



## Telecom Decision CRTC 2009-232

Ottawa, 27 April 2009

### **TELUS Communications Company – Application seeking exogenous treatment of wireline-related financing costs associated with number plan area code relief**

File Number: 8661-T66-200811530

*In this decision, the Commission concludes that the wireline-related financing costs associated with the advancement of number plan area code relief in TCC's incumbent serving territories do not qualify for exogenous treatment. The Commission therefore denies TCC's request to recover these financing costs through an exogenous adjustment to regulated services and increases to the rate ceilings on forborne residential primary exchange services.*

#### **Introduction**

1. The Commission received an application by TELUS Communications Company (TCC), dated 26 August 2008, requesting that the Commission approve the recovery of the financing costs TCC had incurred to modify its wireline network to implement number plan area (NPA) code relief more quickly than anticipated in its incumbent serving territories.
2. TCC submitted that the advancement of NPA code relief satisfied the Commission's criteria for an exogenous adjustment. It requested that the Commission permit it to recover its additional financing costs incurred as a result of the advancement of NPA code relief in its incumbent serving territories through an exogenous adjustment to regulated services and increases to the rate ceilings on forborne residential primary exchange services. TCC estimated these costs to be \$1.63 million<sup>1</sup> and proposed an annual exogenous adjustment of \$607,000 over a three-year period in order to recover them.
3. The Commission received no comments regarding this application. The record of this proceeding, which closed on 16 January 2009, is available on the Commission's website at [www.crtc.gc.ca](http://www.crtc.gc.ca) under "Public Proceedings" or by using the file number provided above.

#### **Do the financing costs associated with the advancement of NPA code relief in TCC's incumbent serving territories qualify for exogenous treatment?**

4. In Telecom Decision 2007-27, the Commission maintained the criteria for determining whether events or initiatives qualify for exogenous treatment under the price cap framework. Based on these criteria, the Commission will examine the following questions, as required:
  - a) Does the advancement of NPA code relief constitute a legislative, judicial, or administrative action that is beyond the control of the company?

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<sup>1</sup> The amount represents the total present worth of annual costs.

- b) Is the advancement of NPA code relief addressed specifically to the telecommunications industry?
  - c) Does the advancement of NPA code relief have a material impact as measured against the total company?
- a) Does the advancement of NPA code relief constitute a legislative, judicial, or administrative action that is beyond the control of the company?**
5. TCC submitted that the advancement of NPA code relief satisfies the first criterion because the Commission's determinations in Telecom Decisions 2007-38, 2007-42, and 2007-71 to concurrently implement NPA code relief in NPAs 250, 403, 418, and 780 by September 2008, which was earlier than previously anticipated, are (i) administrative actions and (ii) beyond the control of the company.
  6. TCC submitted that although NPA code relief is a rare event, it is even more uncommon for relief to be accelerated concurrently in all of a company's incumbent serving territories. TCC also submitted that cost studies supporting its regulated rates did not take into account TCC being required to undertake three different NPA code relief activities in a single month in 2008. It submitted that, as a result, the impact of these activities was not reflected in the company's price cap parameters.
  7. TCC argued that the implementation of wireless number portability (WNP) had directly resulted in the need for the advancement of NPA code relief. TCC noted that the Commission had already recognized the implementation of WNP as an exogenous event in Telecom Decision 2007-88. TCC cited that decision as support for its proposal to allocate the exogenous costs to its service baskets on the basis of network access services.
  8. TCC submitted that wireless service providers (WSPs) required new central office (CO) codes in many exchanges across their networks, in addition to the existing CO codes they already possessed in a few major centres, thus contributing to the advancement of NPA code exhaust. The company noted that the results of the August 2006 Numbering Resource Utilization Forecast by the Canadian Numbering Administrator (CNA) indicated that WNP had affected most NPAs, particularly those that already required relief in Alberta and British Columbia. TCC submitted that, as a result, jeopardy relief was required.

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

9. The Commission notes that in Canada, the CNA undertakes the primary administrative functions for all North American Numbering Plan resources. The CNA also co-ordinates NPA and CO code assignment and related activities and administers these resources in accordance with Commission-approved guidelines developed by the Canadian Steering Committee on Numbering.
10. The Commission also notes that the CNA produces an annual forecast, to which current and prospective code holders submit actual and forecasted data regarding their current and prospective use of CO codes. In accordance with established Relief Planning Guidelines, the industry conducts NPA code relief planning via the CRTC Interconnection Steering Committee.

