

BCAP BEAD Volume II Comments Submitted to the Pennsylvania Boradband Development Authority November 14, 2023

Comments on Requirement 1: Objectives

BCAP appreciates the ability to offer comments to Pennsylvania's BEAD Initial Proposal Volume 2 ("Draft Proposal"), and the continued opportunity to provide feedback on this critical initiative to connect all Pennsylvanians across the Commonwealth to ubiquitous high-speed broadband. On behalf of BCAP members, we want to highlight PBDA's goal of "[f]ocusing deployments on networks managed by entities that will have the technical and financial capacity to maintain assets and ensure security" as a strategy that should remain a lynchpin for Pennsylvania's BEAD implementation.

BCAP applauds the safeguards contained throughout the Draft Proposal against waste and overbuilding. Specifically, BCAP appreciates PBDA's proposals regarding project areas and the final application process, where PBDA explicitly acknowledges the risk of overbuilding and allows potential subgrantees to raise it as an objection to the requirement that all unserved and underserved BSLs in a Census Block Group be served under the same project. While BCAP recognizes that this approach does allow some flexibility for ISPs, BCAP requests that applicants be allowed to define their own proposed project areas, including on a per-location basis as permitted by the NOFO, because unserved and underserved areas and existing infrastructure to help connect those areas – may not map neatly onto existing geographic units like pre-defined Census Block Groups. Additionally, applicants' determination of the appropriate geographic level for their proposals may be influenced by a variety of location-, project-, and providerspecific factors, such as difficult terrain, man-made obstacles like multilane highways and railroad crossings, or right-of-access issues. Although PBDA recognizes this to some extent, the Authority may be underestimating the difficulties for an administrative body - rather than a provider itself - to propose efficient alternatives. Allowing applicants to define their own project areas will permit applicants to develop more economical proposals that leverage their existing networks and facilities, maximize network efficiency, and reflect the geographic level at which providers can successfully deploy and sustainably operate their proposed networks. In turn, these proposals will allow Pennsylvania to minimize BEAD Program outlay and fulfill the NOFO's directive to connect all unserved locations and, if possible, all underserved locations.

To further ensure that the PBDA can efficiently and effectively utilize Pennsylvania's BEAD funding to bring high-speed broadband to the Commonwealth's remaining unserved and underserved areas, BCAP offers these comments to PBDA for consideration and in the spirit of continued collaboration and partnership. BCAP believes that these critical and targeted improvements to the draft proposal will support PBDA's goal of ubiquitous connectivity across the Commonwealth.

Comments on Requirement 2: Local, Tribal, and Regional Broadband Planning Processes

CURRENTLY N/A

Comments on Requirement 4: Local Coordination

CURRENTLY N/A

Comments on Requirement 8: Deployment Sub-Grantee Selection

Minimal BEAD Outlay. PBDA proposes to award 40% of available points to three sub-criteria: "Per BSL cost scoring" (20%); "Network Resiliency" (10%); & "Scalability of Technology" (10%). The proposed scoring violates the NOFO. Minimal BEAD Outlay is effectively afforded only 20% of total available points through the "Per BSL cost scoring" which means that the points allocated to primary criteria do not reach the requisite 75% threshold. Nor does the fact that PBDA has allocated 80% rather than 75% to the overall primary criteria cure this; PBDA would still need to allocate at least another 15% to "Per BSL cost scoring" for "Minimal BEAD Outlay" (raising the criterion to 35% of total available points) to meet the minimum 75% threshold). With respect to scalability of technology, PBDA proposes to award points for projects demonstrating scalability *beyond one gigabit symmetrical service*, providing the "maximum award" for services that reach "10G" speeds, despite there being no basis in the NOFO to do so. "Network Resiliency" & "Scalability of Technology" are no more relevant to the efficient use of BEAD funds than any other criterion included in the rubric. BCAP opposes the dilution of points awarded to Minimal BEAD Outlay & urges PBDA to ensure that its scoring rubric conforms with the mandates of the NOFO.

With respect to non-fiber projects, PBDA reduces the points awarded for Minimal BEAD Outlay to 35% of available points, with "Per BSL cost scoring" & "Scalability of Technology" as sub-criteria. The consideration of "Scalability of Technology" under the Minimal BEAD Outlay criterion not only dilutes it but is also duplicative of the separate requirement to consider the "Speed of Network & Other Technical Capabilities" criterion for non-fiber projects.

