



Telecom Order CRTC 2012-401

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Route reference: Telecom Regulatory Policy 2011-771

Ottawa, 25 July 2012

Northwestel Inc. – Local Network Interconnection Tariff

File numbers: Tariff Notices 884 and 884A

In this order, the Commission approves Northwestel's proposed Local Network Interconnection Tariff, with changes. The Commission also directs Northwestel to file a proposed tariff to introduce common channel signalling 7 transit service and to issue revised tariff pages to identify its points of interconnection.

Introduction

1. The Commission received an application by Northwestel Inc. (Northwestel), dated 2 April 2012 and amended on 20 April 2012, in which the company filed for approval its Local Network Interconnection Tariff (LNI tariff), and specifically, item 100 – Local Interconnection and Component Unbundling, in accordance with the Commission's requirements set out in Telecom Regulatory Policy 2011-771.
2. The Commission received comments on Northwestel's application from the SSi Group of Companies (SSi), TELUS Communications Company (TCC), and the Utilities Consumers' Group (UCG). The public record of this proceeding, which closed on 1 June 2012, is available on the Commission's website at www.crtc.gc.ca under "Public Proceedings" or by using the file numbers provided above.
3. The Commission considers that the following issues must be addressed with respect to Northwestel's application:
 - I. Should the Commission approve the rates in Northwestel's proposed LNI tariff?
 - II. Are any changes required to Northwestel's proposed tariffs?
 - III. Other issues
- I. Should the Commission approve the rates in Northwestel's proposed LNI tariff?**
4. Northwestel proposed to use rates approved for other incumbent local exchange carriers (ILECs) for most of the services identified in its LNI tariff. Most of the proposed rates are based on those in NorthernTel, Limited Partnership's (NorthernTel) approved tariff. However, Northwestel submitted that NorthernTel does not have a Band D local loop rate and proposed to base its rates for this service on MTS Inc.'s (MTS) rate, increased by 8.7 percent, to bring Northwestel's markup to a total of 25 percent for this service rather than the 15-percent markup provided

for in MTS's rate. Northwestel stated that this treatment is consistent with the Commission's treatment of competitor services pricing for Northwestel's Carrier Access Tariff (CAT) in Telecom Decision 2007-5 and Telecom Regulatory Policy 2011-771, in which the Commission approved a 25-percent markup.

5. SSi and UCG submitted that Northwestel's proposed rates are not supported by cost studies and are therefore not justified. In addition, in their view, a 25-percent markup would be excessive and would hinder the development of a competitive local telecommunications market in the North. SSi submitted that if any markup were allowed, it should be no more than 15 percent.
6. SSi and UCG also submitted that some of Northwestel's proposed service charges are excessive and should be reviewed. Specifically, both expressed concern about a one-time administrative charge of \$69,500 for common channel signalling 7 (CCS7) interconnection.¹
7. Northwestel replied that where costing is not available, the Commission's practice has been to permit Northwestel to base its rates on those previously approved for other ILECs. The company submitted that it did not expect its costs to provision services in the North to be less than those of NorthernTel and that basing most of its rates on NorthernTel's approved tariff is reasonable and would not prejudice competitors.
8. Northwestel also submitted that the parties' claim that a 25-percent markup is excessive has no basis in the Commission's practice for Northwestel. The company noted that its one-time administrative charge of \$69,500 for CCS7 interconnection is consistent with its approved charge for wireless interconnection.

