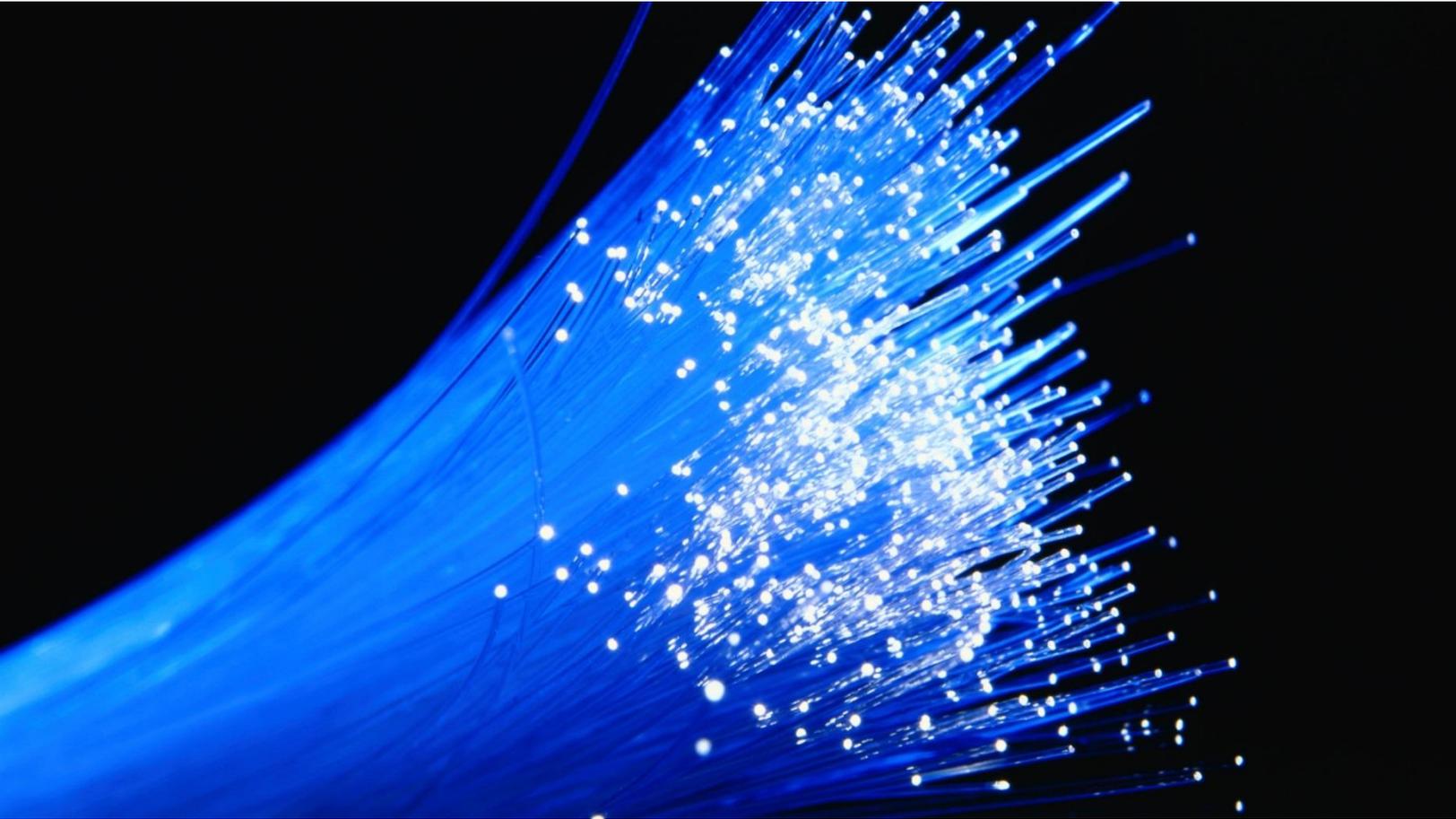


# ctc technology & energy

engineering & business consulting



## **Strategy Alternatives for Tacoma Click: Framework of Options to Preserve Policy Achievements While Reducing Losses**

**January 2018**

**Columbia Telecommunications Corporation**

10613 Concord Street • Kensington, MD 20895 • Tel: 301-933-1488 • Fax: 301-933-3340 • [www.ctcnet.us](http://www.ctcnet.us)  
500992591 v1

