

Minneapolis Clean Energy Partnership
CEP BOARD MEETING
Doty Board Room, Minneapolis Central Library
Friday, April 21, 2017
10:00 a.m. – 12:00 p.m.

2017 Q2 Meeting Notes

Board members present: Mayor Betsy Hodges, Council Vice President Elizabeth Glidden, Council Member Kevin Reich, Spencer Cronk, Adam Pyles and Brad Tutunjian from CenterPoint Energy, Laura McCarten and Lee Gabler from Xcel Energy

Board members excused: None

Guests present: Council Member Cam Gordon, Todd Berreman, Timothy DenHerder-Thomas, Patrick Hanlon, Matt Kazinka, Nick Mark, Brian Millberg, Mark Ruff, Lee Samelson, Jamez Staples

Planning Team present: Sara Barrow, Bridget Dockter, Peter Ebnet, Robin Garwood, Luke Hollenkamp, Kelly Muellman, Audrey Partridge, Gayle Prest, Halston Sleets, Brady Steigauf, Al Swintek

1. Welcome and Introductions

Mayor Betsy Hodges called the meeting to order at 10:13 a.m. Mayor Hodges invited Clean Energy Partnership (CEP) Board Members, staff and guests to introduce themselves, and introduced and welcomed Halston Sleets, her new Senior Policy Aide for Environmental Justice and Sustainability. The Mayor also recognized Matt Kazinka, the second EVAC Co-Chair, recently elected by EVAC.

2. Review and Approve Agenda and Minutes

Mayor Hodges asked for a motion to approve the agenda. It was **MOVED** and **SECONDED** that the agenda be approved. Motion **CARRIED**. Mayor Hodges asked for a motion to approve the minutes from the 2017 Q1 CEP Board Meeting. It was **MOVED** and **SECONDED** that the minutes be approved. Motion **CARRIED**.

3. Xcel Energy Partnership Initiatives for 2017

Initiative #1

Bridget Dockter, referencing the leadership initiatives that had been requested by the CEP Board at its Q1 meeting, presented on the Small Business Refrigeration Energy Efficiency Pilot Program for grocery stores and gas stations. It is modeled after a Denver pilot with liquor stores that included a behavioral feedback component and provided customized data and comparison information to each customer on monthly energy use, benchmarking to comparable businesses, history of energy efficiency programs, and recommendations for additional programs. If they adopted this pilot (Option 1) it would run from spring/summer of 2018 and rollout in fall/winter 2018.

After discussions with parties involved—including the CEP Board, City Council members and staff, and Xcel Energy’s customer solutions group—they came up with a more expeditious process (Option 2). Xcel Energy’s small business refrigeration pilot program of approximately 300 businesses would eliminate the lessons-learned behavioral feedback piece and begin a customer participation campaign. The program is paid for by Xcel Energy and would include bonus rebates to the building owners for implementation of energy efficient measures. The program will also leverage the City’s Green Business Cost Share Program as well as financing programs such as the two percent small business financing, four percent ARRA revolving loan funds, and PACE financing. Option 2 involves issuing an RFP in the summer/fall of 2017 and rollout in fall/winter of 2017. From pre-Board meeting discussions, comments and concerns that have been raised and will be considered are: finding ways to identify and meet language barriers, working with the Minnesota Grocers Association, and exploring if the program can be made into a sustainable model. Bridget and Patrick Hanlon will attend the next meeting of the EVAC Small Business Work Group to discuss the pilot and determine how they can work together to leverage the expertise of EVAC members and integrate them into the development and rollout of the pilot.

The pilot program aligns with Item #12 of the approved 2017-2018 Work Plan. Mayor Hodges read the Planning Team’s proposed replacement language to amend Item #12:

Xcel Energy will establish a focused small business refrigeration pilot program for groceries and gas stations within the city. Xcel Energy and the City of Minneapolis will share best practices and lessons learned from current and previous small business outreach efforts. The partners will also collaborate to leverage existing City of Minneapolis small business programs and initiatives.

