NOT YET APPROVED

RESOLUTION NO ____
RESOLUTION OF THE COUNCIL OF THE CITY OF PALO
ALTO AMENDING UTILITY RATE SCHEDULES EDF-1 AND
EDF-2 OF THE CITY OF PALO ALTO UTILITIES RATES AND
CHARGES PERTAINING TO FIBER OPTIC RATES

The Council of the City of Palo Alto does hereby RESOLVE as follows:

SECTION 1 Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule EDF-1 (Dark Fiber Licensing Services) is hereby amended to read in accordance with sheet EDF-1-1, attached hereto and incorporated herein. The foregoing Utility Rate Schedule, as amended, shall become effective July 1, 2008.

SECTION 2 Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule EDF-2 (Dark Fiber Connection Fees) is hereby amended to read in accordance with sheet EDF-2-1, attached hereto and incorporated herein. The foregoing Utility Rate Schedule, as amended, shall become effective July 1, 2008.

SECTION 3 The Council finds that the revenue derived from the authorized adoption enumerated herein shall be used only for the purpose set forth in Article VII, Section 2, of the Charter of the City of Palo Alto.
DARK FIBER LICENSING SERVICES

UTILITY RATE SCHEDULE EDF-1

A. APPLICABILITY:

This rate schedule applies to customer accounts established prior to September 18, 2006, unless the customer elects to apply the EDF-3 rate to the entire customer account. This rate applies to Fiber Optic services from the City of Palo Alto Utilities (CPAU) pertaining to the City's network (Backbone and associated connections).

B. TERRITORY:

Within the incorporated limits of the City of Palo Alto and land owned or leased by the City.

C. FEES:

1. DARK FIBER BACKBONE LICENSE FEES:

The values or ranges for each of these price components are shown below:

(1) Fiber Price .......................................................... $290.20/FM/month
(2) Quantity discount ............................................... $0 to $58.04/FM/month
(3) Buffer tube discount ............................................. $0 to $58.04/FM/month
(4) Route length discount ........................................... $0 to $75.45/FM/month
(5) Ring topology discount ......................................... $0 to $23.20/FM/month
(6) Length of term discount ....................................... $0 to $45.39/FM/month

(7) Per Project Minimum Annual Backbone License Fee ........................................... $425/month

Project Minimum Backbone Fees apply to any project proposal signed after September 18, 2006 in which the project connects with the Backbone.

Description for Discounts:
Quantity discount: based on an array of discounts for quantities of fiber licensed on a specific path.
Buffer tube discount: discount for numbers of full buffer tubes licensed on a specific path.
Route length discount: based on the route length licensed on a specific project.
Ring topology discount: The ring topology discount for customers contracting for complete rings.
Term discount: based on an array of discounts for contracts greater than one and less than ten years.

2. DARK FIBER LATERAL CONNECTION FEES:

Customer responsibilities and fees for drop and custom cable construction are described in the CPAU Rules and Regulations, Rate Schedule EDF-2, project proposals and other associated documents. In all cases, the Licensee shall pay an annual Drop/Custom Cable Management Fee based on the follow per foot fees:

(1) Drop Cable Management Fees (for the first 12-Fibers) ......................... $0.02-$0.05/ft/month
(2) Custom Cable Management Fees (for the first 12-Fibers) ..................... $0.28/ft/month
(3) Fees for additional Drop or Custom Cable fibers (each additional set of 12-Fibers) $0.05/ft/month
(4) Per Project Minimum Drop or Custom Cable Management Fees ............ $210/month

Project Minimum Drop Cable Management Fees apply to any project proposal signed after September 18, 2006.
3. EARLY TERMINATION FEES:

If the Licensee chooses to terminate for convenience the License Agreement or the term of any project under the License Agreement, then the Licensee shall pay the applicable termination payment as specified in this schedule or in the License Agreement, as provided below.

Unless otherwise provided in the License Agreement, the Licensee shall pay a termination fee in one of the following amounts, whichever is less:

- Annual fee of the contract year that the Licensee chooses to terminates in full without term discounts, or
- Remaining fees of the project term as indicated in the License Agreement.

