

March 3, 2005

Honorable Mayor and Members of
the Hermosa Beach City Council

Regular Meeting of
March 8, 2005

**VERIZON FIBER OPTIC CABLE UPGRADES AND
SYSTEM IMPROVEMENTS**

Recommendation:

That the City Council receive and consider this report and provide Staff with direction on the issue of above-ground pedestals.

Background:

Verizon has begun an upgrade of its telephone system by installing fiber optic cable throughout its Hermosa system. Verizon is performing this upgrade under and pursuant to its authority as a telephone company with a Statewide franchise to operate in the public rights-of-way. The fiber will be placed on existing poles and underground in those areas where utilities have been placed underground.

Verizon is not removing its existing copper wire system, but instead, will offer service through the new fiber system as an upgrade to its customers; the fiber system provides better telephone and considerably faster data delivery service than copper. Verizon states that under governing federal law and rules of the Public Utility Commission, it may not remove its copper wire system as long as it has customers using that system. While Verizon is obliged to share the copper system with other telephone providers, it is not obliged to share the fiber system. In the long run, Verizon representatives state that the company wants the entire system to operate on the fiber, at which point it would share it and operate under the telephone rules that require access to other providers.

The new fiber system requires the installation of thirty above-ground pedestals, similar to those that exist today in connection with the existing telephone system and Adelphia's cable system. Staff is working with Verizon to assure that the pedestals are placed in the least objectionable locations. Verizon contends that the equipment in these pedestals cannot be placed underground due to its sensitivity to moisture, the high cost of undergrounding, and the need for easy access. Notwithstanding Verizon's authority under the Public Utility Code to install facilities, Section 7901.1 of that Code allows cities reasonable control as to the time, place and manner in which City right-of-way is used for telephone facilities, as long as the City requirements are applied equally to all utilities in a non-discriminatory manner.

With minor adjustments, the fiber system is capable of providing video services in the same manner as cable television currently provided by Adelphia to the community. Verizon acknowledges that it must obtain a cable television franchise from the City before offering video services, and is anxious to begin negotiations to develop such a

franchise. Verizon believes that it can offer the community a price-competitive cable television service with programming that will be an attractive alternative to Adelphia. The franchise terms and conditions would have to be the same for both Adelphia and Verizon, including payment of franchise fees. Verizon has just completed a franchise with the City of Beaumont in Riverside County. Staff has a copy of that franchise and it contains the same type of requirements that are in our existing franchise ordinance.

I have attached a letter from Verizon that explains the system and its justification for the above ground cabinets to serve the fiber installation. The other utilities would have similar costs for their facilities should this become a city requirement.

At the moment, we are holding the permits for the cabinets, pending Council consideration of this report. A change to require complete underground installation of these cabinets would take a change in the Municipal Code, and would have to apply to all utilities.

Respectfully submitted,

Stephen R. Burrell
City Manager