



Telecom Decision CRTC 2006-42

Ottawa, 30 June 2006

Bell Canada and TCC – Co-location power service rates

Reference: 8740-B2-6653/02, 8740-T46-4173/02 and 8740-T42-0488/02

*The Commission **approves on a final basis** revised rates that reflect a 25 percent mark-up, for the period 29 November 2000 to 31 May 2002, for the co-location power services of Bell Canada and TELUS Communications Company. The Commission also **approves on a final basis**, effective 1 June 2002, revised rates for the co-location power services for these companies that reflect a mark-up of 15 percent. Consistent with Regulatory framework for second price cap period, Telecom Decision CRTC 2002-34, 30 May 2002, the applicable inflation minus productivity constraints are to be applied to final 2002 rates for the co-location power services for each subsequent year.*

Introduction

1. On 15 February 2002, the Commission received an application from Bell Canada filed under Tariff Notice 6653 (TN 6653), seeking approval of revised co-location power rates, on a final basis, for alternating current (AC) and direct current (DC) power services provided to interconnecting carriers (ICs)¹ as part of co-location arrangements in Bell Canada's central offices (COs).
2. The Commission also received applications from TELUS Communications Inc. (TCI), filed under Tariff Notices 488 and 488A (TN 488), on 5 April and 16 August 2002, respectively, and TELUS Communications (TCBC), filed under Tariff Notice 4173 (TN 4173), on 5 April 2002, also proposing to revise and restructure co-location power rates. Both TCI and TCBC are now part of TELUS Communications Company (TCC)², and will be referred to as such in subsequent paragraphs of this Decision.
3. Bell Canada and TCC proposed to reduce current single-tier co-location power consumption rates for existing AC and DC power arrangements and to introduce a two-tier co-location power consumption rate structure for new co-location DC power arrangements.³
4. The rates proposed by Bell Canada and TCC included three co-location power service rate elements: -48 volt DC power service which is utilized by the co-locator's telecommunication equipment; 120 volt AC unprotected power service which is used by the co-locator for such things as test equipment and fax machines; and 120 volt AC protected power service involving a generator for back-up should a power outage occur.

¹ ICs include competitive local exchange carriers, competitive access providers, interexchange carriers, and digital subscriber line service providers.

² Effective 1 March 2006, TCI assigned and transferred all of its assets and liabilities, including all of its service contracts, to TCC.

³ For DC power arrangements, the single-tier rate structure includes only a monthly recurring rate whereas the two-tier rate structure includes a one-time service charge and a lower monthly recurring rate.

Process

5. On 12 March 2002, Call-Net Enterprises Inc., on behalf of itself, AT&T Canada Inc., Futureway Communications Inc. (now operating as FCI Broadband, a division of Futureway Communications Inc. (FCI Broadband)), and GT Group Telecom Services Corp. (collectively, Call-Net et al.) raised concerns regarding the appropriateness and accuracy of several rate elements and costing assumptions upon which Bell Canada's TN 6653 was based. Call-Net et al. requested that the Commission establish a process to deal with Bell Canada's application and that TCC's revised power tariff, when filed, be included in the same process. Call-Net et al. also requested full disclosure of costing information filed in confidence and an opportunity to address interrogatories to Bell Canada.
6. Call-Net et al. also filed supplementary comments regarding Bell Canada's application on 3 and 9 April 2002. Bell Canada responded to Call-Net et al.'s comments on 11 April and 8 May 2002, and TCC filed a response on 8 May 2002.
7. On 29 April 2002, the Commission set out a process to deal with the applications made by Bell Canada and TCC.
8. On 27 May 2002, Bell Canada and TCC provided revised versions of their confidential and abridged cost studies in response to a Commission letter dated 22 May 2002.
9. On 15 July 2002, Bell Canada and TCC responded to interrogatories dated 17 June 2002 addressed to them by the Commission and other parties.
10. On 21 December 2005, the Commission set out a revised process, which included determinations with respect to requests for disclosure of confidential information, and the issuance of additional interrogatories. Bell Canada and TCC filed their responses to these interrogatories on 13 January 2006.
11. Comments regarding Bell Canada's TN 6653 and TCC's TNs 488 and 4173 were received from MTS Allstream Inc. (MTS Allstream), Rogers Telecom Inc. (formerly Call-Net Enterprises Inc.), and FCI Broadband (the Competitors) on 27 January 2006. Reply comments were filed by Bell Canada and TCC on 10 February 2006.
12. On 3 March 2006, the Competitors revised their 27 January 2006 comments to correct a clerical error. Bell Canada replied to this submission on 10 March 2006.

Background

13. In *CRTC approves interim co-location power rates and charges*, Order CRTC 2000-1073, 29 November 2000 (Order 2000-1073), the Commission approved a request filed by Bell Canada on behalf of itself and on behalf of: Island Telecom Inc., Maritime Tel & Tel Limited, NBTel Inc., and NewTel Communications Inc., now collectively Aliant Telecom Inc. (Aliant Telecom); MTS Communications Inc., now MTS Allstream Inc.; Saskatchewan Telecommunications (SaskTel) (collectively, the Companies); and TCI and TCBC (now part of TCC), collectively the incumbent local exchange carriers (ILECs), that the Commission make the co-location power rates and charges in their respective tariffs interim as of the date of that Order.

14. The Commission had received a Part VII application on 17 July 2000 by the Competitors for Better Co-Location (CBC) seeking relief with respect to the existing co-location regime and co-location arrangements available at that time from the ILECs. Among other concerns, this Part VII expressed concern about the charges for electrical power to co-location sites and requested that the Commission make the tariffs for the ILECs' co-location power charges interim pending the resolution of the issues raised.
15. On 27 October 2000, Bell Canada had filed a letter on behalf of the ILECs, requesting that the Commission make the co-location power rates and charges in their respective tariffs interim. In that letter, Bell Canada indicated that the ILECs and constituent members of the CBC had agreed to change the venue with respect to power issues from a Part VII application process to a sub-committee of the Co-location Working Group (CLG) under the CRTC Interconnection Steering Committee (CISC), and that the ILECs had agreed to file with the Commission a request for an order to make the existing co-location power rates and charges interim.
16. The CBC had filed a letter on 2 November 2000 in support of the request to make the power tariffs interim, noting that the CBC and the ILECs had opted to resolve the issues relating to power provisioning, costing, and rating through the CLG. The CBC endorsed the ILECs' request, noting that promptly making the power tariffs interim would create the opportunity to retroactively apply the results of the CLG negotiations.
17. Following deliberations, the CLG filed a consensus report (CLRE022A) of definitions of cost components associated with the provisioning of co-location power in the ILEC CO, which the Commission approved in *Co-location Group (CLG): Consensus Item CLRE022A*, Decision CRTC 2001-637, 5 October 2001.
18. As noted above, the Commission subsequently received applications from Bell Canada and TCC for approval of co-location power rates on a final basis.
19. In supplementary comments on Bell Canada's TN 6653 dated 3 and 9 April 2002, Call-Net et al. requested that interim approval of the reduced single-tier rate structure proposed by Bell Canada for both existing and new co-location power arrangements be granted without further regulatory process. In support of this request, Call-Net et al. submitted that they had purchased millions of dollars of co-location power from the ILECs and that the interest on the difference between the interim and proposed rates, for the period that rates were interim, would be substantial.
20. Call-Net et al. also requested that the Commission confirm that the final rates would be adjusted retroactively to 29 November 2000. In support of their request, Call-Net et al. noted that in response to the CBC's July 2000 Part VII application, the Commission made ILEC power rates interim effective 29 November 2000, while the industry reviewed the co-location power rates. Call-Net et al. further noted that for various reasons it took significantly longer before Bell Canada could file revised rates and that, during this time, Call-Net et al. continued to pay for co-location power service at the higher interim rates. Call-Net et al. noted that the main reason they did not object to the lengthy process was because they expected that the

