

DECISION MEMORANDUM

TO: COMMISSIONER ANDERSON
COMMISSIONER HAMMOND
COMMISSIONER LODGE
COMMISSION SECRETARY
LEGAL

FROM: JOHAN E. KALALA-KASANDA
ADAM TRIPLETT, DEPUTY ATTORNEY GENERAL

DATE: MAY 14, 2024

RE: IN THE MATTER OF CUSTER TELEPHONE COOPERATIVE, INC.'S
APPLICATION FOR THE 2023 BROADBAND EQUIPMENT TAX
CREDIT; CASE NO. CUS-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 Cooperative, Inc. (“Custer Telephone ” or “Applicant”), seeking approval of the equipment for the broadband tax credit installed during the calendar year 2023.

In the Application, Custer Telephone stated that it is a provider of basic local exchange service, broadband telecommunications service, and other telecommunications services in Idaho. Application at 1. The services it offers to its customers are associated with Asymmetric Digital Subscriber Lines¹ (“ADSL”), Very high-speed Digital Subscriber Lines² (“VDSL”), Fiber to the Home (“FTTH”), and wireless services technologies. Custer Telephone described its network as fiber optic fed DLCs with 12K non-loaded copper distribution cable, fiber optic backbone, transport electronics, fiber to the home distribution and electronics, and VoLTE wireless data³.

The Applicant disclosed that the transmission rate of its broadband network is 512 Kilobytes (“Kb”) per second to the lowest subscriber rate and 128 Kb from subscribers. The lowest advertised rate is 25 Megabytes (“Mb”) per second to a subscriber and 3 Mb per second from a subscriber. The highest advertised rate to a subscriber is 1 Gigabytes per second to 200 Mb per second from a subscriber. Custer Telephone represented that it serves 1,645 customers with broadband services out of 1,800 estimated possible customers in Idaho.

Custer Telephone disclosed that it invested approximately \$1,696,812.72 in 2023 in qualifying broadband equipment that it confirms is integral to the broadband network. This qualifies for a 3% broadband tax credit of \$50,904.38.

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 *Idaho Code* § 63-3029I(3)(b). Staff, therefore, recommends that the Commission issue an Order

¹ ADSL is a type of Digital Subscriber Line (“DSL”) technology, a data communications technology that enables faster data transmission over copper telephone lines than a conventional voiceband modem can provide. ADSL differs from the less common Symmetric Digital Subscriber Line (“SDSL”). In ADSL, bandwidth and bit rate are said to be asymmetric, meaning greater toward the customer premises (downstream) than the reverse (upstream).

² A VDSL is a DSL technologies that provides data transmission faster than the earlier standards of asymmetric digital subscriber line.

³ Voice over long-term evolution (“VoLTE”) is a digital packet technology that uses 4G LTE networks to route voice traffic and transmit data. This voice service is the standard for high-speed wireless communications in devices such as smartphones, data terminals, Internet of Things (“IoT”) devices and wearables.

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. CUS-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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