



## Telecom Decision CRTC 2004-78

Ottawa, 18 November 2004

### **TELUS Communications Inc. – Follow-up to Decision 2002-43 – Service improvement plan**

Reference: 8638-C12-69/02 and Tariff Notice 346

*In this Decision, the Commission **approves** TELUS Communications Inc.'s proposed service improvement plan for the territories previously served by TELUS Communications (Québec) Inc. The Commission also **approves, on an interim basis**, annual funding of an additional \$86,500 from the National Contribution Fund and \$4,000 from the deferral account.*

#### **Application**

1. The Commission received an application dated 20 December 2002 by TELUS Communications (Québec) Inc. (TELUS Québec)<sup>1</sup> proposing a service improvement plan (SIP) pursuant to the Commission's directives in *TELUS Communications (Québec) Inc.'s proposed service improvement plan*, Telecom Decision CRTC 2002-16, 19 March 2002 (Decision 2002-16) and in *Implementation of price regulation for Télébec and TELUS Québec*, Telecom Decision CRTC 2002-43, 31 July 2002 (Decision 2002-43).
2. The Commission also received a tariff application dated 10 April 2003 by TELUS Québec to introduce General Tariff item 2.15.10, Service Improvement Plan (SIP) 2002-2005, and to revise General Tariff item 2.15.04, Construction Charges and Instalment Payment Plan. TELUS Québec indicated that it was filing these tariff revisions pursuant to the Commission's determinations in Decision 2002-43 related to unserved residential premises in the company's SIP.

#### **Background**

3. In *Implementation of competition in the local exchange and local payphone markets in the territories of Télébec and TELUS (Québec)*, Public Notice CRTC 2001-69, 14 June 2001 (Public Notice 2001-69),<sup>2</sup> the Commission stated that it would review, among other things, the rate band structure, the definition and the identification of high-cost serving areas, the local loop rates per band and associated costs for Télébec and TELUS Québec.
4. In Decision 2002-16, TELUS Québec was directed to inform the Commission of its plans to identify unserved dwellings, to consult with stakeholders, to submit the results of the consultations to the Commission, and to propose a SIP by 20 December 2002.

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<sup>1</sup> Effective 1 July 2004, TELUS Communications Inc. (TCI) has assumed all rights, entitlements, liabilities, and obligations relating to the provision of telecommunications services in the territory previously serviced by TELUS Communications (Québec) Inc.

<sup>2</sup> A decision has not been issued in the proceeding initiated by Public Notice 2001-69.

5. In Decision 2002-43, the Commission directed TELUS Québec to start a SIP project in a locality if the maximum average cost per premise did not exceed \$25,000, for both permanent and seasonal residences, assuming a 100 percent take rate, and if at least one customer requested service and was willing to contribute \$1,000 towards the cost of the service improvement. The Commission also directed TELUS Québec to start the SIP roll-out in localities with the highest demand, and to provide a tracking report by 31 March of each year. TELUS Québec was further directed to file tariff pages implementing the Commission's determinations.
6. The Commission directed TELUS Québec to identify the dwellings included in the SIP and the capital expenditures by year over the price regulation period, segregated between high-cost serving areas (HCSAs) and non-high-cost serving areas (non-HCSAs).
7. The Commission also directed TELUS Québec to provide the Phase II costs for its SIP in HCSAs and non-HCSAs. The Commission determined that TELUS Québec's SIP in HCSAs was to be funded by the National Contribution Fund (NCF), by adding its Phase II SIP costs in HCSAs used to calculate the total subsidy requirement (TSR). The Commission also determined that funds that had accumulated in the deferral account could be used to compensate the company for costs associated with its SIP in non-HCSAs.
8. In Decision 2002-43, the Commission determined that, until a decision was issued in the proceeding initiated by Public Notice 2001-69, TELUS Québec's TSR should be calculated using the national proxy Phase II costs, the associated rate band structure, and TELUS Québec's average going-in residential local service rates, including the implicit optional local service revenue of \$5 per month per network access service in each of the HCSA rate bands eligible for subsidy.
9. The Commission directed TELUS Québec to file tariff pages to introduce a \$1,000 instalment payment plan (IPP), an IPP for construction charges from \$1,000 to \$10,000, and an IPP for construction charges of greater than \$10,000 per customer premises.

## **Process**

10. The Commission received comments dated 9 April 2003 from l'Union des consommateurs (l'Union) and reply comments dated 22 April 2003 from TELUS Québec.
11. On 11 June 2003, TELUS Québec advised the Commission that 11 residents in the Baie-Comeau exchange would not be included in its SIP due to a lack of response.
12. On 29 January 2004, the Commission issued interrogatories to TELUS Québec to which the company filed responses on 19 March 2004.
13. On 31 March 2004, TELUS Québec filed a tracking report on the progress of its SIP.
14. On 15 April and 22 July 2004, TELUS Québec filed updated tracking reports, proposing to add four customers to its SIP.

### **Service Improvement Plan**

15. In its SIP proposal, TELUS Québec submitted a plan with a capital cost criterion of \$25,000 for both permanent and seasonal residences, assuming a 100 percent take rate. TELUS Québec proposed to invest approximately \$0.6 million over a three-year period to provide service to potentially 70 residences.
16. L'Union submitted that TELUS Québec had not provided enough information on its proposed consultation with stakeholders to ensure that efforts to reach all interested parties had been sufficient. It also argued that TELUS Québec needed to specify the media to be used, the number of publications, and the deadline by which those participating in the survey were to return the questionnaire.
17. In reply to Commission interrogatories, TELUS Québec provided additional details about its consultation program.