## Contents

<b>1</b>	<b>Introduction.....</b>	<b>1</b>
<b>2</b>	<b>The Substantial Policy Achievements of Click.....</b>	<b>3</b>
2.1	Click Provides Competition.....	3
2.2	Click Provides Equity in Broadband.....	4
2.3	Click Provides Excellent Customer Service.....	4
2.4	Click Allows Tacoma to Set and Enforce Local Policies .....	4
<b>3</b>	<b>Strategic Alternatives for Click to Address Policy Goals in Varying Ways .....</b>	<b>5</b>
3.1	<b>Scenario One: Reduce Operating Expenses .....</b>	<b>6</b>
3.1.1	Impacts on policy goals .....	6
3.2	<b>Scenario Two: Become a Retail ISP and Try to Increase Revenues.....</b>	<b>7</b>
3.2.1	Impacts on policy goals .....	7
3.3	<b>Scenario Three: Upgrade the Network to Fiber-to-the-Premises.....</b>	<b>8</b>
3.3.1	Impacts on policy goals .....	9
3.4	<b>Scenario Four: Shut Down Internet and Cable Service, and Abandon Plant .....</b>	<b>10</b>
3.4.1	Impacts on policy goals .....	11
3.5	<b>Scenario Five: Collaborate with a Partner and Offset Risk .....</b>	<b>12</b>
3.5.1	Impacts on policy goals .....	12

## 1 Introduction

This document was prepared by CTC Technology & Energy in January 2018 at the request of outside litigation counsel for the City of Tacoma. The purpose of this document is to provide a preliminary framework of alternative business strategies to reduce Tacoma Power’s approximately \$5 million in annual operating losses on the commercial uses of its telecommunications system (“Click”).<sup>1</sup> The document is further intended to describe briefly how these strategies may advance or hinder each of the key policy goals that Click’s commercial operations were designed to effectuate and that are summarized in TPU Board Resolution U-10988. This document is not a comprehensive technical or financial analysis of these options. Rather, it is an overview summary of some of the options that might be considered for Click’s next phase of operations based on our experience with other efforts around the country.

Just as importantly, this document also takes stock of Click’s significant accomplishments to date. Click gives the City of Tacoma and TPU opportunity to further goals of equity, neutrality, privacy, and affordability. At the same time, Click provides competition—the holy grail of communications policy—and competition is critical to improve service and pricing in broadband. Thanks to its investment in Click, the Tacoma community has developed a competitive broadband environment that offers a level of competition that is available only in a relative handful of American communities.

At the same time, it’s important to acknowledge the key challenges that TPU faces in attempting to improve Click’s financial results. These challenges are faced by most small broadband companies, whether public or private, in the current era. For example, changing consumer behavior (that entails consumption of video through streaming and “over-the-top” services) is decreasing video take rate and revenues in almost every market in the country. At the same time, video programming costs for small providers are increasing and far outpace the rate of inflation; the result of this increase in costs is that most smaller providers are fortunate to break even on video—and many are not able to do so. In addition, as incumbents have consolidated over the past decades and grown dramatically in size, they have realized scale advantages that small providers cannot hope to replicate—advantages that enable them to spread fixed costs over very large subscriber bases. In contrast, for small providers like Click, ever-increasing fixed costs must be spread over a small subscriber base that is limited to Tacoma Power’s service footprint.

---

<sup>1</sup> This report is focused on the commercial uses of Tacoma Power’s telecommunications system (referred to as Click). The primary reason for the construction of Tacoma Power’s telecommunications system in the late 1990s was to provide a platform for more efficient use and control of Tacoma Power’s generation, transmission, and distribution assets and to allow for the installation of smart meters for electric ratepayers. Click’s use of the telecommunications system was authorized to potentially provide additional revenue for Tacoma Power. All Click customers are a subset of Tacoma Power’s electric customers. This report does not address the historical and ongoing benefits the telecommunications system provides with respect to Tacoma Power’s delivery of electricity.

## Tacoma Click: Framework of Options

Relatedly, as incumbent phone and cable companies have grown in size, they have increased their ability to compete aggressively with smaller providers, including by leveraging wireline and wireless products (which have become a competitive product to wireline in some cases, particularly for price-sensitive consumers). And some public providers, which appropriately answer to elected and appointed bodies, lack the flexibility in governance to respond quickly to dramatically fast-changing market conditions and tend to be tied to legacy business models that hamper market positioning.

