



RESOLUTION NO. U-10878

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

4 #1. WHEREAS the City Council of Tacoma delegated authority to the
5 Public Utility Board and the Department of Public Utilities ("TPU"), Light Division
6 (dba "Tacoma Power"), to implement and manage a broadband
7 telecommunications system ("Click! Network" or "Click!", as authorized through
8 City Council Substitute Resolution No. 33668, approved April 8, 1997, and
9 Public Utility Board Amended Substitute Resolution U-9258, approved April 9,
10 1997), and
11

12 #2. WHEREAS the 1997 business plan contemplated that the revenues
13 associated with telecommunications services related to city government
14 communications, cabletelevision ("CATV") service, transport of signals to
15 service providers offering telecommunications services, and internet access
16 services would pay for the costs of such services and would provide an
17 additional revenue stream to Tacoma Power to help offset the construction and
18 operations costs associated with the telecommunications system, and
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20 #3. WHEREAS many of the functions of the telecommunications system
21 envisioned in the 1997 business plan have been achieved in their entirety since
22 the infrastructure improvements were completed in 1999 including: conventional
23 substation communication functions, distribution automation, city government
24 communications functions, CATV service, transport of signals for service
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1 providers offering telecommunications services (the last three functions are
2 “Click!”) and internet access services (through third-party providers), and
3 #4. WHEREAS other contemplated functions have been partially
4 achieved for certain electric customers through the Gateway meter program
5 which include: remote turn on/off for electric customers, automated meter
6 reading (electric), and provision of information to customers that is relevant to
7 their energy purchasing decisions, and
8

9 #5. WHEREAS the customers of the fully implemented uses of the
10 telecommunications system (city government communications functions (“I-
11 Net”), CATV service, and transport of signals for service providers offering
12 telecommunications services) have shared in part of the capital costs of
13 constructing the telecommunications system as well as the operation and
14 maintenance of the infrastructure to the benefit of electric customers who would
15 have paid 100% of these costs, and
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17 #6. WHEREAS the telecommunications system continues to provide
18 interconnectivity, advanced control, and power management between electrical
19 substations, which provide safe, reliable, and efficient use of electrical
20 resources for the benefit of all Tacoma Power customers, and
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22 #7. WHEREAS the existing business plan and current cost allocations for
23 Click! functions do not generate sufficient revenues to fund current expenses
24 and capital improvement costs related to these functions, 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

#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



1 services (Click! would continue offering wholesale data transport services and
2 city governmental communications functions), and

3 #13. WHEREAS the studies by the Click! Engagement Committee and
4 Tacoma Power's financial analysis demonstrate that continuing to provide
5 CATV services in support of retail internet services makes the sale of such
6 services a more competitive overall product and improves the financial
7 sustainability of Click!, and
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9 #14. WHEREAS the studies of the Click! Engagement Committee,
10 Tacoma Power's financial analysis, and industry experts conclude that high
11 speed internet access of 1 gigabit will be the standard for the next generation.
12 Click! needs to make capital improvements to the current telecommunications
13 system infrastructure to achieve these or greater speeds and to keep the
14 competitiveness of Click! internet services in the community, and
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16 #15. WHEREAS all financial models studied by the Click! Engagement
17 Committee and Tacoma Power nonetheless show that the market price that can
18 be charged for these enhanced Click! services and the market penetration that
19 can be achieved will be insufficient to cover all of the costs associated with the
20 operations and maintenance of the telecommunications system and the capital
21 improvements necessary to update the HFC to allow for 1 gigabit service, and
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23 #16. WHEREAS the internet-related uses of the current Click!
24 telecommunications system and a new enhanced Click! broadband
25 telecommunications system would provide Tacoma Power customers benefits
26 by giving them access to advanced customer services options such as: power



1 use monitoring, outage reporting, scheduling of services, bill paying, and
2 electrical appliance control, and

3 #17. WHEREAS, in planning for an uncertain and unknown future, there
4 may be other potential functions related to the supplying of electricity to
5 customers not considered in the existing business plan that might also make
6 use of the telecommunications system infrastructure including: cyber security,
7 electric car charger locations and metering, and enhanced customer information
8 products (power usage by time of day, behavior-based saving programs,
9 outage communications, energy audits, and participation in Evergreen Options),
10 and
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12 #18. WHEREAS the Board has a duty to ensure that Tacoma Power
13 ratepayers pay in their power rates only those costs that are directly and
14 reasonably related to the provision of electric service, and
15

