



**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

November 2, 2018

Ms. Joy L. C. Perry  
Barrington Town Clerk  
4424 Old Bath Road  
Penn Yan, New York 14527

Dear Ms. Perry:

I am hereby transmitting, for filing in your office, the General Project Plan of the New York State Urban Development Corporation ("UDC"), doing business as the Empire State Development Corporation (the "Corporation"), for the

Yates County (Finger Lakes Region – Yates County) Frontier Phase 3 Southern Tier Unserved Broadband Capital (Capital Grant) Project, at its Directors' meeting of October 18, 2018.

This material is being filed pursuant to Section 16(2) of the UDC Act. Enclosed are additional copies of the Plan for distribution, without charge to any person who shall make a request for same.

A public hearing, also required by the UDC Act, will be held by the Corporation on Tuesday, November 13, 2018, from 2:00 PM to 3:00 PM, at the Yates County Clerk, Closing Room, 417 Liberty Street – Suite 1107, Penn Yan, New York 14527, to consider the General Project Plan.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Parker".

Greg Parker

## B. Frontier Phase 3 Southern Tier Unserved Broadband Capital (AC807)

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### General Project Plan

- Grantee:** Citizens Telecommunications Company of New York, Inc. (d/b/a Frontier Communications of New York) (“Citizens Telecommunications Company of New York, Inc. (d/b/a Frontier Communications of New York)” or the “Company”)
- ESD Investment:** A grant of up to \$7,070,959 to be used for a portion of the cost to expand broadband coverage to Unserved communities in the Southern Tier and Finger Lakes Regions of New York State.
- Project Location:** Broome, Chenango, Delaware, Schuyler, and Yates Counties  
Please refer to Table B for the Project Footprint
- Proposed Project:** Installation of broadband networks to expand broadband access and increase capacity.
- Project Type:** Infrastructure Investment Project
- Regional Council:** The Southern Tier and Finger Lakes Regional Economic Development Councils have been made aware of this item. The Incentive Proposal was accepted in July 2018. The project is consistent with the Regional Plans to expand high-speed Internet, stimulate local business growth and job creation, and enhance the economic well-being of the regions.

#### **Background:**

Company History - Frontier Communications is an S&P 500 company, and is included in the Fortune 1,000 list of America's largest corporations. Frontier serves a mix of urban, suburban, and rural areas across the U.S. The Company offers a variety of services to customers over its fiber-optic and copper networks, including video, high-speed Internet, advanced voice and Frontier Secure digital protection solutions. Frontier Business Edge offers communications solutions to small, medium, and enterprise businesses. Frontier Communications was incorporated in 1935 and operates in 29 States.

Ownership - Frontier Communications is a publicly traded company (NASDAQ: FTR)

Size - Frontier has facilities in 29 states across the U.S., and employs a staff of approximately 28,600.

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Market – Access to the Internet can be achieved by a number of different technologies. The definition of broadband is determined by the data transmission speeds in both directions. “Download speeds” refer to the speeds at which data is received by an Internet user -- *i.e.*, the speeds at which the user can access websites, receive files through email, stream video, or use cloud-based services. Upload speeds refer to the speeds at which data is transmitted by an Internet user to another user, to a website, or cloud-based service. Average consumers typically use broadband for downloading data, making download speeds the standard measure for broadband access.

Broadband service is facilitated by either wireline or wireless technologies. Wireline services require a physical connection (through Fiber or Cable-based lines) to provide connectivity. Wireless services are transmitted using antennas and wireless receivers similar to how radio transmissions are carried. Although there are a number of different wireless technologies, many wireless broadband providers use a hybrid model of providing service, as a wireline (usually fiber) connection is required at some point in the network.

ESD Involvement - In 2015, New York State (the “State”) created the \$500 million New NY Broadband Program (the “Program”), which is intended to provide every New Yorker with broadband access at Internet download speeds of at least 100 Mbps in most places, and 25 Mbps in the most remote parts of the State.

The Program provides grant funding to projects expanding broadband access to Unserved and Underserved areas across the State, with priority given to projects addressing Unserved areas, public libraries, and Educational Opportunity Centers. An Unserved area is defined as an area where broadband service is not available from a wireline facilities-based provider at advertised speeds equal to or higher than 25 Mbps (download). An Underserved area is defined as an area where broadband service is available from a wireline facilities-based provider at maximum advertised speeds between 25-99 Mbps (download). The Program selects grant recipients through an innovative “reverse-auction” methodology, which awards funding to qualifying applicants seeking the lowest amount of State investment per location addressed.

