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November 5, 2007

Honorable Sandra Colvin Roy  
City of Minneapolis Transportation  
and Public Works Committee  
350 South Fifth Street  
City Hall, Room 307  
Minneapolis, MN 55415

Re: Minneapolis Right-Of-Way Permit Fees

Dear Honorable Colvin Roy and Members of the Transportation and Public Works Committee:

Qwest Corporation has been engaged in discussion with the City of Minneapolis since 2004 concerning the City's right-of-way permit fees and the associated cost study that is intended to support those fees. Last Friday, November 2<sup>nd</sup>, Qwest received the City staff's most recent proposal for revision of the permit fees. The proposal will be heard by this Committee at its November 6 Agenda meeting.

Although Qwest has had very limited time to review this new proposal, it appears to be movement in a positive direction. In this letter, Qwest presents a proposal for a flat-fee structure. Qwest recommends that the Committee act to change the existing ordinance. Thus, if the City is not inclined to adopt Qwest's flat-fee structure, Qwest recommends that the Committee adopt the Public Works Department staff proposal as a step in the right direction. Qwest makes the recommendation based on assurances from Public Works Department staff that, for projects over 1,200 feet, the City will first issue the permit and then determine the permit costs. Staff has also represented to Qwest that the City will bear the burden of demonstrating their actual costs on those projects over 1,200 feet.

We detail our concerns with the Public Works Department proposal below and urge the Committee to adopt Qwest's proposal for a flat-fee structure.

There are two major flaws in the permit fee structure before you:

1. The proposed permit fees favor sewer and water projects through a lower base fee for those projects; and
2. The proposed permit fees continue to rely on per-foot charges.

Under the existing ordinance, all projects are assessed the same base fee. Public Works Department staff has not justified changing this policy to charge a higher base fee to non-sewer/water projects. Under the proposal before you, the non-sewer/water projects represent 20% of the total number of projects, but contribute almost 44% of the fees to the City's overall cost recovery.<sup>1</sup> There is no explanation as to why water and sewer projects should make a lesser contribution to the overall cost recovery.

Qwest proposes that the City move to flat fees across all projects:

**Qwest's Flat-Fee Proposal**

Utility Type	Number of Permits	Base Fee	Amount Recovered
Sewer	1,561	\$217	\$338,737
Water	1,081	\$217	\$234,577
Private (Trench, Hole)	411	\$217	\$89,187
Inserted Into Existing Conduit	28	\$217	\$6,076
Bored	242	\$217	\$52,514
<b>Total</b>	<b>3,323</b>		<b>\$721,091</b>

Qwest makes this proposal to address a number of problems with the proposed ordinance:

- Minneapolis' per-foot charges are a highly unusual feature. Of municipalities in Qwest's 14-state region, Qwest is aware of only Minneapolis and St. Paul as charging per-foot charges for permit fees.

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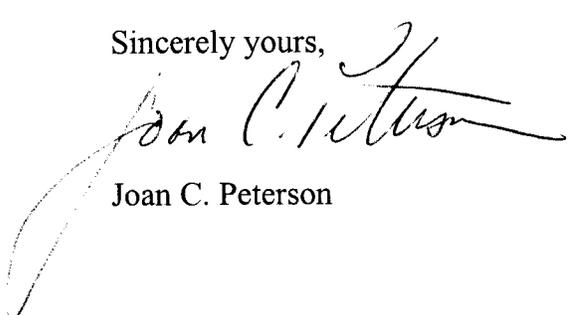
<sup>1</sup> It should be noted that, for purposes of Qwest's discussion with staff and this discussion before the Committee, we assumed the level of cost recovery represented by staff. Qwest does not necessarily agree that the underlying costs are at this level. In fact, the amount that is now included in the proposal is \$72,000 higher than that presented to Qwest in earlier discussions. Qwest provided City staff with extensive comments related to these concerns over the cost assumptions.

- Per-foot charges cause extreme distortions, including a past fee of \$45,000 quoted to Qwest.
- Per-foot charges are disproportionately collected from private utilities, such as Qwest. 90% of per-foot charges are assessed on private utilities.
- The per-foot charges are particularly unjustified with regard to placement of facilities in existing conduit.
  - In those situations, a utility has already paid a permit fee to place conduit into the right-of-way.
  - When there is an insertion of facilities into that existing conduit, a utility is merely accessing its structure.
  - The Public Works Department proposal before the Committee is an improvement over the existing ordinance because it reduces the distortion caused by per-foot charges by lowering them. However, it is preferable to eliminate per-foot charges completely.
- Per-foot charges do not necessarily reflect the complexity of the project.
  - A long trenching project outside of the downtown area will likely require fewer City resources than a complex project at a downtown intersection. The per-foot charges would be higher for the simpler project.

Qwest appreciates the dialogue it has recently had with the City Public Works Department staff and believes the City's proposed revisions to its right-of-way permit fees represents a significant step forward. However, for the reasons discussed above, Qwest believes its Flat-Fee proposal is a preferable alternative.

Thank you for your attention to this matter.

Sincerely yours,



Joan C. Peterson