Agenda

1. Welcome and Introductions

2. Review and Approve Agenda and Q2 Minutes

3. Board Meeting Update
   - 2022 Annual Report

4. Update, Discussion, and Feedback on future City Climate Work
   - Climate Legacy Initiative
   - Clean Energy Partnership

5. Partner Updates
Board Update
2022 Annual Report
Greenhouse Gas Emissions (Community-wide)

Net-Zero Emissions by 2050:

28% reduction since 2006; not on track for 2050 goals
<table>
<thead>
<tr>
<th>Year</th>
<th>Electricity</th>
<th>Fossil Gas</th>
<th>On-Road Transportation</th>
<th>Solid Waste</th>
<th>Wastewater</th>
<th>OVERALL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Yr</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>-58%</td>
<td>13%</td>
<td>-19%</td>
<td>-7%</td>
<td>-31%</td>
<td>-28%</td>
</tr>
<tr>
<td>2025</td>
<td>-75%</td>
<td>-10%</td>
<td>-30%</td>
<td>-25%</td>
<td>-45%</td>
<td>-45%</td>
</tr>
<tr>
<td>2030</td>
<td>Carbon-Neutral</td>
<td>-35%</td>
<td>-70%</td>
<td>-70%</td>
<td>-75%</td>
<td>-75%</td>
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<tr>
<td>2035</td>
<td>Carbon-Neutral</td>
<td>-80%</td>
<td>-91%</td>
<td>-91%</td>
<td>-93%</td>
<td>-92%</td>
</tr>
<tr>
<td>2040</td>
<td>Carbon-Neutral</td>
<td>-93%</td>
<td>-97%</td>
<td>-97%</td>
<td>-97%</td>
<td>-97%</td>
</tr>
<tr>
<td>2045</td>
<td>Carbon-Neutral</td>
<td>-97%</td>
<td>-98%</td>
<td>-98%</td>
<td>-99%</td>
<td>-99%</td>
</tr>
</tbody>
</table>

GHG Emissions Change (Compared to 2006 Baseline Year)
Greenhouse Gas Emissions (Municipal Operations)

Net-Zero Emissions by 2040:
58% reduction since 2008 and on track

Metric 2
Score: GREEN
Figure 8: City's Carbon Emissions
58% Drop 2008 - 2022
Greenhouse Gas Emissions (Residential)

Net-Zero Emissions by 2050:

24% reduction since 2006; not on track for 2050 goals
### Residential Buildings

**GHG Emissions Change (Compared to 2006 Baseline Year)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Electricity</th>
<th>Fossil Gas</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022 (Actual)</td>
<td>-47%</td>
<td>-7%</td>
<td>-24%</td>
</tr>
<tr>
<td>2025 (Goal)</td>
<td>-65%</td>
<td>-25%</td>
<td>-45%</td>
</tr>
<tr>
<td>2030 (Goal)</td>
<td>Carbon-Neutral</td>
<td>-50%</td>
<td>-75%</td>
</tr>
<tr>
<td>2035 (Goal)</td>
<td>Carbon-Neutral</td>
<td>-85%</td>
<td>-92%</td>
</tr>
<tr>
<td>2040 (Goal)</td>
<td>Carbon-Neutral</td>
<td>-95%</td>
<td>-97%</td>
</tr>
<tr>
<td>2045 (Goal)</td>
<td>Carbon-Neutral</td>
<td>-97%</td>
<td>-99%</td>
</tr>
<tr>
<td>2050 (Goal)</td>
<td>Carbon-Neutral</td>
<td>Carbon-Neutral</td>
<td>Carbon-Neutral</td>
</tr>
</tbody>
</table>
Greenhouse Gas Emissions (Commercial and Industrial)

Net-Zero Emissions by 2050:

34% reduction since 2006; not on track for 2050 goals
### Commercial and Industrial Buildings

