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Transforming Cartel Electric Utility Management, Maybe, By Empowering New Deciders

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Many cities and towns, including Minneapolis, have "Franchise Agreements" with power companies that provide electric and gas utility services to consumers within their municipalities. Historically, franchise agreements have simply been contracts whereby the utilities collect a specified amount of money on the utility bill of consumers within the municipality and pass that money on to the municipality in exchange for using city property for power poles and wires, and gas pipelines. These contracts also specify who is responsible for various aspects of repair and maintenance of the infrastructure, and have typically been for 20-year periods.

The Minneapolis Franchise Agreements with Xcel Energy (electricity) and CenterPoint Energy (natural gas) expire at the end of 2014. Three years ago, leadership from the North American Water Office and an allied organization, Grand Aspirations, recognized that these expirations provided an opportunity for the City to create pathways for energy management in Minneapolis that was much cleaner and more local, efficient, affordable, equitable, renewable and reliable than the energy services being provided by Xcel Energy and CenterPoint under state regulation. We followed the lead of forward thinking people in Boulder, Colorado, also in the Xcel Energy service territory, and began a campaign called Minneapolis Energy Options (MEO) to explore municipalizing energy services in Minneapolis.

The Boulder campaign for municipalization of electric utility services started with Boulder city officials trying hard to negotiate with Xcel because city residents wanted more renewable energy than Xcel was providing. These attempts were denigrated and belittled by Xcel, so in 2010, a measure was put on the city election ballot to authorize exploration of municipalization. The municipalization campaign was outspent by Xcel 10 to 1, which continued its denigration with such arrogance that the measure narrowly passed. As the benefits of municipalization became increasingly apparent during the consequential exploration process, voters in Boulder have subsequently voted twice more, with ever increasing margins, to continue the municipalization process despite very well funded hyperbolic hysteria from Xcel.

Boulder is now well on the way to electric utility municipalization. MEO learned much from the Boulder campaign. With keen leadership from the only Green Party Minneapolis City Council member, MEO focused its initial effort, which lasted almost 2 years, on putting a measure on the ballot for the Minneapolis City election of November 2013 which, if passed, would authorize exploration of municipalization of the gas and electric utilities. MEO raised the ballot initiative profile high enough, with door knocking, community meetings, political party resolutions, participation at community events, letter writing, lobbying City Hall, and other activities to win two important tactical victories.

First, early in the summer of 2013, CenterPoint Energy decided the threat of municipalization was great enough so that it would rather negotiate a Memorandum of Understanding with MEO than spend $20 or $40 million to fight the ballot initiative. MEO negotiated. CenterPoint agreed to a number of upgrades to its conservation programs, and on measures to improve racial, economic and gender equity in its workplace. Importantly, CenterPoint entered the negotiations with the notion that natural gas is the "clean alternative" to coal, but ultimately signed a first of its kind agreement whereby a member of the natural gas industry recognizes the massive contribution of fugitive gas emissions to climate chaos. Under terms in the agreement, CenterPoint is taking various steps to help its industry colleagues identify, inventory, reduce and eliminate fugitive emissions. MEO agreed to not pursue municipalization of the gas utility at least until the expiration of the re-negotiated Franchise Agreement between Minneapolis and CenterPoint.

The second tactical victory was a hearing before the City Council in August, 2013 on the matter of exploring municipalization. Law requires such a hearing before an initiative can be placed on a city election ballot, after which the City Council may vote on whether or not to proceed with such a ballot initiative. A solid majority of the 13 member City Council was frustrated by the unwillingness of the utilities to effectively pursue stated energy objectives of the city, but a considerably smaller number of City Council members thought that pursuing municipalization at that time was prudent, in part because of a poison pill in Minnesota statutes. Decades ago, investor owned power companies got the Minnesota Legislature to pass a law that, in the event a municipality decides to municipalize utility services, negotiations for buying out the existing utility provider must include not just the value of infrastructure required to provide service, but also lost revenue to the existing utility due to the lost service territory. While such economic blackmail is utterly ridiculous, it is the law, and it makes municipalization in Minnesota prohibitively expensive. We're working on that at the legislature.

