



2018 franchise fee increase for climate and energy action

The City of Minneapolis envisions that in 2040, Minneapolis' energy system will provide reliable, affordable, local and clean energy services for Minneapolis homes, businesses and institutions: sustaining the city's economy and environment and contributing to a more socially just community. Energy will be clean, local, available equitably, affordable and reliable.

The City's Climate Action Plan provides a roadmap for Minneapolis' journey to a more climate-stable future. Minneapolis' goals include a 15 percent reduction in citywide greenhouse gas emissions by 2015, a 30 percent reduction by 2025, and an 80 percent or more reduction by 2050 (all from a 2006 baseline). It will require collaboration among government, business, civic organizations and residents, and leadership by elected officials, staff and community members. Successes so far:

- Greenhouse gas emissions from citywide activities decreased 17.8 percent in 2015 compared to the 2006 baseline, exceeding the reduction goal of 15 percent by 2015. Reaching the 80 percent reduction goal by 2050 will require scaling up the City's progress to date.
- Xcel Energy's and CenterPoint Energy's energy conservation programs saved Minneapolis residents and businesses more than \$10.6 million in 2016 on energy bills and reduced greenhouse gas emissions by 64,435 metric tons of carbon dioxide equivalent. Additionally, Xcel Energy saw an increase in all of its renewable energy programs in 2016.

The City and its partners are making progress toward the City's energy and climate change goals, but to continue moving forward at the accelerated pace needed, reliable, ongoing funding sources are required.

WHAT IS A FRANCHISE FEE?

The City of Minneapolis collects a utility franchise fee from Xcel Energy and CenterPoint Energy in return for their agreement to operate in the city. These fees are passed on to customers as a line item on their monthly energy bills. Fees are set by [utility-specific ordinances](#) as a percentage of charges: currently 4.5 percent for residential customers, 5 percent for commercial customers, and 3 percent for industrial customers. The amount paid on a monthly bill correlates with energy use, which can vary by season.

WHY IS THE CITY PROPOSING TO RAISE THE FEE BY HALF A PERCENTAGE POINT?

The money would help residents and businesses participate in and make the best use of the utilities' energy conservation programs. It would help the City reach its goal of reducing energy use by 1.5 percent each year, annually resulting in about \$8.5 million in new savings that benefit residents and businesses throughout the city. Achieving the City's climate and energy goals would help more residents afford to own or rent their homes, help more businesses succeed and create significant environmental and economic benefits to the city.

HOW WOULD THE REVENUE BE USED FOR CLIMATE AND ENERGY ACTION?

This revenue would be dedicated to the City's climate and energy efforts, which capitalize on the Clean Energy Partnership's work to increase energy efficiency and renewable energy and advance equity and environmental benefits. Possible investments to promote equitable access to energy efficiency, renewable energy and workforce development in the energy sector for all residents and businesses in Minneapolis include:

- Expanding energy conservation outreach and programming for single family and multifamily buildings, building on lessons learned from the Clean Energy Partnership's community engagement pilot.
- Subsidizing home energy assessments and energy conservation projects to make homes more energy efficient.
- Promoting multifamily building energy efficiency by measuring energy use and by making the most of utility programs.
- Increasing funding to the Minneapolis Green Business Cost Share Program, which provides energy efficiency and renewable energy-related investment incentives for businesses and residential properties with a priority in environmental justice areas.
- Providing enhanced outreach and energy saving opportunities to large commercial buildings measuring and disclosing their energy use.
- Working with community partners to engage local small businesses in reducing barriers to energy efficiency program participation.
- Creating affordable and accessible financing tools to reduce financial barriers.

HOW WOULD THE COSTS AFFECT RATE PAYERS?

The average residential customer currently pays a franchise fee of about \$5.30 per month (\$64 a year). If the increase passes, it would be another half percentage point, which would cost the average residential customer about 57 cents more a month (\$7 more a year) for a total franchise fee of less than \$6 a month (about \$71 a year).

The average commercial customer is expected to pay approximately \$86 more per year or approximately \$961 total for the 5.5 percent annual franchise fee. Due to significant differences in energy use between small and large businesses, a broad range of impacts (smaller and larger) than this average can be expected.

