



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital  
FROM: Mel Damewood, Engineering Manager and Dean Ahlsten, Compliance Officer  
DATE: March 15, 2016  
SUBJECT: Annual Rate Adjustment for Dark Fiber Lease  
OBJECTIVE: Approval of Resolution No. 1616

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## *Issue Statement*

Board Resolution No. 1304 – ‘Dark Fiber Lease Rate Revisions’ authorizes the General Manager to adjust the rate annually, based upon the City of Portland, Oregon’s Consumer Price Index (CPI). EWEB’s current ‘public purpose’ dark fiber rate in effect since April 1, 2015 is \$22.22 per fiber strand-mile per month. Portland’s 2015 CPI adjustment, published in February, is 1.1%.

## *Background*

In 2013 the Board approved the addition of a Dark Fiber Lease rate (DFL-1) under Section E-V of its Customer Services Policies and Procedures. In accordance with Resolution 1304, the initial published rate of \$21.13 per strand-mile month has been increased by 2.8% and 2.3% in 2014 and 2015 respectively. In addition to EWEB’s published public purpose (cost of service based) rate, its K-12 School District and commercial rates have been increased annually in the same manner.

In February EWEB Fiscal Services and Engineering staff initiated a cost of service study to recalibrate the rate(s). This initiative was driven by recent expansion of the fiber network, the length of time that had passed since the last study was conducted in August 2010, and a request from EWEB’s partners in the downtown broadband project to reconsider its rate for commercial service providers. However, due to staffing constraints the study has been deferred one year in favor of applying the 1.1% CPI adjustment as provided for in Resolution 1304.

## *Discussion*

Pursuant to past Board action, EWEB’s three Dark Fiber rates will automatically be adjusted on April 1, 2016 per the City of Portland CPI as shown:

Customer Group	Current DF Rate	April 1, 2016 DF Rate
Public Agencies DFL-1	\$22.22 per fiber strand-mile month	\$22.46 per fiber strand-mile month
School Districts K-12	\$4.89 per fiber strand-mile month	\$4.94 per fiber strand-mile month
For-Profit Companies	\$45.43 per fiber strand-mile month	\$45.93 per fiber strand-mile month

***Downtown Eugene Broadband Initiative***

Over the past 2-1/2 years EWEB and LCOG have completed three demonstration projects to pilot an innovative new fiber optic network construction concept in the downtown Eugene Business District. The projects were funded by the City of Eugene’s Telecommunications Fund, with some capital contributions from EWEB and LCOG. As a result, three multi-tenant buildings have been connected via fiber optic cable to a ‘Tier 2’ (non-incumbent) Internet Service Providers with a point of presence in LCOG’s Willamette Internet Exchange (WIX). A number of Internet Service Providers (ISP’s) lease space in the WIX, giving them competitive access to the downtown market. An initial market price of \$99/month for 1Gbit internet service has been established and is under contract with approximately 20 tenants in those buildings. This rate compares favorably to the existing incumbent rate of \$250/month for 150Mbit service, i.e. it provides nearly seven times the bandwidth capacity at 40% of the cost.

In 2015, EWEB partnered with LCOG, the City of Eugene and the Technology Association of Oregon (TAO) to form a ‘Fiber Implementation Team’ (FIT) whose goal is to expand the footprint of these services by provisioning an open, low-cost, high-speed municipal broadband network throughout the business district. The effort is being driven by the City of Eugene’s 2013 Broadband Strategic Plan Goal 5 to “Acquire world class broadband network capabilities in Eugene’s downtown and along major corridors to accelerate high-tech business development”. In support of common goals and objectives shared by the partner agencies, Management is recommending a modification to EWEB’s billing methodology relative to ‘Non-Recurring’ monthly charges.

EWEB’s Customer Services Policies and Procedures currently stipulate: a) one (1) mile minimum charge for Dark Fiber circuits; and b) one-half (1/2) mile billing increments for any circuit length in excess of one mile. Because of the unique design and topology of the proposed downtown fiber optic network, Management feels it is appropriate to adjust the billing determinants to accommodate very short distance / high density service areas such as the downtown business district.

The FIT anticipates interconnection of up to 120 multi-tenant commercial and residential buildings within roughly a ten block area. Circuit (fiber) lengths will vary between a few hundred feet up to two-thirds (2/3’s) of a mile maximum; on average considerably less than one mile. The network will consist of many small conduit pathways (one ‘microtube’ and fiber optic cable per building), placed inside of EWEB electric ducts, connecting end-use customers directly to the WIX. This point-to-point design will minimize infrastructure operating costs by enabling replacement/reconfiguration/rerouting of fiber without vault entry or splicing. This high density model will reduce EWEB’s ongoing operations and maintenance costs; therefore its cost recovery requirements are lower when compared with EWEB’s conventional dark fiber services.

Accordingly, Management recommends revision of the incremental billing lengths under Section E-V. Paragraph R. Subparagraph 7. – ‘Recurring Charges’ to allow one-quarter mile incremental billing lengths for Dark Fiber Services that are under one-mile in total length. This change will not affect other Dark Fiber Service Agreements currently in effect as they exceed one-mile in length.

***Dark Fiber Rate Cost of Service Analysis***

Management plans to reschedule the dark fiber cost of service study for this fall in conjunction with the electric rate COSA.

