



Telecom Decision CRTC 2007-41

Ottawa, 13 June 2007

TELUS Communications Company – 2007 application to increase the capital cost of the service improvement plan and related matters

Reference: 8638-C12-73/02

In this Decision, the Commission approves TELUS Communications Company's 2007 application to increase its total subsidy requirement and draw-down from its deferral account to reflect an increase in its actual and projected service improvement plan capital expenditures.

1. The Commission received an application by TELUS Communications Company (TCC),¹ dated 2 April 2007, in which it filed its service improvement plan (SIP) tracking report for the year 2006, pursuant to the directives 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). TCC noted that its SIP capital expenditures had increased, and requested approval of (1) an increase to its funding from the National Contribution Fund regarding the total subsidy requirement (TSR) for high-cost serving areas (HCSAs); and (2) an increase to the draw-down from its deferral account for non-HCSAs. TCC also provided its accomplishments for 2006, its actual capital expenditures for 2006, and its projected capital expenditures for 2007.

Background

2. In Decision 2002-34, the Commission addressed the implementation of TCC's SIP, the aim of which was to provide residential customers with telephone service that would meet the Commission's basic service objective in areas where the costs met certain specific criteria. Specifically, the Commission directed TCC to start a SIP 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. The Commission also directed TCC to start with those localities that had the highest demand.
3. The Commission (a) approved a SIP for unserved premises in TCC's territory of \$10.6 million in capital expenditures; (b) directed TCC to add its Phase II SIP costs for HCSAs to the costs that flowed into its TSR calculations; and (c) allowed the explicit recovery by TCC of the Phase II costs associated with its SIP in non-HCSAs by means of a draw-down from its deferral account. The Commission stated that it intended to review TCC'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, and directed TCC to commence rolling out its SIP in 2002.

¹ Effective 1 March 2006, TELUS Communications Inc. assigned and transferred all of its network assets and substantially all of its other assets and liabilities, including substantially all of its service contracts, to TELUS Communications Company.

The application

4. TCC forecasted an increase to the total projected capital expenditures for its SIP in both non-HCSAs and HCSAs, specifically from the company's 2006 view of \$29.3 million as set out in *TELUS Communications Company – Application to decrease the capital cost of its service improvement plan and related matters*, Telecom Decision CRTC 2006-63, 28 September 2006, to the company's 2007 view of \$33.9 million. TCC also filed incremental Phase II cost studies that, in its view, would result in incremental increases to the TSR and to the draw-down from its deferral account.
5. TCC indicated that the incremental Phase II cost studies for the non-HCSAs yielded an increase to the level of certain annual equivalent cost (AEC) amounts from those approved in Decision 2006-63. Specifically, the AEC increased to \$1,741,719 in 2006 and to \$2,081,941 for 2007 and beyond.
6. TCC indicated that the incremental Phase II cost studies for the HCSAs translated into an increase to the residential per network access service (NAS) monthly equivalent cost (MEC) amount to be included in the 2007 TSR calculation as follows:

Alberta Band E:	\$0.13 per NAS per month
Alberta Band F:	\$0.13 per NAS per month
Alberta Band G:	\$0.04 per NAS per month
B.C. Band E:	\$0.35 per NAS per month
B.C. Band F:	\$0.08 per NAS per month
B.C. Band G:	\$0.73 per NAS per month
7. The company also indicated that it would complete its SIP in 2007 by completing projects in communities where construction had commenced or was scheduled to commence but still was outstanding as of 31 December 2006, and individual service requests received as of 31 December 2006.
8. The Commission received no comments with respect to the application.

Commission's analysis and determinations

9. The Commission notes that the total SIP capital expenditures increased from \$29.3 million in the company's 2006 view to \$33.9 million in the company's 2007 view, an increase of \$4.6 million. This increase resulted from the updating of TCC's forecast expenditures with actual values for 2006 and an increase to the forecast for 2007 due to increased demand. The Commission has reviewed the cost information filed by TCC in support of its application and is of the view that the increase in TCC's SIP costs is reasonable. Accordingly, the Commission **approves** the new SIP expenditures total of \$33.9 million.
10. The Commission has also reviewed TCC's capital recovery amounts (AECs and MECs) and considers that these capital recovery amounts have been calculated using the methodology approved in Decision 2006-63.

11. Accordingly, the Commission **approves** the restatement of the 2006 and 2007 AEC draw-down amounts from the deferral account to \$1,741,719 in 2006 and to \$2,081,941 for 2007 and beyond. The Commission directs TCC to issue an updated deferral account statement within 30 days of this Decision.
12. The Commission also **approves**, starting in 2007, the increase to the MEC amounts for TCC's residential local exchange service as follows:

Alberta Band E:	\$0.13 per NAS per month
Alberta Band F:	\$0.13 per NAS per month
Alberta Band G:	\$0.04 per NAS per month
B.C. Band E:	\$0.35 per NAS per month
B.C. Band F:	\$0.08 per NAS per month
B.C. Band G:	\$0.73 per NAS per month
13. The Commission notes that TCC expects to complete its SIP in 2007, which conforms to the Commission's expectations as expressed in *TELUS Communications Inc. – 2005 application to increase the capital cost of the service improvement plan and related matters*, Telecom Decision CRTC 2005-67, 10 November 2005. The Commission directs the company to file a tracking report in 2008 to report its 2007 accomplishments.

Secretary General

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