



Telecom Order CRTC 2006-78

Ottawa, 7 April 2006

Northwestel Inc.

Reference: Tariff Notice 827

Construction Charges and Special Outside Construction

1. On 9 December 2005, Northwestel Inc. (Northwestel) filed an application proposing revisions to General Tariff item 306, Construction Charges and item 307, Special Outside Construction, related to the company's service improvement plan (SIP).
2. Northwestel's proposal included the establishment of a single end-date of 31 December 2008 for all SIP localities where SIP charges would apply, the removal of the Marsh Lake outside construction tariff, the inclusion of a new tariff item reflecting the expansion of the Marsh Lake base rate area, a revision to its Construction Allowance for Public Thoroughfares and Private Property to a dollar amount rather than a distance-based allowance, and the introduction of a housing development construction tariff.
3. The Commission received no comments with respect to this application.

End-date for the application of SIP charges

4. Northwestel proposed that applicants in premises within the boundaries of a SIP locality area who request telephone service between 1 January 2006 and 31 December 2008 would pay construction charges according to the SIP contribution approved by the Commission in *Long-distance competition and improved service for Northwestel customers*, Decision CRTC 2000-746, 30 November 2000 (Decision 2000-746). For requests for service received from applicants in SIP localities after 31 December 2008, Northwestel proposed that regular construction charges would apply.
5. Northwestel noted that according to its original SIP plan which was approved by the Commission in Decision 2000-746, charges would apply in a SIP locality for five years after the completion of the project in that specific locality. The company submitted that having different SIP end-dates for each locality would cause confusion for customers, as well as for company employees. The company submitted that since there are about 100 SIP localities with different completion dates in Northwestel's operating area, this would result in additional tracking issues, costs, and customer complaints. Northwestel argued that a single end-date for all SIP localities would reduce confusion and costs.
6. The Commission notes that in Telecom Order CRTC 2005-269, 20 July 2005, it approved, on a final basis, a similar proposal by Bell Canada to apply SIP charges for its SIP localities until a single end-date of 31 December 2008.
7. In light of the above, the Commission finds Northwestel's proposal reasonable.

Marsh Lake base rate area

8. Northwestel proposed to remove the outside construction tariff for Marsh Lake since the construction project was completed in 2000 under an agreement with the Yukon Government. In addition, the company proposed the inclusion of a new tariff item to reflect the expansion of the Marsh Lake base rate area.
9. The Commission notes that in evidence filed in the proceeding initiated by *Northwestel Inc. - Implementation of toll competition and review of regulatory framework, quality of service and related matters*, Telecom Public Notice CRTC 99-21, 1 October 1999, Northwestel had indicated that the construction project for the Yukon Government had been completed. The Commission is of the view that the proposed removal of this project from the construction tariff and the inclusion of a new tariff item to reflect the expansion of the Marsh Lake base rate area as a result of this project are appropriate.

Free construction allowance

10. The company proposed to replace the free construction allowance of 165 metres by an allowance of \$1,500 per premise, or \$750 per projected access service in the case of multi-dwelling units and buildings with multiple access services.
11. In a letter dated 22 December 2005, the Commission asked Northwestel to provide more information with respect to the proposed \$1,500 allowance. In its response dated 13 January 2006, Northwestel stated that it had taken a large sample where it had provided the distance-based construction allowance credit over the last three years in various communities across its service area. The study involved 538 lots/premises over a three-year period with a total construction cost of \$793,714, or approximately \$1,475 per lot/premise.
12. Northwestel submitted that the replacement of the distance-based credit with a straightforward dollar amount credit would provide customers with a better understanding of the costs incurred by Northwestel towards their projects. The company further submitted that the proposed construction credit would be easier for the company to administer and be much more relevant considering the adoption of technologies which are less distance sensitive. For example, wireless services such as SR500 or Exicom Radio and other non-wire technologies used to extend phone service to certain locations are not easily adaptable to a distance-based credit allowance, and the company expected non-traditional types of technologies to grow in use in the future. Finally, the company submitted that a number of construction projects dealt with multi-dwelling units or involved developments that were not contiguous in nature, and that in these cases, distance-based allowances were neither as easily nor as equitably applied.
13. The Commission agrees with Northwestel's view that a distance-based construction allowance is not compatible with wireless technologies and therefore finds that a dollar amount credit would be more appropriate for customers served by such technologies. However, in the case of customers served by wireline technologies, the Commission finds that Northwestel did not provide a compelling rationale for moving these customers from a distance-based construction allowance to one based on a fixed dollar amount.

Housing development construction tariff

14. The company proposed to introduce a housing development construction tariff under General Tariff item 306.3, Outside Construction Charges for Requests from New Housing Developers. Northwestel proposed to provide an allowance credit per occupied lot, noting that the company may receive requests from developers where not all planned lots are likely to be filled. Northwestel proposed to maintain the right to limit the allowance credit based on the company's estimation of the number of lots that were likely to be filled. The company also proposed to provide a rebate, on request, if the actual number of customers was higher than planned.
15. The Commission notes that Northwestel's proposal is similar to proposals approved for other telephone companies, such as Aliant Telecom Inc.'s General Tariff item 275, approved in *Aliant Telecom Inc. – Construction charges*, Telecom Order CRTC 2005-211, 30 May 2005. The Commission finds Northwestel's proposal reasonable, provided that the construction allowance is applied in a manner consistent with the Commission's determinations above.

Conclusion

16. In light of the above, the Commission **approves** Northwestel's application with the following changes:
 - the construction allowance of \$1,500 per dwelling and \$750 per projected access service shall apply only to customers served by wireless technologies;
 - the construction allowance for customers served by wireline technologies shall remain at 165 metres; and
 - the housing development construction tariff shall be consistent with the application of the construction allowance for wireless and wireline customers.
17. The Commission directs Northwestel to issue, within 30 days of this Order, amended tariff pages to reflect the Commission's determinations.

Secretary General

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