

February 24, 2014

# Minneapolis Energy Systems Pathways

A Framework for Local Energy Action

Mike Bull and Jennifer Edwards



# Energy Systems Pathways Study

## Energy Vision

- Inventory of City Policies
- Climate Action Plan
- Stakeholder Input

## Pathways

- Enhanced Franchise
- Partnerships
- CCA
- Municipal Utility

## Programs & Strategies

- Evaluated based on Energy Vision
- Metrics: Cost, Equity, CO2, etc



# Pathways Study Consultant Team

## Regulatory and Technical Evaluation: **Center for Energy and Environment**

- Sheldon Strom – President/Founder
- Mike Bull – Policy Director
- Jennifer Edwards – Program Manager
- Carl Nelson – Manager of Residential Programs
- Megan Hoyer – Engagement Coordinator
- Clark Koenig – Analyst

## Legal Analysis: **McGrann, Shea, Carnival, Straughn & Lamb**

- Joseph Bagnoli
- Kaela Brennan

## Energy Vision: **CR Planning**

- Brian Ross

## Financial Assessment of Municipalization: **Campbell Consulting**

- Ken Campbell

# Context for Today's Discussion



City has gained great momentum on energy issues



Minneapolis Climate Action Plan a significant achievement



The utility business model is evolving, to be more responsive to customers, communities and to better align with public purposes

