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City of Duluth - Communications Office

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SUBJECT: City to Amend MN Power Franchise Fee
BY: Pakou Ly, Communications Office

City to Amend MN Power Franchise Fee

[Duluth, MN] – The City of Duluth Administration will be presenting an amendment this week to the Duluth City Council that would revise the recent Minnesota Power franchise fee increase approved on September 22, 2016. The amendment proposes establishing a cap of \$420,000, which would be the maximum amount of franchise fee any electrical customer would pay. The originally approved proposal increased the City's long standing franchise fee charged to Minnesota Power from 1% to 3%. The first increase in 20 years.

In requesting this amendment, Mayor Emily Larson stated "Good policy making is a give and take. With this thoughtful and specific modification, we can all move forward with clarity and confidence for the future long term health of our community."

The cap provision would apply to Minnesota Power's very large scale industrial customers in Duluth such as the Verso Duluth Paper Mill.

"The proposal provides the revenue increase needed to meet the City's budget requirements and caps what a large industrial user like the Verso mill would pay at \$420,000 annually," said Verso Duluth Mill Manager John Bastian. "This amendment, which mirrors Electrical Franchise Fee language that exists in many other Minnesota municipalities, is not only a fair and practical solution for the city and the mill, but importantly, keeps Duluth an attractive destination for new businesses.

"The Verso Duluth Mill appreciates the open and honest discussions and engagement by Mayor Larson and the City Staff and urges the City Council to pass this measure," said Bastian.

City administration met with several commercial and industrial economic partners and other constituencies and decided to revise the original proposal in a fair and reasonable manner. Duluth's franchise fee was historically maintained at the 1% level for 20 years and upon review, was lower than other municipalities with similar or equivalent industrial base. Even with this amendment, Duluth's franchise fee it charges to Minnesota Power for right of way access remains lower than many other municipalities.

The ordinance modification will be presented to the City Council on October 24, 2016.

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