Given the need to address ongoing operating losses and these and other challenges, our preliminary view is that TPU has five general strategic options to consider:

- Continue finding ways to reduce costs and streamline operations
- Become a retail internet service provider (ISP) and potentially eliminate cable TV operations
- Upgrade the Click network to fiber-to-the-premises in an effort to better compete with incumbents in the market
- Cease internet and cable operations and abandon the related parts of the network
- Seek a partner willing to take on operating and other obligations and costs while agreeing to conditions that would preserve Click's significant policy achievements

Each of these approaches will impact the City's key policy goals in different ways and to different degrees. This document summarizes the approaches briefly and comments on how they would relate to each of the City's key policy goals as outlined in Resolution U-10988.

We note also that the City has considered change in governance as a potential tool for addressing the ongoing losses. We caution that, while control and responsibility for Click can be certainly moved out of Tacoma Power and into another entity, that action by itself does not change anything about the business plan, revenue streams, or ongoing losses. A change in governance and responsibility can be paired with any of the strategies discussed below but changing that element of the organizational structure will not change financial results unless the broader business strategy is changed as well.

## 2 The Substantial Policy Achievements of Click

It is important for community members, policymakers, and other stakeholders to recognize what has been achieved in the creation and development of Click. These achievements are of enduring value to TPU, the City, surrounding communities, and their residents and businesses. Moreover, these benefits are uncommon—only the 100 or so U.S. cities that have built broadband networks have accomplished what TPU has with its Click investment.

### 2.1 Click Provides Competition

Without Click, Tacoma would have only one cable company and one telephone company providing internet access in the residential and small business markets. By creating Click, TPU created competition in the cable TV market and the increasingly-crucial internet market. As a general statement, markets with a more vibrant set of choices reward customers with better customer service, better pricing, and improved services from all players. The importance of this outcome cannot be overstated; only a small fraction of American communities has more than two robust internet competitors, placing Tacoma in an exceptional position of which it should be appropriately proud.

The benefits of competition are manifold. First, competition results in better consumer choices (including clearer terms). For example, a limited comparison of terms offered by Click’s ISPs and Comcast suggests that competition has given Tacoma consumers a range of options on items such as cost of installation and contract cancellation. We conducted spot checks of online advertised pricing at addresses in Tacoma and found that Click’s ISPs promised flat fees of \$30 to \$50 for installation. Comcast’s website, by contrast, did not show a precise installation fee, but said its 30-day money back guarantee “applies to one month’s recurring service charge and standard installation up to \$500.” Comcast’s installation costs are generally determined on a case-by-case basis. Comcast requires a two-year contract for customers wanting to lock in promotional prices, and imposes an early termination fee if consumers cancel between one and 24 months. Click’s providers offer promotional prices that last 12 months and do not impose any early termination fee for early cancellation. In Tacoma, consumers have real choices.

Second, competition provides a check on the vagaries of national ISP pricing. For example, around the country, Comcast charges different prices for the same service in different regions; advertises monthly prices as a range where the high and low numbers are sometimes \$15 apart; and uses many different types of promotional rates that hide the actual effective rates charged to consumers. The existence of Click provides a hedge against such pricing uncertainties. And TPU staff report that they have long received communications from Tacoma residents and businesses that Click has enabled them to secure more transparent and fair pricing than was otherwise available.

## **2.2 Click Provides Equity in Broadband**

With Click, the City of Tacoma and TPU developed a broadband platform that reached residents of Tacoma without consideration of factors such as demographics and profitability. Rather, TPU built the network to the entire community. This equitable approach to buildout and service is increasingly uncommon in the internet market. Phone companies in particular only upgrade their networks in select areas where the return is highest.

## **2.3 Click Provides Excellent Customer Service**

One of the achievements of TPU's investment has been Click's well-regarded customer service. In an industry that is infamous for poor customer service, ongoing consumer feedback demonstrates that TPU has consistently delivered better customer service than the large cable television companies. This is a considerable achievement that has delivered value to the community for all the years of Click's existence and generated significant goodwill for TPU's telecommunications assets.

## **2.4 Click Allows Tacoma to Set and Enforce Local Policies**

TPU's ownership of Click means the City is in a relatively rare position: it can set policies about how its network will be governed and it can choose to ensure such goals as respect for consumer data. This means the City can, among other things, decide what levels of consumer privacy and net neutrality it wants to guarantee for its citizens. Ownership of the asset affords continued leverage to ensure that the network continues to be used in ways that are consistent with the community's goals.

