



Telecom Order CRTC 2008-171

Ottawa, 18 June 2008

Bell Aliant Regional Communications, Limited Partnership and Bell Canada

Reference: Bell Aliant Tariff Notice 163
Bell Canada Tariff Notice 7108

Work-Function Structure, Push-Button Dialing, and Rate Schedules for Local Primary Exchange Service

1. The Commission received applications by Bell Aliant Regional Communications, Limited Partnership (Bell Aliant) and Bell Canada, dated 28 February 2008, proposing revisions to their respective General Tariffs: item 100 – Work-Function Structure (item 100), related to the Residence Service Connection charge, and item 2150 – Push-Button Dialing (item 2150), in order to introduce rate ranges for these residential services in rate bands E, F, and G.
2. In addition, Bell Canada proposed revisions to item 70 – Rate Schedules for Primary Exchange (Local) Service (item 70), related to individual line residence service monthly rates, in order to introduce rate ranges in sub-band F2.
3. The Commission received no comments regarding these applications.

Commission's analysis and determinations

4. The Commission notes that Bell Aliant and Bell Canada proposed to use the current rates as the minimum rates of the rate ranges. They indicated that only the minimum rate of the rate range would be publicly specified.
5. The Commission also notes that they submitted that their proposals met all of the pricing constraints related to the Residential High-Cost Serving Areas (HCSAs) Services basket set out in Telecom Decision 2007-27. The companies also indicated that they had updated their price cap indices to reflect the proposed changes.
6. In Telecom Decision 2007-27, the Commission did not impose an overall basket constraint on the Residential HCSAs Services basket. However, it determined that a rate element constraint equal to the lesser of the annual rate of inflation or five percent would apply to the services in that basket. The Commission further determined that, should there be exogenous factor adjustments, rate increases would nevertheless be capped at five percent per year, per rate element.
7. The Commission notes that pursuant to Telecom Decision 2006-75, the incumbent local exchange carriers (ILECs) are permitted to use rate ranges. The Commission also notes that in Telecom Decision 2007-36, it determined that the maximum rate of the rate range would have to comply with the applicable rate element and service basket limit constraints established in

Telecom Decision 2007-27, while the minimum rate would have to pass the imputation test. Further, in Telecom Decision 2007-27, the Commission also permitted the ILECs to de-average rates.

Bell Aliant and Bell Canada General Tariff items 100 and 2150

8. The Commission considers that Bell Aliant's and Bell Canada's proposed maximum rates of the rate ranges introduced for items 100 and 2150 are within the rate element constraint applicable to the rates for services in the Residential HCSAs Services basket.

Bell Canada General Tariff item 70

9. The Commission notes that Bell Canada submitted, in response to an interrogatory, that its proposed maximum rate for the rate range for Local Primary Exchange Service (PES) in sub-band F2 was consistent with the price cap rules as set out in Telecom Decision 2007-27.
10. The Commission notes that, in order to reflect the impact of two exogenous factors¹ in its 2007 price cap model, Bell Canada applied them by creating a Service Band Limit applicable to its Residential HCSAs Services basket, even though Telecom Decision 2007-27 did not provide for a basket constraint applicable to that basket. The Commission finds that the constraint on increases to rates for services in the Residential HCSAs Services basket must be applied at the rate element level, not at the basket level as done by Bell Canada, to be consistent with the price cap rules as set out in Telecom Decision 2007-27.
11. The Commission therefore disagrees that Bell Canada's proposed maximum rate for Local PES in sub-band F2 meets the constraint applicable to rates for services assigned to the Residential HCSAs Services basket because it exceeds the rate of inflation and the impact of the two exogenous factors when applied at the rate element level.
12. In Telecom Order 2007-254, related to Bell Aliant Tariff Notice 249, the Commission approved an application by Bell Aliant that permitted rate ranges for residential PES. The Commission is concerned that it gave approval to certain rate ranges² that exceeded the rate of inflation plus the applicable exogenous factors at the rate element level, which, on the basis of the Commission's determinations in this Order, would be inconsistent with Telecom Decision 2007-27.
13. Accordingly, the Commission directs Bell Aliant to show cause, within 10 days of the date of this Order, why the rates approved by the Commission in Telecom Order 2007-254, and referenced in footnote 2 below, are compliant with the pricing constraints established in Telecom Decision 2007-27³ and, if not, why the Commission should not rescind its approval of these rates. The Commission, however, considers that in view of its determinations in this

¹ In Telecom Decision 2007-88, the Commission approved an exogenous factor related to implementation of wireless number portability, and in Telecom Decision 2007-124, the Commission approved an exogenous factor related to certain expanded local calling areas.

² The rates refer to the maximum rates for Bell Aliant General Tariff, item 205.1, related to bands E and F in all four Atlantic provinces and band G in Newfoundland and Labrador, related to Bell Aliant Tariff Notice 249.

³ As qualified by Telecom Decision 2007-36, where the maximum rates of the rate range would have to comply with the price cap constraints established in Telecom Decision 2007-27.

Order with regard to a similar proposal from Bell Canada, Bell Aliant should also file revised rates that do not exceed the rate of inflation plus the exogenous adjustment at the rate element level, related to the Residential HCSAs Services basket. The Commission notes that these rates may be adopted in the event the Commission disposes of the show cause proceeding by determining that revised rates are required.

14. In light of the above, the Commission

- i) **approves** Bell Aliant's and Bell Canada's revisions to their respective General Tariff items 100 and 2150, effective the date of this Order;
- ii) **denies** Bell Canada's proposed revision to item 70;
- iii) directs Bell Aliant to show cause, within 10 days of the date of this Order, why the rates approved by the Commission in Telecom Order 2007-254, and referenced in footnote 2 of this Order, are compliant with the pricing constraints established in Telecom Decision 2007-27 and as qualified by Telecom Decision 2007-36, and if not, why the Commission should not rescind its approval of these rates; and
- iv) directs Bell Aliant to file for approval, within 10 days of the date of this Order, revised rates to replace those referenced in footnote 2 of this Order, that do not exceed the rate of inflation plus the exogenous adjustment at the rate element level related to the Residential HCSAs Services basket.

Secretary General

Related documents

- *Bell Aliant and Bell Canada – Application seeking recovery of the net incremental operating costs associated with the implementation of certain expanded local calling areas*, Telecom Decision CRTC 2007-124, 7 December 2007
- *Bell Canada – Application seeking exogenous treatment of wireline-related costs associated with the implementation of wireless number portability*, Telecom Decision CRTC 2007-88, 14 September 2007
- Telecom Order CRTC 2007-254, 20 July 2007
- *Follow-up to Decision 2006-75 – Range-within-a-range proposal*, Telecom Decision CRTC 2007-36, 25 May 2007
- *Price cap framework for large incumbent local exchange carriers*, Telecom Decision CRTC 2007-27, 30 April 2007

- *Rate ranges for services other than voice over Internet Protocol services*, Telecom Decision CRTC 2006-75, 23 November 2006

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