RESOLUTION NO. U-10878

A RESOLUTION relating to Click! Network; approval of an All-In business and general government contribution funding plan to provide retail telecommunication services.

#1. WHEREAS the City Council of Tacoma delegated authority to the Public Utility Board and the Department of Public Utilities ("TPU"), Light Division (dba "Tacoma Power"), to implement and manage a broadband telecommunications system ("Click! Network" or "Click!", as authorized through City Council Substitute Resolution No. 33668, approved April 8, 1997, and Public Utility Board Amended Substitute Resolution U-9258, approved April 9, 1997), and

#2. WHEREAS the 1997 business plan contemplated that the revenues associated with telecommunications services related to city government communications, cabletelevision ("CATV") service, transport of signals to service providers offering telecommunications services, and internet access services would pay for the costs of such services and would provide an additional revenue stream to Tacoma Power to help offset the construction and operations costs associated with the telecommunications system, and

#3. WHEREAS many of the functions of the telecommunications system envisioned in the 1997 business plan have been achieved in their entirety since the infrastructure improvements were completed in 1999 including: conventional substation communication functions, distribution automation, city government communications functions, CATV service, transport of signals for service
providers offering telecommunications services (the last three functions are “Click!”) and internet access services (through third-party providers), and

#4. WHEREAS other contemplated functions have been partially achieved for certain electric customers through the Gateway meter program which include: remote turn on/off for electric customers, automated meter reading (electric), and provision of information to customers that is relevant to their energy purchasing decisions, and

#5. WHEREAS the customers of the fully implemented uses of the telecommunications system (city government communications functions (“I-Net”), CATV service, and transport of signals for service providers offering telecommunications services) have shared in part of the capital costs of constructing the telecommunications system as well as the operation and maintenance of the infrastructure to the benefit of electric customers who would have paid 100% of these costs, and

#6. WHEREAS the telecommunications system continues to provide interconnectivity, advanced control, and power management between electrical substations, which provide safe, reliable, and efficient use of electrical resources for the benefit of all Tacoma Power customers, and

#7. WHEREAS the existing business plan and current cost allocations for Click! functions do not generate sufficient revenues to fund current expenses and capital improvement costs related to these functions, and
#8. WHEREAS, on an ongoing basis, Tacoma Power will continue to use portions of the telecommunications system for conventional substation and other communications, distribution automation, etc., and

#9. WHEREAS, for a period of time, portions of the telecommunications system will continue to be utilized by Tacoma Power to support the Gateway meter program, which serves over 15,000 Tacoma Power customers, and

#10. WHEREAS future advanced meter infrastructure may use portions of the fiber network facilities of the telecommunications system and may, in part, rely on the hybrid fiber-coaxial ("HFC") infrastructure to fully implement the remaining functions described in the 1997 business plan, and that if and when such future uses occur, Tacoma Power should pay a share of the costs of the telecommunications system related to such uses, and

#11. WHEREAS, following a nine-month review by the Click! Engagement Committee (a committee comprised of representatives of the City, TPU, and citizens appointed by the City), the Engagement Committee described the community benefits of a new enhanced Click! broadband telecommunications system and an outline of the features of such a new system, and

#12. WHEREAS Tacoma Power has determined, in part as a result of the Click! Engagement Committee's work, that to increase revenues, Click!'s retail products must be enhanced to include retail internet services and voice-over internet phone services that can be bundled with the current CATV
services (Click! would continue offering wholesale data transport services and
city governmental communications functions), and

#13. WHEREAS the studies by the Click! Engagement Committee and
Tacoma Power's financial analysis demonstrate that continuing to provide
CATV services in support of retail internet services makes the sale of such
services a more competitive overall product and improves the financial
sustainability of Click!, and

