



Telecom Order CRTC 2008-237

Ottawa, 25 August 2008

Regulatory Economic Studies Manuals – Follow-up proceeding to Telecom Decision 2008-14

Reference: 8638-C12-200805906

Background

1. In Telecom Decision 2008-14, the Commission determined the appropriate expense inclusions and associated approaches and methodologies to estimate causal expenses for inclusion in regulatory economic studies for Bell Aliant Regional Communications, Limited Partnership, Bell Canada, MTS Allstream Inc. (MTS Allstream), Saskatchewan Telecommunications, and TELUS Communications Company (TCC) [collectively, the incumbent local exchange carriers (ILECs)], as well as the appropriate asset lives to be used in these studies. The Commission further required that each ILEC file for approval certain costing methodologies documented in its Regulatory Economic Studies Manual (Manual), reflecting the determinations in the Decision.¹
2. In this regard, the Commission set out a follow-up proceeding for the ILECs with respect to the filing of information pursuant to Telecom Decision 2008-14 and each ILEC's Manual.
3. In addition, the Commission directed Télébec, Limited Partnership (Télébec) to show cause why the determinations in Telecom Decision 2008-14 should not apply to Télébec.

The proceeding

4. The ILECs and Télébec participated in this proceeding. The public record of this proceeding, which closed on 29 July 2008, is available on the Commission's website at www.crtc.gc.ca under "Public Proceedings."

Commission's analysis and determinations

5. The Commission notes that each ILEC filed its Manual² for approval, pursuant to Telecom Decision 2008-14.

¹ These determinations also apply to the development of costs for third-party Internet access services offered by Cogeco Cable Inc., Rogers Communications Inc., Shaw Communications Inc., and Videotron Ltd.

² The ILECs, with the exception of TCC, filed their updated Manuals for approval on 27 June 2008. TCC filed its updated Manual on 2 July 2008. The ILECs subsequently filed minor amendments to their Manuals.

6. Each ILEC's Manual contains the following information:
 - Sections 1.0 to 5.0 and Appendices A to F, describing the general framework for conducting regulatory economic studies (common Manual component), which is common to all ILECs;
 - company-specific Appendices J, M, N, O, V, and Z providing the expense methodologies and additional documentation pursuant to Telecom Decision 2008-14;
 - company-specific Appendix Q specifying the approved asset lives and survivor curves pursuant to Telecom Decision 2008-14; and,
 - the remaining company-specific Appendices that describe the ILECs' other costing methodologies and procedures, which were not the subject of this proceeding.
7. The Commission notes that each ILEC's common Manual component includes a section on the process for Manual updates, pursuant to Telecom Decision 2008-14. In this section (Section 4.0), each ILEC proposed that when an applicant seeks modifications to the Manual and/or its Appendices, the applicant may file a submission with the Commission requesting the modification(s), with supporting rationale. The ILECs also proposed that any future updates with respect to the methodologies, costing models, and other regulatory study information contained in the Manual should be subject to a public proceeding.
8. The Commission is of the view that such updates are to be subject to a public proceeding process and Commission approval. Further, where a Commission determination is issued pursuant to this proceeding requiring an update to the Manual and/or the Appendices, Commission staff is to ensure that the necessary Manual amendments are filed accordingly by each ILEC.
9. The Commission notes that the proposed process, as set out by the ILECs, provides for the filing of comments by interveners within 30 days of the filing of initial submissions, and the filing of reply comments by the applicant within 10 days of receipt of the interveners' comments. The Commission considers that the proposed timelines for this process are appropriate.
10. The Commission has reviewed each ILEC's proposed general costing methodologies provided in the common Manual component, and is satisfied that they reflect the current costing determinations, including those set out in Telecom Decision 2008-14.
11. The Commission has reviewed each ILEC's proposed expense methodologies and additional documentation proposed in company-specific Appendices J, M, N, O, V, and Z and considers that they comply with the determinations set out in Telecom Decision 2008-14.

12. The Commission has also reviewed each ILEC's asset lives and survivor curves provided in company-specific Appendix Q, and considers that they comply with the determinations set out in Telecom Decision 2008-14. The Commission notes that during the present proceeding, MTS Allstream additionally proposed asset lives for the company's Buildings and Towers asset classes of 28 years and 30 years, respectively. The Commission considers that MTS Allstream's proposed asset lives are comparable to those approved for other ILECs for similar assets and are appropriate.
13. Accordingly, effective the date of this Order, the Commission **approves** the following components of each ILEC's Manual, as amended:
 - a) the common Manual component, including Section 4.0, and
 - b) company-specific Appendices J, M, N, O, Q, V, and Z, except for the costing values in the attachment to Appendix V.³
14. With respect to the other company-specific Appendices, the Commission notes that the methodologies and documentation contained therein were not within the scope of this proceeding and are not approved in this Order. Nevertheless, the Commission has no objection to each ILEC applying, at this time, the costing methodologies documented in these Appendices in its regulatory economic studies. Further, the Commission expects that issues related to the methodologies in these Appendices raised during this proceeding, such as working fill factors, will be considered in future proceedings.
15. The Commission notes that the ongoing proceeding initiated by Telecom Public Notice 2008-5 to review regulatory requirements pertaining to the imputation test for retail services and costing methodologies for wholesale services may result in determinations that affect certain sections of the ILECs' Manuals.
16. In Telecom Decision 2008-14, the Commission requested each ILEC to provide an analysis of its copper-based maintenance activities and expenses associated with its residential and business primary exchange services and Digital Subscriber Line (DSL) services. The Commission notes the ILECs' response that the level of DSL maintenance expenses included in their copper loop related maintenance expenses is minimal. Accordingly, the Commission considers that no further action is required at this time.
17. With respect to Télébec, the Commission notes that the development of Télébec's revised Manual is currently underway and will be dealt with upon completion in a separate proceeding.

Secretary General

³ With respect to the costing values (e.g. economic factors, labour unit costs, and operating expense (OE) unit costs) filed by the ILECs in the attachment to Appendix V of their respective Manual, the Commission notes that these costing values are based on the methodology documented in their company-specific Appendices. The Commission also notes that each ILEC's costing values are updated on a periodic basis and are typically reviewed and updated through a bilateral process involving Commission staff and the ILEC.

Related documents

- *Review of regulatory requirements pertaining to the imputation test for retail services and to costing methodologies for wholesale services*, Telecom Public Notice CRTC 2008-5, 5 June 2008
- *Review of certain Phase II costing issues*, Telecom Decision CRTC 2008-14, 21 February 2008, as amended by Telecom Decision CRTC 2008-14-1, 11 April 2008

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