

A photograph of the Tacoma waterfront skyline. In the foreground, a wooden pier with several white mooring bollards extends into the water. A white motorboat is docked at the pier. In the background, a variety of buildings are visible, including a prominent white, curved, modern building on the left, several multi-story residential or commercial buildings in the center, and a tall, white, rectangular skyscraper on the right. The sky is a clear, pale blue.

Serving our customers

Strategic Directive 8 - Telecom

Deliverables Update

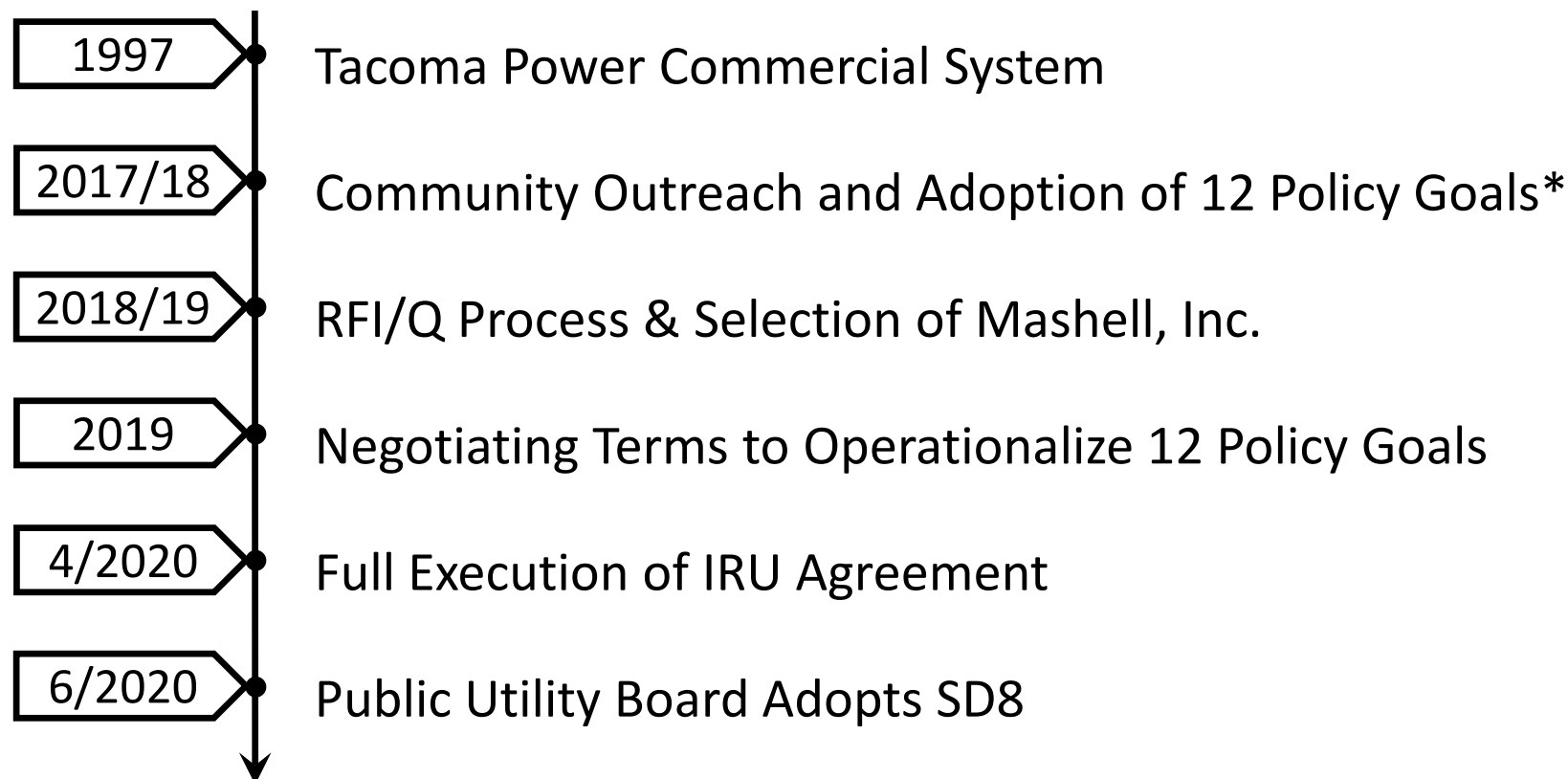
April 26, 2023

Agenda

1. Brief History and Background
2. Strategic Directive 8 (SD8) Purpose Statement
3. Review of SD8 Measurements
4. Looking Ahead at 2023



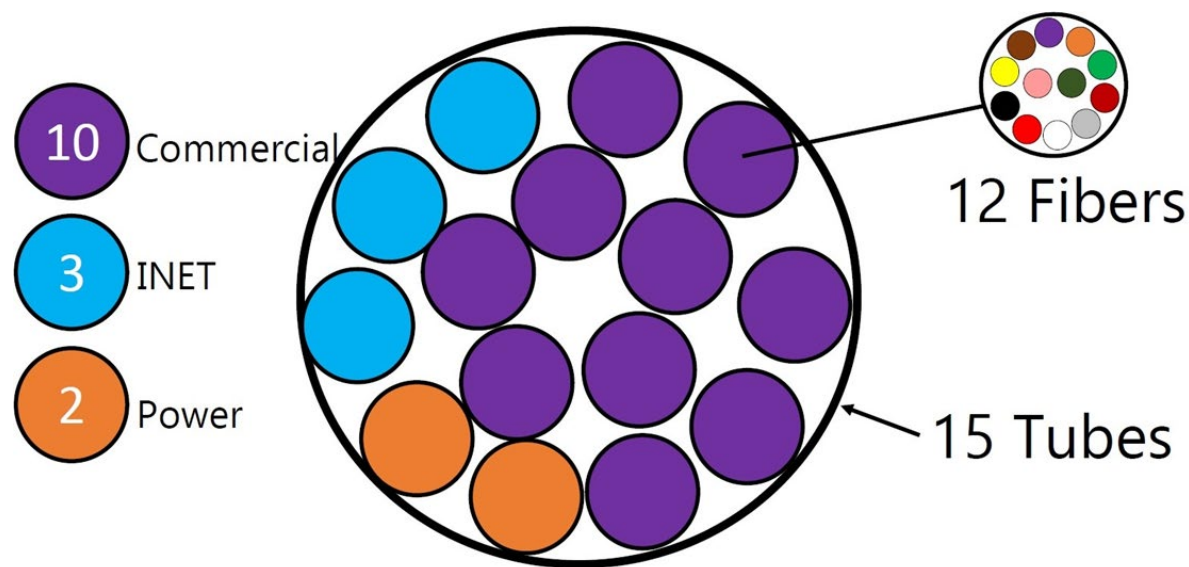
History and Background



* 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 Commercial Fiber is what is part of the IRU
- Portion of the network managed and operated by City of Tacoma under Institutional Network Services Agreement (INET)



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

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.

Current Status: Met

- Indefeasible Right of Use agreement is fully executed – effective April 1, 2020.
- 20-year Term, with the option of 2 additional 10-year terms.

SD8 – Measurement #2

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

Current Status: Being Met

Payment Schedule:

Year 1: \$2,500,000 – Complete

Year 2: \$2,650,000 – Complete

Year 3: \$2,750,000 – Complete

Year 4: \$2,875,000 – Current Year

Year 5: \$3,000,000

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

SD8 – Measurement #3

Gigabit Internet services for 100% of properties by April 2023.

Measurement:

The milestones for this measurement are:

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

Status: Met

- Completed DOCSIS 3.1 upgrade.
- Reported meeting all milestones.
- Reported having 1GB speeds available.
- Post-upgrade speed tests.