final rates would be applied retroactive to 29 November 2000, the date rates were made interim. Call-Net et al. further indicated that this understanding was supported under the CLG discussions when the participants filed contributions⁴ and discussed scenarios on how retroactive adjustments could be made.

21. In *Co-location arrangements for interconnecting Canadian carriers*, Telecom Decision CRTC 2002-55, 11 September 2002 (Decision 2002-55), the Commission approved on an interim basis the single-tier co-location power rates proposed by Bell Canada in its application of 15 February 2002 for both existing and new co-location power arrangements.
22. In *Regulatory framework for second price cap period*, Telecom Decision CRTC 2002-34, 30 May 2002 (Decision 2002-34), the Commission established two categories of Competitor Services in order to clarify the pricing treatment of these services. Category I Competitor Services are services in the nature of an essential service, and Category II Competitor services are services developed for use by telecommunications service providers other than services in the nature of an essential service. The Commission also reduced the mark-up on Phase II costs included in the rates for Category I Competitor Services that had a mark-up of 25 percent or more to 15 percent. The ILECs' co-location power service was classified as a Category I Competitor Service on a preliminary basis in Decision 2002-34, and on a final basis in *Follow-up to Regulatory framework for second price cap period, Telecom Decision CRTC 2002-34 – Service basket assignment*, Telecom Decision CRTC 2003-11, 18 March 2003, as amended by Telecom Decision CRTC 2003-11-1, 23 May 2003.
23. The single-tier co-location power rates approved on an interim basis in Decision 2002-55 included a reduced mark-up of 15 percent pursuant to Decision 2002-34.
24. In Decision 2002-55, the Commission also directed Bell Canada to provide a report that identified the billed monthly power demand for each co-locator, by rate element, for the period 29 November 2000 to the date of that decision, and to track, from the date of that decision until the date of the Commission's final decision on Bell Canada's application, the billed power demand by rate element for each co-locator involved in existing, new, or incremental power arrangements. However, the Commission considered it inappropriate to deal with the issue of retroactive adjustment to 29 November 2000 until all issues and cost estimates related to Bell Canada's 15 February 2002 proposal to introduce a two-tier rate structure had been reviewed. The Commission deferred the Competitors' request to implement the revised single-tier power rate structure retroactive to 29 November 2000 until it had rendered a final decision on Bell Canada's application.
25. In *Rates for Competitor Services*, Telecom Decision CRTC 2003-13, 18 March 2003, as amended by Telecom Decision CRTC 2003-13-1, 23 May 2003, and Telecom Decision CRTC 2003-13-2, 27 June 2003 (Decision 2003-13), the Commission approved revised rates for a number of Category I Competitor Services for the ILECs, pursuant to the directives set out in Decision 2002-34. The Commission also approved, on an interim basis, revised rates for several Category I Competitor Services including co-location power service rates.

⁴ Contributions CLCO109 and CLCO111.

26. The Commission received an application on 7 August 2003 from Futureway Communications Inc. (now FCI Broadband), filed pursuant to Part VII of the *CRTC Telecommunications Rules of Procedure*. FCI Broadband requested that the Commission direct the ILECs to immediately issue credits for the co-location power retroactive adjustments referred to in Decision 2002-55, for the period 29 November 2000 to 11 September 2002 inclusive.
27. In *FCI Broadband's request for co-location power rebates*, Telecom Decision CRTC 2004-18, 18 March 2004 (Decision 2004-18), the Commission directed Bell Canada to issue rebates for co-location power retroactive adjustments to eligible co-locators in its territory, for the period 29 November 2000 to 11 September 2002. The Commission considered that the unforeseen lengthy delay in concluding the review of TN 6653 was a factor that needed to be taken into consideration. Noting that Bell Canada had proposed reduced rates due to reduced service costs, the Commission further considered it unlikely that the approved final co-location power rates for existing co-location arrangements would be higher than the approved interim rates. Thus, the Commission considered it appropriate to apply Bell Canada's lower proposed single-tier rates retroactively to 29 November 2000, the date that Bell Canada's co-location power rates were made interim. Noting that the rebates represented substantial sums for eligible co-locators, the Commission found it appropriate for Bell Canada to issue immediate rebates.
28. The Commission considered that the question of whether TCC should issue co-location power rebates would be dealt with by the Commission following a determination with respect to the rates filed by TCC.

Applications

29. Bell Canada proposed to revise and restructure its Access Services Tariff, item 110, Co-location Arrangements for Interconnecting Canadian Carriers⁵ for CO co-location power-related elements to reflect current cost estimates. Bell Canada also proposed to revise the rates charged to customers of its Special Facilities Tariffs, item G12, Central-Office Located Customer-Provided Equipment for similar power arrangements, submitting that it wanted to ensure that the rates, terms, and conditions associated with power arrangements remained consistent among all categories of customers.
30. TCC proposed to revise and restructure power rates under TCC Carrier Access Tariff (CRTC 18008) item 250 – Virtual Co-location, and item 255 – Physical Co-location, as well as TCBC Tariff for Carrier Access (CRTC 1017), item 110, Co-location Arrangements for Interconnecting Canadian Carriers. TCC submitted that its proposed rates and rate structures for co-location power components were aligned for Alberta and British Columbia customers in these applications in preparation for future integration of TCC's tariffs for co-location arrangements.
31. Bell Canada and TCC each filed a 2002 Economic Evaluation Report for revisions to co-location power rates (Phase II cost study) to support their applications.

⁵ Item 110 is now titled "Co-location Arrangements for Interconnecting Canadian Carriers and Digital Subscriber Line Service Providers."

