

Update: Tacoma Power/Rainier Connect Contract Negotiations

City of Tacoma | Tacoma Public Utilities
City Council/Public Utility Board Joint Study Session
MAY 14, 2019
ITEM 1



OVERVIEW

- The purpose of the study session presentation is:
 - To update the Board and Council on the status of the proposed transaction
 - To provide a high-level summary of certain concepts under consideration for inclusion in the Rainier Connect formal contracts related to the operation and use of the Click! Network.

● ● ● OVERVIEW

- The contract concepts to discuss today concern:
 - Major pre-conditions to transfer of operational control to Rainier Connect
 - Reports and monitoring
 - Remedies to ensure contract compliance

● ● ● BACKGROUND

- TPU Board (Res. U-11070 – March 18th) and City Council (Res. 40272 – March 26th) authorized execution of Letter of Intent to negotiate in good faith with Rainier Connect formal contracts related to the operation and use of the Click! Network.
- Letter of Intent was executed on April 2, 2019

● ● ● BACKGROUND

- Since signing the Letter of Intent,
 - Parties held numerous planning meetings
 - Substantial progress made on developing more definitive plans and a timeline for Rainier Connect to assume responsibility for the operation and use of the Click! Network
 - We are also working on the final contracts

● ● ● PROPOSED REQUIREMENTS

Major Pre-Conditions to Transfer of Operational Control

- Financial Assurances
 - Funding Assurances/Commitments
 - Performance Security
 - Parental Guarantee
 - Insurance

●●● PROPOSED REQUIREMENTS

Major Pre-Conditions to Transfer of Operational Control

- Legal Compliance Assurances
 - Franchises in place
 - Transparency/website postings (mainly related to 12 policy goals)
- Corporate Approvals
- Disclosure of Ownership Interests

● ● ● PROPOSED REQUIREMENTS

Major Pre-Conditions to Transfer of Operational Control

- Technical Compliance Assurances
 - Transition Plans
 - Post-approval period
 - Post-transfer of control period
- Plan regarding Click! employees

PROPOSED REQUIREMENTS

Ongoing Reporting and Monitoring

- Annual Report/Certifications and Meeting related to compliance with 12 policy goals
- Other periodic reporting
 - e.g. monthly construction reports, quarterly reports on customer service
- Transparency requirements
 - e.g. publish availability of programs, rates, services

● ● ● PROPOSED REQUIREMENTS

Ongoing Reporting and Monitoring (cont'd)

- Inspections, verifications and audit rights
 - e.g. DOCSIS 3.1 upgrade, maintenance, capex
- In-depth compliance evaluation prior to renewal decision

● ● ● PROPOSED REQUIREMENTS

Types of Remedies

- Step in performance and charge back rights
 - e.g. maintenance failures
- Opportunity to cure/compliance plan, expanded monitoring rights or more frequent reporting
 - e.g. if customer service is not meeting standards
- Liquidated damages
 - e.g. failure to file reports; other specified failures, such as capex shortfall

● ● ● PROPOSED REQUIREMENTS

Types of Remedies (cont'd)

- Late payment charges
- Draw on performance security/parental guarantee
- Termination/non-renewal and transition to new operator (as a last resort)

PROPOSED REQUIREMENTS

Exercise of Remedies

- Some automatic
 - e.g. liquidated damages for failure to file timely reports
- Most follow notice and opportunity to cure/come into compliance

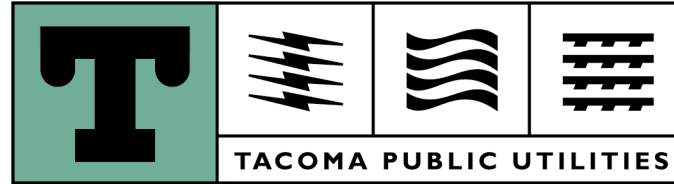
● ● ● PROPOSED REQUIREMENTS

Exercise of Remedies (cont'd)

- Escalation procedure for dispute resolution
- Periodic continuity planning and commitments to support transition to new operator (intended to demonstrate viability of TPU right to terminate early or not renew due to non-compliance as a last resort)

● ● ● PROPOSED PUBLIC MEETINGS

- | | |
|-----------------------------|--|
| June 18th | Presentation to Board and Council at Joint Study Session of proposed material terms and transition framework |
| June 25th | Council resolution and final draft contracts on Council agenda for public comment only |
| June 26th | Board resolution and final draft contracts on Board agenda for public comment only |
| July 10th | Board to consider approval of final contracts |
| July 16th | If Board votes to approve on July 10 th , Council to consider concurrence with Board's approval |



Update: Tacoma Power/Rainier Connect Contract Negotiations

City of Tacoma | Tacoma Public Utilities
City Council/Public Utility Board Joint Study Session
MAY 14, 2019
ITEM 1