**GHG Emissions (Change Compared to 2006 Baseline Year)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Electricity</th>
<th>Fossil Gas</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022 (Actual)</td>
<td>-62%</td>
<td>30%</td>
<td>-34%</td>
</tr>
<tr>
<td>2025 (Goal)</td>
<td>-75%</td>
<td>0%</td>
<td>-50%</td>
</tr>
<tr>
<td>2030 (Goal)</td>
<td>Carbon-Neutral</td>
<td>-20%</td>
<td>-75%</td>
</tr>
<tr>
<td>2035 (Goal)</td>
<td>Carbon-Neutral</td>
<td>-75%</td>
<td>-95%</td>
</tr>
<tr>
<td>2040 (Goal)</td>
<td>Carbon-Neutral</td>
<td>-92%</td>
<td>-97%</td>
</tr>
<tr>
<td>2045 (Goal)</td>
<td>Carbon-Neutral</td>
<td>-96%</td>
<td>-99%</td>
</tr>
<tr>
<td>2050 (Goal)</td>
<td>Carbon-Neutral</td>
<td>Carbon-Neutral</td>
<td>Carbon-Neutral</td>
</tr>
</tbody>
</table>
Renewable Electricity (Community-wide)

100% of renewable electricity use by 2030:

41% in 2022 and not on track

Metric 5
Score: RED
<table>
<thead>
<tr>
<th>Metric</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 Renewable Electricity (Community-wide)</td>
<td>26.3%</td>
<td>26.7%</td>
<td>32.9%</td>
<td>33.3%</td>
<td>40.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supporting Data</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>5a Grid Mix Renewable Percentage</td>
<td>26.2%</td>
<td>26.0%</td>
<td>31.8%</td>
<td>33.1%</td>
<td>40.9%</td>
</tr>
<tr>
<td>5b Adjusted Grid Mix Renewable Percentage</td>
<td>22.3%</td>
<td>21.4%</td>
<td>25.3%</td>
<td>25.8%</td>
<td>33.3%</td>
</tr>
<tr>
<td>5c Community-wide Electricity Consumption (MWh)</td>
<td>3,892,929</td>
<td>3,712,477</td>
<td>3,510,358</td>
<td>3,738,454</td>
<td>3,646,285</td>
</tr>
<tr>
<td>5d Local Actions (MWh)</td>
<td>152,075</td>
<td>198,248</td>
<td>264,516</td>
<td>276,680</td>
<td>270,437</td>
</tr>
<tr>
<td>5e Grid Mix Carbon-Free Percentage</td>
<td>55.7%</td>
<td>54.0%</td>
<td>61.6%</td>
<td>60.3%</td>
<td>68.6%</td>
</tr>
</tbody>
</table>
**Renewable Electricity (Municipal Operations)**

100% of renewable electricity use by 2023:

92% in 2022 and on track

![Graph showing renewable electricity use from 2014 to 2023](chart.png)

- **Historical**
- **Goal**
- **Necessary Trajectory to Achieve Goal**

Score: GREEN
Renewable Electricity (Local and Subscriptions)

40% of renewable electricity use by 2024:

7.4% in 2022 and not on track
Future City Climate Work: Update, Discussion, and Feedback
Climate Legacy Initiative and Support from franchise fee increases
Climate Legacy Initiative
– Franchise Fee Increase

Luke Hollenkamp
Sustainability, Healthy Homes, and Environment (SHHE)
Health Department

EVAC Meeting – Oct 3, 2023
What the Climate Legacy Initiative is

• The CLI is an innovative way to achieve the City’s accelerated, equitable climate goals.

• $10 million of new dedicated funding for equitable climate action work each year.

• Starting in January 2024, this funding triples the City’s investment in climate action.

• These funds are in addition to current climate funding.
What the Climate Legacy Initiative supports

The CLI is an impactful response to climate change that supports on-the-ground solutions through eight program areas:

1. Green jobs and training
2. Renewable and efficient energy in homes and businesses
3. Community outreach and engagement
4. Planting trees
5. Capturing carbon and storing with biochar
6. Local food and waste reduction
7. Electric vehicle charging stations
8. Administration and policy
Timeline

- **Early 2022**: Work began on new Mpls Climate Equity Plan (CEP)
- **Jul 19, 2023**: Mayor Frey announces Climate Legacy Initiative (CLI) – first step in implementing CEP
- **Jul 20, 2023**: Council adopts CEP

**FUNDING**
- **Jul 20, 2023**: CM Goodman and CM Chughtai begin legislative process for franchise fee increase to fund the CLI
- **Oct 12, 2023**: PWI Committee Meeting with franchise fee increase staff presentation and public hearing
- **Oct 19, 2023**: Council action on franchise fee increase proposal

