



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: JUNE 26, 2017

ITEM NO: 5

SUBJECT: PROFESSIONAL CONSULTANT SERVICES AGREEMENT WITH STEPHEN BLUM DBA TELLUS VENTURE ASSOCIATES OF PACIFICA, CALIFORNIA, FOR THE IMPLEMENTATION OF MAGELLAN'S FIBER BUSINESS MODEL REPORT RECOMMENDATIONS FOR \$175,000 FOR SERVICES THROUGH MARCH 31, 2018

ISSUE:

Approval of a Professional Consultant Services Agreement with Stephen Blum dba Tellus Venture Associates for \$175,000 for professional services to implement recommendations for phases 1 and 2 of Magellan's Fiber Business Model report.

RECOMMENDATION:

That the Board of Public Utilities approve a Professional Consultant Services Agreement with Stephen Blum dba Tellus Venture Associates of Pacifica, California, for \$175,000 for implementation of phases 1 and 2 of Magellan's Fiber Business Model.

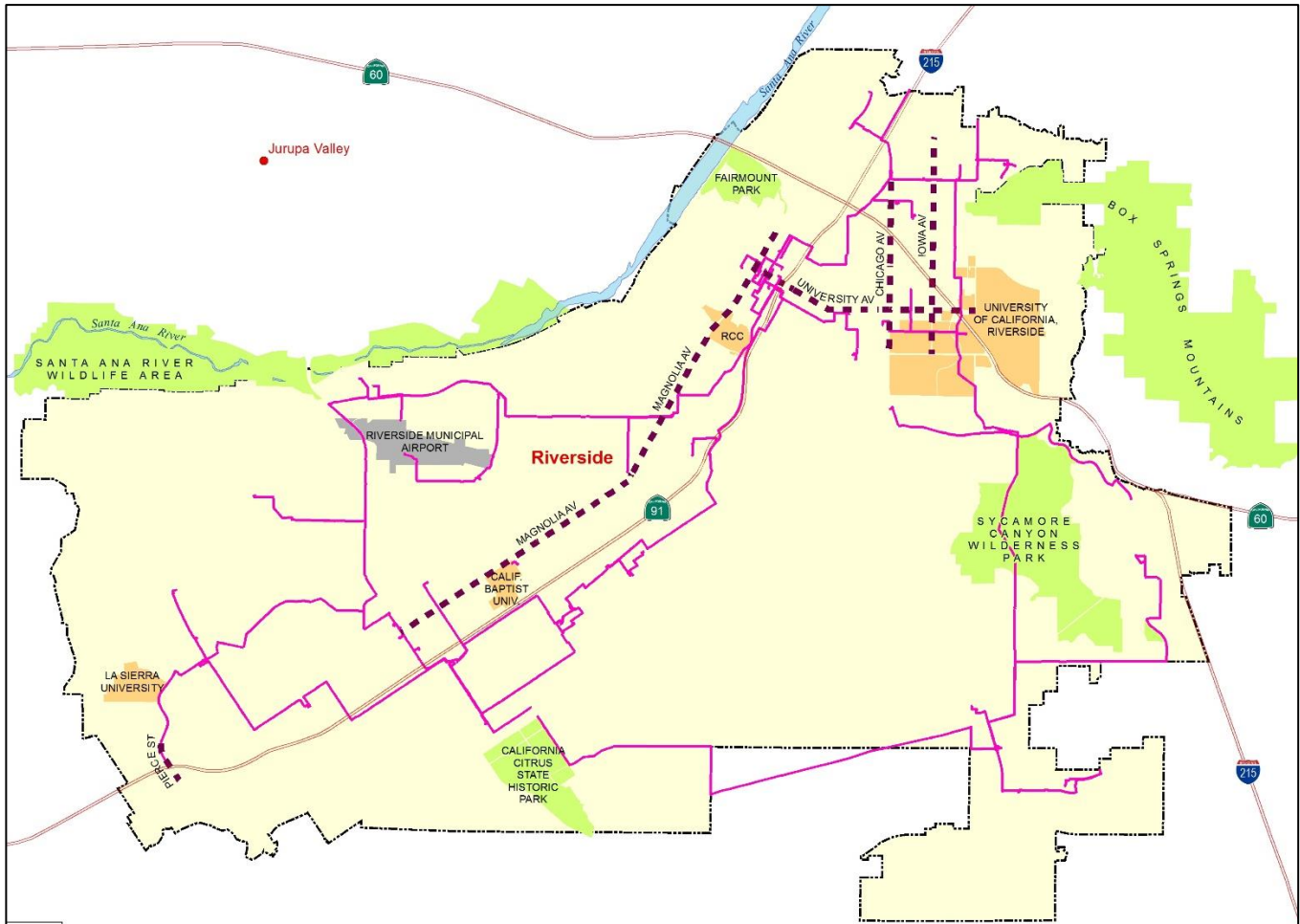
BACKGROUND:

