

# **Prairie Island Net Zero Project Progress Report**

July 1, 2023

*Prepared For:*

**Minnesota Department of Commerce**

**Minnesota House of Representatives Climate and Energy Committee**

**Minnesota Senate Energy, Utilities, Environment, and Climate Committee**

*Prepared By:*

**Prairie Island Indian Community**





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## 1. Executive Summary

On May 27, 2020, Minnesota Governor Tim Walz signed House File 1842. As provided in the legislation, the “Prairie Island Net Zero Project is established with the goal of the Prairie Island Indian Community developing an energy system that results in net zero emissions” (Laws of Minnesota 2020, chapter 118, section 3, subdivision 1). Further, the law states, “The Prairie Island Indian Community must file a report with the commissioner of commerce and the legislative committees with jurisdiction over energy policy on July 1, 2022, and each July 1 thereafter until the project is complete, describing the progress made in implementing the project and the uses of expended funds” (Laws of Minnesota 2020, chapter 118, section 3, subdivision 4(b)).

This *Net Zero Progress Report* is filed with Minnesota Department of Commerce Commissioner Grace Arnold, the Honorable Nick Frentz, Chair of the Minnesota Senate Energy, Utilities, Environment, and Climate Committee, and the Honorable Patty Acomb, Chair of Minnesota House of Representatives Climate and Energy Committee. The report describes the progress made to-date in implementing the State-funded Prairie Island Net Zero Project (Project) and the uses of expended funds.

Prairie Island Indian Community (PIIC) acknowledges the immense value this ground-breaking Project presents for PIIC and as a learning opportunity for the Minnesota community more broadly. In this report, PIIC reviews the strong progress made over the last calendar year, including milestones achieved through the completion of Project Phase II and the initiation of Phase III. PIIC activities in the last year include procurement of technical solution providers, development of essential governance frameworks to support Project implementation and long-term management, community engagement, and supplementary fund-seeking activities.

In this report, PIIC is pleased to share work accomplished over the last calendar year as well as a high-level preview of activities expected in the year ahead. Through Project efforts, PIIC continues to focus on maximizing the value of the State funds expended and to achieve strong carbon emission reductions and community benefits with the available budget. PIIC thanks the State and is willing to support any additional inquiries not addressed herein.

## 2. Project Implementation Progress

### 2.1 Summary

The Project was established through the Laws of Minnesota 2020, Chapter 118, sections 3 and 5<sup>1</sup> with the goal for PIIC to develop an energy system that results in net zero carbon emissions<sup>2</sup>. The State-funded Project contributes towards PIIC’s long-term objective to become a net zero carbon emissions community by eliminating approximately 20 million pounds of carbon annually. The Project comprises three phases as shown in Figure 1, from planning through procurement, design, and construction of solutions. The Project is currently in Phase III. This is PIIC’s second annual *Net Zero Progress Report*.

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<sup>1</sup> [Chapter 118 - MN Laws](#)

<sup>2</sup> The Prairie Island Net Zero Project aims to address Scope 1 and 2 emissions.



Figure 1. Prairie Island Net Zero Project – Three Phases

**PHASE I: Net Zero Project Plan Development. Completed July 1, 2021**

The PIIC Net Zero Team<sup>3</sup> conducted a comprehensive assessment of source energy and end-use emissions to create an emissions baseline. Informed by the baseline assessment, technical analysis, and input from stakeholder engagement, the PIIC Tribal Council approved a comprehensive Project plan for carbon emissions reduction through energy conservation, renewable energy generation, and deployment of innovative technologies. Per the Laws of Minnesota 2020, chapter 118, section 3, PIIC filed a *Net Zero Project Plan*<sup>4</sup> with the Commissioner of Commerce and legislative committees with jurisdiction over energy policy on July 1, 2021, describing the Project elements and implementation strategy.

**PHASE II: Net Zero Project Costing and Vendor Selection. Completed January 1, 2023**

The PIIC Net Zero Team completed preliminary engineering to confirm the technical performance of the measures in the Phase I plan and to develop technical details necessary for solution procurement. The Net Zero team conducted competitive procurement processes for the technical solutions identified in the plan. PIIC selected and negotiated with contractors and finalized agreements with contractors to design and build the projects. The results of Phase II were presented to the State in the *Certified Total Cost*, which was submitted to the State on December 26, 2023 in compliance with Amended<sup>5</sup> Laws of Minnesota 2020, chapter 118, section 3, subdivision 3.

