Cities Weigh Taking Over From Private Utilities

The Valmont power plant in Boulder, Colo. The city is considering creating one of the first new municipal utilities in years.

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Published: March 13, 2013

Across the country, cities are showing a renewed interest in taking over the electricity business from private utilities, reflecting intensifying concerns about climate change, responses to power disruptions and a desire to pump more renewable energy into the grid.

Boulder, Colo., for instance, could take an important step toward creating its own municipal utility, among the nation’s first in years, as soon as next month. A scheduled vote by the City Council comes after a multiyear, multimillion-dollar study process that residents, impatient with the private electric company’s pace in reaching the town’s environmental goals, helped pay for by raising their own taxes.

And while Boulder’s level of activism may be unusual, given its liberal leanings and deep-seated concerns over climate change and the environment, the desire to take control of the electricity business is not. Officials and advocates in Minneapolis and Santa Fe, N.M., are considering splitting from their private utilities, while lawmakers in Massachusetts are trying to make it easier for towns and counties to make the break.

Over the years, many localities have examined creating municipal utilities, usually around the time their franchise agreements with private electric companies are to expire. But officials and advocates are now examining municipal utilities as concerns rise over carbon emissions from fossil fuels, especially coal, and as the...
ability to use renewable energy sources like solar and wind increases.

“Right now, a lot of the communities are looking at it for climate reasons,” said Ursula Schryver, director of education and customer programs at the American Public Power Association. “The biggest benefit about public power is the local control.”

But private utilities often resist giving up control — and customers — to new, public competitors, arguing that it leaves them unable to recoup investments made in anticipation of customer needs. In addition, the power industry cites its experience and long history in keeping the lights on while meeting environmental goals.

“This is our business. It’s what we do,” said David Eves, chief executive of the Public Service Company of Colorado, the division of Xcel Energy operating in Boulder. And because its parent company operates in eight states, he added, the utility can focus on being more efficient. “We don’t run other parts of the city operation and deal with those kinds of things. It’s our specialty.”

Roughly 70 percent of the nation’s homes are powered through private, investor-owned utilities, which are allowed to earn a set profit on their investments, normally through the rates they charge customers. But government-owned utilities, most of them formed 50 to 100 years ago, are nonprofit entities that do not answer to shareholders. They have access to tax-exempt financing for their projects, they do not pay federal income tax and they tend to pay their executives salaries that are on par with government levels, rather than higher corporate rates.

That financial structure can help municipal utilities supply cheaper electricity. According to data from the federal Energy Information Administration, municipal utilities offer cheaper residential electricity than private ones — not including electric cooperatives, federal utilities or power marketers — a difference that holds true in 32 of the 48 states where both exist. In addition, they can plow more of their revenue back into maintenance and prevention, which can result in more reliable service and faster restorations after power failures.

In Massachusetts after Hurricane Irene in 2011, for instance, municipal utilities in some of the hardest-hit areas were able to restore power in one or two days, while investor-owned companies like NStar and National Grid took roughly a week for some customers. According to an advocacy group called Massachusetts Alliance for Municipal Electric Choice, government-owned utilities on average employ more linemen per 10,000 customers than the private companies.

Jo Craven McGinty contributed reporting.

A version of this article appeared in print on March 14, 2013, on page B1 of the New York edition with the headline: Power to the People.
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