

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
LEGAL
WORKING FILE

FROM: GRACE SEAMAN

DATE: OCTOBER 25, 2013

RE: FRONTIER COMMUNICATIONS NORTHWEST INC.'S 2012
BROADBAND EQUIPMENT TAX CREDIT APPLICATION;
CASE NO. VZN-T-13-03.

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). In particular, Section 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 those network facilities capable of transmitting signals at a rate of at least 200,000 bits per seconds (bps) to a subscriber and at least 125,000 bps 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. Procedural Order No. 28784 and *Idaho Code* § 63-3029I(4). 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 October 16, 2012, the Commission received an Application from Frontier Communications Northwest Inc. (“FC Northwest”) seeking approval of equipment for the

broadband tax credit. In the Application, FC Northwest states that it installed equipment associated with Asymmetrical Digital Subscriber Line (“ADSL”) services with transmission rates of up to 640 Kbps send and 6 Mbps receive in the Bayview, Bonners Ferry, Clark Fork, Coeur d’Alene, Hayden Lake, Hope, Kellogg, Moscow, Mullan, Orofino, Post Falls, Potlatch, Priest River, Rathdrum, Sandpoint, Spirit Lake, and Wallace exchanges. FC Northwest asserts that approximately 78% or more of its customers in the exchanges can be served by the broadband network. During 2012, the Company invested approximately \$3.8 million in qualifying broadband equipment.

STAFF REVIEW AND RECOMMENDATION

Staff has reviewed the list of proposed broadband equipment submitted by FC Northwest and believes the identified equipment qualifies for the investment tax credit pursuant to Procedural Order No. 28784 and *Idaho Code* § 63-3029I(3)(b). Staff also believes that the expenditures identified by the Company, a telecommunications provider, were for equipment that is “necessary for the provision of broadband services and an integral part of a broadband network.” Staff, therefore, recommends that the Commission issue an Order confirming the equipment is qualified broadband equipment and forward the approving Order along with the a copy of the original Application to the Idaho Tax Commission.

COMMISSION DECISION

Does the Commission wish to issue an order confirming the equipment identified in Case No. VZN-T-13-03 is qualified broadband equipment as defined in *Idaho Code* § 63-3029I(3)(b), and forward it to the Idaho Tax Commission?


Grace Seaman

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