

**Minneapolis Clean Energy Partnership
BOARD MEETING**

Microsoft Teams
Tuesday, June 20, 2023
9:30 – 11:00 a.m.

2023 Q2 Meeting Notes

Board members present: Mayor Jacob Frey (Chair), Council Member Lisa Goodman, Council Member Aisha Chughtai, Interim City Operations Officer Heather Johnston; John Marshall and Bria Shea from Xcel Energy; Todd Berreman and Christe Singleton from CenterPoint Energy.

Board members absent: None

City of Minneapolis Staff: Luke Hollenkamp, Kim Havey, Patrick Hanlon, Chris Droske, Zach Schultz, Stacy Miller, Paul Shanafelt, Layaned Sanisaca, Ed Eiffler Jaramillo

Xcel Energy Staff: Dan King, Nick Mark

CenterPoint Energy Staff: Kat Knudson, Al Swintek, Ethan Warner

Guests present: Katie Jones (EVAC Co-Chair, CEE), Marcus Mills (EVAC Member, Community Power, Black Visions), Lee Samelson (Community Power), Scott Graham (Candidate, City Council), Rebekah Doyle (Community Power), Mary Kosuth (MN 350)

1. Welcome and Introductions

Mayor Jacob Frey (Chair) called the meeting to order.

2. Review and Approve Agenda and Minutes

Mayor Frey (Chair) asked for a motion to approve the agenda, as well as the minutes from the 2023 Q1 CEP Board Meeting. It was **MOVED** and **SECONDED** that the agenda for June 20, 2023 meeting be approved. Motion **CARRIED**. It was **MOVED** and **SECONDED** that the minutes from February 22, 2023 be approved. Motion **CARRIED**.

3. EVAC Update

At the last meeting, EVAC talked a lot about aligning utility incentives with decarbonization. This includes Energy Conservation and Optimization (ECO) filings, Natural Gas Innovation Act (NGIA), Inflation Reduction Act (IRA) etc. Utilities provided an overview of some highlights from upcoming ECO filings. Utilities are trying to make the filings flexible and holistic. There is a desire to align the utility programs. EVAC questioned if the gas utilities would still provide rebates on gas equipment. CenterPoint Energy confirmed those would still be proposed. EVAC had a general discussion on alignment between filings and the City goals. EVAC plans to prepare

an informal memo to the Partnership on their recommendations and possibly engage in commenting on the ECO filings. EVAC also had a short discussion on the Climate Equity Plan.

Mayor Frey asked about fuel switching. Kim Havey clarified that this term refers to switching current natural gas uses to electricity. Todd Berreman further clarified that until the passage of the ECO act gas utilities could not provide rebates for electric equipment and claim gas savings, so this is a new policy construct and new era.

4. Rental Energy Disclosure Dashboard – 2019-2021 Work Plan

Luke Hollenkamp presented an overview of the time of rent energy cost reporting ([slides 4-10 of the meeting presentation](#)). This is a success story and a project that has been worked on over several years. It was part of the 2019-2021 Work Plan. The slides provide a summary of the update that was presented, which focused on a new dashboard for 1-4 unit rental properties. The underlying data utilizes a confidence interval approach for providing useful information on energy use in rental properties while also protecting customer data. The dashboard is to be made available publicly in the near future. There will be one central web page that will link to the various data sources for the different building types.

Questions were asked around plans for tracking and evaluating how the data are being used and if the project has the intended impact and influence. Luke responded that they will be looking at how it is being used and work to fine tune the dashboard to make it as useful as possible.

CM Chughtai expressed skepticism that this tool will be something that will be used by renters looking at rental properties but also expressed hope that this tool could be used to effectively target City and utility program implementation.

John Marshall supported that hope for targeting program implementation and noted the specific difficulties in encouraging rental property owners to make efficiency investments. Hopefully this tool will help with that.

5. Xcel and CenterPoint CIP/ECO Triennial Plan Updates

Ethan Warner presented an update on CenterPoint Energy's ECO plan filing. His comments are summarized in [slides 11-16 of the meeting presentation](#). He noted significant changes to low- and moderate-income programs, updates to commercial and industrial customer offerings, and other changes. New low-income programs are intended to help customers navigate programs available to them, provide higher weatherization rebates, and other changes. Ethan provided an overview on air source heat pump (ASHP) offerings. The program will focus on basic ducted ASHPs, but cold climate ASHPs also eligible. Rebates will be up to \$1,000 per system. Ethan also provided a process overview for the filing and comment timeline.

Questions were asked about how impact and success will be monitored, especially in the Green Zones. Ethan responded that there is annual reporting overall for CenterPoint, but there will also likely be ways to incorporate metrics for these new programs into the Clean Energy Partnership Annual Report.

CM Goodman asked about how many customers participate in these programs and expressed skepticism that low-income customers could participate in programs that require them to make some investment. Ethan clarified that there are existing programs that provide full cost coverage for low-income customers and thousands of customers participate in those each year. The new programs are designed for customers who either do not want to participate in or do not qualify for those programs. They are designed to fill gaps in existing program coverage.

Additional discussion delved into the details of rebates that may be available through the IRA. Ethan pointed out that guidance on how those rebates will be implemented is still forthcoming, which is a specific challenge for the timing of this filing. The utilities are maintaining flexibility for how programs can be implemented.

CM Goodman and CM Chughtai both expressed skepticism that there would be meaningful participation in the new programs targeting customers in the ~60-80% area median income range pointing out that it is unusual for households in this income range to own their home in Minneapolis and that this is a difficult-to-reach demographic for affordable housing and in other contexts.

