

# Attachment B



City of Arden Hills, MN, Franchise Fee Estimates

September 2023

The following information is provided to assist your community in discussing assessing electric and gas franchise fees onto our customers. **Given market sensitivity to electric and gas rates, we strongly encourage the city to reach out to residents and businesses regarding these fees.**

Cities have the option to collect per-customer franchise fees for gas and/or electric service within their city. Presently, the City of Arden Hills does not collect franchise fees.

These franchise fees are collected by Xcel Energy and paid to the city in lieu of any other permit fees or construction bond performance that would otherwise be assessed to Xcel Energy electric and gas construction operations. However, we must still follow all city permit guidelines for our work.

Xcel Energy retains no portion of the franchise fee that the city may wish to levy on our customers – all fees collected are remitted to the city on a quarterly basis. The city may use this fee revenue as they wish.

The fee projection table provided on page 2 is based upon Xcel Energy's Arden Hills customers' energy use in the previous 12 months, ending August 2023. These are examples shown for illustration – other options are available to the city for its action, but the city and Xcel Energy must reach agreement.

Fee collection begins within 90 days of receipt of documentation supporting city council action to implement fees.

<b>Electric Rate Classifications</b>	<b>Monthly Electric Usage</b>
Small C&I: Non-Demand	Maximum load less than 25 KW per month Example: small retail shop
Small C&I: Demand	Maximum load between 25 – 100 KW per month Example: restaurant
Large C&I	Maximum load over 100 KW per month Example: manufacturer, school, hospital

<b>Gas Rate Classifications</b>	<b>Monthly Gas Usage</b>
Commercial Firm: Non-Demand	Firm peak day load less than 500 Therms per day Example: convenience store, retail, small business
Commercial Firm: Demand	Firm peak day load greater than 500 Therms per day Example: Large retailer, industrial business, school
Small Interruptible	Peak day loads more than 500 Therms but fewer than 2000 Therms, and agree to curtailment of gas service Example: manufacturer, school, hospital, business with a central heating plant
Med & Large Interruptible	Peak day loads of more than 2000 Therms per day, and agree to curtailment of gas service Example: same as above

<b>Customer Classification Electric</b>	<b>Current Rate</b>	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>
Residential	\$ 0.00	\$ 3.00	\$ 2.50	\$ 2.00
Small C&I: Non-Demand	\$ 0.00	\$ 4.50	\$ 4.00	\$ 3.00
Small C&I: Demand	\$ 0.00	\$ 28.00	\$ 24.00	\$ 18.00
Large C&I	\$ 0.00	\$ 185.00	\$ 165.00	\$ 155.00
Public Street Lighting	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Municipal Pumping	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
<b>Total Annual Collection Xcel Energy Electric (estimated)</b>	<b>\$ 0.00</b>	<b>\$ 342,000</b>	<b>\$ 295,000</b>	<b>\$ 250,000</b>
<b>Customer Classification Gas</b>	<b>Current Rate</b>	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>
Residential	\$ 0.00	\$ 2.75	\$ 2.50	\$ 2.25
Commercial Firm: Non-Demand	\$ 0.00	\$ 15.25	\$ 14.50	\$ 14.00
Commercial Firm: Demand	\$ 0.00	\$ 430.00	\$ 200.00	\$ 150.00
Small Interruptible	\$ 0.00	\$ 125.00	\$ 115.00	\$ 105.00
Med & Lrg Interruptible	\$ 0.00	\$ 175.00	\$ 165.00	\$ 160.00
<b>Total Annual Collection Xcel Energy Gas (estimated)</b>	<b>\$ 0.00</b>	<b>\$ 183,000</b>	<b>\$ 160,000</b>	<b>\$ 147,000</b>
<b>TOTAL Estimated Fees</b>	<b>\$ 0.00</b>	<b>\$ 525,000</b>	<b>\$ 455,000</b>	<b>\$ 397,000</b>



## The Basics of Utility Service

Electric and natural gas utility companies provide essential services to the public. Minnesota has designated electric utility service providers for each part of the state. These utilities have the exclusive authority and obligation to provide service to all customers in their designated service territories.

State law allows utilities to use public rights of way to locate poles, wires and natural gas pipes. Public rights of way typically include public roads, highways, streets, bike lanes and sidewalks. Local governments that have the responsibility to manage the rights of way and have an interest in where the utilities locate their facilities.

## Utility Franchise Agreements

A franchise agreement sets expectations between a city and Xcel Energy, including how we construct, operate and maintain our equipment located in the public rights of way. Franchise agreements can also address things like tree trimming and roadway restoration when a utility project has been completed. In addition to the conditions in franchise agreements, cities may require utilities to obtain permits for work within the right of way.

Franchise agreements do not set energy goals, determine the mix of energy resources used by a utility, set energy prices or service standards. Those policy decisions are made by the Minnesota legislature and regulated by the Minnesota Public Utilities Commission and cannot be included in franchise agreements.

## Xcel Energy Franchise Agreements

We have more than 370 franchise agreements in Minnesota. These shared agreements enhance strong working relationships with the communities we serve by providing clear expectations while supporting consistent and efficient operations and service.

In some cases, a city may choose to establish a franchise fee as part of the franchise agreement. This is done in cooperation with Xcel Energy and is executed through a separate ordinance, which can be implemented at any time during the life of the franchise agreement. In these cases, we collect the fee from our customers and transfer it directly to the city on a quarterly basis.





Some cities impose franchise fees to their energy providers as part of utility franchise agreements. As allowed by the Minnesota Public Utilities Commission, franchise fees levied on us are passed on directly to our customers within a city. This fee is itemized on our customer bills as a City Fee.

A franchise fee can only be implemented if it is allowed by the city’s existing franchise agreement with us. If a community determines a franchise fee is appropriate, there are several guiding principles we follow in discussing fee options.

- Franchise fees are set forth in a fee ordinance authorized by, but separate from, the franchise agreement.
- An equivalent fee must be placed on all energy suppliers serving the city.
- We will not be subject to permit fees while franchise fees are in effect.
- We will prepare fee schedule options for the amount of revenue sought by the city.
- The fee is calculated as a flat fee, per premise and is applied equally for all customers in a given rate class.
- Fees are paid to the city on a quarterly basis.



### Franchise Fee Considerations

As in any case where a city is considering a new revenue source, we urge careful consideration of the possible negative impacts of a franchise fee since they increase the cost of energy for all customers in that city.

### Timeline

Implementing franchise fees is a complex process requiring adequate time for system programming and testing. Here’s a typical sequence of events:

- City provides us with written notice of intent to enact a fee prior to formal consideration.
- City and Xcel Energy negotiate the fee.
- In order to meet the PUC’s requirements, the approved fee ordinance must be received by us at least 90 days before the anticipated start of fee collection.
- We collect the fee from our customers monthly and transfer it to the city on a quarterly basis.

### Sample Timeline

