



Utilities Advisory Commission Staff Report

From: Kiely Nose, Interim Director Utilities
Lead Department: Utilities

Meeting Date: May 7, 2025
Report #: 2407-3228

TITLE

Utilities Advisory Commission Finance Subcommittee Recommends the Commission Recommend City Council Approve the FY 2026 Fiber Rates and Packages

RECOMMENDATION

Staff recommends that the Utilities Advisory Commission (UAC) advance a recommendation that Council approve the Fiber Rates and Packages for the City of Palo Alto to provide fiber broadband internet.

EXECUTIVE SUMMARY

Staff is recommending the Utilities Advisory Commission (UAC) advance a comprehensive rate range and service package for Council to consider and authorize to support the continued implementation of the City's Fiber-to-the-premises (FTTP) project pilot area of approximately 1,000 homes. The proposed broadband services and rates are based on extensive market research, evaluation of customer needs and competitive benchmarks. The rate range and service package allows flexibility to structure rates for special promotions, service packages, and other means to be competitive in offering fiber services to our pilot customers. A well-defined and adaptable rate structure for fiber internet services is essential for the success of the FTTP project. Recognizing the evolving and competitive marketplace, staff will continue to learn from this initial phase and incorporate new service delivery strategies. Staff continues to advance the City's electrical grid modernization project and Palo Alto Fiber together, saving time, creating efficiencies and reducing costs.

Staff presented the fiber rates and packages to the UAC Budget Subcommittee. The subcommittee unanimously approved the proposed fiber rates structure and product offerings.

BACKGROUND

On December 19, 2022 Council directed staff to proceed with the fiber backbone, a phased FTTP infrastructure build approach, and a hybrid business model for providing fiber internet services. Work continues to advance in several areas to launch a pilot service area including development and implementation of a new Operations Support System/Business Support

System (OSS/BSS)¹, engineering design and construction planning, material procurement, marketing, service delivery, and the strategic allocation of staffing resources through either hiring external expertise or training and assigning internal personnel to support these efforts.

On June 19, 2023, Council approved the FY 2024 CIP Budget with the new FTTP project “FTTP”, and Grid Modernization for Electrification Project “Grid Mod”. The approval of the Grid Mod project accelerated efforts to align electric and fiber construction, which impacted FTTP construction. Deployment continues to minimize utility engineering pole make-ready work, pole replacements, noise disruption, and construction activity in neighborhoods.

Following the June 2023 Council approval of the FY 2024 CIP Budget for the FTTP project, staff has been actively laying the groundwork for implementation. Activities include leveraging existing contracts and resources, securing the necessary approvals and permits to install a new fiber data hut, and establishing the operational frameworks and workflows required to support future service areas. These efforts are proceeding in parallel with the ongoing pilot program aimed at optimizing the alignment of fiber deployment with the City’s grid modernization initiatives.

ANALYSIS

In February 2025, the City retained Brightscape Networks/GoMo, fiber industry experts, to analyze the residential broadband coverage, competitive landscape, and potential service offering with the pilot area along with an operational assessment. In March 2025, Brightscape provided a summary of their market review of the pilot area, which revealed a duopoly between two major wireline incumbent providers Xfinity and AT&T, with Xfinity holding 100% coverage via cable (offering speeds up to 2 Gbps with data caps and contracts) and AT&T covering 89% with symmetrical fiber (FTTH) options up to 5 Gbps without data caps or contracts. Brightscape recommended Palo Alto offer symmetrical speeds ranging from 500 Mbps to 1 Gbps, focusing on a few plans to offer at competitive, contract-free rates with no data caps. They highlighted the need to address challenges in serving multi-family residents where incumbents have a long-standing presence and partnerships which limit competition.

With two major incumbent providers in the pilot area, the City would need to overcome the hurdles of new customer acquisition, such as switching aversion - when subscribers express dissatisfaction with their current internet service provider, the perceived hassle of switching may prevent them from taking action. To overcome challenges like this, through staff recommendations Palo Alto Fiber can provide basic services which are easy to understand and competitively priced, with marketing and outreach that differentiates our services from other providers, such as being a locally available municipality they can speak to in person.

¹ Operations support systems (OSS) manage telecom network infrastructure, ensuring reliable operations through functions like fault management and service assurance. Business support systems (BSS) streamline customer-facing activities, such as billing, subscriptions, and customer relationship management, to improve customer experiences. Together, OSS and BSS enhance telecom operations by connecting efficient network management with seamless customer interactions.

To optimize deployment within this competitive landscape, staff recommends an initial offering focused on simple, easy to understand and fulfill service packages. Staff also recommends approval for a range of rates and packages which can be easily adapted. This strategic approach offers several key advantages. First, limiting the number of core packages simplifies the initial deployment and provisioning processes, allowing staff to grow in-house expertise while relying on contracted services to concentrate on efficient installations and customer onboarding. Second, it reduces complexity in our customer support efforts and marketing and outreach, enabling us to clearly communicate the value proposition of each plan and focus on providing services. In a market where customers are often overwhelmed by numerous offerings, simplicity and transparency can be a significant differentiator. With a well-defined range for the rates and packages, staff can quickly adapt offerings to target different customer segments.