***Recommendation and Requested Board Action***

Management is informing the Board of the April 1, 2016 annual Dark Fiber rate increase of 1.1% in accordance with Board Resolution No. 1304.

Furthermore, Management is recommending that the Board approve Resolution No. 1616 which implements a change to EWEB’s Dark Fiber Lease mileage-based billing determinants.

Please contact Mel Damewood at 541-685-7145 or e-mail at [mel.damewood@eweb.org](mailto:mel.damewood@eweb.org) with questions.

**Attachments:**

- 1) Resolution No. 1616, April 2016
- 2) Revised Electric Customer Service Policies and Procedures, E-V, Subsection R; Dark Fiber Lease



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Customer Services Policies and Procedures  
Electric Utility

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**R. Dark Fiber Lease**

1. Availability

EWEB’s fiber optic cables run through public right-of-way and are owned and maintained by EWEB. This Price Schedule applies to public agencies and higher level educational institutions as well as existing leases for medical service providers within EWEB’s service territory, with the exception of any other price that may apply under a separate agreement or Price Schedule.

2. Character of Service

EWEB’s Dark Fiber Lease Price Schedule (DFL-1) pertains to the available surplus fiber strands contained within EWEB’s existing fiber-optic system, covering the Eugene metropolitan area and other areas within EWEB’s service territory. Subscribing to EWEB’s Dark Fiber Lease allows the interconnecting entity to obtain an indefeasible right of use of allocated EWEB-owned fiber strands for the purpose of transmitting voice, data and/or video signals between locations.

3. Interconnection

The Customer is responsible for providing a complete Conduit path from the termination point inside their facility to EWEB Facilities near the Customer premise, in accordance with EWEB’s Fiber Optic Customer Standards. All Customer provided Conduit pathway facilities and patch panels shall be inspected and approved by EWEB prior to connection of the lateral extension. After connectivity, EWEB will own and maintain all Facilities up to and including the patch panel.

4. Advance Engineering Fee

All prospective EWEB Dark Fiber Lease subscribers must work with EWEB to complete an Advance Engineering Estimate of the cost and schedule for EWEB to provide dark fiber connectivity. A non-refundable \$500.00 fee is required prior to completing the Advance Engineering Estimate.

Advance Engineering Fee ..... \$500.00  
(Resolution No. 1304)

5. Construction Agreement

A signed “Dark Fiber Optic Circuit Construction Agreement” is required by EWEB before commencement of the detail Engineering design and construction of the lateral extension.



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6. Non-Recurring Charges

The Customer shall pay an amount equal to 100 percent of the actual design and construction costs, payable upon completion of Dark Fiber connectivity.

7. Recurring Charges

The monthly charge for Dark Fiber Lease is determined by multiplying the length of the subscribed fiber strand(s) times the current monthly price. The length of each fiber strand is determined from EWEB's Geographic Information System (GIS) Fiber Manager Application. ~~rounded up to the nearest one-half mile length.~~ For circuits less than one (1) mile in length, the Dark Fiber Customer shall be billed a minimum of one-quarter (1/4) mile increments of length for each such fiber strand. For circuits exceeding one-mile in length, Dark Fiber Customers shall be billed in one-half mile increments. This information will be recorded in the Lease Agreement.

Dark Fiber Lease bills shall be rendered quarterly.

**2015 Monthly Price per Strand Mile\*** ..... \$22.25~~22.46~~

Note: \*The Dark Fiber Lease Price Schedule will be adjusted annually based on the City of Portland Consumer Price Index. (Resolution No. 1304)

8. General Terms and Conditions

Service under this schedule is subject to the policies and procedures of EWEB.

**RESOLUTION NO. 1616  
APRIL 2016**

**EUGENE WATER & ELECTRIC BOARD  
DARK FIBER LEASE RATE REVISION**

**WHEREAS**, the Eugene Water & Electric Board (EWEB) offers surplus Dark Fiber optic strands for lease by public agencies, higher and K-12 educational institutions, medical service providers, and telecommunications service providers;

**WHEREAS**, Dark Fiber Leases are not considered by the Federal Communications Council or the Oregon Public Utilities Commission to be a regulated Telecommunications Service;

**WHEREAS**, EWEB has developed plans for a municipal high density, compact Dark Fiber network in downtown Eugene in partnership with the City of Eugene, Lane Council of Governments, and Technology Association of Oregon;

**WHEREAS**, EWEB's current Dark Fiber Lease Schedule (DFL-1) contains mileage-based billing determinants;

**WHEREAS**, EWEB desires to treat 'short distance' Dark Fiber service customers equitably;

**NOW, THEREFORE, BE IT RESOLVED** that the Eugene Water & Electric Board hereby authorizes the Interim General Manager to adjust the Dark Fiber Lease Rate to revise billing length increments under Section E-V 'Dark Fiber Recurring Charges' to allow one-quarter mile incremental billing lengths for Dark Fiber services that are under one-mile in total length.

Dated this 5<sup>th</sup> day of April 2016.

THE CITY OF EUGENE, OREGON  
Acting by and through the  
Eugene Water & Electric Board

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President

I, ANNE M. KAH, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its April 5, 2016 Regular Board Meeting.

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Assistant Secretary