

Update & Analysis: Incorporation of Click! Policy Goals into IRU & Click! Business Transaction Agreement

Presented by Joanne Hovis
to the City of Tacoma City Council
& Utility Board
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Background

Click! History and Analysis

15 year track record of policy success

Led to multi-year investigation of future path

Thorough investigation led to development of 12 Click! policy goals, reflecting the areas of success to-date and the criteria for decision-making for the future

Policy goals adopted by Council and Board in 2018 became framework for evaluating future strategies

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The 12 Click! Policy Goals

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

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2017 – Mid-2018: Evaluative Process

Consideration of a range of models for Click!, focused on 2 key requirements

- Best means to achieve policy goals in future
- Best means to cover operating costs

Over course of multiple processes, considered multiple models

- Status quo with additional efficiencies
- Municipal ISP (“All In”)
- Utility model (tax-supported)
- Public-private collaboration

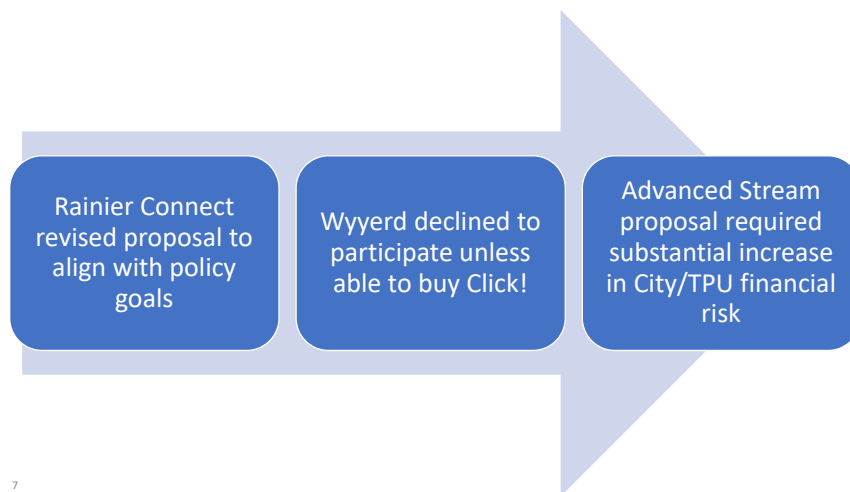
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2018: RFI/Q to Test Collaboration Model



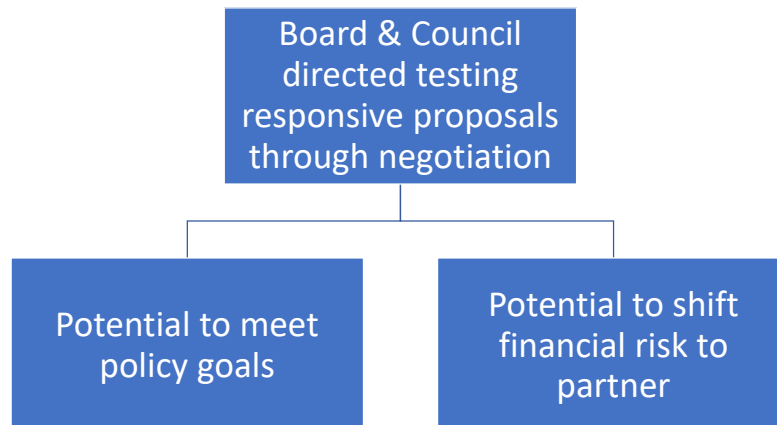
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Non-Responsive Proposals Opportunity to Revise



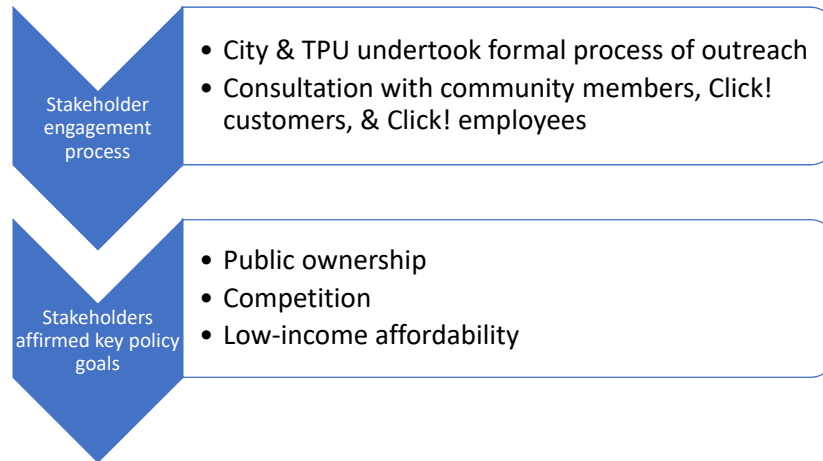
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August 2018