#14. WHEREAS the studies of the Click! Engagement Committee,
Tacoma Power's financial analysis, and industry experts conclude that high
speed internet access of 1 gigabit will be the standard for the next generation.
Click! needs to make capital improvements to the current telecommunications
system infrastructure to achieve these or greater speeds and to keep the
competitiveness of Click! internet services in the community, and

#15. WHEREAS all financial models studied by the Click! Engagement
Committee and Tacoma Power nonetheless show that the market price that can
be charged for these enhanced Click! services and the market penetration that
can be achieved will be insufficient to cover all of the costs associated with the
operations and maintenance of the telecommunications system and the capital
improvements necessary to update the HFC to allow for 1 gigabit service, and

#16. WHEREAS the internet-related uses of the current Click!
telecommunications system and a new enhanced Click! broadband
telecommunications system would provide Tacoma Power customers benefits
by giving them access to advanced customer services options such as: power
use monitoring, outage reporting, scheduling of services, bill paying, and
electrical appliance control, and

#17. WHEREAS, in planning for an uncertain and unknown future, there
may be other potential functions related to the supplying of electricity to
customers not considered in the existing business plan that might also make
use of the telecommunications system infrastructure including: cyber security,
electric car charger locations and metering, and enhanced customer information
products (power usage by time of day, behavior-based saving programs,
outage communications, energy audits, and participation in Evergreen Options),
and

#18. WHEREAS the Board has a duty to ensure that Tacoma Power
ratepayers pay in their power rates only those costs that are directly and
reasonably related to the provision of electric service, and

#19. WHEREAS the Board has a duty to ensure that Tacoma Power and
Click! are in compliance with legal and statutory requirements, and

#20. WHEREAS, although the Board supports the vision and goals for a
new Click! broadband telecommunications system described in recitals #11 –
#17 above, the Board nonetheless finds that those visions and goals benefit the
public generally and are not sufficiently related to the provision of electric
service to support funding solely from Tacoma Power electric rate revenue.
Most of the capital improvements required for a new Click! broadband
telecommunications system primarily improve the coaxial cable portion of the
Click! network which, in the very near future, will no longer be needed for any
material electric utility service now known or reasonably foreseeable in the future. The new Click! broadband telecommunications system described in recitals #11 - #17 above duplicates existing telecommunications systems. Any benefits of a new Click! broadband telecommunications system to electric utility rate payers and Tacoma Power are only incidental, because the new Click! broadband telecommunications system will primarily be used by customers for non-electric utility personal communication, entertainment, and business needs of its users; and only infrequently for electric utility communications and purposes. Expenditures for a new Click! broadband telecommunications system cannot, therefore, come from Tacoma Power electric utility rate revenue because the new telecommunications system described in recitals #11 - #17 above is not sufficiently related to the provision of electric service to Tacoma Power ratepayers, and

#21. WHEREAS the Board also concludes that many of the community goals set out for Click! by the Click! Engagement Committee can be met through a partnership between Click! and a third-party private partner that would provide the capital and operational funding necessary to enhance and establish a new Click! broadband telecommunications system, and

#22. WHEREAS the Board nonetheless finds it wasteful and unproductive to abandon or leave unutilized the HFC components, which are currently used to provide Click! functions (including CATV and internet access services) and, in order to preserve the functionality and value of the Click! telecommunications system, the Board determines it prudent to provide a
supplemental level of funding from Tacoma Power to the telecommunications system for a limited period of time until a stable source of funding from an alternate source can be secured, and

#23. WHEREAS the Board concludes that the City and the general public also benefit from Tacoma Power maintaining and updating the telecommunications system and therefore, the City should have the opportunity to identify and commit to non-Tacoma Power ratepayer sources of funds to assist in paying a portion of the costs associated with the activities that are unmet through revenues generated from the new Click! broadband telecommunications system and the sale of enhanced Click! products. The Board would prefer that City funding come from a new stable source, developed solely for the purpose of funding the new Click! broadband telecommunications system, and not compete with other vital City needs for general fund resources, but the Board understands the source of any funding for the new Click! broadband telecommunications system described in recitals #11 - #17 above is a matter solely within the authority of the City Council, and

