

DECISION MEMORANDUM

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

FROM: DOUG COOLEY

DATE: OCTOBER 3, 2003

RE: CUSTER TELEPHONE COOPERATIVE'S APPLICATION FOR
BROADBAND EQUIPMENT TAX CREDIT; CASE NO. CUS-T-03-1.

BACKGROUND

In September 5, 2003, the Commission received an Application from Custer Telephone Cooperative, 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

Custer stated that, during calendar year 2002, it installed various components as part of its wireline broadband network for the provision of high-speed Internet access to customers in its Idaho service area. The Company 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 Application indicates that Custer offers Asynchronous Digital Subscriber Line (ADSL) to approximately 100 customers using primarily AFC brand equipment.

In 2002, Custer represents that it installed fiber optic transceivers, digital loop carrier shelves, line cards, concentrating electronics, and supporting power supply and software. Custer also installed approximately 30 miles of fiber optic cable and 10 miles of copper distribution cable during 2002. Custer capitalized the labor and overhead costs associated with the installation of this equipment.

STAFF REVIEW

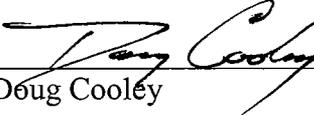
Staff has reviewed the list of proposed broadband equipment submitted by Custer and believes the equipment is “necessary to the provision of broadband services and an integral part of a broadband network” according to *Idaho Code* § 63-3029I(3)(b)(i). Staff has had discussions with Custer to clarify 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 Application from Custer Telephone Cooperative 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 Application qualifies as broadband equipment and forward the Application to the Tax Commission?



Doug Cooley

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