In any event, the hearing was held. It was very well attended, and the issues were vigorously debated all afternoon. The power companies showed up enforce, and maybe Xcel wizened up a bit too, from its Boulder experience. While it ranted petulantly in a newspaper article, at the hearing, both Xcel and CenterPoint argued passionately about how they wanted nothing more than to be the very best good energy partner Minneapolis could possibly want, and that they would actively become much more attentive to energy goals established by Minneapolis. Exploring municipalization was not put on the ballot.

But due to MEO efforts, a report, "Minneapolis Energy Pathways: A Framework for Local Energy Action" was commissioned by the City Council and prepared by the Center for Energy and Environment, which has a long history of advocating for and helping utilities deliver energy services more responsibly in terms of public interests.

The study came out early in 2014, and at least in part due to hard campaigning by people associated with MEO, several new members were elected to the City Council in November 2013, firmly cementing the MEO objectives of cleaner, affordable, more efficient, renewable, equitable and local energy services on the City's agenda. The study identified four pathways that would enable Minneapolis to increase control and responsibility over how energy services get delivered to energy consumers in Minneapolis, with detailed analysis of the pros and cons of each one. The first pathway was simply an enhanced Franchise Agreement that would essentially ask the power companies to do more. The second pathway would be to establish a formal City-Utility Partnership to set energy goals, establish programs to meet them, and track progress. The third pathway would be to establish Community Choice Aggregation, whereby the City contracts directly for energy supply and pays for the use of infrastructure required to deliver energy from non-utility sources. The fourth pathway identified was full-scale municipalization.

All these efforts enabled MEO to secure a hearing at the Legislature in February 2014, where the utility companies again testified how very much they wanted to be the very good energy partner for Minneapolis, and to a similar hearing in May before the Minnesota Public Utilities Commission where those sentiments were reaffirmed once again. All these very public affirmations of wanting to be good energy partners with Minneapolis provided Minneapolis with a strong foundation on which to negotiate the renewal of the expiring Franchise Agreement and the establishment of a new Partnership Agreement, which has potential to include aspects of Community Choice Aggregation. The new franchise and partnership agreements between the City of Minneapolis, Xcel Energy, and CenterPoint Energy were signed on October 17, 2014.

The renewed Franchise Agreement carries forward the routine assessment on energy bills of Minneapolis consumers in exchange for siting infrastructure on City property, but instead of a 20-year contract, if the City serves notice that it wants to terminate the arrangement at the end of the fourth year, it will be terminated after 5 years. If the City serves notice after 5 years, it will terminate the relationship after 6 years, and so forth through year 10, at which time the entire agreement can be renewed, or not. This arrangement will enable Minneapolis, MEO, and other affected parties to maintain pressure for an effective partnership, and provide time to deal legislatively with the aforementioned poison pill.

The Partnership itself will consist of the Mayor, the City Administrator, and two City Council members, and two representatives each from CenterPoint and Xcel Energy. This Partnership Board will be advised by a formal advisory committee not yet constituted, but that will represent major stakeholders such as neighborhood associations, advocates such as MEO, large industrial and commercial energy consumers, environmental justice organizations, and unions.