Affordability. PBDA's proposal to only provide points to applicants that commit to specific, arbitrary prices for symmetrical gigabit service is rate regulation, prohibited in the BEAD provisions of the IIJA. PBDA's methodology for calculating an "affordable" price for middle-class households is specious & raises significant concerns about whether this proposal is lawful.

Fair Labor Practices. PBDA proposes to award 15% of total available points for this criterion, based on the applicant's record of compliance with federal labor & employment laws & forward-looking labor commitments. PBDA wants to require applicants to "describe a series of projects that demonstrate compliance with" labor laws, which goes beyond the requirements of the NOFO. PDBA also requires the applicant's provision of a "preliminary detailed cost estimate certifying the inclusion of prevailing wages," in furtherance of PA law. Points will also be separately awarded for the "Equitable Workforce Development & Job Quality" criterion.

Secondary Selection Criteria: Speed to Deployment. PBDA proposes to award 5% of total available points for this criterion, & full points will be awarded for projects proposing completion within a year of the contract being signed. BCAP encourages PBDA to weigh this criterion more heavily, given that it is an IIJA-mandated selection criterion.

Equitable Workforce Development & Job Quality. PBDA proposes to award 10% of available points for this & incorporates several gating requirements, including at least two letters of support from a Workforce Development Board, local union, local CAIs, or other workforce development organizations. Such mandates increase costs & risk excluding some of the most qualified providers from competing for BEAD projects. The Proposal also provides that applicants be awarded bonus points for demonstrating the use of the S.M.A.R.T.I.E. framework but does not provide details on how bonus points will be

awarded. BCAP opposes the inclusion of this optional criterion, which effectively raises the points awarded to labor-related factors to 25% of the total available points.

Open Access. BCAP urges PBDA to delete this criterion entirely. Prioritization of open access will deter participation by qualified providers, jeopardize the quality & sustainability of funded networks, & result in higher BEAD outlays per project. If open access is included as a selection criterion, PBDA needs to award a nominal fraction of the total points-available.

ISPs committing to open access must have demonstrable plans for doing so by requiring ISPs to demonstrate that it has letters of commitment or contracts involving at least two unaffiliated retail ISPs to use the wholesale access for delivering home broadband service once the network is constructed.

Priority to Higher Poverty Areas. PBDA should state how it will prioritize such locations in the subgrantee selection process.

Comments on Requirement 9: Non-Deployment Sub-Grantee Selection

CURRENTLY N/A

Comments on Requirement 10: Eligible Entity Implementation Activities

Letter of Credit. Under the Draft Proposal PBDA will require applicants to submit a letter of credit and does not contemplate waiving this requirement or providing alternative methods of establishing creditworthiness. At a minimum, PBDA should adhere to NTIA's recently released guidance interpreting the letter of credit requirement and setting forth alternatives as part of a conditional waiver. *See* NTIA, *Notice of Programmatic Waiver* (Nov. 1, 2023), https://broadbandusa.ntia.doc.gov/funding-programs/policies-waivers/BEAD-Letter-of-Credit-Waiver.

BCAP notes that the LOC requirement may have an adverse effect on smaller providers and could prevent them from participating in the BEAD program. To address these concerns, BCAP proposes the following modifications to the LOC requirement for subgrantees of all Eligible Entities in the following ways:

- Allow Credit Unions to Issue LOCs. The NOFO requires subgrantees to obtain a LOC from a U.S. bank with a safety rating issued by Weiss of B- or better. The waiver permits subgrantees to fulfill the LOC Requirement (or any alternative permitted under the waiver) utilizing any United States credit union that is insured by the National Credit Union Administration and that has a credit union safety rating issued by Weiss of B- or better.
- Allow Use of Performance Bonds. The waiver permits a subgrantee to provide a performance bond equal to 100% of the BEAD sub-award amount in lieu of a letter of credit, provided that the bond is issued by a company holding a certificate of authority as an acceptable surety on federal bonds as identified in the Department of Treasury Circular 570.
- Allow Eligible Entities to Reduce the Obligation Upon Completion of Milestones. The waiver allows an Eligible Entity to reduce the amount of the letter of credit obligation below 25% over time or reduce the amount of the performance bond below 100% over time, upon a subgrantee meeting deployment milestones specified by the Eligible Entity.
- Allow for an Alternative Initial LOC or Performance Bond Percentage. The NOFO requires that the initial amount of the letter of credit be 25% of the sub-award (or the initial amount of the performance bond be 100% of the sub-award under the option described above). The waiver allows the initial amount of the letter of credit or performance bond to be 10% of the sub-award amount during the entire period of performance when an Eligible Entity issues funding on a reimbursable basis consistent with Section IV.C.1.b of the NOFO and reimbursement is for periods of no more than six months each.

