City Priorities of Proposed Utility Franchise Agreements and MOUs

City Priorities for New Agreements

Heading into negotiations with both energy utilities for new franchise agreements and accompanying Clean Energy Partnership memorandums-of-understanding (MOUs), the City identified and worked to accomplish a number of priorities, listed below in the order in which they appear in the proposed franchise agreements and MOUs, respectively:

Franchise Agreements

A. Flexible duration agreements
B. Inclusion of an explicit reference to the Americans with Disabilities Act of 1990 and its associated regulations ("ADA")
C. Improvements to information sharing
D. Clarification of restoration language
E. Permit Fees (issue arose during negotiations)
F. Generalized franchise fee language
G. Inclusion of a time-to-respond to inquiries

Clean Energy Partnership Memorandums-of-Understanding

H. Clean Energy Partnership enhancements
I. Utility establishment of Minneapolis-specific decarbonization goals
J. Utility service quality and program delivery expectations

Results – Franchise Agreements

After months of negotiations, the City was largely able to accomplish most of its priorities.

A. Flexible Duration Agreements (Accomplished)

The proposed franchise agreements have a **duration of slightly less than 10 years**, terminating on December 31, 2034.[1]

The proposed agreements allow for early termination (with 12-month notice) - the same as the expiring agreements. However, unlike the expiring agreements, the proposed agreements no longer include a five-year waiting period before early termination may occur.[2]

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[1] 2025 CenterPoint Energy Franchise Agreement ("Proposed Appendix C-1"), § 2.1; Proposed Xcel Energy Franchise Agreement ("Proposed Appendix D-1"), § 2.1.

[2] Proposed Appendix C-1, § 11.3; Proposed Appendix D-1, § 12.3.

B. Inclusion of Explicit Reference to the ADA (Accomplished)

The expiring agreements required the companies to follow all applicable local, state, and federal regulations. The proposed agreements retain this language and expand it to include specific reference to the ADA. This inclusion highlights the importance of keeping the right-of-way accessible to the public.[3]

C. Improvements to Information Sharing (Accomplished)

While the expiring agreements required information sharing, the proposed agreements expand upon this requirement to specify more data. This means the utilities will provide the City with complete and accurate mapping information for their infrastructure locations and investments.[4] The proposed agreements also require closer coordination of capital improvements and major projects to minimize disruptions in the right-of-way.[5]

D. Clarification of Restoration Language (Accomplished)

The proposed agreements add clarity to the restoration clause. The proposed gas franchise agreement clarifies that the City may elect to perform the restoration work and bill the gas company for doing so within 60 days of completion.[6] While acknowledging the City's right to elect to restore the right-of-way, the proposed electric franchise agreement provides that if the electric company starts the restoration work but does not timely complete it, then the City may perform or arrange the restoration work at the electric company's expense, which explicitly includes the City's administrative expenses and overhead.[7]

E. Permit Fees (Accomplished)

The issue of permit fees arose during the negotiation process after City Council repealed an outdated portion of an ordinance exempting all franchise holders from paying permit fees.[8] The proposed franchise agreements contain the following language regarding permit fees:

> "*Permit or Other Fees.* *Notwithstanding anything to the contrary herein, the Company shall pay, in lieu of any permit or other fees or expenses charged by the City, an annual right-of-way permitting flat fee of $100,000.00. The Company shall be subject to penalties or administrative fines in the same manner as other right-of-way users. The only other fees chargeable under this agreement shall be franchise fees in accordance with the Fee Ordinance. The flat fee is payable to the City's utility connections division, or its successor, by December 30 of each calendar year of the agreement and any extensions, unless otherwise mutually agreed by the parties.*"[9]

This funding ($200,000/year in total) will be new funding for the City's utility connections division. The permit fee is intended to better facilitate the review of permit applications and monitor compliance of approved permits.

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[3] Proposed Appendix C-1, § 3.1; Proposed Appendix D-1, § 3.1.
[4] Proposed Appendix C-1, § 3.2; Proposed Appendix D-1, § 3.2.
[5] Proposed Appendix C-1, § 3.7; Proposed Appendix D-1, § 3.7.
[6] Proposed Appendix C-1, § 3.5.
[7] Proposed Appendix D-1, § 3.5.
[8] Minneapolis, MN Ordinance No. 2024-029 (Aug. 23, 2024).
[9] Proposed Appendix C-1, § 3.9; Proposed Appendix D-1, § 9.3.

F. Generalized Franchise Fee Language (Accomplished)

The proposed franchise agreements now **reference the City's franchise fee rights under state law**:

> "*The City has elected to exercise its rights under applicable law, including specifically Minnesota Statutes Sections 216B.36 and 300.13, to impose a franchise fee*..."[10]

In comparison, language in the expiring agreements strictly established how fees could and could not be expressed. Additionally, the proposed agreements now refer exclusively to City ordinance for fee levels and customer classifications.