SD8 – Measurement #4

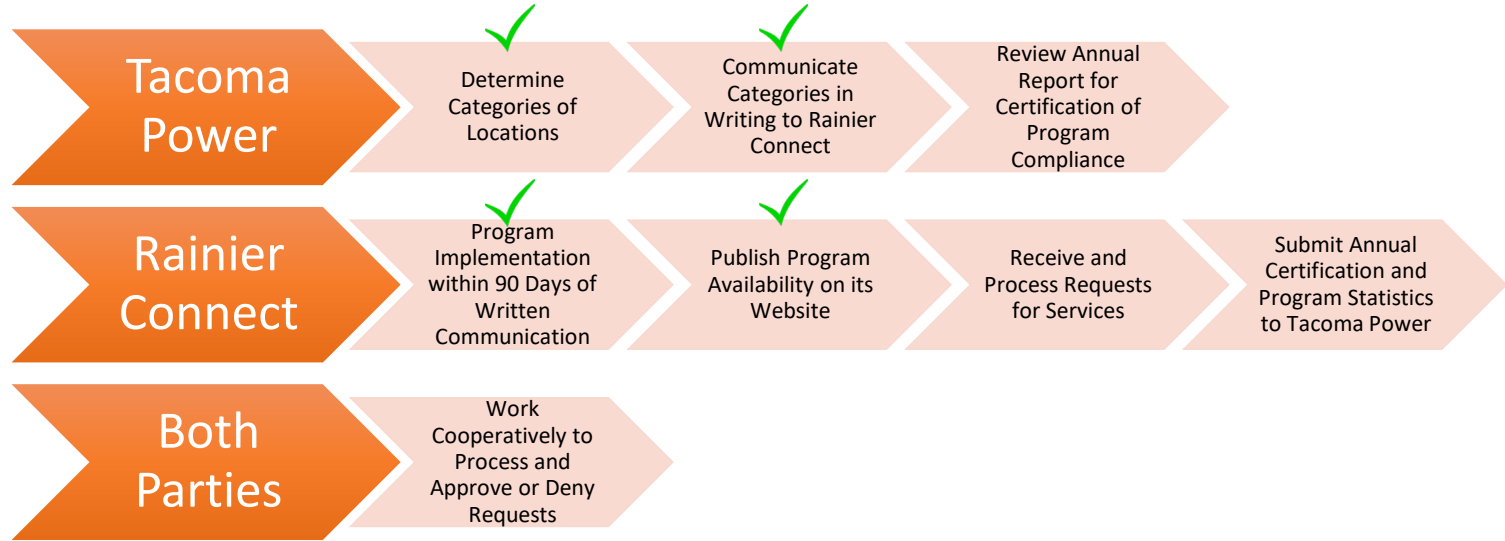
Measurement:

Free internet access to at least 30 locations that provide services to low-income members of the community, with published availability.

Status: Being Met

- Student Connect Program through 2020/21 school year
- Lifeline Program
- Annual Certification Submitted 2021 & 2022

SD8 – Measurement #4: Affordability Access



Recent Efforts

- Finalization of Location Requirements
- Written Notification to Rainier Connect
- Outreach Strategies
- Digital Equity Partnership Program