**PHASE III: Net Zero Project Construction and Implementation. January 2, 2023 through Operation**

The Net Zero Team is currently in Phase III of the Project, which comprises design and implementation of the projects contracted in Phase II. Annual *Net Zero Progress Reports* will be delivered to the State each July 1 through completion of the Project.

**2.2 Reflections on Phase II Completion and Phase III Progress**

From July through December 2022, the Net Zero Team continued the contractor procurement efforts initiated earlier in Phase II, which culminated in the submittal of PIIC’s *Certified Total Cost* by the January 1, 2023 deadline. These efforts satisfied MN State law, which reads: “The Prairie Island Indian Community must obtain bids to construct the proposed project from no fewer than three separate contractors and must enter into one or more contracts to complete the project and must submit the certified total cost to the commissioner no later than January 1, 2023” (Amended Laws of Minnesota 2020, chapter 118, section 3, subdivision 3) and “(d) For the purposes of this subdivision, “certified total cost” means the total cost of all contracts the Prairie Island Indian Community enters into with contractors to complete the Prairie Island Net Zero Project” (Amended Laws of Minnesota 2021, First Special Session, chapter 4, article 2, section 3).

Phase III, beginning in January 2023, has comprised activities for the design, construction, and implementation of projects contracted in Phase II. Additionally, PIIC has developed essential governance

<sup>3</sup> Net Zero Team comprises PIIC as well as Net Zero Project consultants, contractors, and partners.

<sup>4</sup> <https://prairieisland.org/uploads/Phase1ReportforPIICNetZeroProject-1.pdf>

<sup>5</sup> Amended Laws: <https://www.revisor.mn.gov/laws/2022/0/Session+Law/Chapter/41/>



frameworks to support Project implementation and long-term management. PIIC has also conducted robust community engagement and has sought supplementary funding from various sources in order to pursue additional carbon emissions-reducing projects not funded through the State allocation.

### 2.3 Project Technical Solutions

This section identifies the final PIIC technical solutions included in the Project *Certified Total Cost* as well as key milestones achieved in the last calendar year.

*Table 1. Accomplishments Since 2022 Annual Progress Report*

<b>Project Scope</b>	<b>Accomplishments</b>
<b>Overall Net Zero Project</b>	<ul style="list-style-type: none"> <li>• <i>July 1, 2022</i> – Annual Progress Report submitted by PIIC to the State</li> <li>• <i>December 26, 2022</i> – Certified Total Cost submitted by PIIC to the State</li> <li>• <i>January 25, 2023</i> – PIIC testimony (update on Project progress) at House Climate and Energy Finance and Policy Committee</li> </ul>
<b>Commercial Solar Renewable Energy Project</b>	<ul style="list-style-type: none"> <li>• <i>September 20, 2022</i> – Formation of Tinta Wita Energy LLC</li> <li>• <i>November 2, 2022</i> – EPC agreement signed between PIIC and solar contractor</li> <li>• <i>November 2, 2022</i> – Interconnection agreement signed between PIIC and Dakota Electric Association</li> <li>• <i>November 3, 2022</i> – Notice to proceed with project provided to contractor (design and construction)</li> <li>• <i>December 14, 2022</i> – Power purchase agreement signed between PIIC and Great River Energy</li> <li>• <i>December 2022</i> – Scope limited, due to budget constraints, including elimination of rooftop solar and electric vehicle charging stations</li> <li>• <i>April 18, 2023</i> – Launched Net Zero Workforce Program, including solar classes and job opportunities for PIIC community members</li> </ul>
<b>Commercial Electrification Project</b>	<ul style="list-style-type: none"> <li>• <i>July 13, 2022</i> – Design-Build agreement signed between PIIC and electrification contractor (for design phase of work)</li> <li>• <i>December 2, 2022</i> – Contractor submittal of Guaranteed Maximum Price (GMP) deliverable to PIIC</li> <li>• <i>December 7, 2022</i> – Design-Build agreement amendment signed between PIIC and electrification contractor (for build phase of work)</li> <li>• <i>December 2022</i> – Scope limited, due to budget constraints, including elimination of some commercial electrification measures / spaces</li> <li>• <i>January 2023</i> – Finalization of design underway</li> <li>• <i>April 18, 2023</i> – Launched Net Zero Workforce Program, including electrification job opportunities for PIIC community members</li> </ul>
<b>Commercial Energy Efficiency Project</b>	<ul style="list-style-type: none"> <li>• <i>August 18, 2022</i> – Completed RFP potential bidder outreach</li> <li>• <i>August 18, 2022</i> – Issued RFP</li> <li>• <i>September 20, 2022</i> – Bids received from contractors</li> <li>• <i>December 2022</i> – Scope removed from Project, due to budget constraints</li> </ul>
<b>Residential Solutions Project</b>	<ul style="list-style-type: none"> <li>• <i>September 6, 2022</i> – Completed RFP potential bidder outreach</li> <li>• <i>September 6, 2022</i> – Issued RFP</li> </ul>



