

A photograph of a waterfront city scene, likely Tacoma, Washington. In the foreground, a wooden pier with several white boats is visible. Behind the pier, a variety of modern buildings are clustered together, including a prominent white building with a curved, metallic facade. The sky is clear and blue, and the water reflects the buildings and sky.

*Serving our customers*

# Strategic Directive 8 - Telecom

## Measurement and Deliverable Update

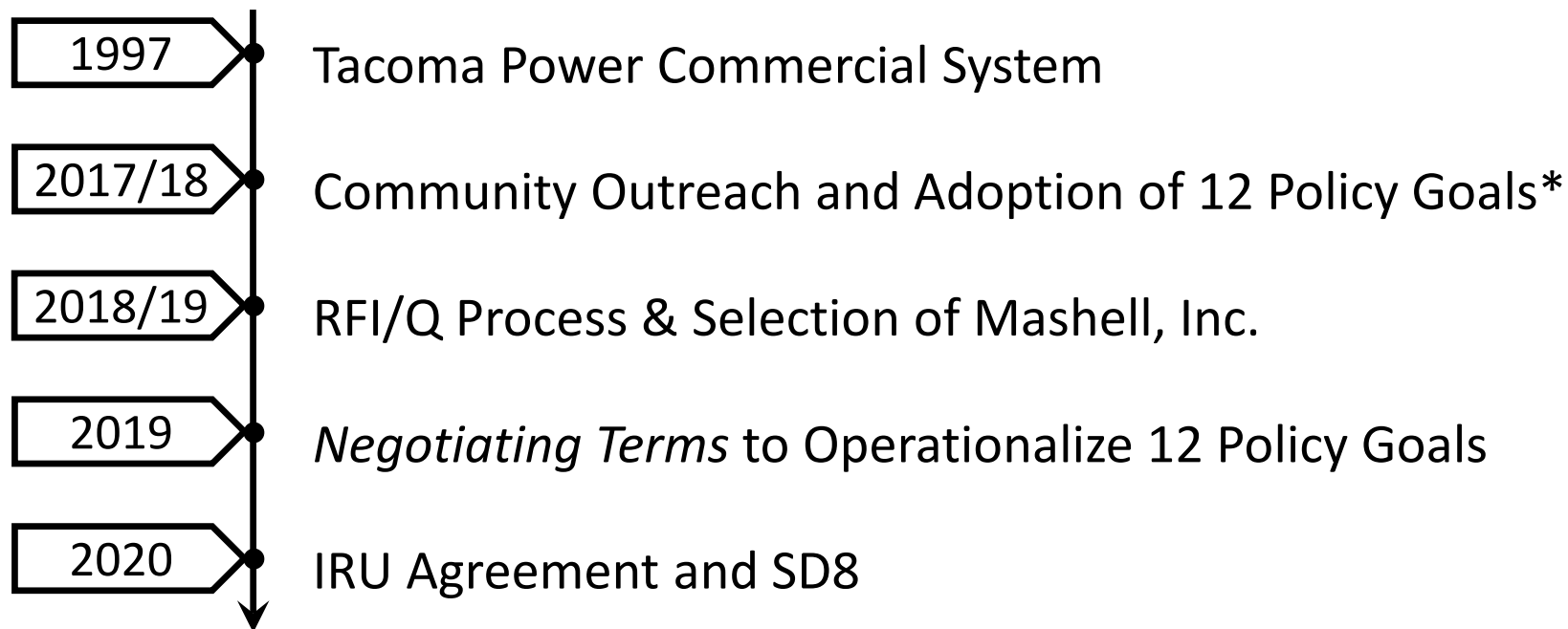
April 27, 2022

# Agenda

1. Brief History and Background
2. Introduction to Strategic Directive 8 (SD8)
3. Review of SD8 Measurements
4. Compliance Reporting
5. Looking Ahead