The ESD Broadband Program Office (BPO) announced the Program’s initial round of grant awards (Phase 1) in August 2016. Phase 1 consisted of 25 projects representing a total public/private investment of approximately \$75.8 million (\$54.2 million in State funding, and \$21.6 million in private funding). In February 2017, the BPO announced the Program’s second round of grant awards (Phase 2) - 54 projects representing a total public/private investment of approximately \$268 million (\$211.8 million in State funding, and \$56.2 million in private funding).

Most recently, in March 2018, the BPO announced the Program’s third round of grant

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awards (Phase 3). Phase 3 will fund an additional 47 projects representing a total public/private investment of approximately \$385 million (\$225 million in State funding and \$160 million in estimated private and federal funding). Certain Phase 3 awarded projects will leverage federal funding through the FCC's Connect America Fund (CAF), as the result of a landmark partnership with the Federal Communications Commission.

Past ESD Support - Funding for the past five years to the Grantee is summarized in the following chart:

Program	Project #	Amount	Date Start (ESD Directors' Approval date)	Date End (Project Completion)	Purpose
New NY Broadband 15-16 Capital (Phase 1)	AB146	\$197,104	November 17, 2016	December 31, 2018	Capital Grant – Installation of high-speed broadband infrastructure
New NY Broadband 15-16 Capital (Phase 1)	AB153	\$318,304	November 17, 2016	December 31, 2018	Capital Grant – Installation of high-speed broadband infrastructure
New NY Broadband 15-16 Capital (Phase 1)	AB158	\$1,702,246	November 17, 2016	December 31, 2018	Capital Grant – Installation of high-speed broadband infrastructure
New NY Broadband 15-16 Capital (Phase 1)	AB161	\$924,663	November 17, 2016	December 31, 2018	Capital Grant – Installation of high-speed broadband infrastructure
New NY Broadband 15-16 Capital (Phase 1)	AB165	\$67,592	November 17, 2016	December 31, 2018	Capital Grant – Installation of high-speed broadband infrastructure

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New NY Broadband 15-16 Capital (Phase 1)	AB169	\$129,634	November 17, 2016	December 31, 2018	Capital Grant – Installation of high- speed broadband infrastructure
New NY Broadband 15-16 Capital (Phase 2)	AB878	\$2,221,685	June 29, 2017	December 31, 2018	Capital Grant – Installation of high- speed broadband infrastructure
New NY Broadband 15-16 Capital (Phase 2)	AB879	\$6,285,979	June 29, 2017	December 31, 2018	Capital Grant – Installation of high- speed broadband infrastructure
New NY Broadband 15-16 Capital (Phase 2)	AB880	\$436,504	June 29, 2017	December 31, 2018	Capital Grant – Installation of high- speed broadband infrastructure
New NY Broadband 15-16 Capital (Phase 2)	AB881	\$8,109,797	June 29, 2017	December 31, 2018	Capital Grant – Installation of high- speed broadband infrastructure
New NY Broadband 15-16 Capital (Phase 2)	AB882	\$7,304,640	June 29, 2017	December 31, 2018	Capital Grant – Installation of high- speed broadband infrastructure
New NY Broadband 15-16 Capital (Phase 2)	AB883	\$416,238	June 29, 2017	December 31, 2018	Capital Grant – Installation of high- speed broadband infrastructure

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New NY Broadband 15-16 Capital (Phase 2)	AB884	\$10,069	June 29, 2017	December 31, 2018	Capital Grant – Installation of high- speed broadband infrastructure
New NY Broadband 15-16 Capital (Phase 2)	AB975	\$2,907,002	June 29, 2017	December 31, 2018	Capital Grant – Installation of high- speed broadband infrastructure

**The Project:**

Completion: Network Construction: December 31, 2019  
 Customer Installations: December 31, 2021

Activity - The project will build a Fiber Optic Infrastructure ("FFTX") to provide high speed broadband services through the use of Gigabit-capable Passive Optical Networks ("GPON") technology.

