Clean Energy Partnership - Meeting Notes

Minneapolis Energy Vision Advisory Council

2023 Q3 Meeting Notes

CenterPoint Energy, 505 Nicollet Mall, Room 106

October 3, 2023

4:00 – 6:00 p.m.

Meeting attendees:

EVAC members present: Patty O'Keefe (Co-chair); Katie Jones (Co-chair); Timothy DenHerder-Thomas; Molly Janis; Marcus Mills; Elizabeth Turner; Jamez Staples; Ansha Zaman; Mauricio Leon; Jon Kuskie; Leah Hiniker

Staff/Guests present: Luke Hollenkamp, City of Minneapolis; Kim Havey, City of Minneapolis; Alice Froelich, City of Minneapolis; Al Swintek, CenterPoint Energy; Kat Knudson, CenterPoint Energy; Nick Martin, Xcel Energy; Suzanne Murphy, Xcel Energy; Mark Oyaas, CenterPoint Energy; Lee Samelson for John Farrell

1. Welcome and Introductions

Patty O'Keefe welcomed everyone and asked for introductions around the room.

2. Review and Approve Agenda and Q2 Meeting Notes

The motion to approve the agenda was MOVED and CARRIED.

An EVAC member asked if there was anywhere EVAC's Climate Equity Plan feedback could be captured or recorded. Luke Hollenkamp explained that when typing the meeting notes the team uses an audio recording, so the City does have a record. If information is not included in the written meeting notes, it's not for lack of interest, just lack of capacity; the audio is hard to hear on some of the recording. If it's something that's a high priority, it can be added. CenterPoint is considering a request for transcription help. Patty asked Marcus Mills to send those points to Luke.

Patty noted that there was a question and answer missing from the meeting minutes about whether CenterPoint was going to continue to give rebates for gas appliances. Kat Knudson confirmed CenterPoint would continue rebating gas equipment in the new triennial.

With those two items noted, approval of the Q2 meeting minutes was MOVED and CARRIED.

3. Board Meeting Updates

a. Q3 Board Meeting Update (Marcus)

Marcus reported the points EVAC raised about the triennial plans were accepted with no questions. When asked by another EVAC member what they were, he summarized them: the utilities should max out their spending caps on fuel switching. CenterPoint's proposed budget for fuel switching in 2024 is 10% of the cap and Xcel Energy's 57%. CenterPoint should aim to match sales and higher rebate amounts for heat pumps, building shell improvements and overall efficient fuel switching budget. EVAC would like to see incentives for electric lawn equipment be extended to leaf blowers.

In addition, the utilities' outreach should include translation to the primary language spoken in the community, for example, Spanish and Somali, and include additional support services to help people understand the programs. Utilities should not incentivize gas appliances that have cost effective and more efficient electric alternatives and that CenterPoint is still proposing to incentivize gas water heaters even though heat pump water heaters are more cost effective to operate and lower carbon emissions.

A question was asked about the next steps in the triennial planning process and if we knew how much the utilities have responded to EVAC's or the City's proposals. Kat Knudson responded the information is all a matter of public record and that the responses should be able to be found in the docket. She said CenterPoint took all comments and grouped the reply comments, because a number of commenters had similar questions or suggestions. Nick Martin confirmed that's also how Xcel Energy generally handles reply comments.

b. CEP's 2022 Annual Report (Luke/Kat)

Luke Hollenkamp explained this presentation is based on the one given to the Partnership Board about the 2022 Annual Report. The report presents information on seven metrics for a number of years now, and this year the City modified the metrics because of the new climate goals.

The first metric is overall greenhouse gas emissions reductions community wide. That's down 28% from 2006 baseline. He reported we determined this not to be on track, not necessarily because the numbers are bad right now, but because at our current rate of decarbonization, we are quickly above this curve. When we look at our five particular sources of greenhouse gas emissions, reductions compared to baseline are greatest in electricity. That's the success story of significant renewables on the grid, retirement of coal plants, and maintenance of nuclear. Fossil gas, however, across our entire community is up. One of the discussion items at the Board meeting was why, and you'll see in commercial and industrial is higher than this. CenterPoint is working to get to the bottom of that. No matter what the reason is, emissions need to go down, but the explanation for why they have gone up helps us determine the ways in which we need to tackle this issue. Transportation emissions are still down about 19%. That's still somewhat of a holdover from pandemic reductions. Solid waste and wastewater, which are actually pretty small parts of the inventory, are reduced as well. An EVAC member emphasized the carbon accounting point that a lot of the drop in electricity emissions is due to cleaner grid.