11. The Commission further notes that there is always an element of volatility in the demand for numbering resources. While industry-developed forecasts are helpful in projecting exhaust, volatility caused by various factors can, at times, create emergency situations in which jeopardy conditions may occur.<sup>2</sup> The Commission considers that changes in the CO code exhaust time frames can be considered a normal occurrence and that the resulting changes are a normal cost of doing business for all CO code holders.
12. The Commission notes TCC's assertion that WNP was the primary factor contributing to the advancement of NPA code exhaust and the corresponding need for NPA code relief. The Commission also notes that in Telecom Decision 2006-28 it required WSPs to obtain CO codes from which location routing numbers could be assigned. However, in that decision the Commission stated that it was not necessary for WSPs to obtain one CO code per exchange covered by their wireless networks, requiring instead only one CO code per local calling area (LCA), within which numbers could be ported. The Commission notes that the assignment of location routing numbers per LCA, instead of per exchange, has resulted in code conservation in increasingly competitive local exchange markets. Therefore, the Commission considers that while the requirement for WSPs to obtain CO codes on an LCA basis would have had some effect on numbering resources, this effect would not have been significant.
13. The Commission notes that the 2006 and 2007 CNA forecast indicated that several factors were contributing to earlier-than-anticipated NPA code exhaust, including increased competition in local exchange markets, the expansion of the voice over Internet Protocol market, continued acquisitions and mergers, and increased customer demand in these areas. The Commission therefore considers that the combination of the above-noted factors, and not WNP alone, created an environment in which the number of available and assignable codes was approaching depletion.
14. Finally, the Commission notes that in Telecom Public Notice 2007-8 it approved an abbreviated relief planning process for area code 418 due to the need to put relief measures in place before exhaust occurred.<sup>3</sup> The Commission considers that this measure was designed to alleviate the severity of the simultaneous implementation of area code relief in TCC's incumbent serving territories.
15. The Commission considers that the advancement of NPA code exhaust and the corresponding need for relief did not occur in all four NPAs in TCC's incumbent serving territories as a result of a Commission directive or decision, but rather as a result of increased demand for telephone numbers in these area codes for all of the reasons mentioned above. Accordingly, the Commission concludes that the advancement of NPA code relief is not the result of a legislative, judicial, or administrative action beyond the control of the company.
16. Given the Commission's conclusion that the advancement of NPA code relief does not meet the first criterion for exogenous treatment, it is not necessary to consider the other two criteria.

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<sup>2</sup> A jeopardy condition is declared by the CNA when the forecasted demand for CO codes exceeds the available supply within a certain time frame.

<sup>3</sup> The projected exhaust date for area code 418 had changed from December 2013 to October 2008, which placed area code 418 in a jeopardy condition.

## Conclusion

17. In light of the above, the Commission concludes that TCC's financing costs associated with its wireline network modifications to allow for NPA code relief in its incumbent serving territories do not qualify for exogenous treatment.
18. The Commission therefore **denies** TCC's application.

## Related documents

- *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
- *Code relief for area code 418 – Quebec*, Telecom Decision CRTC 2007-71, 13 August 2007
- *Code relief for area codes 403 and 780 – Alberta*, Telecom Decision CRTC 2007-42, 14 June 2007
- *Code relief for area code 250 – British Columbia*, Telecom Decision CRTC 2007-38, 7 June 2007
- *Establishment of a new CISC ad hoc committee for area code relief planning in Quebec area code 418 and related issues*, Telecom Public Notice CRTC 2007-8, 28 May 2007
- *Price cap framework for large incumbent local exchange carriers*, Telecom Decision CRTC 2007-27, 30 April 2007
- *Regulatory issues related to the implementation of wireless number portability – Follow-up to Public Notice 2006-3*, Telecom Decision CRTC 2006-28, 18 May 2006

*This document is available in alternative format upon request, and may also be examined in PDF format or in HTML at the following Internet site: <http://www.crtc.gc.ca>*