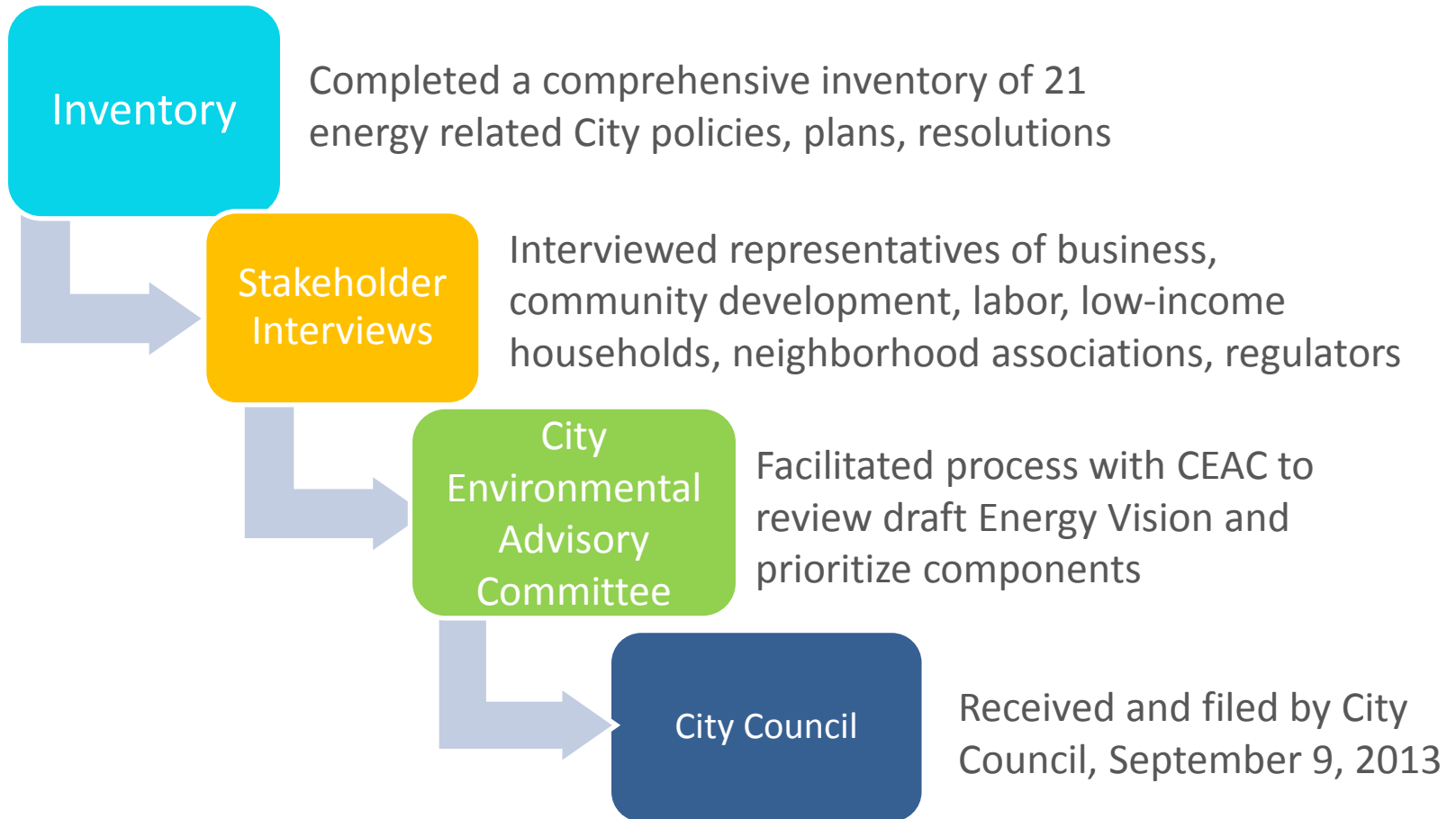


Controversial energy issues unlikely to pass in 2014



Sustained City involvement at the Minnesota Public Utilities Commission critical

# Energy Vision: Development Process





## Energy Vision: Statement

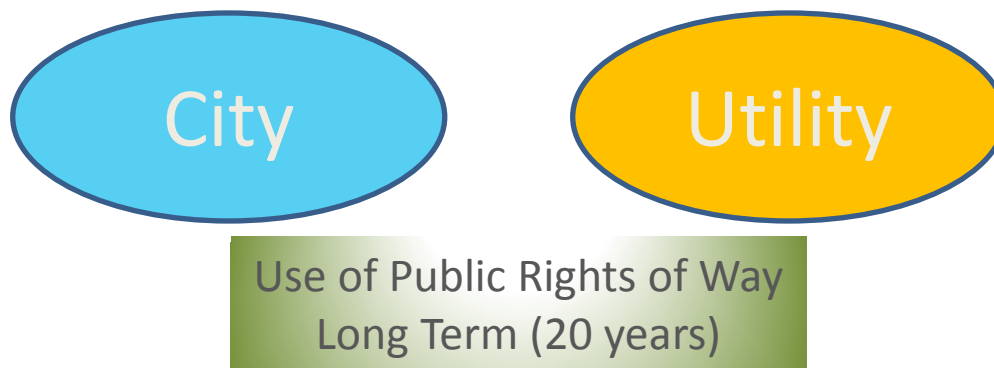
*“In 2040, Minneapolis’s energy system will provide reliable, affordable, local and clean energy services for Minneapolis homes, businesses, and institutions; sustaining the city’s economy and environment and contributing to a more socially just community.”*

# Energy Vision: Components

Reliable and Equitable Energy Services	All residents and businesses are supplied via competitive rates, and disparities in the relative energy costs for low-income households are mitigated
Clean Energy	Total carbon emissions and other waste products have substantially declined, with electricity nearly carbon-free by 2040
Increased Use of Local Resources	A robust local supply chain exists in the City for energy efficiency and renewable energy services, and the City is a national leader in advanced energy infrastructure
Market Integration of Efficiency	Residents are empowered to save money and reduce their environmental impact, through the use of transparent data in economic and purchasing decisions
Collaborative Progress	Planning and investment decisions are achieved through a collaborate process and reflect the City's climate, economic development and social equity goals

# Pathways: Status Quo not an Option

- Status Quo:
  - City and Utilities plan and act independently, except on an ad hoc basis. Only significant relationship is the Franchise Agreement.
  - A Franchise Agreement is limited to issues related to use of public rights of way for utility infrastructure, and has been long term.