#24. WHEREAS the Board has determined that, along with enhanced product offerings, the new business plan for a new Click! broadband telecommunications system should also grant Click! management flexibility to change product offerings, prices, and marketing strategies without prior Board or Council approval in order to effectively compete with private companies offering similar products and services, and
#25. WHEREAS the Board finds it to be in the best interests of its electric customers and the citizens of Tacoma that a new business plan be approved for Click! functions; Now, therefore,

BE IT RESOLVED BY THE PUBLIC UTILITY BOARD OF THE CITY OF TACOMA:

Sec. 1. Click!’s proposed high-level “All-In” business plan (the “Business Plan”) for a new Click! broadband telecommunications system, attached as Exhibit A to this resolution, is approved, with such approval conditioned on approval of the Business Plan, funding, and other provisions of this resolution by the Council.

Sec. 2. The Clerk of the Board is directed to forward this Resolution and the Business Plan to the City Council for immediate consideration. Upon approval of the Business Plan, funding, and other provisions of this resolution by Council, TPU staff is directed to complete the more detailed aspects of the Business Plan.

Sec. 3. TPU’s request that Click! management be delegated authority to make changes to products and service offerings, prices (within the limitations of a broad range of Click! rates/charges approved by the Board and Council via ordinance), and marketing strategies contained within the Business Plan without further approval by the Board and City Council is approved, and the Council is requested to concur in such approval. Such delegation includes allowing private third-parties to lease, rent, or buy unused portions of the network to supply services to customers and maximize revenue generation to Click!. Click! shall continue to bring contracts for the purchase of goods, services, materials in excess of $200,000, and major policy decisions to the Board for approval.

Sec. 4. The TPU Director, in consultation with the Finance Director, will develop and implement a system effective January 1, 2017, that is consistent with generally accepted accounting principles for governmental entities and that more clearly depicts Click! revenues and expenses in a manner that is transparent and understandable.

Sec. 5. Tacoma Power’s request to borrow $12 Million - $14 Million, on terms subsequently agreed by Tacoma Power and the City, from the City’s cash reserves or other City-designated source of funding, for required capital improvements to provide new broadband telecommunications system improvements and enhanced product offerings, is approved by the Board subject to subsequent approval by the City Council.
Sec. 6. Tacoma Power’s request to transfer the following annual amounts to the Click! fund from Tacoma Power electric revenues to appropriately compensate Power’s beneficial use of the telecommunications system infrastructure, is approved. The Board will adjust these amounts periodically based on updated cost allocation studies:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$6,120,000</td>
</tr>
<tr>
<td>2018</td>
<td>$6,120,000</td>
</tr>
<tr>
<td>2019</td>
<td>$4,700,000</td>
</tr>
<tr>
<td>2020</td>
<td>$4,700,000</td>
</tr>
<tr>
<td>2021*</td>
<td>$2,051,000</td>
</tr>
<tr>
<td>2022*</td>
<td>$2,122,062</td>
</tr>
<tr>
<td>2023*</td>
<td>$2,262,130</td>
</tr>
<tr>
<td>2024*</td>
<td>$2,331,140</td>
</tr>
<tr>
<td>2025*</td>
<td>$2,401,514</td>
</tr>
</tbody>
</table>

*The amount currently estimated to be the costs allocated for Tacoma Power’s actual use of Click! Network resources.

