



AMENDED RESOLUTION NO. U-10879

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

3 #1. WHEREAS the City Council of Tacoma delegated authority to the
4 Public Utility Board and the Department of Public Utilities ("TPU"), Light Division
5 (dba "Tacoma Power"), to implement and manage a broadband
6 telecommunications system ("Click! Network" or "Click!"), as authorized through
7 City Council Substitute Resolution No. 33668, approved April 8, 1997, and
8 Public Utility Board Amended Substitute Resolution U-9258, approved April 9,
9 1997), and
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11 #2. WHEREAS the 1997 business plan contemplated that the revenues
12 associated with telecommunications services related to city government
13 communications, cabletelevision ("CATV") service, transport of signals to
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
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19 #3. WHEREAS many of the functions of the telecommunications system
20 envisioned in the 1997 business plan have been achieved in their entirety since
21 the infrastructure improvements were completed in 1999 including: conventional
22 substation communication functions, distribution automation, city government
23 communications functions, CATV service, and transport of signals for service
24 providers offering telecommunications services (the last three functions are
25 "Click!") and internet access services (through third-party providers), and
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1 #4. WHEREAS other contemplated functions have been partially
2 achieved for certain electric customers through the Gateway meter program,
3 which include: remote turn on/off for electric customers, automated meter
4 reading (electric), and provision of information to customers that is relevant to
5 their energy purchasing decisions, and
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7 #5. WHEREAS the customers of the fully implemented uses of the
8 telecommunications system (city government communications functions ("I-
9 Net"), CATV service, and transport of signals for service providers offering
10 telecommunications services) have shared in part of the capital costs of
11 constructing the telecommunications system as well as the operation and
12 maintenance of the infrastructure to the benefit of electric customers who would
13 have paid 100% of these costs, and
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15 #6. WHEREAS the telecommunications system continues to provide
16 interconnectivity, advanced control, and power management between electrical
17 substations, which provide safe, reliable, and efficient use of electrical
18 resources for the benefit of all Tacoma Power customers, and
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20 #7. WHEREAS the existing business plan and current cost allocations for
21 Click! functions do not generate sufficient revenues to fund current expenses
22 and capital improvement costs related to these functions, and
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24 #8. WHEREAS, on an ongoing basis, Tacoma Power will continue to use
25 portions of the telecommunications system for conventional substation and
26 other communications, distribution automation, etc., and



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#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 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 #14. WHEREAS the studies of the Click! Engagement Committee,
5 Tacoma Power's financial analysis, and industry experts conclude that high-
6 speed internet access of 1 gigabit will be the standard for the next generation.
7 Click! needs to make capital improvements to the current telecommunications
8 system infrastructure to achieve these or greater speeds and to keep the
9 competitiveness of Click! internet services in the community, and
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11 #15. WHEREAS all financial models studied by the Click! Engagement
12 Committee and Tacoma Power nonetheless show that the market price that can
13 be charged for these enhanced Click! services and the market penetration that
14 can be achieved will be insufficient to cover all of the costs associated with the
15 operations and maintenance of the telecommunications system and the capital
16 improvements necessary to update the HFC to allow for 1 gigabit service, and
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18 #16. WHEREAS the internet-related uses of the current Click!
19 telecommunications system and an enhanced Click! telecommunications
20 system would provide Tacoma Power customers benefits by giving them
21 access to advanced customer services options such as: power use monitoring,
22 outage reporting, scheduling of services, bill paying, and electrical appliance
23 control, and
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25 #17. WHEREAS, in planning for an uncertain and unknown future, there
26 may be other potential functions related to the supplying of electricity to



1 customers not considered in the existing business plan that might also make
2 use of the telecommunications system infrastructure including: cyber security,
3 electric car charger locations and metering, and enhanced customer information
4 products (power usage by time of day, behavior-based saving programs,
5 outage communications, energy audits, and participation in Evergreen Options),
6 and
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8 #18. WHEREAS the Board has a duty to ensure that Tacoma Power
9 ratepayers pay in their power rates only those costs that are directly and
10 reasonably related to the provision of electric service, and
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12 #19. WHEREAS the Board has a duty to ensure that Tacoma Power and
13 Click! are in compliance with legal and statutory requirements, and
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15 #20. WHEREAS Tacoma Power has excess power generation capacity
16 within its service territory. In the past, Tacoma Power has benefited greatly by
17 selling this excess capacity in the wholesale power markets to the benefit of all
18 retail electric customers. Over the past few years, wholesale power prices and
19 sales have dropped substantially. In support of Tacoma Power's strategic
20 business plan, Tacoma Power wants to make up this lost revenue by looking at
21 ways to increase its retail power sales through economic growth in the
22 community. Communities across the nation have benefited economically from
23 competitive access to internet services in their communities. Tacoma Power's
24 continued operation and maintenance of the telecommunications system for
25 internet access purposes assists in making the internet services competitive in
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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
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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
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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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1 #24. WHEREAS the Board finds it to be in the best interests of its electric
2 customers and the citizens of Tacoma that a new business plan be approved
3 for Click! functions; Now, therefore,

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

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

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

13 Sec. 3. TPU's request that Click! management be delegated authority to
14 make changes to products and service offerings, prices (within the limitations
15 set forth in the Click! rates/charges ordinance approved by the Board and
16 Council), and marketing strategies contained within the Business Plan without
17 further approval by the Board and City Council is approved, and the Council, is
18 requested to concur in such approval. All significant material changes to the
19 Business Plan that would remove TPU as the primary operator of Click!
20 including, but not limited to, the sale or lease of telecommunications system
21 equipment or capacity, outsourcing of work, permanent discontinuance of
22 products or services, etc. shall be brought to the Board and City Council for
23 approval. Such delegation includes approval of contracts allowing third parties
24 to use surplus portions of the network to supply services to their customers so
25 long as such use does not materially interfere with Click!'s operations of the
26 network or Click!'s ability to implement its Business Plan and achieve its goals
and objectives. Click! shall continue to bring contracts for the purchase of
goods, services, and materials in excess of \$200,000 to the Board for approval.

27 Sec. 4. Tacoma Power's request to transfer an annual amount to the
28 Click! fund from Tacoma Power electric revenues, to appropriately compensate
29 Power's past, current and future beneficial uses of the telecommunications
30 system infrastructure, which shall be used to pay Click! operating, maintenance,
31 taxes, capital costs and debt, is approved. Tacoma Power's transfer from
32 electric revenues under this Section 4 shall be a minimum of \$6 Million
33 annually, and in the event Click!'s costs exceed \$6 Million for the year, Tacoma
34 Power is approved to transfer additional funds not to exceed \$10 Million per
35 year. Click! may use these transferred funds to make capital improvements and



1 purchase equipment as necessary to meet the objectives of the All-In Business
2 plan.

3 Sec. 5. Staff will present, not less than annually, to the Board and
4 Council on Click!'s status relative to its business plan objectives and any
5 changes made to the business plan and business outlook for Click!. In 2020
6 and 2025, staff will prepare a report to the Board and Council detailing business
7 plan objective achievements and financial status of Click! to determine any
8 adjustments in future funding. Staff reports will describe the past, current, and
9 future expected use of the telecommunications network by Tacoma Power.

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

10 Approved as to form and legality:

11 William C. Foster
12 Chief Deputy City Attorney

Mal Patterson

Chair
Woodrow Jones
Secretary

13 Charlene Jacobs
14 Clerk

Adopted 9-28-16

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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.