Riverside Public Utilities (RPU) operates an advanced broadband fiber-optic cable based network to communicate between its substations and control centers for the operation of our electric grid. Fiber optic cable is normally installed in bundles of 96, 192, 288 or 576 fibers. A typical communication path requires 2 fibers. As a result, RPU has many locations and paths throughout the City where it owns excess fiber. This excess fiber is not connected to electronic switches at either end, rendering it "dark". Currently, RPU leases some of these excess fibers to third parties who install the electronics and "light" the fiber for communication use.

In March 2014, staff issued a Request for Proposals for preparation of a long range business model and roadmap for development and expansion of RPU's dark fiber lease program. In July 2014, the Board approved a Professional Services Agreement with national consulting firm Magellan Advisors (Magellan) to develop the fiber business plan.

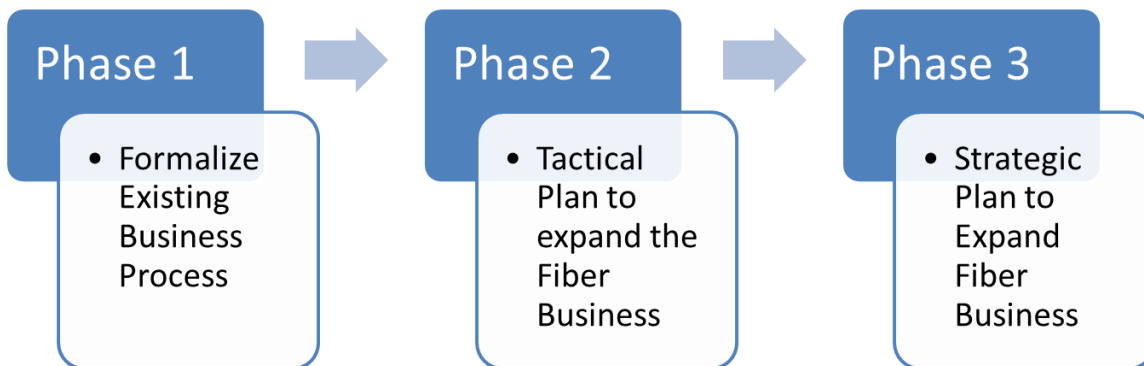
Magellan's scope of work included assessment of RPU's current practices around dark fiber leasing and opportunities for enhancement of the program supported by a business community survey, interviews with community anchor stakeholders, and review of peer agency fiber offerings. Magellan also assessed RPU's current fiber offerings, infrastructure, costs of construction, and opportunities for efficiency in how we deploy fiber infrastructure.

A high level overview of RPU owned and operated fiber routes within the City are shown the graphic below.



RPU’s process for leasing of dark fiber is largely reactive and ad-hoc. As a result, Magellan recommended, and staff concurs, that a more formal program is warranted, including development and publication of standard dark fiber lease pricing.

Magellan’s recommendations for a three phase roadmap are summarized in the following graphic:



The Magellan report recommended the following specific activities for implementation of Phase 1 roadmap:

Phase 1 – Formalize the existing business to brand and market dark fiber as a service.

- Assign an Internal Project Manager to Fiber Business
- Document the Inventory of Available Assets

- Implement a Fiber Management System
- Review and Standardize Agreements for Fiber Leasing
- Treat Fiber as Telecom Asset, Not an Electrical Asset
- Develop Pricing Policies for Fiber Leasing
- Publish RPU’s Rates and Terms

Two related elements identified for Phase 2 have been considered as they relate to pricing strategy for new customers:

Phase 2 – Develop a tactical plan to expand the fiber business through identification of opportunities.