Results – Expand broadband access to 1571 Housing Units (HUs) and 75 Other Units. (See Table A, which describes all Key Project Indicators.)<sup>1</sup>

Financing Uses	Amount	Financing Sources	Amount	Percent
Network & Access Equipment	\$657,000	ESD Grant	\$7,070,959	80%
Outside Plant Costs	\$8,181,701	Company Equity	\$883,871	10%
		Additional Financial Commitment	\$883,871	10%
<b>Total Project Costs</b>	<b>\$8,838,701</b>	<b>Total Project Financing</b>	<b>\$8,838,701</b>	<b>100%</b>

Grantee Contact - Kevin Smith, Vice President, Business Development  
 Citizens Telecommunications Company of New York, Inc. (d/b/a Frontier

<sup>1</sup> Please note that Indicators stated in Tables A, B, and C reflect the Broadband Program Office's estimates of total Units, Housing Units, Libraries, and other types of Units within each Census Block to be addressed by this Project, according to availability data. Upon completion of the Project, final Unit totals may differ from those stated herein.

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Communications of New York)  
137 Harrison Street  
Gloversville, NY 12078  
Phone: (518) 773-3737

<u>Project Team</u> -	Origination	Beverly Bobb
	Project Management	Beverly Bobb
	Contractor & Supplier Diversity	Danah Alexander
	Finance	Jonevan Hornsby
	Environmental	Soo Kang

### Financial Terms and Conditions:

1. Upon execution of the Grant Disbursement Agreement, the Company shall reimburse ESD for any direct expenses incurred in connection with this project, including costs related to holding a public hearing, attorney fees, appraisals, surveys, title insurance, credit searches, filing fees, and other requirements deemed appropriate by ESD.
2. The Company will demonstrate no materially adverse changes in its financial condition prior to closing.
3. Grantee Co-Investment: The New NY Broadband Program has set a goal of soliciting private sector Matching Funds for 50% of the capital needed across the Program. Consistent with that goal, the Recipient will provide a minimum financial commitment of 20% of eligible project costs. Further, a portion of the Grantee's financial commitment – at least 10% of total Eligible Project Costs – must be equity capital injected into the project by the Grantee, as described below.
4. The Company will be required to contribute a minimum of 10% of the total project cost in the form of equity contributed after the Company's written acceptance of ESD's offer. Equity is defined as cash injected into the project by the Company or by investors, and should be auditable through Company financial statements or Company accounts, if so requested by ESD. Equity cannot be borrowed money secured by the assets in the project.
5. Up to \$7,070,959 will be disbursed to Grantee as reimbursement for eligible expenses incurred no more frequently than quarterly, during the course of design and/or construction; upon completion of Key Project Indicators and Project Milestones; and in proportion to ESD's funding share, assuming that all project approvals have been completed and funds are available. The final 10% of the grant will be disbursed upon meeting all Key Project Indicators and Project Milestones as evidenced by supporting documentation and required reports. Payment will be made upon presentation to ESD of

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an invoice and such other documentation as ESD may reasonably require.

ESD will be entitled to recoup all or part of ESD's grant if the Recipient fails to reach – to a degree acceptable to ESD – project milestones, as agreed upon in Table A, which lists key indicators for infrastructure work; Table B, which captures the Project's footprint; and Table C, which lists the major network build-out phases and quarterly milestones of the entire project.

Expenses must be incurred on or after March 29, 2018, the date that ESD notified Grantee of the New NY Broadband Program award, to be considered eligible project costs. Expenditures incurred prior to the date of the Award Letter are not eligible project costs, and cannot be reimbursed by grant funds. All disbursements require compliance with requirements of the New NY Broadband Program, as set forth herein and in the New NY Broadband Program Phase 3 Request for Proposal Guidelines.

