



# The Greater Milan Initiative's Sustainable Energy Utility: Reducing the Rural Energy Burden

Milan, Minnesota has established the first rural Sustainable Energy Utility (SEU). This innovative initiative aims to reduce the town's energy costs while supporting larger community goals of job creation and population retention. The Milan SEU can be a model for other rural communities facing similar challenges.

The homes and buildings in many rural communities use a significant amount of energy, resulting in a high energy burden for rural residents and businesses. One area of increasing economic concern for Milan has been rising energy costs and their strain on community resources. Winter heat bills are especially hard on low-income residents, a problem compounded by Milan's old housing stock (most of Milan's 173 residential units were built before 1940 and do not incorporate modern technology for energy efficiency). For many households, appliances are neither new nor energy efficient. Lack of both awareness and financial resources limit the ability of low-, and even moderate-income families to take advantage of opportunities for household energy efficiency and on-site renewable energy—both of which involve multiple contractors and have a high up-front cost.

## Background on Milan

Milan, Minnesota (population 300) is located in northwestern Chippewa County, approximately 140 miles west of Minneapolis. The town is surrounded by farm fields and state wildlife management areas. Greater Milan, as defined by those who consider themselves “from Milan,” has a geographic area of approximately 400 square miles and an estimated population of 1,000. Milan has been a farm town since its founding in 1879. Agriculture and meat processing still employ a significant portion of the area's working population. Town businesses include a locally owned grocery, café, gift shop, bank, beauty shop, farmers' elevator, two repair shops, a gas station and a handful of part-time home businesses. Milan's children attend elementary school in Appleton (eight miles north) and junior and senior high school at a consolidated school for five communities located nine miles west of town.

Like most rural towns, Milan has experienced a declining and aging population. Approximately 26 percent of the population is age 65 or older. Like many rural communities, the one area of strong population growth is an influx of new immigrants. One third of Milan's population is composed of immigrants from the Micronesian Islands, and they represent more than half of school-aged children living within the city limits. The median income for Milan households in 2000 was \$31,000, with 12 percent of households falling below the federal poverty level. Fifty percent of the school children in the Appleton/Milan area are eligible for free or reduced-price school lunches. With few employment opportunities in Milan, the majority of non-farm wage earners drive to Montevideo or Willmar, a commute of 30 to 80 miles per day. The nearby private prison recently closed thereby further depressing the local job market.

## Why Milan chose the SEU model

In July 2009, after a series of community meetings that identified the importance of energy efficiency and conservation to community well being, the Greater Milan Initiative (GMI) committed to the development of a Sustainable Energy Utility, an innovative model developed by the Center for Energy and Environmental Policy (CEEP) at the University of Delaware. SEUs, which are being implemented at multiple scales, including the community, state and regional level (see [www.iatp.org/seu](http://www.iatp.org/seu) for more information), create long-term community infrastructure around reducing energy usage/costs and promote energy production where it is used ("on-site energy"). The GMI SEU team, seeing how many of the dollars going to the new green economy were bypassing towns of their size, established the country's first rural SEU. In the summer of 2010, the SEU was allocated funds by the Milan City Council to facilitate the city's participation in GreenStep Cities, a public-private partnership program administered by the Minnesota Pollution Control Agency.

With the assistance of the Center for Earth, Energy and Democracy at the Institute for Agriculture and Trade Policy, the GMI SEU is becoming a point of contact for residents, regional energy service organizations, and utilities—making it easier for on-the-ground implementation of projects.



## Milan's SEU focus

The Greater Milan Initiative's Sustainable Energy Utility (SEU) is being built to work in three areas:

### 1. BEING THE POINT OF CONTACT

This is critical for residents who deal with multiple energy companies, can't stay on top of all the different local/state and federal incentives for energy and housing revitalization, and don't know who are reliable area energy service providers. Many utilities are required by state law to invest in efficiency. SEU's allow a community-based point of contact that can organize for measures to achieve greater cost and time savings for both the utility and residents.

### 2. ENERGY PLANNING THAT FITS THE COMMUNITY VISION

An innovative aspect of SEUs are that they work across all energy sectors (electricity, heating and transportation), allowing a resident to think of their entire home usage. The GMI SEU will look at the cross energy sector usage of the community and will set targets that are inline with other community priorities and visions, such as retaining home ownership, engaging their

growing Micronesian population, and job creation and training. Even as project-by-project dollars come in, the SEU allows the community to have its eye on long-term economic and social viability of their community, ensuring that both small and large energy users benefit.

### 3. FINANCING LOCAL ENERGY WORK—LONG-TERM AND SUSTAINABLY

The upfront costs of many efficiency and onsite renewable energy (geothermal, solar hotwater) efforts are a real barrier to many low- and moderate-income rural communities. The SEU ensures that granted, bonded and/or other procured dollars go further by creating a long-term revolving loan fund that can be accessed by community members. The long-term sustainability of the SEU is gained through use of a "shared-savings" model with community participants. In such a mechanism, the SEU lends residents the money they need to make energy efficiency and on-site renewable improvements. The residents repay the loan based on a percentage of their savings from reduced energy use. By basing the payback on a percentage of savings, the residents save money on energy costs immediately, and the SEU funds are replenished to help another household or small business.

For more details on the SEU model and how it has been implemented at the community, state and regional level see [www.iatp.org/seu](http://www.iatp.org/seu).

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