- The status quo will not allow the City to meet its energy goals
- To reach those goals, the City will need additional influence or control over energy services within the City

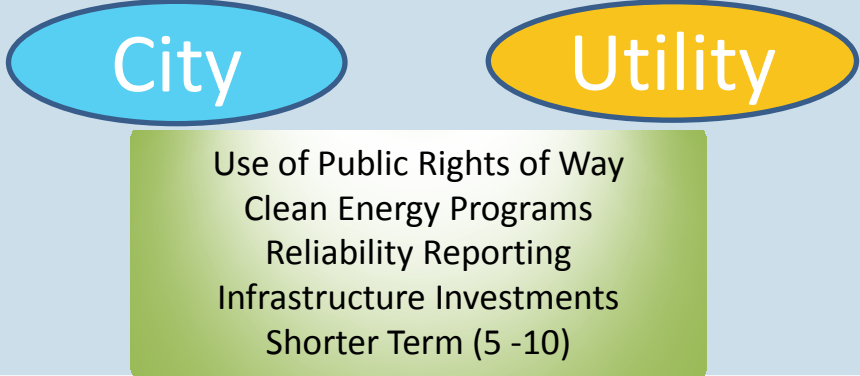
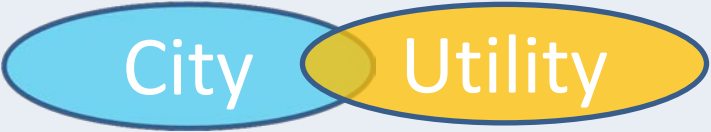






# Pathways: Descriptions

Pathway	Description
Pathway 1: Enhanced Franchise Agreement	<ul style="list-style-type: none"> <li>• Broader franchise agreement than traditional (Needs legislative authorization) <i>Or</i></li> <li>• Traditional franchise agreement with separate agreement on clean energy issues (Does not need legislation)</li> </ul>
Pathway 2: City-Utility Partnerships	<ul style="list-style-type: none"> <li>• Formal ongoing collaboration between City and utilities</li> <li>• Not a partnership in legal sense, but emphasizes the City and utilities must act as willing partners to achieve shared goals.</li> </ul>
Pathway 3: Community Choice Aggregation	<ul style="list-style-type: none"> <li>• City takes over arranging for power supply</li> <li>• Utility continues to own distribution infrastructure and deliver service to customers within City</li> </ul>
Pathway 4: Municipalization	<ul style="list-style-type: none"> <li>• City acquires distribution infrastructure and takes over all aspects of utility service</li> <li>• Creates City-owned and operated utility</li> </ul>

# Pathways: Four Pathways for Evaluation

Pathway	City's Involvement with Energy Services
Pathway 1: Enhanced Franchise Agreement	
Pathway 2: City-Utility Partnerships	
Pathway 3: Community Choice Aggregation	
Pathway 4: Municipalization	

Pathway 1	Advantages	Disadvantages
<p><b>Enhanced Franchise Agreement</b></p>	<ul style="list-style-type: none"> <li>• Near-term actionability</li> <li>• Addresses broader set of goals and issues than traditional agreement</li> <li>• City continues to benefit from existing utility expertise and experience</li> <li>• Legislation not required, if separate agreement</li> </ul>	<ul style="list-style-type: none"> <li>• No on-going coordination function between the City and utilities</li> <li>• Does not provide the City full control over energy services.</li> <li>• City still reliant on utilities to plan and implement clean and low-income energy actions</li> <li>• Legislation required if single, broader, franchise agreement</li> </ul>

Pathway 2	Advantages	Disadvantages
<p><b>City-Utility Partnerships</b></p>	<ul style="list-style-type: none"> <li>• Near-term actionability</li> <li>• Addresses broader set of goals and issues than status quo</li> <li>• Allows the City to deeply engage in planning and coordination</li> <li>• Creates opportunities to combine City assets (regulatory &amp; relationship) with utility funding and expertise</li> <li>• City continues to benefit from existing utility expertise and experience</li> </ul>	<ul style="list-style-type: none"> <li>• Does not provide the City full control over energy services.</li> <li>• City still reliant on utilities to implement clean and low-income energy actions</li> <li>• May require legislation to authorize establishment of stand-alone partnership (Not needed if created by agreement)</li> </ul>

Pathway 3	Advantages	Disadvantages
<b>Community Choice Aggregation</b>	<ul style="list-style-type: none"> <li>• Allows City to arrange for any desired clean energy supply mix for residents and businesses in the City</li> <li>• Does not require City control and management over energy delivery</li> <li>• City continues to benefit from existing utility expertise and experience for energy delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Requires major legislative and regulatory scrutiny and reform</li> <li>• Does not necessarily address efficiency or low-income energy programs</li> <li>• May increase cost of energy services within City</li> <li>• Increased City exposure to external risk</li> </ul>