Sec. 7. The Council is requested to approve and provide a biennial appropriation of funds from a new and stable source of funding developed by the City for funding the new Click! broadband telecommunications system, or from other City-designated source of funding for use by the Click! fund, to pay all Click! operating, maintenance, taxes, capital costs, and debt service in excess of the amounts provided by Tacoma Power under Section 6 above. The Board’s studies suggest that the City’s appropriation under this Section 7 will need to be the following estimated amounts:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$2,775,801</td>
</tr>
<tr>
<td>2018</td>
<td>$4,913,619</td>
</tr>
<tr>
<td>2019</td>
<td>$6,427,402</td>
</tr>
<tr>
<td>2020</td>
<td>$4,074,560</td>
</tr>
<tr>
<td>2021</td>
<td>$6,650,593</td>
</tr>
<tr>
<td>2022</td>
<td>$6,875,159</td>
</tr>
<tr>
<td>2023</td>
<td>$7,036,145</td>
</tr>
<tr>
<td>2024</td>
<td>$7,212,832</td>
</tr>
<tr>
<td>2025</td>
<td>$7,511,423</td>
</tr>
</tbody>
</table>

Sec. 8. There is no commitment of supplemental funding for Click! beyond 2025 from either the Council or the Board. In 2020, staff will prepare a report to the Board and Council detailing business plan objective achievements and financial status of Click! to determine any adjustments in future funding.

Sec. 9. The Board directs staff to identify business efficiencies and savings that can be made through staff reorganization, looking at both
represented and non-represented positions. Staff will negotiate with appropriate union representatives to collaboratively identify opportunities.

Sec. 10. If Tacoma Power and the City Council cannot commit to providing the municipal funding necessary to develop the new Click! broadband telecommunications system envisioned in Exhibit “A” and the foregoing resolutions, the only remaining source of potential funding for such a new broadband telecommunications system is to search for and negotiate with potential third-party(s)(public or private) to develop an alternative business plan for Click! that includes additional external funding that would retain ownership of the telecommunications system by Tacoma Power, and that reflects operation of a new Click! broadband telecommunications system by a public/private partnership with the objectives of (i) achieving as many of the community objectives laid out by the Click! Engagement Committee as possible and (ii) minimizing or eliminating the projected cash losses laid out in the proposed Business Plan. The Board directs Tacoma Power and Click! staff to lay the groundwork for such an effort and to move such a plan forward if it becomes clear that municipal funding will not become available.

Approved as to form and legality:

William Foss
Chief Deputy City Attorney

______________________________
Chair

______________________________
Secretary

______________________________
Clerk

Adopted


2018/Resolutions/Power/ U-10878 Click! All-In Retail Service Business and General Government Contribution Funding Plan.doc
Exhibit A
Click! All-In Compete Business Plan

Key Business Plan Elements:

- Click! is expected to provide retail cable modem internet, voice over internet protocol, commercial broadband services, and other advanced telecommunications services in addition to retail cable television service to residential and commercial customers.
- Click! is expected to provide bundled service of cable television, internet and phone services.
- The Click! network is expected to continue operating as an Open Access Network.
- Click! is expected to maintain its existing wholesale relationships with the Internet Service Providers (ISP), including Rainier Connect, Net-Venture and Advanced Stream. No buy out of the ISPs’ businesses is assumed. Wholesale internet pricing offered to ISPs will need to be addressed.
- Click! is expected to maintain its existing wholesale relationships with the Master Service Agreement (MSA) holders, including Rainier Connect, Optic Fusion, twtelecom, Integra, CenturyLink, Spectrum Networks and Noel Communications. No buyout of the MSAs’ businesses is assumed. Wholesale broadband pricing offered to ISPs will need to be addressed.
- Click! is expected to remain a unit of Tacoma Power within Tacoma Public Utilities and be governed by the Tacoma Public Utilities Board. More independent and flexible governance is a key element of the plan.
- Tacoma Power is expected to pay 6% of the total O&M costs as its proportionate share for utilizing the telecommunications network. Tacoma Power’s proportionate share of O&M costs may change over time as its use of the telecommunications network changes.
- Click! is expected to upgrade its hybrid fiber coaxial (HFC) network to 1 Gigahertz, deploy DOCSIS 3.1 technology, and, over time, build new plant extension with fiber-to-the-home (FTTH) technology.
- Click! is expected to offer Gigabit and multi-Gigabit service to residential customers.
- Click! is expected to continue offering Gigabit and multi-Gigabit Metro Ethernet services to commercial customers.
- Click! is expected to continue maintaining and supporting the City’s Institutional Network (I-Net).
- Click! is expected to offer discounted residential Cable TV and Phone services to payment challenged customers based on existing Federal poverty guidelines (up to 100% of the income threshold) that have been adopted by Tacoma Public Utilities.
- Click! is expected to offer a $14.95 internet service for qualified low income customers, of which $9.25 of the charge is expected to be covered by the new Federal Lifeline program leaving a customer out-of-pocket cost of $5.70 per month.
- Click! is expected to achieve labor cost and operating savings by negotiating work rule changes, providing employee training and contracting out new and certain existing functions.
- Click! is expected to conduct door-to-door Sales Burst campaigns during the first and third years of the new business plan period, which are expected to generate between 4,000 and 6,000 new customers.
Financial and Customer Summary (Low/High Growth):