32. Bell Canada and TCC proposed to reduce single-tier monthly co-location power rates for both -48 volt DC and 120 volt AC power arrangements for existing customers, to reflect the cost estimates in their respective Phase II cost studies. Under their proposals, the existing single-tier rate structure would continue to apply to all existing and incremental -48 volt DC co-location power arrangements requested prior to the approval of their applications.
33. Bell Canada and TCC also proposed to introduce a two-tier rate structure for all new and incremental -48 volt DC co-location power requirements beyond those already in existence or for which applications have been received prior to approval of the two-tier rate structure. Under the proposed two-tier rate structure, Bell Canada and TCC would unbundle the existing rates into two distinct rate elements: 1) a one-time rate in the form of a service charge intended to recover the initial one-time power plant capital costs and service development costs required to implement this structure, and 2) a monthly rate element intended to provide for recovery of ongoing costs such as maintenance and power consumption. Under Bell Canada's and TCC's proposals, the existing single-tier rate structure would continue to apply for 120 volt AC power components.
34. Bell Canada and TCC proposed that, subject to the Commission's approval of the proposed rates, they would provide an incentive to existing co-locators to convert some or all of their existing power arrangements from the single-tier rate structure to the two-tier rate structure. This incentive, equivalent to 5 percent of the present worth of the remaining payments on an 18-year term for Bell Canada and a 16-year term for TCC, would be available for a maximum of six months following the Commission's approval of the proposed rates and rates structures.
35. Bell Canada submitted that the one-time charge proposed under the two-tier structure would afford it the opportunity to minimize the impact of competitor demand for power-related capital expenditures on an otherwise constrained company capital budget. Both Bell Canada and TCC claimed that the two-tier structure would provide them with a greater degree of certainty of cost recovery for their capital expenditures for co-location power arrangements.
36. Bell Canada submitted that a number of situations developed, exacerbated by the economic downturn, that resulted in power plant capacity that became unexpectedly spare. Bell Canada further submitted that, therefore, the period over which the company would expect to recover its capital in a one-tier rate structure became extended by the period over which the capacity remained unused for either Bell Canada or co-locator requirements.
37. TCC also expressed concern regarding the potential for non-recovery of the full capital costs incurred to provision co-location power should competitive local exchange carriers (CLECs) go out of business, noting that several CLECs had already gone out of business prior to the filing of its applications.
38. Bell Canada contended that none of its power plant facilities were deemed redeployable to another location since, given their size and weight, the cost associated with moving this equipment would be extremely expensive. In Bell Canada's view, redeployability was not an issue in its proposed two-tier structure since it was assumed the co-locator had purchased the right to use the equipment thereby making such capacity unavailable for alternate use.

39. TCC submitted that many of the power plant components could not be redeployed since power components needed to be specific to the power plant in a particular site. As an example, TCC indicated that an 800-amp rectifier could not be placed in a 200-amp power plant because the controls in the plant were not capable of handling the output and the other rectifiers in the plant could not load-share or work with it.

Two-tier rate structure proposal

Positions of parties

40. The Competitors requested that the Commission deny the two-tier rate structure and only approve the single-tier rate structure. The Competitors claimed that excess recovery could occur if one co-locator relinquished the power service it received and the ILEC assigned this excess capacity to another co-locator. The Competitors submitted that, under the two-tier rate structure, the ILEC would receive the one-time charge from the first co-locator, and would receive the same one-time charge again for the same fuse amp when it would be reassigned to the second co-locator. The Competitors submitted that neither Bell Canada nor TCC denied that this approach would lead to excess cost recovery of the capital costs related to DC power.
41. The Competitors submitted that the proposed tariff methodology was equally unreasonable for existing DC power provisioned to co-locators. The Competitors submitted that the proposed conversion incentive in the applications by Bell Canada and TCC did not ensure that co-locators would be accurately credited for capital costs paid through the existing monthly rate since the inception of co-location. The Competitors further submitted that, without this certainty, co-locators would overpay for the capital portion of the power costs.
42. TCC submitted that if turnover of co-locators were high, the two-tier rate structure would allow TCC to minimize capital investment loss due to co-locators going out of business. TCC further submitted that, if no turnover of co-locators occurred, there would be no excess capital cost recovery as portrayed by the Competitors.
43. Regarding its conversion incentive, TCC submitted that it proposed a method to permit existing co-locators to migrate from the current power rate structure in the company's co-location tariff to the proposed two-tiered rating structure. TCC indicated that, in its submission, it demonstrated how the cost of conversion would be calculated and how the incentive program would affect the payback. TCC added that its proposed conversion process provided a fair and equitable migration incentive, and submitted that the Competitors had not put forward any evidence to demonstrate otherwise, other than their assertion that the process was unreasonable.
44. Bell Canada replied that the Competitors' suggestion that over-recovery of costs would occur was unfounded. Bell Canada submitted that the situation described by the Competitors had never occurred.

45. Bell Canada also submitted that all new co-location requests were for Type 2, not Type 1, co-location arrangements,⁶ thereby creating the requirement for additional hardware/capital specific to that competitor at the time of the request. Bell Canada submitted, therefore, that it would be appropriate for it to charge the one-time rate that recovered hardware/capital costs.

Commission's analysis and determinations

46. The Commission notes that the rate levels for Bell Canada's and TCC's two-tier rate structures are economically equivalent to their respective single-tier rate structures.
47. The Commission notes that one of the ILECs' major reasons for proposing a two-tier rate structure is the potential for non-recovery of their capital costs should co-locators go out of business. The Commission is of the view that most carriers co-locating at the ILECs' COs today are established competitors such as the ILECs operating out-of-territory or cable companies. The Commission therefore considers that the potential for non-recovery of the capital costs to provision co-location power has been greatly mitigated if not nearly eliminated at this time. In addition, the Commission does not expect the same level of co-location roll-out activity as compared to several years ago.
48. The Commission further considers that the adoption of the two-tier rate structure, specifically the application of the -48 volt DC one-time rate proposed by Bell Canada and TCC, would represent a significant increase in the co-locator's power start-up costs and would constitute an unwarranted constraint with respect to ICs wishing to co-locate at Bell Canada's or TCC's COs.
49. In light of the above, the Commission **denies** the ILECs' proposed two-tier rate structure and maintains the existing one-tier rate structure for co-location power arrangements.

General costing issues

Amp vs. fuse amp

Positions of parties

50. The Competitors raised concerns regarding the use of "fuse amps" in the Phase II cost studies of Bell Canada and TCC. The Competitors noted that both TCC and Bell Canada explained that the size of the fuse/circuit breaker measured in amps was not the number of amps that a co-locator could draw. The Competitors further noted that Bell Canada and TCC submitted that they used industry guidelines that limited a user to drawing only 67 percent of the fuse size, and that this reduced draw was called a fuse amp. The Competitors noted that the quantity ordered by the co-locator was expressed in fuse amps.

⁶ Type 1 co-location provides the IC with segregated floor space and secure access to that space within the ILEC's CO for the IC's transmission equipment. The installation and maintenance will be performed by the IC's personnel or contractor who have been approved by the ILEC. Type 2 co-location provides the IC with unsegregated floor space within the CO for locating the IC's transmission equipment. Installation, maintenance and repair will be performed by the ILEC or its contractor, or by the IC's personnel or contractor who have been approved by the ILEC.

