



Los Angeles
Department of
Water & Power

RESOLUTION NO. _____

BOARD LETTER APPROVAL

Handwritten signature of David H. Wright in blue ink.

DAVID H. WRIGHT
Chief Operating Officer

Handwritten signature of Marcie L. Edwards in blue ink.

MARCIE L. EDWARDS
General Manager

DATE: March 10, 2016

SUBJECT: Optical Fiber Lease Agreement No. FO-782-06/2015, Short Form IRU-01 Lease Agreement No. FO-783-06/2015, Short Form IRU-02 Lease Agreement No. FO-784-06/2015, Short Form IRU-03 Lease Agreement No. FO-785-06/2015, and Short Form IRU-04 Lease Agreement No. FO-787-07/2015 with The Regents of the University of California on behalf of its Information Technology Services for Lease of Los Angeles Department of Water and Power Optical Fibers

SUMMARY

Fiber Optics Enterprise (FOE) provides fiber optic circuits for internal Los Angeles Department of Water and Power (LADWP) use for control systems and the corporate network. FOE leases the excess fiber optic cable capacity to commercial businesses. A Master Agreement called the "Optical Fiber Lease Agreement" establishes contractual terms and conditions with each commercial fiber customer. A subordinate agreement to the Master Agreement, the "Indefeasible Right of Use" (IRU) agreement, is established for each individual fiber optic cable lease. IRUs have their own contract period and terms, and may be added at any time during the life of the Master Agreement by our commercial fiber customers.

The proposed Optical Fiber Lease Agreement and IRU-01 to IRU-04 replace Agreement Nos. FO-358-04/2005, FO-359-04/2005, FO-604-10/2009, FO-624-04/2010, and FO-667-05/2011. Negotiations with The Regents of the University of California (UCLA) commenced in April 2015, but there were delays attributed to processes within UCLA's purchasing and legal sections that caused the finalization of the new agreements to extend beyond the October 18, 2015, expiration date. Although the agreements expired, there is no lapse in services and payments to LADWP. These replacement agreements will allow UCLA to continue to use LADWP's excess fiber capacity.

The term of the Master Agreement is 10 years and IRU-01 to IRU-04 is five years up to a maximum of 10 years. The IRU-01 to IRU-04 Agreements combined may generate up to \$1.63 million in revenue for the Power System if the full term is realized.

The proposed Master and IRU-01 to IRU-04 Agreements require City Council approval according to Charter Section 606. A copy of the City Administrative Officer (CAO) report dated February 1, 2016, is attached.

RECOMMENDATION

It is recommended that the Board of Water and Power Commissioners adopt the attached Resolution authorizing execution and ratification of proposed Master and IRU-01 to IRU-04 Agreements.

FINANCIAL INFORMATION

IRU-01 to IRU-04 Agreements will generate annual revenue of \$163,248 and total revenue of \$1,632,480 for the Power Revenue Fund, if the full term is realized.

There is no additional cost associated with the execution of the proposed IRU-01 to IRU-04 Agreements since these agreements enable the continuation of active circuits provisioned under Agreement Nos. FO-358-04/2005, FO-359-04/2005, FO-604-10/2009, FO-624-04/2010, and FO-667-05/2011, which expired on October 18, 2015. IRU-01 to IRU-04 is priced based on the current FOE Dark Fiber tiered pricing structure. No Consumer Price Index (CPI) adjustment was applied because the Communications CPI for Urban Consumers has not increased since this pricing structure was established. IRU-01 to IRU-04 has the following annual market rate adjustment built in:

Market Rate Adjustment Type:	<input checked="" type="checkbox"/> Market Pricing	<input type="checkbox"/> CPI	<input type="checkbox"/> Fixed Pricing
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BACKGROUND

FOE provides fiber optic circuits for internal LADWP use for both control systems and the corporate network. FOE also generates revenue from leasing excess fiber optic cable capacity to Los Angeles (LA) businesses. The customers are primarily LA area businesses, entertainment industries, health and educational institutions, and City of LA entities.

UCLA is one of the world's leading public research universities, located in the Westwood neighborhood of Los Angeles, California.

UCLA is an existing FOE customer and is current with all payments required by previously executed agreements. The following is a summary of UCLA agreements to date:

AGREEMENT NO.	DESCRIPTION	TERM	EXPIRATION DATE	ANNUAL REVENUE
FO-358-04/2005	Master Agreement	10 years	October 18, 2015	Not Applicable
FO-359-04/2005	IRU-01	3 years with auto renewal up to 10 years	October 18, 2015	\$70,243
FO-379-09/2005	IRU-02	3 years with auto renewal up to 5 years	July 1, 2011	*\$9,072
FO-604-10/2009	IRU-03	1 year with auto renewal up to 5 years	October 18, 2015	\$10,800
FO-624-04/2010	IRU-04	5 years	October 18, 2015	\$40,800
FO-667-05/2011 (Replaced FO-379-09/2005)	IRU-05 (Replaced IRU-02)	5 years	October 18, 2015	\$16,416
TOTAL ANNUAL REVENUE (*not including revenue received from replaced agreement)				\$138,259

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the Master and IRU-01 to IRU-04 Agreements and Resolution as to form and legality.

ATTACHMENTS

- Resolution
- Agreements
- CAO Report