

Climate Legacy Initiative – Commercial and Industrial Information



Climate Legacy Initiative overview

In July 2023, Mayor Jacob Frey announced the creation of the Climate Legacy Initiative (CLI). This plan funds the City of Minneapolis' aggressive climate goals over the next 10 years. The CLI launches after year-long conversations with:

- Community members
- Grassroots advocates
- Nonprofits
- Unions
- Utility companies
- Business representatives

The CLI is an innovative way to achieve the City's accelerated, equitable climate goals. Through the CLI, Mayor Frey is proposing \$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.

The CLI funds the City's new Climate Equity Plan, which provides a roadmap for climate work over the next decade. The community-wide plan sets a goal to significantly reduce climate pollution by 2030 and become carbon neutral by 2050. It also envisions action to weatherize all homes, reduce utility bills, promote green job training, and plant more trees.

CLI program areas

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

For more information on the CLI and programming refer to Mayor Frey’s new 2024 budget proposals. These include [Health](#), [Public Works](#), [Office of Public Service](#), and [Intergovernmental Relations](#).

CLI funding source

Funding will come from **increases in the utility franchise fees in Minneapolis. These fees are paid on customer energy bills.** Xcel Energy and CenterPoint Energy collect these fees from customers and pay them to the City of Minneapolis. Minneapolis will dedicate the revenue from the fee increases to the CLI. This will help lower overall energy use and reduce climate pollution in Minneapolis.

Minneapolis franchise fee levels are established by city ordinance and vary by type of energy customer – such as residential or varieties of commercial and industrial (C&I). Shown below for the three types of energy customer are the current and proposed franchise fees and the number of customers impacted.

ELECTRICITY			
Energy Customer Type	Number of Customers	Franchise Fee	
		Current	Proposed
Residential	190,000	5.00%	5.25%
Small/Large Demand C&I (Secondary Voltage) and all others	19,000	5.50%	6.75%
Large Demand C&I (Primary Voltage)	60	3.50%	6.75%

GAS			
Energy Customer Type	Number of Customers	Franchise Fee	
		Current	Proposed
Residential	130,000	5.00%	6.00%
Small Volume C&I	12,000	5.50%	7.75%
Large Volume C&I	50	3.50%	8.50%

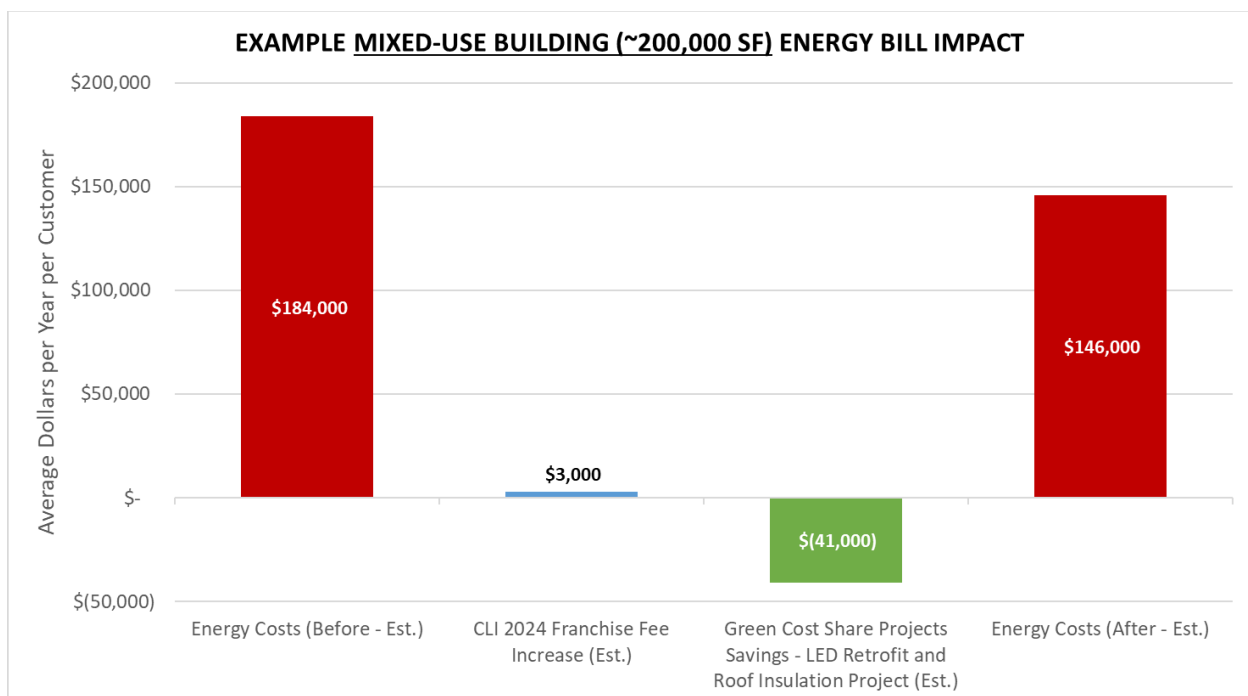
For more information, see the legislative files for the [proposed electricity fees](#) and [proposed gas fees](#).