On Metric 2, the City's new goal is to be carbon neutral with municipal operations emissions in 2040. What we haven't determined yet is a specific pathway. Over the next year, the Sustainability office working with the city energy manager will be determining what that pathway is.

Kim Havey noted that part of the funding from the franchise fee increase will go to help support developing a carbon-free by 2040 plan for all of the City properties, including both natural gas and electric use. An EVAC member asked if this will be an internal or public report and that hasn't yet to be decided. It's going to be a building-by-building analysis; the City has had all the buildings audited, but no one's consolidated what that means for the cost. The City is hoping to be able to develop this into capital requests because there isn't a lot of extra money to invest in upgrades for efficiency. An EVAC member asked if the Office of Performance and Innovation (OPI) would be able to help with that analysis. Kim said that was a good point. OPI has a new director, and the two teams can get reconnected.

Luke discussed the decrease in municipal electric emissions which is from LED retrofits of buildings, plus other efficiencies, but a lot is coming from substantial subscriptions to Renewable*Connect. Gas has been relatively constant and now gas emissions in municipal operations are the higher than electricity. However, the biggest emissions source is transportation fuels.

When Renewable*Connect launched the city subscribed to a very large amount that turns the electricity into carbon-free for accounting purposes. The RECs are retired and don't go into Xcel Energy's certified renewable percentage. In answer to an EVAC member's question, Nick confirmed that in green tariff or voluntary programs RECs are retired on behalf of the subscriber.

An EVAC member asked if the City is considering not renewing Renewable*Connect and utilizing solar gardens. Luke mentioned the annual report has a sizable update on this. For a number of years the City tried innovative projects for renewables, such as an RFP attempting to do two things: figure out how to create some sort of large project outside of city boundaries, but that would be instigated by the City to provide City operations with electricity and the city would get the RECs for that. For a lot of technical reasons that didn't come to fruition. The second part of the RFP was for a solar developer to put local solar onto a substantial amount of City buildings. Many of the City's facilities, though, lack the structural capacity to have solar installed so we ended up having fewer possible rooftops, which meant a smaller project overall and made cost impacts increase. The City wants to make sure that we're pivoting, not away from renewable electricity, but spending a lot more time thinking about how to get off gas as much as possible. So, the City has a pretty good - albeit imperfect - solution right now with Renewable*Connect and picking up additional renewable projects

In answer to a question about new solar gardens, City staff said one of the challenges with that is REC ownership; you do not own the RECs. The City owns currently about 40 million kilowatt hours a year of community solar gardens, out a usage of about 100 million, that the City doesn't claim towards the renewable goal because the REC ownership doesn't go to the City. Until or unless that REC ownership situation changes, the City is probably going to be focusing on rooftops.

An EVAC member said that it sounds the City's priorities have changed, that when this was discussed three years ago the City's definition at the time included either REC-owned or city projects that supported the development of local renewables. Kim clarified that the difference is between City enterprise or the community. The City is looking at the enterprise like a business; if you don't have the RECs, you can't say half your energy is coming from community solar gardens. Community-wide we blur the lines a bit, because if you're a community person buying it or the City is supporting people to get access to it, the City is subtracting it so we're not double counting it on the community side.

Kat discussed residential emissions decreasing 24% from 2006, though in red because the metric isn't on track. Electricity emissions are down 47%, gas down 7% to the baseline. This is a lot due to the great success Xcel Energy has had at greening the grid. Minneapolis is continuing to add residents as well as businesses, but energy use per household has been decreasing. Commercial and industrial emissions are down 34% -- made up of a 62% reduction in electric emissions with an increase of 30% in gas. CenterPoint knows 15% of that increase in gas is due to the much colder winter weather in 2022 compared to the 2006 baseline and improvements such as lighting efficiencies impacting the heating load needed from gas. CenterPoint recognizes that this is incredibly important increase and wants to make sure it can identify where those increases are coming from, such as if there are any unintended consequences coming from other efficiency work being done.

