

SCAMPS 2000 ANNUAL MEETING
HILTON HEAD, SOUTH CAROLINA

NEGOTIATING POLE ATTACHMENT FEES

presented by

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SOUTH CAROLINA
ASSOCIATION OF MUNICIPAL
POWER SYSTEMS

CPW CABLE CONTRACT

- Signed in 1967
- \$2.50 per Pole per Year
- No Rate Adjustment
- No Pole Counts
- No Back-Charging
- Six Months Termination

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SOUTH CAROLINA
ASSOCIATION OF MUNICIPAL
POWER SYSTEMS

BPW CABLE CONTRACT

- Signed in 1982
- \$4.50 per Pole per Year
- Rates Reviewed 2 Years
- No Pole Counts
- No Back-Charging
- One Year Termination

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What Should You Charge? • 1996 TELECOM ACT?

NO - Exempt

• SC PSC?

NO - Does Not Regulate Rates

• MARKET?

• ????????

I. INTRODUCTION

1. This *Report and Order* ("Order") addresses issues raised in *Amendment of Rules and Policies Governing Pole Attachments, Notice of Proposed Rulemaking*, CS Docket No. 97-98 ("Notice")¹ relating to the maximum just and reasonable rates utilities² may charge for "pole attachments" made to a pole, duct, conduit or right-of-way. Generally, the commenters represent the interests of one of the following three categories: (1) electric utilities; (2) cable operators; and (3) telecommunications carriers. In this *Order*, we adopt amended rules set forth in Appendix A.
Report)¹.

² A "utility" is defined as any person who is a local exchange carrier or an electric, gas, water, steam, or other public utility, and who owns or controls poles, ducts, conduits, or rights-of-way used, in whole or in part, for any wire communications. **Such term does not include any railroad, any person who is cooperatively organized, or any person owned by the Federal Government or any State.** 47 U.S.C. § 224(a)1).

SCAMPS 2000 ANNUAL MEETING



WHAT IS FCC FORMULA?

- 1978 Cable
- 1996 Telecommunications



Appendix C - 2
Pole Attachment Formulas (Poles) For
Electric Utility Pole Owners Using FERC Part 101 Accounts

$$\text{Maximum Rate per Pole} = \frac{\text{Space Occupied}}{\text{Usable Space}} \times \frac{\text{Net Pole Investment}}{\text{Total Number of Poles}} \times 0.85 \times \text{Carrying Charge Rate}$$

Where:

Space Occupied = 1 foot (presumed, but rebuttable)

Usable Space = 13.5 feet (presumed, but rebuttable)

Net Pole Investment = $\frac{\text{Gross Pole Investment (Account 364)} - \text{Accumulated Depreciation (Account 108)(Poles)} - \text{Accumulated Deferred Income Taxes (Account 109)(Poles)}}{\text{Total Number of Poles}}$

Carrying Charge Rate = Administrative + Maintenance + Depreciation + Taxes + Return

Administrative Element = $\frac{\text{Total General and Administrative (FERC Form 1, p. 323, line 168, col. b.)}}{\text{Gross Plant Investment (FERC Form 1, p. 200, col. b.)} - \text{Accumulated Depreciation (Account 108)} - \text{Accumulated Deferred Taxes (Plant) (Account 190)}}$

Maintenance Element = $\frac{\text{Account 593}}{\text{Pole Investment in Accounts 364, 365, \& 369} - \text{Depreciation (Poles) Related to Accounts 364, 365, \& 369} - \text{Accumulated Deferred Income Taxes related to Accounts 364, 365, \& 369}}$

Depreciation Element = $\frac{\text{Gross Pole Investment (Account 364)}}{\text{Net Pole Investment}} \times \text{Depreciation Rate for Gross Pole Investment}$

Taxes Element = $\frac{\text{Accounts 408.1 + 409.1 + 410.1 + 411.4} - 411.1}{\text{Gross Plant Investment (FERC Form 1, p. 200, col. b.)} - \text{Accumulated Depreciation (Account 108)} - \text{Accumulated Deferred Taxes (Plant) (Account 190)}}$

Return Element = Applicable Rate of Return (default = 11.25%)

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- LADWP (Cable) \$10
- LADWP (Telecom) \$25
- Duke (Cable) \$6
- Duke (Telecom) \$29.19