Meeting the City's climate change goals going forward means becoming a more energy efficient city. By investing in energy efficiency, residents and businesses can expect to save energy and money over time, which decreases franchise fees paid by residents and businesses.

HOW CAN I LEARN MORE ABOUT THE PROPOSED RATE INCREASE AND THE ENERGY EFFICIENCY PROGRAMS IT MIGHT BE USED FOR?

- An information session for residential customers will be held 6-7 p.m. Thursday, Nov. 16 at the Urban League, 2100 Plymouth Ave. N.
- An information session for business and nonprofit customers will be held 10 a.m.-noon Monday, Nov. 27 at the City Council Chamber, Room 317, City Hall, 350 S. Fifth St.
- On Nov. 27, the Health, Environment & Community Engagement Committee will host a presentation about the kinds of programs the franchise fee may support.
- On Dec. 4, the Ways & Means Committee will host a public hearing about the franchise fee increase.

HOW CAN I GIVE MY FEEDBACK ABOUT HOW TO INVEST THE PROPOSED RATE INCREASE?

- An information session for residential customers will take feedback 6-7 p.m. Thursday, Nov. 16, Urban League, 2100 Plymouth Ave. N.
- An information session for business and nonprofit customers will take feedback 10 a.m.-noon Monday, Nov. 27 at the City Council Chamber, Room 317, City Hall, 350 S. Fifth St.
- On Dec. 4, the Ways & Means Committee will host a public hearing about the franchise fee increase.
- If you can't attend an information session or the public hearing, send your comments to councilcomment@minneapolismn.gov.

BACKGROUND AND TIMELINE

[Dec. 7, 2016](#): A new funding work group of the Clean Energy Partnership's Energy Vision Advisory Committee began meeting to identify a budget for carrying out the Clean Energy Partnership's Work Plan, possible revenue sources and how to best spend the funds to meet the goals.

December 2016-July 2017: The work group held regular meetings with support from City of Minneapolis, CenterPoint Energy and Xcel Energy staff.

[July 2017](#): The Energy Vision Advisory Committee voted to recommend that the Clean Energy Partnership Board support the half percentage point rate increase with revenue 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.

[July 25, 2017](#): The work group presented its proposal to the Clean Energy Partnership Board, which approved support for 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.

Sept. 12: Mayor Hodges' 2018 budget included raising utility franchise fees by half a percentage point to raise more than \$2 million in 2018 alone to ensure significant, predictable funding to move the dial on Minneapolis' climate impact.

Sept. 20: A formal introduction of the ordinance change for the half percentage point rate increase was presented at the Minneapolis City Council meeting.

Sept. 21: Formal 60-day notification of the proposed ordinance change was sent to Xcel Energy and CenterPoint Energy.

Oct. 2: The City Council's Ways & Means Committee set a public hearing for Dec. 4.

Nov. 1: Presentation to the Community Environmental Advisory Committee.

Nov. 16: Community information session, feedback opportunity for residents: 6-7 p.m. Thursday, Nov. 16, Urban League, 2100 Plymouth Ave. N.

Nov. 27: The City Council's Health, Environment & Community Engagement Committee will host a presentation on the kinds of programs the franchise fee will support. (Comments will not be taken at this meeting.)

Nov. 27: Business information session, feedback opportunity for businesses and nonprofit: 10 a.m.-noon Monday, Nov. 27 City Council Chamber, Room 317, City Hall, 350 S. Fifth St.

Nov. 30: Presentation to the Energy Vision Advisory Committee.

Dec. 4: The City Council's Ways & Means Committee will host a public hearing about the franchise fee increase.

Dec. 8: The City Council will vote on the franchise fee increase.

Dec. 16: If adopted, the franchise fee increase notice will be published in the newspaper of record.

Dec. 18: If adopted, formal 60-day notification of the ordinance change will be sent to Xcel Energy and CenterPoint Energy.

Spring 2018: If adopted, a half percentage point franchise fee rate increase takes effect.

Nov. 3, 2017