

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
CABLE ONE, INC. FOR AN INVESTMENT TAX)
CREDIT FOR INSTALLING QUALIFIED)
BROADBAND EQUIPMENT FOR THE YEAR)
2005)**

CASE NO. GNR-T-06-04

**IN THE MATTER OF THE APPLICATION OF)
CABLE ONE, INC. FOR AN INVESTMENT TAX)
CREDIT FOR INSTALLING QUALIFIED)
BROADBAND EQUIPMENT FOR THE YEAR)
2006)**

CASE NO. GNR-T-07-05

ORDER NO. 30506

Cable One, Inc. filed two separate Applications requesting approval of equipment for the broadband tax credits for the years of 2005 and 2006 pursuant to Order No. 28784 and *Idaho Code* § 63-3029I(4). To be eligible for the tax credit, the taxpayer must obtain an Order from the Commission confirming that the communications equipment has been installed and that it meets the definition of qualified broadband equipment set out in *Idaho Code* § 63-3029I(3)(b). Qualified broadband equipment must be capable of transmitting signals at a rate of at least 200,000 bits per second (bps) to a subscriber and at least 125,000 bps from a subscriber. The qualified broadband equipment must also “extend from the subscriber’s side of the headend to the outside of the structure in which the subscriber is located.” *Idaho Code* § 63-3029I(3)(b)(iii). In this Order, we find that the Company’s investments meet the applicable standards.

THE APPLICATIONS

1. 2005 Broadband Tax Credit (Case No. GNR-T-06-04). Cable One maintains that the Company enhanced its Hybrid Fiber Coax (HFC) Network with the installation of coaxial cable and fiber optics in and around the Company’s service areas of Boise, Idaho Falls, Twin Falls, Pocatello and Lewiston. More specifically, the Company submits that its Idaho network at the end of 2005 consisted of approximately 2,524 total miles of aerial coax, 2,537 miles of underground coax and 907 miles of fiber optic cable and passed by more than 332,000 out of a possible 363,190 Idaho homes and businesses. The Application also includes labor and material costs for supporting hardware such as connectors, conduit, splicing equipment, and enclosure

materials. The Company states that these costs are necessary for the operation of the network and for extending the services to the subscriber's house.

The Company offers Internet and broadband services to homes and businesses in Idaho at minimum upstream and downstream transmission rates of 128 kbps to 1.5 Mbps, respectively. The Company maintains that all of the equipment listed was purchased and installed between January 1, 2005, and December 31, 2005. The Application identifies a broadband tax credit investment of approximately \$353,000 in 2005.

2. 2006 Broadband Tax Credit (Case No. GNR-T-07-05). Cable One maintains that the Company enhanced its HFC Network with the installation of coaxial cable and fiber optics in and around the Company's service areas of Boise, Idaho Falls, Twin Falls, Pocatello and Lewiston. The Company submits that its Idaho network at the end of 2006 consisted of approximately 2,478 miles of aerial coax, 2,735 miles of underground coax and 930 miles of fiber optic cable and passed by more than 344,000 out of a possible 351,491 Idaho homes and businesses. The Application also includes labor and material costs for supporting hardware such as connectors, conduit, splicing equipment, and enclosure materials. The Company states that these costs are necessary for the operation of the network and for extending the services to the subscriber's house.

The Company offers Internet and broadband services to homes and businesses in Idaho at minimum upstream and downstream transmission rates of 128 kbps to 1.5 Mbps, respectively. The Company maintains that all of the equipment listed was purchased and installed between January 1, 2006, and December 31, 2006. The Application identifies a broadband tax credit investment of approximately \$390,000 in 2006.

STAFF REVIEW

To implement its responsibilities under *Idaho Code* § 63-3029I, the Commission issued Procedural Order No. 28784 in July 2001. This Order identifies information that must be included in an application for a broadband tax credit. Once the information is filed with the Commission, the Staff reviews the application and submits a recommendation to the Commission. Staff has reviewed the list of proposed broadband equipment submitted by Cable One. Staff notes that some of the itemized investments contained in both Applications were for expenses associated with the replacement of existing broadband network facilities as a result of road or utility construction. These expenses did not necessarily expand the availability of

broadband services to additional subscribers. Staff submits that the Idaho Tax Commission is best qualified to determine the eligibility of such investments.

Consequently, Staff certifies that the itemized equipment meets the eligibility requirements for broadband services pursuant to *Idaho Code* § 63-3029I, but offers no determination regarding the qualification of these expenses for broadband tax credit. *Idaho Code* § 63-3029I(b). Staff further recommends that the Commission forward a copy of the original Applications along with an Order certifying that the equipment meets the qualifications for broadband tax credit to the Idaho State Tax Commission.

The Company also specifies that the itemized equipment complies with *Idaho Code* § 63-3029I(3)(b)(iii), which requires that qualifying equipment extends from the subscriber's side of the headend to the outside of the subscriber's structure. In its Applications, the Company explains how this standard was used to determine the qualifying amount of expenses related to "drop spending." Because the broadband tax credit applies to relatively new investment, and considering the number of homes and businesses that are built pre-wired with coaxial cable, Staff believes the Company's adoption of standard industry practice of an estimate of 60% allocation is conservative and accepts this estimate.

COMMISSION FINDINGS

Having reviewed Cable One's Applications and Staff's recommendations, we find that the Applications for a qualifying broadband equipment Order should be granted. The Company has demonstrated that it installed qualifying broadband equipment, identified in its Application, during 2005 and 2006 in conformance with *Idaho Code* § 63-3029I. We further find that as configured, the installed equipment is an integral part of a broadband network necessary to deliver broadband services to Idaho customers. Based on the foregoing, the Commission issues this Order confirming that Cable One, Inc. has installed qualified broadband equipment as a precondition to seeking an Idaho broadband tax credit. The Commission makes no findings regarding the costs of the installed broadband equipment. In addition, the Commission makes no finding whether Cable One, Inc. may obtain a tax credit for broadband equipment that replaced existing broadband equipment.

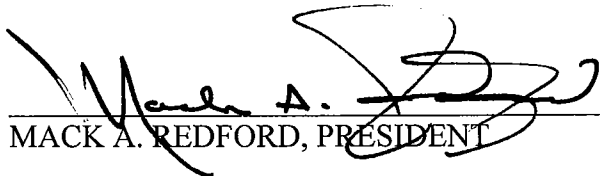
ORDER

IT IS HEREBY ORDERED that Cable One, Inc.'s Applications for an Order certifying that it has installed qualifying broadband equipment for 2005 and 2006 is granted.

IT IS FURTHER ORDERED that a copy of this Order and a copy of the Applications be served upon the Idaho State Tax Commission.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* §§ 61-626, 63-3029I(4).

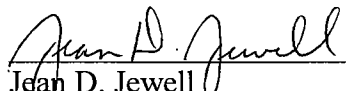
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this 29th day of February 2008.


MACK A. REDFORD, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


JIM KEMPTON, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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