- Determine RPU Policies for Expanding Dark Fiber
- Develop Pricing Policies for Expanding Dark Fiber

On January 22, 2016, the Board approved the Magellan dark fiber business plan and roadmap for enhanced broadband communications in Riverside. Magellan provided a plan for enhancement of RPU’s business practices and expansion of dark fiber offerings. The City, through RPU, is not proposing to operate a municipal fiber network and sell internet utility service to residents, as the City does with the water, electric, refuse and sewer utility service.

Rather, the City is leasing out unused strands of fiber from its existing fiber network to third parties who have ready access to this existing fiber network. RPU built its network to provide voice, data, electric system protection and control services to RPU facilities. RPU has many locations and paths throughout the City where it owns excess fiber strands. These excess fiber strands are not connected to electronic switches at either end, meaning that the strands are “dark”. Currently, RPU leases some of these excess fibers to third parties who install the electronics to “light” the fiber for communication use. These third parties “light” the existing fibers for internet and communication use for either their own purposes or for their customers. The first phase of this dark fiber leasing program has been funded by revenue from the existing leases for the dark fiber network. All expenditures of ratepayer funds for the dark fiber network are in compliance with Prop. 26.

During the competitive proposal evaluation in 2014, Tellus Venture Associates was identified by the screening and selection committee as the most qualified firm to implement the Utility Fiber Business Model. Tellus Venture Associates was then solicited by staff to provide a proposal to provide an extension of staff necessary to implement the Board approved Fiber Business Model. On November 14, 2016 the Board approved a Professional Services Agreement with Tellus Venture Associates, to assist with the implementation of the Phase 1 recommendations from the Magellan Report in the amount of \$92,000. This provided \$80,000 for time (16 weeks x 20 hours per week x \$250 per hour) and a cap of \$750 per week for travel expenses.

DISCUSSION

Tellus has completed a number of tasks related to implementation of the phase 1 and 2 recommendations, including:

1. Review and Standardize Agreements for Fiber Leasing
2. Develop Pricing Policies for Fiber Leasing
3. Determine RPU Policies for Expanding Dark Fiber
4. Develop Pricing Policies for Expanding Dark Fiber
5. Review of Cyber and Physical Security Policies for Fiber
6. Development of a financial proforma model
7. Development of a fiber trouble call process
8. Development of job specifications related to fiber operations

Use of Tellus as an augmentation to staff has worked well over the past 6 months and staff recommends continuation through Q1 2018. Staff has negotiated a Professional Services Agreement with Tellus Venture Associates for the continued implementation of Magellan’s Fiber Business Model in the amount of \$175,000. In addition, we would tap the consultant’s expertise on pole attachments for small communication carriers as it closely relates and integrates with the ongoing fiber communication work.

The proposed scope of services is outlined below:

75 working days over 30 to 35 working weeks (39 calendar weeks) to:

1. Complete implementation of Phases 1 and 2 of Magellan’s Fiber Business Model (Rev 2), per the current project plan, including support and training of staff that will be hired for or assigned to the Dark Fiber Leasing Program (July 2017 to March 2018 time frame).
2. Develop a project plan for implementation of Phase 3 of the Magellan Fiber Business Model (January 2018 to March 2018 time frame).
3. Develop pole attachment policy and review carrier contracts (July 2017 to September 2017 time frame).
4. Develop and implement wireless carrier business plan incorporating both pole attachment policy and the Dark Fiber Leasing Program (August 2017 to March 2018 time frame).

The City may waive the formal selection process for professional services and directly negotiate with a consultant if the City Manager finds that it is in the best interests of the City to do so. (City Administrative Manual Number 2.004, Section 3c.) Here, because of the quality of the previous services provided Tellus and Tellus’s specialized knowledge of the City’s dark fiber network, the City Manager has made such a finding and waived the formal consultant selection process.

The Purchasing Services Manager concurs that the recommended actions comply with the City of Riverside’s Purchasing Resolution No. 22576.

FISCAL IMPACT:

The total fiscal impact is \$175,000. Sufficient funds are available in Public Utilities’ Management Services Professional Services Account No. 600000-421000.

Prepared by: Kevin Milligan, Utilities Deputy General Manager
Approved by: Girish Balachandran, Utilities General Manager
Approved by: John A. Russo, City Manager
Approved as to form: Gary G. Geuss, City Attorney

Certifies availability of funds: Laura Chavez-Nomura, Utilities Assistant General Manager/Finance

Attachment: Professional Consultant Services Agreement with Tellus Venture Associates