



Telecom Decision CRTC 2006-64

Ottawa, 28 September 2006

Bell Aliant Regional Communications, Limited Partnership – Application to increase the capital cost of the service improvement plan and related matters in the former Aliant Telecom Inc. operating territory

Reference: 8638-C12-81/02

*In this Decision, the Commission **approves** Bell Aliant Regional Communications, Limited Partnership's¹ application to increase the capital cost of the service improvement plan (SIP) to \$6.13 million for unserved premises in the former Aliant Telecom Inc. operating territory. The Commission also **approves** the following related matters: (1) an increase to the company's annual SIP total subsidy requirement associated with its draw-down from the National Contribution Fund; and (2) an increase to its annual SIP draw-down from its deferral account.*

Background

1. 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 approved the up-front capital amount of \$2.33 million as an initial amount for the service improvement plan (SIP) for Aliant Telecom Inc. [now part of Bell Aliant Regional Communications, Limited Partnership (Bell Aliant)].² The Commission noted that it intended to review Bell Aliant'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.
2. With respect to SIP cost recovery in high-cost serving areas (HCSAs), the Commission directed each of the incumbent local exchange carriers (ILECs) to add the Phase II SIP costs for HCSAs to the costs that flow into its total subsidy requirement (TSR) calculation.
3. Regarding SIP cost recovery in non-high-cost serving areas (non-HCSAs), the Commission stated that it would allow the explicit recovery by the ILECs of the Phase II costs associated with their SIPs in non-HCSAs by means of a draw-down from their respective deferral accounts.
4. In its tracking report dated 31 March 2003, Bell Aliant indicated that the total projected capital expenditures for its SIP had increased from \$2.33 million as approved in Decision 2002-34 to \$3.1 million, which reflected revised project estimates for unserved premises and the addition

¹ On 7 July 2006, Bell Canada's regional wireline telecommunications operations in Ontario and Quebec were combined with, among other things, the wireline telecommunications operations of Aliant Telecom Inc., Société en commandite Télébec, and NorthernTel, Limited Partnership.

² See footnote 1.

of new localities to the SIP in 2004 and 2005. In that tracking report, Bell Aliant proposed to increase the total number of localities from 35 to 44, and the total number of network access services (NAS) from 265 to 304.

5. In *Aliant Telecom Inc. – Application to increase the capital cost of its service improvement plan and related matters*, Telecom Decision CRTC 2004-74, 16 November 2004 (Decision 2004-74), the Commission approved Bell Aliant's application to increase the capital cost of its SIP to \$5.73 million for unserved premises. In addition, the Commission approved (a) an increase to Bell Aliant's annual SIP TSR associated with its draw-down from the National Contribution Fund (NCF), and (b) an increase to its annual SIP draw-down from its deferral account. Bell Aliant increased the total number of localities from 44 to 54, and the total number of NAS from 304 to 370.

Application

6. On 31 March 2006, Bell Aliant filed its SIP tracking report for the year 2005 with the Commission pursuant to Decision 2002-34. Bell Aliant also filed Phase II cost studies and requested increases in funding due to the increased capital expenditures.

Process

7. The Commission issued interrogatories to Bell Aliant on 27 April 2006, and the company provided its responses on 25 May 2006.
8. The Commission received no comments with respect to the application.

Issues

9. Bell Aliant indicated that the total projected capital expenditures for its SIP had increased from \$5.73 million to \$6.13 million for unserved customers, an increase of \$0.4 million. The company submitted that the increase reflected revised project cost estimates and the addition of new localities to the SIP. Bell Aliant proposed to increase the number of localities from 54 to 87, and the number of NAS from 370 to 512.
10. Bell Aliant proposed changes in its TSR per NAS to reflect its new SIP as follows:
 - -\$0.03/NAS in Newfoundland and Labrador (NL) Band E;
 - \$0.10/NAS in NL Band F;
 - \$0.04/NAS in Nova Scotia (NS) Band E; and
 - \$0.02/NAS in NS Band F.

Bell Aliant indicated that these changes resulted from the changes in the projected capital expenditures for HCSAs.

11. Bell Aliant also indicated that there would be an increase in the annual draw-down from its deferral account in the amount of \$0.075 million for projects in non-HCSAs in Band C for each of New Brunswick, NL, and NS.
12. Bell Aliant indicated that a number of projects were not completed in 2005, the scheduled completion date of its SIP, but that it expected to complete these delayed projects by mid-2006. Bell Aliant indicated that delays in the completion of certain projects were caused by its inability to install telephone poles during the winter period.

Commission's analysis and determinations

13. In Decision 2002-34, the Commission directed the ILECs to start a project in a locality if it 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.
14. The Commission finds that Bell Aliant's proposed SIP projects fall within the criteria specified in Decision 2002-34. In light of the foregoing, the Commission **approves** the increase of Bell Aliant's SIP capital cost to \$6.13 million for unserved premises.
15. The Commission has reviewed the cost studies filed in support of the requested increases in funding and is of the view that they are satisfactory. Accordingly, the Commission **approves** (a) the proposed changes to the company's TSR per NAS associated with its draw-down from the NCF, and (b) the proposed increase to its annual SIP draw-down from its deferral account. The Commission notes that the total annual draw-down from the deferral account would now be \$0.738 million.³
16. The Commission directs the company to file an updated deferral account schedule within 14 days from the date of this Decision.
17. The Commission notes that Bell Aliant's original SIP roll-out period was 2002 to 2005. However, the Commission notes Bell Aliant's statement that a number of projects would be delayed and completed by mid-2006 due to difficulties in installing telephone poles during the winter. The Commission is satisfied with the explanation by the company for the delay, and finds that Bell Aliant's SIP roll-out is essentially on track. The Commission directs the company to file a report with respect to the completion of the roll-out by 15 November 2006.

Secretary General

³ \$0.663 million + \$0.075 million = \$0.738 million. The amount of \$0.663 million was approved in Decision 2004-74.

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