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

18. The Commission notes that TELUS Québec provided details about the results of the stakeholder consultation, the questionnaire employed, the list of media organizations used for the advertising campaign, and the list of municipal organizations contacted. The Commission is of the view that all the concerns raised by l'Union have been adequately addressed by TELUS Québec and that the consultation meets the requirements set out in Decision 2002-16 in which the Commission directed TELUS Québec to consult with stakeholders, to identify unserved dwellings, to propose a SIP addressing the requirements of unserved dwellings, and to file a follow-up SIP.
19. The Commission notes that TELUS Québec's SIP is based on the capital cost criteria and take rates as directed in Decision 2002-43, and a three-year roll-out plan commencing in 2004. The Commission has reviewed the cost studies filed in support of the proposed SIP and finds them to be satisfactory. Accordingly, the Commission finds that TELUS Québec's \$0.6 million SIP fully complies with the Commission's directives in Decisions 2002-16 and 2002-43.
20. The Commission also finds that the proposed tariff revisions related to the SIP reflect its determinations in Decision 2002-43.

### **Funding of the Service Improvement Plan**

21. TELUS Québec submitted its annual SIP funding requirement, which is estimated to be \$90,500, and proposed that it be funded by the NCF. In support of its proposal, TELUS Québec provided its annual SIP Phase II costs, including a 15 percent mark-up for the recovery of fixed and common costs, for Bands D, E and F.
22. TELUS Québec argued that because of the end-of-study treatment in its Phase II cost study, it would be unable to recover costs for Bands D, E and F, due to insufficient service demand in these areas.

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

### ***HCSA SIP funding***

23. The Commission notes that TELUS Québec considered its Band D as an HCSA in its funding calculations. As noted earlier, in Decision 2002-43, TELUS Québec was directed to use the national proxy Phase II costs and the associated rate band structure until a decision was issued in the proceeding initiated by Public Notice 2001-69. The national band structure has only Band E, F, and G assigned to HCSAs. Accordingly, the Commission finds that TELUS Québec's proposal to include its Band D expenses as part of its HCSA SIP expenses is inconsistent with Decision 2002-43.
24. The Commission notes that, with the exception of \$4,000 in SIP expenses associated with Band D, the HCSA SIP capital expenditures and funding from the NCF proposed by TELUS Québec for HCSAs are consistent with Decision 2002-43. Accordingly, the Commission considers that TELUS Québec should receive from the NCF interim monthly HCSA SIP funding amounts equivalent to one-twelfth of \$86,500, retroactive to 1 January 2004.
25. In the Commission's view, TELUS Québec's concern that the end-of-study treatment would result in a lump sum amount that would not be recovered in HCSAs is unwarranted since the incremental annual costs associated with SIP expenditures in HCSAs are to be reflected in the basic service costs used in the TSR calculations.

### ***Non-HCSA SIP funding***

26. Until a decision is issued in the proceeding initiated by Public Notice 2001-69, the Commission considers that, on an interim basis, TELUS Québec should be allowed to recover its \$4,000 in annual SIP expenditures associated with Band D from the deferral account, starting on 1 January 2004.
27. The Commission notes TELUS Québec's concern about the lack of a specific mechanism being in place to recover future non-HCSA SIP-related costs but considers that it is unwarranted as the amounts flowing into the deferral account from the application of the pricing constraint on the Residential Local Services in non-HCSA basket are ongoing.

### **Instalment Payment Plans**

28. TELUS Québec proposed a small IPP which included a customer deposit of \$100, with the balance to be paid in 11 equal monthly instalments. The company suggested that, where the average cost per household exceeded \$25,000, potential customers, existing customers, or tenants would be eligible for service if they were willing to pay the associated additional costs. TELUS Québec stated that customers could pay additional construction charges either by making a single payment or 60 monthly payments, with interest based on the National Bank's preferred rate.
29. L'Union submitted that the Commission should direct TELUS Québec to remove the requirement for a customer to commit to a basic service payment of up to five years.

30. TELUS Québec replied that the tariff item regarding a five-year payment commitment, which l'Union had referred to, was not part of its tariff proposal and that the item had been approved by the Commission in Telecom Order CRTC 94-601, on 1 June 1994. The company stated that the provisions of this tariff item had not been contested by its customers.

**Commission's analysis and determinations**

31. The Commission notes that matters related to IPPs will be addressed in a subsequent decision.
32. In regard to l'Union's request that the Commission direct TELUS Québec to remove the requirement for a customer to commit to the payment of basic service for up to five years, the Commission notes that the provisions of item 2.15.05 of TELUS Québec's General Tariff deal with network extensions, and would not apply to SIP customers.
33. In light of the foregoing, the Commission:
- a) **approves** TCI's proposed SIP of \$0.6 million with a 2004-2006 roll-out;
  - b) **approves, on an interim basis**, for TCI 's non-HCSA SIP, annual funding of \$4,000 from the deferral account, retroactive to 1 January 2004, pending a decision being issued in the Public Notice 2001-69 proceeding;
  - c) **approves, on an interim basis**, for TCI 's HCSA SIP, annual funding of \$86,500 from the NCF, retroactive to 1 January 2004, pending a decision being issued in the Public Notice 2001-69 proceeding;
  - d) directs the Central Fund Administrator to distribute to TCI, on an interim basis, monthly HCSA SIP funding amounts equivalent to one-twelfth of \$86,500, retroactive to 1 January 2004; and
  - e) **approves** the proposed tariff revisions, other than those related to IPPs, but directs TCI to issue, forthwith, revised tariff pages to clarify that there is no five-year subscription commitment for customers who receive service pursuant to its SIP.

Secretary General

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