

A photograph of the Tacoma waterfront skyline. In the foreground, a wooden pier with several white boats is visible. Behind the pier, a variety of buildings are clustered together, including a prominent white, cone-shaped building on the left and several multi-story apartment or office buildings in the center and right. The sky is a clear, pale blue.

Serving our customers

Strategic Directive 8 - Telecom

Measurement and Deliverable Update

April 28, 2021

SD8 – Introduction

- **SD8 Purpose Statement**

- *“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.”*

- **Indefeasible Right of Use (“IRU”)**

- **Derived from 12 Policy Goals**

- Continuing Public Ownership
- Equitable and Affordable Access
- Financial Stability
- Economic Development and Educational Opportunities
- Customer Privacy / Net Neutrality Principles

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

Year 3: \$2,750,000

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

Engineering and design is complete and the platform was upgraded.

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
- Locations for Free Internet Access
- Annual Certification

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: On Track - Due July 1st

- 2020 Focus
- Preliminary Investment Amount
- Quarterly 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



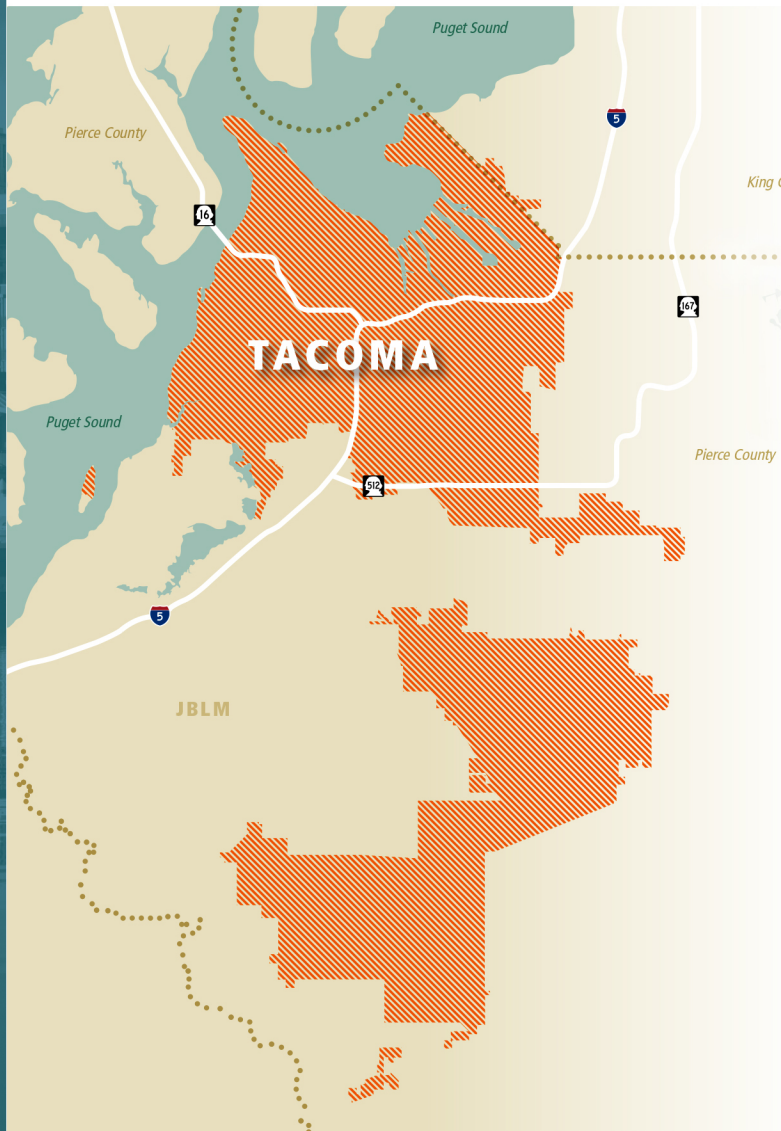
Covid Impact

Commitment Summary	Q2-Q4 2020
Operator agrees to maintain a local or toll-free telephone line for taking customer calls and will provide other forms of customer contact that will be available 24 hours per day, 7 days per week, including on 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 the control of 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 thirty 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.	
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.	
Notice of rate changes, issuance of refunds and credits.	
Maintain physical presence in Tacoma, including a store that will be open during Normal Business Hours.	

