



## Telecom Decision CRTC 2007-50

Ottawa, 6 July 2007

### Telecom Public Notice CRTC 2006-15 – Use of deferral account funds to expand broadband services to certain rural and remote communities

Reference: 8678-C12-200615578

*In this Decision, the Commission approves the use of deferral account funds by Bell Aliant Regional Communications, Limited Partnership, Bell Canada, MTS Allstream Inc., and TELUS Communications Company to expand broadband services to uncontested communities in certain rural and remote communities in Rate Bands E, F, and G in British Columbia, Manitoba, Ontario, and Quebec.*

#### Introduction

1. In *Disposition of funds in the deferral accounts*, Telecom Decision CRTC 2006-9, 16 February 2006 (Decision 2006-9), the Commission determined that incumbent local exchange carriers (ILECs) should, to the greatest extent possible, use the funds in their deferral accounts<sup>1</sup> to expand broadband services to rural and remote communities and improve access to telecommunications services for persons with disabilities.
2. With respect to broadband expansion, the ILECs were to expand services to the customer premises in communities located primarily in Bands E and F in high-cost serving areas unlikely to receive such services from any other service provider in the near future. They were also to consult with provincial government agencies responsible for broadband initiatives to ensure that the proposals would take into account provincial priorities.
3. Pursuant to Decision 2006-9, on 1 September 2006, Bell Canada, on behalf of itself and Bell Aliant Regional Communications, Limited Partnership (Bell Aliant),<sup>2</sup> and TCC Communications Company (TCC), and on 20 October 2006, MTS Allstream Inc. (MTS Allstream), submitted proposals to expand broadband services to a total of approximately 650 rural and remote communities within their incumbent territories.<sup>3</sup>

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<sup>1</sup> In *Regulatory framework for second price cap period*, Telecom Decision CRTC 2002-34, 30 May 2002, as amended by Telecom Decision CRTC 2002-34-1, 15 July 2002 (Decision 2002-34), the Commission imposed a pricing constraint equal to inflation less a productivity offset of 3.5 percent on residential local services in non-high-cost serving areas. However, in order to avoid an adverse impact on local competition, the Commission required that all incumbent telephone companies that were subject to the determinations in Decision 2002-34 create a deferral account where they placed amounts equal to the revenue reductions that would otherwise have resulted from an application of the price cap formula. Deferral accounts were subsequently established for Société en commandite Télébec (now Télébec, Limited Partnership) and TELUS Communications (Québec) Inc. (now part of TELUS Communications Company) in *Implementation of price regulation for Télébec and TELUS Québec*, Telecom Decision CRTC 2002-43, 31 July 2002.

<sup>2</sup> Bell Canada's broadband expansion proposal on behalf of Bell Aliant was only for Ontario and Quebec, as Bell Aliant did not have sufficient funds in its deferral account to propose the expansion of broadband services in its Atlantic territory.

<sup>3</sup> In addition, proposals to improve access to telecommunications services for persons with disabilities were also submitted pursuant to the determinations in Decision 2006-9 by Bell Aliant, Bell Canada, MTS Allstream, Saskatchewan Telecommunications, and TCC.

4. In *Review of proposals to dispose of the funds accumulated in the deferral accounts*, Telecom Public Notice CRTC 2006-15, 30 November 2006 (Public Notice 2006-15), the Commission initiated a proceeding to consider the ILECs' broadband expansion and accessibility proposals. As part of the Public Notice 2006-15 proceeding, as amended by Commission staff letter dated 26 April 2007, alternative broadband service providers (ABSPs) had the opportunity in February 2007 to request the exclusion of any community identified for broadband expansion by an ILEC on the basis that it was already served or likely to be served in the near future.
5. The Commission received submissions and/or interrogatory responses with respect to the broadband expansion proposals from A.B.C. Allen Business Communications Ltd.; Aboriginal Peoples Television Network Incorporated; Axia SuperNet Ltd.; Barrett Xplore Inc.; Bell Canada; Blue Sky Net (on behalf of itself, Muskoka Community Network and NEOnet); Bragg Communications Inc., carrying on business as EastLink; Canadian Cable Systems Alliance (on behalf of its members); Cochrane Lake Gas Co-op Ltd. (on behalf of itself, Crossroads Gas Co-op Ltd., and Federation of Alberta Gas Co-ops); Cogeco Cable Inc.; Execulink Telecom; GPN Wireless Network Solutions Ltd.; Grant Internet Communications; MTS Allstream; NETAGO Wireless; NetKaster Satellite Internet; Nexicom Inc.; NRTC Communications; Open Source Solutions (on behalf of its members); Peace Region Internet Society; Public Interest Law Centre on behalf of Manitoba Keewatinook Okimowin; Quebecor Média inc. (on behalf of Vidéotron ltée); Reztel Broadband; Rogers Communications Inc.; Shaw Communications Inc.; Télécommunications Xittel inc.; TCC; and Wild Rose Internet Services. The Commission also received comments from several individuals, including municipal and provincial representatives.