It remains to be seen whether the Partnership Agreement will in fact be capable of accelerating the transition from our historic dependence on wasteful consumption of central-station fossil and nuclear fuels to energy management based on locally produced renewable energy that is delivered intelligently and consumed efficiently. It will be up to MEO and its allies to provide the ongoing, escalating political pressure required for Partnership success. But we are off to a good start. Already we have developed an initial list of relatively easy and highly visible projects and programs for submission to the City for consideration of the Partnership. This list includes the following:

- A streamlined residential energy efficiency program for buildings with 1-4 rental units;
- An energy efficiency program, including ordinance reform, for larger rental properties;
- LED street lighting, possibly with solar;
- Community-based solar gardens, with affordable financing mechanisms, an aspect of Community Choice Aggregation;
- On-bill financing for energy efficiency and solar applications;
- Pass-through for purchasing utility-scale rural renewable energy through Xcel from tribes and other strategically selected rural communities, an aspect of Community Choice Aggregation;
- A commercial building energy challenge;
- New building design incentives;
- Residential energy benchmarking to disclose energy consumption and possible energy improvements when homes are sold; and,
- Coaching so that businesses can take better advantage of existing programs available to them, including dealing with split incentive issues where the business does not own the building.

This Partnership Agreement produced by the MEO campaign represents a new approach to securing a more responsible energy future. Historically, efforts to phase out obsolete central-station nuclear and fossil energy dependence while promoting energy efficiency, renewable energy, and energy democracy have focused on the relative costs and benefits of *competing technologies*. Those efforts attempted to force competition at the technology level, all the while forgetting the fact that the entities that decide which technologies actually get deployed are all on the same management team, representing the same vested interests sunk into the conventional energy infrastructure.

That management team includes, obviously, all the managers who work directly for all the power companies, as well as all the Public Utility and Public Service Commissions in every state, and all the state bureaucrats in Departments of Commerce, Pollution Control Agencies, Departments of Natural Resources and other agencies that regulate various aspects of utility operations. It also includes state legislatures responsible for establishing laws that govern utility regulation, and all pertinent federal regulators as well, such as the Federal Energy Regulatory Commission and the Nuclear Regulatory Commission, as well as Congress, which establishes laws for federal regulation. Each of these entities engages in decision-making processes designed to protect massive capital investments sunk into conventional energy facilities. That is what they do, *and they're all on the same team.*

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While historical efforts to get modern technologies deployed have been modestly successful *at the margins*, in that much of the new electrical generation capacity installed during the past 10 years has been renewable, and there are very modest conservation programs (compared to the technical potential to improve electrical consumption efficiency), the fact remains that the vast majority of central-station electrical generation facilities on-line in 1990 are still on-line today. Central-station facilities are protected by the management team that decides which technologies get deployed, despite glaring economic inequities caused by central-station operations, and overwhelming evidence of global catastrophic destruction caused by pollution from these power plants. Climate chaos, mercury poisoning, cancers, mutations and immune deficiencies from radioactive contamination, asthma and other respiratory diseases from fine particulate, wholesale acidification, the list of destruction caused by power plant wastes goes on and on. These wastes are destroying the ecological foundation of civilization and the fabric of our society. Adding insult to this injury, all this desecration produces economic *rewards* for cartel energy players and their energy management team, because the financial health of the industry is dependent on commodity sales of kWh, instead of on the efficient delivery of electric utility services.

The new approach represented by the Partnership Agreement springing from the MEO campaign and the groundbreaking municipalization effort in Boulder has great potential to break the mold of ineffectual efforts repeatedly attempting but failing to get the conventional energy management team to deploy different technologies. *This new approach injects competition not at the technology level, but at the management level.* It thrusts a new set of decision-makers, City Councils, into position to respond to their constituents' demands for energy services based on clean, local, efficient, affordable, and equitable energy management. City Councils are much closer to their constituents than are state or federal legislators and bureaucrats. City Councils can become a competing energy management team, and determine which technologies get deployed to serve their constituents. If they fail to fulfill constituent expectations, they will get unelected. And if the power companies fail to follow the requirements of the new energy managers, the power companies will lose service territory and market share, and revenue and profits, which will lead to another sort of management competition.

By injecting competition into the decision-making process by empowering City Councils to decide which technologies will be used to provide energy services for their constituents, we have an opportunity to rapidly transform the energy industry from being a primary source of environmental and social strife into an engine driving ecological health as well as social and economic equity. We shall see if we can take advantage of the opportunity.

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