

CITY OF MINNEAPOLIS

Potential programing for utility franchise fee increase revenue

Health, Environment & Community Engagement committee meeting

Luke Hollenkamp - City Coordinator's Office of Sustainability

Patrick Hanlon - Director of Environmental Programs, Health Department

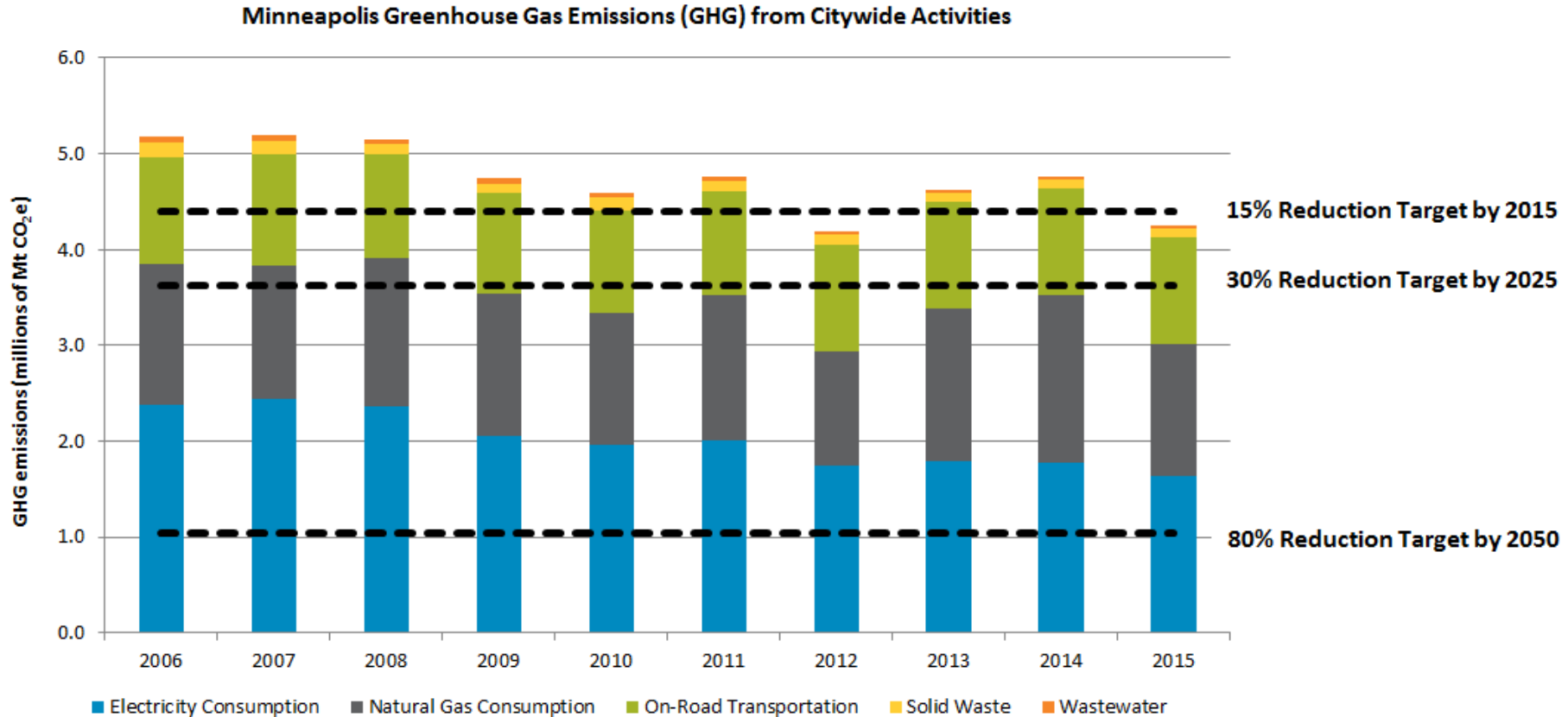
Matt Kazinka – Co-Chair, Energy Vision Advisory Committee

