



## Telecom Order CRTC 2010-75

Ottawa, 11 February 2010

### **TELUS Communications Company – Construction charges tariff for Alberta and British Columbia**

File numbers: TCC Tariff Notices 361, 361A, 361B, and 361C  
TCI Tariff Notices 623 and 623A  
TCBC Tariff Notices 4330 and 4330A

*In this order, the Commission approves TCC's proposal to amalgamate and modify its construction charges tariffs for Alberta and British Columbia.*

### **Introduction**

1. The Commission received applications by TELUS Communications Company (TCC), dated 8 May 2009, and amended on 23 July 2009, 11 September 2009, and 29 January 2010, proposing a new combined construction charges tariff that would replace (a) its separate Alberta and British Columbia construction charges tariffs, and (b) its Alberta Individual Line Service (ILS) tariff.<sup>1</sup> Specifically, TCC proposed to
  - introduce TCC General Tariff item 406 – Construction Charges, which would apply in both Alberta and British Columbia;
  - destandardize TCC General Tariff item 202 – Individual Line Service in Alberta;
  - destandardize TELUS Communications Inc. (TCI) General Tariff item 460 – Construction Charges in Alberta; and
  - destandardize TELUS Communications (B.C.) Inc. (TCBC) General Tariff items 95 – General, and 97 – Customer's Premises.
2. TCC submitted that the proposed harmonized construction charges tariff would be in line with its construction charges tariff for its operations in Quebec.<sup>2</sup> The company proposed that the new service be assigned to the Other Capped Services basket.
3. The Commission received no comments on this application but issued interrogatories to TCC on 9 July and 23 November 2009. The public record of this proceeding 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 numbers provided above.

<sup>1</sup> These tariffs address the charges, terms, and conditions related to the placement of telephone facilities for customers in unserved areas.

<sup>2</sup> TELUS Quebec General Tariff item 2.15.02

**Should the Commission approve TCC's application to introduce a new construction charges tariff for Alberta and British Columbia and destandardize its current construction charges and ILS tariffs?**

4. TCC noted that the current Alberta and British Columbia construction charges tariffs differ in their treatment of charges and allowances, business customers, rebates, and seasonal dwellings, and proposed to modify these elements. TCC also proposed to clarify the treatment of charges for winter or temporary facility construction. It submitted that a single, simplified process for the ordering, planning, and billing of facilities construction would reduce its administrative burden and costs.

**Charges and allowances**

5. TCC proposed that a free construction cost allowance (free allowance) of \$2,500 for construction of facilities on public property be established for both provinces. The company stated that this would replace the current free allowance in British Columbia<sup>3</sup> – which TCC submitted grossly under-compensates the company for its capital costs in rural and remote areas – and the flat \$560 ILS charge applied to rural customers located outside of the base rate areas in Alberta who order the installation of a new telephone line. TCC submitted that this proposed allowance, which is very similar to the one that applies to its operations in Quebec, would provide the company with more equitable capital contributions from new rural customers when facility construction is required.
6. TCC also proposed to grandfather the existing tariffs such that customers with held orders that had already received construction cost quotes prior to the implementation of the amalgamated tariff would receive service at the current rather than at the proposed rates.
7. TCC submitted that the current free allowance in British Columbia and the ILS charges in Alberta were established during a period when such construction was subsidized by the provincial governments or by the rate of return pricing regime in place prior to the introduction of price-based regulation in 1994. The company submitted that it was proposing changes to its tariffs to obtain a more equitable capital contribution for construction from new customers in unserved areas because the above-noted subsidies and cross-subsidies are no longer available.
8. TCC indicated that the existing free allowance in British Columbia applies to both residential and business customers, while business customers in Alberta do not currently qualify for the ILS program and are charged full construction costs. TCC proposed to apply the new \$2,500 free allowance to its residential and business customers in both Alberta and British Columbia.
9. The Commission notes that the current Alberta ILS charges and British Columbia free allowances are no longer subsidized by provincial programs or through the rate of return regime. The Commission also notes that the proposed free allowance is identical to the

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<sup>3</sup> The current TCC construction charges tariff in British Columbia provides customers with a free allowance of \$2,000 towards construction costs and requires the customer to contribute up to \$1,000 towards the next \$9,000 of costs, for a total possible free allowance from the company of up to \$10,000 on the first \$11,000 in construction costs. Customers have to pay the balance of costs incurred beyond the initial \$11,000.

maximum value of construction costs that TCC currently provides to its residential and business customers in Quebec under the TELUS Quebec tariff. Further, the proposed free allowance is comparable to the value of the 160 to 200 metres of facilities on public property that Bell Canada, Bell Aliant Regional Communications, Limited Partnership (Bell Aliant), and MTS Allstream Inc. provide to residential and business customers.

