

DECISION MEMORANDUM

TO: COMMISSIONER ANDERSON
COMMISSIONER HAMMOND
COMMISSIONER LODGE
COMMISSION SECRETARY
LEGAL

FROM: JOHAN E. KALALA-KASANDA
ADAM TRIPPLETT

DATE: MAY 14, 2024

RE: IN THE MATTER OF CUSTER TELEPHONE BROADBAND SERVICES
LLC'S APPLICATION FOR THE 2023 BROADBAND EQUIPMENT TAX
CREDIT; CASE NO. CTB-T-24-01.

BACKGROUND

In 2001, House Bill 377 was enacted authorizing income tax credit for the installation of qualifying broadband infrastructure in Idaho. *Idaho Code* § 63-3029B(3)(a)(ii). *Idaho Code* § 63-3029I allows a taxpayer to receive an investment tax credit for eligible broadband equipment installed during a calendar year.

Qualified broadband equipment is defined as equipment “capable of transmitting signals at a rate of at least two hundred thousand (200,000) bits per second to a subscriber and at least one hundred twenty-five thousand (125,000) bits per second from a subscriber.” *Idaho Code* § 63-3029I(3)(b). If the equipment is installed by a telecommunications carrier, it must also be “necessary to the provision of broadband services and an integral part of a broadband network.” *Idaho Code* § 63-3029I(3)(b)(i). To be eligible for the tax credit, the taxpayer must obtain from the Commission an order confirming that the installed equipment meets the statutory definition of qualified broadband equipment. *Idaho Code* § 63-3029I(4); Order No. 35297. Once the Commission has determined the installed equipment is eligible for the broadband equipment tax credit, an order along with the original Application is forwarded to the Idaho Tax Commission.

THE APPLICATION

On March 25, 2024, the Commission received an Application from Custer Telephone Broadband Services LLC, an Idaho corporation (“CTBS”), seeking approval of the equipment for the broadband tax credit installed during the calendar year 2023.

In the Application, CTBS represented that it is a provider of basic local exchange service, broadband telecommunications service, and other telecommunications services in Idaho. Application at 1. The broadband services it offers to its customers are associated with cable modem¹ high-speed internet (“HSI”), fixed wireless HSI, and Fiber-to-the-Home² (“FTTH”) HSI technologies. It described its network as a fiber optic fed cable system that provides cable modem service, fiber optic transport electronics, fiber optic backbone and distribution cable, and fixed wireless network.

CTBS stated that the transmission rate of its broadband network is 512 Kilobytes (“Kb”) per second at the lowest subscribed rate and 128 Kb from the subscribed rate. The lowest advertised rate is 10 megabytes (“Mb”) per second for a subscriber and 1 Mb per second for a subscriber. The highest advertised rate is 1 gigabyte per second for a subscriber and 200 Mb per second for a subscriber. These rates are above the minimum statutory speed requirements under *Idaho Code* § 63-3029I. CTBS disclosed that it serves 1,950 customers with broadband services out of 3,100 estimated possible customers in Salmon, Idaho.

CTBS disclosed that it invested approximately \$21,502,924.49 in 2023 in qualifying broadband equipment—that it confirms is integral to the broadband network. This qualifies for a 3% broadband tax credit of \$45,087.73.

STAFF REVIEW AND RECOMMENDATION

Staff has reviewed the list of proposed broadband equipment and believes the identified equipment qualifies for the investment tax credit pursuant to Procedural Order No. 35297 and


¹ A cable modem is a type of network bridge that provides bi-directional data communication via radio frequency channels on a hybrid fiber coaxial (HFC), radio frequency over glass (RFoG) and coaxial cable infrastructure. Cable modems are primarily used to deliver broadband Internet access in the form of cable Internet, taking advantage of the high bandwidth of a HFC and RFoG network.

² FTTH, also called fiber to the premises, is the installation and use of optical fiber from a central point to individual buildings to provide high-speed internet access. FTTH dramatically increases connection speeds available to computer users compared to other technologies.

Idaho Code § 63-3029I(3)(b). Staff, therefore, recommends that the Commission issue an Order confirming the equipment is qualified broadband equipment and forward the approved Order along with a copy of the original Application to the Idaho Tax Commission.

COMMISSION DECISION

Does the Commission wish to issue an Order confirming the broadband equipment identified in Case No. CTB-T-24-01 is qualified broadband equipment as defined in *Idaho Code* § 63-3029I(3)(b) and forward it to the Idaho Tax Commission?



Johan E. Kalala-Kasanda

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