Staff recommends UAC adopt the following range of rates for Council consideration and approval the below range for the rates:

Residential Service Plan	Pricing	Comments
500 Mbps - Rate Assistance	Up to \$30	Monthly; Free installation and router
500 Mbps	Up to \$75	Monthly; Free installation and router
1 Gbps	Up to \$95	Monthly; Free installation and router
2 Gbps	Up to \$175	Monthly; Free installation
5 Gbps	Up to \$265	Monthly; Free installation

Commercial Internet Service Plan	Pricing	Comments
500 Mbps	Up to \$125	Monthly; Free installation and router
1 Gbps	Up to \$185	Monthly; Free installation and router
2 Gbps	Up to \$195	Monthly; Free installation
5 Gbps	Up to \$295	Monthly; Free installation

Additional Equipment	Pricing	Comments
Calix GigaSpire	Up to \$5	Monthly
Calix Blast Mesh Extender	Up to \$5	Monthly
Calix Gig Wan Port	Up to \$600	One time purchase

Other Service Offerings	Pricing	Comments
Fixed Wireless - 100 Mbps	Up to \$75/Month	Monthly; Free installation and router
Protect IQ	Up to \$10/Month	Network level security to protect against malicious threats and intrusions.
Experience IQ	Up to \$10/Month	Advanced parental controls with content access and usage schedules
Smart Home - Calix	Up to \$10/Month	Tools to manage and secure including features like network security, parental controls, and smart home automation.
Smart Biz - Calix	Up to \$30/Month	Suite of features to support small businesses.
Smart MDU - Calix	Up to \$10/Month per subscriber	Calix solution for MDU's that ads features like community wide managed Wi-Fi for the complex.
Commercial Dedicated 1 Gbps Internet Access (DIA)	Up to \$1,500/Month	1 Gbps Dedicated Internet Access (DIA) service to deliver dedicated bandwidth, reliable, high-performance connectivity, and throughput consistency.
Commercial Dedicated 10 Gbps Internet Access (DIA)	Up to \$7,500/Month	10 Gbps Dedicated Internet Access (DIA) service to deliver dedicated bandwidth, reliable, high-performance connectivity, and throughput consistency.

Other Contract Terms
Data Allowance - Unlimited
Month to month contract term

FISCAL/RESOURCE IMPACT

This report is for discussion purposes so there is no resource impact. Based on UAC and Council input, staff will recommend Council approve fiber internet rate ranges and packages. With necessary approvals, rates would be included in the June 16, 2025 Council budget adoption.

STAKEHOLDER ENGAGEMENT

On November 2, 2022, the UAC unanimously recommended to build fiber backbone and FTTP under a phased approach with existing funds. The UAC expressed the goal of building FTTP is to provide ubiquitous or citywide high-speed internet access to all residents and businesses in Palo Alto. If financially self-sustaining, and deemed successful, the first phase of FTTP can become a springboard to a citywide FTTP deployment.

On December 19, 2022, City Council directed staff to proceed with the Fiber Expansion Plan to implement the Fiber Rebuild project and Phase 1 of the Fiber-to-the-Premises (FTTP) project without debt financing. Included in the Council's motion was to a) maximize number of homes and businesses passed; b) consider promotional rates to increase take rate; c) define leading indicators and metrics to determine success; and d) recommend Council accelerate expansion if metrics are positive, including a potential bond to streamline construction and compress construction time as much as feasible.

On June 19, 2023, the City Council approved the FY 2024 CIP Budget for the new FTTP project, and Grid Modernization for Electrification Project. The approval of the electrification project accelerated efforts to align electrification and fiber construction, which impacted the Fiber Expansion Plan. Staff is deploying a pilot to determine how to align the grid modernization project and projects under the Fiber Expansion Plan to help minimize utility engineering pole make-ready work, pole replacements, noise disruption, and construction activity in neighborhoods. The pilot design was recently modified to streamline construction, and is currently undergoing material purchasing before starting fiber construction.

Since that time, staff has engaged UAC at their public meetings, and taken community input on various aspects of the staff's work to date. Additionally, a project website is live and offers information and status updates on this effort. Project updates will continue to be provided at www.PaloAlto.gov/PaloAltoFiber

ENVIRONMENTAL REVIEW

The UAC's recommendation for a rate and package is not a project requiring California Environmental Quality Act review, because it is an administrative governmental activity which will not cause a direct or indirect physical change in the environment.

ATTACHMENTS

Attachment A: Presentation

AUTHOR/TITLE:

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