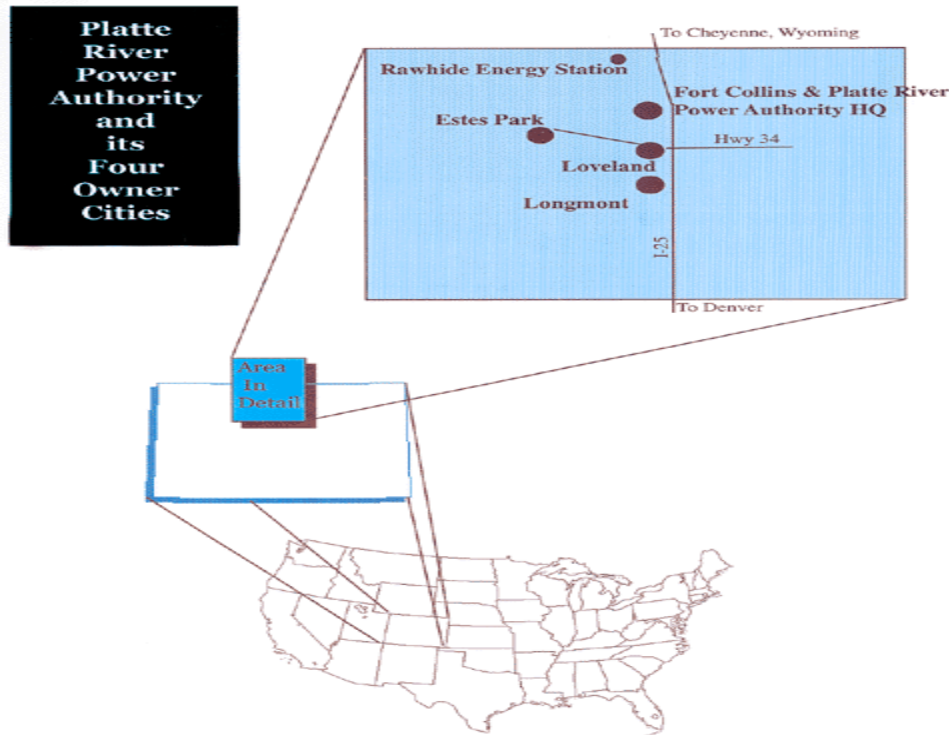
²¹ *Forming a Public Power Utility*. American Public Power Association. November 2005.
<http://appanet.org/aboutpublic/formingPPutilitydetail.cfm?pf=1&ItemNumber=2498>

²² Regelson, Ken. E-mail communication. May 16, 2006.

Berthoud, Colorado – Failed Municipalization Effort

In 2001, the city of Berthoud made an attempt to municipalize its electric utility and join the Platte River Power Authority. Platte River is a wholesale electric provider to four municipal electric systems in northern Colorado: Estes Park, Fort Collins, Longmont, and Loveland.

Platte River Power Authority



Source: Platte River Power Authority

Platte River has been operational since 1973 and acts as a wholesale electric utility by acquiring, constructing and operating generation facilities and providing electric energy on a requirements basis.²³

The city of Berthoud proposed to establish its own municipality and contract with Platte River to manage the utility. The city's contract with Xcel Energy was expiring and a feasibility analysis indicated that the citizens and the city would benefit by joining Platte River.²⁴

²³ Platte River Power Authority. November 2005.

<http://www.prpa.org/>

²⁴ Depp, Paul. Vice-President, Citywide Banks; former Berthoud City Council activist. Personal interview September 26, 2005.

Xcel mounted a strong campaign against the municipalization and began placing ads in the local papers and making frequent phone calls to local residents. The public perception became that the municipalization issue was confusing and muddled.²⁵

There were other issues as well. The city council was in charge of the local water utility and was not performing well in that regard. The safety and general quality of the water were in serious question at that point. Water tests demonstrated concentrations of agricultural chemicals at the high end of EPA standards and city residents complained of a green tint and poor taste to the water. The city was in negotiations with the Northern Colorado Water Conservancy District to take over the water utility, but no action had yet been taken.²⁶

Additionally, the citizenry was embroiled in a no-growth, low-growth, fast-growth debate. Many residents wanted the city to maintain its long-standing no-growth policies to preserve the character of the quaint rural town. Other residents cited grave economic concerns in advocating removal of all growth restrictions. The city council was widely criticized by both sides for its failure to address the demands of the polarized constituency.²⁷

