



MUNICIPAL UTILITY FEASIBILITY STUDY FOR THE CITY OF CHICAGO

Report Summary

The report from REACH, which examined existing feasibility studies on municipalization and contributed independent analysis, “strongly recommends” Chicago pursue a municipal energy utility, both because it is financially feasible and because of “harder-to-quantify aspects like improved accountability, local control, [and] resilience.” Because ComEd pays income tax and dividends to shareholders—neither of which a municipal utility would have to do—the REACH study also estimates **Chicago has missed out on nearly \$7 billion in income by not municipalizing in 1990, the last time ComEd’s franchise agreement with the city expired.**

More of those “harder-to-quantify” factors, including ComEd’s deadly health and safety violations; failed COVID-19 response exacerbated by longstanding inequities; political bribery; and inability to align with Chicago’s stated goals for decarbonization make the benefits of municipalization “crucially relevant,” especially in the face of increasingly extreme weather events. The study concludes that the decision to create a municipal energy utility (MEU) “must be viewed as an investment in the present and future residents of every neighborhood in Chicago, and not solely a financial decision.”

Key Findings:

- The REACH report, using estimates from the city’s feasibility study conducted by NewGen, shows net savings of \$1.2-5.9 billion for a MEU over a period of 50 years.
- With well-structured financing mechanisms, municipalization would require no increase in delivery rates and Chicago would be able to enjoy rates consistently equal to or lower than ComEd. Ultimately, a MEU’s rates could average 12% lower than ComEd’s over an equivalent period.
- By municipalizing, Chicago “could capitalize on historically low interest rates and emerging classes of financial products designed for resilient public infrastructure.”

History & Context:

- Similar to this current time period—in which we are dealing with the effects of a pandemic and worsening climate crisis—in 1990 Chicago was presented with the right conditions to municipalize. The city had just dealt with a deadly power outage that disproportionately affected Chicago’s Black and brown neighborhoods, highlighting the residents’ unequal access to energy.
- Instead of seizing this moment to push for municipalization, Mayor Daley reached another deal with ComEd, the current 30-year franchise agreement. Three years later, the city endured a heat wave that killed 749 people; once again, the city’s lower-income people of color bore the brunt of the extreme heat.
- Again, Chicago’s agreement with ComEd has expired, and similar conditions highlight the urgency of municipalization. ComEd has admitted guilt in a bribery scandal. In 2016, an incident involving an improperly installed electricity insulator on a ComEd electricity pole resulted in one person dying and

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another losing both arms. ComEd fumbled its response to COVID-19, resulting in sharp increases in electricity bills and thousands of disconnections in Black and brown neighborhoods.

Future:

- Chicago faces many weather-related risks as the climate crisis worsens, including extreme heat, increased inland flooding, droughts, and snow storms. The REACH study cites a Climate Central report that predicts “that in less than a decade from now Chicago will face nearly three total weeks every year where the heat index exceeds 105 °F.”
- Although the state of Illinois has set a target of drawing 25% of its energy from renewable sources by 2025, and Chicago intends to draw 100% of its energy from renewable sources by 2035, ComEd CEO Joseph Dominguez said at a public hearing that the utility is not on track for either target, acknowledging the utility currently uses only 3% renewable energy sources, and “will ‘probably’ only reach 10% renewables by the 2025 deadline.”

Costs:

- REACH estimates the total acquisition value (acquiring ComEd’s assets plus the cost of “severance,” or separating ComEd’s energy infrastructure within Chicago from that outside it) is \$7.1 billion, compared to the \$8.8 billion total used in the NewGen study, though it also cautions that costs could be even lower pending an engineering assessment. REACH posits the City of Chicago would not need to pay for severance costs that occur outside the city; those would fall to ComEd.
- Using NewGen’s cost estimates in its model, REACH calculations show that a MEU’s rates would be 3.3% cheaper than ComEd’s over a 50-year bond period to reflect the average lifetime of an electricity distribution plant. NewGen only looked at a 20-year period in its feasibility study.
- When using its own estimates, REACH found that delivery rates over a 50-year period are 12% cheaper than ComEd’s.

Opportunities:

- The study cites several “emerging classes of financial products designed for resilient public infrastructure” that a MEU could take advantage of because of its public status, including weather risk transfer products and resilience bonds.
- By municipalizing, Chicago could integrate an energy utility with its other public services, such as water, sewerage, aviation, and transportation, and could put the city in a better position to eventually provide municipal broadband, electrify transportation systems, and reduce overall costs.

About REACH

The Rhodes Environment and Climate Hub (REACH) is a group of current Rhodes Scholars at the University of Oxford interested in climate, environmental change, and justice. REACH Lab is an initiative which forms teams with diverse skill sets to volunteer their efforts towards relevant, impactful, real-world projects.

About Democratize ComEd

#*DemocratizeComEd* is a coalition of the [Chicago Democratic Socialists of America](#), [Sunrise Movement](#), [UIC Graduate Employees Union](#), [Food & Water Watch](#), [33rd Ward Working Families](#), and the [Edgewater Environmental Coalition](#) with the support of other allies. Democratize ComEd is a people-powered and intersectional—feminist, anti-capitalist, anti-racist, etc.—campaign dedicated to securing our energy future via the municipalization of ComEd’s utility asset and the reorganization of local electric power provision under the framework of a democratically-controlled, publicly-owned utility in the City of Chicago and across ComEd’s service territory. Guided by the values of energy democracy, Democratize ComEd recognizes electricity as a public good and a human right and seeks to secure a green, decarbonized future for us all.

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