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

18 #20. WHEREAS, although the Board supports the vision and goals for a
19 new Click! broadband telecommunications system described in recitals #11 –
20 #17 above, the Board nonetheless finds that those visions and goals benefit the
21 public generally and are not sufficiently related to the provision of electric
22 service to support funding solely from Tacoma Power electric rate revenue.
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24 Most of the capital improvements required for a new Click! broadband
25 telecommunications system primarily improve the coaxial cable portion of the
26 Click! network which, in the very near future, will no longer be needed for any



1 material electric utility service now known or reasonably foreseeable in the
2 future. The new Click! broadband telecommunications system described in
3 recitals #11 - #17 above duplicates existing telecommunications systems. Any
4 benefits of a new Click! broadband telecommunications system to electric utility
5 rate payers and Tacoma Power are only incidental, because the new Click!
6 broadband telecommunications system will primarily be used by customers for
7 non-electric utility personal communication, entertainment, and business needs
8 of its users; and only infrequently for electric utility communications and
9 purposes. Expenditures for a new Click! broadband telecommunications system
10 cannot, therefore, come from Tacoma Power electric utility rate revenue
11 because the new telecommunications system described in recitals #11 - #17
12 above is not sufficiently related to the provision of electric service to Tacoma
13 Power ratepayers, and
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16 #21. WHEREAS the Board also concludes that many of the community
17 goals set out for Click! by the Click! Engagement Committee can be met
18 through a partnership between Click! and a third-party private partner that
19 would provide the capital and operational funding necessary to enhance and
20 establish a new Click! broadband telecommunications system, and
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22 #22. WHEREAS the Board nonetheless finds it wasteful and
23 unproductive to abandon or leave unutilized the HFC components, which are
24 currently used to provide Click! functions (including CATV and internet access
25 services) and, in order to preserve the functionality and value of the Click!
26 telecommunications system, the Board determines it prudent to provide a



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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



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#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.



1 Sec. 6. Tacoma Power's request to transfer the following annual
2 amounts to the Click! fund from Tacoma Power electric revenues to
3 appropriately compensate Power's beneficial use of the telecommunications
4 system infrastructure, is approved. The Board will adjust these amounts
5 periodically based on updated cost allocation studies:

4	2017	\$6,120,000
5	2018	\$6,120,000
6	2019	\$4,700,000
7	2020	\$4,700,000
8	2021*	\$2,051,000
9	2022*	\$2,122,062
	2023*	\$2,262,130
	2024*	\$2,331,140
	2025*	\$2,401,514

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

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

17	2017	\$2,775,801
18	2018	\$4,913,619
19	2019	\$6,427,402
20	2020	\$4,074,560
21	2021	\$6,650,593
22	2022	\$6,875,159
	2023	\$7,036,145
	2024	\$7,212,832
	2025	\$7,511,423

23 Sec. 8. There is no commitment of supplemental funding for Click!
24 beyond 2025 from either the Council or the Board. In 2020, staff will prepare a
25 report to the Board and Council detailing business plan objective achievements
26 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



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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 Foster
Chief Deputy City Attorney

Chair

Secretary

Clerk

Adopted _____

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.

Click! All-In Compete Business Plan

Financial and Customer Summary (Low/High Growth):

Base - Assumptions		Year 2 - 2017	Year 5 - 2020	Year 10 - 2025
Homes Passed		113,950	113,950	113,950
# of Retail Internet Customers	L	10,416	26,215	31,379
	H	10,750	28,919	35,713
# of Wholesale Internet Customers	L	17,333	5,695	3,754
	H	17,333	4,556	3,003
Internet Market share	L	24.4%	28.0%	30.8%
	H	24.6%	29.4%	34.0%
# of Phone Customers	L	1,800	4,566	5,399
	H	2,173	6,058	7,557
Phone Market share	L	1.6%	4.0%	4.7%
	H	1.9%	5.3%	6.6%
# of Cable Customers	L	19,035	18,544	13,831
	H	19,185	19,378	15,136
Cable Market share	L	16.7%	16.3%	12.1%
	H	16.8%	17.0%	13.3%
# of employees	L	89	101	104
	H	91	106	110
Cumulative Capital investment	L	\$16.0M	\$29.5M	\$49.3M
	H	\$16.1M	\$30.0M	\$50.2M
Annual Cash Flow/Subsidy	L	(\$19.5M)	(\$4.9M)	(\$5.7M)
	H	(\$19.6M)	(\$4.4M)	(\$4.2M)
Cumulative Cash Flow	L	(\$19.5M)	(\$39.5M)	(\$65.6M)
	H	(\$19.6M)	(\$38.6M)	(\$58.7M)
NPV	LH	(\$19.5M)	(\$36.6M)	(\$56.5M)
		(\$19.6M)	(\$35.9M)	(\$51.2M)

- 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.



