Please note that the following presentation provides an introduction to Phase 3 of the New NY Broadband Program. However, Phase 3 applicants are directed to consult the New NY Broadband Program Phase 3 Request for Proposal Guidelines as the definitive source for all terms and requirements of Phase 3 of the Program. Nothing in this presentation will waive, alter, or otherwise modify the Phase 3 RFP Guidelines.
“Broadband is today what electricity was nearly a century ago – essential to creating economic opportunity, driving innovation, and an absolute necessity for our way of life”

- Governor Andrew Cuomo
Introduction

• On January 8, 2016 Governor Cuomo launched the $500 million New NY Broadband Program with legislative support

• Largest and most ambitious State broadband investment in the nation

• The Program achieves its goals through public-private sector partnerships

• Phase 3 RFP launched March 30, 2017

• FCC has allocated up to $170 million from the Connect America Fund (CAF) to address eligible Unserved areas of New York State
Phase 1 Awards

• $75.8 million in Public/Private Investment
  • $54.2 million State Funding
  • 25 projects in 8 upstate regions
  • 34,127 homes and 2,044 businesses and community anchors (libraries, hospitals, schools) connected to high-speed broadband
Phase 2 Awards

- $268 million in Public/Private Investment
- $212 million State Funding
- 52 projects in 8 upstate regions
- 10,589 miles of fiber deployed
- 82,463 homes and 7,051 businesses and community anchors (libraries, hospitals, schools) connected to high-speed broadband
New NY Broadband Program
Progress To Date

- $344 million in Public/Private Investment
- $266 million in State Funding
- $78 million in Private Funding

- 125,685 homes, businesses, and community anchor institutions (hospitals, libraries, K-12 schools) connected to high-speed broadband

- Together with build-outs and upgrades committed by Charter, Phase 1 & 2 awards will result in 98% of New Yorkers having access to high-speed broadband
Phase 1 & 2 Projects

Phase 1 & 2 Awards
Additional Commitments

In 2015, the Public Service Commission (PSC) approved a merger of Time Warner Cable and Charter Communications with the following requirements:

• Charter expanding service to 145,000 Unserved premises in New York State
• Charter increasing speeds for over 2 million Unserved customers
  • 100 Mbps by the end of 2018
  • 300 Mbps by the end of 2019
• Charter launching first-ever statewide low-income broadband program
  • 30 Mbps for $14.99 per-month
• Premises to be served by Charter have been removed from Phase 3
Since Governor Cuomo announced his initiative, the State has secured new broadband commitments to 98% of New Yorkers... yet over 150,000 homes in New York State still lack access to high-speed broadband...
Phase 3 Introduction
Key Design Elements

- Mapping
- Technology
- Type of Projects to Fund
- Method for Allocating Funding
- Reimbursement / Payment Structure
- Qualifications

Optimal structure must balance public goals with market-based requirements
Key Design Elements

• **Mapping:**
  • 477 filings provide base layer
  • Charter address points have been overlaid on a confidential basis
  • Existing Phase 1, Phase 2, and other committed projects also overlaid on a full Census Block basis
  • Effectively, “address-level” data is in place for ~98% of Upstate locations

• **Technology:**
  • Technology neutral
  • Preference given for 100 Mbps solutions (e.g. fiber, cable)
  • Wireless and hybrid solutions are also approved
Key Design Elements

• **Type of Project to Fund:**
  - Projects fund exclusively last mile solutions
  - Required middle mile to connect to the backbone can be funded
  - Approach ensures the goal of connecting Unserved locations will be accomplished directly

• **Method for Allocating Funding:**
  - Program structured as Reverse Auction
  - Awards to those projects meeting goals at lowest per-Unit State investment
  - Regional auctions, to ensure statewide allocations, for NY State process
Key Design Elements

- **Reimbursement / payment structure:**
  - State funds capital expenditures
  - Private sector match targeted at 50%, but must be at least 20%
  - Program can be combined with other existing incentives and Federal programs, such as CAF

