

From: City of Minneapolis Community Environmental Advisory Commission

To: City of Minneapolis, City Council

Date: December 5, 2017

In 2013, Minneapolis adopted one of the most aggressive Climate Action Plans in the country. The plan puts the city on a path to reduce community-wide greenhouse gas emissions 80% by 2050. While the city hit its 2015 emissions reduction target, it did so in large part because Xcel Energy's electricity generation mix has become cleaner. To date, the City has not dedicated ongoing funding to activities that would allow the City to meet the goals of the Climate Action Plan.

In 2015, the Clean Energy Partnership was formed between the City of Minneapolis, Xcel Energy, and CenterPoint Energy to encourage a collaborative approach to meet the city's climate goals. The Partnership is guided by the Energy Vision Advisory Committee (EVAC), which is primarily made up of Minneapolis residents. Recognizing the challenge of achieving the climate goals without dedicated financial resources, EVAC formed a Funding Working Group to explore various funding options.

After months of study and consideration, the Funding Working Group proposed that raising the utility franchise fee rates set by the City was the most feasible pathway to achieve the funding needed to accelerate implementation of energy action among residents and businesses beyond the status quo. Franchise fees are already collected by Xcel and CenterPoint on the electricity and natural gas utility bills of residents and businesses in Minneapolis. The fee is based on the amount of energy that is consumed; customers who use more energy pay more in franchise fees. Currently, the full amount of the franchise fees already collected (approximately \$26 million per year) is allocated to the City's general fund and used to fund a variety of critical city services unrelated to energy.

EVAC moved to recommend this proposal to the Clean Energy Partnership board, stating:

The Energy Vision Advisory Committee recommends that the Clean Energy Partnership Board support the City of Minneapolis in meeting the goals of the Climate Action Plan and Energy Vision by supporting the City in amending the ordinances that set franchise fee rates with CenterPoint Energy and Xcel Energy to increase the franchise fee rates by 0.5% in each customer class. This revenue shall be dedicated to the Clean Energy Partnership to facilitate equitable access to energy efficiency, renewable energy, and workforce development in the energy sector for all residents and businesses in Minneapolis regardless of race, socioeconomic status, or property ownership status.

The EVAC recommendation to increase the fee by 0.5% for all residential, commercial, and industrial consumers would generate an estimated \$2.9 million on an annual basis in an average weather year. EVAC's recommendation is that this additional new and ongoing revenue

should be used solely for the purpose of helping residents and businesses reduce energy use and implement clean energy projects. With this additional investment in the activities of the Clean Energy Partnership, we believe that residents and businesses in Minneapolis will ultimately be able to save enough money on their energy bills to offset the additional cost of the fee rate increase.

As the City's budgeting process for the 2018 budget approaches a conclusion, there is growing concern among members of EVAC that a portion of funds from the recommended franchise fee increase may be allocated to other non-energy budget items that do not increase resources for the City's clean energy goals. Using these funds for anything other than new or expanded energy-saving programs, emissions-reducing initiatives, and local renewable energy installations is inconsistent with the City's stated purpose for increasing the franchise fee and sets back our progress towards achieving our climate goals.

Members of the Community Environmental Advisory Commission strongly oppose any allocation of additional franchise fee revenue to any budget items that do not support the Minneapolis Climate Action Plan. We urge the City to designate these additional funds to the expansion of existing programs and the creation of initiatives that accelerate progress on our climate goals and position the City as a national leader.

Sincerely,

Andrew Murray, Chair, Community Environmental Advisory Commission