Not surprisingly, the municipalization effort was soundly defeated in an 80% to 20% vote. Xcel reportedly spent \$250,000 to protect a service area of fewer than 5,000 voters. Why? Two primary reasons are cited: 1) The area is in a high projected growth zone, and 2) Xcel operates on a "slippery slope" assumption that once one area succeeds in municipalization, other areas will attempt it and may also be successful. The point is that Xcel will expend disproportional effort and funds to defeat a municipalization effort in a desirable geographical region.²⁸

Berthoud is a solid example of the need for the local government to be well-perceived in the eyes of the voting public both before and during the municipalization process. Controversy over other topics provides valuable fodder to the incumbent utility to use to campaign against the municipality. Also, in estimating the financial and legal resources the utility will allocate to resist the municipalization, it is important to

²⁵ Depp, Paul.

²⁶ Berthoud City Council. Archive Board Meeting Minutes: 2000-2005.

http://www.ci.berthoud.co.us/prior_years.html

²⁷ Berthoud City Council.

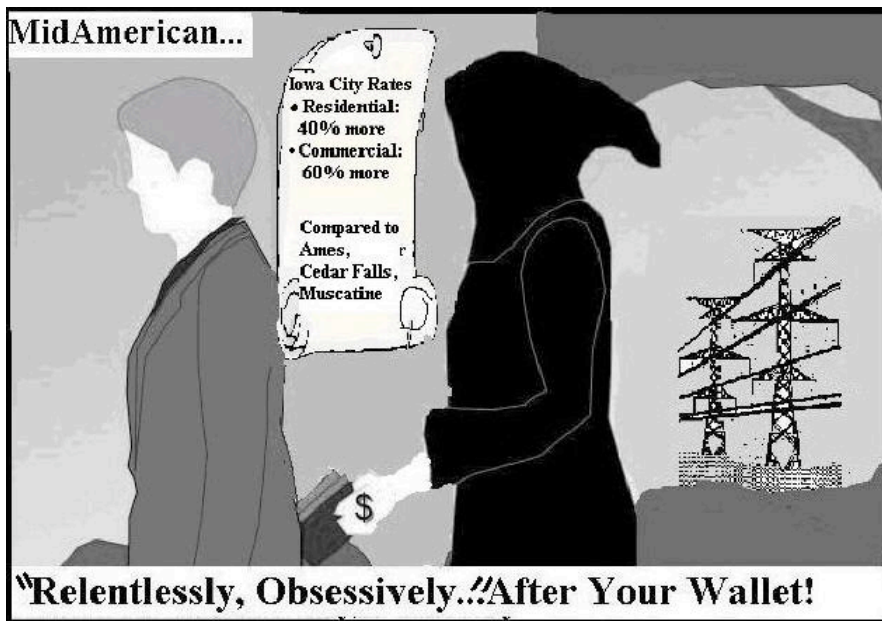
²⁸ Lock, Dave.

consider the larger service area the utility is protecting in the campaign.

Iowa City, Iowa – Recently Failed Municipalization Attempt

When the franchise agreement between the Iowa City (population 64,000) and the investor-owned MidAmerican Energy expired in 2001, a group of Iowa City residents, Citizens for Public Power (CPP), encouraged the City Council to consider the option of a municipal electric utility.²⁹

The primary argument for municipalization was rate-based. Advocates cited differentials of up to 60% between Iowa City's rates and the rates experience by residents of nearby Ames, Cedar Falls, and Muscatine.³⁰



Source: Citizens for Public Power

Iowa City and 18 other cities conducted a feasibility study that reportedly demonstrated significant savings from the formation of the municipal electric utility. The measure was placed on the November 8, 2005 ballot as question Number 1.³¹

²⁹ *Public Power – An Option for Iowa City*. Iowa Association of Municipal Utilities. Citizens for Public Power. November 2005. <http://www.icpublicpower.org/>

³⁰ *Why Municipal Power*. Citizens for Public Power. November 2005. <http://www.icpublicpower.org/>

³¹ *Yes on Number 8 Provides Options*. Citizens for Public Power. November 2005. <http://www.icpublicpower.org/>

According to the Daily Iowan, the incumbent provider, MidAmerican Energy, spent about \$500,000 to persuade residents the municipalization effort was flawed. State records show that the private utility, owned by Warren Buffet's conglomerate, Berkshire Hathaway, outspent public power advocates, 26-1.³²