In addition, BCAP encourages PBDA to consider alternative means for applicants to demonstrate creditworthiness without having to obtain a letter of credit for each project because such letters can be expensive and burdensome to obtain. For example, like other grant programs, applicants could submit a parent company guarantee assuring that the construction will be completed as approved in the application. To the extent letters of credits are utilized, the PBDA should specify that a single letter of credit will suffice for all applications submitted by an applicant and that a single letter of credit for a parent company will suffice if different subsidiaries are applicants.

<u>Professional Engineer Certification.</u> PBDA expects applicants to engage the services of a professional engineer to certify various attachments in their Final Applications. PBDA concurs that grants should only be provided where the recipient's proposal is sound, and the operator is capable. However, as written, this is an unnecessarily burdensome requirement. Where an applicant already has an established history of deploying broadband networks and providing broadband service on a larger scale – i.e. has (i) operated as a broadband provider in Pennsylvania for more than ten (10) years; or (ii) currently serves more than 20,000 Pennsylvania broadband customers – the applicant should be allowed to certify its network designs and diagrams using a Society of Cable Telecommunications Engineers ("SCTE")-certified inhouse engineer who designs and oversees the implementation of those designs in the regular course of business. If, however, an applicant does not have an established prior track record of similar deployment projects, that applicant should be required to provide a certification from a licensed professional engineer that the applicant's network design and diagram reflects a network capable of meeting program requirements. At a minimum, PBDA should specify what it considers to be a "professional engineer" for purposes of this requirement.

Comments on Requirement 11: Labor Standards and Protection

The PBDA proposal imposes troubling labor-related obligations on subgrantees. BCAP urges adherence to the NOFO's labor standards, giving subgrantees flexibility to promote workforce development & fair labor practices.

Record of Compliance. PBDA incorporates the NOFO's requirements of the applicant's record & plans for future compliance. PBDA will require more detailed information regarding applicants' plans to implement workforce safety committees & "mitigation/resolution practices in the event of a labor violation during the project.

Workforce Development. BCAP opposes several proposed gating requirements for applicants. Specifically, applicants must provide a letter of support from two or more of the following entities: a local workforce development board; local union/worker organizations; local CAIs; & other workforce development organizations. This is not mandated by the IIJA or NOFO & will add complexity, burdens, & cost. If this requirement remains, the letters may come from any combination of entity, including separate CAIs. Additionally, "40% of the subgrantee's workforce [must be] comprised of one or more of the following: [d]irectly [e]mployed by subgrantee; [r]egistered [a]pprenticeships & [p]re-[a]pprenticeships; [j]oint [l]abor [m]anagement [p]artnerships with a local union; [o]n-the-job training opportunities for new employees; [o]ffers high-quality industry-recognized credentialing & training for new employees." These are on top of the requirement that applicants provide a detailed workforce development plan. PBDA should re-emphasize that any one of these practices is sufficient. The Commonwealth should take a broad view & provide applicants flexibility when defining "workforce," understanding that broadband workforces go beyond field construction & design to those necessary to sustain a high-quality broadband network.

Regarding apprenticeships & training, the Draft Proposal states that if a subgrantee "has yet to establish partnerships [with registered or pre-apprenticeship & other industry-recognized labor training programs], a description of how partnership & industry-recognized credentials will be considered & a timeline for implementation prior to start of the BEAD project is *required*." BCAP seeks clarification that applicants will *not* be required to establish partnerships with apprenticeship or labor training programs if an applicant can demonstrate that it has robust on-the-job training & participates in industry-recognized programs such as those with SCTE.