Pathway 4	Advantages	Disadvantages
<b>Municipal Utility</b>	<ul style="list-style-type: none"> <li>• Provides City full control over clean energy supply mix</li> <li>• Full control over efficiency and low-income programs in the City</li> <li>• Easier to accommodate evolving policy priorities</li> </ul>	<ul style="list-style-type: none"> <li>• Substantial delay in implementation, due to regulatory and legal process</li> <li>• Increased cost of energy services within City</li> <li>• Significantly increased City exposure to external risk</li> <li>• Loss of utility experience and expertise, funding</li> </ul>

# Energy Pathway Options



# • Pathways: Recommendations

Near Term: Dual Strategy, blending Pathways 1 and 2

## Franchise Agreements

- Focused on use of public rights of way
- Shorter term, with possible renewal
- Broadened to include targeted related issues such as reliability reporting, infrastructure investment

## Clean Energy Agreements

- City agrees not to municipalize during term of the agreement, in exchange for utility commitments in meeting City energy goals
- Use agreement to form City-utility **Clean Energy Coordinating Partnership** to jointly plan and prioritize clean energy activities in the City

*Negotiated and Signed Together!*

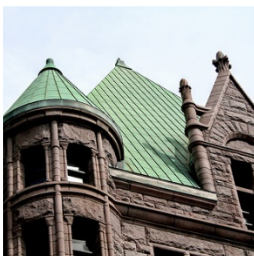


# Pathways: Recommendations

## Longer Term: CCA and Municipalization

<b>Pathway 3 Community Choice Aggregation</b>	<b>Pathway 4 Municipalization</b>
<ul style="list-style-type: none"><li>• Support legislation for state evaluation of CCA<ul style="list-style-type: none"><li>○ Rate impacts, supply mix, local resource development, etc. in other states</li><li>○ Barriers to implementation in fully regulated state like Minnesota</li><li>○ Provide recommendations</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Continue to support legislation to strike lost revenues from current utility compensation law regarding municipal acquisition of utility infrastructure</li><li>• If continued interest in forming a municipal utility, seek robust feasibility study to build on Pathways financial assessment</li></ul>

# Near-Term Program Opportunities



## City Assets

- Energy upgrade requirements
- Disclosure and Information Requirements
- Existing Outreach Networks
- Skilled Residents and businesses



## Utility Assets

- Technical Resources
- Existing Program Channels
- Energy Data
- State Policy Incentives
- Funding

# • Commercial Programs and Strategies

- Large Commercial Buildings
- Public Building Energy Partnership
- Streetlights
- Small Business Efficiency Programs



Credit: Steve Lyon via cc

# • Residential Programs and Strategies

- Rental Energy Efficiency Program
- Green Zones Neighborhood Pilot
- Neighborhood-Focused Program Delivery Strategies
- Home Energy Performance Certificate