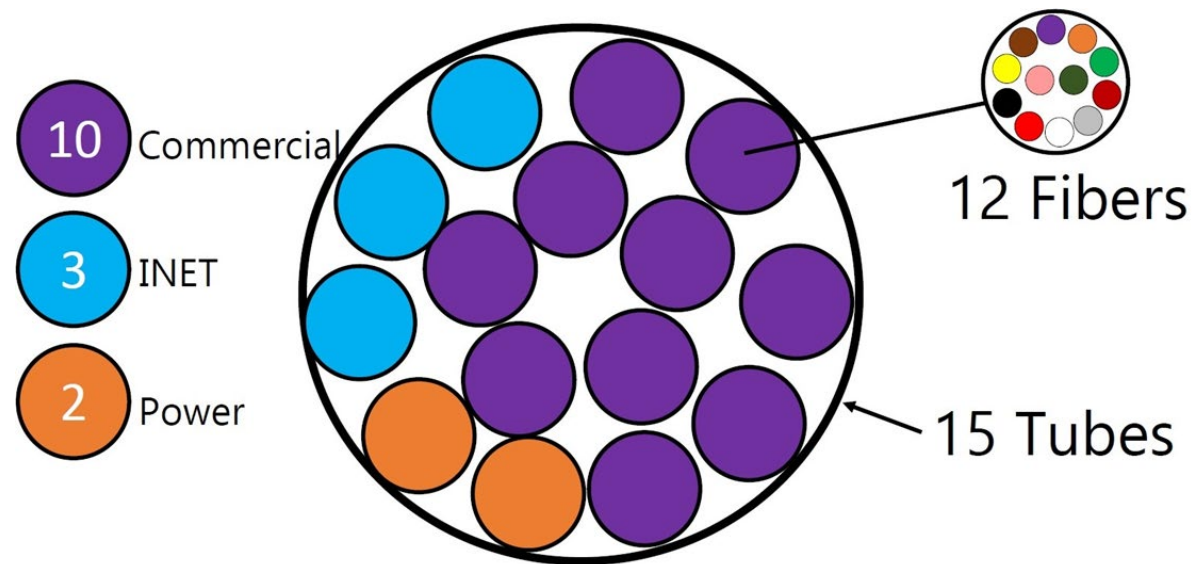
# History and Background



\* PUB Resolution U-10988/Council Resolution No. 39930

# What is the Indefeasible Right to Use?

- Tacoma Power installed Fiber for Power System Operation
- The 'lease' of this Excess Fiber is what is part of the IRU
- The City of Tacoma (INET) owns Fiber and Excess Fiber was installed



# What isn't in the IRU Agreement?

- Neither Click! nor the IRU set broadband (internet) rates in this competitive industry
- Television rates are also not set in the IRU
- Loss of ownership, control and security of assets that serve critical municipal and utility functions



# The 12 Policy Goals

**Top three policy goals, as determined by public stakeholders:**

**1. Public ownership of the Click! Network.** Continuing public ownership of the telecommunications assets, especially those assets necessary for Tacoma Power operations.

**2. Preserving competition.** Preserving competition among telecommunication providers that benefits customers (such as high-quality, technologically up-to-date, and reasonably priced telecommunications services).

**3. Affordability.** Creating low-income, affordable access to telecommunications services.

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

# SD8 – Introduction

## Purpose:

*“Tacoma Public Utilities (TPU) owns a hybrid fiber coaxial (HFC) network, portions of which it uses for its own operational needs and leases out the excess capacity to generate incremental economic value for the electric utility. The Telecom Strategic Directive directs the full utilization of the capability and capacity of the HFC network to ensure maximize return on investment, continued public ownership of the HFC network, and value creation for the public and communities served.”*

# SD8 – Measurement #1

## Measurement:

Establish Rainier Connect North, LLC as the lessee of the HFC network for the next 20-years upon the full execution of the Click! Business Transaction Agreement.

## Status: Met

- Click! Business Transaction Agreement and the Indefeasible Right of Use agreement were fully executed – effective April 1, 2020.
- 20-year Term, with the option of 2 additional 10-year terms.



## SD8 – Measurement #2

### Measurement:

Positive cash flow from rent revenue associated with the agreement for operation of City owned commercial network.

### Status: On Track

#### Payment Schedule:

**Year 1:** \$2,500,000 – Complete

**Year 2:** \$2,650,000 – Complete

**Year 3:** \$2,750,000 - Current

**Year 4:** \$2,875,000

**Year 5:** \$3,000,000

**Subsequent Years:** The IRU Fee will be adjusted to reflect the Consumer Price Index Increase.

# SD8 – Measurement #3

## Measurement:

The milestones for this measurement are:

- ✓ Complete the engineering and design by March 31, 2021;
- ✓ Have Gigabit internet service available to 40% of passings by March 31, 2022;
- Gigabit Internet services for 100% of passings by April, 2023.

## Status: On Track

- Completed testing and preparation of speed packages (2021)
- New broadband packages
- Migrated areas of network to DOCSIS 3.1 platform

# SD8 – Measurement #4

## Measurement:

Free internet access (wired or Wi-Fi) to at least 30 locations that provide services to low-income members of the community, with published availability.