Costs and benefits to energy users

Over 99% of C&I electric and gas energy users will see a modest increase in energy bills due to the franchise fee increase. For every \$1,000 of current annual electricity cost, these users will see an increase of \$12.50 next year. For every \$1,000 in current annual gas costs, these users will see an increase of \$22.50.

Less than 1% of C&I energy users will see higher increases than the example above. These are the about 60 electric customers who use primary voltage service from Xcel Energy and the about 50 gas customers who are classified as “large volume” by CenterPoint Energy.

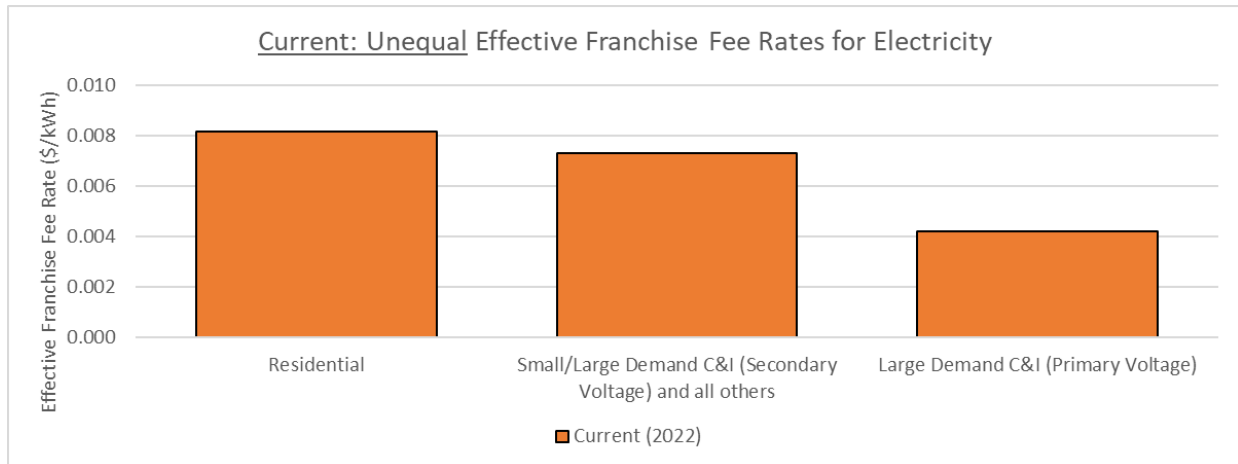
Overall, these are **small cost increases compared to total utility bills**. The example below illustrates the scale of the franchise fee increase in relation to overall energy costs and common energy efficiency projects supported by the Minneapolis Green Cost Share program.