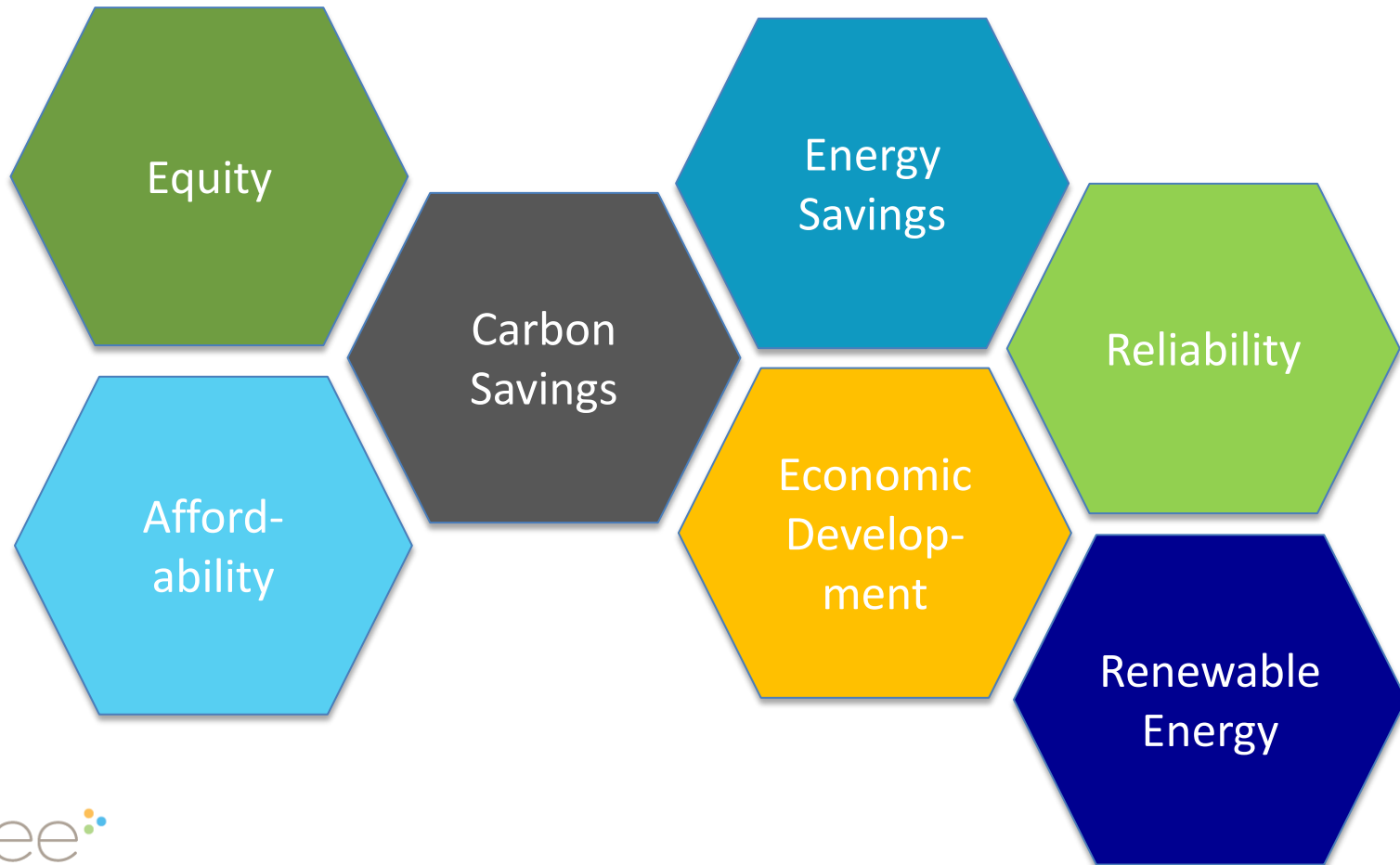
# • Renewable Energy Programs

- Local Solar Development
- Expanded Green Tariff
- Expand Combined Heat and Power Opportunities
- Innovative Energy Supply Arrangements

