

Electric Utility Franchise Fee Change Overview

What is the Duluth Franchise Fee?

Under Minnesota Statute (216B.36), cities can impose a fee on utility companies that use the public rights-of-way to deliver service. The City can determine the amount, structure and use of franchise fees. Generally, they are structured in one of several ways:

- A flat rate per utility account
- A percentage of consumption used by each utility account
- A fixed amount that is then distributed among utility accounts within the franchise area

Currently the City of Duluth Franchise Fee is a fixed amount of \$1.1M that is collected from customers within the City of Duluth. The \$1.1M equates to approximately a 1% charge on a customer's bill. For a typical customer bill of \$54 per month, the franchise fee is 53 cents.

What is the History of the Duluth Franchise Fee?

The City of Duluth has been collecting a franchise fee through electric customers since 1955, the current amount of \$1.1M has remained constant since 2000.

What are the Proposed Changes?

The City of Duluth is proposing to change from a fixed fee of \$1.1M per year to a fixed percentage of 3% per year. For a typical residential customer the Duluth Franchise Fee will increase from 53 cents to \$1.59 per month.

What Does this Mean for Customers within the City of Duluth?

By statute, utility companies pass franchise fees on to their customers within the Franchise City. Utility customers within the designated franchise area of Duluth would see an increase on their electric bills noted as a "Duluth Franchise Fee." The utility company collects the franchise fees on behalf of the City of Duluth and remits the entire collection to the City.

What Other MN Cities Collect Utility Franchise Fees and How Much?

Xcel Energy, Minnesota Power and Ottertail Power all have Franchise agreements within their respective service areas. Below is a list of selected cities as it relates to the collection of utility franchise fees by each respective Utility.

What will the Timing of the Duluth Franchise Fee be?

The Duluth Franchise Fee needs to be approved by a supermajority of city councilors. Two readings of the bill are required for passage, the first being planned for September 12th. Once the franchise fee is passed, it will require notification to the MPUC for a change in tariff.

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Sample of Other Franchise Fees in Minnesota

Xcel Energy Franchise Fees

| City | Residential Electric Franchise Fee | Commercial Electric Franchise Fee |
|---------------|------------------------------------|-----------------------------------|
| Apple Valley | 2% | 2% |
| Brooklyn Park | \$7 | \$7.50-\$160 |
| Coon Rapids | 4% | 4% |
| Eagan | No | No |
| Eden Prairie | \$2.50 | \$3-\$45 |
| Edina | \$1.95 | \$3.40-\$40.50 |
| Lakeville | No | No |
| Minneapolis | 4.5% | 3-5% |
| New Brighton | \$0.0023/kWh | \$0.0009/kWh |
| South St Paul | 4.0% | 4.0% |
| Robbinsdale | 4.0% | 4.0% |
| Richfield | \$4.10 | \$12.50-\$185 |
| Stillwater | \$2.0 | \$2.50-\$18.00 |
| St. Cloud | 3% | 3% |
| Hopkins | \$2.20 | \$3-105.50 |

Ottertail Power Franchise Fees

| City | Residential Electric Franchise Fee | Commercial Electric Franchise Fee |
|----------------|------------------------------------|-----------------------------------|
| Bemidji | 5% | 5% |
| Crookston | 5% | 5% |
| Morris | 3% | 3%* not to exceed \$200 |
| New York Mills | \$1.00 | \$1.00 |
| Perham | \$2.50 | \$4.50-\$10.00 |

Minnesota Power Franchise Fees

| City | Residential Electric Franchise Fee | Commercial Electric Franchise Fee |
|--------------|------------------------------------|-----------------------------------|
| Duluth | .99% (based on \$1,100,000) | .99% |
| Long Prairie | \$1.00 | \$5.00 |
| Little Falls | \$1.00 | \$5.00 |
| Hermantown | \$2.00 | \$2.00 |
| Park Rapids | \$3.00 | \$5.00 |
| Aurora | \$2.00 | \$2.00 |
| Staples | 5% | 5% |
| Nashwauk | 1.5% | 1.5% |
| Silver Bay | \$3.00 | \$3.00 |
| Hoyt Lakes | \$3.00 | \$3.00 |