

DECISION MEMORANDUM

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FROM: DOUG COOLEY

DATE: JUNE 14, 2002

RE: APPLICATIONS FOR BROADBAND EQUIPMENT TAX CREDIT.

BACKGROUND

In March 2002, the Commission received Applications from Custer Telephone Cooperative, Inc., Citizens Telecommunications Company of Idaho, Albion Telephone Company, Filer Mutual Telephone Company, Cambridge Telephone Company, Inc., Columbine Telephone Company, Silver Star Telephone Company, Inc., Midvale Telephone Exchange, Inc., Project Mutual Telephone Association, 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 2001, 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.

Custer Telephone Cooperative, Inc. Custer states that it has installed an Asynchronous Transfer Mode (ATM) Switch, a router, a Digital Subscriber Line Access Multiplexer (DSLAM) and Digital Loop Carrier (DLC) systems with supporting line cards and software, 14 miles of fiber optic cable and 15 miles of copper distribution cable in providing Asymmetric Digital Subscriber Line (ADSL) and High Bit Rate Digital Subscriber Line (HDSL) to customers in Challis and Clayton, Idaho. Custer also capitalized the labor and overhead costs associated with the installation of this equipment. Some examples of overhead costs include engineering, power supply, and cabinet or vaults for field placement of the electronics.

Citizens Telecommunications Company of Idaho. Citizens indicates that it has installed an ATM switch, a router, a broadband access server, a Digital Subscriber Line (DSL) local exchange terminal, line cards with supporting ports and cables, and supporting authentication and testing software in providing ADSL broadband service to customers in McCall, New Meadows and Cascade, Idaho. Citizens also capitalized the labor and overhead costs associated with the installation of this equipment.

Albion Telephone Company. Albion indicates that it has installed a DLC system with supporting line cards, ports, transceivers and a fiber terminal. Albion also states that it has installed a DSLAM, routers that also include ATM functions, and supporting software in providing xDSL broadband services to customers in Custer, Butte, and Oneida counties. Albion also capitalized the labor and overhead costs associated with the installation of this equipment.

Filer Mutual Telephone Company. Filer indicates that it has installed an ATM-based access platform and several DSLAM's in providing ADSL broadband service to customers in Twin Falls County, Idaho. Filer 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 a DSLAM in 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 it installed fiber optic and copper distribution cable, 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 it has installed over 230 miles of fiber optic cable and DLC equipment that facilitates the provision of ADSL and Synchronous Digital Subscriber Line (SDSL) service to customers in Caribou, Bonneville, Bingham and Bannock counties. Silver Star capitalized the labor and overhead costs associated with the installation of this equipment

Midvale Telephone Exchange, Inc. Midvale represents that it has installed ATM-supported DLCs, a router, fiber optic transceivers, and supporting ports and cables for providing ADSL broadband service to customers in Midvale and Stanley, Idaho. Midvale 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, an ATM switch, a router, a DSLAM, , and line cards with supporting ports and cables in providing ADSL broadband service to customers in Bannock, Power, and Caribou counties. Direct capitalized the labor and overhead costs associated with the installation of this equipment

Project Mutual Telephone Association. Project Mutual indicates that it has installed fiber optic cable, fiber optic transceivers, a router, DSLAM's, and line cards with supporting ports and cables in providing ADSL and HDSL broadband service to customers in Minidoka and Cassia counties. Project Mutual also 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 Custer Telephone Cooperative, Inc., Citizens Telecommunications Company of Idaho, Albion Telephone Company, Filer Mutual Telephone Company, Cambridge Telephone Company, Inc., Columbine Telephone Company, Silver Star Telephone Company, Inc., Midvale Telephone Exchange, Inc., Project Mutual Telephone Association, 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

i:udmemos/Group Broadband memo