	<ul style="list-style-type: none"> <li>December 2022 – Scope removed from Project, due to budget constraints</li> </ul>
<b>Other Solutions</b>	<ul style="list-style-type: none"> <li>December 15, 2022 – Agreement completed between contractor and PIIC for provision of commercial building commissioning platform</li> <li>December 2022 – Other solutions scope removed from Project, due to budget constraints</li> </ul>

### 2.3.1. Commercial Solar Renewable Energy

PIIC is developing a 5.4MW(dc) commercial solar project on PIIC tribal land that will provide renewable energy for surrounding areas and revenue through a Power Purchase Agreement (PPA) to help financially sustain the Project over time. In Phase II, PIIC facilitated an RFP process through which PIIC received three bids for contractor teams to engineer, procure, and construct (EPC) the solar project. PIIC selected and contracted with Knobelsdorff Enterprises and began work in late 2022. Additionally, PIIC contracted to cover solar interconnection costs from Dakota Electric Association and PPA-related security fund costs from Great River Energy.

Phase III work has comprised ongoing project design and construction.

The other rooftop solar and electric vehicle charging stations initially contemplated for this project by PIIC were removed in Phase II due to budget constraints; refer to Section 3.2 for more information.

### 2.3.2. Commercial Electrification

PIIC is developing a new, electrified heating and cooling system for the PIIC Treasure Island Resort and Casino that leverages the power of geothermal energy and enables the facility to convert much of its energy use from natural gas use to cleaner electricity. In Phase II, PIIC facilitated an RFP process for the commercial electrification solution and the community received four bids for contractor teams to design and build the system. PIIC selected and contracted with Pioneer Power and began work in mid-2022.

Phase III work has comprised activities to finalize the electrification project design. PIIC expects project construction to begin in summer 2023.

The other electrification solutions initially contemplated for this project by PIIC were removed due to budget constraints; refer to Section 3.2 for more information.

### 2.3.3. Commercial Energy Efficiency

The commercial energy efficiency solutions initially contemplated for this project by PIIC were removed due to budget constraints; refer to Section 3.2 for more information.

### 2.3.4. Residential Solutions

The residential energy solutions initially contemplated for this project by PIIC were removed due to budget constraints; refer to Section 3.2 for more information.

### 2.3.5. Other Solutions

In Phase II, PIIC competitively secured three bids from companies for monitoring-based commissioning software that will enable PIIC staff to better manage and optimize commercial energy systems for efficiency. PIIC selected a platform from Pappes Companies.

Phase III work is anticipated to be completed in parallel with the commercial electrification project.

The other carbon reduction solutions initially contemplated for this project by PIIC, including electric vehicles, an efficient irrigation system, and behavior-based energy reports, were removed due to budget constraints; refer to Section 3.2 for more information.



## 2.4 Project Governance

PIIC has undertaken activities to develop management systems and protocols that help PIIC oversee and operate the Project over the long-term. Governance structures include:

- **PIIC Project Management:** Dedicated PIIC staff continue to provide on-the-ground, focused oversight for Project and provide cross-functional coordination between PIIC, the Net Zero Team, the State, and industry stakeholders.
- **Tribal Ordinances:** In Phase II, PIIC completed updates to several tribal ordinances with relevance to the Project, including those governing tribal employment rights and corporate and commercial practices on tribal lands.
- **Internal PIIC Policies:** PIIC also established new tribal government policies and procedures in Phases II and III to help sustain long-term Project success. For example, PIIC established a policy to ensure PIIC equipment/materials purchasing aligns with its Net Zero objective.
- **Special Purpose Vehicle:** In Phase II, PIIC evaluated tribal entity structures that may benefit the Project. PIIC formed a Special Purpose Vehicle (SPV) to support the Commercial Solar Renewable Energy project.