10. The Commission notes that there are a number of outstanding orders for service that TCC quoted per the current construction charge and ILS tariffs. The Commission considers that it would be inappropriate for these customers to be charged according to the proposed tariff since it was not in effect at the time that they requested service.
11. Accordingly, the Commission considers it appropriate for TCC to establish a common \$2,500 free allowance for residential and business customers in both Alberta and British Columbia. The Commission also considers it appropriate for TCC to grandfather the existing construction and ILS tariffs.

### **Rebates**

12. TCC proposed to eliminate the construction charges rebate mechanism that currently applies only in British Columbia. This mechanism provides for rebates to customers who have been assessed construction charges when, after the date of installation, subsequent customers are provided service on the newly installed facilities within a three-year period and are charged a share of the original construction-related costs.
13. TCC noted that this type of arrangement is not offered by most of the other incumbent local exchange carriers (ILECs) and was not employed during the company's recent service improvement plan (SIP), which concluded in 2006. TCC further noted that this rebate mechanism has not been used within British Columbia since that time, and only very occasionally prior to the beginning of the SIP.
14. TCC further proposed that when multiple customers request service within an area at roughly the same time and the company is able to schedule the construction at one time, it would allocate the costs across all these customer accounts, with each one receiving the full free allowance.
15. The Commission notes that no rebate scheme is available in the company's Quebec tariff, and the only other ILEC that offers this type of rebate is Bell Aliant in its Atlantic territory. The Commission further notes that this tariff provision has been used very rarely in British Columbia. Accordingly, the Commission considers it appropriate that TCC not include the construction rebate mechanism in the proposed harmonized construction charges tariff.

### **Seasonal dwellings**

16. TCC noted that its current British Columbia construction charges tariff refers to primary residences and that seasonal dwellings do not qualify for the free allowance. TCC also noted, however, that it has been providing service in Alberta under the ILS tariff for both primary residences and seasonal dwellings.

17. The company submitted that service to temporary or seasonal dwellings exceeds the Commission's basic service objective as set out in Telecom Decision 99-16. It also submitted that the revenue associated with seasonal dwellings is typically less than for permanent dwellings and that the company would recover less of its construction costs over the life of the facilities involved. TCC proposed to offer the free allowance only to permanent dwellings in both provinces.
18. The Commission notes that TCC's tariffs in British Columbia and those of the other major ILECs provide for free allowances to be applied only to permanent dwellings. The Commission therefore considers it reasonable for TCC not to provide free allowances to seasonal dwellings in the proposed harmonized construction charges tariff.

#### **Winter and temporary facilities construction charges**

19. TCC submitted that the current wording of its construction charges tariffs regarding customer-ordered temporary or winter facilities construction is unclear and proposed to clarify the terms and conditions.
20. The Commission notes that the intent of this tariff item was to have the customer pay the full costs incurred for customer-requested winter or temporary construction and for the customer to receive the free allowance toward charges incurred only when these facilities are replaced with permanent facilities. The Commission considers that the proposed modified wording provides greater clarity in this regard. Accordingly, the Commission concludes that the proposed clarifications to the terms and conditions of the tariff are reasonable.

#### **Price cap classification of construction charges**

21. TCC noted that the British Columbia construction charges are currently assigned to the Other Capped Services basket established by the Commission in Telecom Decision 2002-34. It also noted, however, that the Alberta ILS tariff charges are assigned as follows: to the Residential Services in High-Cost Serving Areas basket, to the Residential Services in Non-High-Cost Serving Areas basket, and to the Business Services basket. TCC proposed that the new amalgamated construction charges be assigned to the Other Capped Services basket.
22. The Commission notes that TCC's proposal to assign its construction charges revenues to the Other Capped Services basket would be consistent with the treatment of construction charges revenues by the other ILECs. Accordingly, the Commission considers that it would be appropriate to assign the new amalgamated construction charges to the Other Capped Services basket.

#### **Conclusion**

23. In light of the above, the Commission **approves** TCC's application, with an effective date of 15 February 2010.

Secretary General

## Related documents

- *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
- *Telephone service to high-cost serving areas*, Telecom Decision CRTC 99-16, 19 October 1999

*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>.*