### **Scope of Decision**

6. The Commission notes that this Decision relates only to the ILECs' broadband expansion proposals. Furthermore, the Commission notes that this Decision addresses only uncontested communities located in Rate Bands E, F, and G where no ABSP has indicated, on the record of this proceeding, that it currently provides or has firm plans to provide broadband services in the near future. The communities in question are listed in the Attachment to this Decision. The Commission will address issues related to improving access to telecommunications services for persons with disabilities and the deployment of broadband services in all other communities proposed by the ILECs in a further decision to be issued within 180 days after the close of record of the Public Notice 2006-15.

### **Commission's analysis and determinations**

7. In the interest of bringing the benefits of broadband services to uncontested communities located in Rate Bands E, F, and G, as quickly as possible, the Commission considers that it is appropriate at this time to approve the use of deferral account funds to expand these broadband services to such communities.
8. The Commission notes that in their initial proposals, the ILECs provided a detailed rollout plan specifying the communities in which they would expand broadband services in year one and subsequent years. The Commission also notes that there may be network dependencies between the communities in the ILECs' plans.

9. With respect to the communities that are listed in the Attachment to this Decision, based on the evidence in the ILECs' proposals and interrogatory responses, the Commission considers that Bell Canada, MTS Allstream, and TCC have developed their broadband expansion proposals consistent with the determinations in Decision 2006-9 pertaining to consultation and the location of selected communities. The Commission also considers that the proposals, which include the deployment of backbone and access facilities, are based on the least-cost technology currently employed by each ILEC.
10. After reviewing the financial information submitted by the ILECs, the Commission is satisfied that the proposed funding from the deferral account would cover only the uneconomic portion of each proposal. The Commission notes that in the economic studies provided in support of their broadband proposals, MTS Allstream and TCC assumed that all plant equipment was fungible.<sup>4</sup> The Commission also notes that while Bell Canada submitted that it considered that all plant equipment was fungible, it associated a zero end-of-study value for all plant equipment in its economic study, effectively treating this plant equipment as non-fungible.
11. The Commission considers that any outside plant equipment deployed in non-economic communities will have minimal, if any, alternative use within the company at the end of the study period therefore should be treated as non-fungible in the ILECs' economic studies for these communities. By contrast, the Commission considers that non-outside plant equipment deployed in non-economic communities will have alternate uses within the company, and should be treated as fungible in the ILECs' economic studies for these communities. In addition, the Commission notes that where additional costs are incurred by the ILECs for refurbishing and displacement to reuse the non-outside plant equipment, these costs should be included in these economic studies.

## **Conclusion**

12. The Commission **approves** the use of deferral account funds by Bell Aliant, Bell Canada, MTS Allstream, and TCC to expand broadband services to the communities identified in the Attachment to this Decision.
13. The Commission directs these ILECs to file the following information by no later than 4 September 2007.
  - the list of communities from the Attachment to this Decision to which they intend to deploy broadband networks in 2007 and 2008;
  - detailed plans for rolling out broadband service to these communities (including construction start date and service introduction start date);

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<sup>4</sup> Fungible plant equipment can be re-used by the company, and may have value at the end of a study period. Non-fungible plant equipment does not have any alternative use for the company and will have zero value at the end of a study period.