Agenda

- Progress to date on energy and climate goals
- Clean Energy Partnership process determines additional resources and programs needed
- Examples of possible City and Partnership programs to be created or expanded with additional resources



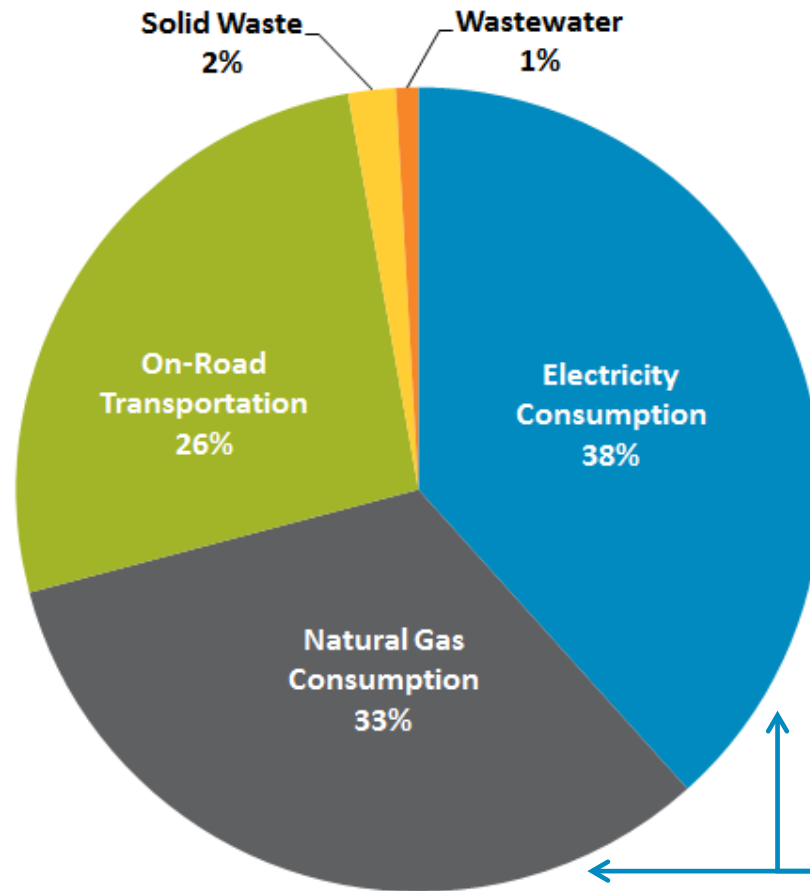
Citywide Greenhouse Gas (GHG) Emissions



- Accelerated progress needed to meet our reduction goal of 80% by 2050.

Targeting GHG Emissions from Buildings

**Minneapolis Greenhouse Gas Emissions
by Citywide Activities (2015)**

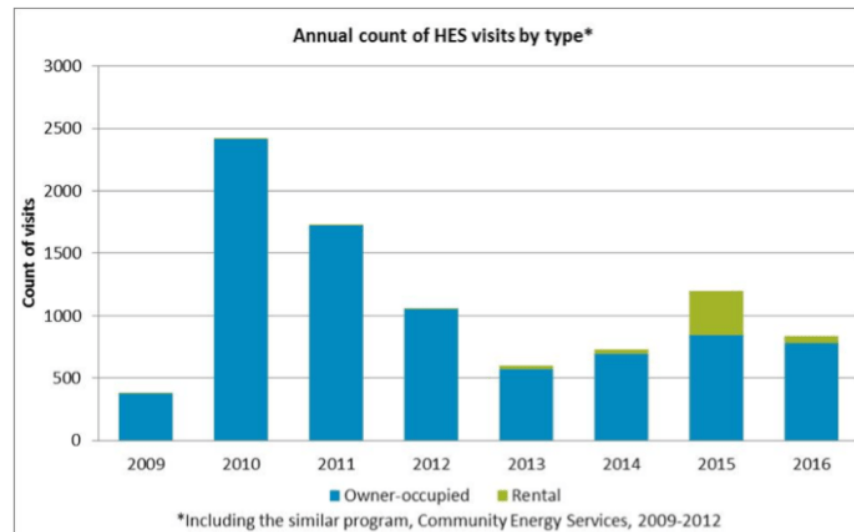


Emissions from building energy use (utility-provided electricity and natural gas) account for 71% of emissions