<table>
<thead>
<tr>
<th>Base - Assumptions</th>
<th>Year 2 - 2017</th>
<th>Year 5 - 2020</th>
<th>Year 10 - 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homes Passed</td>
<td>113,950</td>
<td>113,950</td>
<td>113,950</td>
</tr>
<tr>
<td># of Retail Internet Customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L</td>
<td>10,416</td>
<td>26,215</td>
<td>31,379</td>
</tr>
<tr>
<td>H</td>
<td>10,750</td>
<td>28,919</td>
<td>35,713</td>
</tr>
<tr>
<td># of Wholesale Internet Customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L</td>
<td>17,333</td>
<td>5,695</td>
<td>3,754</td>
</tr>
<tr>
<td>H</td>
<td>17,333</td>
<td>4,556</td>
<td>3,003</td>
</tr>
<tr>
<td>Internet Market share</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L</td>
<td>24.4%</td>
<td>28.0%</td>
<td>30.8%</td>
</tr>
<tr>
<td>H</td>
<td>24.6%</td>
<td>29.4%</td>
<td>34.0%</td>
</tr>
<tr>
<td># of Phone Customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L</td>
<td>1,800</td>
<td>4,566</td>
<td>5,399</td>
</tr>
<tr>
<td>H</td>
<td>2,173</td>
<td>6,058</td>
<td>7,557</td>
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<tr>
<td>Phone Market share</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>L</td>
<td>1.6%</td>
<td>4.0%</td>
<td>4.7%</td>
</tr>
<tr>
<td>H</td>
<td>1.9%</td>
<td>5.3%</td>
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<tr>
<td># of Cable Customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L</td>
<td>19,035</td>
<td>18,544</td>
<td>13,831</td>
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<tr>
<td>H</td>
<td>19,185</td>
<td>19,378</td>
<td>15,136</td>
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<tr>
<td>Cable Market share</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>L</td>
<td>16.7%</td>
<td>16.3%</td>
<td>12.1%</td>
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<tr>
<td>H</td>
<td>16.8%</td>
<td>17.0%</td>
<td>13.3%</td>
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<tr>
<td># of employees</td>
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<td></td>
</tr>
<tr>
<td>L</td>
<td>89</td>
<td>101</td>
<td>104</td>
</tr>
<tr>
<td>H</td>
<td>91</td>
<td>106</td>
<td>110</td>
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<tr>
<td>Cumulative Capital Investment</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>L</td>
<td>$16.0M</td>
<td>$29.5M</td>
<td>$49.3M</td>
</tr>
<tr>
<td>H</td>
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<td>$30.0M</td>
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<td>Annual Cash Flow/Subsidy</td>
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<td></td>
</tr>
<tr>
<td>L</td>
<td>($19.5M)</td>
<td>($4.9M)</td>
<td>($5.7M)</td>
</tr>
<tr>
<td>H</td>
<td>($19.5M)</td>
<td>($4.4M)</td>
<td>($4.2M)</td>
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<tr>
<td>Cumulative Cash Flow</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L</td>
<td>($19.5M)</td>
<td>($39.5M)</td>
<td>($65.5M)</td>
</tr>
<tr>
<td>H</td>
<td>($19.5M)</td>
<td>($38.6M)</td>
<td>($58.7M)</td>
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<tr>
<td>NPV</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>LH</td>
<td>($19.5M)</td>
<td>($36.6M)</td>
<td>($56.5M)</td>
</tr>
<tr>
<td></td>
<td>($19.8M)</td>
<td>($35.9M)</td>
<td>($51.2M)</td>
</tr>
</tbody>
</table>

