Update & Analysis:
Incorporation of Click! Policy Goals into IRU & Click! Business Transaction Agreement

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to the City of Tacoma City Council
& Utility Board
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Background
Click! History and Analysis

15 year track record of policy success

Led to multi-year investigation of future path

Thorough investigation led to development of 12 Click! policy goals, reflecting the areas of success to-date and the criteria for decision-making for the future

Policy goals adopted by Council and Board in 2018 became framework for evaluating future strategies

The 12 Click! Policy Goals

- Public ownership of assets
- Equitable access
- Low-income/affordable access
- Net neutrality
- Open access by other providers
- Preserve competition
- Safeguard municipal use of services
- Maintain financial stability
- Economic development & educational opportunities
- Job options for Click! staff
- Consumer privacy
- Click! goodwill, customer service
2017 – Mid-2018: Evaluative Process

Consideration of a range of models for Click!, focused on 2 key requirements:
- Best means to achieve policy goals in future
- Best means to cover operating costs

Over course of multiple processes, considered multiple models:
- Status quo with additional efficiencies
- Municipal ISP (“All In”)
- Utility model (tax-supported)
- Public-private collaboration

2018: RFI/Q to Test Collaboration Model

5 responses

3 were fundamentally non-aligned with policy goals

Non-responsive proposers were offered opportunity to revise proposals, following in-person meetings
Non-Responsive Proposals Opportunity to Revise

- Rainier Connect revised proposal to align with policy goals
- Wyerdr declined to participate unless able to buy Click!
- Advanced Stream proposal required substantial increase in City/TPU financial risk

August 2018

- Board & Council directed testing responsive proposals through negotiation
- Potential to meet policy goals
- Potential to shift financial risk to partner
Fall 2018

• City & TPU undertook formal process of outreach
• Consultation with community members, Click! customers, & Click! employees

Fall 2018 – March 2019

**Negotiations with three final respondents**

- **Yomura Fiber**: Promising discussions ended due to incompatibility regarding control of fiber to meet power utility security regulations
- **Wave Broadband**: Extensive discussions lead to completed term sheet
- **Rainier Connect**: Extensive discussions lead to completed term sheet
March 2019 – Present

Negotiations with Rainier Connect

- Rainier Connect selected to move forward
- Extensive discussions lead to completed draft agreements & exhibits
- Click! Business Transaction Agreement
- Indefeasible Right of Use Agreement

POLICY GOALS INCORPORATED INTO AGREEMENTS & exhibits
1. Public Ownership of Assets

**Term:** 20-year term with 2 potential 10-year renewals

**Network upgrade:** Cable broadband state-of-the-art (gigabit) within 3 years

**Network upgrades over time:** Rainier to keep parity with cable broadband providers in the region

**Assets:** New assets constructed, replaced, or upgraded by Rainier become TPU property within IRU term

2. Equitable Access

**Like services at like prices:** Rainier will offer the same services -- at the same prices -- to the whole community

**Ubiquitous upgrades:** Rainier will upgrade the network to all, not just a few

**Equitable access to service:** Rainier may not decline service to any customer in good standing & will purposefully endeavor to increase access
3. Low-Income/Affordable Access

**Federal subsidy**: Rainier commits to provide the federal Lifeline subsidy to customers that qualify

**High quality inclusion product**: Rainier will offer reduced-cost broadband to households eligible for TPU’s electric service low-income program

**Free access to community anchors**: Rainier will provide free internet access to 30 locations

4. Net Neutrality

**Transparency**: Rainier will fully & publicly disclose accurate information about its services

**No throttling**: Rainier will not impair or degrade lawful Internet traffic based on content

**No blocking**: Rainier will not block lawful content, websites, resources, applications, services, or non-harmful devices

**No discrimination**: Rainier will treat all lawful traffic similarly

**No paid prioritization**: Rainier will not treat some Internet traffic better for financial reasons

**Verification**: TPU can test
5. Open Access

**Open Access Program:** Rainier Connect commits to provide wholesale services to other providers consistent with Rainier’s practices & policies in other areas

**Verification:** Negotiation team verified that the company does provide wholesale services in other markets

6. Preserve Competition

**No transfer without TPU consent:** TPU prior consent required for Rainier to transfer its IRU rights (including changes in control of Rainier)

**No transfer that would reduce local competition:** Rainier may not transfer its IRU rights to any company that already has 25% residential market share

**Transferee must commit to 12 policy goals:** TPU can reject a transfer that violates any of the 12 policy goals
7. Safeguard Municipal Use of Services

**TPU controls fiber:** TPU will maintain control of all fiber maintenance on Critical Routes that serve utility and municipal purposes

**TPU eliminates cost of maintenance on non-critical routes:** Rainier will be responsible for maintenance of coaxial infrastructure

**Technical safeguards:** The contract includes multiple means by which TPU maintains control and security of assets that serve critical municipal needs

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8. Maintain Financial Stability

**Annual IRU Fee:** Rainier will pay TPU for use of the network $2.5M in year 1, growing to $3M in year 5 and then growing by rate of inflation

**Network investment:** Rainier will invest at least $1.5M in the network per year, growing by rate of inflation

**Verification:** TPU can audit capital expenditures every 3 years
9. Economic Development & Educational Opportunities

**Training:** Rainier Connect will create an internship program for students & residents

**Business attraction:** Rainier will work with TPU to support efforts to attract businesses to Tacoma

10. Job Options for Click! Staff

Rainier commits to make good faith effort to consider existing Click! employees when filling vacancies
11. Consumer Privacy

**Compliance with City privacy policy:** Rainier commits to comply with City Council Resolution No. 39702 & implement it into its own broadband data service.

**Ensure ISP compliance:** Rainier will require the same policies of any ISPs that buy its wholesale service.

**Transparent privacy policy:** Rainier commits to publish the privacy policy on its website so its practices are open and transparent to the public.

12. Click! Goodwill & Customer Service

**Responsiveness:** Rainier will maintain a local or toll-free telephone line for taking customer calls.

**Speedy response:** Customer contacts will be answered within 30 seconds & repairs started within 24 hrs.

**Reasonable service timing:** Rainier will schedule during four-hour time blocks & begin installations within 7 days.

**Notice:** Rainier will provide 30 days’ notice for changes in rates or services.

**Localism:** Rainier will have staff in Tacoma.