Nick Mark provided an update on Xcel Energy's ECO plan filing (no slides). He noted that there is significant overlap in how the two utilities are thinking and that they have coordinated. Nick acknowledged that Xcel could have done more robust stakeholder outreach in the process, but significant input was still gathered and is reflected in the filing.

On electric energy efficiency there is improvement over prior plans, but it is not a transformative change. The value proposition for energy efficiency is somewhat diminished as the carbon intensity of the energy system goes down overall (which is largely a good thing). Also, the transition in lighting away from incandescent lighting is largely complete and the utility can no longer claim significant influence on that market. There is increasing emphasis in this plan on the time of electricity use to reducing use at the times when the system has the highest carbon intensity. There will be new and easier ways to qualify for income qualified programming.

Xcel Energy's gas proposal will not directly affect Minneapolis since Xcel is not the gas provider, but Xcel is proposing a significant increase in gas savings goals where Xcel is the gas provider. Fuel switching is where a lot of the focus in this plan. There are spending caps the company needs to stay within, but Xcel will build programs to accelerate when spending caps sunset in 2026. Xcel will propose incentives for lawn equipment and e-bikes. Xcel will be proposing heat pump incentives. The company has found from experience in Colorado that a significant incentive is needed for adoption of this technology. Xcel understands the rationale for CenterPoint's rebate proposal, but Xcel is proposing higher rebates for heat pumps and is also proposing to use some of its budget to provide additional rebates even where Xcel is not the gas provider to ensure geographic consistency.

CM Goodman asked for more information about lawn equipment rebates and raised the idea of coordinating with the City's Green Cost Share program. Nick clarified that the rebates would be for both residential and commercial customers. Xcel is interested in rebates for leaf blowers, but

the Company does not have the necessary technical data, so this might be something that will be added through a modification.

6. New Normal Campaign

Kat Knudson provided an update on the New Normal Campaign covering [slides 18-24 of the meeting presentation](#). The campaign is prioritizing benchmarked properties, but not exclusively. The program includes different pathways to get to triple rebates depending on the level of building automation. Nearly 70 buildings have completed or are close to completing the process, which is higher than expected. Of those 46 have building automation and 23 do not. One exciting participant is Minneapolis Public Schools. The City and CenterPoint agreed to extend the campaign for three years for the schools so that they can stage different school buildings and not do them all at once.

7. Partner Updates

Xcel Energy –

- John Marshall provided an update on the legislative session that recently ended. As noted in the Q1 board meeting, the carbon-free by 2040 legislation passed in this session. This applies to all utilities. There are protections for affordability and reliability. A partnership agreement between Xcel, the State, and the Prairie Island Indian Community passed in the session. There was a significant package of changes to the community solar program passed in the session that will require ongoing coordination.
- John Marshall also provided an update on the recent rate case decision. It was a tough and disappointing outcome, particularly in terms of the return on equity (ROE) decision. Xcel initially requested an ROE of 10.2%, an administrative law judge (ALJ) recommended an ROE of 9.87%, Minnesota Power recently received a decision with an ROE of 9.65%. Xcel Energy was ruled with a 9.25%. Close to \$2B of market capital left the company in the immediate aftermath of the decision. The rate case decision makes it difficult for Xcel to access affordable green capital. One lesson learned is to do better outreach in the future on rate cases to hopefully have support from stakeholders rather than letters of opposition.
- John Marshall also provided an update on the Resilient Minneapolis Project (RMP). The company did pull back from this project. It was a partnership going back to 2019 working on resiliency hubs in Minneapolis. The solar would be provided by the partners and the battery and microgrid would be rate-based. It was originally a \$9M project. Those costs have increased significantly with an over 70% increase to upwards of \$17M. Xcel worked closely with our partners in advance of this decision. Xcel is fortunate to have good relationships, but this will be a tricky situation to navigate from a trust standpoint. Xcel will be looking for other ways to partner with those host sites.

Mayor Frey asked if pulling the RMP was related to the cost increases or if it is related to the rate case outcome. John answered that the decision was driven by cost considerations. Regulatory uncertainty is important in everything Xcel does, but the decision was very much driven from a cost perspective. Bria Shea clarified that the cost effectiveness of the project initially was well below 1 (costs exceed benefits), and there was significant opposition around the time when it was originally approved. That cost effectiveness is even worse with the cost increases. Bria also provided more context on the rate case decision and the impacts on capital markets. The result is that the cost for Xcel to raise capital will likely be higher for the next five years or so. Investors were surprised by the outcome and are reacting by moving their investments to other utilities.

Mayor Frey asked about the possibility of reconsideration. Bria responded that the Company will be pursuing the reopening of the decision.

Marcus Mills asked more about the link between the rate case decision and the suspension of the RMP. John Marshall answered that the two issues are separately treated and provided more context on the cost effectiveness of RMP as one consideration on its own and the ROE has an impact on the company overall. Marcus asked why the timing was so close if the two issues are unrelated. Bria responded that we were approaching a deadline for executing a contract and that is what drove the timing of the withdrawal of the request for an increase in the cost cap.

Minneapolis - Minneapolis Climate Equity Plan – Will provide updates by email.

CenterPoint Energy – Todd Berreman provided a very brief update that the Natural Gas Innovation plan would be filed next week.

8. Adjourn

The meeting was adjourned at 11 a.m.