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Fall 2018



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Fall 2018 – March 2019

Negotiations with three final respondents

- **Yomura Fiber:** Promising discussions ended due to incompatibility regarding control of fiber to meet power utility security regulations
- **Wave Broadband:** Extensive discussions lead to completed term sheet
- **Rainier Connect:** Extensive discussions lead to completed term sheet

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March 2019 – Present

Negotiations with Rainier Connect

- Rainier Connect selected to move forward
- Extensive discussions lead to completed draft agreements & exhibits
- Click! Business Transaction Agreement
- Indefeasible Right of Use Agreement

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POLICY GOALS INCORPORATED
INTO AGREEMENTS & exhibits

1. Public Ownership of Assets

Term: 20-year term with 2 potential 10-year renewals

Network upgrade: Cable broadband state-of-the-art (gigabit) within 3 years

Network upgrades over time: Rainier to keep parity with cable broadband providers in the region

Assets: New assets constructed, replaced, or upgraded by Rainier become TPU property within IRU term

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2. Equitable Access

Like services at like prices: Rainier will offer the same services -- at the same prices -- to the whole community

Ubiquitous upgrades: Rainier will upgrade the network to all, not just a few

Equitable access to service: Rainier may not decline service to any customer in good standing & will purposefully endeavor to increase access

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3. Low-Income/Affordable Access

Federal subsidy: Rainier commits to provide the federal Lifeline subsidy to customers that qualify

High quality inclusion product: Rainier will offer reduced-cost broadband to households eligible for TPU's electric service low-income program

Free access to community anchors: Rainier will provide free internet access to 30 locations

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4. Net Neutrality

Transparency: Rainier will fully & publicly disclose accurate information about its services

No throttling: Rainier will not impair or degrade lawful Internet traffic based on content

No blocking: Rainier will not block lawful content, websites, resources, applications, services, or non-harmful devices

No discrimination: Rainier will treat all lawful traffic similarly

No paid prioritization: Rainier will not treat some Internet traffic better for financial reasons

Verification: TPU can test

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5. Open Access

Open Access Program: Rainier Connect commits to provide wholesale services to other providers consistent with Rainier's practices & policies in other areas

Verification: Negotiation team verified that the company does provide wholesale services in other markets

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6. Preserve Competition

No transfer without TPU consent: TPU prior consent required for Rainier to transfer its IRU rights (including changes in control of Rainier)

No transfer that would reduce local competition: Rainier may not transfer its IRU rights to any company that already has 25% residential market share

Transferee must commit to 12 policy goals: TPU can reject a transfer that violates any of the 12 policy goals

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7. Safeguard Municipal Use of Services

TPU controls fiber: TPU will maintain control of all fiber maintenance on Critical Routes that serve utility and municipal purposes

TPU eliminates cost of maintenance on non-critical routes: Rainier will be responsible for maintenance of coaxial infrastructure

Technical safeguards: The contract includes multiple means by which TPU maintains control and security of assets that serve critical municipal needs

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8. Maintain Financial Stability

Annual IRU Fee: Rainier will pay TPU for use of the network \$2.5M in year 1, growing to \$3M in year 5 and then growing by rate of inflation

Network investment: Rainier will invest at least \$1.5M in the network per year, growing by rate of inflation

Verification: TPU can audit capital expenditures every 3 years

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9. Economic Development & Educational Opportunities

Training: Rainier Connect will create an internship program for students & residents

Business attraction: Rainier will work with TPU to support efforts to attract businesses to Tacoma

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10. Job Options for Click! Staff

Rainier commits to make good faith effort to consider existing Click! employees when filling vacancies

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11. Consumer Privacy

Compliance with City privacy policy: Rainier commits to comply with City Council Resolution No. 39702 & implement it into its own broadband data service

Ensure ISP compliance: Rainier will require the same policies of any ISPs that buy its wholesale service

Transparent privacy policy: Rainier commits to publish the privacy policy on its website so its practices are open and transparent to the public

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12. Click! Goodwill & Customer Service

Responsiveness: Rainier will maintain a local or toll-free telephone line for taking customer calls

Speedy response: Customer contacts will be answered within 30 seconds & repairs started within 24 hrs.

Reasonable service timing: Rainier will schedule during four-hour time blocks & begin installations within 7-days

Notice: Rainier will provide 30 days' notice for changes in rates or services

Localism: Rainier will have staff in Tacoma

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