Building energy use

Reducing energy use from households

- City goal for energy retrofits of 75% of households by 2025
- Home Energy Squad (HES) reached 837 households in 2016.
 - Acceleration needed



A Clean Energy Partnership to meet Climate and Energy Goals

- Formed in 2015 to increase energy efficiency and renewable energy via strong city-utility cooperation



- Strategies of community & stakeholder engagement, data & information, and policy levers

Examining City Resource & Programming Needs



Study led by EVAC examined resource and programming needs to meet goals

EVAC: Community representatives with diverse expertise & backgrounds

First Name	Last Name	Ward	Organization
Louis	Alemayehu *	3	Higher Education Consortium for Urban Affairs (HECUA)
Cameran	Bailey *	1	Yucatan Solar, LLC/ Soltec Renewable Energies
Timothy	DenHerder-Thomas	9	Cooperative Energy Futures
Trevor	Drake *	7	Great Plains Institute
John	Farrell *	11	Institute for Local Self-Reliance
Abby	Finis	9	CR Planning / Great Plains Institute
Timothy	Gaetz *	N/A	Minneapolis Public Housing Authority
★ Matt	Kazinka *	9	Lake Street Council
Kevin	Lewis *	N/A	Building Owners & Managers Association (BOMA) of Greater Minneapolis
Patty	O'Keefe	10	MN350
Rebecca	Olson	3	Neighborhood Energy Connection
Julia	Silvis *	7	Representing Minneapolis residents/property owners
Jamez	Staples *	5	Renewable Energy Partners
Shane	Stennes	12	University of Minnesota
William	Weber *	9	Center for Sustainable Building Research

Guidance from EVAC

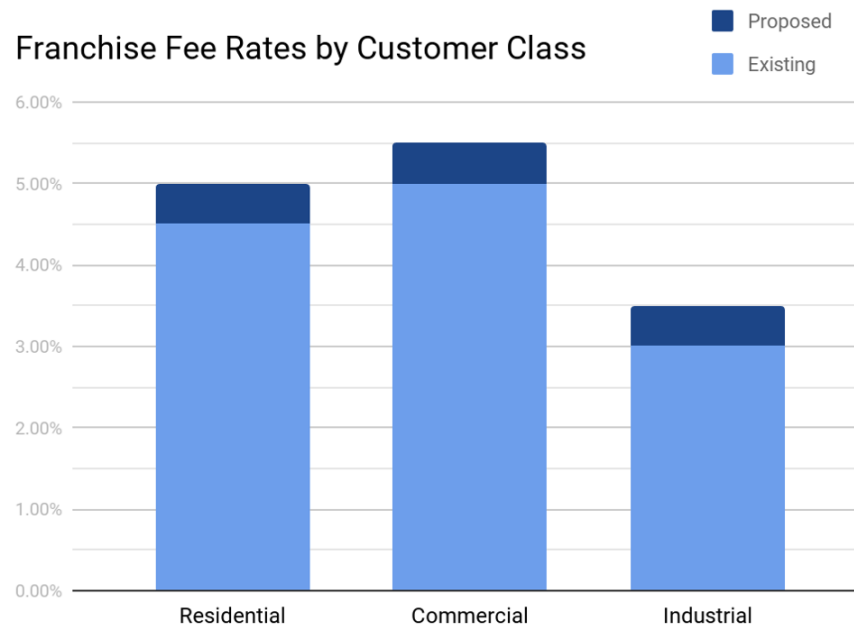
- The Clean Energy Partnership should accelerate the City's progress towards its Climate Action Plan goals
- EVAC identified several barriers to acceleration:
 - Limited awareness of utility programs and incentives
 - Financial barriers for participation and implementation
 - Split incentives between tenants and property owners
 - Limited staff capacity to expand use of policy, engagement, incentives, and financing tools
- Expanded funding is critical for reaching our goals