### 3 Strategic Alternatives for Click to Address Policy Goals in Varying Ways

The question presented to CTC was this: What are the general options for eliminating ongoing operating losses of more than \$5 million per year? To what extent do these options protect or interfere with Tacoma’s policy goals (and policy achievements to date), as outlined in Resolution U-10988?

Resolution U-10988 outlines 12 goals. We have consolidated that list slightly into ten goals. We merged the fourth and fifth goals (“open access” and “competition”) into a single goal because these concepts are tightly related. We also merged the first and seventh goal (“continued public ownership” and “safeguarding the network’s use [by public agencies]”) given that the spirit of these goals are essentially the same, and that sale of the network is not among the five options summarized in this report.

Here is the resulting list of ten goals:

- 1: Public ownership and use:** Continuing public ownership of the telecommunications assets, especially those assets necessary for TPU operations, and safeguarding the network’s use for public purposes.
- 2: Equitability:** Ensuring geographically, economically, and technologically equitable access to services.
- 3: Affordability:** Creating low-income affordable access to telecommunication services.
- 4: Net Neutrality:** Enforcing net neutrality principles for all customers.
- 5: Open Access/Competition:** Preserving competition and allowing open access to telecommunication assets by other providers to the extent such access benefits customers with high-quality, technologically up-to-date, and reasonably priced telecommunication services, including restricting transfer of ownership or operations that reduce competition.
- 6: Financial stability:** Maintaining financial stability of the telecommunications business operations.
- 7: Community Opportunities:** Promoting economic development and educational opportunities.
- 8: Employment:** Providing job options and security for Click staff and protecting the intellectual capital of the system.
- 9: Privacy:** Protecting customer data privacy.
- 10: Customer Service:** Preserving market-leading customer service for telecommunications.

For each of the five alternative scenarios presented below, we briefly summarize the possible impact on these ten goals.

### **3.1 Scenario One: Reduce Operating Expenses**

In the first scenario, Click would seek to realize substantial operating efficiencies and thereby to reduce costs and losses for TPU. TPU already has taken steps to reduce expenses. For example, TPU is evaluating outsourcing of Click's network operations center (NOC), outsourcing of the cable headend, and reducing the number of job classifications to increase operational and staffing efficiency. In addition, TPU could consider additional measures such as outsourcing video or shifting video to a lower cost platform. Options here include outsourcing to a remote IP-based provider and offering over-the-top services with a consumer-owned streaming device. These strategies could reduce staffing by as many as 23 FTEs, and perhaps many more if video costs were reduced. In our view, these approaches would enable TPU to trim annual losses by \$1.5 million to \$1.7 million.

#### **3.1.1 Impacts on policy goals**

##### **3.1.1.1 Public Ownership and Use**

This option retains public ownership of the network and the long-term opportunities that accompany it.

##### **3.1.1.2 Equitability**

This option makes no change in terms of equitable access. Click has already secured the benefits of equity by deploying service broadly and without reference to demographics or profitability.

##### **3.1.1.3 Affordability**

This option makes no change with respect to affordability. Pricing is likely to remain consistent, particularly for internet service.

##### **3.1.1.4 Net Neutrality**

This option makes no change with respect to Click's ability to set and adhere to net neutrality principles.

##### **3.1.1.5 Financial stability**

The reduction in costs by \$1.5 million to \$1.7 million would go partway to restoring financial stability, but may not go far enough to forestall the need for a later and more significant strategic change in direction.

##### **3.1.1.6 Community Opportunities**

This option presents no change in terms of Click's ability to promote economic development and educational opportunities. At a high level, the extent to which Click can achieve these goals is a function of Click's overall health as a business.

### ***3.1.1.7 Employment***

Reducing staffing by 23 FTEs would still preserve most existing jobs. In the larger view, however, if this strategy does not solve Click's financial problems, it merely puts off tougher decisions for a later date. If losses end up widening, more jobs will be threatened.

### ***3.1.1.8 Competition***

This option makes no change in terms of the existing level of competition.

### ***3.1.1.9 Privacy***

This option makes no change with respect to Click's privacy policies.

### ***3.1.1.10 Customer Service***

While this option makes no change regarding the level of service Click provides, a reduction in staffing and operating costs could potentially affect the capacity of Click to provide the same level of customer service.

