

ENERGY AND ENVIRONMENT COMMITTEE REPORT relative to proposed Optical Fiber Lease Agreement No. FO-727-03/2013 and Short Form IRU-01 Lease Agreement No. FO-728-03/2013 with Qwest Communications Company, LLC (Qwest) 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 October 16, 2013, Resolution No. 014-073, authorizing the execution of Optical Fiber Lease Agreement No. FO-727-03/2013 and Short Form IRU-01 Lease Agreement No. FO-728-03/2013 with Qwest 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 Agreements will result in \$177,576 annually in revenue for the Power Revenue Fund. There is no impact to the City's General Fund. Future price adjustments will be negotiated periodically, subject to the provisions in the IRU, but in no case will the period between adjustments exceed five years, in accordance with Charter Section 607(b). The proposed Agreements comply with the LADWP's adopted Financial Policies.

TIME LIMIT FILE - NOVEMBER 22, 2013

(LAST DAY FOR COUNCIL ACTION - NOVEMBER 22, 2013)

Summary:

On November 6, 2013, your Committee considered October 21, 2013 Board and September 10, 2013 CAO reports and Resolution No. 014-073 relative to proposed Optical Fiber Lease Agreement No. FO-727-03/2013 and Short Form IRU-01 Lease Agreement No. FO-728-03/2013 with Qwest to provide an Indefeasible Right of Use of certain components of the LADWP's fiber optic network. According to the CAO, the LADWP requests approval of a proposed resolution which authorizes the LADWP to execute a proposed Optical Fiber Lease Agreement No. FO-727-03/2013 (Master Agreement) and an associated Short Form Indefeasible Right of Use (IRU) Lease Agreement No. FO-728-03/2013 with Qwest dba Centurylink QCC. Qwest is a large telecommunications carrier providing local service in 14 western states in the United States.

The proposed agreements replace similar agreements with Qwest that began in July 200? and expired in July 2013. Qwest has leased segments of the optical fiber system since 2008 and plans to continue using it for telecommunication purposes, including telephone, data, and video services. The Master Agreement sets the general terms and conditions for exclusive optical fiber system leases whereas the specific business terms are identified in the subordinate Indefeasible Right of Use (IRU) lease agreement. Approval of the proposed resolution establishes a new Master Agreement with a term of 10 years commencing July 7, 2013 through July 6, 2023, and authorizes a one-year subordinate IRU with automatic annual renewal up to the tenth year. The Master Agreement and IRU can be terminated by either LADWP or Qwest with 30 days written notice.

Pursuant to City Charter Section 607(b), both the Master Agreement and IRU are subject to market rate adjustment as determined by LADWP. In accordance with Charter Section 606, Council approval

is necessary for entering into lease agreements that exceed five years. The City Attorney has approved the proposed resolution and agreements as to form and legality. The Department states that it expects to receive \$177,576 annually in revenue for the Power Revenue Fund based on service rates included within the IRU. The pricing schedule for the IRU is set at the market-rate based on a price survey. Future price adjustments will be negotiated periodically, subject to the provisions in the IRU, to reflect the market rates; although, in no case will the period between adjustments exceed five years, in accordance with Charter Section 607(b). Since the optic fiber circuits were already set up under the previous agreement, no additional connection cost will be incurred.

After further consideration and having provided an opportunity for public comment, the Committee moved to recommend that Council concur 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

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

-NOT OFFICIAL UNTIL COUNCIL ACTS-