



Request for City Council Committee Action from the Department of City Coordinator

Date: June 17, 2013

To: Honorable Elizabeth Glidden, Chair, Regulatory, Energy & Environment Committee
Honorable Betsey Hodges, Chair, Ways and Means/Budget Committee

Subject: **Approve Contract with Center for Energy and Environment for Energy System Pathways Study**

Recommendations:

Direct City Coordinator to enter into agreement with Center for Energy and Environment for Energy System Pathways Study at a cost not to exceed \$250,000.

That the City Council waive any conflict of interest between the City and McGrann Shea and consent and authorize it to perform legal research and services as a subcontractor with the Center for Energy and Environment in this matter.

Previous Directives:

- On October 5th, 2012, the City Council approved the formation of a utility franchise working group to assist the city in preparing for negotiations regarding its electric and natural gas franchise agreements with public utility companies. The working group includes representation from city staff, the City Council and the Mayor's Office.
- On April 12, 2013 the City Council approved the development of an Energy Systems Pathways Study at a cost not to exceed \$250,000 and to be completed by January 2014.

Department Information

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| Prepared by: Gayle Prest, Sustainability Director |
| Approved by: Paul Aasen, City Coordinator |
| Presenters in Committee: Paul Aasen |

Financial Impact: up to \$250,000 00100-8400100

Community Impact None

Supporting Information:

The City of Minneapolis currently has utility franchise agreements with Xcel Energy for electricity and CenterPoint Energy for natural gas. These agreements, which were signed in the early 1990s, both expire at the end of 2014. The City is in the early stages of preparing for negotiations for new agreements.

State law currently limits Minneapolis' authority over utility in franchise agreements; however, the City is seeking legislative changes to allow negotiations with Xcel and CenterPoint to explore how Minneapolis could make progress towards its goals for sustainable energy, improved air quality, equity, and green jobs.

The City wishes to explore options to achieve its energy goals outside the existing franchise agreement structure, including, but not limited to changes to state legislative or PUC rule changes, unique utility partnerships, changes to the way the City uses franchise fees, and municipalization of one or both energy utilities.

On April 12, 2013 the City Council approved the development of a Future Energy Systems Pathways Study at a cost not to exceed \$250,000 and to be completed by February 2014.

Through a RFP process, staff is recommending that the Center for Energy and Environment (CEE) and their team of subcontractors be selected to provide professional services related to the study.

One of the subcontractors for CEE is the law firm of McGrann Shea Carnival Straughn and Lamb, Chartered which will provide legal research for the various options to be considered. McGrann Shea currently represents the Minnesota Ballpark Authority relating to certain land use issues involving the City; represents the Downtown Improvement District; and, Ryan Companies in regard to the Downtown East development proposal. These may constitute a conflict of interest for McGrann Shea to assist on the energy pathways study. McGrann Shea has indicated that they will seek waivers from their current clients to perform this work. If they get the waivers, then the City Attorney's Office is recommending that the City waive any conflicts it may have regarding these unrelated matters and consent and authorize McGrann Shea to act as a subcontractor to CEE and perform legal research and services in this matter.

Major Study Deliverables

1. Developing an Energy Vision

While the City has many adopted goals and targets that relate to the energy system, there is currently not one set of goals that detail what the City desires from a future energy system, in whatever form it takes.

By September 2013, present to the Regulatory, Energy & Environment Committee a draft set of Energy Vision Goals that will establish the City's goals for a future energy system. We will work with the Council-designated energy utility franchise working group and the Community Environmental Advisory Commission to develop the goals. These goals will shape the study of alternative options that will be presented by February 2014.

Examples of what the goals may address include (but are not limited to) the greenhouse gas intensity of the system, use and ownership of renewable energy, energy efficiency outcomes, reliability standards, affordability, and access to energy use information.

2. Future Energy Pathways

There are a number of potential options the City could pursue depending on the Energy Vision. Some options could be pursued jointly, while others may be mutually exclusive.

Potential options include state legislative or Public Utility Commission rule changes, unique utility partnerships, changes to the way the City uses franchise fees or new City programs, and municipal acquisition of one or both energy utilities.

This study will provide an initial overview of the various pathways the City could choose; it will not provide all the technical details needed to pursue each pathway.

By November 2013, update to the Regulatory, Energy & Environment Committee on the status of the project and identify potential legal and statutory issues for possible inclusion in City's 2014 legislative agenda.

By February 2014, deliver to the Regulatory, Energy & Environment Committee a report and presentation addressing the current legal landscape, existing models and examples, municipalization review, and alternative pathways to meet the City's energy vision.