An EVAC member asked if we've noticed any impacts of having fewer people in buildings increasing the gas use, making the point that with fewer humans in spaces, you need to use more gas to heat that same space.

Luke covered the community-wide renewable percentage. We’re at 41% of the renewable goal, with electricity from carbon-free sources about 70%. The difference between the renewable number and the carbon-free number is nuclear. He addressed renewable electricity for municipal operations, at about 92% now, but needs to be at 100% before the end of 2023. One of the targets of the Climate Equity Plan is to encourage Xcel Energy to get to 60% renewables by 2030. Between local solar within our boundaries and subscriptions to things like Renewable*Connect and WindSource (or its replacement) those need to add up to about 40% to fill that gap. In 2022, we were at seven and a half percent, so there's still a substantial gap here.

The Climate Equity Plan targets 30% local, 10% subscriptions by 2030. The City encourages group buy programs, puts information in newsletters, and also support via the Green Cost Share larger installations such as commercial and industrial solar installations. The City also offers 0% financing for home solar projects. The City addresses the issue of potential solar scammers by partnering on the group purchases with Solar United Neighbors and MREA for Solar Now. This is one of the ways the City can help since there isn’t capacity to vet everyone.

4. Update, Discussion, and Feedback on Future City Climate Work

a. Climate Legacy Initiative and support from franchise fee increases (Luke/Kat)

Luke provided context that the Climate Legacy Initiative (CLI) is a way to meet City goals and accelerate climate action and the franchise fee increase is the funding side. The franchise fee increase will bring in $10 million additionally each year starting in 2024, so the City total will be spending $13 million annually for climate action.

There’s more detail on what the CLI supports in the City’s budget. The biggest of the eight components is renewable and energy efficiency in homes and businesses, with some of the funding dedicated to hiring new full time equivalent (FTE) positions, many of which are dedicated to outreach with the community. Within that $10 million, the City is spending about one and a half million dollars on administration, $8.5 million goes back out the door.

The Climate Equity Plan was started in 2022 and adopted this summer. On the eve of adopting it, the city announced the Climate Legacy Initiative in July. October 12 is when the Public Works Infrastructure Committee is meeting at Council. There will be a presentation, and the public is encouraged to speak at this meeting. That's when PWI would potentially make a committee recommendation, and on October 19th these franchise fee increases go to the full Council for consideration. Related to this is the Mayor's proposed budget, culminating in Council amendment and adoption in December, then the CLI launches in 2024.

Luke explained in Minneapolis the franchise fees are a percentage of energy costs. He talked about how the City determined what to set the percentages at: using existing options available to the City and increase fee revenue more equally from both electricity and gas; in recent years, collections have been higher for electricity than gas. Gas will raise $4.5 million and electricity $5.7 million, not exactly equal but much more equal than currently.

In addition, the City wanted to make sure residents weren't paying more of the burden of the fee than businesses. On the electric side there are three categories of customers, one with only 60 customers receiving large demand primary voltage. There are also three categories on the gas side, one with only about 50 in the large volume commercial and industrial category.

In response to questions Luke said he'd dug into the categories and been able to trace them back as far as 1994. Different cities break the categories out differently. Minneapolis is the only city that breaks down primary voltage and secondary voltage, for example. All the categories are eligible for Green Cost Share.

An EVAC member pointed out he could imagine large customers won't be happy about such large percentage increases. Luke said a lot of the money that comes in goes right back out the door to residents and businesses. The City has a lot of great examples of recipients who do even modest projects and get back what they're paying in fees and reduce their energy costs. No one likes to pay more, so the City is making the value proposition that this money isn't going to the general fund but to climate action, and specifically to programs that reduce energy cost.