EVAC Funding Work Group

- Funding Work Group launched in early 2017
- 6 EVAC members (all Minneapolis residents) representing groups focused on residents, businesses, research institutions, and environmental organizations
 - Staff from each Partner supported the group
- To meet goals, need significantly more ongoing funding
- Of the options we reviewed, most funding sources either too small or too unreliable
- An increase in the franchise fee is the most sustainable and scalable option available

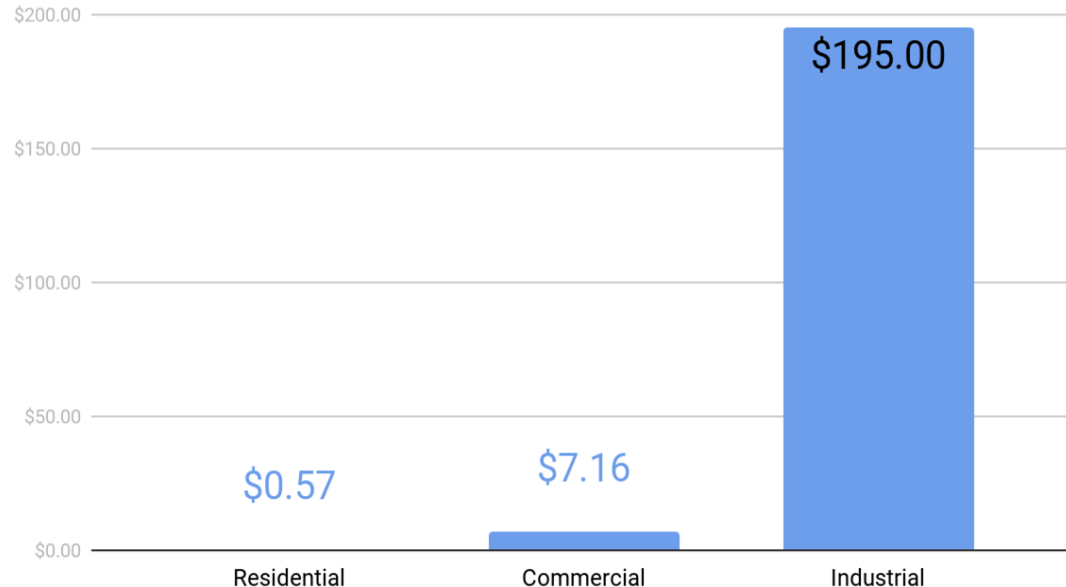
Proposed Franchise Fee Increase

EVAC proposed that the City increase its energy utility franchise fee rates by 0.5% in each customer class (residential, commercial, and industrial) and use the funds exclusively for energy initiatives



Average Increase in Monthly Fees

- Additional monthly costs accrued on an average residential and commercial bill are low.
- Industrial rate class customers are high energy users, so the increase on their bill is larger.



EVAC's Recommended Uses of Funds - Residential

- Expand outreach for single-family and multi-family buildings, building on lessons learned from the Partnership's Community Engagement Pilot
- Subsidize utility program home visits
- Fully fund the Multifamily Building Efficiency Program
- Create tools to reduce financing barriers

EVAC's Recommended Uses for Franchise Fee Increase

- Fully fund the Green Business Cost Share program
- Create a city-wide small business engagement program
- Subsidize building efficiency studies
- Increase technical assistance and resources available for large properties
- Create tools to reduce financing barriers

Full recommendations are in the [Funding the Minneapolis Clean Energy Partnership: Recommendations from the Energy Vision Advisory Committee \(EVAC\)](#) report.

CEP Board Resolution

The Board has received the report, *Funding the Minneapolis Clean Energy Partnership: Recommendations from the Energy Vision Advisory Committee (EVAC)*. The report states that additional, dedicated, long-term funding is necessary in order to achieve the goals of the Clean Energy Partnership.

