

DECISION MEMORANDUM

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

FROM: DOUG COOLEY

DATE: JULY 23, 2004

RE: BROADBAND TAX CREDIT APPLICATIONS;
CASE NOS. FIL-T-04-1; VZN-T-04-8; AND FMT-T-04-1.

BACKGROUND

In April and June 2004, the Commission received Applications asking for approval of equipment for the broadband tax credit 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.

STAFF ANALYSIS

Filer Mutual Telephone Company (Case No. FIL-T-04-1) - Filer Mutual's Application states that the Company installed transport cable, digital subscriber line access multiplexers (DSLAM) and modems during 2003 in expanding its broadband network. The Company offers high-speed Internet and other data services to customers in Idaho's Twin Falls County. Filer Mutual indicated that it offers high-speed access to customers at transmission rates of 1 Megabits per second (Mbps). All of Filer Mutual's customers are Idaho subscribers. The Application states that Filer Mutual invested approximately \$307,000 in 2002 and \$636,000 in 2003.

Verizon Northwest (Case No. VZN-T-04-8) - Verizon states in its Application that during calendar year 2003 the Company installed equipment used to provide DSL and high-speed data (e.g. T-1) services to customers in the exchanges of Bayview, Bonners Ferry, Coeur d'Alene, Clark Fork, Genesee, Hayden Lake, Hope, Kellogg, Moscow, Orofino, Pinehurst,

Plummer/Worley, Post Falls, Potlatch, Priest River, Rathdrum, Spirit Lake, Weippe, Wallace, Sandpoint, and St. Maries. Such components include digital access platforms, long-range digital transport, line cards, access ports, fiber optic cable, fiber terminals, and supporting software. Verizon states that transmission rates range from 128 Kbps to well beyond 6 Mbps. The Application states that Verizon invested approximately \$8,600,000 in qualifying broadband equipment during 2003.

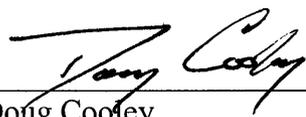
Farmers Mutual Telephone Company (Case No. FMT-T-04-1) - Farmers Mutual stated that, during calendar year 2003, it installed a Digital Subscriber Line (DSL) line cards, line splitters, line filters, assembly and connection equipment, line ports and various other components that support the provision of high-speed internet access to over 1000 potential customers in the Fruitland, Idaho area. Farmers Mutual indicated that it began offering 256 kbps to OC48 speeds to end-users in 2001 via Asynchronous Digital Subscriber Line (ADSL). The Application states that during 2003 Farmers invested approximately \$126,000 in broadband equipment.

STAFF REVIEW

Staff has reviewed the lists of proposed broadband equipment submitted by the companies and believes that the equipment identified qualifies for the investment tax credit pursuant to *Idaho Code* § 63-3029I. Staff recommends approval of the Applications and further recommends that the Commission forward the approving Orders along with a copy of the original Applications to the Idaho Tax Commission.

COMMISSION DECISION

Should the Commission approve the Applications for the broadband investment tax credits?



Doug Coofey

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