51. The Competitors submitted that the distinction between a fuse amp and an amp was very important in a cost study. The Competitors argued that while all costs were driven by the number of amps, the cost recovery was based on the number of fuse amps. The Competitors expressed concern that if the correct unit of measure was not used, the costs could be overstated by 50 percent.
52. In response, Bell Canada noted that total power plant costs were estimated based on the fuse amps causal to the provisioning of the co-location power service. Bell Canada submitted that, although the power plant equipment had a total capacity measured in amps, the industry standard practice was to load fuses to no more than 67 percent of their capacity during normal operating conditions. Bell Canada explained that, to derive the fuse-amp capacity for the total power plant, the amp capacity of the total power plant was adjusted in consideration of the fact that no more than 67 percent of the fuse-amp capacity could be used at a given time. Bell Canada further explained that the total power plant costs were then unitized over the resulting fuse-amp capacity. Bell Canada submitted that the resulting unitized cost per fuse amp included in the cost study correctly reflected the distinction between amps and fuse amps.

Commission's analysis and determinations

53. In this proceeding, the ILECs have recommended that when they provide power to co-located competitors, the electrical current draw on their power equipment should be 67 percent of the maximum current that their equipment can provide. The Commission notes that this 67 percent guideline is a standard for power distribution in the telephone industry and provides a level of protection from nuisance situations such as blown fuses arising from power plant start-up current surges as well as current peaks.
54. The Commission considers that since electrical current is provided to competitors on a fuse-amp basis, both the costs and the associated tariff for the power draw should also be estimated and expressed on a fuse-amp basis. The Commission has reviewed the submissions of Bell Canada and TCC and finds that both ILECs have correctly calculated their costs on a per fuse-amp basis and that neither ILEC has overstated its costs as a result of the differences between the amp and fuse-amp measures of power.

Equipment lives

Positions of parties

55. The Competitors submitted that TCC and Bell Canada had used inconsistent equipment lives in their respective cost studies. The Competitors noted that Bell Canada used an equipment life of 18 years as approved in *Implementation of price cap regulation and related issues*, Telecom Decision CRTC 98-2, 5 March 1998, as amended by Telecom Decision CRTC 98-2-1, 20 March 1998 (Decision 98-2), while TCC used equipment lives of 10, 14, and 16 years, all of which were shorter than the approved lives in Decision 98-2.
56. The Competitors submitted that the difference between the Competitors' experience and the proposed lives in Bell Canada's TN 6653 was not large and therefore found it reasonable to use an 18-year life for all equipment included in TN 6653. However, the Competitors found

TCC's proposed equipment lives to be too short and submitted that TNs 488 and 4173 should be adjusted, at a minimum, to include equipment lives of 18 years, as stipulated in Decision 98-2, for all equipment included in the cost study.

57. TCC submitted that, in Decision 98-2, the regulated equipment lives for each of its major power plant components were 10 years for the former TCI and 18 years for TCBC. TCC further submitted that since this study covered both the former TCI and TCBC territories, it was only reasonable that some form of average be used to reconcile the differences. TCC noted that it had not opted for the lowest of the component lives, which would have been most optimal to TCC from a capital recovery perspective, but had rationalized a midpoint. TCC submitted that, as a result, no change to the equipment lives used by the company in its cost study for TNs 488 and 4173 was warranted.

Commission's analysis and determinations

58. The Commission notes that TCC's assumed equipment lives in the cost study for the major power plant items were 14 years for the AC power plant and 16 years for the DC power plant. The Commission further notes that, in Decision 98-2, the Commission approved equipment lives for general power equipment of 10 years for the former TCI, and 18 years for BC TEL, which became TCBC.
59. The Commission notes that TCC's assumed equipment lives of 14 years for the AC power plant and 16 years for the DC power plant, for the major power plant items, are within the range of the corresponding lives approved by the Commission in Decision 98-2 for the former TCI and BC TEL.
60. Accordingly, the Commission considers that TCC's assumed power plant equipment lives in its Phase II cost study are appropriate.

Expense issues

Billing expenses

Positions of parties

61. The Competitors submitted that Bell Canada's proposed billing costs, under TN 6653, related to the two-tier co-location power rate structure. The Competitors were opposed to the two-tier rate structure and were therefore of the view that no billing costs related to the two-tier rate structure should be included in Bell Canada's final single-tier rates for co-location power services.

Commission's analysis and determinations

62. The Commission notes that, in TN 6653, Bell Canada included billing expenses in both its single-tier and its two-tier rate structure costs. The Commission further notes that the billing expenses included by Bell Canada in its single-tier rate structure costs are not related to its two-tier rate structure costs. In addition, the Commission notes that Bell Canada estimated its billing costs based on the fee that the company pays to a third party that provides bill processing activities to the company.

63. In light of the above, the Commission considers that Bell Canada's proposed billing costs for its single-tier power costs are consistent with Phase II costing principles and are appropriate.

Portfolio expenses

Commission's analysis and determinations

64. The Commission notes that Bell Canada did not include portfolio expenses in its Phase II cost studies.
65. The Commission further notes that in *Primary inter-exchange carrier processing charges review*, Telecom Decision CRTC 2004-72, 9 November 2004 (Decision 2004-72), the Commission required the ILECs, except TCC, to include portfolio expenses in their cost studies through the use of the portfolio expense factors set out in that Decision. In Decision 2004-72, the Commission set out a portfolio expense factor of 3.6 percent to be applied to Bell Canada's Phase II expenses.
66. The Commission is of the view that the ILECs' cost studies should reflect, to the extent possible, the most current costing methods, including recent changes to costing methodology. Consistent with this view, the Commission adjusts Bell Canada's Phase II cost study to apply the portfolio expense factor of 3.6 percent.
67. The Commission notes that, in Decision 2004-72, it did not require TCC to use a portfolio expense factor as TCC's cost studies included portfolio expenses in its direct and indirect expenses. Accordingly, except for TCC's maintenance expense line item, which is discussed below, the Commission has not adjusted the portfolio expenses in TCC's Phase II cost study.

DC power maintenance expenses

Positions of parties

68. The Competitors submitted that TCC's maintenance expense estimate for the DC co-location power service was unreasonable compared to that proposed by Bell Canada or the Competitors. The Competitors noted the substantial difference between TCC's monthly maintenance expense of \$2.76 per DC fuse amp and that of Bell Canada, which was at \$0.06. In addition, the Competitors submitted that they spend approximately \$0.14 per month per fuse amp on DC power maintenance expense.
69. The Competitors questioned the large disparity in Bell Canada's and TCC's DC co-location power maintenance expense. The Competitors submitted that, based on information contained in Bell Canada's and TCC's Phase II cost studies and given the definitions provided in CLRE022A, it appeared that both ILECs conducted the same maintenance activities.
70. The Competitors noted that, in order to calculate its maintenance expense, TCC used a maintenance factor based on total maintenance cost as a percentage of the total capital cost. The Competitors submitted that TCC's Phase II cost study suggested it spent 66 percent of the capital cost on maintenance every month, whereas Bell Canada spent only 0.9 percent of its capital cost, a difference in the relative percentages of 75 times.

