



# Minneapolis Energy Pathways Study

## Study Update and Legislative Options

Mike Bull, Policy Director  
Center for Energy and Environment

# Project Deliverables

- ❖ Minneapolis Energy Vision
  - Received and Filed September 9, 2013
- ❖ Study Update and Legislative Options
  - Today's presentation
- ❖ Pathways Study Report
  - By February 28, 2014

# Study Components

- ❖ Minneapolis Energy Vision
- ❖ Programs & Strategies to further Energy Vision
- ❖ Pathways through which Programs & Strategies could be implemented
  - 1) Enhanced Franchise Agreement
  - 2) City-Utility Partnerships
  - 3) Community Choice Aggregation
  - 4) Formation of a Municipal Utility

# Study work to date

## ❖ Data Inventory and Analysis

- Numerous meetings with utilities, staff and other stakeholders
- Identified data needs; inventory essentially complete
- Developed system of metrics for evaluation (cost, CO2 reductions, equity, etc.)
- Data analysis on-going

## ❖ Franchise Fee Research, Options

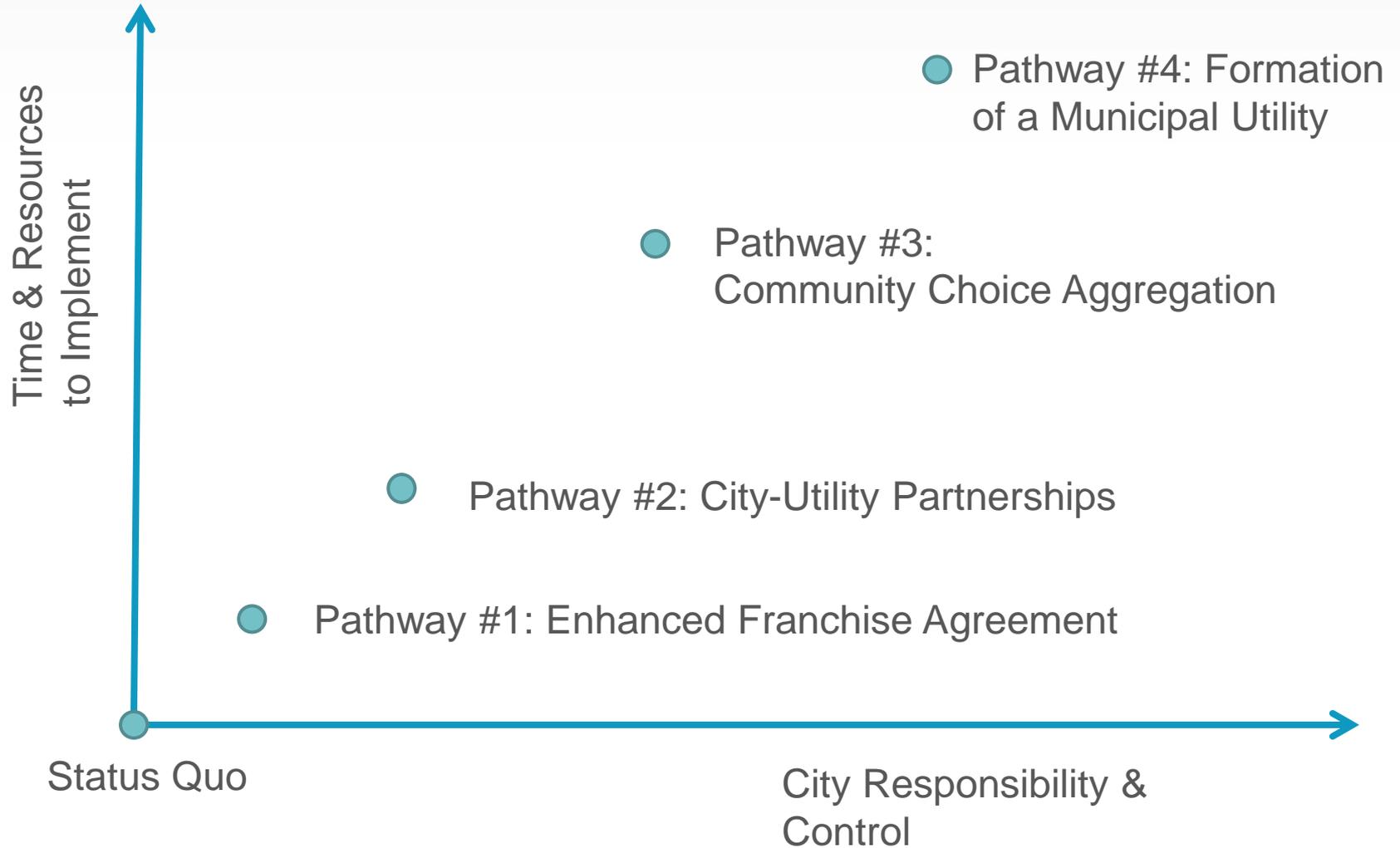
## ❖ Evaluations of the 4 Pathways

- Municipalization: Legal analysis; Financial and comparative analysis on-going
- Alternative Pathways: Identification of legal and regulatory barriers; potential opportunities; models

## ❖ Each of the Pathways we are evaluating would increase City influence and responsibility over energy services

- Increased likelihood that City Energy Vision would be realized

# Energy Pathway Options



# Context for Legislative Discussion

- ❖ City has gained great momentum on energy issues
  - Great community and utility buy-in on goals
- ❖ Minneapolis Climate Action Plan a significant achievement
- ❖ Controversial energy issues unlikely to pass in 2014
  - 2014 to be very brief, following a bruising but productive 2013 session
  - Multiple energy forums and studies in place, setting up 2015 for energy
- ❖ Sustained City involvement at the Minnesota Public Utilities Commission critical, regardless of Pathway chosen