Commission's analysis and determinations

9. The Commission notes that in Telecom Decision 2000-746, it considered that it is generally appropriate to price interconnection services for Northwestel based on a 25-percent markup. The Commission also notes that it has previously approved a 25-percent markup for other Northwestel competitor services, such as those in its CAT, as well as its Switch Connect and co-location services. The Commission considers, in the current circumstances, that a 25-percent markup is appropriate for recovering the company's fixed and common costs and, therefore, that Northwestel's proposal to base its rates on a 25-percent markup is acceptable.
10. The Commission notes that in Telecom Order 2004-330, it considered that it is appropriate for Northwestel to base its wireless network access service rates on those approved for other ILECs. The Commission also considered it appropriate to evaluate Northwestel's applications for new service rates on a case-by-case basis, using alternative costing support, including benchmarking to other ILECs' rates.
11. The Commission considers that the sizes of Northwestel's and NorthernTel's customer bases, and the characteristics of their serving territories, are sufficiently similar that NorthernTel's rates would be a reasonable proxy for Northwestel's rates,

¹ CCS7 is required for various essential call processing functions such as setting up and taking down calls, as well as communicating between databases to determine call routing and other functions.

as proposed. In the case of Band D local loops, the Commission considers that MTS's rates, adjusted to reflect a 25-percent markup, would also be a reasonable proxy for Northwestel's rates for this service.

12. The Commission notes that Northwestel's proposed one-time administrative charge of \$69,500 for CCS7 interconnection has already been approved for the company's wireless interconnection services. The Commission considers that the initial engineering, planning, and testing activities for wireless carrier CCS7 network interconnection are the same as what would be required for competitive local exchange carriers (CLECs). Consequently, the Commission considers that Northwestel's proposed one-time administrative charge of \$69,500 is acceptable.
13. Accordingly, the Commission considers it appropriate to approve the rates in Northwestel's proposed LNI tariff.

II. Are any changes required to Northwestel's proposed tariffs?

14. The Commission notes that several other issues were raised regarding Northwestel's proposed tariff – specifically regarding traffic imbalance, CCS7 transit service, local transit service, toll transit service, signalling points of interconnection, and access to unbundled loops for digital subscriber line (DSL) service providers.

Traffic imbalance

15. SSi requested the following addition (in italics) to Northwestel's proposed wording for the terms and conditions related to traffic imbalance:

[...] the Company will notify the CLEC, *or the CLEC will notify the Company, as the case may be*, immediately upon detecting an imbalance.

16. The Commission notes that Northwestel's proposed wording is consistent with that of other ILECs and the Commission's CLEC model tariff. The Commission considers that SSi's concern would be covered by the wording of its own CLEC tariff. The Commission considers, therefore, that Northwestel's proposed wording is appropriate and that no change is needed.

CCS7 transit service

17. TCC submitted that Northwestel had not proposed to offer CCS7 transit service, but instead directed CLECs to transit via third parties. TCC also submitted that Northwestel should provide CCS7 transit service upon request.
18. The Commission notes that large ILECs are required to provide CCS7 transit service to eliminate the need for CLECs to directly interconnect their CCS7 networks with each other. The Commission also notes that both SSi and Iristel have indicated their intention to compete in Northwestel's territory and considers that competitors could benefit from a CCS7 transit service. As a result, the Commission considers that Northwestel should file a tariff to introduce CCS7 transit service.

Local transit service

19. Northwestel proposed that its Local Transit Service be provided between two CLECs on the condition that the traffic originates and terminates in the same extended area service (EAS) area.
20. The Commission notes that, pursuant to Telecom Decision 2006-35, CLECs are permitted to use local transit service to route long distance traffic to large ILECs for termination. The Commission considers that competitors in Northwestel's territory should be provided with the same flexibility when routing long distance traffic to Northwestel and, therefore, that Northwestel should amend its tariff item to remove the condition that traffic must originate in the same EAS area.

Toll transit service

21. Northwestel proposed that where toll transit calls are routed to CLECs for termination via bill-and-keep trunks, it may deduct any imbalance associated with those calls from any charges billed to it by the CLEC.
22. TCC submitted that under the approved financial arrangement for toll transit, the ILEC charges a long distance service provider the CAT rate and passes on to the CLEC either a direct connection rate if the call is routed to the CLEC on toll trunks, or an imbalance rate if the call is routed to the CLEC on bill-and-keep trunks.
23. The Commission considers that Northwestel's proposed toll transit service description suggests that CLECs would not be compensated for toll calls routed to them for termination via bill-and-keep trunks, contrary to the existing financial arrangement for toll transit. The Commission considers, therefore, that Northwestel's tariff item should be amended to remove the above-noted condition.