## 2.5 Community Engagement

### 2.5.1. PIIC Community Members

Community participation in and support for the Project is essential to its long-term success. To this end, PIIC community member engagement has been a priority through each phase of the Project. In the last calendar year, PIIC has undertaken the following engagement activities:

- **Project Updates:** The Net Zero Team continues to provide updates on Project progress and timelines during Community Quarterly Meetings that are hosted by PIIC Tribal Council. These updates provide an overview of actions that have taken place during the prior three months, across Project workstreams. Additionally, the meetings allow for community questions. These quarterly meetings have taken place in-person and via Zoom. Phase II quarterly meetings were held in July and October 2022 and Phase III meetings in January and April 2023.
- **Workforce Program:** PIIC is providing a Net Zero Workforce Program that includes free solar learning classes as well as paid solar and electrification project work opportunities, available to PIIC community members and their families. Program launch and outreach began in spring 2023 and paid work positions will begin in summer 2023.
- **Energy Advice Packet:** The Net Zero Team developed a 15-page informational packet and shared it with PIIC community members, which identifies simple, no and low-cost ways community members can independently save energy and money. Advice ranges from behavioral changes community members may want to make to utility rebates and other incentives available for energy-efficient equipment purchases. This communication is intended to empower the PIIC community to better understand and manage their energy use.
- **Other PIIC Forums:** The Net Zero Team is also providing other community energy engagement opportunities, such as an education session with elementary and middle school students during PIIC Summer School in June 2023. Additionally, PIIC utility service providers Dakota Electric Association and Xcel Energy participated in the PIIC 2023 Public Safety Day, sharing key energy safety information with community members.

### 2.5.2. Utility Service Providers

Dakota Electric Association (DEA) and Great River Energy (GRE)





In Phase II, the Net Zero Team finalized discussions with DEA regarding interconnection of the planned 5.4MW solar PV system and submitted an interconnection application to the utility. PIIC and DEA reached a final interconnection agreement in late 2022. Additionally, PIIC finalized negotiations with GRE for a PPA to purchase energy from PIIC's solar project, and the parties reached a final agreement in late 2022.

Through Phase III, DEA has collaborated with PIIC and our contractors, for both solar and electrification projects, to design and plan for construction of new utility-owned infrastructure needed for the projects. DEA is also coordinating with PIIC on right of way requests to the Bureau of Indian Affairs (BIA).

Additionally, DEA has worked with the Net Zero Team to identify and validate federal grant opportunities as well as utility rebates and incentives that PIIC is interested in leveraging to extend the value of State funds and enable PIIC to develop additional carbon emission-reducing projects, beyond what the State funds are able to cover. DEA has been a highly responsive and supportive partner to PIIC for the Project.

#### Xcel Energy

In Phase III, Xcel has worked with the Net Zero Team to identify and validate federal grant opportunities as well as utility rebates and incentives that PIIC is interested in leveraging to extend the value of State funds and enable PIIC to develop additional carbon emission-reducing projects, beyond what the State funds are able to cover. Additionally, Xcel representatives have volunteered their time to participate in solar learning classes for PIIC community members, as part of the PIIC Workforce Program. Xcel has been a highly responsive and supportive partner to PIIC for the Project.

#### **2.5.3. Other Stakeholders**

PIIC is committed to sharing its experiences and lessons learned through the Project with other communities and stakeholders. As part of this effort, PIIC has hosted and participated in a number of important Net Zero-related conversations. Examples include PIIC sharing its energy story and Project insights via the following:

- **September 2022** – PIIC hosted conversation and tour with representatives from multiple MN State Agencies
- **January 2023** – PIIC hosted conversation with MN Department of Commerce Commissioner Arnold and staff
- **January 2023** – PIIC testimony (update on Project progress) at MN House Climate and Energy Finance and Policy Committee
- **February 2023** – PIIC participation in the “Leadership Greater Rochester” class, hosted by the Rochester Area Chamber of Commerce
- **March 2023** – PIIC presented to the Great Lakes Indian Housing Association at their annual meeting
- **May 2023** – PIIC shared with and hosted University of Minnesota graduate students learning about tribal energy transitions
- **May 2023** – PIIC presented at the Tribal Energy Equity Summit in Saint Paul

### **3. Summary of State-Allocated Funding Use**

#### **3.1. Funds Expended To-Date**

Through the Laws of Minnesota 2020, Chapter 118, section 5, subdivision 2(c), the State allocated \$46.2M to PIIC for the Project. As noted in subdivision 2(a), all funds became available to PIIC by Fiscal Year 2023. PIIC has received the full balance of allocated funds as shown in Table 2.