- It is anticipated that Click! will continue to operate in a deficit situation for the foreseeable future.
- The viability of this business plan is contingent upon securing external funding.
RESOLUTION NO. U-10879

A RESOLUTION relating to Click! Network; approval of an All-In business and Tacoma Power funding plan to provide retail telecommunication services.

#1. WHEREAS the City Council of Tacoma delegated authority to the Public Utility Board and the Department of Public Utilities ("TPU"), Light Division (dba "Tacoma Power"), to implement and manage a broadband telecommunications system ("Click! Network" or "Click!", as authorized through City Council Substitute Resolution No. 33668, approved April 8, 1997, and Public Utility Board Amended Substitute Resolution U-9258, approved April 9, 1997), and

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#8. WHEREAS, on an ongoing basis, Tacoma Power will continue to use portions of the telecommunications system for conventional substation and other communications, distribution automation, etc., and
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#10. WHEREAS future advanced meter infrastructure may use portions of the fiber network facilities of the telecommunications system and may, in part, rely on the hybrid fiber-coaxial ("HFC") infrastructure to fully implement the remaining functions described in the 1997 business plan, and that if and when such future uses occur, Tacoma Power should pay a share of the costs of the telecommunications system related to such uses, and

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#13. WHEREAS the studies by the Click! Engagement Committee and Tacoma Power's financial analysis demonstrate that continuing to provide CATV services in support of retail internet services makes the sale of such services...
services a more competitive overall product and improves the financial 
sustainability of Click!, with estimations that Click! customers cover over 90% of 
the cost of service, and

#14. WHEREAS the studies of the Click! Engagement Committee,
Tacoma Power's financial analysis, and industry experts conclude that high-
speed internet access of 1 gigabit will be the standard for the next generation.
Click! needs to make capital improvements to the current telecommunications
system infrastructure to achieve these or greater speeds and to keep the
competitiveness of Click! internet services in the community, and

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telecommunications system and an enhanced Click! telecommunications
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control, and

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electric car charger locations and metering, and enhanced customer information
products (power usage by time of day, behavior-based saving programs,
outage communications, energy audits, and participation in Evergreen Options),
and

#18. WHEREAS the Board has a duty to ensure that Tacoma Power
ratepayers pay in their power rates only those costs that are directly and
reasonably related to the provision of electric service, and

#19. WHEREAS the Board has a duty to ensure that Tacoma Power and
Click! are in compliance with legal and statutory requirements, and

#20. WHEREAS Tacoma Power has excess power generation capacity
within its service territory. In the past, Tacoma Power has benefited greatly by
selling this excess capacity in the wholesale power markets to the benefit of all
retail electric customers. Over the past few years, wholesale power prices and
sales have dropped substantially. In support of Tacoma Power's strategic
business plan, Tacoma Power wants to make up this lost revenue by looking at
ways to increase its retail power sales through economic growth in the
community. Communities across the nation have benefited economically from
competitive access to internet services in their communities. Tacoma Power's
continued operation and maintenance of the telecommunications system for
internet access purposes assists in making the internet services competitive in
Tacoma Power's service area, which increases economic growth that leads to
greater retail power sales, and

