

DECISION MEMORANDUM

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

FROM: DOUG COOLEY

DATE: MARCH 13, 2003

**RE: VELOCITUS, INC.'S APPLICATION FOR BROADBAND EQUIPMENT
TAX CREDIT. GNR-T-03-10.**

BACKGROUND

On March 6, 2003, the Commission received an Application from VELOCITUS, 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

VELOCITUS stated that, during calendar year 2002, it installed various components as part of its wireline and wireless broadband network for the provision of high-speed Internet access and other point-to-point data services to customers in Idaho's Treasure Valley and other communities of Idaho. Such components include transmitting/receiving antennae, data traffic concentrators, and routers. VELOCITUS also included in its Application such items as installation and labor as part of its investment cost. The Application for calendar year 2002 is for approximately \$160,000 of broadband investment. VELOCITUS indicated that it began offering high-speed access to customers in 2001 at transmission rates from 256 kilobits per second (kbps) up to 45 megabits per second (Mbps).

STAFF REVIEW

Staff has reviewed the list of proposed broadband equipment submitted by VELOCITUS 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). From previous discussions with VELOCITUS, Staff learned that in some instances subscribers encounter multiple routers or concentrators before they reach VELOCITUS’s access point to the Internet at the Boise Airport. In these cases, customers who do not have a line-of-sight to the Boise Airport may have their data traffic relayed through the equipment and antennae of those customers who are able to establish a wireless connection to the Internet at the Boise Airport. Staff has reviewed the network with VELOCITUS, and the Company has expressed that its Application meets the requirements of *Idaho Code* § 63-3029I (3)(b)(iv-vii). Staff has also been assured that the installation and labor costs included in the VELOCITUS Application are being capitalized, not expensed, and are directly related to offering broadband in Idaho.

STAFF RECOMMENDATION

Staff recommends approval of the Company’s Application and further recommends that the Commission forward the approving Order and a copy of the Application to the Idaho Tax Commission.

COMMISSION DECISION

Should the Commission approve VELOCITUS, Inc.’s Application for the broadband investment tax credit?



Doug Cooley

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