## Status: Ongoing

- Student Connect Program through 2020/21 school year
- Lifeline Program
- Annual Certification Submitted July 1, 2021
- Locations for Free Internet Access

# SD8 – Measurement #5

## Measurement:

Continued investments into the HFC network, by lessee, of at least \$1,500,000, adjusted for inflation. Capital expenditures will include expenditures on upgrades to successive generations of DOCSIS, expenditures on upgrades to fiber-to-the-premises, and network equipment.

## Status: Met

- Preliminary Investment Amount (2020)
- First Annual Report submitted 7/1/2021 – Next report due 7/1/2022
- Quarterly Status Reports

# SD8 – Measurement #6

## Measurement:















Fulfillment of customer service commitments outlined in the agreement for operational control of TPU's commercial network system "Exhibit I".

## Status: Ongoing

- Quarterly Compliance Reports and Annual Certification
- Customer Service Commitments
- "Normal Operating Conditions" and Impacts

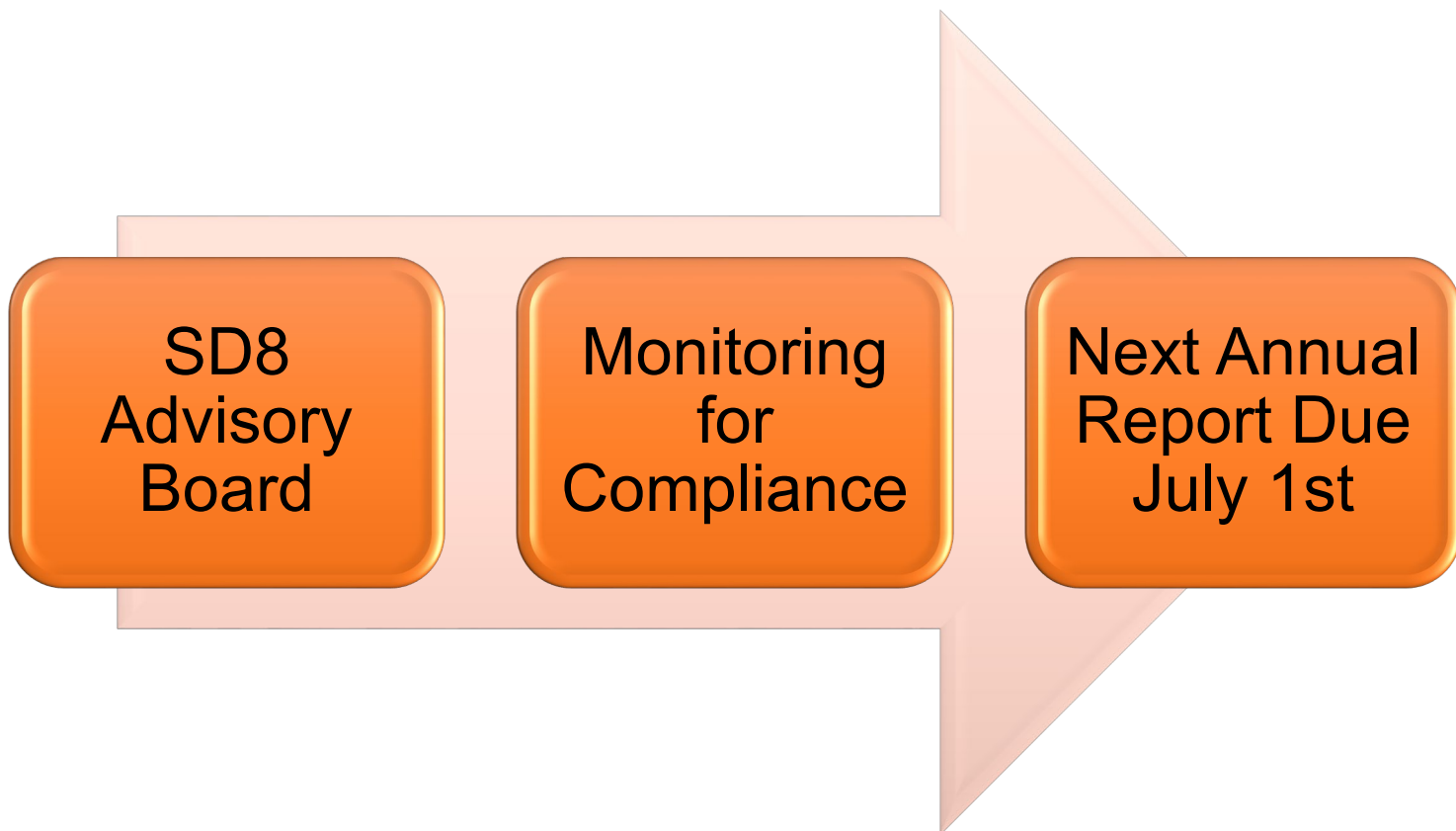
# Customer Service Commitments – IRU, Exhibit I

