



Agenda Report

20-693

Agenda Date: 10/13/2020

REPORT TO COUNCIL

SUBJECT

Public Hearing: Consideration of a Proposed Resolution Amending the Rates for Attachments to City Owned Utility Poles by Third Party Communications Providers [Council Pillar: Deliver and Enhance High Quality Efficient Services and Infrastructure]

BACKGROUND

On October 8, 2011, the governor signed Assembly Bill 1027 (AB 1027), which requires that publicly owned utilities make “appropriate” space available for use by cable television corporations, video service providers, and telephone corporations. AB 1027 also imposes conditions on the manner in which usage fees and conditions of access are determined. Contracts executed before January 1, 2012 were allowed to continue in effect. Subsequent agreements are required to meet AB 1027 requirements.

Through its Electric Utility, Silicon Valley Power (SVP), the City of Santa Clara owns approximately 11,000 power poles that are used to support SVP’s overhead electric transmission and distribution equipment. A portion of the space on these poles is leased on a non-discriminatory basis under long-term agreements to third parties, typically telecommunications and cable television providers. These agreements provide for payment of pole attachment rates for various types of pole attachments. All of these agreements are subject to approval by the City Council.

In compliance with AB 1027, SVP conducted a cost of ownership study in 2015 to develop various pole attachment rates for third party communications attachments to City owned utility poles. Consequently, City Council adopted Resolution 16-8285 on January 12, 2016 to amend the rates for third party communications attachments to City owned poles, and further adopted Resolution 18-8594 on August 21, 2018 to include small cell attachment rate to City owned utility poles. Pursuant to Resolution 16-8285 and Resolution 18-8594, the cost of ownership study should be updated in 2020 for the pole attachment rates to be effective in 2021.

AB 1027 also provides for an extensive public notice, public hearing and Council adoption process. The Council must hold an initial public hearing introducing the proposed pole attachment rate resolution as well as providing detailed supporting documentation (set forth in Exhibit A) at least 14 days before the initial public hearing. After at least 30 days, at a successor public hearing, the Council may adopt the resolution. The analysis in Exhibit A has been available for public inspection since September 29, 2020, as required by AB 1027. Finally, the resolution may not become effective until at least 60 days after Council adoption.

DISCUSSION

Staff has performed an updated cost study of various types of pole attachments under the same share of ownership assumed and methodology used in the 2015 study underlying current rates. As a

result of this updated cost study, staff is proposing revised rates for FY20-21 for five types of pole attachments based on the allocated costs of ownership. Following is a comparison of current rates (per pole attachment per year) and rates proposed to be effective for all agreements subject to AB 1027.

	Cable	Equipment	Riser	Anchor	Small Cell
	Attachment	Attachment	Attachment	Attachment	Attachment
Current	\$ 16.76	\$ 47.58	\$ 35.21	\$ 3.26	\$ 85.23
Proposed	\$ 19.92	\$ 56.58	\$ 41.87	\$ 3.88	\$ 103.89
Increase - \$	\$ 3.17	\$ 9.00	\$ 6.66	\$ 0.62	\$ 18.66
Increase - %	18.9%	18.9%	18.9%	19.0%	21.9%

The primary reason for the above increases is an increase in SVP's recorded electric overhead distribution maintenance and operating expenses, using the same allocation percentage to the poles used by the above attachment types as the allocation used in the 2015 study. Also in line with the methodology underlying the current pole attachment rates, staff is proposing that the proposed rates be increased by 2.5% in each fiscal year after 2021, as a proxy for general inflation. Staff further proposes that a cost study be performed in FY 24-25 to establish the pole attachment rates to be effective in FY 25-26.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.

FISCAL IMPACT

The increased revenue from pole attachment compensates SVP for cost increases related to the depreciated installed cost of SVP's distribution poles, as well as the cost of operating and maintaining those poles. The estimated additional annual revenue is approximately \$70,000.

COORDINATION

This report has been coordinated with the Finance Department and City Attorney's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>>.

Pursuant to AB 1027, at least fourteen (14) days before the public hearing date, City shall mail a notice of the time and place of the public hearing, including a general explanation of the matter to be considered, and a statement that the data indicating the cost is available for review to a person or entity who files a written request with City for a mailed notice of the upcoming public hearing. In addition, at least ten (10) days before the public hearing, SVP shall make the data indicating the cost

available on SVP's website at www.siliconvalleypower.com <<http://www.siliconvalleypower.com>>.

RECOMMENDATION

Consider the proposed Resolution amending the rates for attachments to City owned utility poles by third party communications providers and set November 17, 2020 for the adoption of the Resolution.

Reviewed by: Manuel Pineda, Chief Electric Utility Officer

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Resolution
2. Exhibit A - Report on Derivation of FY 2020-2021 Pole Attachment Rates