



## Franchise fees

### WHAT ARE FRANCHISE FEES?

Utility companies pay local governments for their use of public rights-of-way. These payments are called franchise fees. Franchise fees are calculated as a percentage of each company's total utility revenues, so the amounts paid to the City of Minneapolis vary.

There are four franchise agreements that provide revenue for the City:

#### ELECTRICITY

The franchise agreement with Xcel Energy for electricity (Xcel does not provide natural gas services in Minneapolis) requires the company to pay the City 5 percent of its gross revenues from Minneapolis residential service customers, 3 percent of gross revenues from Minneapolis commercial and industrial customers, and 5 percent of gross revenues from Minneapolis small commercial and industrial customers. This franchise agreement expires on Dec. 31, 2014. For 2009, Xcel will pay the City \$14.5 million from this agreement.

#### NATURAL GAS

The franchise agreement with CenterPoint Energy for natural gas requires the company to pay the City 4.25 percent of gross revenues from Minneapolis residential buildings with four units or less, 5 percent for small commercial and industrial firms or "interruptible" customers (customers who have agreements to allow their service to be interrupted, generally during peak loads), and 3 percent for large-volume interruptible customers. This franchise agreement expires on Dec. 31, 2015. For 2009, CenterPoint Energy will pay the City \$11 million from this agreement.

#### CABLE TELEVISION

The franchise agreement with Comcast for cable television will generate more than \$2.5 million for the City of Minneapolis in 2009. Comcast also collects an "access fee" from subscribers to support public, educational and government (PEG) access programming. It is estimated Comcast will collect \$400,000 from subscribers for the access fee in 2009. There are 10 PEG channels in the City of

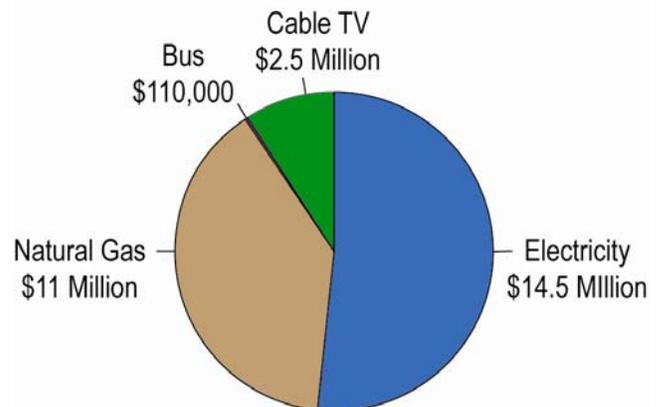
Minneapolis: four public, three educational and three government channels.

A number of states are considering statewide cable franchising in which the U.S. Department of Commerce or the Public Utilities Commission would set rates for usage of public rights-of-way, an authority currently held at the local level. The final decision may have an impact on this revenue source in the near future. Keeping cable franchise authority at a local level will ensure fair compensation for the private use of public rights-of-way, provide access to cable services for all residents, ensure proper repair of streets and roadways during cable installations, provide continuous availability of PEG access channels, and protect consumer rights.

#### BUS STOP ADVERTISING

The bus stop advertising franchise will generate approximately \$110,000 in revenues for the City in 2009.

### Franchise Fee Revenue 2009



#### MORE INFORMATION

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