Looking Ahead: On the Horizon for Tacoma Power

- **Monitoring of Measurements**
- **Additional Resources**
- **Process Efficiencies**
- **Metrics Reporting**

Questions/Comments?



Presented by:

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Joseph Wilson, Power Section Manager, T&D

Sharon Brophy, Joint Use Program Manager, T&D

Guest:

Brian Haynes, CEO, Rainier Connect North, LLC



RESOLUTION NO. 39930

1 BY REQUEST OF MAYOR WOODARDS

2 A RESOLUTION relating to Click! Network; establishing a vision and next steps for
3 maximizing the value of Click! Network.

4 WHEREAS the 1997 business plan contemplated that the revenues
5 associated with telecommunications services related to city government
6 communications, cable television ("CATV") service, transport of signals to service
7 providers offering telecommunications services, and internet access services would
8 pay for the costs of such services and may provide an additional revenue stream to
9 Tacoma Power to help offset the construction and operation costs associated with
10 the telecommunications system, and
11

12 WHEREAS the City Council of Tacoma delegated authority to the Public
13 Utility Board ("Board") and the Department of Public Utilities ("TPU"), Light Division
14 (d.b.a. "Tacoma Power"), to implement and manage a broadband
15 telecommunications system ("Click! Network" or "Click!," as authorized through City
16 Council Substitute Resolution No. 33668, approved April 8, 1997, and Public Utility
17 Board Amended Substitute Resolution U-9258, approved April 9, 1997), and
18

19 WHEREAS many of the functions of the telecommunications system
20 envisioned in the 1997 business plan have been achieved since the infrastructure
21 improvements were completed in 1999, including: conventional substation
22 communication functions, City government communications functions, CATV
23 service, and transport of signals for service providers offering telecommunications
24 services, through Click!; and internet access services, through third-party providers,
25
26 and



WHEREAS other contemplated functions have been partially achieved 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

WHEREAS it is recognized that a portion of Tacoma Power's telecommunication infrastructure in part used by the Click! Network was funded through Click! customer revenues as well as the City of Tacoma (specifically, the Institutional-Net fiber), and

WHEREAS, at the time of construction, Click!'s infrastructure and equipment were state-of-the-art and allowed customers of Click! to experience exceptional access to the internet, and

WHEREAS the construction of Click! has increased competition for CATV and telecommunications products which, in turn, enhanced customer service, capital improvements to existing telecommunication provider systems and products, and greater access to CATV and telecommunication services, and

WHEREAS the telecommunications system continues to provide interconnectivity, advanced control, and power management between electrical substations, which provides safe, reliable, and efficient use of electrical resources for the benefit of all Tacoma Power customers; nevertheless, not all of the original contemplated uses of the telecommunication system by Tacoma Power for power purposes have come to fruition, and

WHEREAS much of the existing telecommunications system and equipment will not be needed by Tacoma Power for power purposes in the future, and



consequently, Tacoma Power does not intend to update and improve those parts of the telecommunication system and equipment to the latest technology in the future, making telecommunication services offered to customers less competitive in the current commercial telecommunication market, and

WHEREAS the existing business plan associated with Click! telecommunication services offered to customers does not generate sufficient revenues to fully fund current expenses (in particular, those expenses related to CATV/cable television services), nor can existing revenues fully fund capital improvement costs related to these functions, and

WHEREAS the Board sought policy direction from the City Council on how to remedy the current financial situation by recommending two potential alternative paths: (1) U-10828, requesting approval to adopt a business plan where Click! would provide retail telecommunications services (along with CATV services) to its customers paid for by Click! customers and electric utility funds; or (2) U-10829, requesting approval to solicit lease and property sale proposals for a third-party operation to use and maintain Click! to provide telecommunication services, and