Increased utility program funding is possible, subject to State regulatory restrictions; however, utility programs alone cannot be targeted exclusively to Minneapolis residents and businesses or fully meet the greenhouse gas emissions reductions and equity goals of the Clean Energy Partnership.


The Clean Energy Partnership Board supports additional, dedicated City funding for new and existing programs to increase energy efficiency and renewable energy investments with a specific focus on equity and greenhouse gas emissions reductions.

- Adopted on July 25, 2017 at Q3 CEP Board Meeting

Implementing EVAC recommendations

Accelerate toward climate and energy goals via:

Policy
Engagement
Incentives
Financing



We will highlight examples of possible programs, though the following is not an exhaustive list

Financing and Buy-down Programming

0% Energy Efficiency Loan Program: *Financing*

- Buy down home insulation and air-sealing loans to 0% interest, leveraging Home Energy Squad visits and outreach with financing
- Builds on successful 2016 pilot (32 loans); included income-qualified households

0%
INTEREST

Buy-down of Home Energy Squads visits and Turn Key assessments: *Incentives*

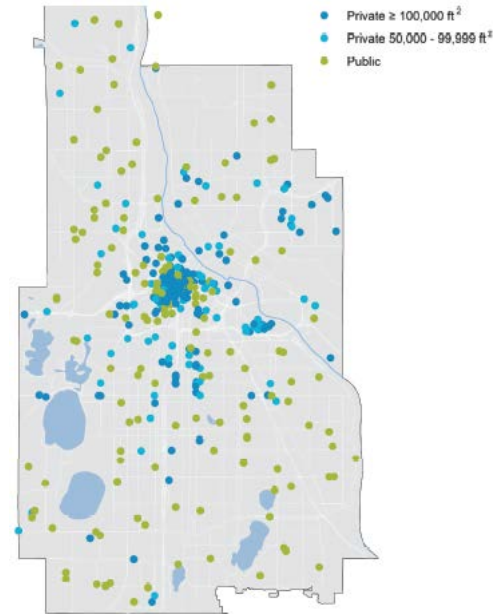
- Eliminates financial barriers to energy assessments
- Builds on successful 2016 HES pilot (220 low-income visits)



Building Energy Benchmarking Programming

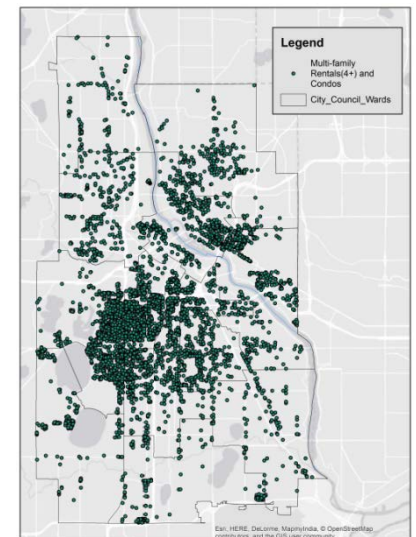
Commercial: *Engagement*

- Increase technical assistance efforts using data to target buildings with highest potential for energy and GHG reductions
 - 15% of citywide GHG emissions from 417 properties (70% of city commercial area)
 - Build upon collaborative success with utilities (workshops & city/utilities/building meetings)



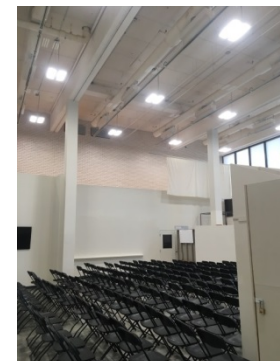
Multifamily Residential: *Policy*

- Develop and implement a multifamily energy benchmarking policy
 - Encourages conservation and provides a foundation for future multifamily energy affordability efforts
 - Could reach 45-65% of rental building area