71. The Competitors reasoned that if a carrier replaced its equipment sooner, the maintenance expense should fall and the capital costs should rise, and vice versa. The Competitors considered TCC's higher maintenance cost to be inconsistent with the shorter DC power equipment lives assumed by TCC.
72. In addition, the Competitors submitted that, while regional differences in labour rates did exist, as did differences in the maintenance practices between companies, TCC's maintenance charge was excessive. In the Competitors' view, considering the experience of the other carriers and the shorter depreciation lives used, TCC's maintenance expense should be reduced.
73. TCC replied that the Competitors' comparison ignored the relationship of maintenance costs to the different sizes of power plants. TCC noted that the maintenance characteristics of DC power plants were fairly consistent across different size amperages. TCC submitted, for example, that a battery string for a 1,200 amp plant required the same maintenance as a battery string for a 4,000 amp plant; consequently, the cost of maintenance would not correspond to the amperage increase and in fact would be more costly for the smaller plant on a per amp basis.
74. TCC also submitted that the Competitors ignored the variances that different technologies associated with different power plant sizes would cause in maintenance costs. As an example, TCC submitted that a wet cell battery string required more maintenance, such as adding water and checking temperature, than a gel cell battery string, regardless of the amperage involved.

Commission's analysis and determinations

75. The Commission notes the large disparity between the monthly maintenance expenses proposed by Bell Canada and TCC for -48 volt DC power service. For example, in this proceeding, TCC proposed a maintenance expense equal to 66 percent of the monthly capital cost of its DC power equipment while Bell Canada assumed a maintenance expense equal to 0.9 percent of its monthly capital cost. The Commission also notes that the maintenance expenses proposed by TCC included portfolio expenses, while Bell Canada's did not.
76. The Commission notes that TCC's Phase II cost study was based on smaller power plant sizes of between 400 and 1,200 amps compared to Bell Canada's Phase II cost study which assumed power plants sizes between 4,000 and 10,000 amps. Given the smaller plant sizes used by TCC, and given that similar maintenance expenses may occur for power plants of different sizes, the Commission considers it reasonable that TCC's power plant maintenance costs on a per fuse-amp basis would be somewhat higher compared to that of Bell Canada. The Commission considers, however, that the difference in maintenance expenses between Bell Canada and TCC should not be as substantial as what was proposed in this proceeding.
77. The Commission also notes that TCC relied on accounting data to develop its maintenance expense estimates, whereas Bell Canada estimated its maintenance cost using a monthly time estimate in an average CO, in hours, multiplied by the labour unit cost of the workforce performing the maintenance activities.
78. The Commission notes that Bell Canada's costing approach identifies the resources and costs specific to the co-location power service which in the Commission's view is consistent with the Phase II costing principles. By contrast, TCC's approach does not undertake the identification

of the resources and costs specific to the co-location power service but relies on aggregated accounting data to determine its maintenance expenses.

79. Given the above methodology differences and significant cost differences between Bell Canada and TCC in estimating their power plant maintenance costs, the Commission is not persuaded that, in the circumstances of this case, TCC's use of accounting-based data reflects accurate estimates of the prospective incremental causal Phase II maintenance expense costs associated with the DC co-location power service.
80. The Commission notes that in the proceeding leading to *Changes to the contribution regime*, Decision CRTC 2000-745, 30 November 2000 (Decision 2000-745), TCC submitted an annual maintenance and repair expense estimate for common equipment, including power equipment, of 1.26 percent of the original capital investment, which equates to approximately 10 percent of the associated monthly capital costs.
81. In light of the above, the Commission considers it appropriate to set TCC's maintenance expense, exclusive of portfolio expenses, at 10 percent of its monthly capital cost.
82. The Commission also considers it appropriate to further adjust TCC's maintenance expenses to include TCC's portfolio expenses in its maintenance expense estimates. The Commission notes that, in the context of its ongoing general review of ILEC Phase II costing information requirements, TCC estimated a portfolio expense factor of 48.65 percent.⁷ In light of this, the Commission considers it appropriate to apply a portfolio expense factor of 48.65 percent to the maintenance expense estimate of 10 percent of capital costs. The Commission notes that this adjustment has the effect of increasing TCC's maintenance expense to 14.87 percent of capital costs.
83. Accordingly, the Commission applies a maintenance expense of 14.87 percent of capital costs to estimate the maintenance expenses associated with TCC's co-location DC power service.

DC power floor space expenses

Positions of parties

84. The Competitors noted that Bell Canada had included a floor space expense in its monthly fuse amp costs. The Competitors submitted that power equipment floor space was not a valid cost element and should not be included in Bell Canada's cost study. Having assessed their growth and engineering practices in relation to CO power equipment, the Competitors concluded, as did TCC, that if a third party requested additional power from the competitors, no additional floor space expense would be incurred.
85. The Competitors also noted that, notwithstanding their viewpoint, Bell Canada had not adjusted the cost to reflect the revised floor space rate approved by the Commission in Decision 2002-34 and submitted that Bell Canada's proposed expenses related to floor space should be reduced proportionately.

⁷ In response to Commission interrogatories dated 14 November 2003 regarding Phase II Costing Information Requirements, by letter dated 9 January 2004, TCC provided an estimate of a portfolio expense factor of 48.65 percent using Bell Canada's portfolio loading factor methodology.

86. Bell Canada replied that any power requested by the Competitors would cause the use of additional power plant equipment and heating, ventilation, and air conditioning (HVAC) equipment to cool the power plant within the company's CO. Bell Canada submitted that the additional power plant equipment required additional floor space in the CO and hence the associated floor space was causal to the co-location power service.
87. Bell Canada also submitted that the treatment of floor space in a CO for power equipment was consistent with the treatment of floor space for physical co-location of carriers in Bell Canada's COs. Bell Canada cited paragraph 63 of *Co-location*, Telecom Decision CRTC 97-15, 16 June 1997 (Decision 97-15), where the Commission established the principle that while the Phase II costs associated with the use of floor space for co-location purposes were zero, ICs derived value from the CO floor space and should therefore contribute towards the recovery of the associated investment.
88. Bell Canada further submitted that, in accordance with Decision 97-15, it charged carriers for floor space associated with physical co-location in its Access Services Tariff, item 110, Co-location Arrangements for Interconnecting Canadian Carriers and Digital Subscriber Line Service Providers, and included floor space costs associated with power equipment placed in COs to meet the co-locator's power demands in its Phase II cost study.

