



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

Date: February 24, 2014

To: Honorable Cam Gordon, Chair, Health, Environment & Community Engagement Committee

Subject: Energy Pathways Study

Recommendations:

- Receive and file the Energy Pathways Study.
- Direct staff to pursue the recommendations for a Clean Energy Agreements and to pursue all necessary franchise agreements consistent with the Energy Pathway Study's recommendations. through the ongoing utility franchise negotiations.
- Direct staff to recommend changes to the City's 2014 Legislative Agenda consistent with the Energy Pathways Study's recommendations.

Previous Directives:

- November 18, 2013: the Regulatory Energy and Environment Committee received and filed the recommendations for state legislative issues in 2014 and beyond related to energy systems pathways.
- September 9, 2013: the Regulatory Energy and Environment Committee received and filed the draft Energy Vision which was based on literature review of existing City policies and input from Community Energy Advisory Commission and others.
- August 16, 2013 2013R-353: Adoption of framework for reaching city energy goals including directing City Coordinator and City Attorney's Offices to begin franchise negotiations and to provide an update no later than June 30, 2014.
- June 14, 2013: the City Council directed the City Coordinator to enter into agreement with the Center for Energy and Environment for Energy System Pathways Study at a cost not to exceed \$250,000.
- 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 February 2014.
- October 5, 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.

Department Information

Prepared by: Paul Aasen

Approved by: Paul Aasen, City Coordinator

Presenters in Committee: Mike Bull Jenny Edwards (CEE) and Paul Aasen

Financial Impact: none

Supporting Information:

With the adoption of the Climate Action Plan in 2013, the City of Minneapolis committed to ambitious goals to reduce community-wide greenhouse gas emissions and improve the equity of energy services for residents and businesses. Energy use from the City's electric and natural gas utilities is associated with approximately 66 percent of community-wide emissions, meaning the City's climate goals will not be achievable without significant progress on energy efficiency and renewable energy deployment.

The City holds franchise agreements with Xcel Energy and CenterPoint Energy that grant the use of public right of way for utility infrastructure to provide services to their customers. The expiration of these agreements at the end of 2014, along with interest by policymakers, advocates, businesses and residents in the City to address issues such as the environmental impact of our energy system, reliability of service, local economic impacts, and the equity of energy services, sparked significant community discussion in 2013 about the City's future energy system and its relationship to these energy utilities.

In June 2013 the City Council approved a contract with Center for Energy and Environment (CEE) for an Energy Systems Pathways Study. This study has explored options for the City to achieve its energy goals outside the existing franchise agreement structure, including, but not limited to changes to state legislative or State Public Utility Commission rule changes, unique utility partnerships, changes to the way the City uses franchise fees, and municipalization of one or both energy utilities.

Project deliverables for the Energy Pathways Study include:

- An Energy Vision, which outlines a desired future condition for the city's energy system in 2040. The Vision identifies desired characteristics for reliability, affordability, environmental performance, social equity, and use of local resources.
- An exploration of "energy pathways" the City could pursue to achieve its energy and climate goals.
- Recommendations for continuing legislative initiatives in 2014 and beyond to assist the City in achieving its energy and climate goals through various pathways.
- Recommendations for structuring traditional energy franchise agreements to achieve energy, climate, reliability and other goals.
- A high-level overview of the costs and steps needed for the City to pursue municipalization of the electricity system.

Summary of major recommendations:

1. Renew the City's traditional utility franchise agreements with minor enhancements. Traditionally and by law, franchise agreements have been limited to the subject of payment by utilities for the use of City's rights- of- way for utility infrastructure. Because of statutory limitations in the use of franchise agreements, we recommend that the scope of existing agreements be extended to cover some reporting, reliability and right-of-way goalscover right of way issues, annual reporting by the utilities on reliability of service, energy usage data that supports policy objectives, and planned distribution investments to the extent that these issues are not pre-empted by the Minnesota Public Utilities Commission. The City could also pursue a franchise agreement with other public service

corporations. However, these agreements should be of a shorter term, and renewal should be made contingent on satisfactory progress being made through additional agreements with the utilities.

2. Pursue additional, broader “Clean Energy” Agreements” with utilities that leverage statewide policies, City regulatory and relationship assets, and utility expertise and funding to cover the range of the City’s energy goals and increase the penetration rate of efficiency and renewable energy, reliability, and equity of energy services in Minneapolis. These agreements would include the formation of a coordinating entity to set program and policy goals for achievement within the City, and help provide planning, leadership, coordination, promotion, and accountability for meeting these goals.

3. Continue within the broader Clean Energy Agreement framework, continue to use City assets, such as municipal regulatory authority and deep relationships with local businesses, neighborhoods and community organizations within the City, to work develop programs in partnership with the utilities to meet the City’s aggressive energy sustainability goals. We believe that significant progress can be made on specific programs and policies to advance energy efficiency and renewable energy were the City to take full advantage of existing and enhanced utility programs in concert with specific City regulatory functions.

4. Continue to Engage in state energy policy decisions that can improve the City’s ability to meet its goals. Policy decisions made at the Public Utilities Commission and Minnesota Legislature may have a dramatic impact on the local climate and energy outcomes. The City should continue to dedicate attention and resources to legislative issues and participation in regulatory proceedings. Examples include legislation that clarifies the purpose and role of city-utility energy partnerships, solar rate reform, utility resource planning and data privacy and access.

5. Continue pursuing mid- and long-term options for increasing the City’s control over its energy future. Options like Community Choice Aggregation (CCA) and municipalization offer the City the most control over its energy supply, albeit with greater risk, cost and a longer timeframe. The City should advocate for detailed study of how CCA could operate in Minnesota and for changes to state law that would remove barriers to municipalization.

Attached: Energy Pathways Study