Possible outcomes for the new electric utility franchise agreement

CEAC believes that the principles for a new franchise can and should lead to a franchise agreement that helps achieve specific outcomes, as noted below. Some of these outcomes are specific to the franchise itself, and thus might be explicitly included in the franchise agreement language. Other outcomes noted below can be enabled by removing barriers or creating new structures in the franchise agreement, but also require action outside the franchise. This is considered a working document and we anticipate recommending revisions as planning and negotiations progress, such as in the area of outcomes related to racial and environmental equity. A similar list of outcomes should be compiled for the natural gas utility franchise agreement, and CEAC plans to work on such a document.

The outcomes we have indentified include:

- 1. **Meet City and State Goals.** The franchise agreement should help the City meet adopted municipal, state and federal energy goals, including targets for carbon emissions reduction, renewable energy use, per capita energy use reduction, and local renewable energy generation.
- 2. Shorter contract time frame. The franchise granted to the electric utility should have a shorter tenure than the historic 20-year time period (*e.g.*, five years), or should allow periodic affirmation or other changes based on changes in markets, state or federal regulation, or environmental consequences.
- 3. **Create seamless energy and emission reporting systems.** Ensure that the City has ready access to aggregated data at multiple geographic scales on energy use, energy conservation participation, GHG emissions , and other information that supports city climate action planning. Ensure that city electric customers (residents and businesses) have ready access to their energy use information that enables informed decision- making for energy efficiency and renewable energy investments.
- 4. **Enable on-bill financing**. Take advantage of partnering opportunities with the city to link the financing of residential, commercial, and industrial efficiency investments, secured by energy savings, to utility bills.
- 5. **Remove barriers to distributed energy and neighborhood scale energy**. Local energy resources sometimes require loads to be consolidated or aggregated in order for the resource to be efficiently harvested. Combined heat and power (CHP) facilities and community solar systems, for instance, are more effective when serving multiple and diverse loads that might be on different properties. The utility should develop a standard contract for renewable energy projects; including standard contracting in the franchise agreement may require state statute change.
- 6. **Create a virtual net metering system.** The utility and the city are partners in delivering energy over City rights-of-way, and in enhancing opportunities for renewable energy. City residents and businesses should be able to share electricity output from a common renewable energy facility, delivered over City right-of-way, without sharing the same meter.
- 7. **Map strengths and weaknesses of the distribution system**. Give access to the City and potential distributed generation investors to information about substation and circuit locations, capacity, and age. Identify where limitations to or opportunities for distributed generation exist on distribution circuits to maximize value of distributed generation.
- 8. **Provide type, age, condition, and replacement schedule for distribution system components.** The City has an interest in knowing the expected or likely replacement schedule and condition of distribution components that are on city ROW or that serve city customers.
- 9. **Identify type, age, condition, and replacement schedule for utility-owned street lights**. The City has an interest in knowing the expected or likely replacement schedule and opportunity to maximize energy efficiency for street lights owned and managed by the utility.
- 10. **Provide historic outage and power quality problem data in GIS format**. The City has an interest in knowing locations and duration of outages and power quality problems (voltage sag, surges, etc) in a format that can be used in city development and infrastructure planning.
- 11. Clearly identify location of networks and reduce distribution network risks. Networks and sub-networks should be managed for the benefit of achieving renewable energy goals. Create a predictable, transparent, and reasonable process for integrating solar or other distributed generation resources on the network.

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- 12. **Improve load shedding opportunities.** Create new opportunities for businesses to economically shed load, both individually and through aggregation, at times of utility peak load.
- 13. Manage utility distribution systems consistently with urban forest goals. Create clear policies for utility line placement and tree trimming that enhance and sustain the city's urban forest and minimize impacts to private property.
- 14. Increase the rate of undergrounding of transmission and distribution lines. No system is currently in place to plan for and meet City goals on undergrounding the T&D system. Undergrounding lines requires coordinated planning on investment being made by both the utility and the City within City rights-of-way. The utility should pay the costs of undergrounding; including undergrounding requirements in the franchise agreement may require state statute change.
- 15. Limit the franchise fee's regressive nature. The franchise fee behaves as a regressive tax, falling more heavily on low-income (low-use) households and small businesses than on larger energy users. The City should pursue taxation practices consistent with its commitment to progressive taxation.
- 16. **Ensure the fee sets appropriate economic incentives**. The franchise fee is levied on the utility's revenue from each customer, including fixed charges and regulatory fees. Tying the fee to actual usage or demand charges would increase the economic incentive for conservation and efficiency. Eliminating the fee on renewable energy use would create an incentive for private renewable energy investment in Minneapolis housing stock and business property.
- 17. **Increase cost-effective investment in public sector efficiency**. Use some franchise fee revenue as a mechanism for the city to fund cost-effective efficiency improvements (and reduce pressure on property taxes) so as not to compete with other spending choices in the city's general budget.
- 18. Enable the City's sustainable development goals. The utility and city have a joint interest in ensuring that development and redevelopment creates sustainable housing and transportation infrastructure. Distribution systems should be designed to accommodate electric vehicles, net-zero energy buildings, and other "next generation" development.
- 19. **Minimize energy price risk and maximize opportunities for low-income households.** Lowincome households are most at risk for energy price shocks, and remaining customers are at risk for uncollectable charges when low-income customers can't pay. Aggressive energy efficiency and smart grid investments provide the tools for households to manage energy costs within their household budgets.
- 20. **Racial and environmental justice.** The franchise agreement should promote racial and environmental justice.
- 21. **Create a real-time pricing system.** Real-time pricing gives energy consumers the information they need to redirect their usage to times when energy is cheapest and most renewable. Inclusion of real-time pricing in a franchise agreement may require state statute changes.
- 22. Study conservation when planning new transmission facilities. The utility should fund publicly available 3rd Party studies to prove that proposed new transmission capacity is more cost effective than a combination of conservation, energy efficiency and distributed renewable generation capacity.
- 23. **Renewable pass-through energy**. The franchise agreement should allow the City of Minneapolis to purchase a certain percentage (5%, for example) of the average citywide load from a renewable energy provider of its choice. Including a renewable pass-through in the franchise agreement may require state statute change.
- 24. **Create a franchise model for other cities.** The franchise should not overlap or conflict with PUC jurisdiction but should enable the PUC to better implement state goals on affordability, reliability, rate fairness, and environmental responsibility that other cities can draw from.