- revised cost studies for providing broadband service to these communities reflecting the treatment of plant equipment identified in paragraph 11 above. This information is to be provided by Bell Aliant, Bell Canada, MTS Allstream, and TCC in the same format used in their broadband expansion proposals submitted in September and October 2006, and is to include the Detailed Summary of Phase II Costs table; and
- their proposed draw-down from the deferral account for each community identified.

In addition, the abridged version of these filings is to be consistent with the Commission's public disclosure determinations of 16 March 2007.

14. The Commission intends to issue its determinations with respect to the ILECs' plans for 2007 and 2008 on an expedited basis.

Secretary General

*This document is available in alternative format upon request, and may also be examined in PDF format or in HTML at the following Internet site: <http://www.crtc.gc.ca>*

**BELL ALIANT**

#	PROVINCE	COMMUNITY	CLLI (WIRE CENTRE)
1	ON	BRIGDEN	BGDNON01
2	ON	CARTIER	CRTION73
3	ON	DORION	DORNON05
4	ON	DUBLIN	DBLNON01
5	ON	GOULAIS	GOULON95
6	ON	LAFONTAINE	LFNTON26
7	ON	MACDIARMID	MCDDON50
8	ON	NAKINA	NKNAON43
9	ON	OXDRIFT	OXDTON26
10	ON	PASS LAKE	PSLKON56
11	ON	POINTE AU BARIL	PNBLON35
12	ON	ST-JOSEPH ISLAND	SJILON92
13	QC	FRANKLIN CENTRE	FKCTPQ41
14	QC	HEMMINGFORD	HMGFPQ96
15	QC	ÎLE-AUX-COUDRES	ICDRPQ39
16	QC	SAINT-CHRYSOSTOME	SCHRPQ45

**BELL CANADA**

#	PROVINCE	COMMUNITY	CLLI (WIRE CENTRE)
1	ON	NEWTONVILLE	NWVLON64
2	ON	PELEE ISLAND	PLISON16
3	ON	SELKIRK	SLKRON29

**MTS ALLSTREAM**

#	PROVINCE	COMMUNITY	EXCHANGE NAME
1	MB	CRANBERRY PORTAGE	CRANBERRY PORTAGE
2	MB	FALCON RIVER	FALCON LAKE
3	MB	LEE RIVER	LAC DU BONNET
4	MB	LYNN LAKE	LYNN LAKE

5	<b>MB</b>	NELSON HOUSE	NELSON HOUSE
6	<b>MB</b>	OSWALD	WOODLANDS
7	<b>MB</b>	POPLAR POINT	POPLAR POINT
8	<b>MB</b>	ROCKWOOD	STONEWALL
9	<b>MB</b>	SPRUCEWOODS	DOUGLAS
10	<b>MB</b>	ST. EUSTACHE	ELIE
11	<b>MB</b>	SUNSET BAY	LAC DU BONNET

**TCC**

#	<b>PROVINCE</b>	<b>COMMUNITY</b>	<b>EXCHANGE NAME</b>
1	<b>BC</b>	ANAHIM'S FLAT 1	ALEXIS CREEK
2	<b>BC</b>	APPLEDALE	VALLICAN
3	<b>BC</b>	BEAVER VALLEY	BEAVER VALLEY
4	<b>BC</b>	BEAVER VALLEY (BIG LAKE ROAD N)	BEAVER VALLEY
5	<b>BC</b>	BEAVER VALLEY (BIG LAKE ROAD W)	BEAVER VALLEY
6	<b>BC</b>	BEAVER VALLEY (MARGUERITE LAKE)	BEAVER VALLEY
7	<b>BC</b>	BEAVER VALLEY (MCINNES LAKE)	BEAVER VALLEY
8	<b>BC</b>	BEAVER VALLEY (OVERTON ROAD)	BEAVER VALLEY
9	<b>BC</b>	BLACKPOOL	BLACKPOOL
10	<b>BC</b>	BOSWELL	BOSWELL
11	<b>BC</b>	BOSWELL (AKOKLI CREEK)	BOSWELL
12	<b>BC</b>	BOSWELL (HEPHER ROAD)	BOSWELL
13	<b>BC</b>	BOSWELL (MOUNTAIN SHORES)	BOSWELL
14	<b>BC</b>	BOSWELL (REDMOND ROAD)	BOSWELL
15	<b>BC</b>	BOSWELL (SANCA CREEK)	BOSWELL
16	<b>BC</b>	BRIDGE RIVER NO. 1	LILLOOET
17	<b>BC</b>	CANOE CREEK	ALKALI LAKE
18	<b>BC</b>	CHESLATTA CARRIER NATION (CHESLATTA 1)	GRASSY PLAINS
19	<b>BC</b>	CHRISTINA LAKE	CHRISTINA LAKE
20	<b>BC</b>	CHRISTINA LAKE (CASCADE CITY)	CHRISTINA LAKE