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2 Tacoma Power funding plan to provide retail telecommunication
3 services.

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5 Public Utility Board and the Department of Public Utilities ("TPU"), Light Division
6 (dba "Tacoma Power"), to implement and manage a broadband
7 telecommunications system ("Click! Network" or "Click!", as authorized through
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11 #2. WHEREAS the 1997 business plan contemplated that the revenues
12 associated with telecommunications services related to city government
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14 service providers offering telecommunications services, and internet access
15 services would pay for the costs of such services and would provide an
16 additional revenue stream to Tacoma Power to help offset the construction and
17 operations costs associated with the telecommunications system, and

18 #3. WHEREAS many of the functions of the telecommunications system
19 envisioned in the 1997 business plan have been achieved in their entirety since
20 the infrastructure improvements were completed in 1999 including: conventional
21 substation communication functions, distribution automation, city government
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23 providers offering telecommunications services (the last three functions are
24 "Click!") and internet access services (through third-party providers), and
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#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



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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

#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 an enhanced Click! telecommunications system and an outline of the features of such a system, and

#12. WHEREAS Tacoma Power has determined, in part as a result of the Click! Engagement Committee 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



1 services a more competitive overall product and improves the financial
2 sustainability of Click!, with estimations that Click! customers cover over 90% of
3 the cost of service, and

4
5 #14. WHEREAS the studies of the Click! Engagement Committee,
6 Tacoma Power's financial analysis, and industry experts conclude that high-
7 speed internet access of 1 gigabit will be the standard for the next generation.
8 Click! needs to make capital improvements to the current telecommunications
9 system infrastructure to achieve these or greater speeds and to keep the
10 competitiveness of Click! internet services in the community, and

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

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

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may be other potential functions related to the supplying of electricity to



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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 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



1 Tacoma Power's service area, which increases economic growth that leads to
2 greater retail power sales, and

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

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

18 #23. WHEREAS the Board has determined that along with enhanced
19 product offerings, the new business plan should also grant Click! management
20 flexibility to change product offerings, prices, and marketing strategies,
21 excluding the leasing of the entire network, without prior Board or Council
22 approval so as to effectively compete with private companies offering similar
23 products and services, and
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#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.



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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 Foster
Chief Deputy City Attorney

Chair

Secretary

Clerk

Adopted _____

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.

Click! All-In Compete Business Plan

Financial and Customer Summary (Low/High Growth):

Base - Assumptions		Year 2 - 2017	Year 5 - 2020	Year 10 - 2025
Homes Passed		113,950	113,950	113,950
# of Retail Internet Customers	L	10,416	26,215	31,379
	H	10,750	28,919	35,713
# of Wholesale Internet Customers	L	17,333	5,695	3,754
	H	17,333	4,556	3,003
Internet Market share	L	24.4%	28.0%	30.8%
	H	24.6%	29.4%	34.0%
# of Phone Customers	L	1,800	4,566	5,399
	H	2,173	6,058	7,557
Phone Market share	L	1.6%	4.0%	4.7%
	H	1.9%	5.3%	6.6%
# of Cable Customers	L	19,035	18,544	13,831
	H	19,185	19,378	15,136
Cable Market share	L	16.7%	16.3%	12.1%
	H	16.8%	17.0%	13.3%
# of employees	L	89	101	104
	H	91	106	110
Cumulative Capital investment	L	\$16.0M	\$29.5M	\$49.3M
	H	\$16.1M	\$30.0M	\$50.2M
Annual Cash Flow/Subsidy	L	(\$19.5M)	(\$4.9M)	(\$5.7M)
	H	(\$19.6M)	(\$4.4M)	(\$4.2M)
Cumulative Cash Flow	L	(\$19.5M)	(\$39.5M)	(\$65.6M)
	H	(\$19.6M)	(\$38.6M)	(\$58.7M)
NPV	LH	(\$19.5M)	(\$36.6M)	(\$56.5M)
		(\$19.6M)	(\$35.9M)	(\$51.2M)

- 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.