



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

**Date:** April 4, 2013

**To:** Elizabeth Glidden, Chair, Regulatory, Energy & Environment Committee

**Subject:** Energy System Pathways Study

### **Recommendations:**

- Direct City Coordinator staff to complete by August of 2013 a draft energy vision that establishes goals for future performance of the energy system serving Minneapolis;
- Direct City Coordinator staff to complete a study by January of 2014 of the potential options to meet Minneapolis' energy vision;
- Allocate funds for work through January 2014.

### **Previous Directives:**

On October 5<sup>th</sup>, 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: Brendon Slotterback, Sustainability Program Coordinator
Approved by: Paul Aasen, City Coordinator _____
Presenters in Committee: Paul Aasen

**Financial Impact:** \$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.

### **Existing goals that relate to energy & the environment**

The City's Goals and Strategic Directions, adopted by the City Council, include a set of Eco-Focused directions to integrate more clean, renewable energy, be more energy efficient, and to make Minneapolis a model for a sustainable future.

The Minneapolis City Council adopted a target to reduce citywide greenhouse gas emissions 15 percent by 2015, and 30 percent by 2025 using 2006 as a baseline. The Council has also adopted targets to increase renewable energy on city-owned facilities and throughout the community.

The City is in the final stages of developing a climate action plan which includes aggressive goals for the deployment of renewable energy, increased energy efficiency efforts in the City and, developing financing to speed retrofits and renewable energy growth.

### **Limits of the current energy system and needs**

Electric and gas utilities play a major role in determining whether the City can accomplish these goals. In particular, the carbon intensity of the electricity used in the city is one of the largest drivers of the City's performance towards these goals. In 2011, 41% of the greenhouse gas emissions in Minneapolis were associated with the consumption of electricity. While our electricity utility has made great strides in improving the carbon intensity of electricity since 2006, this intensity is only expected to improve by 3.6% between 2015 and 2025 even with current state mandates for renewable energy use by utilities.<sup>1</sup>

Through authority granted by the state to the Conservation Improvement Program, utilities serving Minneapolis also maintain control over most energy-efficiency efforts that occur in the City, and administer rebate programs for retrofits and renewable energy. Significantly strengthening efforts to improve energy efficiency in Minneapolis and gathering more information about energy efficiency achievements specific to the City are important to meet Minneapolis' goals.

The utilities currently serving Minneapolis maintain data on customer usage, consistent with state laws and company policy. Historically, aggregated consumption information at a geographic scale smaller than the entire city has not been available from utilities. Collecting data at the neighborhood and even whole building scale is critical to advance the future of energy efficiency improvements. Initiatives like building energy disclosure policies, building asset rating programs and neighborhood energy efficiency efforts will rely on significantly increasing access to utility data, both to the City and to energy customers.

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<sup>1</sup> Xcel Energy IRP Update Filing, 2011.

## 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 August of 2013**, staff will present to the Regulatory, Energy & Environment Committee an updated set of Energy Vision Goals that will establish the City's goals for a future energy system. Staff will work 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 in January 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 PUC rule changes, unique utility partnerships, changes to the way the City uses franchise fees or new City programs, and municipalization 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. Depending on future Council decisions, additional study will be required to determine feasibility in more detail.

**By June, 2013**, staff will issue an RFP for the future energy pathways project.

**By November, 2013**, staff will provide an 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 January, 2014**, staff will deliver to the Regulatory, Energy & Environment Committee a report and presentation detailing the following:

- **Current Legal Landscape**
  - Review of legislative changes that occurred in 2013
  - Review of legislative/rule changes on the horizon
  - The legal process for municipalization in Minnesota
- **Existing models and examples**
  - Existing municipal utilities in Minnesota – their performance and history
  - Municipal utilities in other states – their performance and history
  - Other unique utility-city partnerships or arrangements
- **Municipalization pathway**
  - Process and schedule for a municipalization pathway
  - Preliminary estimate of costs and resources required to move down the pathway

- Potential to achieve Minneapolis' energy vision
- Unknowns and potential barriers
- **Alternative pathways**
  - Utility partnerships
  - State legislative and/or PUC rule changes
  - City programs or alternative uses of franchise fees
  - Others