## **3.2 Scenario Two: Become a Retail ISP and Try to Increase Revenues**

In the second scenario, Click would become a retail ISP rather than solely a wholesaler, and thus would no longer be reliant on the capabilities and success of private ISPs. This strategy would enable TPU to bundle services to potentially increase its cable television take rate.

(One idea that has been discussed in this context is that of dropping cable service. We would note that while cable might not be profitable, many consumers want a bundled service. It would be important to do a market study to test whether cable, even though it does not result in any profits in and of itself, is important for attracting and retaining internet customers and thus building take rate.)

The challenge in this approach is that it requires Click to directly compete with its current wholesale ISP customers. This approach also does not address Click's disadvantages in scale and platform relative to Comcast and other providers, and will require increased staffing for sales, marketing and customer service, increasing annual losses in the short and medium term. Losses could be reduced if these efforts resulted in a dramatic increase in revenues by adding internet products to Click's existing cable television offerings.

### **3.2.1 Impacts on policy goals**

#### ***3.2.1.1 Public Ownership and Use***

This option retains public ownership of the network.

#### ***3.2.1.2 Equitability***

This option makes no change in terms of equitable access.

### ***3.2.1.3 Affordability***

This option may improve affordability by adding TPU as a competitive retail ISP, though the need to increase revenues would suggest that price decreases would not be advisable.

### ***3.2.1.4 Net Neutrality***

This option makes no change with respect to Click's ability to set and adhere to net neutrality principles.

### ***3.2.1.5 Financial stability***

The approach requires an increase in operating expenses to enable substantial new marketing and sales efforts. There is no guarantee, however, that revenue would increase enough to justify the extra expense. If revenue does not increase substantially, financial stability will suffer.

### ***3.2.1.6 Community Opportunities***

This option presents no change in terms of Click's ability to promote economic development and educational opportunities. At a high level, the extent to which Click achieves these goals is a function of Click's overall health as a business.

### ***3.2.1.7 Employment***

This strategy will result in increased employment to carry out new marketing and sales efforts. If this strategy does not solve Click's financial problems, then these increases may be temporary.

### ***3.2.1.8 Competition***

This option changes the competitive landscape in significant ways, in that Click itself would be directly competing with existing providers. In this way, it potentially enhances competition.

### ***3.2.1.9 Privacy***

This option makes no change with respect to Click's privacy policies.

### ***3.2.1.10 Customer Service***

This option retains Click's ability to provide high-quality customer service.

## **3.3 Scenario Three: Upgrade the Network to Fiber-to-the-Premises**

Upgrading from its existing hybrid fiber-coaxial platform to fiber would give Click a platform advantage relative to Comcast. Click could provide symmetrical 1 Gigabit service and have an upgrade path to higher speeds in anticipation of future growth in demand.

This approach would, however, entail a very high new capital expense to upgrade the network and would not address the structural challenges of Click's scale disadvantages relative to competitors like Comcast. Additionally, Click would still be operating in a competitive market.

Such an approach would entail a significant increase in both internal and contract staffing for construction and equipment installation. There would likely be a dramatic increase in the near to medium-term losses from high debt service and increased operating expenses. Reducing these losses over time would require an extremely high take rate.

### **3.3.1 Impacts on policy goals**

#### **3.3.1.1 Public Ownership and Use**

This option retains network ownership.

#### **3.3.1.2 Equitability**

This option makes no change in terms of equitable access, and may increase the types and speeds of available services, given fiber's capacity and scalability.

#### **3.3.1.3 Affordability**

This option makes no change in terms of affordability.

#### **3.3.1.4 Net Neutrality**

This option makes no change in terms of net neutrality.

#### **3.3.1.5 Financial stability**

The sharp increase in costs in the near to medium term comes with no guarantee that a high take rate will result in financial stability over the longer term. A very high take rate would be required to cover the existing losses as well as the new debt service and operating costs. Insufficient take rate and revenues could greatly increase the current level of operating losses. There is no guarantee, however, that revenue would increase enough to justify the extra expense.

#### **3.3.1.6 Community Opportunities**

Alone among the five alternative scenarios, this option could significantly expand community opportunities over the long term. A fiber platform would enable enhanced business and educational opportunities thanks to symmetrical gigabit service. Cable is particularly limited in its ability to deliver fast file uploads. A fiber platform would remove this limitation and allow ultra-high-resolution video conferencing, ultrafast delivery of large files, and a variety of potential future applications and services.