It was MOVED and SECONDED that the motion be approved. In the following discussion Council Member Glidden offered her appreciation for this promising initiative that has some similarities to other initiatives by the City to reach out to these particular types of businesses. She is interested in seeing how the pilot continues to evolve, adding that with the City’s previous experiences in outreach to this small business segment she expects there to be good interaction between Xcel Energy and the City that will lead to a good result. Council Member Reich suggested that an invitation to an open house be extended to this segment’s potential participants, especially ethnic merchants and small businesses in the Franklin, Lake and Central business communities. Mayor Hodges thanked Xcel Energy for engaging in extensive discussions on the pilot program. Laura McCarten added that there was good discussion and exchange of information that reflects a great aspect of the Partnership in collaborating on programs. Motion CARRIED.

Initiative #2

Lee Gabler reported that a Low Income Community Solar Garden project received funding as part of Xcel Energy’s 2013 grant cycle, which was approved prior to legislation on solar gardens. As the project gained momentum, Xcel Energy worked with the developer and explored ways to target low income in both urban and rural settings. The developer is now planning a 100% low-income project with a 300 kW system at 46th Street and Lyndale Avenue N in North Minneapolis. This aligns with City Enterprise Goal #17 in the 2017-2018 Work Plan, which is to

support access to renewable energy for low income groups. Xcel Energy is in the process of re-negotiating the terms of this original contract as the entire original awarded amount will not be necessary. Following the contract re-negotiation, the change will require approval by the Public Utilities Commission, which Xcel Energy anticipates happening within the next three to six months. Some excess funds will remain from that grant project so Xcel Energy is looking at opportunities to re-allocate those funds and work with developers on other low income community solar garden projects within the city. The funds would be used to help cover project costs (i.e., interconnection fees). Laura McCarten added that the 300 kW solar garden is about half of the size of the array at the Minneapolis Convention Center, so it would be a significant footprint or facility within this community.

Brad Tutunjian said that from CenterPoint Energy's perspective and experience, meeting energy efficiency goals related to low income customers is a challenge. Seeing a project of this magnitude has a lot of potential, and he is excited to see it scheduled. CVP Glidden said the City is very interested in this project. The City has issued an RFP for solar gardens so she suggested that they look at how these projects might have synergy and overlap. She also suggested that workforce goals, a big concern of EVAC as well as the CEP Board and City, be prioritized and considered. CM Reich agreed that they should be proactive on workforce development, working on a parallel track with the City as providers of workforce opportunity. He also offered the City as a partner in seeking PUC approval of this project. Mayor Hodges echoed the City's interest in solar and appreciation for Xcel Energy as a leader in renewables.

Brian Millberg, Energy Manager, Department of Public Works, said that Minneapolis has been accepted into the Solar Challenge grant program that targets low- to moderate-income participation in solar. A parcel at 28th Street and Hiawatha Avenue is being redeveloped and one idea that has come forward is to do ground mounts or put solar on rooftops of any buildings placed there. There were 70 applications to the Solar Challenge grant program, and one applicant will be accepted to receive \$500,000. If Minneapolis wins it will put the entire amount into the cost of the array so the subscription price to low-income households would be lower. This project is one the City would like Xcel Energy to consider for the re-allocated RDF funds. Bridget will schedule a meeting with Brian and appropriate parties to discuss further.

Laura asked for clarification of the process for the Xcel Energy solar energy project becoming part of the 2017-2018 Work Plan, which would make it easier to pursue additional projects and grant funding, and create more opportunity for workforce development. Adam Pyles suggested that when amending language of Item #17, identifying several potential projects by name—46th Street and Lyndale Ave N, 28th Street and Hiawatha, the City's recent RFP—would provide enough specificity in the Work Plan without providing specific language on timing. After further discussion it was decided that the Planning Team would meet with Xcel Energy staff, City staff, the EVAC Workforce Development Work Group, and others within the next few weeks. Xcel Energy will provide an update to the Board within 30 days via email. At that time, a request for vote to add the low income community solar garden in the 2017-2018 Work Plan will be included in the email. If the Board does not find they have sufficient information to approve the item at that time, Xcel Energy will provide an additional update at 45 days and request a vote for inclusion at that time. Spencer Cronk proposed that if RDF grants monies are not available, alternative funding options should be proposed by Xcel Energy.