#21. WHEREAS, in order to preserve the functionality and value of the
telecommunications system for the benefit of Power customers, the Board has
determined there should be a supplemental level of funding from Power to the
telecommunications system based on direct services reasonably related to the
 provision of electric services as enumerated herein, and

#22. WHEREAS the Board nonetheless finds it wasteful and
unproductive to abandon or leave unutilized the HFC components, which are
currently used to provide Click! functions (including CATV and internet access
services) and, in order to preserve the functionality and value of the Click!
telecommunications system, the Board determines it prudent to provide a
 supplemental level of funding from Tacoma Power to the telecommunications
 system for a limited period of time until a stable source of funding from an
 alternate source can be secured, and

#23. WHEREAS the Board has determined that along with enhanced
product offerings, the new business plan should also grant Click! management
flexibility to change product offerings, prices, and marketing strategies,
excluding the leasing of the entire network, without prior Board or Council
approval so as to effectively compete with private companies offering similar
products and services, and
#24. WHEREAS the Board finds it to be in the best interests of its electric
customers and the citizens of Tacoma that a new business plan be approved
for Click! functions; Now, therefore,

BE IT RESOLVED BY THE PUBLIC UTILITY BOARD OF THE CITY OF TACOMA:

Sec. 1. Click!'s proposed high-level “All-In” business plan (the “Business
Plan”), attached as Exhibit A to this resolution, is approved.

Sec. 2. The Clerk of the Board is directed to forward this Resolution and
the Business Plan to the City Council for immediate consideration. The Board
requests, due to budget timing constraints, that the City Council make its
decision in a timely manner. Upon approval of the Business Plan, funding, and
other provisions of this resolution by Council, TPU staff is directed to complete
the more detailed aspects of the Business Plan and then implement that plan.

Sec. 3. TPU’s request that Click! management be delegated authority to
make changes to products and service offerings, prices (within the limitations
set forth in the Click! rates/charges ordinance approved by the Board and
Council), and marketing strategies contained within the Business Plan without
further approval by the Board and City Council is approved, and the Council is
requested to concur in such approval. All significant material changes to the
Business Plan that would remove TPU as the primary operator of Click!
including, but not limited to, the sale or lease of telecommunications system
equipment or capacity, outsourcing of work, permanent discontinuance of
products or services, etc. shall be brought to the Board and City Council for
approval. Such delegation would allow private third-parties to lease, rent, or buy
unused portions of the network to supply services to customers and maximize
revenue generation to Click!. Click! shall continue to bring contracts for the
purchase of goods, services, and materials in excess of $200,000 to the Board
for approval.

Sec. 4. Tacoma Power’s request to transfer an annual amount to the
Click! fund from Tacoma Power electric revenues, to appropriately compensate
Power’s past, current and future beneficial uses of the telecommunications
system infrastructure, which shall be used to pay Click! operating, maintenance,
taxes, capital costs and debt, is approved. Tacoma Power’s transfer from
electric revenues under this Section 4 shall be a minimum of $6 Million
annually, and in the event Click!’s costs exceed $6 Million for the year, Tacoma
Power is approved to transfer additional funds not to exceed $10 Million per
year. Click! may use these transferred funds to make capital improvements and
purchase equipment as necessary to meet the objectives of the All-In Business
plan.
Sec. 5. Staff will present, not less than annually, to the Board and Council on Click!’s status relative to its business plan objectives and any changes made to the business plan and business outlook for Click!. In 2020 and 2025, staff will prepare a report to the Board and Council detailing business plan objective achievements and financial status of Click! to determine any adjustments in future funding. Staff reports will describe the past, current, and future expected use of the telecommunications network by Tacoma Power.

Sec. 6. The Board directs staff to identify business efficiencies and savings that can be made through staff reorganization, looking at both represented and non-represented positions. Staff will negotiate with appropriate union representatives to collaboratively identify opportunities for efficiencies and savings.