G. Inclusion of a Time-to-Respond to Issues (Accomplished)

The expiring agreements established a utility point-of-contact person but did not include any obligation for that person to respond to the issue in a timely manner.[11] In the proposed agreements, the utilities have agreed to provide a response (or at minimum, acknowledge receipt of an inquiry)[12] within five business days, except in extenuating circumstances.[13]

Results – Clean Energy Partnership Memorandums-of-Understanding

H. Clean Energy Partnership Enhancements (Mostly Not Accomplished)

The City sought but was **not able to secure structural enhancements to the Clean Energy Partnership** that were recommended by City staff or members of the Partnership's Energy Vision Advisory Committee (EVAC). These included:

- Hiring of an outside administrator of the Partnership and cost-sharing of these services
- Commitment of most senior local utility executive as a Board member
- An additional Board seat designated for a member of the Energy Vision Advisory Committee (EVAC)
- Procedural inclusion of EVAC if and when a utility does not meet their established goals and commitments

One exception: **CenterPoint has committed their most senior local executive to serve on the Board.**[14]

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[10] See generally Proposed Appendix C-1, § 8; Proposed Appendix D-1, § 9.

[11] Minneapolis, MN Code of Ordinances, Appendix C-1, § 11.4 (2024); Minneapolis, MN Code of Ordinances, Appendix D-1, § 11.4 (2024).

[12] Proposed Appendix D-1, § 12.5.

[13] Proposed Appendix C-1, § 11.5; Proposed Appendix D-1, § 12.5.

[14] See Section 2 in Proposed City of Minneapolis/CenterPoint Energy Clean Energy Partnership Memorandum of Understanding ("Proposed CenterPoint MOU").

I. Utility Establishment of Minneapolis-Specific Decarbonization Goals (Partially Accomplished)

The proposed MOUs now contain **utility-established** GHG reduction goals specific to boundaries of Minneapolis, that were negotiated to be more aggressive than corporate-wide or regional goals.

> **<u>Xcel Energy</u>**
> "*Xcel Energy hereby establishes a goal which seeks to reduce community-wide greenhouse gas emissions from Minneapolis electricity consumption by 91% by 2030 and by 93% by 2035, from a 2006 baseline*."[15]
>
> **<u>CenterPoint Energy</u>**
> "*Reduce weather-normalized GHG emissions attributable to Minneapolis customers' end use of natural gas 20-30% by 2035 from a 2021 baseline, excluding exported electricity generation and adjusting for new co-generation*"[16]
>
> "*CenterPoint Energy recognizes the Minneapolis Climate Equity Plan's gas emissions reduction goals of 35% by 2030 and 80% by 2035 and establishes them as "reach" goals, to be met through Minneapolis funding and commitment in conjunction with CenterPoint Energy technical assistance and guidance*."[17]

It is noteworthy that neither Xcel Energy nor CenterPoint Energy have previously made city-specific goals for any of the municipalities they serve across the country – <u>this is a first</u>. While the establishment of these goals represents a significant step forward, these goals do not entirely align with the magnitude, pace, and urgency of decarbonization established in the City's 2023 *Climate Equity Plan*. For a comparison of these utility goals with the *Climate Equity Plan* goals, see Appendix A of this document.

J. Utility Service Quality and Program Delivery Expectations (Accomplished)

For the first time, the proposed MOUs include **equity expectations regarding the quality and quantity of utility energy service and accompanying programs** delivered to the Minneapolis community.

> **<u>Xcel Energy</u>**
> Xcel Energy has agreed to additional goals centered around electric service reliability. These goals pertain to electric outage frequency, duration, and other related metrics, and commit Xcel to Minneapolis service performance equal to or better than the rest of their MN service territory.[18]
>
> **<u>CenterPoint Energy</u>**
> CenterPoint Energy has agreed to a category of Key Performance Indicators (KPIs), the achievement of which inform their continued membership in the Clean Energy Partnership. These KPIs focus on CenterPoint delivering energy conservation programs and low-income assistance at or above minimum expected levels and that delivery of these programs and assistance in Minneapolis be equal to or better than the rest of their MN service territory.[19]

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[15] See Exhibit A in Proposed City of Minneapolis/Xcel Energy Clean Energy Partnership Memorandum of Understanding ("Proposed Xcel MOU").
[16] See Section 18 in Proposed CenterPoint MOU.
[17] See Exhibit A in Proposed CenterPoint MOU.
[18] See Exhibit A in Proposed Xcel MOU.
[19] See Section 18 in Proposed CenterPoint MOU.

Appendix A – Comparison of City and Utility Decarbonization Goals