Commission's analysis and determinations

89. The Commission notes that Bell Canada included incremental costs for floor space in its 2002 Phase II cost study while TCC excluded this cost from its Phase II cost study under the view that there were no additional floor space costs caused by the co-locator's DC power demand.
90. The Commission notes that in Decision 97-15, it concluded that, with the exception of MTS NetCom Inc. (now MTS Allstream), ILECs generally had vacant CO floor space with no alternative uses, and accordingly, the Phase II costs associated with the use of this floor space for co-location purposes were zero. The Commission also notes that, in that decision, with respect to co-location, the Commission indicated that the competing ICs would derive value from the ILECs' floor space and should contribute towards the recovery of the associated investment.
91. The Commission further notes that in *Rates for co-location floor space, Direct Connection service, Wireless Access Service: Line-side Access services and Wireless Service Providers Enhanced Provincial 9-1-1 Network Access service*, Telecom Decision CRTC 2003-12, 18 March 2003, as amended by Telecom Decision CRTC 2003-12-1, 19 November 2003 (Decision 2003-12), having regard to opportunity cost principles, the Commission approved a floor space rate of \$14.56 per square metre for each ILEC, retroactive to June 2002.
92. The Commission notes that its determinations in Decisions 97-15 and 2003-12 apply to the physical floor space provided to competitors to house their telecommunications equipment while the incremental floor space costs identified in this proceeding relate to the additional CO floor space required to house the incremental CO power plant equipment. In the Commission's view, the Commission's determinations in Decisions 97-15 and 2003-12 with respect to the

provision of the co-locator's floor space itself does not apply here. The Commission further considers that there is no incremental cost associated with the use of CO floor space to house the incremental CO power plant equipment caused by co-locators.

93. Accordingly, the Commission removes this floor space expense element from Bell Canada's Phase II cost study.

TCC's other expenses

Positions of parties

94. The Competitors noted that TCC's cost study included costs labelled as "Other" under its capital and expense categories and provided no explanation regarding these costs. The Competitors submitted that, except for billing expenses, all other cost elements were defined in CLRE022A and that any other cost element was not relevant. The Competitors argued that, in the absence of these specific items being listed in CLRE022A, these amounts should be eliminated from TCC's TNs 488 and 4173.
95. TCC replied that the "Other" expenses reported under the expense category were the costs of the AC infrastructure incurred by TCC to meet power requirements of various co-locators at the time of the filing. TCC submitted that, as the work was provisioned by TCC's power suppliers and billed to TCC, the associated payments were reported as an expense.
96. TCC also submitted that the other expenses reported under the capital category were the costs associated with the expense component of the capitalized labour.
97. TCC submitted that these cost items corresponded to items 1 and 15 in CLRE022A, and that therefore they were relevant and should be included in the cost study.

Commission's analysis and determinations

98. Having reviewed TCC's explanation, the Commission considers that these expenses are valid Phase II expenses associated with the provisioning of the co-location power service.
99. Accordingly, the Commission finds that TCC's proposed "Other" expense estimates reported under its capital and expense categories of its co-location power cost study are appropriate.

AC power consumption expenses

Positions of parties

100. The Competitors submitted that, in TN 6653, Bell Canada incorrectly assumed that the co-locators' AC draw was at a level of 80 percent on a continuous basis. The Competitors noted that given Bell Canada's statement that it would not allow competitors to use the AC receptacles for anything except facsimile machines and short duration testing equipment, it was unreasonable to assume such a high level of draw.

101. The Competitors submitted that although they had asked a question on this matter, neither Bell Canada nor TCC had offered any estimate of a co-locator's AC draw. In the Competitors' view, without an objective estimate, Bell Canada's assumption was completely arbitrary and without merit. The Competitors proposed that a draw of 5 percent (100 percent load for 1.2 hours per day) be used in TNs 6653, 488, and 4173 until a quantifiable estimate could be provided.
102. TCC replied that it did not place restrictions on the AC receptacle use and therefore the Competitors' argument did not apply to TNs 488 and 4173.

Commission's analysis and determinations

103. The Commission notes that the 80 percent rate referred to by the Competitors pertains to the AC power provisioning guideline limiting the demand load placed on devices protecting the branch circuit and not to the actual power consumption itself.
104. With regard to the Competitors' request that they be charged for their actual power consumption, the Commission notes that, as outlined in interrogatory responses filed during this proceeding, Bell Canada and TCC do not monitor the actual AC draw consumed by co-locators in their respective COs. The Commission further notes that while TCC tracks the total AC power consumed at a site, it does not track the power consumption by an individual user. The Commission also notes that, according to TCC, tracking the power consumption for each user would result in additional costs and complexity in providing the service.
105. The Commission notes that the ILECs' cost estimates indicated that they had assumed competitors consumed AC power 24 hours a day, at the same level, on a continuous basis. The Commission considers that the co-locators' AC power consumption which typically consists of consumption for plugged-in equipment in an idle state or test equipment that is used sporadically will be minimal. For example, plugged-in fax machines in an idle state would draw less current than when used while competitors' test equipment would consume power only when they are in use. The Commission finds the ILECs' AC power cost estimates to be too high.
106. However, the Commission also considers that the Competitors' proposed use of AC power for 1.2 hours per day would be too low considering that some of the equipment such as fax machines could be plugged in continuously. In addition, the Commission considers that requiring the ILECs to measure the actual power consumption for each co-locator would add to the ILECs' cost of supplying the AC co-location power service, and would likely result in higher rates for co-locators.
107. In light of the above, the Commission considers it appropriate to reduce the competitors' AC power consumption costs estimated by Bell Canada and TCC by 50 percent, which, in the Commission's view, will reflect more appropriate AC power consumption levels for the types of equipment used by co-locators.
108. Accordingly, the Commission adjusts Bell Canada's and TCC's Phase II costs associated with their 120 volt AC Unprotected and Protected services, by reducing their respective estimated power consumption costs by 50 percent.

Capital cost issues

DC capital costs

Positions of parties

109. The Competitors expressed concern over the capital costs proposed by Bell Canada in TN 6653 that were 87 percent higher than the capital costs provided by TCC and 182 percent higher than those presented by the Competitors.
110. The Competitors provided, on a confidential basis, their capital cost estimates for power plant sizes of 10,000, 6,000, and 4,000 amps, capable of providing the same service received by co-locators using the definitions in CLRE022A. The Competitors noted that, collectively, they purchased fewer power plants and related components than Bell Canada and TCC and, therefore, did not receive the same level of volume discounts as Bell Canada and TCC. The Competitors submitted that the ILECs' costs should be further discounted to reflect the greater buying power of Bell Canada and TCC.
111. The Competitors also submitted that the capital costs used in Bell Canada's TN 6653 were excessive relative to the capital costs used by the Competitors and TCC. The Competitors claimed that each company built its power plant to its internal specifications, but the core engineering standards upon which these specifications were based were consistent across the industry and therefore the variations between companies should be minor.
112. The Competitors requested that the Commission review the capital cost estimates proposed by Bell Canada in TN 6653 and ensure that Bell Canada's capital cost estimates would be more reasonable in light of the experience of other carriers.
113. TCC claimed that the data provided by the Competitors' comparison was misleading as it was based on power plant elements of 10,000, 6,000, and 4,000 amps, which were far larger than the power plant sizes typically used by TCC in its COs. TCC noted that the Competitor's comparison showed that the average capital cost per fuse amp increased as the size of the power plant decreased and that this relationship was consistent with TCC's plant sizes and costs. TCC further submitted that its cost study provided in support of TNs 488 and 4173 included all relevant costs, and the company's average per fuse amp capital costs were justifiable given the size of power plant most commonly provisioned for co-locators by TCC.
114. Bell Canada submitted that it was unable to comment on the Competitors' own cost estimates since there was insufficient information to validate the cost information provided by the Competitors.
115. Bell Canada also submitted that it employed the Telcordia (formerly Belcore) Standard 1275 as well as a number of internal Corporate Security standards when provisioning within a CO. Bell Canada indicated that it could not comment on what standards the Competitors themselves applied.
116. Bell Canada also provided a detailed breakdown of its power plant capital cost elements and submitted that all these items were causal to the provisioning of the co-location power service.