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: Being Met

- Preliminary Investment Amounts
- Reporting Requirements

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: Met

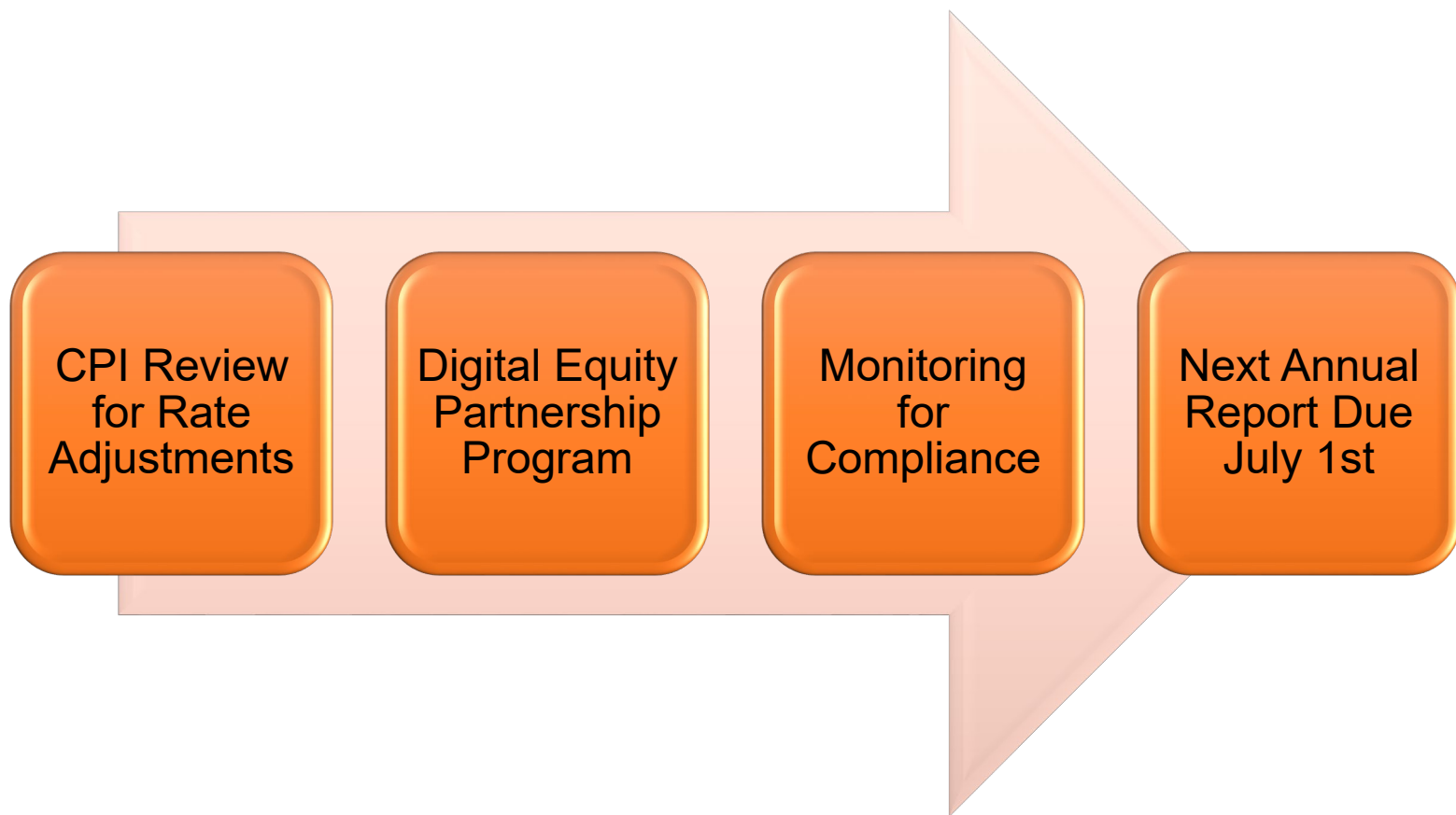
- Quarterly Compliance Reports and Annual Certification
- Customer Service Commitments