Sixty-seven percent of voters rejected the ballot initiative asking whether the City Council should continue to study establishing a municipal utility. According to local regulations, the city is now restrained from pursuing the issue further for four years.^{33, 34}

There are two key lessons to be learned from this effort. First, it is important to plan ahead with regard to a municipalization effort. The existing franchise agreement expired in 2001 but the issue didn't reach the ballot until 2005. This fact could not have helped to inspire voter confidence in the city's ability to proactively manage an electric utility. Second, funding is critically important to the campaign effort. Proponents of the measure were only able to raise \$20,000 to support the effort. While not minimizing the efforts of CPP, advocates of the proposal were grossly unprepared for the contest.³⁵

Folsom, California – Successful Municipalization

In an example of a successful municipalization effort, the city of Folsom (population 62,000) succeeded in its 1984 municipalization campaign and switched from PG&E to the Sacramento Municipal Utility District.³⁶

During the campaign process, PG&E sought to convince citizens that SMUD's estimates of the value of the utilities assets were flawed. SMUD projected a cost of about \$10 million to annex Folsom and the nearby Mather Field area. PG&E said it would cost four times that much.³⁷

After a lengthy court proceeding, PG&E settled in 1989 for \$13 million for the facilities. This amount, while 30% higher than what SMUD had originally projected, was significantly below the \$40 million total PG&E

³² *Spending Reports: MidAmerican and Citizens for Public Power.*

³³ *Election Results.* November 2005.

<http://www.johnson-county.com/auditor/returns/200511iowacity.htm>

³⁴ *Yes on Number 8 Provides Options.* Citizens for Public Power. November 2005.

<http://www.icpublicpower.org/>

³⁵ *Spending Reports: MidAmerican and Citizens for Public Power.*

³⁶ *PG&E's Playbook.*

³⁷ *PG&E: SMUD Would Cost More.* Davis Enterprise, January 31, 2005.

<http://www.davisenterprise.com/articles/2005/02/04/news/335new1.txt>

had campaigned with. In its success, Folsom provided a precedent for other cities in the area to pursue municipalization and annexation into the SMUD service area.³⁸

Important to the success were four primary factors:

- 1) SMUD provides service in areas adjacent to PG&E at an average of 26% less.³⁹
- 2) The California energy crisis and resulting power outages left many consumers with a negative perception of PG&E.
- 3) PG&E experienced many years of financial difficulties prior to the Folsom municipalization. These difficulties culminated in a petition for bankruptcy protection filed in 2001.⁴⁰

Davis/Woodland/West Sacramento, California – Failed Municipalization, Now Trying Annexation

In 2000, the cities of Davis (population 64,000), Woodland (population 50,988) and portions of West Sacramento, California (population 39,000) were rejected by the Yolo County Local Agency Formation Commission (LAFC) in their attempts to form a regional municipal utility.⁴¹

Undeterred, the cities passed a joint resolution on March 15, 2005 to request annexation into neighboring SMUD's service area. The resolution represented a culminating formal request generated from a several year process in which the cities of Davis, Woodland, West Sacramento, and portions of unincorporated Yolo County have explored the possibility of annexation with SMUD.⁴²

In a neighboring county, San Joaquin, the irrigation district is battling PG&E to take over electric service for the area's 35,000 residents. A similar process is unfolding in which the utility is claiming asset value of over three times what the district estimates.⁴³

Together, the proposals in Yolo and San Joaquin County would strip PG&E of 118,000 electrical customers in one of the fastest growing

³⁸ *PG&E's Playbook*.

³⁹ *Rate Comparison*. Sacramento Municipal Utility District. November 2005.

<http://www.smud.org/residential/rates.html>

⁴⁰ *California City weighs dropping PG&E for public power*. Reuters. Energy Central. February 3, 2005.

http://pro.energycentral.com/professional/news/power/news_article.cfm?id=3622031

⁴¹ *PG&E's Playbook*.