6. Design and construction of the Project must be completed no later than December 31, 2019. All disbursements in connection with design and construction of the Project must be requested by no later than December 31, 2020.
7. All disbursements in connection with installation of service on customer premises under the Project must be requested no later than December 31, 2022.
8. Grant Funds are to be used for the following:
  - (i) To fund the construction or improvement of all facilities required to pass all Units located within the Grantee's Service Area with a network capable of providing the specified broadband service
    - i. "Construction or improvement" should also include the cost of all network infrastructure and electronics required to connect Units to the network in order to provide service to end-users located within the Service Area that are expected to subscribe to service upon completion of the project (i.e., the cost to "run drops" to anticipated customers), where such connections are within standard drop lengths, require standard electronics, and do not require the placement poles on the end-user's premises (Special Construction). Such costs, exclusive of Special Construction and equipment sold or leased to end-user customers, are eligible expenses within these Guidelines.
    - ii. "Construction and improvement" also includes costs associated with end-users located within the Service Area that are not expected to subscribe to service upon project completion. Grantees must provide service, in a reasonable timeframe and at no additional cost (outside the standard monthly recurring cost for service), to the locations of these potential customers where such connections are within standard drop lengths,



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require standard electronics, and do not require Special Construction. Such costs, exclusive of Special Construction and equipment sold or leased to end-user customers, are eligible expenses within these Guidelines.

- iii. Systems shall be designed and constructed so that customers not within a standard drop length only require installation of a longer drop, and, only in very extreme instances, additional amplification for that customer.
  - (ii) For the upfront investment associated with installing and/or upgrading existing broadband facilities on a one-time, capital improvement basis, in order to expand broadband access and increase capacity
  - (iii) Where proposed construction or equipment or other items (leases, expenses, indirect costs) may serve both the proposed areas and other areas (dual use), the Grantee shall calculate the percentage of passings in the proposed area or areas relative to the total number of passings, and only that percentage of the cost of dual use construction or equipment shall be eligible
  - (iv) To fund the cost of long-term leases, defined as leases for a duration longer than 1 year, of facilities required to provide broadband service
  - (v) To fund reasonable make-ready expenses incurred as a result of providing broadband service
  - (vi) To fund reasonable indirect costs associated with the implementation of the grant efforts and consistent with the principles outlined in the New NY Broadband RFP Grant Guidelines, excluding maintenance and operating expenses, customer operations, general and administrative costs, efforts associated with bidding on and obtaining the grants, and any efforts not associated with the actual deployment of the network
    - i. A Grantee may not seek indirect costs in an amount constituting more than 15% of the Grantee's total eligible expenses.
    - ii. Such costs must be identified as line-items in the application to be eligible for reimbursement. Costs that appear excessive and/or without justification and costs not considered eligible will not be reimbursed. When seeking reimbursement, Grantees must submit such indirect costs as line-items and provide justification for the expense.
9. Eligible Expense Categories include but are not limited to the following:
- (i) Network & Access Equipment Costs: Includes optical equipment, digital line concentrators, digital subscriber line access multiplexers, radio equipment, transport multiplexers, routers and Ethernet switches, distribution frames and panels, power equipment, and associated software costs chargeable to capital.
  - (ii) Outside Plant Costs: Includes cable (aerial, buried, underground, and submarine), fiber, conduit systems, poles, cross-connect cabinets and splitters, fiber service terminals and enclosures, pedestals, standard drops, network interface devices, optical network terminals and reasonable make-ready costs.
  - (iii) Tower Costs: Includes the construction of new towers (where required

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infrastructure does not exist) and costs involved with structural changes to existing towers.

- (iv) Building and Land Costs: Includes the cost of constructing new buildings and renovating existing buildings, as well as any site preparation costs directly related to providing broadband service to the funded Service Area.
- (v) Customer Premises Equipment: Funding only covers up to the network demarcation point (e.g., NID or ONT).
- (vi) Professional Services: Includes site engineering, project management, and consultant services costs involved in designing and constructing the proposed project.
- (vii) Testing: Includes items such as testing network and IT systems, user devices, servers, lab furnishing and test generators.
- (viii) Other Upfront Costs: Includes any other upfront costs not covered in other categories, such as site preparation, permits, required licenses, sales tax applicable to new equipment purchases, shipping and warehousing expenses, and miscellaneous minor material.

10. Ineligible Expenses include but are not limited to the following:

- (i) Only Standard Drop Lengths will be eligible for funding. Drops requiring Special Construction will be the responsibility of the consumer.
- (ii) Equipment owned or leased by the customer, including routers and modems, and any other costs beyond the network interface point.
- (iii) Operating expenses of the Grantee will not be funded.
- (iv) Expenses incurred prior to the date of the grant award announcement will not be eligible for funding.

11. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$7,070,959, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Company and the State of New York. In no event shall the total amount of any assistance to be so reallocated exceed the total amount of assistance approved by the Directors.