D. SPECIAL NOTES:

1. All fees must be paid to the City according to the specifics in the Dark Fiber License Agreement, the customer's project proposals and all the applicable Utilities Rates, Rules, and Regulations.

2. All fees are subject to consumer price index (CPI) adjustments, to be applied at the City's discretion but not more frequently than an annual basis.

{End}
DARK FIBER SERVICE CONNECTION FEES

UTILITY RATE SCHEDULE EDF-2

A. APPLICABILITY:
This schedule applies to all connections, expansions, and upgrades to the City's Dark Fiber network (Backbone).

B. TERRITORY:
All territory within the incorporated limits of the City and land owned or leased by the City.

C. FEES:
1. ADVANCE ENGINEERING FEES:
Advance engineering (AER) fees must be paid to start the engineering process and are non-refundable. The fees will be credited against the estimated project cost prior to the collection of the project construction fees.

(1) Commercial/Industrial AER minimum fee .......................................................... $693.00
(2) Special conditions (requiring expert assessment) ................................................. By Estimate

2. ESTIMATED SERVICE CONNECTION AND RECONFIGURATION FEES
All estimated service connection and reconfiguration fees must be paid prior to the scheduling of any construction or reconnections to the City's Dark Fiber network.

(1) Service connection (Interconnection) fee .......................................................... By Estimate
(2) Reconfiguration Fees ......................................................................................... By Estimate

Labor rates are subject to change as stated in the Utility Rate Schedule C-1.

D. NOTES:
1. The Customer is responsible for the installation and maintenance of all ducts and pathways from the facility to the property line in compliance with City of Palo Alto Utilities Rules and Regulations and contract agreements.
2. The City shall not be held liable for delays or interruptions in service, but will make reasonable efforts to provide timely continuous service.
3. All fees are subject to consumer price index (CPI) adjustments, to be applied at the City's discretion, but not more frequently than an annual basis.

(End)
TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER DEPARTMENT: UTILITIES
ATTENTION: FINANCE COMMITTEE
DATE: JUNE 17, 2008 CMR: 283:08

SUBJECT: RECOMMENDATION TO ADOPT A RESOLUTION AMENDING UTILITY RATE SCHEDULES EDF-1 AND EDF-2 OF THE CITY OF PALO ALTO RATES AND CHARGES PERTAINING TO FIBER OPTIC RATES

RECOMMENDATION
Staff recommends that the Finance Committee recommend that the City Council adopt the attached resolution to:

(a) Approve a 3.3 percent increase to commercial fiber optic rates EDF-1 and EDF-2, for Fiscal Year (FY) 2008-09, effective July 1, 2008, which will increase annual revenues by $48,500; and,

(b) Approve the changes to the Fiber Optic Rate Schedules (EDF-1 and EDF-2), as attached.

BACKGROUND
The Utilities Department provides commercial dark fiber optic services within the boundaries of Palo Alto. For customers having fiber optic leases beginning prior to September 18, 2006, rates for service are published in Dark Fiber Licensing Services Rate Schedule EDF-1. Customer expenses for engineering, construction and connection to the fiber optic backbone are charged under Dark Fiber Licensing Services Rate Schedule EDF-2. The Council-approved Dark Fiber Licensing Agreement (CMR 177:97) allows the commercial fiber optic fees charged under the EDF-1 and EDF-2 rate schedules to be adjusted annually in accordance with the Consumer Price Index (CPI), which is calculated by the United States Bureau of Labor Statistics.
**DISCUSSION**

For 2008, the CPI adjustment factor results in a 3.3 percent increase to the EDF-1 and EDF-2 rate schedules. Table 1 below outlines the adjustments proposed to the EDF-1 and EDF-2 Commercial Fiber Optic rates:

