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# AGREEMENTS FOR LICENCED OCCUPANCY OF POWER UTILITY DISTRIBUTION POLES

**The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, April 13, 2006, from the Commissioner of Finance:**

## 1. RECOMMENDATIONS

It is recommended that:

1. The Region enter into agreements for Licensed Occupancy of Power Utility Distribution Poles with both Hydro One and Newmarket Hydro for a term of five years at a total annual rental cost, of $3,988.90 excluding applicable tax.

2. The Regional Chair and Regional Clerk be authorized to sign the above contracts, subject to prior review by Legal Services.

## 2. PURPOSE

The purpose of this report is to seek Council authorization to enter into agreements with both Hydro One and Newmarket Hydro for Licensed Occupancy of Power Utility Distribution Poles in support of the Region owned Fibre Optic Cable installation from 17250 Yonge Street, Newmarket to 90 Bales Drive East, East Gwillimbury.

## 3. BACKGROUND

The Transportation and Works, Road Operations Division were relocated to a new Regional facility at 90 Bales Drive East in the Town of East Gwillimbury, during July and August of 2005.

In 2004, Information Technology Services (ITS) staff reviewed the business requirements for voice and data services at 90 Bales Drive East. It was determined that the Roads Operations Division would require a high bandwidth service to support their data and voice requirements. The Roads Operations Branch makes extensive use of Computer Assisted Design (CAD) and Geographic Information Systems. These types of applications frequently access large volumes of data for engineering work.

ITS staff proceeded to obtain quotations to provide a high bandwidth leased communication solution. ITS staff determined that the annual leasing cost was high in comparison to the potential long term savings if the Region invested in owning the fibre optic communication connection from 17250 Yonge Street to 90 Bales Drive East.

Staff contacted the original proponents, Bell, FCI Broadband and Sprint Canada to solicit quotations for selling existing fibre to the Region or building a fibre connection for the Region. All proponents indicated that neither option was available under their operating licences from the Canadian Radio-television and Telecommunications Commission (CRTC).

In February 2005, ITS staff proceeded to obtain quotations from the open market for the Design/Build of a Fibre Optic communications link to meet the stated requirements. The proposals were analyzed and the contract was awarded March 3, 2005 to Communications and Cabling Contractors Inc.

The most cost effective method for constructing the Fibre Communication link was to approach Newmarket Hydro and Hydro One for permission to occupy existing utility poles and install aerial fibre. In 2005, the Region entered into a one year agreement with Hydro One and issued a Letter of Intent to Newmarket Hydro as Newmarket was revising their document to accommodate new directions from the CRTC.

The owned Fibre Connection was activated in October 2005.

## 4. ANALYSIS AND OPTIONS

Hydro One has submitted a new five year agreement for the Region’s consideration. Newmarket Hydro is expected to submit a five year agreement by the end of June 2006. The five year term for the agreement is industry practice based on Hydro One and the Canadian Cable Telecommunications Association’s negotiation of a five year Joint Use agreement.

The decision to build Region owned fibre was based on the Cost Comparison between Leased Fibre services and Owned Fibre services shown in Table 1. The annual rental fees which are the subject of this report were included in the cost comparison analysis. Based on these data, the Return on Investment for the Region owned fibre is expected after 26 months of operation.

**Table 1**
Cost Comparison : Leased vs. Owned Fibre

| | 2005 | 2006 | 2007 | 2008 | 2009 | Total Five Year Lease Cost |
|---|---|---|---|---|---|---|
| **Leased Fibre** | | | | | | |
| Annual Recurring Cost | $96,000 | $96,000 | $96,000 | $96,000 | $96,000 | **$ 480,000** |
| | | | | | | |
| **Owned Fibre** | 2005 | 2006 | 2007 | 2008 | 2009 | Total Five Year Investment |
| Capital Build Cost | $195,455 | | | | | $ 195,455 |
| Annual Pole Rental Fee and Maintenance Cost | $10,200 | $10,200 | $10,200 | $10,200 | $10,200 | $ 51,000 |
| | | | | | | **$ 246,455** |

Annual Pole Rental Fee of $10,200 is a combination of $3,988.90 for the pole leases and $6,211.10 for emergency fibre repair and maintenance.

## 5. FINANCIAL IMPLICATIONS

An annual rental rate of $22.35 per pole was established by the Ontario Energy Board in a March 7, 2005 decision. Table 2 summarizes the annual rental costs for the 5 year term of the licensed agreements.

**Table 2**
Annual Rental Costs for Utility Poles

| | Poles | Rental Fee per pole | Annual Rental Fee | Sub-Total 5 Years |
|---|---|---|---|---|
| Newmarket Hydro | 140 | $22.35 | $3,129.00 | $15,645.00 |
| Hydro One | 34 | $22.35 | $ 759.90 | $ 3,799.50 |
| Total Annual Commitment | | | $3,988.90 | |
| **Total 5 Year Commitment** | | | | **$19,444.50** |

Funds to accommodate the annual rental fee for poles and the estimated costs for emergency fibre repair and maintenance have been included in the 2006 budget of the ITS Branch.

## 6. LOCAL MUNICIPAL IMPACT

There is no municipal impact associated with this project.

## 7. CONCLUSION

It is recommended that, subject to prior review by Legal Services, the Region be authorized to enter into agreements for Licensed Occupancy of Power Utility Distribution Poles with both Hydro One and Newmarket Hydro for a term of five years.

The Senior Management Group has reviewed this report.