Elsewhere in the Draft Proposal, PBDA states that it will "prioritize subgrantees that directly employ local & regional workforces as opposed to the sub-contracted," & that subgrantees are "encouraged to use at least 40% of a directly employed workforce." Subgrantees will be required to provide a justification if 40% or more of the workforce is subcontracted. PBDA should recognize that many existing ISPs in Pennsylvania have successfully worked with specialized construction & make-ready contractors to complete broadband deployments efficiently & promptly. PA's BEAD Program will benefit from more competitive proposals if applicants have maximum flexibility to use directly employed workers, contractor & subcontractor workers, or both in any combination the applicant finds most efficient. To the extent that an applicant demonstrates a good track record, this should be considered favorably. In addition, it should provide equal priority to an applicant's commitment to use a directly employed workforce for operating, maintaining & providing services to consumers after the network is deployed.

Worker Protections. PBDA will require subgrantees to demonstrate they have a "direct investment in worker protections." This may be shown by establishing two or more of the following: completion of a Worker Protection & Investment Certification Form; project labor agreements; & demonstration of local hiring provisions. This appears to effectively mandate that applicants either use union labor, which would be unlawful, or demonstrate local hiring provisions since all applicants will be required to submit the Certification Form. The Draft Proposal is unclear whether this "worker protection" investment requirement overlaps with, or is separate from, other PBDA labor-related requirements. BCAP encourages PBDA to delete this requirement or expand the ways for how applicants can demonstrate direct investment in worker protections, such as evidence that the applicant has a history of strong worker protections, & to clarify the relationship between this requirement & other PBDA labor-related requirements.

Comments on Requirement 12: Workforce Readiness

CURRENTLY N/A

<u>Comments on Requirement 13: Minority Business Enterprises, Women's Business</u> <u>Enterprise/Labor Surplus Area Firms Inclusion</u>

CURRENTLY N/A

Comments on Requirement 14: Cost and Barrier Reduction

PBDA proposes to waive Act 183 of 2002 and all laws concerning broadband, utility services, or similar subjects, whether they predate or postdate enactment of the Infrastructure Act, that either (a) preclude certain public sector providers from participation in the sub-grant competition or (b) impose specific requirements on public sector entities, such as **limitations** on the sources of financing, the required

imputation of costs not actually incurred by the public sector entity, or restrictions on the service a public sector entity can offer. BCAP questions the legality of this waiver and respectfully requests PDBA describe what legal authority it has to waive laws duly enacted by the Pennsylvania General Assembly. Absent such authority, this proposed waiver presents significant separation of powers questions that could expose PBDA to a legal challenge.

PBDA has identified measures to reduce costs and barriers to deployment, including:

Municipal Coordination. PBDA will develop a Broadband Ready Communities program, which BCAP supports.

Permitting. The Pennsylvania Governor's Office of Transformation and Opportunity has already begun coordinating permitting across multiple Commonwealth agencies and governmental bodies and PBDA is establishing a working group to regularly meet regarding streamlining grant processes. PBDA is considering other incentives for efficiency and will encourage local governments and permitting authorities to incorporate timeline guidance into local ordinances. BCAP supports this effort.

Rights of Way. PBDA will coordinate across state agencies for access to rights-of-way, including the Public Utility Commission, who has jurisdiction over utility rights-of-way within the Commonwealth. BCAP supports this effort to streamline this process.

Comments on Requirement 16: Low-Cost Broadband Service Option

BCAP recommends that the PBDA revise the definition of the low-cost broadband service option to: (a) ensure that providers' existing low-income plan offerings satisfy this requirement; (b) adopts an eightyear definition of the "useful life of the network" for which the low-cost service option must remain available, aligned with Treasury's definition of the same for ARPA broadband grant projects; and (c) account for potential price increases due to inflation and government fees, an adjustment that recent NTIA guidance expressly encourages. *See* NTIA, *Internet for All – Frequently Asked Questions & Answers Version 4.0* 62 (Nov. 2023), https://broadbandusa.ntia.doc.gov/sites/default/files/2023-<u>11/Broadband Equity Access Deployment Program Frequently Asked Questions Version 4.0.pdf</u> ("Regardless of approach, Eligible Entities are permitted to allow for reasonable cost adjustments over time. This could be tied to any number of reasonable metrics including CPI, the Urban Rate Survey, or others as Eligible Entities may prefer.").