12. The Recapture Amount - if the property is sold within 5-years of disbursement, or if Grantee fails to complete Key Project Indicators and Milestones – is based on the time that has lapsed between when the Grant funds were disbursed and when the transfer occurred, and/or failure to complete Indicators and Milestones.

- (i) The Recapture Amount – if the failure to complete Key Project Indicators and Milestones occurs – shall be calculated by aggregating the Recapture Amount for each disbursement of the Grant, which in each instance shall be equal to:
  - i. 100% of the disbursed amount if 0% of the Milestones and Indicators are completed by the time of submitting final reporting requirements;
  - ii. 90% of the disbursed amount if 1% to 10% of the Milestones and Indicators

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- are completed by the time of submitting final reporting requirements;
  - iii. 80% of the disbursed amount if 11% to 20% of the Milestones and Indicators are completed by the time of submitting final reporting requirements;
  - iv. 70% of the disbursed amount if 21% to 30% of the Milestones and Indicators are completed by the time of submitting final reporting requirements;
  - v. 60% of the disbursed amount if 31% to 40% of the Milestones and Indicators are completed by the time of submitting final reporting requirements;
  - vi. 50% of the disbursed amount if 41% to 50% of the Milestones and Indicators are completed by the time of submitting final reporting requirements;
  - vii. 40% of the disbursed amount if 51% to 60% of the Milestones and Indicators are completed by the time of submitting final reporting requirements;
  - viii. 30% of the disbursed amount if 61% to 70% of the Milestones and Indicators are completed by the time of submitting final reporting requirements;
  - ix. 20% of the disbursed amount if 71% to 80% of the Milestones and Indicators are completed by the time of submitting final reporting requirements;
  - x. 10% of the disbursed amount if 81% to 90% of the Milestones and Indicators are completed by the time of submitting final reporting requirements;
  - xi. 5% of the disbursed amount if 91% to 99% of the Milestones and Indicators are completed by the time of submitting final reporting requirements
13. Compliance with National Electrical Safety Code (NESC): All pole attachments shall comply with the NESC requirements. New NY Broadband grant recipients shall ensure that the attachment of fiber and equipment is designed, constructed, operated, and maintained in accordance with all applicable provisions of the most current and accepted criteria of the NESC, and all applicable and current electrical and safety requirements of any State or local governmental entity.
14. Broadband Mapping Program Compliance: Recipients shall provide to the NYS Broadband Program Office (or designated agent) address-level broadband build-out data that indicates the location of new broadband services within the recipient's entire service area.
15. In the event Reports, Updates, Mapping, and/or Milestone Reports are not received in the form and time periods as indicated in Section 2, ESD shall not be obligated to make

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any further Grant disbursements. In the event such Reports, Updates, Mapping, and/or Milestone Reports are not received within 45 days in the form and time periods as indicated in Section 2, Grantee will be in default. However, no default shall be deemed to have occurred if Grantee cures such default within ten (10) days of notice of default from ESD.

### **Environmental Review:**

ESD staff has completed an environmental review of the project pursuant to the requirements of the State Environmental Quality Review Act ("SEQRA") and the implementing regulations of the New York State Department of Environmental Conservation. This review determined the project to be an Unlisted Action, which would not have a significant effect on the environment. It is recommended that the Directors make a Determination of No Significant Effect on the Environment.

### **Non-Discrimination and Contractor & Supplier Diversity:**

ESD's Non-Discrimination and Contractor & Supplier Diversity policies will apply to this Project. The Recipient shall be required to include minorities and women in any job opportunities created, to solicit and utilize Minority and Women Business Enterprise (MWBEs) for any contractual opportunities generated in connection with the Project and shall be required to use Good Faith Efforts (pursuant to 5 NYCRR §142.8) to achieve an overall MWBE Participation Goal of 19% related to the total value of ESD's funding.

### **Statutory Basis – New NY Broadband Program:**

The funding was authorized in the FY 2015-2016 New York State enacted budget, and re-appropriated in the 2017-2018 and 2018-2019 New York State budgets. No residential relocation is required as there are no families or individuals residing on the site.

### **Additional Submissions to Directors:**

Table A – Key Project Indicators

Table B – Project Footprint

Table C – Project Milestones