 Met
  Pandemic Impact

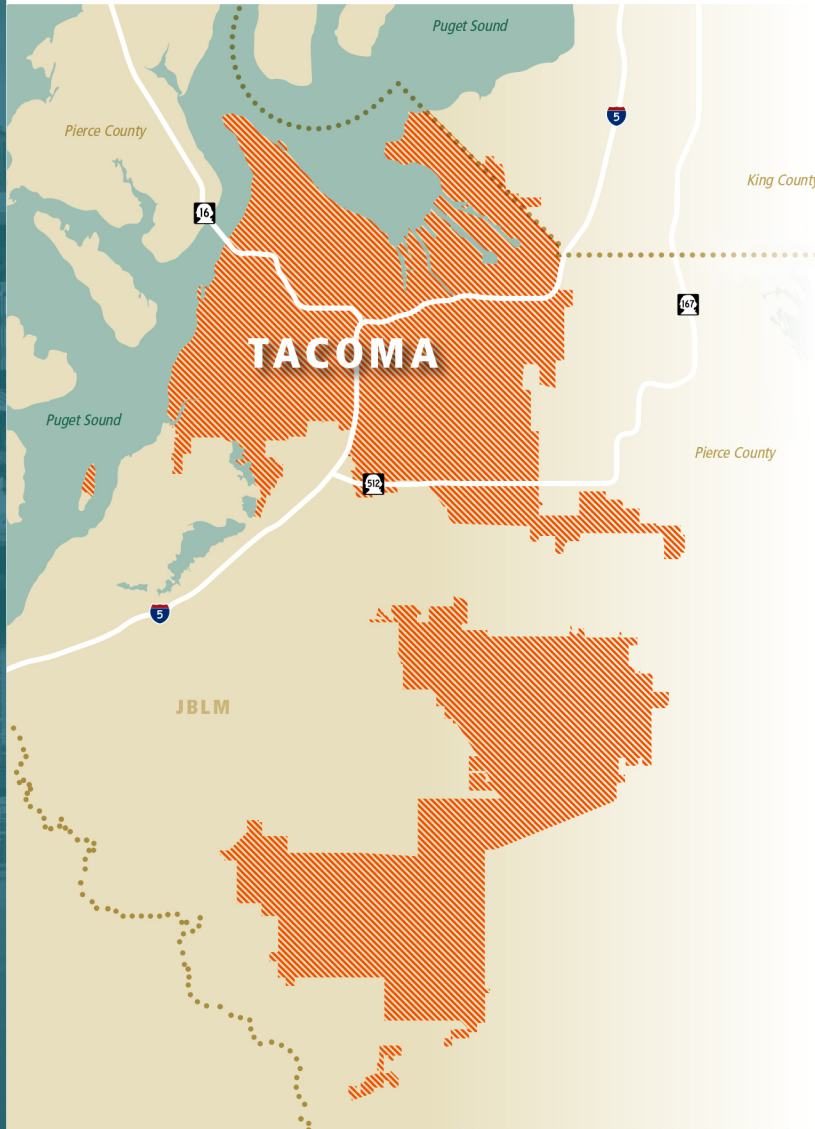
Commitment Summary	2020	2021	Comments
Operator agrees to maintain a local or toll-free telephone line for customer calls and will provide forms of customer contact that will be available 24 hours per day, 7 days per week, including holidays. A company representative will respond to inquiries received after Normal Business Hours on the next business day.			
Under normal operating conditions that are within control of the Operator, calls and other forms of customer contacts will be answered by a company representative within 30 seconds after the connection is made. If the call or contact is transferred, the transfer time will not exceed 30 seconds. These standards will be met at least 90% of the time, measured quarterly.			
Operator will schedule appointments for installations and other service calls either at a specific time or, at a maximum, during a 4-hour time block during normal business hours. Operator may also schedule service calls outside of normal business hours for the convenience of the customer.			
Standard installations that are located up to 125 feet from the existing distribution system will be performed within 7 days after an order has been accepted.			Not operating under Normal Conditions for reporting period. Avg'd 7.46 business days
Except during an event of Force Majeure, Operator will begin working on a service interruption no later than 24 hours after being notified of the problem.			
Standards concerning installations, outages and service calls will be met under normal operating conditions at least 95% of the time, measured quarterly.			Not operating under Normal Conditions for reporting period.
Maintain physical presence in Tacoma, including a store that will be open during Normal Business Hours.			Tacoma office remains closed due to pandemic. RC has implemented strategies to mitigate impact on customers, including porch pick-up and deliveries.