#### **3.3.1.7 Employment**

This approach would result in an expansion in the number and types of TPU jobs, particularly during the construction and deployment state. Following construction and deployment, Click's staffing level is likely to return to the current level or see a modest increase for operations of the fiber platform.

### ***3.3.1.8 Competition***

This option could change the competitive landscape in significant ways. With fiber to the premises, Click would possess a superior technology platform to that of the incumbent providers. It is conceivable that more providers could offer more and new kinds of service through Click through a fiber network, depending on how it was managed. Over time, new consumer demands could also be effectively met by competitors. It is also possible that the phone company would respond by building fiber deeper into its own network in response, though this is likely only if Click's take rate grows and it proves a capable competitor.

### ***3.3.1.9 Privacy***

This option makes no change with respect to Click's privacy policies.

### ***3.3.1.10 Customer Service***

This approach preserves Click's ability to provide superior customer service, and given that the take rate would need to be very high for this business to be viable, this high-quality service would reach more people. However, it is not certain that this approach will result in the necessary high take rate.

## **3.4 Scenario Four: Shut Down Internet and Cable Service, and Abandon Plant**

In this scenario, Click would cease providing wholesale service to the internet ISPs, would cease offering cable television services, and would stop maintaining the outside plant and equipment associated with the public-facing internet and cable products. The fiber that serves the City and TPU would be maintained and would continue in its current functions.

This scenario would successfully eliminate all operating losses associated with serving Click's customers and would thus address the immediate financial challenge. This savings would be achieved by reducing substantially Click staff, retaining only approximately 14 out of 102 currently budgeted FTEs. In this way, this approach would almost entirely eliminate telecom-related costs other than those associated solely with City and Tacoma Power functions.

This strategy solves the financial problem by sacrificing the policy achievements Click has delivered for so long. It would also mean that TPU would forgo the existing value of the network and a significant portion of TPU's telecommunications assets.

A variation on this approach would be to allow the two existing ISPs to lease, operate and maintain the network at cost so that they could continue operating but without the current level of support they get from Click.

### **3.4.1 Impacts on policy goals**

#### **3.4.1.1 Public Ownership and Use**

This option abandons network ownership and forgoes the ongoing value of the consumer-facing network. The fiber optic portions of the network would be retained and supported in order to meet utility and City needs, but the portions of the network that support cable and internet service to homes and businesses would no longer be maintained and supported.

#### **3.4.1.2 Equitability**

This option negates the value of Click in terms of equitable access to services.

#### **3.4.1.3 Affordability**

Exiting the market leaves the question of affordability to the existing incumbents in the market and would remove some of the competitive factors that are likely to constrain future growth in pricing.

#### **3.4.1.4 Net Neutrality**

Exiting the market will mean the City and Tacoma Power lose their ability to themselves offer net neutral products or to use the Click asset as leverage to secure net neutrality benefits.

#### **3.4.1.5 Financial stability**

This option would eliminate the ongoing financial losses by eliminating the costs of staffing and supporting the internet and cable TV services, but also forgoes the ongoing value of the network.

#### **3.4.1.6 Community Opportunities**

This option would all but end Tacoma's ability to influence how the City's communications network aids economic development or educational opportunity.

#### **3.4.1.7 Employment**

This approach would result in the loss of most existing jobs associated with Click, retaining approximately 14 out of 102 currently budgeted FTEs according to Click staff.

#### **3.4.1.8 Competition**

This option would forgo the value Click provides in terms of providing competition.

#### **3.4.1.9 Privacy**

Exiting the market will mean the City and Tacoma Power lose their ability to themselves offer privacy-respecting internet products or to use the Click asset as leverage to secure privacy benefits.

#### **3.4.1.10 Customer Service**

This approach would mean Tacoma Power no longer provides any customer service to residential or business consumers.

### **3.5 Scenario Five: Collaborate with a Partner and Offset Risk**

In this scenario, TPU would share with a select partner the operating effort that is currently causing the operating losses. This approach would involve using a competitive process to identify a partner that is qualified to deliver competing internet and cable services to Tacoma Power's customers – and that is also willing to meet many of the City's policy requirements. In such an arrangement, Tacoma Power would allow the partner to operate the network assets for a fee, such that TPU's obligations would extend only to maintaining the infrastructure while the partner's obligations would focus on providing high quality services to the public.