Comments on Requirement 20: Middle Class Affordability Plans

PBDA's affordability proposals violate the IIJA, set specific "affordable" pricing, & penalize applicants who do not do so. Congress addressed broadband affordability through the ACP Program & the requirement that subgrantees offer a low-cost broadband service option. IIJA's affordability initiatives focus on direct financial assistance for families in need – data show affordability is the biggest barrier to adoption.

Statutory prohibitions against rate regulation apply where a state either specifies the rates that must be charged for specific levels of service or freezes prices/restricts providers from adjusting rates. The Draft Proposal sets impermissible rate regulation under both.

Affordability Scoring. PBDA proposes scoring based on the applicant's willingness to commit to price caps which cannot be an "introductory rate, subject to arbitrary cost escalation or part of a bundle." Using a sliding scale, PBDA will award the full 25 available points to applicants offering 1G/1G service for \$54 or less per month, including all equipment, taxes, fees & charges. No points will be awarded if the cost of

the service is \$95+. The methodology for determining the \$54 price is specious & arbitrary, taking the \$30 ACP benefit as how much of a low-income household's income should be used for broadband & applying it to households with incomes between 201% & 400% of the poverty level. Congress established \$30 as appropriate to *subsidize* the cost of broadband for low-income families. The unreasonableness of the arbitrary \$54 figure for 1G/1G service is made more apparent by the PBDA's adoption of the *same* dollar amount for 100/20 Mbps service.

PBDA's use of specific prices for plans amounts to unlawful rate regulation. PBDA can avoid this legal pitfall by requiring providers to offer broadband pricing in BEAD-funded service areas consistent with their broadband pricing in unsubsidized areas within PA.

Middle-Class Affordability Plan. PBDA, without any explanation, defines "middle class" households as those with an income between 201%-400% of the poverty level. Then the PBDA uses the median income for households in the middle class to determine a price applicable to *ALL* consumers, regardless of whether they are in the newly created middle class. Such a proposal is arbitrary, capricious, & unlawful. The Draft Proposal includes the following three-pronged approach to ensure middle-class affordability:

<u>"Recommended Plan."</u> PBDA will require that all grant applications include a "robust affordability plan" & a "sustainability plan that ensures affordability is maintained for at least 5 years following project completion." It includes a "*recommended* service plan" with a monthly cost of \$54 or less for 100 Mbps/20 Mbps service; latency of no more than 100 milliseconds; & no data caps, surcharges, or usage-based throttling. PBDA *encourages* sub-grantees to make the option available across their entire service territories.

Although the Draft Proposal claims that the 5-year price "sustainability" & \$54/month service plan are "recommended," any applicant failing to comply with them significantly jeopardizes its ability to win what is supposed to be a fair & competitive process for selecting subgrantees. An applicant's refusal of the price mandates will receive no more than a 75% score, meaning that the rest of the scoring criteria needs to be near perfect to even have a chance to win. These proposals implicate the IIJA's prohibition on rate regulation, especially given PBDA's encouragement that the affordable service option be available across a subgrantee's entire service territory—regulating non-BEAD-funded areas.

BCAP recommends removing this component or, at minimum, removing the \$54 mandate from its scoring criteria & that offering such a plan is not a BEAD requirement. BCAP recommends that the middle-class affordability plan can be met by an applicant's commitment to provide service based on rates consistent with the pricing it makes available in unsubsidized areas of the Commonwealth. This is consistent with the approach that the FCC has taken with the Universal Service Fund. It also will allow PA to address the BEAD Program's affordability goals by prioritizing providers offering service plans to consumers in BEAD-funded project areas at rates comparable to those charged to consumers in unsubsidized areas.

<u>Continued Monitoring & Public Reporting.</u> BCAP supports PBDA's commitment to continued monitoring & public reporting throughout the grant process.

<u>Affordability Selection Criteria.</u> PBDA will ensure compliance with the middle-class affordability standards through its scoring criteria which BCAP believes is highly problematic.