Approved as to form and legality:

William Johnson
Chief Deputy City Attorney

Chair

Secretary

Adopted

Clerk
Click! All-In Compete Business Plan

Key Business Plan Elements:

- Click! is expected to provide retail cable modem internet, voice over internet protocol, commercial broadband services, and other advanced telecommunications services in addition to retail cable television service to residential and commercial customers.
- Click! is expected to provide bundled service of cable television, internet and phone services.
- The Click! network is expected to continue operating as an Open Access Network.
- Click! is expected to maintain its existing wholesale relationships with the Internet Service Providers (ISP), including Rainier Connect, Net-Venture and Advanced Stream. No buyout of the ISPs’ businesses is assumed. Wholesale internet pricing offered to ISPs will need to be addressed.
- Click! is expected to maintain its existing wholesale relationships with the Master Service Agreement (MSA) holders, including Rainier Connect, Optic Fusion, twtelecom, Integra, CenturyLink, Spectrum Networks and Noel Communications. No buyout of the MSAs’ businesses is assumed. Wholesale broadband pricing offered to ISPs will need to be addressed.
- Click! is expected to remain a unit of Tacoma Power within Tacoma Public Utilities and be governed by the Tacoma Public Utilities Board. More independent and flexible governance is a key element of the plan.
- Tacoma Power is expected to pay 6% of the total O&M costs as its proportionate share for utilizing the telecommunications network. Tacoma Power’s proportionate share of O&M costs may change over time as its use of the telecommunications network changes.
- Click! is expected to upgrade its hybrid fiber coaxial (HFC) network to 1 Gigahertz, deploy DOCSIS 3.1 technology, and, over time, build new plant extension with fiber-to-the-home (FTTH) technology.
- Click! is expected to offer Gigabit and multi-Gigabit service to residential customers.
- Click! is expected to continue offering Gigabit and multi-Gigabit Metro Ethernet services to commercial customers.
- Click! is expected to continue maintaining and supporting the City’s Institutional Network (I-Net).
- Click! is expected to offer discounted residential Cable TV and Phone services to payment challenged customers based on existing Federal poverty guidelines (up to 100% of the income threshold) that have been adopted by Tacoma Public Utilities.
- Click! is expected to offer a $14.95 internet service for qualified low income customers, of which $9.25 of the charge is expected to be covered by the new Federal Lifeline program leaving a customer out-of-pocket cost of $5.70 per month.
- Click! is expected to achieve labor cost and operating savings by negotiating work rule changes, providing employee training and contracting out new and certain existing functions.
- Click! is expected to conduct door-to-door Sales Burst campaigns during the first and third years of the new business plan period, which are expected to generate between 4,000 and 6,000 new customers.
### Financial and Customer Summary (Low/High Growth):

<table>
<thead>
<tr>
<th>Base - Assumptions</th>
<th>Year 2 - 2017</th>
<th>Year 5 - 2020</th>
<th>Year 10 - 2025</th>
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<tbody>
<tr>
<td>Homes Passed</td>
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<td>113,950</td>
<td>113,950</td>
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<td># of Retail Internet Customers</td>
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<tr>
<td>L</td>
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<td># of Wholesale Internet Customers</td>
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<td>5,695</td>
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<td>17,333</td>
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<td>Internet Market share</td>
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<tr>
<td>H</td>
<td>24.6%</td>
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<tr>
<td># of Phone Customers</td>
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<tr>
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<td>H</td>
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<td>Cumulative Cash Flow</td>
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<tr>
<td>LH</td>
<td>($19.6M)</td>
<td>($35.9M)</td>
<td>($51.2M)</td>
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</tbody>
</table>

- It is anticipated that Click! will continue to operate in a deficit situation for the foreseeable future.
- The viability of this business plan is contingent upon securing external funding.