

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye  
Ellen Gavin  
Marshall Johnson  
Phyllis A. Reha  
Gregory Scott

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of Minnesota Power's Petition  
For Approval of a Franchise Fee Rider For  
Retail Electric Customers in the City of Long  
Prairie, Minnesota

ISSUE DATE: May 7, 2003

DOCKET NO. E-015/M-03-307

ORDER APPROVING FRANCHISE FEE  
RIDER AND REQUIRING PRIOR  
APPROVAL OF AMENDMENTS

**PROCEDURAL HISTORY**

On February 28, 2003, Minnesota Power (MP or the Company) filed a petition seeking to add a Long Prairie Franchise Fee to the Company's current Franchise Fee Surcharge Rider. MP also filed a customer notice regarding that rider.

On March 31, 2003, the Minnesota Department of Commerce (the Department) filed comments recommending that the Commission approve the rider, modify the customer notice in one respect, and require the Company to make a compliance filing within 30 days of the Long Prairie Ordinance establishing the franchise fee.

The Commission met on May 1, 2003 to consider this matter.

**FINDINGS AND CONCLUSIONS**

**I. MP'S PROPOSAL**

MP petitioned the Commission to establish an electric surcharge rider to allow MP to bill and collect the City of Long Prairie's (the City's) new per-meter franchise fee from the Company's Long Prairie customers.

MP stated that the fee will appear as a separate line item ("City Fee") on Long Prairie customers' bills. MP requested that the tariff change become effective at the earliest possible billing cycle following the Commission's Order authorizing the rider.

## II. THE DEPARTMENT'S COMMENTS

The Department recommended that the Commission find the Company's proposal reasonable and approve it. The Department stated that such a determination can be made on the basis of considering three factors:

- 1) the impact of the proposal on MP's revenues;
- 2) sufficiency of the proposed notice to consumers; and
- 3) the potential for unreasonable preferential treatment for any customer.

The Department based its own review on these three factors and noted only one concern, the wording of the 4th sentence in the consumer notice. The Department recommended that this sentence be revised to read as follows:

The Minnesota Public Utilities Commission has authorized Minnesota Power to collect this fee for the City of Long Prairie.

## III. COMMISSION ANALYSIS AND ACTION

The Commission finds that the proposed rider and the franchise fee referenced therein are reasonable and will approve them.

The Commission will modify the customer notice, however, in one respect. The proposed customer notice contains the following sentence:

Minnesota Power's collection of this Franchise Fee was also authorized by the Minnesota Public Utilities Commission on April \_\_\_, 2003, when it approved Minnesota Power's Rider for City of Long Prairie Franchise Fee.

The purpose of the customer notice is to inform customers about the fee, the reason for it and the impact the fee will have on ratepayers. This is an important task. The Commission believes ratepayers should have a full understanding of the consequences of the franchise fee on their bills. Reference to the Commission in the course of that notice diverts from this message and will, therefore, be eliminated.

Second, the City's Franchise Fee Ordinance appears to suggest that the franchise fee can be changed without approval of the Commission. Provision 6 of the City's proposed "Minnesota Power Franchise Fee" Ordinance states:

This Ordinance *and rate set by it* may be amended by the City of Long Prairie in the manner provided by Long Prairie Ordinance No. 01-07-16-03. (Emphasis added.)

MP has expressed the belief that Section 7.3 of the City's existing Franchise Fee Ordinance would ensure that no franchise fee change would become effective until the Commission had approved it. Section 7.3 states in part that

The franchise fee formula may be changed by ordinance from time to time; however, each change must meet the same procedural requirements of this section and may not be made more often than annually. (Emphasis added.)

However, Section 10 of the Ordinance clearly would allow the City to amend the franchise fee upon written agreement with the Company. Section 10 states:

This ordinance may be amended at any time by the City. An amendatory ordinance becomes effective upon the filing of the Company's written consent thereto.

To clarify the matter for all concerned, therefore, the Commission will underline the legal necessity of obtaining the Commission's approval before the franchise fee can be amended. Specifically, the Commission will direct the party under its jurisdiction (MP) to obtain Commission review and approval prior to amending the franchise fee.

### **ORDER**

1. MP's proposed *Rider for City of Long Prairie Franchise Fee* is approved.
2. The fourth sentence in the proposed customer notice with respect to Commission approval of the Franchise Fee shall be deleted. The proposed customer notice, thus amended, is approved.
3. MP shall obtain Commission review and approval before amending the franchise fee.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

(S E A L)

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