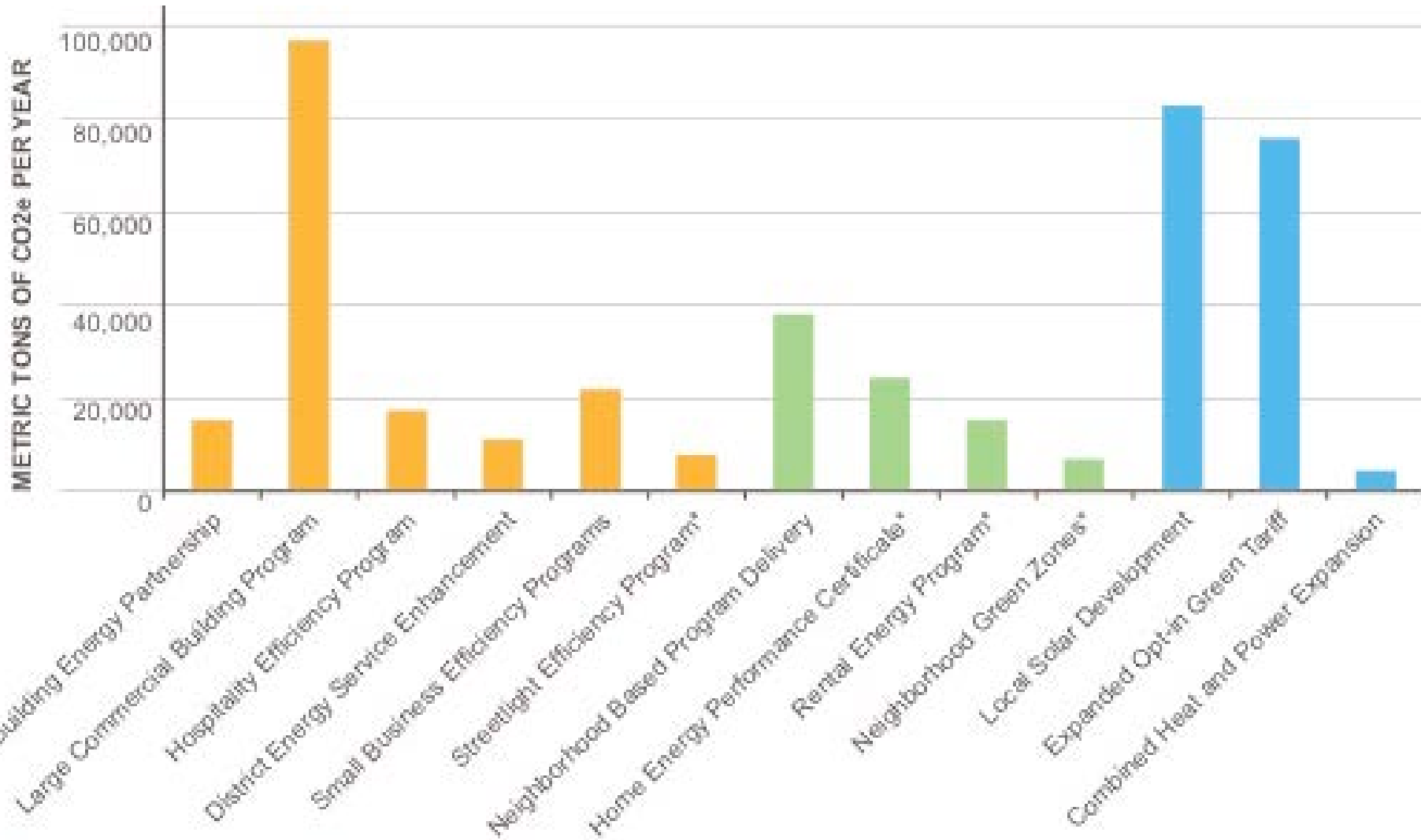


Credit: Minnesota Solar Challenge via cc

# Program Evaluation Components



# Estimated Carbon Reductions in 2025





## **Next Steps: Summary**

- Renew the City's utility franchise agreements with targeted enhancements, and for shorter terms
- Pursue broader "Clean Energy Agreements" with utilities that form Clean Energy Coordinating Partnerships
- Leverage City and utility assets to develop programs that meet the City's energy sustainability goals
- Engage in state energy policy decisions that can improve the City's ability to meet energy goals
- Continue to pursue mid- and long-term options for increasing the City's control over its energy future



THANK  
*you!*

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# Pathways: Cost of Municipal Utility

	Low Cost (\$/kWh)	Mid Cost (\$/kWh)	High Cost (\$/kWh)
<b>Municipal utility total revenue requirement</b>	0.104	0.141	0.196
<b>Less franchise fees</b>	(0.004)	(0.004)	(0.004)
<b>Less debt service on compensation to Xcel Energy for revenue loss and re-integration</b>	(0.006)	(0.024)	(0.051)
<b>Adjusted muni. utility revenue requirement</b>	0.094	0.113	0.141
<b>Xcel Energy's overall weighted-average retail electric rate</b>	0.092	0.092	0.092
<b>Difference between adjusted municipal utility revenue requirement and Xcel Energy's average rate</b>	0.002	0.021	0.049



# Traditional Franchise Agreement Topics

- Right and privilege to operate and maintain utility within city limits
- Right to occupy and use the public ways and public grounds within city limits
- Franchise Fee
- Right of Way Placement / Field Locations
- Right of Way Management
- Undergrounding of certain facilities
- Reports/records
- Relocation of certain facilities
- Abandoned Infrastructure
- Vacation of public ways
- Tree-trimming
- Street Lights
- Erosion Control Management
- Restoration
- Permits
- Graffiti
- Customer Service
- Project Management
- Contractor Management

## **Potential Franchise Agreement Topics**

- Distribution Infrastructure Projects (planning & investment)
- Community Engagement
- Outage Reporting

# Clean Energy Coordinating Partnership