Table 2. PIIC Funds Received

Grant Funding	Amounts
<b>MN State Allocation</b>	<b>\$46,200,000.00</b>
April 2021 Payment Request	\$2,406,000.00
May 2022 Payment Request	\$1,700,000.00
September 2022 Payment Request	\$3,000,000.00
October 2022 Payment Request	\$6,000,000.00
January 2023 Payment Request	\$33,094,000.00
<b>Remaining Balance with MN State (as of July 1, 2023)</b>	<b>\$0.00</b>

Figure 3 illustrates the Project funds that PIIC has expended to-date, including:

- Phase I:** PIIC worked with technical and legal consultants to develop a comprehensive Project plan. This included community stakeholder research, technical analysis, development of a carbon emissions baseline, and a *Net Zero Project Plan* submitted to the State. PIIC also applied grant funds towards Owner’s Operations<sup>6</sup>, including project management.
- Phase II:** PIIC worked with technical and legal consultants to refine the technical solutions developed in Phase I, procure contractors to design and build the solutions, and develop tribal governance and operational structures for the Project. PIIC also applied grant funds towards Owner’s Operations. Finally, PIIC used grant funds towards contractor project agreements.
- Phase III<sup>7</sup>:** PIIC continues to work with technical consultants in their role as “Owners’ Engineers,” whereby they provide important independent checks and balances on ongoing contractor work, on behalf of PIIC. PIIC continues to work with legal consultants as needed to ensure proper Project protections and compliance. PIIC also applies grant funds towards Owner’s Operations. PIIC is using the largest portion of its Phase III funds towards contractor project agreements.

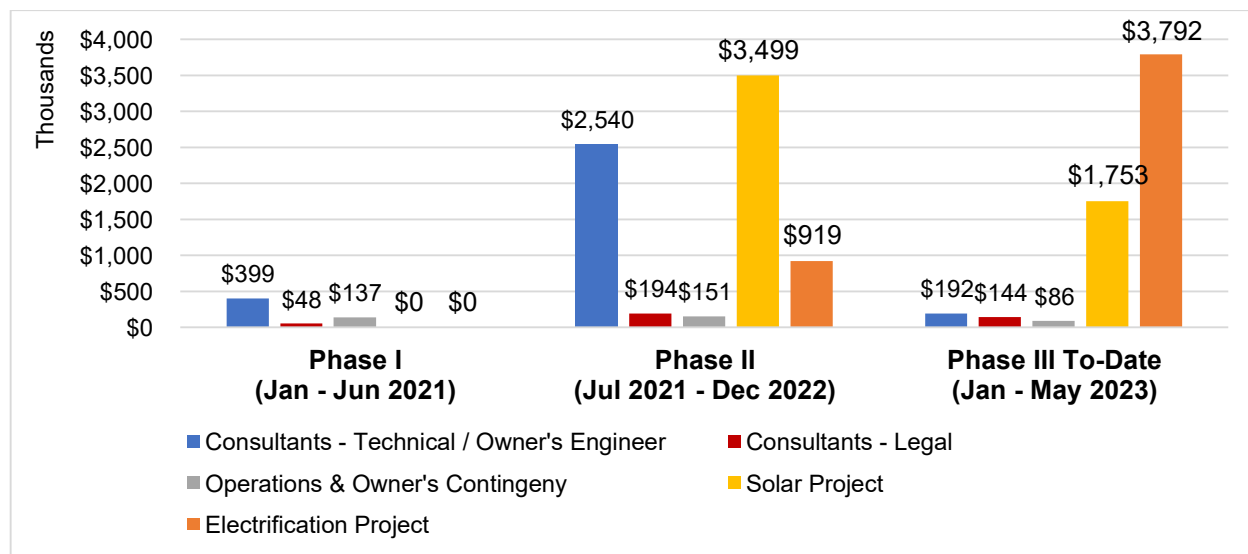


Figure 2. PIIC Expended Funds To-Date

<sup>6</sup> Refer to the PIIC *Certified Total Cost* for more information on this Owner’s Operations cost category.

<sup>7</sup> The Phase III costs to-date presented in this report include January through May 2023 costs.



PIIC continues to monitor its use of allocated funds through proactive PIIC-led project management, monthly review of funds expended, forecasting of future Project costs, and negotiation with consultants and contractors to optimize prices.