- **Pricing:**
  - Providers must offer broadband tier of at least 25 Mbps for $60 or less

- **Qualifications:**
  - Private sector partners must demonstrate financial, management capabilities

*Specific terms and conditions contained in RFP Guidelines*
Phase 3 Overview

Statewide RFP issued March 30, 2017
Applications accepted June 6, 2017 – August 15, 2017

1. Award grant funding to applicants to provide last-mile services to Unserved and Underserved areas of the State

2. Evaluate applications through a Reverse-Auction

3. Separate Auction processes for territories eligible for Connect America Fund support (New York CAF Auction) and other Unserved/Underserved areas (New York State Auction)
Phase 3 Requirements

- Speeds of 100 Mbps offered statewide, 25 Mbps in the most remote areas
- Technology and network must meet approved standards
- Applicants must provide a required co-investment
- Priority given to Unserved areas, libraries and educational opportunity centers, as per Appropriation
- Applicants must demonstrate suitable fiscal standing and management capabilities
- Projects must be completed by the Phase 3 Completion Date
- Additional requirements discussed subsequently
Eligible Territories

• All Unserved and Underserved Areas in the State are eligible in Phase 3

• The BPO has published four lists of Eligible Census Blocks
  
  ❖ **List A**: Eligible Unserved Census Blocks
  ❖ **List B**: Eligible Underserved Census Blocks
  ❖ **List C**: CAF-eligible Census Blocks
  ❖ **List D**: Additional Service Areas

• The BPO utilized June 2016 FCC Form 477 Data and confidential information regarding Charter’s build-out plans to formulate precise bidding areas
Process Updates

• The BPO is finalizing the lists of Phase 3 Eligible Census Blocks, and will post them on its website in the near future

• In addition, the FCC will issue an FAQ to address questions that may arise with respect to NY CAF Auction

• When updated materials are available, they will be posted on the BPO’s website

• In addition, where relevant, an alert will be sent to recipients on the BPO mailing list

• To ensure you are not missing these key updates, please regularly check the BPO website and ensure that you have signed up with Ana Rua (ana.rua@esd.ny.gov) to receive these alerts
New York State Auction
The Phase 3 NYS Auction is similar to Auctions conducted in Phases 1 & 2.

Separate Auctions within each REDC Region:
- Auction for Unserved areas
- Auction for Underserved areas

Applications must meet all Phase 3 Requirements, including:
- Minimum Service Area of 250 Units
- Meet the Program’s Internet Speed Requirements
- Qualifying and commercially-reasonable applications ranked by requested State Investment in dollars-per-Unit-served

Applications offering higher speeds and superior service considered first.
Eligible applicants in Phase 3 Auctions include, but are not limited to:

- Incorporated organizations
- Native American tribes or tribal organizations
- A local unit of government, or a group of multiple units of government
- A cooperative, private corporation or limited liability company, organized on a for-profit or not-for-profit basis
- A group of public and/or private sector partners
Service Area Requirements

- Applications must serve:
  - Minimum Service Area of 250 Units, OR
  - All Eligible Unserved or Underserved CB’s within an REDC Region
- Applicants must serve all potential customer locations in awarded Census Blocks
- Proposed Service Areas can only divide Eligible CB’s relative to:
  - Partially-Eligible CB’s
  - Additional Service Areas
  - Cable/Telephone Providers whose Service Boundaries divide a CB
Applicants may submit proposals to address Unserved and Underserved Units within “Served” Census Blocks - Additional Service Areas (ASA)

ASA Applications may include:

1. Any CB identified on List D
2. Any Served CB in New York City, Long Island, Rockland and Westchester Counties

- Must demonstrate that proposed Units are, in fact, Unserved or Underserved
- Must address all Unserved and Underserved Units within a proposed CB
- Must be submitted on a stand-alone basis
Projects must offer download speeds consistent with the Program’s goals

Download speeds of at least 100 Mbps, except in the most remote areas of the State where 25 Mbps is acceptable