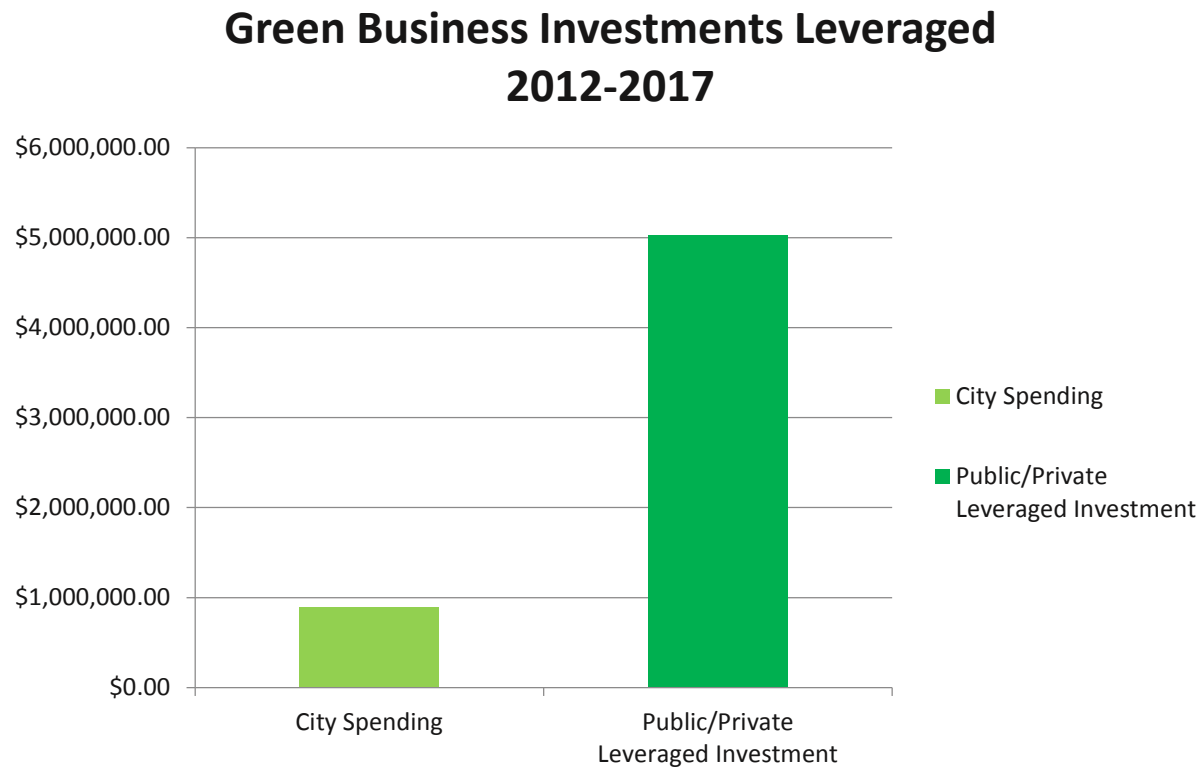


Green Business Cost Share Program

- Demonstrated success working with 76 businesses on air quality, energy efficiency, and renewable energy projects.
 - Focused on small and large businesses
- Combining *Engagement, Incentives, & Financing*
- Leveraging investments 10:1
 - \$434,722.70 spent on energy efficiency leveraged \$4,504,161.45 in projects
- Businesses are saving \$686,382.65 annually
- Reduced 15,351,871 lbs of CO₂
= 1,468 cars off the road annually.