21	<b>BC</b>	CHRISTINA LAKE (ENGLISH POINT)	CHRISTINA LAKE
22	<b>BC</b>	CLUCULZ LAKE (BEDNESTI LAKE)	CLUCULZ LAKE
23	<b>BC</b>	CLUCULZ LAKE (BEDNESTI)	CLUCULZ LAKE
24	<b>BC</b>	CLUCULZ LAKE (ISLE PIERRE)	CLUCULZ LAKE
25	<b>BC</b>	COFFIN POINT	LADYSMITH
26	<b>BC</b>	COMPTON ISLAND NO. 6	BEAVER COVE
27	<b>BC</b>	DA'NAXDA'XW FIRST NATION (DEAD POINT NO. 5)	BEAVER COVE
28	<b>BC</b>	D'ARCY (GATES LAKE)	D'ARCY
29	<b>BC</b>	DECKER LAKE	DECKER LAKE
30	<b>BC</b>	DECKER LAKE (PALLING ROAD WEST)	DECKER LAKE
31	<b>BC</b>	DECKER LAKE (ROSE LAKE)	DECKER LAKE
32	<b>BC</b>	DONALD	DONALD
33	<b>BC</b>	DUNCAN LAKE	DUNCAN LAKE
34	<b>BC</b>	DUNCAN LAKE (ARGENTA)	DUNCAN LAKE
35	<b>BC</b>	DUNCAN LAKE (HOWSER)	DUNCAN LAKE
36	<b>BC</b>	DUNCAN LAKE (JOHNSONS LANDING)	DUNCAN LAKE
37	<b>BC</b>	DUNCAN LAKE (LARDEAU)	DUNCAN LAKE
38	<b>BC</b>	DUNCAN LAKE (MARBLEHEAD)	DUNCAN LAKE
39	<b>BC</b>	DUNCAN LAKE (MEADOW CREEK)	DUNCAN LAKE
40	<b>BC</b>	EAST PINE	CHETWYND
41	<b>BC</b>	ELKO (BAYNES LAKE)	ELKO
42	<b>BC</b>	ELKO (WALDO ROAD)	ELKO
43	<b>BC</b>	FLATROCK	FLATROCK
44	<b>BC</b>	FLATROCK (BOUNDARY LAKE)	FLATROCK
45	<b>BC</b>	FRANCOIS LAKE (GALLACHER ROAD)	FRANCOIS LAKE
46	<b>BC</b>	FRANCOIS LAKE (TCHESINKUT LAKE)	FRANCOIS LAKE
47	<b>BC</b>	GITSEGUCLA (GITSEGUCLA 1)	KITWANGA
48	<b>BC</b>	GLEN VOWELL (SIK-E-DAKH 2)	HAZELTON
49	<b>BC</b>	HANSARD	HANSARD

