

FOR BOARD ACTION

Agenda Item # 8

Meeting Date:

2/28/06

SUBJECT: Leasing of RPU's Electric System to a Communications Provider

PREPARED BY: Walt Lorber, Director of Core Services

ITEM DESCRIPTION:

Approximately one year ago, RPU issued a request for proposals to have others install a communications system utilizing RPU's distribution network. This RFP followed a successful field test of Broadband over Power Lines (BPL) technology in partnership with Hiawatha Broadband Communications. One proposal was received and RPU began evaluation of the offer in March 2005. Field test results obtained at a commercial site of the proposing hardware provider indicated the equipment would meet the technical specifications of the RFP. Negotiations with the proposer over the ensuing months disclosed a significant gap between the business expectations of RPU and the proposer. Negotiations were suspended last fall, with staff indicating to the RPU Board that with the continuing evolution of the technology and with RPU's growing needs of communications access, staff would propose to re-issue an RFP after the first of the year.

We have continued to monitor BPL technology and its growing adoption by U.S. utilities. We believe that the current market will yield greater interest in installing a system in Rochester. RPU's need for enhanced communications capabilities continues to gain momentum (e.g., SMMPA's recent implementation of time-of-use rates). In addition, increasing wholesale costs require that we look for alternatives to derive revenue from the existing utility infrastructure and for innovative ways to increase system efficiency.

UTILITY BOARD ACTION REQUESTED:

Staff recommends that the Board approve issuance of a request for proposals to lease the City's electric distribution system under an agreement that would allow a vendor to install a power line communications network that would be available to the City for electric and water utility applications and that would provide appropriate compensation to the City for use of its infrastructure.



General Manager



Date

ROCHESTER PUBLIC UTILITIES