Applications will be classified in one of three Service Tiers based on network capabilities

In no circumstances will the Program consider Unserved applications offering speeds lower than 25 Mbps
All applications will be classified in one of three Service Tiers:

<table>
<thead>
<tr>
<th>Tier</th>
<th>Internet Speeds (download/upload)</th>
<th>Latency</th>
<th>Monthly Usage Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above Baseline</td>
<td>≥ 100/20 Mbps</td>
<td>Low</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Baseline</td>
<td>≥ 25/4 Mbps</td>
<td>Low</td>
<td>Unlimited</td>
</tr>
<tr>
<td>Minimum</td>
<td>≥ 25/3 Mbps</td>
<td>High</td>
<td>≥150 GB</td>
</tr>
</tbody>
</table>

To meet the Minimum Service Tier requirements:
- Minimum 150 GB Monthly Usage Allowance must be offered
- No more than 50 GB may be provisioned to off-peak hours
- Applicants cannot impose “hard” Internet data caps
The Program is technology neutral, provided that projects meet the Program’s required download speeds and other requirements.

- Fiber-to-the-Home (FTTH) and Cable/Hybrid Fiber-Coaxial (HFC), including combinations of FTTH and HFC, may be utilized.

- Fixed Wireless, including Satellite Broadband Service, and Digital Subscriber Line (DSL), may be utilized either alone or in combination with FTTH or HFC.

- Applicants must demonstrate that Fixed Wireless or DSL solutions can achieve the Program’s speed goals.
Projects must be completed by December 31, 2018

Applicants must provide a timeline detailing major benchmarks and anticipated achievements

Applicants showing good-cause may request in their application an extension of up-to one year of the Phase 3 Completion Date

Applicants may seek reimbursement of customer drops for 24 months after Phase 3 Completion Date, including any extensions
• Applicants must provide a Required Co-Investment

• The Governor’s goal for private-sector Matching Funds is 50% of Total Eligible Project Costs or greater

• NYS grant request cannot exceed 80% of Total Eligible Project Costs

• Private sector matching funds must include an equity capital contribution by the applicant – at least 10% of Total Eligible Project Costs
Required Pricing Tier

- Applicants must offer a Required Pricing Tier for five years after the Project’s completion
  - Minimum speeds of 25/4 Mbps (download/upload)
  - Monthly rate not to exceed $60
    - Includes any connection fees, equipment fees, and/or surcharges
      - Excludes a one-time installation fee not to exceed $49
      - Installation fees above $49 permitted for drops in excess of 300 ft.
  - Effective as of December, 2015 and may be increased annually at the higher or CPI or a rate published by the BPO
  - Applicants offering Minimum Service may satisfy this requirement by offering speeds of 25/3 Mbps (download/upload), with usage limitations consistent with the Tier
Financial and Management Capabilities

- Applicants must demonstrate suitable fiscal standing and management capabilities
- Applicants must operate at least one wired or wireless network with at least 500 customers
- Applicants must submit:
  - Past 3 years of audited financials
  - Past 2 years of tax returns
  - Evidence of an investment-grade bond rating (for municipalities with a bond rating)
- Applicants must be in good standing in performance of any existing NYS Contracts, and in compliance with all local, State and federal laws
Fully-Financed Requirement

- Fully-Financed Projects receive priority in the Reverse Auctions.
- Applicants must demonstrate that all funds proposed to be committed to Project are available on date of application’s submission.
- Non-Fully-Financed Projects receive secondary consideration in the Reverse-Auction.
- Financing must be completed within 60 days after the date when the application is submitted.
Applicants may request a Waiver from one or more Program Requirements.

- Applicant should provide a written explanation of why they are unable to meet the Requirement(s) and a justification for issuance of the Waiver.

- Waivers will be granted at the discretion of the President and CEO of ESD.

