



Telecom Decision CRTC 2010-636

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Ottawa, 31 August 2010

TELUS Communications Company – Application to update its funding requirements for its service improvement plan

File number: 8638-C12-73/02

In this decision, the Commission approves TCC's revised total service improvement plan capital expenditures, the reduction to the drawdown from its deferral account, and adjustments to its total subsidy requirement.

Introduction

1. Pursuant to the Commission's directives in Telecom Decisions 2002-34 and 2009-89, TELUS Communications Company (TCC) filed its semi-annual service improvement plan (SIP) tracking report, dated 9 April 2010.
2. TCC provided its actual capital expenditures for 2009 and the projected capital expenditures it required to complete its SIP in 2010. It requested approval of (a) a reduction to the drawdown from its deferral account for non-high-cost serving areas (non-HCSAs), and (b) an adjustment to the funding it receives from the National Contribution Fund for the total subsidy requirement (TSR) for high-cost serving areas (HCSAs).
3. The Commission received no comments regarding this application. TCC's application is available on the Commission's website at www.crtc.gc.ca under "Public Proceedings" or by using the file number provided above.

Background

4. In Telecom Decision 2002-34, the Commission addressed the implementation of the incumbent local exchange carriers' (ILECs) SIPs, the aim of which was to provide residential customers with telephone service that would meet the Commission's basic service objective in unserved and underserved areas. Specifically, the Commission directed the ILECs to start a SIP project in a locality that 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 to the construction project.

5. In Telecom Decision 2002-34, the Commission approved a SIP for unserved premises in TCC's territory of \$10.6 million in capital expenditures, directed TCC to add its Phase II SIP costs for HCSAs to the costs that flowed into its TSR calculations, and allowed the explicit recovery by TCC of the Phase II costs associated with its SIP in non-HCSAs by means of drawdowns from its deferral account. The Commission stated that it intended to review TCC's progress in implementing its SIP on a yearly basis, as set out in its tracking report, to determine whether additional capital and funding were required. The Commission directed TCC to begin rolling out its SIP in 2002.
6. The Commission has identified the following issues to be addressed in its determinations:
 - I. Should the Commission approve TCC's revised SIP capital expenditures?
 - II. Should the Commission approve the proposed drawdown from TCC's deferral account?
 - III. Should the Commission approve the proposed adjustments to the TSR?

I. Should the Commission approve TCC's revised SIP capital expenditures?

7. In Telecom Decision 2009-505, the Commission approved TCC's application to update (a) its funding requirements to include a total SIP capital expenditure of \$33.2 million; and (b) its rollout schedule, in which it proposed completing construction to five remaining communities by the end of 2009, or by early 2010 at the latest. The Commission directed TCC to file SIP tracking reports semi-annually until its SIP is completed.
8. TCC submitted that in 2009, it had successfully completed facilities construction and had provided service to four of the five remaining communities noted in Telecom Decision 2009-505. In this regard, TCC submitted that only those construction projects for the community of Lytton, British Columbia, remained to be completed. TCC explained that although pre-construction had started at Lytton in October 2009, the location had become inaccessible due to heavy winter snowfalls. TCC submitted that construction in Lytton might not be completed until later in 2010.
9. TCC also submitted that in non-HCSAs, the actual 2009 capital expenditures had been \$25,479, which was lower than its forecast of \$485,000. This adjustment lowered the overall non-HCSA SIP capital costs to \$10.5 million.
10. The company further submitted that in HCSAs, the actual 2009 capital expenditures had been \$561,480, lower than the forecast of \$706,000. However, it also forecasted the new capital expenditures associated with completing service to Lytton to be \$248,000 for 2010, which increased the overall HCSA SIP forecasted capital costs to \$22.4 million.

11. The overall effect of these revisions in both non-HCSAs and HCSAs is a decrease of \$356,000 to \$32.9 million from the previous SIP capital expenditure amount of \$33.2 million approved in Telecom Decision 2009-505.
12. The Commission has reviewed the cost information filed by TCC in support of its application and considers that the decrease in TCC's SIP capital expenditures is acceptable. Accordingly, the Commission **approves** the revised total SIP expenditures of \$32.9 million.

II. Should the Commission approve the proposed drawdown from TCC's deferral account?

13. TCC filed incremental Phase II cost studies that, in its view, would result in a decrease to the previously approved deferral account drawdown amounts for non-HCSAs.
14. The incremental Phase II cost studies filed by TCC with respect to residential service in non-HCSAs indicate a decrease in the annual equivalent cost (AEC) amount for 2009, and an overall decrease in the forecasted AEC for 2010 and beyond. Specifically, the company restated the AEC amounts for 2009 to be \$1,872,390 and forecasted the AEC amounts for 2010 and beyond to be \$1,926,941.
15. The Commission has reviewed TCC's AECs and notes that these amounts have been calculated using the methodology approved in Telecom Decision 2006-63.
16. Accordingly, the Commission **approves** a drawdown from TCC's deferral account of \$1,872,390 for 2009 and \$1,926,941 for 2010 and beyond.

III. Should the Commission approve the proposed adjustments to the TSR?

17. TCC also filed incremental Phase II cost studies that, in its view, would result in an increase to the overall HCSA capital cost requirement relative to the HCSA capital cost requirement that had previously been approved by the Commission and, consequently, in adjustments to the TSR.
18. The incremental Phase II cost studies filed by TCC with respect to residential service in HCSAs indicate required increases to the residential per network access service (NAS) monthly equivalent cost (MEC) for Bands E and G in British Columbia. The cost studies also indicate decreases to the MEC for Bands E and G in Alberta and Band F in British Columbia. TCC submitted that the increases and decreases should be included in the 2010 TSR calculation for those rate bands in Alberta and British Columbia.
19. The Commission has reviewed TCC's MECs and notes that these amounts have been calculated using the methodology approved in Telecom Decision 2006-63.

20. Accordingly, the Commission **approves**, starting in 2010, the following adjustments to the MEC for TCC's residential local exchange service in HCSAs in Alberta and British Columbia:

Alberta Band E: decrease of \$0.01 per NAS per month

Alberta Band G: decrease of \$0.01 per NAS per month

British Columbia Band E: increase of \$0.07 per NAS per month

British Columbia Band F: decrease of \$0.04 per NAS per month

British Columbia Band G: increase of \$0.05 per NAS per month

Secretary General

Related documents

- *TELUS Communications Company – 2009 application to update its funding requirements for its service improvement plan and related matters*, Telecom Decision CRTC 2009-505, 20 August 2009
- *TELUS Communications Company – Follow-up to Telecom Decision CRTC 2008-103*, Telecom Decision CRTC 2009-89, 24 February 2009
- *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
- *Regulatory framework for the second price cap period*, Telecom Decision CRTC 2002-34, 30 May 2002