Depending on market conditions and the terms of an agreement, this option could enable TPU to address some or all of the City's important goals while eliminating some or all operating losses. Potentially, the right deal could even result in net revenues.

This approach is contingent on finding a partner entity that is amenable (and, ideally enthusiastic) about these policy goals and interested in a business model in which it will take operating risk in return for access to TPU's considerable network assets. Projects in multiple states in recent years suggest that win-win scenarios are possible and viable. Indeed, we suspect that several companies would be interested, and that the City may have multiple options in selecting a partner, subject to negotiations. That said, market conditions and larger national and global economic trends will impact the potential to secure a partner that meets the City's goals.

The City and TPU can consider testing the market for a partner through an information-seeking process (such as an RFI) or through a competitive RFP process. Such an effort would enable the City and Tacoma Power to determine whether there is a partner willing to make commitments that address the City's policy goals and TPU's revenue needs in return for access to the Click assets.

#### **3.5.1 Impacts on policy goals**

##### ***3.5.1.1 Public Ownership and Use***

This option retains network ownership and, crucially, leverages that ownership into significant potential ongoing public policy benefits, including those discussed below.

##### ***3.5.1.2 Equitability***

The partner would ideally be willing to commit to ensuring equity by agreeing to offer the same services at the same prices throughout the community. If the partner is amenable to expanding the network over time, the partner would ideally be willing to do so based on equitable factors to be negotiated with TPU and the City. So long as the overall financial package is attractive to a potential partner, we believe that this goal is achievable.

### ***3.5.1.3 Affordability***

The partner would ideally be willing to commit to providing a low-cost but high-quality product to lower-income members of the community. In our experience, there are multiple potential partners that are willing to work with cities to develop programs that support affordability and enhance digital inclusion. In one city, we've seen a partner commit to match contributions from the city that reduce pricing for low-income consumers. In others, we have seen partners commit to adding a lower-cost product to a higher-end service offering. In others, we have seen partners who are willing to make annual contributions to city-managed funds to support digital training and literacy.

### ***3.5.1.4 Net Neutrality***

In this scenario, TPU and the partner would mutually agree to adhere to the same principles of net neutrality that guide TPU today. While this requirement might reduce the number of interested potential partners, we do know of a small group of private entities that are amenable to this condition and, indeed, have chosen to be net neutral as a matter of policy and branding.

### ***3.5.1.5 Financial stability***

Subject to the terms of any agreement, this strategy addresses the first order of business: restoring financial stability. The agreement would ideally minimize or eliminate losses and perhaps produce revenue.

### ***3.5.1.6 Community Opportunities***

By preserving ownership and competition, this option should maintain the same level of economic development and educational benefits provided by Click today. In addition, we believe that some private entities would be open to providing modest financial support for community opportunity. In other markets, we have seen private entities fund maker spaces, sponsor local technology efforts, and support technology incubators, among other community contributions.

### ***3.5.1.7 Employment***

The employment impact of such a move would be akin to the impact of shutting down service, but with the possibility that some employees could be retained or that the partner could fund severance. A remaining internal telecom staffing level of 14 FTEs appears probable according to Click staff.

### ***3.5.1.8 Competition***

This option would retain competition in Tacoma. By preserving a viable, financially stable platform for cable TV and internet services, the hard-won competitive market created by the Click investment would be preserved. Crucially, it will be important to select a technically and financially viable entity as a partner to ensure long-term security of competition. Further, and similarly importantly, in our experience there do exist a number of potential partners that are

willing to commit not to sell or transfer their interests in the partnership to incumbents in that same market. The importance of this to Tacoma is that such an agreement, assuming it is enforceable, would eliminate the potential for competition to be reduced at some point through sale of the partner company to Comcast or CenturyLink (or one of their successors).

### ***3.5.1.9 Privacy***

The partner would ideally be willing to commit to maintaining a privacy policy that is consistent with City goals. As with net neutrality, we anticipate that this requirement would reduce the number of interested partners and thus carries a cost for Tacoma, but there do exist entities that might be willing to make this commitment because it's already part of their business and marketing strategies.

### ***3.5.1.10 Customer Service***

This approach would likely mean Click no longer directly provides customer service, which would be handled by the partner. However, incentives built into the deal could result in high quality service and TPU and the City could choose to prioritize in the competitive process a strong customer service ethic and track record.