4. Quarterly Update from EVAC Co-Chairs

Matt Kazinka, EVAC Co-Chair, works for the Lake Street Council, the business association for the Lake Street Corridor. Much of his work is around various areas of sustainability with business being a large portion of that, including working with them on energy efficiency. He has helped several businesses in the corridor—particularly immigrant or small family-owned businesses—to ensure they are aware of and can take advantage of utility programs to make improvements to their lighting, refrigeration or in other areas. He is in his second term as an EVAC member.

EVAC discussed four main items at its Q1 meeting. The first item concerned Q4 2016 EVAC Meeting Minutes. As EVAC was preparing to make recommendations to the CEP Board around the 2017-2018 Work Plan, one conversation concerned big goals and milestones that the City and Partnership may want to move toward. EVAC voted to recommend achieving 100 percent renewable electricity by 2030 and net zero energy by 2050. Meeting notes were unclear about whether those goals were meant to apply just to the City enterprise or to the City as a whole. At the Q1 2017 meeting EVAC clarified that the intention was to set a goal around the entire City, residents and businesses included. Although that recommendation was not included in the final 2017-2018 Work Plan, EVAC wants to clarify for the record that is what they intended.

Next on their agenda was a presentation on tariff-based on-bill financing from Chris Duffrin, President of Center for Energy and Environment (CEE) and a former EVAC member. There is an item in the current Work Plan regarding exploring opportunities for creating more inclusive or additional lending options that make energy-efficiency improvements more accessible. In February, Community Power, one of the organizations represented at the meeting, held a series of meetings around the topic of tariff-based on-bill financing. This model—a form of financing that is attached to utility meters rather than a lien on the property—is being tested in other parts of the country. It does not require credit checks and is designed to match energy savings.

As an energy-efficiency loan provider, Chris was invited to share his perspective about the tariff-based model. His main point was that tariff-based efficiency upgrades have to result in bill neutrality, which means the monthly savings must be greater than the loan payment. With that requirement it can be challenging to use tariff-based financing for large retrofit projects, i.e. new boilers or air conditioning units. With our current historically low gas prices, heating-related efficiency improvements do not pay back very quickly so matching that up can be challenging. Chris also shared a concern that low-income customers with less ability to make payments may require more time to pay back projects, and prolonging the payback term can lead to high interest charges over time. There was some discussion about assumptions in the models, and EVAC members expressed interest in developing those further as well as some ideas shared for integrating financing models and possibly using CIP programs, which were not included in the presentation. EVAC is interested in continuing the discussion on financing options to make it more accessible, including engagement which is one barrier in meeting efficiency goals. EVAC members also want to analyze and understand how well existing financing options are penetrating the market, meeting current needs, and how accessible they are to different segments.

Responding to a question about the follow-up discussion on financing, Matt said EVAC may be interested in having a Financing Work Group that would involve members of EVAC and some outside experts to carry that discussion forward. That Work Group has not yet been launched, but it will likely be on the agenda for the Q2 meeting which would include a conversation about how to get funding to do a study of existing programs.

At the Q1 2017 meeting EVAC members identified the following criteria for establishing new Work Groups: propose goals, have a clear timeline, identify members, and staff support required. Three new Work Groups were approved: Small Business, Multi-Family Housing, and Workforce Development. Each Group will be working on meeting their goals, capturing expertise of EVAC members, and determining how City and utility programs can be utilized to help meet goals. As mentioned previously, there was interest in forming a Financing Work Group but that discussion was postponed to the next EVAC meeting. The Community Engagement Work Group, whose work led to the launching of the pilot projects currently underway, was formally suspended.

At the conclusion of Matt's presentation, Laura and Mayor Hodges expressed their thanks and appreciation for the hard work and extra hours of the Work Group members. Bridget added that going forward EVAC updates at quarterly CEP Board meetings will be presented by the EVAC Co-Chairs rather than a member of the Planning Team. Matt invited anyone who wanted to hear about different things than those shared at this meeting to give him their feedback. CM Reich suggested that the City's desire in Agenda Item 3 to consider workforce development be synchronized with the efforts of the Workforce Development Work Group.