# *Pathway #1:* Enhanced Franchise Agreement

Leg. Option 1:

## **Franchise Agreement Reform (HF1450/SF1490)**

- ❖ Require Franchise Agreement to include: Energy efficiency commitments; alternative energy interconnection procedures; distribution system maintenance schedule; quarterly reliability reports
- ❖ Fee to be paid by utility to a city if no Franchise Agreement reached

Analysis:

- ❖ Franchise agreement traditionally focused on right of way issues, breaks new ground by expanding franchise agreement issues
- ❖ Controversial in current form, could be modified to reduce opposition

# Pathway #1: Enhanced Franchise Agreement



## Leg. Option 2:

### **City-Utility Agreement to Implement City Climate Action Plan**

- ❖ Allow a City that has recently adopted a Climate Action Plan (or equivalent) to enter into agreement with Utilities to achieve Plan goals
  - Could be part of or separate from Franchise Agreement
  - Could deal with host of issues, in addition to those discussed in Franchise Agreement Reform bill

## Analysis:

- ❖ Could be successful in 2014/15, if the City works with utilities/stakeholders
- ❖ Legislation may not be necessary, but could formalize basis for potential agreements
- ❖ Could incent other cities to develop and adopt plans similar to Minneapolis Climate Action Plan

## Pathway #2: City-Utility Partnerships



### Leg. Option:

### **Authorization for City-Utility Clean Energy Partnership**

- ❖ Allow a City that has recently adopted a Climate Action Plan (or equivalent) to form a formal entity with Utilities to work together to achieve Plan goals
- ❖ A Clean Energy Partnership could:
  - Market, track, coordinate, report progress on clean energy activities in the City
  - Help harness all available resources to advance the City's Climate Action Plan
  - Provide a basis for collaboration while holding parties accountable
  - Utilize primarily utility programs and funding
  - Have a governing body that could include Business and Community leaders

### Analysis:

- ❖ Could be successful in 2014/15, if the City works with utilities/stakeholders
- ❖ Would have an on-going impact and be transformational over time, rather than a Franchise Agreement that's negotiated once every X years
- ❖ Would be first such partnership in the Nation

# *Pathway #3:* Community Choice Aggregation



Leg. Option:

## Authorize CCA in Minnesota

- ❖ Allow a City that has adopted a Climate Action Plan (or equivalent) to arrange and contract directly for energy supply for retail customers in the City
- ❖ Utilities would continue to own, operate and maintain distribution infrastructure in the City, as well as responsibility for billing, meter reading, customer service

Analysis:

- ❖ Much less costly for City than Municipalization
- ❖ Major shift in Minnesota utility regulatory framework
- ❖ Would require intensive regulatory and legislative attention
- ❖ Promising but is a long-term alternative

## *Pathway #4:* Formation of a Municipal Utility

Leg. Option:

**Eliminate lost revenues from potential compensation due to Utility for City acquisition of Utility infrastructure (HF 945/SF 911)**

Analysis:

- ❖ Eliminates potentially largest compensation factor, significantly reducing cost of formation of municipal utility
- ❖ Highly controversial
  - Applies to both investor-owned and cooperative utilities
  - Settled law since the 1970's
- ❖ Unlikely to pass in current form

# Leg. Recommendations for Pathway Implementation



1. **Capture shorter term Pathway opportunities**, by introducing legislation in 2014 session to implement:

- ❖ **Pathway #1: City/Utility Agreement to Implement Climate Action Plan**
- ❖ **Pathway #2: Authorization for City-Utility Clean Energy Partnership**
- ❖ Innovative, flexible, nation-leading, but will require significant work, coalition building, negotiations

2. **Develop CCA (Pathway #3) and Formation of a Municipal Utility (Pathway #4) as longer term options**

- ❖ Either would substantially increase City control over energy services
- ❖ Both will require significant time and resources to implement
- ❖ Develop and introduce CCA legislation in 2014, to put squarely on table

# Leg. Options to Facilitate Programs and Strategies



Seek leg. authority for City and Utilities to work together on programs and projects such as:

- ❖ “Green Zone” eligibility for utility funding, to address difficult to serve populations
- ❖ Whole Building and Neighborhood aggregated consumer data availability
- ❖ Authorization for Microgrid demonstration and/or “Net Zero” project
- ❖ Clean Energy Project Financing options
  - On-Bill Repayment
  - Special Assessment for Residential Clean Energy Projects (PACE)
  - Utility Solar Leasing Pilot (both solar electric and solar thermal)

# Next Steps

- ❖ Full Pathways Study Report by the end of February, to include:
  - 1) Financial and legal evaluations of Pathways, and
  - 2) Assessment of Programs and Strategies across several criteria (cost, CO2 reductions, equity, etc.)
  - 3) Discussion of implementation steps and options
- ❖ Continue monthly meetings with City staff and policy makers
  - ✓ Providing an update to CEAC on Dec. 5
- ❖ Continue to assist City staff on Minnesota Public Utility Commission matters

# Thank You! Questions?

## Contact Information:

Mike Bull, Policy Director  
Center for Energy & Environment  
(612) 244-2433  
[mbull@mncee.org](mailto:mbull@mncee.org)