WHEREAS, on December 12, 2015, the City Council, pursuant to Amended Resolution No. 39347, approved the first alternative path and requested the Board to direct Tacoma Power to prepare an all-in retail services plan related to Click! operations, and

WHEREAS, on September 28, 2016, pursuant to Amended Resolution U-10879, the Board approved a high-level business plan requiring Click!



to offer retail services to customers paid for by electric utility funds and forwarded the plan to the City Council for review and concurrence, and

WHEREAS, since referring the high-level plan for review, customers of Tacoma Power have filed a claim for damages and lawsuit related to implementation of an all-in retail services plan paid for in part by electric utility funds, specifically challenging that the plans required the use of Tacoma Power revenues generated from electricity sales to fund potential deficits in Click! operating expenses and capital improvement costs related to implementing the all-in retail services plan, and

WHEREAS no action on the high-level plan was taken by the City Council, and it is now apparent that Click! revenues alone will not support completion of an all-in retail services (including internet, CATV, and voice over internet protocol) plan, nor are such revenues sufficient to make necessary capital improvements related to implementing such a retail services plan, and

WHEREAS the City Council and the Board have re-examined the long-standing community policy goals for providing Click! telecommunications services (television, internet, telephone, etc.) to customers, and the City Council and the Board remain deeply committed to Click! and continue to support community policy goals related to the purposes for and use of Tacoma Power's assets comprising Click!, including the following community 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 low-income affordable access 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 telecommunications business operations utilizing the Click! assets;

(9) Promoting economic development and educational opportunities;

(10) Providing job options and security for Click! staff and protecting the intellectual capital of the system;

(11) Protecting customer privacy; and

(12) Preserving Click!'s goodwill, including via its market-leading customer service for telecommunications customers, and

WHEREAS an independent consultant on municipal broadband has reviewed Click!'s assets, operations, the current and future state of technology, and market conditions, and has determined that the City cannot meet some of the



community's policy goals related to Click! using an all-in retail services plan that is paid for in part by electric utility funds, and

WHEREAS the City Council and the Board met in a joint study session on January 23, 2018, to discuss the community policy goals and proposed Board Resolution U-10988, related to next steps and a new vision for Click!, and

WHEREAS, on January 24, 2018, after accepting comment from the public, the Board approved Resolution U-10988, and

WHEREAS, due to the above factors, it is now deemed to be in the best interests of the customers of Tacoma Power, including Click! customers and residents of the City of Tacoma to pursue alternative courses which do not involve Click! directly providing all-in retail services to customers that are paid for in part by electric utility funds, and

WHEREAS, instead, the above policy goals will be utilized in shaping a new course for the use and preservation of the assets of Click!; Now, Therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TACOMA:

Section 1. That the Public Utility Board's ("Board") decision pursuant to Board Resolution U-10988, to rescind Board Resolution U-10879, passed September 28, 2016, which approved a high-level business plan requiring Click! to offer all-in retail services to customers paid for in part by electric utility funds, is accepted by the City Council.

Section 2. That the City Council's Amended Resolution No. 38347, requesting the Board to develop such a plan paid for in part by electric utility funds, is also rescinded.



Section 3. That the community policy goals listed above in the recitals and approved by the Board are approved by the City Council.

Section 4. That requests for information, proposals, or qualifications from any and all entities (with a working knowledge of the assets and the business of Click!) will be sought to determine how, and to what extent, the community policy goals can be achieved through collaboration and/or restructuring of Click!.

Section 5. That the Interim Director of Utilities shall work jointly with the City Manager to detail next steps, including the preparation of requests for information, proposals, or qualifications, and may retain the services of a consultant to assist in such efforts, to be jointly funded by the City and Department of Public Utilities. It is expected that such requests shall be submitted to any and all entities no later than the end of February 2018. The Board and City Council are expected to take action within three of months of receipt of the proposals.

Adopted _____

Mayor

Attest:

City Clerk

Approved as to form:

City Attorney