5. EVAC Funding Work Group Progress Update Presentation

Matt reported that the purpose of the Funding Work Group, launched in Q4 2016, was to identify what options exist to increase funding streams available to fund the type of work that CEP has committed to accomplishing and that EVAC is interested in expanding to ensure that energy efficiency is accessible in the City, and that the significant and ambitious goals around climate change are being met. EVAC believes that more funding may need to be available to have people working on it, expertise available, and offer incentives to help make changes for people. The Work Group is comprised of six EVAC members, City staff, and Planning Team members.

While one goal of the group was to identify funding sources, a challenge was that a dream budget was not laid out. They began by identifying what funding existed and determining what needed to be funded. Progress was made on both fronts but they continue to work on specifics and will seek to propose their recommendations at the Q3 CEP Board meeting.

The Work Group also determined the current status of meeting goals laid out in the CEP Work Plan as well as the Climate Action Plan (CAP), identifying the scope and scale of those goals. For instance, one goal in the CAP that EVAC believes is powerful and ambitious—by 2025 having 75 percent of single and multi-family residents participate in some sort of energy efficiency program—the City is not on track to meet that goal. They determined that on many items there is a long way to go, so they started to identify what types of programs would start to move them towards those goals. One of the largest categories was residential and multi-family engagement and energy efficiency programs to reach owners or renters and make those programs accessible and offer good incentives for participation. They also saw opportunities for ongoing or

one-time funding for items like increasing City staff to support research and development of a suite of City ordinances, some of which have been identified in the Work Plan and CAP like multi-family benchmarking, rental licensing, and disclosure policies. There is also need for funding to study existing financing and possible inclusive financing options, or if a new funding program is developed there may be a need for a loss reserve. In addition, funding is needed for business engagement, workforce development, and other things for which Work Groups will be making proposals to be funded.

In considering what the City can provide in terms of funding, EVAC sees an opportunity in leveraging CIP programs. Data shows that in 2016 CenterPoint Energy spent \$6.7 million and Xcel Energy spent \$15.7 million in the City through their CIP programs. With additional funding to improve engagement and accessibility of those programs EVAC believes it can bring in much more investment, although a specific analysis has not yet been done.

Possible funding sources include seeking grants (state, federal, and private) and shifting existing City general fund money into this pool, but the option with the potentially most significant ability to leverage funding would be raising the franchise fee between the City and utilities. A quick analysis shows that raising it between one-quarter to a full percent in the three different categories—residential, commercial, and industrial, which are each charged at different rates—could bring in \$1 million to \$6-7 million dollars annually. There are conversations and questions yet to be determined, such as: what is strategic, appropriate, and politically feasible? Since an increase in franchise fee would be passed on to the consumer, a quick analysis averaging data from the past few years indicates that a quarter percent increase would add approximately \$3.50 annually per customer, and a full percent increase would be closer to \$13-14 annually per customer. Currently residents on average pay \$60 annually in franchise fees, split between Xcel Energy and CenterPoint Energy bills. A similar analysis of the impact on commercial and industrial customers was not useful in its current state due to the huge variations in what small versus large businesses pay.

The Funding Work Group will continue to hone these figures down to ensure that any investments made will result in bigger and better outcomes, leveraging those other funds to result in a net positive for consumers. They will also coordinate with City staff to discuss the possibility of an increase in franchise fees in the 2018 budget or beyond. The Funding Work Group anticipates bringing recommendations to the CEP Board at their Q3 meeting, and Matt invited guidance from CEP Board members on what they would like to see from the Group in terms of format and content.

Referencing existing financing, specifically leveraging CIP opportunities, Brad encouraged EVAC to recognize not only existing CIP offerings but also opportunities for new CIP offerings. The utilities could use their CIP programs to fund some of these items that would not put a burden on the City.