- It is not anticipated that Waivers of core Program provisions will be issued.
Applicants must provide an Application Fee and Deposit

- Nonrefundable $250 Application Fee
- $100,000 Application Deposit in the form of a letter of credit
  - Nonrefundable if the applicant is selected for the Program and refuses to enter into a Grant Disbursement Agreement with ESD
  - Applicants submitting multiple applications are only required to submit one letter of credit
Multiple applications are required in the following circumstances…

- Applications cannot propose to serve a combination of Eligible Unserved and Underserved CB’s
- Additional Service Area applications must be submitted on a stand-alone basis
- Proposals may serve non-contiguous areas in the same REDC
- Non-contiguous areas in different REDC’s must be submitted through separate applications
  - Contiguous service areas spanning more than one REDC may be submitted in a single application
Dependent Applications

• Applicants may designate an application as “Dependent” on one other application, to the extent that funding both projects would reduce State cost per-Unit.

• Applicant must demonstrate that funding the projects in combination will reduce State cost per-Unit of one or both projects.

• The applications must also be offered on a stand-alone basis.

• Budgets must be provided for both standalone and linked applications in such cases.

The following examples illustrate how dependent applications function in the Reverse-Auction.
Dependent Applications

- An applicant submits two applications (A & B) which would share certain common network infrastructure
- The State cost per-Unit of each application is higher when funded on a stand-alone basis, and lower when funded in combination

<table>
<thead>
<tr>
<th>Application A</th>
<th>Application B</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,000 Unserved Units</td>
<td>1,000 Underserved Units</td>
</tr>
<tr>
<td>$6,000 State cost per-Unit</td>
<td>$4,000 State cost per-Unit</td>
</tr>
<tr>
<td>$2,500 State cost per-Unit</td>
<td>$3,000 State cost per-Unit</td>
</tr>
</tbody>
</table>
Dependent Applications

- One applicant submits Application A, while another applicant utilizes the Dependent Application provision and submits two applications (B & C).
- When considered as Dependent, Application B is more competitive in the Reverse-Auction.

**Example 1**

**Application A**
- 1,000 Unserved Units
- $3,000 State cost per-Unit

**Application B**
- 1,000 Unserved Units
- $5,000 State cost per-Unit
- Stand Alone

**Example 2**

**Application A**
- 1,000 Unserved Units
- $3,000 State cost per-Unit

**Application B**
- 1,000 Unserved Units
- $2,500 State cost per-Unit

**Application C**
- 500 Underserved Units
- $3,000 State cost per-Unit
- Dependent
Any number of applications may be dependent on one other application.
Applications cannot be dependent upon an application which is itself dependent on a 3rd application.
Overlapping Proposals

- Where applications propose to serve overlapping areas, the qualifying proposal that offers the lowest State cost per-Unit will be selected.
- The Program may offer the higher-cost applicant a Modified Award:
  - Modified Awards made on a pro rata basis for the reduced number of Units.
- The Program requires that applicants agree to accept an up-to 20% reduction in service territory in case of overlaps:
  - Applicants may, at their discretion, agree to accept a larger reduction.
Additional Incentives for the Unserved

The Program will provide Auction ranking bonuses to applicants who serve all Unserved or CAF-eligible Census Blocks within one or more REDC Region.

<table>
<thead>
<tr>
<th>Incentive</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>Application addresses all Eligible Unserved CBs OR all CAF-eligible CBs within at least one REDC Region</td>
</tr>
<tr>
<td>20%</td>
<td>Applicant, through one or more applications, addresses all Eligible Unserved CBs OR all CAF-eligible CBs within two or more REDC Regions</td>
</tr>
</tbody>
</table>

- Calculated as a percentage of the applicant’s bid
- Will reduce an applicant’s per-Unit NYS grant request in the Reverse-Auction ranking
- Will not affect calculation of the applicant’s actual award
Additional Incentives for the Unserved

**Application A**
Mohawk Valley
Unserved CB’s
$500 State cost per-Unit

- Earns no additional incentive
- State cost per-Unit in the Reverse-Auction remains $500