**BUDGET & PROGRAMMING**
- **Aug 15, 2023**: Mayor Frey delivers 2024 Budget Recommendations with ~$10M for CLI starting in 2024
- **Nov-Dec 2023**: Council consideration and action on CLI programming

- **January 2024**: CLI launches
What Franchise Fees are

- Paid on customer energy bills. Xcel and CenterPoint collect these fees from customers and pay them to the City of Minneapolis. Minneapolis franchise fees are set by city ordinance and vary by type of energy customer. Examples from current residential bills....
Franchise Fee Increase – Determining Levels by Energy Source and User Type

Goals:

1. Use existing franchise fee options available in current utility franchise agreements
2. Raise additional ~$10M in annual revenue starting in 2024
3. More equally raise additional revenue from electricity and gas than historical collections and past increases
4. Create more equality in how the franchise fee impact is felt across all users
# Franchise Fee Increases - Proposed

## ELECTRICITY

<table>
<thead>
<tr>
<th>Energy Customer Type</th>
<th>Number of Customers</th>
<th>Franchise Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Current</td>
</tr>
<tr>
<td>Residential</td>
<td>190,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>Small/Large Demand C&amp;I (Secondary Voltage) and all others</td>
<td>19,000</td>
<td>5.50%</td>
</tr>
<tr>
<td>Large Demand C&amp;I (Primary Voltage)</td>
<td>60</td>
<td>3.50%</td>
</tr>
</tbody>
</table>

## GAS

<table>
<thead>
<tr>
<th>Energy Customer Type</th>
<th>Number of Customers</th>
<th>Franchise Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Current</td>
</tr>
<tr>
<td>Residential</td>
<td>130,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>Small Volume C&amp;I</td>
<td>12,000</td>
<td>5.50%</td>
</tr>
<tr>
<td>Large Volume C&amp;I</td>
<td>50</td>
<td>3.50%</td>
</tr>
</tbody>
</table>
Current State of Electric and FF Rates

CURRENT Unequal Franchise Fee Rates w/ Current Franchise Fee Percentages

- Residential: $0.160 (electric rate) + $0.008 (franchise fee) = $0.168
- Small/Large Demand C&I (Secondary Voltage) and all others: $0.128 (electric rate) + $0.007 (franchise fee) = $0.135
- Large Demand C&I (Primary Voltage): $0.116 (electric rate) + $0.004 (franchise fee) = $0.120

Electric Rate (Revenue to Xcel)  Franchise Fee (Revenue to City of Mpls)
Proposed State of Electric and FF Rates

PROPOSED More Equal Franchise Fee Rates w/ Proposed Franchise Fee Percentages

<table>
<thead>
<tr>
<th>Rate ($ per kWh)</th>
<th>Franchise Fee - Proposed (Revenue to City of Mpls)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>$0.009 X 5.25% FF</td>
</tr>
<tr>
<td>Small/Large Demand C&amp;I</td>
<td>$0.009 X 6.75% FF</td>
</tr>
<tr>
<td>Large Demand C&amp;I</td>
<td>$0.008 X 6.75% FF</td>
</tr>
</tbody>
</table>

Electric Rate (Revenue to Xcel)
Current: Unequal Effective Franchise Fee Rates for Electricity

- **Residential**
- **Small/Large Demand C&I (Secondary Voltage) and all others**
- **Large Demand C&I (Primary Voltage)**

Current (2022)
Proposed: Nearly Equal Effective Franchise Fee Rates for Electricity

- Residential
- Small/Large Demand C&I (Secondary Voltage) and all others
- Large Demand C&I (Primary Voltage)

Current (2022) and CLI Increase (2024 and beyond)
AVERAGE RESIDENTIAL ENERGY BILL IMPACT

Average Dollars per Year per Customer:

- Total Energy Costs (2022): $2,037
- CLI 2024 Franchise Fee Increase: $12
- Common Weatherization Savings (Home Energy Squad visit installs plus air sealing and insulation project): -$525
Equity Analysis