CVP Glidden recalled discussion during the Q1 CEP meeting about how the Planning Team could be doing a similar process while also supporting EVAC so they are not working at cross purposes and duplicating effort. Luke responded that Bridget, Audrey, and he have been engaged with the EVAC Funding Work Group primarily and are working jointly with them so there is not

a redundant effort occurring. Utilities have been providing franchise fee as well as CIP funding information to the Work Group. The Planning Team has recommended that it would be most useful to the CEP Board if the Work Group, instead of presenting the entire list of 59 CAP and Work Plan items, would select one or two high impact funding opportunities from each sector to focus on and present as recommendations for sources of funding.

In the discussion period following Matt's Funding Work Group presentations, the following requests were made for consideration or inclusion in the Funding Work Group's presentation at the Q3 Board meeting:

- Identify all revenue options and present the entire range to the CEP Board.
- Since there will never be enough revenue to meet all programmatic needs, identify the most viable and high-impact energy options the Partners can agree upon.
- Identify various sources of revenue: franchise fees, grants from public or private foundations, and vendor co-pay opportunities (i.e. for equipment replacement).
- Consider that over time the franchise fee revenue stream to the City will increase on its own through increased sales or increased rates. When rates go up the franchise fee goes up without requiring any additional action.
- In developing the list of what items to fund, the Work Group will prioritize by focusing on those that would require a small investment to make a big difference. Working with feedback from Planning Team members and data provided by CIP filings, which contain a substantial amount of information on current programs, they will also identify a few large goals as important priorities of EVAC to present to the Partnership.

In closing, Matt said one need that the Funding Work Group has identified is better analysis of the numbers, identifying potential costs and benefits to making some of these investments since EVAC members do not have that capacity. Mayor Hodges said that could be provided by the City and utilities, if available.. She invited the Planning Team to have that conversation about what would be helpful in providing assistance to the Work Group. Luke said the City is working through the Carbon Neutral Cities Alliance (CNCA) on a proposal with a number of cities to have a comprehensive study on the policies and mechanisms for zero net carbon buildings. CNCA is approaching foundations for support, and the City is being asked to make a match, to help support the work of outside consultants to work on these issues. Mayor Hodges added that one of the benefits of being a Resilient City is access to technical providers, and that might present an opportunity to bring in some additional resources to consider. Bridget added that the utilities can provide resources and help with some analysis once they know more specifically what they are looking at.

6. Policy Updates

Xcel Energy's 2016 Energy & Carbon Emissions Reporting

Laura reported that since 2005 Xcel Energy has achieved 30 percent emissions reduction as of 2016, and they project that by 2021 they will achieve 45 percent over 2005 levels. The reduction from 2005 to 2016 was due in part to conversion of the Riverside Plant in Minneapolis and the St. Paul High Bridge Plan from old coal units to new highly-efficient natural gas units. Xcel Energy has also been steadily adding more renewables to its system which results in the fossil units operating less. Laura showed a slide depicting how the energy mix has shifted from 2005 and 2016, and projecting to 2021 with the addition of wind to its system which will be operating

by 2020. In 2005 Xcel Energy was 44 percent carbon free. In 2016, wind increased from 5 to 15 percent, natural gas grew significantly due to the conversion of the two previously mentioned plants, and coal dropped in a mirror image of that conversion, allowing Xcel Energy to achieve 55 percent carbon free. By 2021 there will be significant increases in wind to 30 percent, and Xcel Energy will be 67 percent carbon free. Use of these new sources will help Xcel Energy manage costs for its customers, and move it on a path towards decarbonization, with eventual complete elimination of coal plants. Xcel Energy projects it will have 10 percent solar by 2032; currently they have more than 70 MW, making them the largest community solar garden program in the country.

7. Announcements / Open Discussion

- *CenterPoint Energy Data Aggregation Tool*
CenterPoint Energy staff from its implementation, CIP regulatory and technical operations teams met with Drew Quirk, a product developer at Xcel Energy, who provided an in-depth tutorial of Xcel Energy's tool as well as lessons learned throughout its development process and initial launch. The project manager and Audrey met with EPA and ICF staff who had also worked with Xcel Energy on their tool to discuss how the data aggregation tool at the utility level interfaces with portfolio manager, additional Portfolio Manager web services, and support services EPA and ICF offer for utilities. On the internal side, CenterPoint Energy has completed the first step of the technical process for developing the tool. They put together the initial document that goes to its Technical Operations Team (TOT) that gives a pretty high level outline of what the tool is, expectations, and a wish list of desired features. TOT will come back with some initial options on development of the tool and a very high level budget and timeline for those options.

