

Falcon Heights City Council Workshop

**City Hall
2077 W Larpenteur Ave.
6:30 p.m.**

AGENDA Wednesday, March 4, 2015

- 1) Discussion on Xcel Franchise Agreements with Jake Sedlaceck of Xcel (flyer attached)**
- 2) Continued Discussion on Parks Projects (handouts at the meeting)**
- 3) Update on City Administrator Replacement Process**

If you have a disability and need accommodation in order to attend this meeting, please notify City Hall 48 hours in advance between the hours of 8:00 a.m. and 4:30 p.m. at 651-792-7600. We will be happy to help.

UTILITY FRANCHISE AGREEMENTS

THE BASICS OF UTILITY SERVICE

Electric and natural gas utility companies provide essential services to the public. In Minnesota, the state 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 the public rights of way to locate their 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 have an interest in utilities' activities in them.

SCOPE OF FRANCHISE AGREEMENTS

A franchise agreement provides clarity by setting expectations between the city and the utility company. This includes requirements for how the utility constructs, operates and maintains its equipment located in the public rights of way. Franchise agreements 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 rights of way.

In some cases, a city elects to enact a franchise fee to cover its costs related to the utility's activities in the rights of way. As part of the agreement, the utility collects the fee from its customers in the city and provides it to the city each month.

Although franchise agreements are common, they aren't required for services and not all cities and utilities choose to use them. Franchise agreements do not change the utilities' state-designated service territories or the utilities' obligations to provide service to their customers. Additionally, franchise agreements do not set energy goals, determine the mix of energy resources used by a utility, set energy prices, set service standards or any of the other policy decisions that are made by Minnesota Legislature and regulated by the Minnesota Public Utilities Commission.

PRACTICAL USE OF FRANCHISE AGREEMENTS

Xcel Energy has more than 350 franchise agreements in Minnesota. These agreements enhance strong working relationships with the communities Xcel Energy serves by providing clear expectations while supporting consistent and efficient operations and service.

Franchise agreements used in Minnesota work well for both utilities and cities, and help serve the public's interests.

FRANCHISE AGREEMENT BETWEEN XCEL ENERGY AND THE CITY OF MINNEAPOLIS

Xcel Energy and the city of Minneapolis have a franchise agreement that expires in December 2014. As part of the agreement, the city receives an annual franchise fee of about \$17 million.