Comments on Requirement 17: Use of 20 Percent of Funding

CURRENTLY N/A

Comments on Requirement 18: Eligible Entity Regulatory Approach

CURRENTLY N/A

Comments on Requirement 19: Certification of Compliance with BEAD Requirements

CURRENTLY N/A

Additional Comments on Volume II

Ownership Disclosures. The Draft Proposal requires ownership information that goes beyond the NOFO's requirements. The NOFO requires disclosures of ownership information consistent with 47 C.F.R. §§ 1.2112(a)(1)-(7). Yet, the Draft Proposal reproduces the text of 47 C.F.R. §§ 1.2112(b)(1)-(2). These additional code provisions are beyond the ambit of the BEAD program & are wholly irrelevant & inapplicable here. The Draft Proposal should only require applicants to provide the information specified in 47 C.F.R. §§ 1.2112(a)(1)-(7), consistent with the NOFO.

Confidentiality. In describing its transparency measures, the Draft Proposal provides that subgrantees will be subject to "requests made pursuant to the Pennsylvania Right-to-Know Law." Additionally, referencing PA Act 96 of 2021, PBDA will post the Final Applications & associated materials it receives on its website, as well as Preliminary Screening Application submissions & associated .csv files. The Draft Proposal makes no mention of protections for confidential or proprietary information. BCAP encourages the Commonwealth to explicitly allow applicants to deem portions of their applications confidential, &/or include other confidentiality protections. Doing so consistent with NTIA guidance, the approaches taken by other states in their Initial Proposals & is required under Pennsylvania law governing public access to trade secrets. Moreover, to avoid competitive harms that could compromise the fairness of the selection process, PBDA should not publish any part of the applications until it has a plan in place to ensure service to every unserved & underserved location in the Commonwealth.

Monitoring & Accountability. PBDA will utilize a variety of compliance measures, including conducting site visits on a "random & periodic basis," desk reviews, internal compliance review, & "comprehensive invoice reviews"; requiring subgrantees to submit quarterly & annual progress reports, in addition to a final project report; & utilizing Ookla, M-Lab, & other speed test data to "evaluate changes in speed service levels." Additionally, PBDA will "hold the ability to inspect all work, invoices, materials, [etc.] at reasonable times & places." BCAP reminds the PBDA that NTIA has proposed to treat BEAD projects as "fixed-amount subawards" that are not subject to the Part 200 Federal Uniform Guidance Cost Principles. BCAP suggests that PBDA provide reasonable notice of its intent to conduct an inspection to ensure that any such inspections are as productive & efficient as possible. BCAP also suggests that, with respect to speed test data, PBDA should ensure it adheres to rigorous methodologies for evaluating such data, consistent with the methodology provided by NTIA's Model Challenge Process Guidance.

Cybersecurity & Supply Chain. BCAP commends the Draft Proposal for incorporating the NOFO's requirements on cybersecurity & supply chain risk management from pages 70-71 of the NOFO. PBDA also provides that subgrantees' plans for cybersecurity risk management & supply chain risk management will be "reevaluated & updated on a periodic basis & as events warrant." PBDA should not underestimate the complexity of protecting broadband networks & subscribers from ongoing & increasingly sophisticated cyberattacks. In addition to ongoing monitoring of awardee compliance, PBDA on the front end should closely scrutinize applicants' experience implementing such cybersecurity plans as a gating factor for BEAD participation.

Climate. PBDA will require that all grant applications include an emergency response plan to ensure "structured response[s]" to extreme weather events. Additionally, PBDA will prioritize field &

compliance checks of funded infrastructure in disaster-prone areas to ensure best practices are followed. The PBDA should clarify what sources it will consider to determine such best practices & should afford significant deference to experienced providers with experience maintaining resilient networks.

Community Anchor Institutions. The Draft Proposal refers to CAI service status as "*served, unserved, [or] underserved.*" This is an incorrect – designations of *unserved or underserved* do not apply to CAIs. The only distinction for CAIs in the NOFO is whether they are *eligible* for BEAD funding (i.e., lacking access to 1G symmetrical service). BCAP requests that the PBDA make this correction. BCPA also urges the PBDA to undertake an iterative process to review & continue to update the list of eligible CAIs for BEAD to ensure limited funds are allocated only to those locations that are eligible under the IIJA.