# Looking Ahead



# Questions/Comments?



## **Presented by:**

**Joseph Wilson, Power Section Manager, T&D**

**Sharon Brophy, Power Supervisor, T&D**

## **Guest:**

**Brian Haynes, CEO, Rainier Connect North, LLC**



## PUBLIC UTILITY BOARD POLICY

Category: **Strategic Directive**

Date of Adoption: **June 24, 2020**

Resolution No.: **U-11169**

Revision Date:

Title: **Telecom**

Policy Number: **SD - 8**

### **Purpose**

Tacoma Public Utilities (TPU) owns a hybrid fiber coaxial (HFC) network, portions of which it uses for its own operational needs and leases out the excess capacity to generate incremental economic value for the electric utility. The Telecom Strategic Directive directs the full utilization of the capability and capacity of the HFC network to ensure maximize return on investment, continued public ownership of the HFC network, and value creation for the public and communities served.

TPU is changing the scope of the past Click! public – private partnership, so the private partner can provide the retail video services in a quickly evolving technology and business environment. The industry standard for this model consists of the network owner, Tacoma Power, granting an Indefeasible Right to Use the network's capacity that is not required for power system needs. Tacoma Power will retain network maintenance responsibilities locating, splicing, repair and relocation on the portion of the network that includes power system functions.

### **Policy Goals**

1. Continuing public ownership of the telecommunications assets, especially those assets necessary for Tacoma Power operations;
2. Ensuring geographically, economically, and technologically equitable access;
3. Creating affordable access for low-income customers to telecommunication services;
4. Enforcing net neutrality principles for all customers;
5. Allowing open access to telecommunication assets by other telecommunication providers, to the extent such access benefits customers;

6. Preserving competition among telecommunication providers that benefits customers (such as high-quality, technologically up-to-date, and reasonably priced telecommunication services), including restricting transfer of ownership or operations that reduce competition;
7. Safeguarding the use of telecommunications services by Tacoma Power, the City, and other local governments;
8. Maintaining financial stability of the business operations utilizing TPU telecommunications infrastructure;
9. Promoting economic development and educational opportunities;
10. Protecting customer privacy; and
11. Preserving market-leading customer service for telecommunications customers.

### **Outcomes**

1. Set guidelines for preserving the structural integrity of TPU assets and safeguarding the use of telecommunications services by TPU, the City of Tacoma, and other local governments.
2. Preservation of the City's critical communications network for the Utility's needs.
3. Turn the HFC network into a positive cash flow situation for the Utility ratepayers.
4. Achieving the 12 Policy Goals through a locally owned and locally based private partner.
5. Identify and report key performance indicators on the status of the public-private partnership.
6. Advancement and growth in video and data services for both residential and business consumers.
7. Excellent customer sales and service, local presence, and transparent billing practices for telecommunications services.

### **Measurement**

1. Establish Rainier Connect North, LLC as the lessee of the HFC network for the next 20-years upon the full execution of the Click! Business Transaction Agreement.
2. Positive cash flow from rent revenue associated with the agreement for operation of City owned commercial network.
3. Gigabit Internet services for 100% of properties by April 2023. The milestones for this measurement are to complete the engineering and design by March 31,

2021, and have Gigabit internet service available to 40% of properties by March 31, 2022.

4. Free internet access (wired or Wi-Fi) to at least 30 locations that provide services to low-income members of the community, with published availability.
5. Continued investments into the HFC network, by lessee, of at least \$1,500,000, adjusted for inflation. Capital expenditures will include expenditures on upgrades to successive generations of DOCSIS (Data Over Cable Service Interface Specifications), expenditures on upgrades to fiber-to-the-premises, and network equipment.
6. Fulfilment of customer service commitments outlined in the agreement for operational control of TPU's commercial network system "Exhibit I."

### **Reporting**

Monitor compliance of reporting requirements outlined in the agreement for operational control of TPU's commercial network system "Exhibit R".