117. In addition, Bell Canada pointed out that in the capital costs submitted in the Competitors' comments, no costs associated with Battery Distribution Fuse Bay (BDFB), Remote Distribution Bay, Power Plant Distribution Bay, and other miscellaneous equipment such as ductwork had been identified. In Bell Canada's view, these costs were significant and the exclusion of these items by the Competitors had contributed to the Competitors' erroneous conclusion that Bell Canada's capital costs for power plant were overestimated.
118. Bell Canada noted that the Competitors had not indicated whether their analysis included an average working fill factor and if not, then the Competitors' analysis seriously underestimated the cost to Bell Canada of providing co-location power service. Bell Canada also noted that its own costs included components such as variable common costs, the revenue charge, and capital-related expenses.
119. Bell Canada submitted that the capital cost per fuse amp quoted by the Competitors greatly underestimated the costs incurred by Bell Canada to provide co-location power service, thereby creating a highly misleading comparison with Bell Canada's Phase II cost estimates.
120. In their revised comments, the Competitors submitted that their cost study did include the costs of the BDFB, Power racking to the BDFB, Bus Bar or cabling to the BDFB, and capitalized engineering and installation, but that these items had not been identified in their initial comments due to a clerical error. In reply, similar to its 10 February 2006 reply comments, Bell Canada maintained that it had insufficient information to validate any cost information provided by the Competitors.

Commission's analysis and determinations

121. The Commission notes the Competitors' concern that the monthly capital cost figures proposed by Bell Canada were 182 percent higher than those estimated by the Competitors.
122. The Commission has reviewed Bell Canada's Phase II cost study methodology and assumptions for its proposed DC power costs and finds that Bell Canada's estimation of the incremental co-location power resources is consistent with the company's provisioning practices and that the associated costing approaches are in accordance with the Phase II costing guidelines. The Commission also notes that, similar to Bell Canada, TCC's proposed DC power costs in its Phase II cost study are in accordance with Phase II costing guidelines.
123. The Commission notes that, by contrast, the Competitors have provided no explanation regarding the costing principles and methodology employed in their estimation of the capital costs per fuse amp. For example, based on the Competitors' comments, the Commission is unable to determine whether the Competitors have included income tax costs, a significant element of a Phase II cost study, in their estimation of the capital costs associated with their power plants. In addition, the Commission cannot ascertain whether the Competitors' cost evidence has taken into account other relevant cost elements such as the average working fill factor associated with the power equipment, variable common costs, the revenue charge, and the capital-related expenses. The Commission notes that if the Competitors' cost estimates do not include the above cost elements, their estimate of the cost of providing the co-location power service per fuse amp would be significantly underestimated.

124. The Commission is therefore not persuaded that the Competitors' proposed power cost estimates provide meaningful Phase II cost estimates that can be used to compare against Bell Canada's or TCC's proposed power capital estimates.
125. The Commission further notes the Competitors' concern that Bell Canada's monthly costs for the -48 volt DC power service was 87 percent higher compared to that of TCC.
126. The Commission however notes that, when reviewing their cost studies, Bell Canada and TCC applied different cost increase factors in their calculation of the respective monthly capital cost figures. The Commission finds that the difference between Bell Canada's proposed monthly capital costs and those proposed by TCC is substantially reduced when the impact of these cost increase factors is taken into consideration. The Commission further notes that, in this Decision, it has made several changes to the costs proposed by Bell Canada and TCC for their respective co-location power services. When these changes are taken into account, the total monthly costs per DC fuse amp of Bell Canada are only 7 percent higher than the corresponding costs of TCC. As further discussed in the section below, the Commission notes that Bell Canada's DC costs in its Phase II cost study include additional HVAC equipment costs for the co-location area compared to TCC.
127. In light of the above, the Commission considers that Bell Canada's proposed DC power capital costs, as adjusted to reflect the costing determinations of this Decision, are appropriate.

HVAC costs

Positions of parties

128. The Competitors claimed that HVAC costs were potentially double-counted and that Bell Canada and TCC could potentially recover these costs from co-locators more than once.
129. The Competitors submitted that, according to CLRE022A, HVAC costs were incurred in the cooling of the power plant and the power plant area. The Competitors further submitted that, according to Bell Canada, these costs were included in the Phase II cost study under floor space costs. The Competitors noted that both TCC and the Competitors had concluded that floor space should not be included in the Phase II cost study. The Competitors rationalized that, if floor space expenses were not considered relevant to the Phase II cost study, then HVAC costs associated with cooling the power area should also be excluded.
130. The Competitors submitted that, according to CLRE022A, HVAC costs were also incurred in cooling the co-location area and included costs for HVAC equipment, the equipment to power HVAC equipment, and the power consumed by HVAC equipment. The Competitors further submitted that, while it was not certain what had been included in the proposed Phase II cost studies, the cost of the co-locator's power consumed by HVAC equipment was recovered in the power consumption expense category for both Bell Canada and TCC.
131. The Competitors also submitted that the costs for HVAC equipment and the equipment to power HVAC equipment were included by Bell Canada in its proposed co-location power rates in TN 6653. The Competitors noted that TCC did not recover the costs for these items in the rates proposed in TNs 488 and 4173, but instead recovered its HVAC equipment costs directly from co-locators in the form of common construction costs.

132. The Competitors requested that the Commission carefully scrutinize HVAC costs to ensure that Bell Canada and TCC were not over-recovering these costs.
133. Bell Canada replied that any power requested by competitors would cause the use of additional power plant equipment, including additional HVAC equipment to cool this additional power plant, within the company's CO. Bell Canada further submitted that the additional power plant required floor space in the CO and hence the associated floor space was causal to the co-location power service.