CenterPoint Energy next step is to go before the Corporate Technology and Review Committee at CenterPoint Energy to present this project and request approval for funding and IT resources; they do not anticipate any issues with that but that request. Once they receive that approval they will go on to the next step with the TOT, which is to select from the options, and refine and further define the tool. TOT will then provide a more precise and updated budget and timeline. Concurrent with the internal process, CenterPoint Energy will also launch an external stakeholder engagement process and talk to City staff as well as other interested stakeholders and parties about the tool, their experiences using similar tools, and the features they would like to see. At this point there is not an updated launch date but CNP is hoping to determine that over the next few months. From information gathered from Xcel Energy, ICF, and EPA, a 2018 launch sounds like a reasonable timeline. CenterPoint Energy still plans to launch its data aggregation tool in the third or fourth quarter of 2018.

Luke added that the City is very excited about CenterPoint Energy's commitment to building this tool which will be very powerful especially in benchmarking. Providing an anecdote, Patrick Hanlon said that the Green Business Cost Share Program received a multi-family submission for a cost share amount of \$20,000, part of the process including benchmarking their energy use. They found it easy to go through the Xcel Energy process to get that aggregated, but at this point they cannot aggregate their CenterPoint Energy usage so they are looking for a way to do that. This is a challenge going into multi-family benchmarking,

and this application was a case study showing that it is difficult for building owners and managers to pull that information together.

- *Xcel Energy Mobile App Release in May 2017*

Lee said Xcel Energy has been working on a mobile app and are investing significant time and money on the digital front. Phase 1 will be launched in May, which will provide outage information and bill payment opportunities. Customers will be able to report outages, see an outage map, receive and push notifications, and view and pay their bill. Phase 2 will be launched in June and provides customer energy usage information, putting more information at a customer's fingertips. The benefits include customer engagement and the opportunity to match the right energy efficiency program to your needs. Research has shown that an expectation of Millennials is to have more granular information readily available. Laura added that this is one of the platforms and tools that can build on CEP efforts because it will touch people that much more effectively and provide information that will make it really easy for them to say yes and sign up to get the benefit of the energy savings. It will create a lot of great opportunities.

- *Xcel Energy Award by Progress Minnesota*

Xcel Energy received a Progress Minnesota Award from Finance & Commerce for the company's commitment to Minnesota's economy including energy efficiency and renewable energy leadership. CEP was highlighted as part of Xcel Energy's application as well as Xcel Energy's community outreach for helping boost the Minnesota economy with grants totaling \$1.7 million annually in support of 130 local non-profit organizations.

- Laura announced Xcel Energy has been recognized as the number one wind provider now for over a decade by the American Wind Energy Association (AWEA). AWEA recognized the company for its sustained commitment and contribution to the wind industry.

- Laura announced that Xcel Energy's new substation at Hiawatha Avenue and 28th Street has a lighting programming option. To commemorate Prince on the anniversary of his death one year ago, the lighting will be purple for the weekend. The Midtown substation will be doing the same thing, and Xcel Energy is considering changing the lighting for other holidays and special occasions.

- Patrick Hanlon offered thanks to Xcel Energy and CenterPoint Energy for the press releases they collaborated on in advertising the Green Business Cost Share Program and the energy efficiency work they have been doing. This program that was launched less than a year ago has received thirty applications for five million kilowatt hours, and shows huge potential with a small amount of funding to do this work. He commended Matt Kazinka for the work he has done in South Minneapolis as being a model, and they want to replicate that work in North Minneapolis.

8. Next Meeting

The next CEP Board meeting will be held July 25 from 11:00 am to 1:00 pm at a location to be determined.

The meeting was adjourned at 11:55 a.m.

*This constitutes my understanding of items discussed and decisions reached.
If there are any omissions or discrepancies, please notify the author in writing.*
Submitted by: Marsha Wagner, CastleVisions, marsha@castlevisions.com