**FIGURE 6 MEDIAN INCOME ABOVE “LOW INCOME” V. BELOW “LOW INCOME” CENSUS TRACTS AVERAGE DOLLAR PER MONTH INCREASE.**

This chart displays average dollar ($) per month increase to energy costs for every one-quarter percentage point (0.25%) and one percentage point (1.0%) increment increase for residential electricity and gas rate franchise fees, respectively, for City of MPLS census tracts with median incomes above $56,000 compared to below $56,000.
This chart displays average dollar ($) per month increase to energy costs for every one-quarter percentage point (0.25%) and one percentage point (1.0%) increment increase for residential electricity and gas rate franchise fees, respectively, for City of MPLS census tracts with BIPOC populations below 40%, above 40%, and above 65%.
<table>
<thead>
<tr>
<th></th>
<th>City-wide</th>
<th>Below 40% BIPOC</th>
<th>Above 40% BIPOC</th>
<th>Below $56,000 Median Income</th>
<th>Above $56,000 Median Income</th>
<th>Green Zone</th>
<th>non-Green Zone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline Avg Electric Bill²</td>
<td>$1,065</td>
<td>$1,067</td>
<td>$1,063</td>
<td>$954</td>
<td>$1,136</td>
<td>$1,039</td>
<td>$1,068</td>
</tr>
<tr>
<td>Avg Electric Bill Increase from 0.25% Increment Franchise Fee Rate Increase</td>
<td>$2.66</td>
<td>$2.67</td>
<td>$2.66</td>
<td>$2.39</td>
<td>$2.84</td>
<td>$2.60</td>
<td>$2.67</td>
</tr>
<tr>
<td>Baseline Avg Gas Bill²</td>
<td>$1,016</td>
<td>$1,020</td>
<td>$1,009</td>
<td>$991</td>
<td>$1,034</td>
<td>$1,019</td>
<td>$1,015</td>
</tr>
<tr>
<td>Avg Gas Bill Increase from 1.0% Increment Franchise Fee Rate Increase</td>
<td>$9.63</td>
<td>$9.71</td>
<td>$9.50</td>
<td>$9.34</td>
<td>$9.85</td>
<td>$9.26</td>
<td>$9.66</td>
</tr>
<tr>
<td>Baseline Avg Combined Bill¹</td>
<td>$2,083</td>
<td>$2,084</td>
<td>$2,081</td>
<td>$1,946</td>
<td>$2,170</td>
<td>$2,009</td>
<td>$2,091</td>
</tr>
<tr>
<td>Avg Combined Bill Increase from 0.25% + 1.0% Increment Franchise Fee Rate Increase</td>
<td>$12.36</td>
<td>$12.35</td>
<td>$12.36</td>
<td>$11.83</td>
<td>$12.69</td>
<td>$11.84</td>
<td>$12.41</td>
</tr>
</tbody>
</table>
Impact for Commercial & Industrial (C&I) Buildings

• Over 99% of C&I electric and gas customers energy users will see a modest increase in energy bills due to the franchise fee increase.

• ELECTRICITY: For every $1,000 of current annual cost, these users will see an increase of $12.50 next year.

• GAS: For every $1,000 in current annual cost, these users will see an increase of $22.50.
EXAMPLE MIXED-USE BUILDING (~200,000 SF) ENERGY BILL IMPACT

Average Dollars per Year per Customer

- $184,000 (Energy Costs (Before - Est.))
- $3,000 (CLI 2024 Franchise Fee Increase (Est.))
- $(41,000) (Green Cost Share Projects Savings - LED Retrofit and Roof Insulation Project (Est.))
Next Steps for Franchise Fee Increase

1. **PWI Committee Meeting on Oct 12 at 1:30pm**
   - Staff Presentation, Public Hearing, and Committee considers a recommendation to the full Council regarding proposed *electricity* and *gas* fees

2. **Committee of the Whole Meeting on Oct 17 at 1:30pm**
   - Discussion (if any) and agenda setting

3. **Council Meeting on Oct 19 at 9:30am**
   - Consider Adoption

4. **Mayoral Signature**

5. **New fees go into effect in January 2024**
Additional Resources

• Information Sheets with FAQs are available for Residents and C&I properties. More details

• Mayor Frey’s 2024 budget recommendation details $10.1M in programs and spending for the CLI. More details

• Patrick Hanlon presented details on CLI budget at the Oct 2 meeting of the Budget Committee. Video of Presentation, start at 41:00
Further improvements to the Clean Energy Partnership and its MOUs
Partner Updates
Adjourn
Next EVAC Meeting
Q4 2023