

**CITY OF BALTIMORE
COUNCIL BILL 06-0160R
(Resolution)**

Introduced by: Councilmember Young, President Dixon, Councilmembers D'Adamo, Curran,
Harris, Welch, Clarke, Spector, Rawlings Blake, Conaway, Holton, Reisinger, Branch
Introduced and adopted: March 20, 2006

A COUNCIL RESOLUTION CONCERNING

Investigative Hearing – Publicly Owned Municipal Electric Utility

FOR the purpose of requesting the Director of Public Works and the Director of Finance to explore the feasibility of Baltimore City developing a publicly owned municipal electric utility to provide service to the citizens of Baltimore at a reasonable rate, to protect hard-working residents from the exorbitant electric rates that are expected to be inflicted on residential users as a result of deregulation of the utility industry and to report the results of the study to the City Council within 90 days.

Recitals

In 1999, when Maryland State officials approved deregulation of electric utilities, it was expected that the cost of the utility would decrease because the cost of energy would remain stable, and increased market competition for the consumer's energy dollar would result in companies vying to offer the best deal.

What in theory sounded good, in actuality has turned into a nightmare. The anticipated merger of the parent company of BGE, the local supplier of electricity to over 1,000,000 residents and businesses and gas to more than 600,000 customers in the Baltimore region, along with deregulation, raising energy prices, and pollution control requirements, is expected to result in an average 72% rate increase in Baltimoreans' utility bills.

Baltimore consumers can expect to be hit with the full impact of increased rates just in time for the sweltering days of summer. In a city where, according to the National Weather Service, the average July high is 91 degrees and where the elderly, one of the populations particularly vulnerable to heat-related illness, number over 110,000, there is cause for grave concern that people will not be able to afford to run their air conditioners or even their fans.

Last year, the temperatures for June and July were above average, with 15 days in which temperatures reached 90 degrees or higher. These "code red" conditions, where the heat index reached as high as 105, led to 11 heat-related deaths in Maryland, 8 of those in the City. In 2002, the medical examiners office attributed 42 deaths to the heat, 27 of those in Baltimore.

The most serious heat-related condition that can result in death is heat stroke, in which the body temperature exceeds 105 degrees. And while it is important that everyone take precautions, those particularly vulnerable are the elderly, those people who are overweight, have heart disease, diabetes, respiratory illnesses, or other chronic health conditions. Also vulnerable

EXPLANATION: Underlining indicates matter added by amendment.
~~Strike out~~ indicates matter deleted by amendment.

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1 to high temperatures are pregnant women, because severe dehydration can induce pre-term
2 contractions and deliveries, and infants, because their body temperatures rise faster than those of
3 adults.

4 Health officials caution that anyone recognizing the symptoms of someone suffering from the
5 most serious condition, heat stroke, should immediately call 911 and place the victim in a cool
6 bath or bathe them with cool towels while awaiting the arrival of 911. Those suffering from the
7 more common and less serious condition of heat exhaustion should be placed in a cool, shaded
8 place, and be given plenty of liquids.

9 With electric rates expected to more than double this summer, a cool place or even a cool
10 drink of water will be hard to come by unless Baltimore City, like subdivisions across this
11 country, can find an alternative way to supply the essential utilities at a rate that the consumer
12 can afford.

13 The federal Energy Information Administration reports that the electric utility industry in the
14 United States is made up of several classes of ownership that include 3,170 investor-owned,
15 publicly owned, cooperative, and Federal electric utilities. Investor-owned electric utilities are
16 privately owned entities that represent 8% of the total number of electric utilities and
17 approximately 75% of electric utility generating capacity, sales, and revenue in the U.S.

18 Cooperative electric companies are owned by their members and established to provide
19 electricity to the membership, usually in rural areas with low concentrations of consumers
20 because these areas have historically been viewed as not economical for investor-owned utilities.
21 10 Federal electric utilities make up another class of ownership and are part of several agencies
22 of the U.S. Government. Federal electric utility generation is primarily sold for resale to
23 municipal and cooperative electric utilities and to other nonprofit preference customers.

24 Publicly owned electric companies are the ownership class holding the most possibility for
25 local governments. As nonprofit local government agencies, they provide service to their
26 communities and nearby consumers at cost, returning excess funds to consumers in the form of
27 community contributions, increased economies and efficiencies in operations and reduced rates.
28 Publicly owned electric utilities include: municipalities; public power districts; State authorities;
29 and irrigation districts.

30 Most municipal electric utilities simply distribute power, although some of the large ones
31 produce and transmit electricity as well. There are 2,009 publicly owned electric companies in
32 the United States that represent about 63% of the number of electric utilities, supply
33 approximately 10% of generation and generating capacity, and account for about 15% of retail
34 sales and 14% of revenue. They obtain their financing from municipal treasuries and from
35 revenue bonds secured by proceeds from the sale of electricity.

36 Public power districts and projects are concentrated in Nebraska, Washington, Oregon,
37 Arizona, and California, but for more than 75 years, the Hagerstown Light Department, a
38 publicly owned municipal electric utility, has been dedicated to providing sale and reliable
39 electric power at the most economical cost available to its customers in Maryland.

40 The Hagerstown Light Department serves more than 17,000 customers within the corporate
41 limits of Hagerstown, and over 350,000,000 kilowatt hours are purchased at wholesale and
42 distributed throughout the service territory. The entity is a self-supported City of Hagerstown

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1 Enterprise Fund utility with the total costs of operation derived through its electric rate
2 structures.

3 With electric rates rising astronomically, threatening to break household budgets or, worse,
4 portending untold misery and death during the sweltering days of summer and the bone-chilling
5 days of winter, the situation has reached a crisis level. This “code red ” is beyond half-hearted
6 band-aid interventions and calls for innovative thinking and proactive solutions. “*The Baltimore*
7 *Electric Company*” has a nice ring to it.

8 **NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF BALTIMORE,** That the
9 Department of Public Works and the Department of Finance are requested to explore the
10 feasibility of Baltimore City developing a publicly owned municipal electric utility to provide
11 service to the citizens of Baltimore at a reasonable rate, to protect hard-working residents from
12 the exorbitant electric rates that are expected to be inflicted on residential users as a result of
13 deregulation of the utility industry and to report the results of the study to the City Council
14 within 90 days.

15 **AND BE IT FURTHER RESOLVED,** That a copy of this Resolution be sent to the Mayor, the
16 Honorable Mayor and City Council of Hagerstown, Maryland, the Director of Public Works, the
17 Director of Finance and the Mayor’s Legislative Liaison to the City Council.