Someone asked if the City has considered how elastic the energy demand is or if the City is studying it; it could it be that a large customer says, "I have to get out of Minneapolis". Luke confirmed they have studied this and there isn't a lot of price elasticity. But elasticity doesn't often associate itself in moving business. It's often in changing behavior, saying, maybe I have a process that can run electricity or gas, and maybe I'll use the other fuel. These fees are not set to change behavior. To change behavior, energy prices would have to increase a lot more than proposed here. And, while the City doesn't know who the largest users are because it's private data, they do know many cannot relocate. But, Luke said, we don't want to dismiss that, and it's something we definitely considered when we have been having conversations with our commercial partners. The City wants to make sure they provide support to help business recoup their costs.

An EVAC member reminded that customers are seeing increasing rates for all sorts of reasons all the time.

An EVAC member said there had been talk at some point about using the franchise fee to move behavior such as through a higher gas franchise fee. Luke confirmed they've been talking about this for a number of years. The research they'd done and looked into shows the percentage increases you would have to do this are much higher than what we're seeing here. Even if the City had weighted the increase, it's not enough to actually change behavior significantly. He pointed out there's no right or wrong answer, and that the City iterated on these percentages dozens and dozens of times. And what they set was what the City thought was as fair, equitable, and as acceptable as possible.

An EVAC member mentioned knowing we're not talking about social cost of carbon but guessed the City is still collecting much less than the social cost of carbon. Kim pointed out that in the new proposal the larger users are still paying a slightly smaller price per unit of energy than residential customers. Luke talked through an example of how the City tried to make the fees fairer than they are under the current fee structure.

An EVAC member asked what the breakdown is among the categories today. Luke explained that, currently, using electric as an example $8.7 million comes from residential, while the 19,000 customers in the small/large demand C&I (secondary voltage) customers account for $14.7 million and the third category pays $2.1 million. A follow up question was, if a customer hedges their natural gas from a wholesaler, do they have to pay franchise fees? The answer is not entirely, that's not something the City has a tool available to account for. Very large customers can get gas from CenterPoint, or they can buy it from another entity. If they buy it from another entity, a fee is not applied to that commodity cost, so their franchise fees only applies to the smaller component - which is the cost of transport.

Luke showed examples of average bill impacts from the increased fees, with a $12 annual increase to the average residential customers and talked about the equity analysis the City had done with the consultant, which will be included in the public files for the public hearing. The City looked at what the impact is of that $12 a year roughly across different incomes, different geographies, and racial demographics across the geographies. City-wide this is about $1.03. There's not really a statistically significant variation in how this fee would be felt across different incomes.

The analysis does show a difference when looking at census tracts that have a BIPOC population greater than 40%. If you're in a census tract with below or somewhat above 40% BIPOC, it's still $1.03. But as you get above 65% BIPOC, it's $1.11. While these are still relatively small numbers, there is a differing impact to certain geographies. This will inform a lot of the commitments the City makes in spending. The City thinks this is because of generally substandard housing for a lot of these residents. An EVAC member asked if there was a statistical difference when accounting for energy burden. Luke said not because the differentials are so small that even though you're dividing by different incomes, they still remain pretty small numbers.

Luke touched on commercial and industrial customers, showing that for every $1,000 increase in cost of electricity, it's about an additional $12.50 a year, and for every $1,000 increase in cost of gas, it's about $22.50 additionally, which applies to the 99% of the commercial and industrial customers. He shared an example of how the franchise fee change would impact a specific customer in Minneapolis that also received two Green Cost Share projects.

He summarized the next steps. PWI Committee meeting on October 12th, Committee of the Whole is meeting on October 17th with actual voting in the full Council meeting on the 19th. Then the Mayor signs and the utilities get notice that rates have increased by City ordinance. January 2024 is when you'll see the rate increase on bills.

Patty suggested EVAC members might want to have an option to get a little more detailed information on the spending side of the CLI and for EVAC to have time to discuss if there's there anything we want to do, whether it's giving support or making a statement. Given the tight timeline, Katie suggested meeting via Zoom. Luke shared that CEAC is meeting right now and are voting on a letter of support of the franchise fee increase because they formally provide recommendations to the entirety of the Council and the Mayor. EVAC determined people wanted to meet to talk about the spending portion of the CLI.

