Telecom Decision CRTC 2008-103

Ottawa, 23 October 2008

TELUS Communications Company – 2008 application to update its funding requirements for its service improvement plan and related matters

Reference: 8638-C12-73/02

In this Decision, the Commission approves TCC's 2008 application to update its total subsidy requirement and draw-down from its deferral account to reflect actual capital expenditures for 2007 and projected 2008 capital expenditures with respect to its service improvement plan (SIP). The Commission will, at a future date, determine (1) whether the SIP roll-out end date should be extended beyond 2008; (2) which additional communities, if any, should be provided service under the SIP; and (3) the level of capital expenditures that would be required.

1. The Commission received an application by TELUS Communications Company (TCC), dated 31 March 2008, in which the company filed its service improvement plan (SIP) tracking report for the year 2007, pursuant to the Commission's directives in Telecom Decision 2002-34. TCC requested approval of (1) an adjustment to its funding from the National Contribution Fund regarding the total subsidy requirement (TSR) for high-cost serving areas (HCSAs); and (2) an adjustment to the draw-down from its deferral account for non-HCSAs. TCC also provided its accomplishments for 2007, its actual capital expenditures for 2007, and its projected capital expenditures for 2008.

Background

2. In Telecom Decision 2002-34, the Commission addressed the implementation of TCC's SIP, the aim of which was to provide residential customers with telephone service that would meet the Commission's basic service objective in areas where the costs met certain specific criteria. Specifically, the Commission directed TCC to start a SIP project in a locality if the locality met the following criteria: (a) the maximum average cost per premises was $25,000 using a 100 percent take rate; and (b) at least one customer requested service and was willing to contribute $1,000. The Commission also directed TCC to start with those localities that had the highest demand.

3. The Commission (1) approved a SIP for unserved premises in TCC's territory of $10.6 million in capital expenditures; (2) directed TCC to add its Phase II SIP costs for HCSAs to the costs that flowed into its TSR calculations; and (3) allowed the explicit recovery by TCC of the Phase II costs associated with its SIP in non-HCSAs by means of a draw-down from its deferral account. The Commission stated that it intended to review TCC's progress in implementing its SIP on a yearly basis, as reported in its tracking plan, to determine whether additional capital and funding were required, and directed TCC to commence rolling out its SIP in 2002.

TCC's application

4. TCC forecasted a decrease to the total projected capital expenditures for its SIP in both non-HCSAs and HCSAs, specifically from the company's 2007 view of $33.9 million as set out in Telecom Decision 2007-41, to the company's 2008 view of $32.9 million. In non-HCSAs, TCC submitted that the actual capital expenditures for 2007 decreased by $1.4 million while the projected 2008 capital expenditures increased by $0.6 million. In HCSAs, TCC also submitted that the actual capital expenditures for 2007 decreased by $1.6 million while the projected 2008 capital expenditures increased by $1.4 million. TCC also filed incremental Phase II cost studies that, in its view, would result in incremental decreases/increases to the TSR and in an incremental increase to the draw-down from its deferral account.

5. TCC indicated that the incremental Phase II cost studies for residential service in non-HCSAs yielded a decrease in the annual equivalent cost (AEC) amounts for certain rate bands in Alberta and British Columbia when compared to those approved in Telecom Decision 2007-41. Specifically, the AEC amounts have been restated to $1,875,414 in 2007 and to $1,977,430 for 2008 and beyond.

6. TCC indicated that the incremental Phase II cost studies for the HCSAs translated into an increase/decrease to the residential per network access service (NAS) monthly equivalent cost (MEC) amount to be included in the 2008 TSR calculation for certain rate bands in Alberta and British Columbia.

7. The company also indicated that it would complete its SIP in 2008 by completing projects in communities where construction had commenced or was scheduled to commence but still was outstanding as of 31 December 2007, and individual service requests received as of 31 December 2006.

8. The Commission received no comments with respect to this application. However, it has received a number of complaints from potential customers. The Commission intends to deal with these as outlined below.

Commission's analysis and determinations

9. The Commission notes that the total SIP forecast capital expenditures decreased from $33.9 million in the company's 2007 view to $32.9 million in the company's 2008 view, a decrease of $1 million. This decrease resulted from the updating of TCC's forecast expenditures with actual values for 2007 and an increase to the forecast for 2008 due mainly to the completion of earlier SIP projects that were outstanding as of 31 December 2007. The Commission has reviewed the cost information filed by TCC in support of its application and is of the view that the decrease in TCC's SIP capital expenditure is acceptable. Accordingly, the Commission **approves** the new total SIP expenditures of $32.9 million.

10. The Commission has also reviewed TCC's capital recovery amounts (AECs and MECs) and considers that these amounts have been calculated using the methodology approved in Telecom Decision 2006-63.

11. Accordingly, the Commission **approves** the restatement of the 2007 and 2008 AEC draw-down amounts from the deferral account to $1,875,414 in 2007 and to $1,977,430 for 2008 and beyond. The Commission directs TCC to issue an updated deferral account statement within 30 days of this Decision.

12. The Commission also **approves**, starting in 2008, the proposed increase/decrease to the MEC amounts for TCC's residential local exchange service in HCSAs as follows:[1]

Alberta Band E: ($0.03) per NAS per month
Alberta Band F: ($0.03) per NAS per month
Alberta Band G: $0.03 per NAS per month
B.C. Band G: $0.06 per NAS per month

13. The Commission notes that TCC expects to complete its SIP in 2008. However, TCC indicated that there are 17 communities that have been approved by the Commission as being eligible for the SIP but will not be provided service under the provisions of the SIP. The Commission also notes that complaints by prospective customers indicate that another six communities could be eligible for the SIP and may require reassessment by TCC. The Commission is concerned that a substantial number of communities may be left out of the SIP.

14. The Commission has issued interrogatories to TCC concerning these 23 communities. Therefore, the Commission will, at a future date, determine (1) whether the SIP roll-out end date should be extended beyond 2008; (2) which additional communities, if any, should be provided service under the SIP; and (3) the level of capital expenditures that would be required.

Secretary General

Related documents

- *TELUS Communications Company – 2007 application to increase the capital cost of the service improvement plan and related matters*, Telecom Decision CRTC 2007-41, 13 June 2007

- *TELUS Communications Company – Application to decrease the capital cost of its service improvement plan and related matters*, Telecom Decision CRTC 2006-63, 28 September 2006

[1] No change for B.C. Band E and B.C. Band F

- *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