Commission's analysis and determinations

134. With regard to the HVAC equipment costs used in the cooling of the power plant and the power plant area, the Commission notes that these costs are included as a loading on floor space costs, separate from the HVAC equipment costs used to cool the co-location area. As already discussed in this Decision, the Commission has concluded that the incremental cost associated with the general CO floor space for additional power equipment is zero. The Commission notes that by excluding this floor space expense, the associated HVAC costs are also excluded and therefore these costs are not being double-counted.
135. The Commission is of the view that, while incremental HVAC equipment costs may be required to cool the additional power equipment caused by competitors, this incremental cost is expected to be minimal. Consistent with TCC's approach, the Commission has excluded this component from the Phase II cost study.
136. With respect to the HVAC costs incurred in cooling the co-location area, the Commission notes that TCC charges the co-locator for these HVAC costs through separate construction charges, and that, accordingly, these costs were not included in its Phase II cost study. The Commission further notes that, by contrast, Bell Canada does not recover HVAC equipment costs through any co-location non-recurring charges, but instead recovers these costs through its monthly co-location power service rates. The Commission considers the different costing approaches with respect to these HVAC costs to be appropriate.
137. In light of the above, the Commission considers that Bell Canada's and TCC's proposed HVAC costs are not double-counted and that their proposed HVAC costs, as revised in this Decision, are appropriate.

Removal of the I-X constraint from Bell Canada's and TCC's Phase II cost studies

Commission's analysis and determinations

138. As set out in a Commission letter dated 14 July 2003 concerning Phase II costing information requirements,⁸ each ILEC was expected to file Competitor Service cost studies that exclude the application of inflation (I) and productivity offset (X) factors within the study period.

⁸ 14 July 2003 letter entitled *Follow-up to 18 June 2003 letter concerning Phase II costing information requirements*, concerning: (a) financial parameter updates; (b) average working fill factors; (c) estimation of portfolio expenses; and (d) cost increase factors and productivity improvement factors.

In this letter, it was also noted that under this approach, Competitor Services rates resulting from the revised cost studies would be subject to the annual I-X constraint.⁹

139. The Commission notes that since Bell Canada and TCC submitted their Phase II cost studies in May 2002, prior to the issuance of the above-noted letter, both of these studies included the application of the I-X constraints in the determination of their Phase II costs. In light of the above, the Commission concludes that the I-X constraints included in Bell Canada's and TCC's Phase II cost studies should be removed in estimating the final Phase II costs for these two companies.
140. Accordingly, the Commission adjusts Bell Canada's and TCC's Phase II cost studies to remove the application of the I-X constraints.

Final rates and the deferral account

Final rates for Bell Canada and TCC

Positions of parties

141. As noted above, Call-Net et al. requested that Bell Canada's final rates be approved retroactively to 29 November 2000.

Commission's analysis and determinations

142. At the outset of this review of the co-location power rates, the Commission made the rates of all ILECs interim in Order 2000-1073, effective 29 November 2000. The co-location power rates are cost-based rates, set according to Phase II costs plus the Commission-prescribed mark-up. The Commission considers that the final rates approved in this Decision constitute appropriate rates as of 29 November 2000. While the costs underlying these final rates are derived from cost studies based on study periods beginning 1 January 2002, the Commission considers that these costs represent an appropriate proxy for the relevant costs as of 29 November 2000.
143. Accordingly, the Commission **approves on a final basis** the co-location power service rates set out in the table below effective 29 November 2000. The Commission notes that these rates are based on Bell Canada's and TCC's 2002 Phase II cost studies, adjusted to reflect the Commission's costing determinations in this Decision and a mark-up of 25 percent for the period 29 November 2000 to 31 May 2002 and a revised mark-up of 15 percent, starting 1 June 2002.
144. Further, the Commission considers that, as directed in Decision 2002-34, rates for the co-location power service should be established in each price cap year through the application of the I-X constraint, beginning in the year 2003.
145. Accordingly, Bell Canada and TCC are to issue, within 20 days of the date of this Decision, revised tariff pages for the -48 volt DC, 120 volt AC unprotected and 120 volt AC protected service rates that reflect the Commission's determinations in this Decision.

⁹ Refer to paragraph 372 of Decision 2002-34.

Final co-location power rates

	29 Nov 2000 to 31 May 2002		1 June 2002 forward (subject to I-X)	
	Bell Canada	TCC	Bell Canada	TCC
-48 volt DC per fuse amp	\$10.27	\$9.45	\$9.45	\$8.70
120 volt AC unprotected per fuse amp	\$3.32	\$4.04	\$3.05	\$3.72
120 volt AC protected per fuse amp	\$6.55	\$7.79	\$6.03	\$7.17

146. In addition, Bell Canada and TCC are to determine and provide co-location power rebates to eligible co-locators within 90 days of this Decision based on the approved final rates in this Decision. The Commission further notes that, as a result of Decision 2004-18, co-locators in Bell Canada's territory have benefited from the lower cost-based co-location power rates implemented in Decision 2002-55, retroactive to 29 November 2000. In its calculations, Bell Canada is to take into account the previous rebates provided pursuant to Decision 2004-18.
147. The Commission considers that any unresolved disputes with respect to customer rebates may be brought before it for resolution.

Deferral account compensation

148. In Decision 2002-34, the Commission directed the ILECs to in general reduce the rates for Category I Competitor Services, including the co-location power service, from Phase II costs plus 25 percent to Phase II costs plus 15 percent, or an 8 percent reduction in rates. The Commission noted in paragraph 235 of that decision that this pricing adjustment would reduce the revenues the ILECs derived from the relevant services and considered that, because these revenue reductions resulted from policy considerations as opposed to cost reductions, the ILECs should be compensated for the reductions in revenues. The Commission also stated in paragraph 681 of that decision that the reduced revenues caused by the reduced Competitor Services' mark-up (from 25 to 15 percent) would be taken from the deferral account.
149. The Commission confirms that it is appropriate that Bell Canada and TCC receive compensation from the deferral account for the revenue loss associated with the above-noted eight percent reduction in rates, consistent with Decision 2002-34. The Commission notes that these ILECs have already received compensation from the deferral account for this revenue impact.

Final rates for other ILECs

Commission's analysis and determinations

150. The Commission notes that the co-location power service rates for Aliant Telecom, MTS Allstream, and SaskTel were made interim in Order 2000-1073, and that only the rates for Bell Canada and TCC were reviewed and finalized in this Decision.

151. In the absence of new cost studies for Aliant Telecom, MTS Allstream, and SaskTel, the Commission is of the preliminary view that it would be appropriate to adopt TCC's co-location power service rates approved in this Decision for these ILECs.
152. Accordingly, the Commission directs each of Aliant Telecom, MTS Allstream, and SaskTel to show cause within 20 days from the date of this Decision why each company should not adopt, for each of the -48 volt DC element, 120 volt AC unprotected element, and the 120 volt AC protected element, the lower of TCC's rates for co-location power service approved in this Decision or the company's own current rates. In the alternative, each of Aliant Telecom, MTS Allstream, and SaskTel may indicate within 20 days from the date of this Decision that it will file updated cost studies in support of revised cost-based co-location power service rates for each of the three services. Any such study, along with the proposed revised rates, is to be filed within 120 days of the date of this Decision. In addition, Aliant Telecom, MTS Allstream, and SaskTel are to reflect the appropriate costs and mark-up applicable for each year prior to 2006, beginning with 2001 in any proposed rates.

Secretary General

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