NEW CPW CONTRACT

- \$7.00 per Pole per Year
- Escalates with CPI - 5 Years
- Higher of CPI or \$10
- Escalates with CPI - 5 Years





NEW CPW CONTRACT

- Attachments: 4,644 to 4,939
- CPI at 3%
- 10 Year Analysis
- \$329,671

GREENWOOD, SC CPW
 NEW CABLE TV ATTACHMENT FEE SCHEDULE
 ESTIMATED REVENUE

2000 SCAMPS ANNUAL MEETING
 NEGOTIATING POLE ATTACHMENT FEES

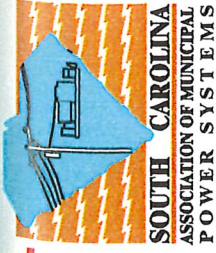
7/6/00

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	TOTAL
Existing Contract Rate	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	
Attachments	4,644	4,644	4,644	4,644	4,644	4,644	4,644	4,644	4,644	4,644	
Annual Billing	\$11,610	\$11,610	\$11,610	\$11,610	\$11,610	\$11,610	\$11,610	\$11,610	\$11,610	\$11,610	\$116,100
New Contract Rate	\$7.00	\$7.21	\$7.43	\$7.65	\$7.88	\$10.00	\$10.30	\$10.61	\$10.93	\$11.26	
Attachments	4,939	4,939	4,939	4,939	4,939	4,939	4,939	4,939	4,939	4,939	
Annual Billing	\$34,573	\$35,610	\$36,678	\$37,779	\$38,912	\$49,390	\$50,872	\$52,398	\$53,970	\$55,589	\$445,771
Difference	\$22,963	\$24,000	\$25,068	\$26,169	\$27,302	\$37,780	\$39,262	\$40,788	\$42,360	\$43,979	\$329,671
NPW of Additional Revenue	\$22,963	\$22,430	\$21,896	\$21,362	\$20,829	\$26,937	\$26,162	\$25,401	\$24,654	\$23,922	\$236,554

Assumptions

Rate of Return 7.00%
 Average CPI 3.00%

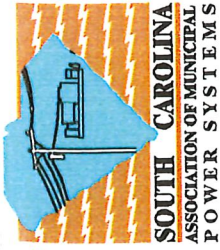
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NEW BPW CONTRACT

- \$12.50 per Pole per Year
- Periodic Rate Review
- \$30 for Two-Way Cable
- Most Favored Nation Clause





NEW BPW CONTRACT

- Attachments: 2,220 to 3,015
- Two-way in 2002
- 10 Year Analysis (from '98)
- \$593,550

GAFFNEY, SC BPW
 NEW CABLE TV ATTACHMENT FEE SCHEDULE
 ESTIMATED REVENUE

2000 SCAMPS ANNUAL MEETING
 NEGOTIATING POLE ATTACHMENT FEES

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	TOTAL
Existing Contract Rate	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	
Attachments	2,220	2,220	2,220	2,220	2,220	2,220	2,220	2,220	2,220	2,220	
Annual Billing	\$9,990	\$9,990	\$9,990	\$9,990	\$9,990	\$9,990	\$9,990	\$9,990	\$9,990	\$9,990	\$99,900
New Contract Rate	\$12.50	\$12.50	\$12.50	\$12.50	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	
Attachments	3,015	3,015	3,015	3,015	3,015	3,015	3,015	3,015	3,015	3,015	
Annual Billing	\$37,688	\$37,688	\$37,688	\$37,688	\$90,450	\$90,450	\$90,450	\$90,450	\$90,450	\$90,450	\$693,450
Difference	\$27,698	\$27,698	\$27,698	\$27,698	\$80,460	\$80,460	\$80,460	\$80,460	\$80,460	\$80,460	\$593,550
NPW of Additional Revenue	\$27,698	\$25,886	\$24,192	\$22,609	\$61,383	\$57,367	\$53,614	\$50,106	\$46,828	\$43,765	\$413,448

Assumptions
 Rate of Return 7.00%



SCAMPS 2000 ANNUAL MEETING

RECOMMENDATIONS

- Review Contracts
- Count Poles
- Establish a Standard Rate
- Notify Attachers of Intent
- Evaluate Joint Trench

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NEGOTIATIONS

- Have Rate in Writing
- Negotiate in Person
- Understand Their Position
- Be Flexible
- Be Forward Thinking



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