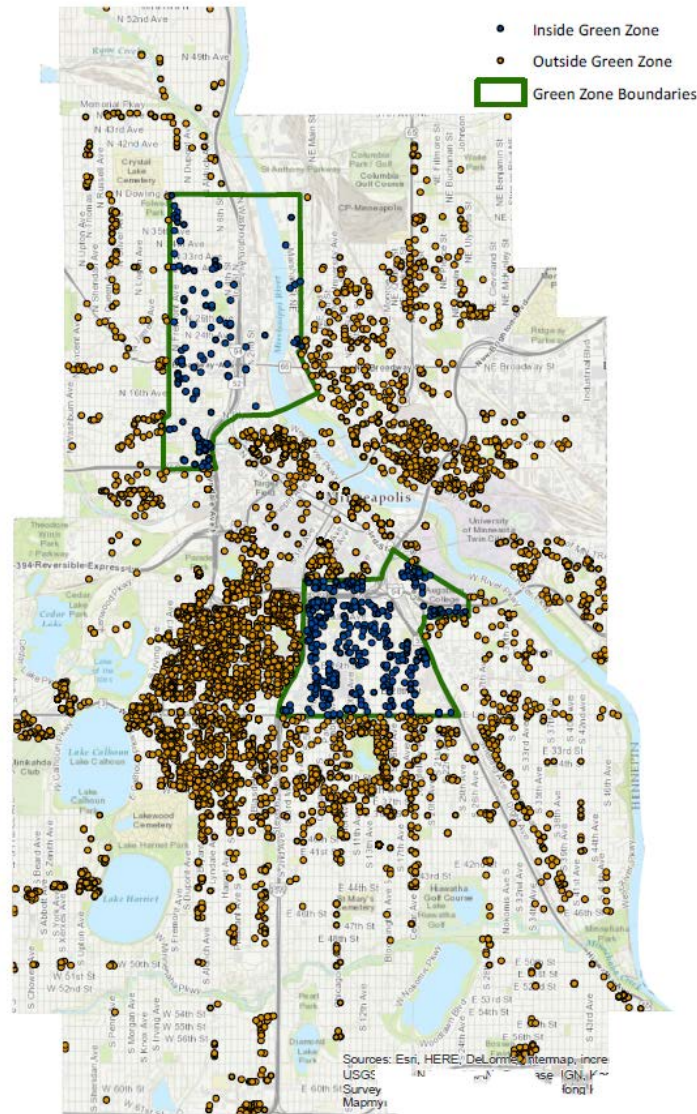
Incentives: Green Business Cost Share



Leverages private investment, non-profit investment, government partners funds, and utility funding

