

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
JEAN JEWELL
COMMISSION STAFF
LEGAL
WORKING FILE**

FROM: DOUG COOLEY

DATE: JULY 16, 2003

RE: APPLICATIONS FOR BROADBAND EQUIPMENT TAX CREDIT.

BACKGROUND

On May 21, 2003, the Commission received Applications from Albion Telephone Company, Cambridge Telephone Company, Inc., Columbine Telephone Company, Silver Star Telephone Company, Inc., and Direct Communications Rockland, Inc. to receive an investment tax credit for eligible broadband equipment pursuant to Order No. 28784 and *Idaho Code* § 63-3029I(4). To be eligible for the tax credit, the taxpayer must obtain from the Commission an Order confirming that installed equipment qualifies for the tax credit.

DISCUSSION

Each of the companies stated that, during calendar year 2002, it installed various components as part of its wireline broadband network for the provision of high-speed Internet access to customers in each company's respective Idaho service area. The companies also indicated that high-speed access to customers began in 2001 at transmission rates from 128 kilobits per second (kbps) up to 1.54 megabits per second (Mbps). The following paragraphs summarize the equipment and expenses listed in each Application for 2002 investments.

Albion Telephone Company. Albion indicates that it has installed a Digital Loop Carrier (DLC) system with supporting line cards, ports, transceivers and a fiber terminal. During 2002, it installed over 60 miles of fiber optic cable that connects its offices in Cassia, Butte, and Custer counties. Albion provides xDSL broadband services to customers at speeds from 256 kbps to

1.54 Mbps. Albion also capitalized the labor and overhead costs associated with the installation of this equipment.

Cambridge Telephone Company, Inc. Cambridge states that it has installed fiber optic cable and fiber multiplexing terminals providing ADSL broadband service to customers in Adams and Washington counties. Cambridge capitalized the labor and overhead costs associated with the installation of this equipment.

Columbine Telephone Company. Columbine indicates that, during 2002, it installed DSL-capable line cards and supporting equipment in providing ADSL and HDSL broadband services to customers in Teton County. Columbine also capitalized the labor and overhead costs associated with the installation of this equipment.

Silver Star Telephone Company, Inc. Silver Star states that, during 2002, it installed additional DSL line cards to provide Asynchronous Digital Subscriber Line (ADSL) to customers in Bonneville County at speeds from 128 kbps from subscribers to 1.5 Mbps from subscribers. Silver Star capitalized the labor and overhead costs associated with the installation of this equipment

Direct Communications Rockland, Inc. Direct indicates that it has installed fiber optic cable and supporting and line cards and ports to provide ADSL broadband service to customers in Bear Lake, Bannock, Power, and Caribou counties. Direct capitalized the labor and overhead costs associated with the installation of this equipment

STAFF REVIEW

Staff has reviewed the list of proposed broadband equipment submitted by the companies and believes the equipment is “necessary to the provision of broadband services and an integral part of a broadband network” according to *Idaho Code* § 63-3029I (3)(b)(i). Staff has had discussions with several of the companies to clarify the nature of various pieces of equipment and has also been assured that the installation labor, overhead, and supporting equipment is directly related to offering broadband in Idaho.

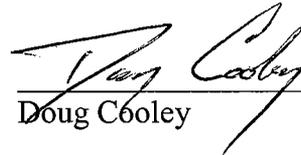
STAFF RECOMMENDATION

Staff recommends approval of the Applications from Albion Telephone Company, Cambridge Telephone Company, Inc., Columbine Telephone Company, Silver Star Telephone

Company, Inc., and Direct Communications Rockland and further recommends that the Commission forward the approving Order and copies of the Applications to the Idaho Tax Commission.

COMMISSION DECISION

Does the Commission wish to confirm that the equipment in the Applications qualifies as broadband equipment and forward the Applications to the Tax Commission?



Doug Cooley

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