50	BC	HIGH BAR NO. 1	CLINTON
51	BC	HOPE ISLAND NO. 1	ZEBALLOS
52	BC	INKLYUHKINATKO NO. 2	LYTTON
53	BC	JAFFRAY (BULL RIVER)	JAFFRAY
54	BC	KAHMOOSE NO. 4	BOSTON BAR
55	BC	KANAKA BAR NO. 1A	LYTTON
56	BC	KINGSGATE	YAHK
57	BC	KITWANGA	KITWANGA
58	BC	KITWANGA (BOULDER CREEK)	KITWANGA
59	BC	KITWANGA (CEDARVALE)	KITWANGA
60	BC	KITWANGA (KITSEGUECLA)	KITWANGA
61	BC	KITWANGA (KITWANCOOL)	KITWANGA
62	BC	KWIAKAH	SAYWARD
63	BC	LAKE BABINE NATION (BABINE 6)	GRANISLE
64	BC	LAKE BABINE NATION TACHET LAKE (BABINE 25)	GRANISLE
65	BC	LAKELSE LAKE	LAKELSE LAKE
66	BC	LOOS	LOOS
67	BC	MANNING PARK	MANNING PARK
68	BC	MANNING PARK (EAST GATE)	MANNING PARK
69	BC	MCLEOD LAKE	MCLEOD LAKE
70	BC	MCLEOD LAKE (MCLEOD LAKE 1)	MCLEOD LAKE
71	BC	MOWACHAHT (BC024)	GOLD RIVER
72	BC	MOWACHAHT (BC064)	GOLD RIVER
73	BC	MOWACHAHT (AHAMINAQUUS 12)	GOLD RIVER
74	BC	MOYIE	MOYIE
75	BC	NESKONLITH (NESKONLITH NO. 1)	CHASE
76	BC	NICOMEN	LYTTON
77	BC	NIMPO LAKE	NIMPO LAKE
78	BC	NOOAITCH NO. 10	MERRITT

79	BC	OCLUCJE NO. 7	TAHSIS
80	BC	OREGAN JACK CREEK NO. 3	ASHCROFT
81	BC	PENELAKUT SPIT (KUPER ISLAND 7)	CHEMAINUS
82	BC	PORT SIMPSON	PORT SIMPSON
83	BC	PROPHET RIVER (PROPHET RIVER 4)	NWT
84	BC	REID LAKE (REID LAKE ROAD)	CHIEF LAKE
85	BC	SAHHALTKUM NO. 4	CHASE
86	BC	SAULTEAU (EAST MOBERLY LAKE 169)	CHEWYND
87	BC	SHACKAN NO. 11	SPENCES BRIDGE
88	BC	SISKA (SISKA FLAT NO. 3)	LYTTON
89	BC	SKATIN NATIONS (SKOOKUMCHUCK 4)	SKOOKUMCHUCK
90	BC	SKEETCHESTN	SAVONA
91	BC	SKIN TYEE (SKINS LAKE NO. 16A)	GRASSY PLAINS
92	BC	SKOOKUMCHUCK (LAZY LAKE)	SKOOKUMCHUCK
93	BC	SPUZZUM (SPUZZUM 1)	YALE
94	BC	STONE NO. 1	ALEXIS CREEK
95	BC	THRUMS	CASTLEGAR
96	BC	TOOSEY NO. 1	RISKE CREEK
97	BC	TROUT LAKE	TROUT LAKE
98	BC	TSIMPSEAN NO. 2	PORT EDWARD
99	BC	UPPER NICOLA (DOUGLAS LAKE 3)	DOUGLAS LAKE
100	BC	VALLICAN	VALLICAN
101	BC	WESTWOLD (MONTE LAKE)	WESTWOLD
102	BC	WET'SUWET'EN (PALLING NO. 1)	DECKER LAKE
103	BC	YELLOW POINT	LADYSMITH
104	QC	ANSE AU GRIFFON	CAP DES ROSIERS
105	QC	BAIE-TRINITÉ	BAIE-TRINITÉ
106	QC	LA ROMAINE	LA ROMAINE
107	QC	LONGUE POINTE DE MINGAN	RIVIÈRE ST JEAN

108	QC	LOURDES DE BLANC SABLON	LOURDES DE BLANC SABLON
109	QC	MINGAN	RIVIÈRE ST JEAN
110	QC	NATASHQUAN	NATASHQUAN
111	QC	RISTIGOUCHE-PARTIE-SUD-EST CABINET	POINTE À LA CROIX
112	QC	SAINT-ALEXIS-DE-MATAPÉDIA	ST-ALEXIS
113	QC	SAINT-FRANÇOIS-D'ASSISE	ST-ALEXIS
114	QC	SAINT-MAXIME-DU-MONT-LOUIS	MONT-LOUIS
115	QC	ST-AUGUSTIN	ST-AUGUSTIN