- Utility programs often have unused capacity

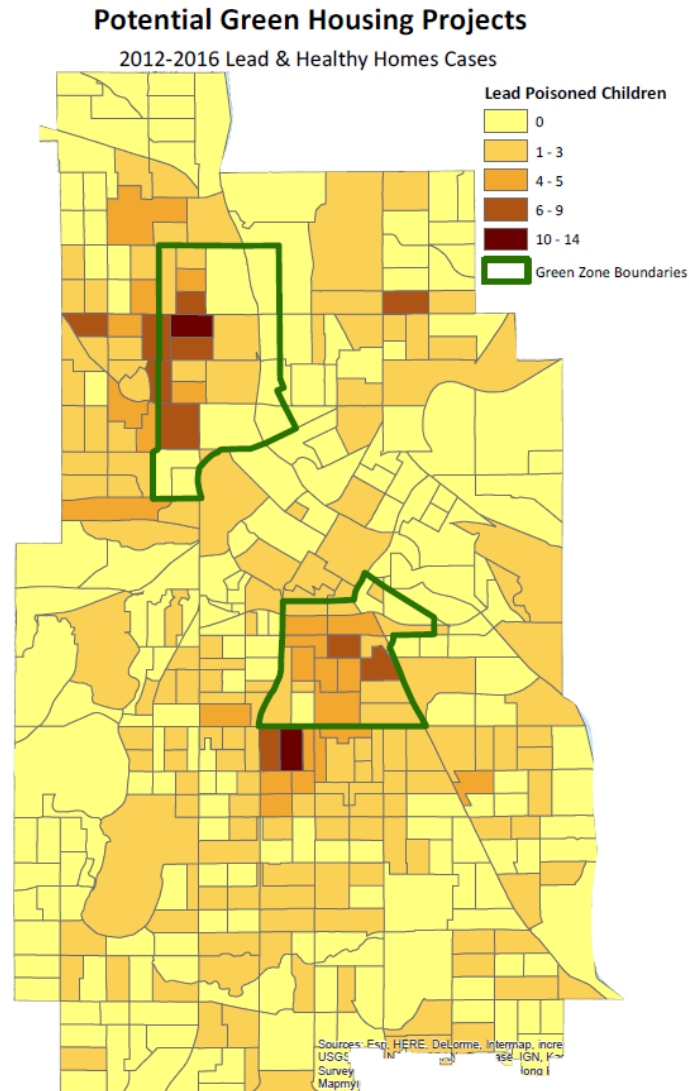
Commercial Program Opportunities



Green Housing Cost Share

- Adapting a proven approach to housing
- Split incentive between tenants and owners
- Addressing affordability and healthy housing too
 - Builds upon the City's Lead and Healthy Homes program
- Projected 5:1 leveraging of resources
 - i.e. \$200,000 investment leverages \$1,000,000 in private investment
 - Increases use of federal weatherization money otherwise left unused

Start small with high priority areas

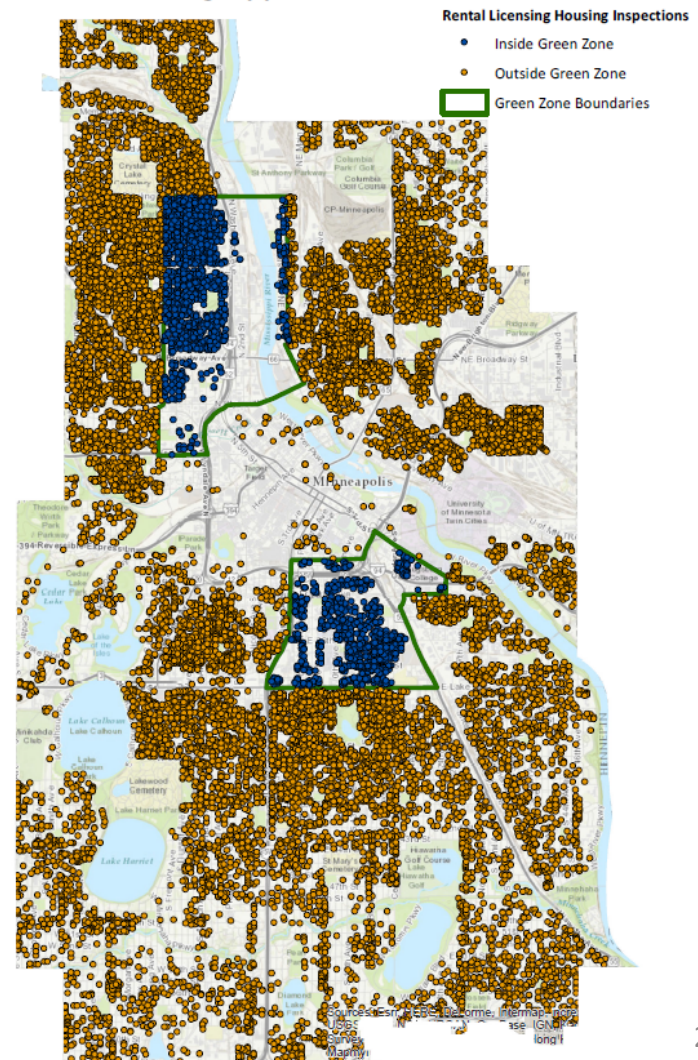


Residential Opportunity

Ability to scale up in priority residential areas for all proposed engagement, incentive, and finance programs

- Targets both rental and owner-occupied housing

Green Housing Opportunities in Green Zones



Community Engagement

Implement the recommendations of CEP's Community Engagement Pilot Projects

- Empower community-based organizations to assist homeowners, renters, landlords, and small businesses in utilizing energy conservation programs.
- Leverages local partners to unlock utility energy efficiency funding for hard-to-reach communities



Making our climate and energy goals

Accelerated **Policy, Engagement, Incentives, and Financing** “bend the curve” to get closer to our goals

