DECISION MEMORANDUM

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

FROM: **GRACE SEAMAN**

DATE: **JANUARY 24, 2013**

RE: **CITIZENS TELECOMMUNICATIONS COMPANY OF IDAHO DBA FRONTIER COMMUNICATONS OF IDAHO AND FRONTIER COMMUNICATIONS NORTHWEST INC.'S APPLICATIONS FOR THE 2011 BROADBAND EQUIPMENT TAX CREDIT**
CASE NOS. CTC-T-12-02 AND VZN-T-12-02.

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). In the case of a telecommunications carrier, such qualifying equipment shall be necessary to the provision of broadband service 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 APPLICATIONS

On December 20, 2012, the Commission received Applications from Citizens Telecommunications Company of Idaho dba Frontier Communications of Idaho ("Frontier"

or "Company") and Frontier Communications Northwest Inc. ("FC Northwest" or "Company") seeking approval of equipment for the broadband tax credit for calendar year 2011. In the Applications, Frontier and FC Northwest state that it installed equipment associated with Asymmetrical Digital Subscriber Line (ADSL) with speeds up to 640 Kbps "send" and 6 Mbps "receive." Frontier installed equipment in 10 exchanges and asserts that approximately 89% of its total customer base can be served by the broadband network. FC Northwest installed equipment in 16 exchanges and asserts that approximately 75% of its total customer base can be served by the broadband network.

Frontier states that it invested approximately $404,000 in qualifying broadband equipment in 2011. FC Northwest states that it invested approximately $4,500,000 in qualifying broadband equipment in 2011.

STAFF REVIEW AND RECOMMENDATION

Staff has reviewed the lists of proposed broadband equipment submitted by Frontier and 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)(i). Staff also believes that the expenditures identified by the Companies 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 copies of the original Applications to the Idaho Tax Commission.

COMMISSION DECISION

Does the Commission wish to issue an Order confirming the equipment identified in Case Nos. CTC-T-12-02 and VZN-T-12-02 is qualified broadband equipment as defined in *Idaho Code* § 63-3029I(3)(b)(i), and forward it to the Idaho Tax Commission?

Grace Seaman

Grace Seaman

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