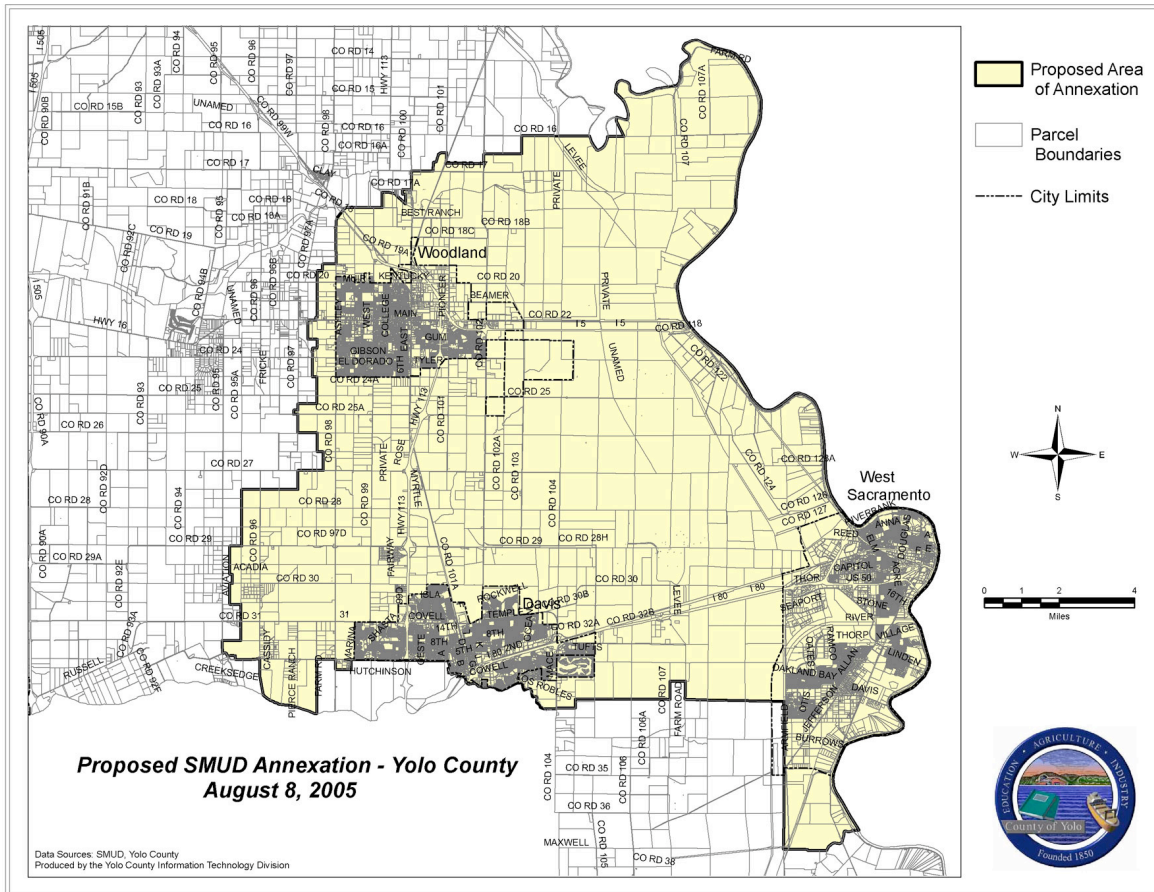
⁴² *Frequently Asked Questions*. Sacramento Municipal Utility District. November 2005.

<http://www.smud.org/annexation/faqs.html>

⁴³ *PG&E's Playbook*.

sections of the state. Most of those customers, however, would still rely on PG&E for natural gas.⁴⁴

Sacramento Municipal Utility District



Source: SMUD

Organized in 1923, SMUD is the sixth largest utility in the country and currently provides electricity to 530,000 California customers.⁴⁵ The municipality represents a formidable opponent to the utilities.

This case is particularly relevant because it represents a situation that investor-owned utilities fear the most: multiple jurisdictions banding

⁴⁴ PG&E's Playbook.

⁴⁵ Facts & Figures. Sacramento Municipal Utility District. November 2005. <http://www.smud.org/about/facts/index.html>

together to sever relations with the incumbent service provider. As such, it provides an example of a case where the utility has significant downside risk and likely to employ every tactic and strategy within its significant means to defeat the municipalization effort.

PG&E's spokesperson, Jann Taber makes this point clearly by referring to the Folsom annexation and stating that SMUD wouldn't get nearly as good a deal on PG&E's Yolo County property. "In Folsom, we agreed to settle that with them. There will be no negotiated settlement this time. Our system is not for sale."⁴⁶

While this may or may not be true, the message to the proponents and the citizens affected by municipalization effort is a strong one.

However, it is also a case in which a potentially critical mass of citizens support the effort, the ultimate key to the success of the municipalization and will therefore be an interesting case to watch.