**Application B**
Mohawk Valley
All Unserved CB’s in REDC
$525 State cost per-Unit

- Earns 10% discount ($52) by serving all Unserved CB’s in an REDC
- State cost per-Unit in the Reverse-Auction reduced to $473
- Final award will reflect unmodified State cost per-Unit (i.e., $525 per-Unit)
Key NYS Auction Changes from Phase 2

• Applications categorized on the basis of Service Tiers
  • New Minimum Service Tier for applications offering download/upload speeds of 25/3 Mbps, high latency levels, and usage limitations

• Additional Incentives for serving Unserved CBs

Additional rules for the New York CAF Auction discussed subsequently
New York CAF Auction
New York CAF Auction

- Single, statewide Auction awarding only CAF-eligible Census Blocks
- NYS grant funding will not exceed 70% of Total Eligible Project Costs
- Winning bidders will receive monthly CAF support from the Universal Service Administrative Company (USAC) for 10 years
- Minimum Service Area of 5,000 Units*

*Applications based on Statements-of-Interest provided to the BPO in 2016 may serve 250 Units
FCC CAF Requirements

- Winning bidders in the NY CAF Auction must comply with FCC Rules, in addition to NYS Requirements
- Meet FCC Service and Pricing Requirements
  - Offer a stand-alone voice service plan
  - Offer voice and broadband service at reasonably comparable rates
  - Offer broadband at latency levels suitable for real-time applications
- Meet FCC buildout requirements
- Applicants cannot request waiver of FCC rules
CAF Funding

- Winning bidders will be eligible to receive CAF support for the amount of funding available in each Census Block.
- CAF support disbursed on a monthly basis over a period of 10 years.
- CAF support cannot exceed the FCC’s Reserve Price for the awarded Census Blocks.
CAF Funding

- CAF support will not exceed NYS grant funding for any project as a whole

**Application A**
- $10 million NYS Grant
- $10 million available CAF

Application A will receive $10 million in CAF support, matching its NYS Grant for the Project

**Application B**
- $20 million NYS Grant
- $15 million available CAF

Application B’s NYS Grant exceeds available CAF support, so the Project will receive all $15 million in CAF support

**Application C**
- $20 million NYS Grant
- $25 million available CAF

Available CAF support exceeds NYS Grant Funding, so the Project will only receive $20 million in CAF support

- NYS Grant Funding issued on a reimbursement basis for up-front capital costs. CAF support disbursed monthly over a period of 10 years
Compelling Financial Opportunity

Simplified example, purely for illustrative purposes:

• Project capital cost: $100
• Private investment: $30 (after 70% max. reimbursement)
• FCC support: $70 ($7/year for 10 years, assuming 1:1 match)
• Compelling returns, even before any business cash flows:

Illustrative Return in Simplified Example:
> 2x multiple of investment, ~ 19% unleveraged Internal Rate of Return
In order to obtain CAF funding, winning bidders in the NY CAF Auction must:

- Submit a long-form application to the FCC within ten business days after award announcement
- Obtain designation as an Eligible Telecommunications Carrier (ETC) in awarded CAF service areas within 180 days after award announcement
  - Existing ETC providers must update designation to include new areas
  - Wireline providers must obtain designation from NYS PSC
  - Wireless providers, including Satellite, must obtain designation from FCC
CAF recipients must submit a letter of credit to the FCC (separate from Application Deposit) and a letter of credit opinion letter

- Initial amount must be at least equal to first year of CAF support
- Letter and Issuing Bank must meet FCC requirements
- Drawn upon if CAF Recipient fails to comply with CAF build-out requirements
- Provide bank commitment letter providing for issuance of this letter of credit
NY CAF Auction Overview

- Applications reviewed simultaneously
- Applications ranked by State cost per-Unit served
- Technology-neutral
- Bidding Credits applied to applications on the basis of Service Tiers
- Additional Incentives for applications addressing all CAF-eligible CBs in one or more REDC Regions
- Applications must meet all New NY Broadband Program requirements
- Applications must be determined to be commercially reasonable
- Single, statewide Reverse Auction
  - Auctions not split by REDC Region
In addition to the Additional Incentives for the Unserved, the New York CAF Auction will award bidding credits based on an application’s service tier:

- Calculated as a percentage of the reserve price ($7,983 per-Unit)
- Reduces an applicant’s per-Unit NYS grant request in the Reverse-Auction ranking
- Will not affect calculation of the applicant’s actual award

<table>
<thead>
<tr>
<th>Tier</th>
<th>Bidding Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above Baseline</td>
<td>85%</td>
</tr>
<tr>
<td>Baseline</td>
<td>50%</td>
</tr>
<tr>
<td>Minimum</td>
<td>0%</td>
</tr>
</tbody>
</table>
### Bidding Credits

<table>
<thead>
<tr>
<th>Application</th>
<th>Minimum Service</th>
<th>State cost per-Unit</th>
<th>Tier</th>
<th>Bidding Credit</th>
<th>Reserve Price per-Unit</th>
<th>State cost per-Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application A</td>
<td>$1,000</td>
<td>$1,000</td>
<td>Minimum Tier</td>
<td>No bidding credit</td>
<td>$7,983</td>
<td>$1,000</td>
</tr>
<tr>
<td>Application B</td>
<td>$4,500</td>
<td>$4,500</td>
<td>Baseline Tier</td>
<td>50% bidding credit</td>
<td>$7,983</td>
<td>$3,991</td>
</tr>
<tr>
<td>Application C</td>
<td>$7,500</td>
<td>$7,500</td>
<td>Above Baseline Tier</td>
<td>85% bidding credit</td>
<td>$7,983</td>
<td>$6,785</td>
</tr>
</tbody>
</table>

*Application B earns the highest ranking in the Reverse-Auction after Bidding Credits*

*Bidding Credits affect the ranking of applications, but will not reduce an applicant’s award*
Applications in the New York CAF Auction may be Dependent on applications in the New York State Auction, and vice versa

- **Application A** proposes to serve CAF-eligible Units
- **Application B** proposes to serve non-CAF eligible Units
  - **Application B** has a lower State cost when it shares common network infrastructure with **Application A**

<table>
<thead>
<tr>
<th>Application A</th>
<th>Stand-Alone</th>
<th>Application B</th>
<th>Dependent</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,000 CAF-eligible Units</td>
<td>$5,000 State cost per-Unit</td>
<td>1,000 Unserved Units</td>
<td>$3,000 State cost per-Unit</td>
</tr>
<tr>
<td>10,000 CAF-eligible Units</td>
<td>$5,000 State cost per-Unit</td>
<td>1,000 Unserved Units</td>
<td>$2,000 State cost per-Unit</td>
</tr>
</tbody>
</table>
New York State Auction

- Multiple applications as required
- 250 Unit Minimum Service Area
- Eligible Census Block Lists A, B, D
- NYS Grant Funding capped at 80%
- Meet all Program requirements
- Determined to be commercially reasonable
- Applications prioritized by Service Tier
- Additional Incentives for the Unserved

New York CAF Auction

- Statewide applications permitted
- 5,000 Unit Minimum Service Area
- Eligible Census Block List C
- NYS Grant Funding capped at 70%
- Meet all Program requirements
- Determined to be commercially reasonable
- Additional Incentives for the Unserved
- Bidding Credits apply
- Meets FCC Rules
January 8, 2016 - Program Launch

August 3, 2016 – Phase 1 Awards Announced

November 30, 2016 – Phase 2 Applications Submitted

January 26, 2017 – FCC Allocates $170 Million to NYS

February 28, 2017 - Phase 2 Awards Announced

March 30, 2017 – Phase 3 RFP Released

August 15, 2017 – Phase 3 Applications Due
With Your Partnership...

From 69% in 2015...
With Your Partnership…

*includes commitments

Broadband

Phase 1 & 2 Projects

to 98% in 2017…
With Your Partnership…

Broadband

to 100% in 2018.

*includes commitments
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