An EVAC member asked how the franchise fee increase is being communicated to stakeholders like large businesses. Luke knew many of the large organizations are aware of it. Suzanne Murphy shared the account managers at Xcel Energy have let their customers know this is happening.

<u>b. Further improvements to the Clean Energy Partnership and related MOUs (All)</u>

Luke explained the franchise agreements expire in October of next year absent any action by the City or the utilities, and the City is interested in renegotiating these agreements; this is a very technical process, and the City will be starting on that. There's a memorandum of understanding in parallel that created the Clean Energy Partnership, and it stands to reason that those MOUs can be renegotiated as well. As the City moves into next year, they would like EVAC think about the MOU that creates the Clean Energy Partnership – are there things you think are great and should remain, things you think aren't so great and have suggestions for? That you've seen in other city/utility partnerships regionally or across the country we should be looking at and have more exploration on?

To get the ball rolling, Luke said one of the things he's interested in is more support of administrative side of the Partnership. For example, this months' meeting minutes were pretty bare because it requires so much time to sit and type out minutes, and we used to have someone to help with that. He's always been interested in the idea of having a third party that could facilitate so that each partner could individually focus on their unique component, as opposed to us doing administrative tasks that actually distract from the more technical work. So that's the type of thing that Luke will, himself, be thinking about with the MOU.

Katie proposed a separate meeting to discuss this. A member asked if it was worthwhile to do a survey to get feedback in advance, which could allow people to think about the ideas, making discussion as effective as possible versus reacting in the moment. After discussion, Luke stressed it's important for the City and utilities to hear organically what EVAC wants, rather than any party leading the conversation. Someone suggested a retreat-type situation and the idea of a half day retreat was floated. Luke offered to help kick things off by sending an email asking if people know of any other partnerships we should familiarize ourselves with. Given the timeline, it was suggested doing this over email, while planning could happen on one or two more meetings. The co-chairs said they would take care of sending out the survey for ideas.

5. Partner Updates

a. CenterPoint Energy – Innovation Plan (Kat)

NGIA—Kat shared at the Board meeting Emma Ingebretsen presented about the filed Innovation Plan and that Emma has offered give a presentation to EVAC at Q4 meeting or whenever EVAC wants her to attend.

b. Xcel Energy – Resilient Minneapolis Project Update (Nick)

Resilient Minneapolis Project Update—Nick explained Xcel Energy had a fairly significant hiccup with the project. The costs for these three micro-grids doubled, and Xcel Energy put in a petition for a higher cost cap, reflecting the increase. Then Xcel Energy had conversations with the City and hosts, hearing the hosts wanted changes and more time, so Xcel Energy pulled back that request to the Commission. Nick offered this was poorly communicated publicly as well as with the hosts, with the perception Xcel Energy wasn't going to continue this project. Xcel Energy did not propose to cancel the project. Unfortunately, time has been lost but Xcel Energy has gotten things back on track; they went into a Commission hearing saying they want to continue working with the hosts and come up with a path forward, and the Commission said that's what you should do.

Xcel Energy is working on a reset, there are steps around community engagement, and more folks from the City now engaged. The City has hired Bharat Balyan as resilience hubs coordinator. A member asked how the projects are changing compared to the original scope. Nick shared Xcel Energy doesn't know that yet because that will come from the hosts, but an example is that some are interested in owning and operating batteries and solar, while others are not.

Equity Stakeholder Advisory group—Nick shared that Xcel Energy has been convening this group since September 2022. One ESAG initiative is using mapping to look at areas of energy burden. The discussion around the franchise fees made this pop into his head. This group has looked at the possibility of delivering a discount in the form of a bill credit to help with energy burden. It's still a concept, but so far it's had strong support within that group and it could become a filing with the Commission. Xcel Energy is thinking about this territory-wide right now, not just Minneapolis.

The EVAC meeting ended with a discussion of equity versus fairness.

Meeting Adjourned