Current Annexation Status

The SMUD Board of Directors voted to pursue granting the annexation and, on August 1, 2005, submitted formal application for approval of the annexation to the Sacramento Local Agency Formation Commission (LAFCo).

Over the coming months, LAFCo will perform an independent review of the application, including gathering of information from public hearings. If the commission approves the application, residents of the proposed annexation area may vote as early as November 2006 on whether they want SMUD to provide their electric service. The earliest SMUD would begin servicing the annexation is in 2008.⁴⁷

With consideration of the factors involved, it appears that this case will be significant to watch over the coming year.

A detailed timeline of past and future events regarding the annexation are provided on the following page.

⁴⁶ *PG&E's Playbook*.

⁴⁷ *Portions of Yolo County Seek Annexation to SMUD*. October 26, 2005.

<http://www.smud.org/annexation/index.html>

Timeline

As provided by SMUD, the timeline for the annexation is as follows:

Sep-02	A consultant hired by the City of Davis, Navigant Consulting Inc., recommends Davis pursue annexation by SMUD as an "excellent alternative to PG&E's service and the most plausible outcome to establish local representation." Navigant recommends including Woodland and West Sacramento in any annexation proposal.
Oct-02	Davis City Council votes to approach SMUD about annexation.
Feb-03	West Sacramento, Davis and Woodland approach SMUD about annexing the cities and adjacent portions of Yolo County into the SMUD service territory.
Apr-03	SMUD Board adopts an annexation policy that sets criteria that must be met for SMUD to consider annexing an area.
Jul-03	SMUD Board authorizes joint study of annexation feasibility and requires the Yolo communities requesting annexation to split the cost.
Mar-04	Annexation feasibility study contract awarded to R.W. Beck, Inc.
Jan-05	Annexation feasibility study completed by R.W. Beck.
Feb-05	Woodland City Council votes to ask for annexation.
Mar-05	<p>Davis City Council votes to seek annexation.</p> <p>Woodland City Council reaffirms its vote for annexation.</p> <p>West Sacramento City Council votes to request annexation.</p>
April-May 2005	<p>Yolo County Board of Supervisors votes to seek annexation</p> <p>SMUD staff releases its analysis of annexation issues to the SMUD Board</p> <p>SMUD holds three public workshops on annexation issue</p>
5-May-05	Dr. Sanjay Varshney, the dean of the College of Business Administration at California State University, Sacramento, provides the SMUD Board of Directors with his report validating both the R.W. Beck report and the SMUD staff assumptions and methodology.
19-May-05	SMUD Board of Directors votes to send the annexation request to the Sacramento County Local Agency Formation Commission (LAFCo).
Aug. 1, 2005	Annexation application filed with the Sacramento Local Agency Formation Commission (LAFCo).
Sept. 1, 2005	LAFCo releases EIR Notice of Preparation to agencies.
Schedule of future events	
Jul-06	LAFCO determines whether the annexation question can be placed on the ballot.
7-Nov-06	If LAFCO approves placing the question of annexation on the ballot, this would be the earliest possible date for an election.

Source: SMUD, Updated September 15, 2005
<http://www.smud.org/annexation/timeline.html>

Concluding Summary

Municipalization efforts are complicated and lengthy processes. In the cases presented, four factors were critical to the success or failure of the municipalization effort.

1. The local government must be well-perceived by the citizenry.
2. Funding must be available for the campaign effort.
3. The municipality must be able to overcome the incumbent utilities arguments and convince citizens that the new arrangement will result in better rates and/or better service.
4. It is helpful if the incumbent utility is having financial problems.

Future Research

Based on the findings in this report, research on the following topics may be relevant:

1. Do municipal utilities generally perform better financially than investor owned utilities?
2. How many successful municipalization efforts involved joining an existing municipality versus establishing a new operation? Is this a potential success factor?
3. How are municipalization campaigns typically funded? Can these strategies be improved upon?
4. If a municipality campaign is successful, how often is the municipal utility successful? In at least one case, Northwestern Power, it appears that the new utility declared bankruptcy following the municipalization.
5. Only one-third of utilities produce their own power. The rest purchase the power from another company, sometimes the displaced investor-owned utility. Are there known problems with power acquisition post-municipalization? Also, are there known problems if the displaced utility continues to provide gas service to the area?

I appreciate the opportunity to prepare this report and will be pleased to present the results and/or provide additional details if requested.