<table>
<thead>
<tr>
<th>Rate Description</th>
<th>Current Rates</th>
<th>Proposed Rates *</th>
<th>$ Difference</th>
<th>% Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EDF-1 (Section C-1): Dark Fiber Backbone License Fees (fiber miles/month)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Fiber Price</td>
<td>$281.00</td>
<td>$290.20</td>
<td>$9.20</td>
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<td>Quantity discount</td>
<td>56.18</td>
<td>58.04</td>
<td>1.86</td>
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<td>Buffer tube discount</td>
<td>56.18</td>
<td>58.04</td>
<td>1.86</td>
<td>3.3</td>
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<td>Route length discount</td>
<td>73.04</td>
<td>75.45</td>
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<td>Ring topology discount</td>
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<td>23.20</td>
<td>0.75</td>
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<td>Length of term discount</td>
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<td>45.39</td>
<td>1.44</td>
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<tr>
<td><strong>EDF-1 (Section C-2): Dark Fiber Lateral Connection Fees (ft/month)</strong></td>
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<td>Drop Cable Mgmt. Fees</td>
<td>$0.01-$0.05</td>
<td>0.02-0.05</td>
<td>0.01-0.00**</td>
<td>3.3</td>
</tr>
<tr>
<td>Custom Cable Mgmt Fees</td>
<td>0.27</td>
<td>0.28</td>
<td>0.01</td>
<td>3.3</td>
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<tr>
<td>Fees for additional fiber</td>
<td>0.05</td>
<td>0.05</td>
<td>0.00 **</td>
<td>3.3</td>
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<tr>
<td><strong>EDF-2 (Section C-1): Advance Engineering Fees (AER)</strong></td>
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<td>Commercial/Industrial AER min. fee</td>
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<tr>
<td></td>
<td>$671</td>
<td>$693</td>
<td>$22</td>
<td>3.3</td>
</tr>
</tbody>
</table>

* * Calculations have been rounded to the nearest cent.
** The proposed rate matches existing rates when rounded.

**RESOURCE IMPACT**

The additional Commercial Fiber Optic revenues resulting from the CPI increase to Dark Fiber Licensing Services Rate Schedule EDF-1 are projected to be approximately $48,500 for FY 2008-09. As the Dark Fiber Licensing Services Rate Schedule EDF-2 applies to customer-driven expansions and upgrades to the City’s Dark Fiber network, and the fee represents the minimum fee, the increase in projected revenue due to this rate increase is negligible and impossible to predict.

**POLICY IMPLICATIONS**

These recommendations do not represent a change in current City policies.

**ENVIRONMENTAL REVIEW**

The adoption of this resolution does not meet the California Environmental Quality Act’s definition of a project, pursuant to California Public Resources Code Section 21065, therefore no environmental assessment is required.
ATTACHMENTS
A: Resolution
B: Fiber Optic Rate Schedules EDF-1 and EDF-2

PREPARED BY: Eric Keniston, Utilities Rate Analyst
              Ipek Connolly, Senior Resource Planner

REVIEWED BY: JANE O. RATCHYE
              Assistant Director of Utilities, Resource Management

DEPARTMENT HEAD: VALERIE O. FONG
                 Director of Utilities

CITY MANAGER APPROVAL: STEVE EMSLIE/KELLY MORARIU
                       Deputy City Managers
Regular Meeting  
June 17, 2008

Chairperson Morton called the meeting to order at 7:00 p.m. in the Council Conference Room, 250 Hamilton Avenue, Palo Alto, California.

Present: Burt, Morton (chair), Schmid

Absent: Yeh

1. Oral Communications

None.

2. Recommendation to Adopt a Resolution Amending Utility Rate Schedules EDF-1 And EDF-2 of The City of Palo Alto Rates and Charges to Fiber Optic Rates

MOTION: Council Member Burt moved, seconded by Council Member Schmid that the Finance Committee recommend to the City Council to adopt the Resolution to; a) approve a 3.3 percent increase to commercial fiber optic rates EDF-1 and EDF-2, for Fiscal Year (FY) 2008-09, effective July 1, 2008, which will increase annual revenues by $48,500; and b) approve the changes to the Fiber Optic Rate Schedules (EDF-1 and EDF-2).

MOTION PASSED: 3-0, Yeh absent

3. Analysis of California Public Employees Retirement System (PERS) Portfolio Yield and Pre-Payment Option (Informational Item).

4. Discussion for Future Meeting Schedules and Agendas.

July 15, 2008 at 7:00 p.m.

ADJOURNMENT: The meeting adjourned at 7:42 p.m.