

## DECISION MEMORANDUM

**TO:** COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSIONER KEMPTON  
COMMISSION SECRETARY  
LEGAL  
WORKING FILE

**FROM:** GRACE SEAMAN

**DATE:** DECEMBER 14, 2007

**RE:** STAFF REVIEW OF BROADBAND TAX CREDIT APPLICATIONS;  
CASE NOS. QWE-T-07-10 AND CEN-T-07-2.

### BACKGROUND

In November 2007, the Commission received two 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. The broadband equipment must be capable of transmitting signals at a rate of at least two hundred thousand (200,000) bits per second to a subscriber and at least one hundred twenty-five thousand (125,000) bits per second from a subscriber. *Idaho Code* § 63-3029I(3)(b). In addition, for a telecommunications carrier, such equipment must “be necessary to the provision of broadband service and an integral part of a broadband network.” *Idaho Code* § 63-3029I(3)(b)(i).

### STAFF ANALYSIS

The broadband tax credit Applications received by the Commission are discussed in greater details below.

1. Qwest Corporation (Qwest); Case No. QWE-T-07-10. Qwest’s Application identifies the Company’s broadband investments for the year 2006. In the Application, Qwest stated that it installed Digital Subscriber Line (DSL), Asynchronous Transfer Mode (ATM) and Frame Relay equipment. These services are capable of offering high-speed network access to the customers at transmission rates from 256 kilobits per second (kbps) to more than 100 megabits per second

(Mbps). The Company itemized the broadband investments under General Broadband Services and Dedicated Line Services installed in Qwest communities throughout the service territory in southern Idaho. Qwest also included interoffice facilities to deliver the broadband services to the customers. Consistent with Part 32 of Federal Communications Commission Rules and Regulations, Qwest also capitalized such items as labor, engineering, transportation and other overhead costs associated with the installation of the equipment amounting to a net total investment of approximately \$8,000,000 for 2006.

2. CenturyTel of Idaho, Inc. (CenturyTel); Case No. CEN-T-07-2. CenturyTel's Application lists the Company's broadband investment installed during the years 2004 through 2006. In the Application, the Company states that Asymmetrical Digital Subscriber Line (ADSL) equipment was installed in Salmon, North Fork, and Leadore and will provide transmission rates from 1 Mbps to a subscriber and 129 Mbps from a subscriber. CenturyTel further states that as a result of the installed equipment, the percentage and number of potential broadband subscribers were 480 or 62% in 2004, 774 or 83% in 2005, and 1434 or 72% in 2006. The Company's total investment was approximately \$592,000 for the three-year period.

## 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(3)(b)(i). 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?

  
Grace Seaman

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