

ENERGY AND ENVIRONMENT COMMITTEE REPORT relative to proposed Lease Agreement No. FO-718-01/2013 with the University of Southern California (USC) to provide an Indefeasible Right of Use of certain components of the Los Angeles Department of Water and Power's (LADWP) fiber optic network.

Recommendation for Council action:

CONCUR with the Board of Water and Power Commissioners' (Board) action of August 27, 2013, Resolution No. 014-046, authorizing the execution of Short Form IRU-18 Lease Agreement No. FO-718-01/2013 with USC to provide the Indefeasible Right of Use of certain components of the LADWP's fiber optic network.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that approval of the proposed agreement will result in approximately \$3.3 million in net revenue for the Power Revenue Fund, if the full term of the agreement is completed. Future price adjustments will be negotiated during term renewals but in no case will the period between adjustments exceed five years, in accordance with Charter Section 607(b). The LADWP Financial Policies are not applicable. Approval of the proposed lease agreement will no impact on the the City's General Fund.

Community Impact Statement: None submitted.

**TIME LIMIT FILE - OCTOBER 5, 2013**

**(LAST DAY FOR COUNCIL ACTION - OCTOBER 4, 2013)**

Summary:

On October 2, 2013, your Committee considered a September 5, 2013 Board and June 27, 2013 CAO reports and Resolution No. 014-046 relative to proposed Lease Agreement No. FO-718-01/2013 with USC to provide an Indefeasible Right of Use of certain components of the LADWP's fiber optic network. According to the CAO, the LADWP is requesting approval of a proposed resolution which authorizes it to execute a Short Form IRU-18 Fiber Optical Use Lease Agreement (IRU Agreement) with USC. The LADWP has submitted a revised IRU Agreement No. FO-718-01/2013 that replaces four similar agreements with USC that are scheduled to expire either on July 1, 2013 or January 4, 2014.

Since 2003, USC has leased segments of the optical fiber system and plans to continue using it for telecommunication services, including telephone, data, and video services. Pursuant to Charter Section 373, for long term contracts, City Council approval is required because the cumulative length of the agreement exceeds three years. The City Attorney has approved the proposed resolution as to form and legality. The IRU Agreement will be effective on July 1, 2013 with a 10-year term; which can be terminated by either the DWP or USC with 180-day notice.

The LADWP states that it expects to receive approximately \$3.3 million in net revenue for the Power Revenue Fund, if the full term of the Agreement is completed. The pricing schedule for IRU-18 is set at market-rate based on a recent price survey and future price adjustments will be negotiated during term renewals to reflect the future market rates but in no case will the period between adjustments exceed five years, in accordance with Charter Section 607(b). Since the optical fiber circuits were

already set up under the previous agreements, no additional connection cost will be needed for the replacement agreement IRU-18.

After further consideration and having provided an opportunity for public comment, the Committee moved to recommend that Council concurs with the Board's actions as detailed in the above recommendations. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

ENERGY AND ENVIRONMENT COMMITTEE

<b><u>MEMBER</u></b>	<b><u>VOTE</u></b>
FUENTES:	YES
BLUMENFIELD:	YES
LABONGE:	ABSENT
HUIZAR:	ABSENT
KORETZ:	YES

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**