### 3.2. Certified Total Cost

PIIC manages the total \$46.2M Project funds with the intention of directing as much of the funding as possible towards the engineering, construction, and implementation of technical solutions for carbon emission reduction. As identified in the *Certified Total Cost* submitted to the State on December 26, 2022 and as shown in Figure 4, PIIC will direct 86% of the total MN State allocated funding towards Project implementation. PIIC believes that greater funds spent on Project implementation translates to greater carbon reduction benefits for the community.

To preserve significant funds for Project implementation, PIIC takes active steps to manage consulting costs and operational expenses. PIIC will direct 11% of total Project funds towards consultants who provide technical and legal expertise. 4% of funds will support PIIC management and operations for the Project and contingency funds needed for potential future change orders to the PIIC-contractor agreements.

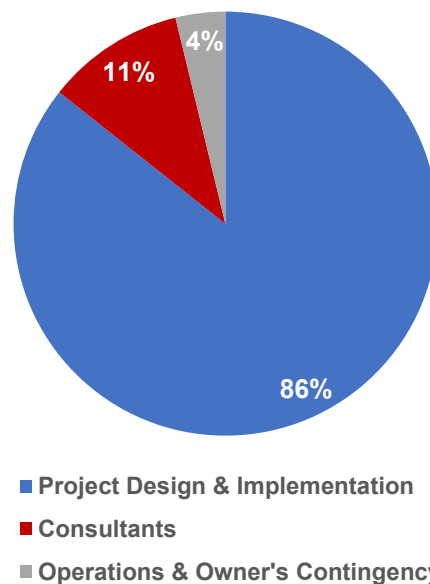


Figure 3. Certified Total Cost Breakdown

As detailed in the *Certified Total Cost*, the real cost for PIIC to achieve its Net Zero goal was unknown from the Project beginning. Unfortunately, over the last several years, PIIC Project costs rose significantly due to several factors, foremost of which is the COVID-19 pandemic's long-term impact on clean energy material costs and labor supply. Through the State-funded Project, PIIC has achieved significant progress towards its Net Zero goal. Ultimately however, PIIC was forced to eliminate several scope items initially contemplated in the Phase I Project plan from the *Certified Total Cost*, due to budget constraints.

PIIC is actively pursuing additional carbon emission-reduction projects beyond those included in the Project and *Certified Total Cost*, and PIIC is actively seeking supplementary funding from public and private sources to support these future endeavors.

## 4. Plans for Year Ahead

In the year ahead—until PIIC's next annual progress report on July 1, 2024—PIIC will focus on making additional progress towards completing Project Phase III. This includes technical solution engineering, construction, and implementation as well as needed governance activities and community engagement. The Net Zero Team continues to focus on maximizing the value for funds expended in terms of achieving the greatest emission reductions and community benefits with the available budget.

Planned activities for the year ahead include:

- **Commercial Solar Renewable Energy** project design and construction is ongoing. Operation of the new solar array is expected in late 2023 or early 2024.
- **Commercial Electrification** project design is ongoing. Construction will begin in summer 2023. Operation of the new electrification system is expected in late 2024 or early 2025.



- **Monitoring-based Commissioning Platform** is expected to be implemented at Treasure Island Resort and Casino in parallel with the commercial electrification project.
- **Measurement & Verification** protocol for the technical solutions will be defined and implemented to help PIIC evaluate project performance and progress towards its Net Zero goal.
- **Other carbon emission-reduction** projects are being evaluated and pursued by PIIC on an ongoing basis, as additional funding is secured. We expect these projects will be designed and implemented starting in 2023. Examples of priority projects for PIIC include additional commercial energy efficiency and electrification work, residential energy solutions, and vehicle electrification.
- **Supplementary Funding:** PIIC is actively pursuing supplementary funding to support additional carbon emission reduction projects. The Net Zero Team will continue identifying and submitting funding requests to public and private sources.
- **Governance Frameworks:** PIIC intends to develop any additional governance frameworks needed to support Project implementation and ongoing operations. Frameworks are likely to include ordinances and internal PIIC policies and procedures.
- **Community Engagement:** PIIC intends to continue its various engagement efforts, including the Workforce Program, ongoing PIIC community member updates and education, and opportunities to participate in clean energy industry forums and share PIIC's Project experiences.

PIIC acknowledges the benefits and challenges of this ground-breaking Project and is optimistic that with continued State and stakeholder support, PIIC will succeed in achieving its vision for a sustainable future for the next seven generations. To this end, PIIC is proud of the work accomplished to-date and continues to push forward with remaining activities in Project Phase III, seeking to maximize the benefits it can deliver to community members.