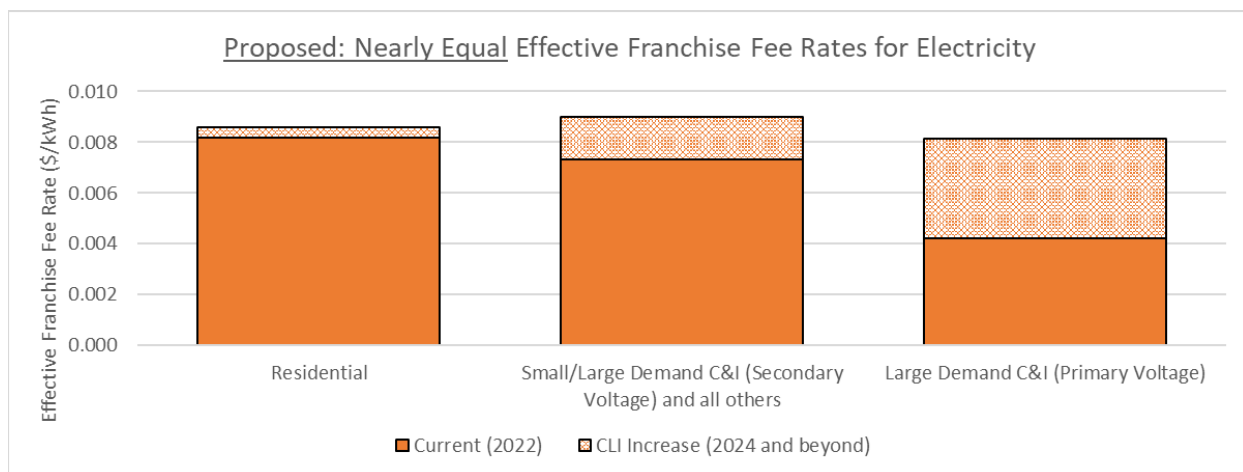
The CLI will offer programs to help building owners improve energy efficiency and reduce costs. These savings can be much greater than the fee increase. The example above is based on an actual 200,000+ square foot multi-use building in Minneapolis that participates in the City’s energy benchmarking program and has received Minneapolis Green Cost Share incentives of over \$110,000 in recent years. Modest franchise fee increases will contribute to greatly expanding the popular Green Cost Share program, helping many other buildings like this one receive incentives for energy efficiency projects (like LED retrofits and roof insulation upgrades) and rooftop solar. In this example, the building realizes **substantial net energy cost savings enabled by the Climate Legacy Initiative when the property owner takes advantage of the City’s incentives**.

More Equal Impact of Franchise Fee

Current franchise fee percentages create disproportionately larger effective rates for residential customers compared to commercial and industrial customers, shown for electricity below. This results from lower franchise fee percentages being levied on the already lower energy rates charged by the utilities to larger energy consumers.



To create more equality between sectors in terms of franchise fee paid per unit of energy – or the effective rate - the City proposes higher franchise fee percentages for larger energy users. Shown below are how electricity franchise fee rates will be made more equal across all electricity users.



All Minneapolis energy users are eligible

All C&I energy users will be eligible for CLI programs like [Green Cost Share](#) **funding for energy efficiency and renewable energy projects**. This program is currently offered but has been limited in size due to the funds available and the large number of applications. The new funding from the CLI **will make this popular program much larger, allowing for more projects to be funded**. **Other new programs and offerings** will also become available.

Ways to reduce energy costs and franchise fees

In general, the less energy you use and the less you pay for that energy, the lower your franchise fee will be.

To reduce energy use, business **programs and incentives are offered for [electricity](#) by Xcel Energy and [gas](#) by CenterPoint Energy**.

Other funding sources

Funding for the CLI and Climate Equity Plan will come from a variety of sources, including:

- New state and federal funds
- Utility conservation and renewable energy incentives
- City revenue tools, like franchise fees
- Private funding

Many energy users will see this additional funding available in the form of tax credits, rebates, and financing.

Commitment to equity

CLI incentives will be distributed through an equity lens. The Climate Equity Plan uses the federal [Justice40 Initiative](#) **as an equity benchmark**. **The CLI commits at least 40% of all funding to environmental justice communities, Green Zones, and projects serving low-income populations**. To date, the City has directed over 60% of its climate investments to these communities. The CLI commits to continuing to prioritize environmental justice communities.

Track CLI impact and spending

The call for transparency from residents and community coalitions on climate action is loud and clear. The Climate Legacy Initiative will offer **community facing dashboards with data tracking where community members can see the City's spending and progress**.

Advisory System

The Mayor's CLI proposes an **independent third-party to convene an advisory system to the CLI**. This facilitator will gather a group of stakeholders on a regular basis to advise the City on CLI investments and programs. These stakeholders will **represent multiple existing advisory bodies** to the City, including the:

- Energy Vision Advisory Committee (EVAC)
- Community Environmental Advisory Commission (CEAC)
- North and South Green Zone bodies