Customer Service Commitments – IRU, Exhibit I

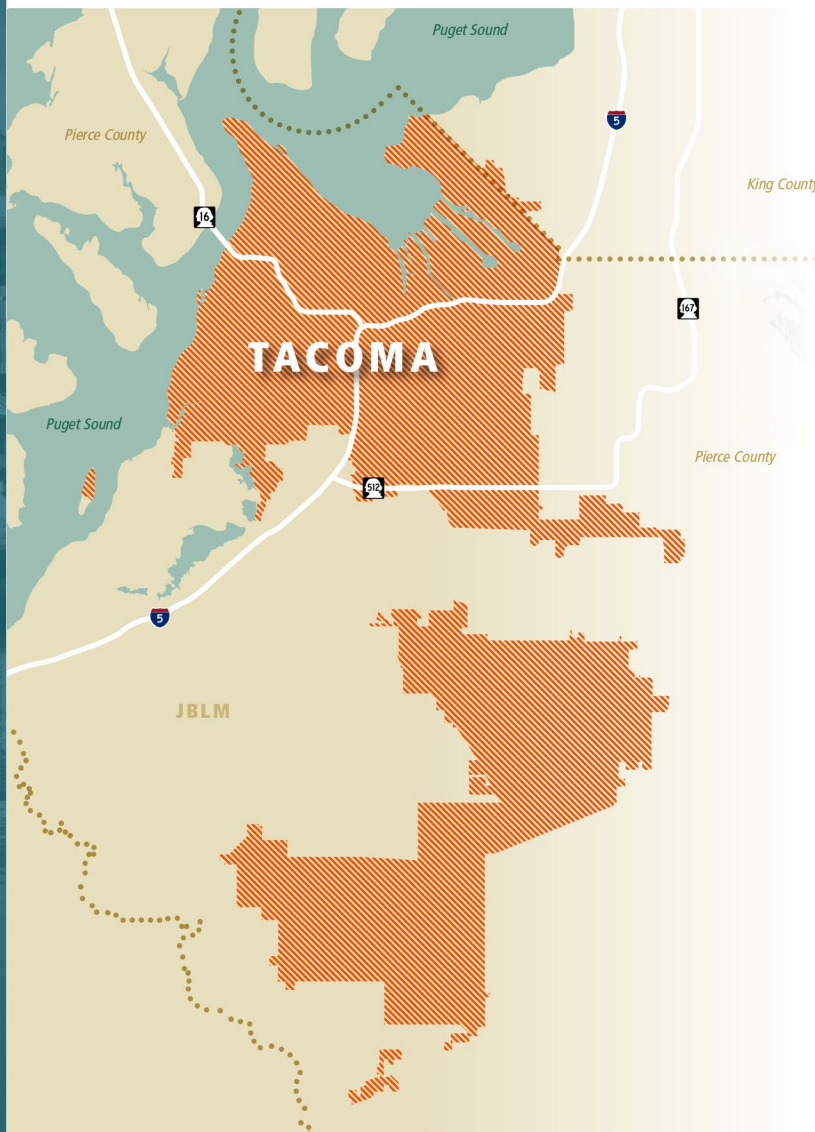
Maintain local phone line for customer calls <ul style="list-style-type: none">• 2020 – Met• 2021 – Met• 2022 – Met	Answer calls within 30-seconds <ul style="list-style-type: none">• 2020 – *• 2021 – Met• 2022 – Met	Appointments for installations <ul style="list-style-type: none">• 2020 – Met• 2021 – Met• 2022 – Met	Installation delivery <ul style="list-style-type: none">• 2020 – *• 2021 – *• 2022 – Met
Billing practices <ul style="list-style-type: none">• 2020 – Met• 2021 – Met• 2022 – Met	Service restoration <ul style="list-style-type: none">• 2020 – Met• 2021 – Met• 2022 – Met	Installation, outages and service call standards <ul style="list-style-type: none">• 2020 – *• 2021 – *• 2022 – Met	Physical presence in Tacoma <ul style="list-style-type: none">• 2020 – *• 2021 – *• 2022 – Met

*Not operating under “Normal Operating Conditions” for reporting period due to Pandemic.

Looking Ahead



Questions/Comments?



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Key Stakeholders:

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**Senior Government Affairs Advisor
TPU, Community & Public Affairs**

Joshua Newman

**Account Relationship Manager
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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".