Signalling points of interconnection (SPOIs)

24. TCC submitted that Northwestel had not identified SPOIs in its proposed tariff. TCC noted that according to Telecom Decision 97-8, Northwestel must declare a SPOI in each numbering plan area (or area code) it serves, and that it is common practice for ILECs to identify two SPOIs in each area code for diversity.
25. The Commission considers that TCC's proposal is reasonable and that Northwestel's tariff should be amended to identify SPOIs, as required by Telecom Decision 97-8.

Loop access for DSL service providers

26. TCC submitted that Northwestel's proposed tariff did not permit access to loops by DSL service providers and submitted that the tariff should be amended to allow these service providers such access. In reply, Northwestel stated that it would not deny DSL service providers from purchasing loops.
27. The Commission considers that Northwestel's tariff item should be amended to indicate that DSL service providers will be able to obtain unbundled loops.

III. Other issues

Line-side interconnection service

28. In Telecom Regulatory Policy 2011-771, the Commission considered that, although a competitor would generally prefer to interconnect via trunk-side interconnection because it supports CCS7, competitors could begin offering local service using line-side interconnection where trunk-side interconnection is not available.
29. SSi submitted that Northwestel's proposed tariff does not provide for wholesale line-side interconnection arrangements between Northwestel and CLECs. SSi also submitted that Northwestel offers a line-side interconnection service for wireless carriers and proposed that Northwestel offer a similar service to enable interconnection with CLECs sooner rather than later, but with rates for the transfer of traffic established on a bill-and-keep basis. Northwestel replied that line-side interconnection is already available through its existing retail Digital Exchange Access and Primary Link services.
30. The Commission notes that in Telecom Regulatory Policy 2011-771, it did not require Northwestel to file line-side interconnection tariffs for competitors. The Commission also notes that it has not required that any other ILEC provide a wholesale line-side interconnection service on a bill-and-keep basis and considers that to do so in the context of this application would result in a significant change in policy. As such, the Commission considers that SSi's request for a wholesale line-side interconnection service is beyond the scope of this application.

Local interconnection regions (LIRs)

31. Northwestel proposed that interconnection with CLECs be based on local calling areas, which it characterized as LIRs.
32. TCC submitted that Northwestel had not followed the rules for establishing LIRs set out in Telecom Decision 2004-46. TCC requested that Northwestel assign all of its exchanges to an LIR, except those exchanges that are served exclusively by obsolete technologies that need to be replaced to accommodate number portability. Both TCC and SSi submitted that the Commission should direct Northwestel to provide a list of its LIRs. TCC requested that this list include points of interconnection (POIs) and SSi requested that the list indicate in which LIRs line-side or trunk-side interconnection is available.
33. Northwestel replied that it was unable to establish LIRs using the criteria that apply to large ILECs due to the unique characteristics of its territory. The company noted that in some instances, low-capacity microwave radio or satellite systems limit the ability to efficiently permit local calls from being switched in other communities. The company argued that, given the high cost of satellite transport and the limited capacity of terrestrial routes to many small distant communities, it would not be reasonable to apply the rules for establishing LIRs set out in Telecom Decision 2004-46 to Northwestel.

34. Regarding SSI's request for a list of line-side versus trunk-side interconnections, Northwestel submitted that such a list would need to be revised regularly in the early stages of competition and that it would not be practical to include such a list in the tariff now. Northwestel proposed to provide competitors, upon request, with an up-to-date list that indicates in which locations line-side or trunk-side interconnection is available.
35. The Commission notes that its determinations in Telecom Decision 2004-46 do not apply to Northwestel. The Commission also notes that in Telecom Regulatory Policy 2011-771, it did not require Northwestel to establish LIRs. The Commission considers that it is premature to consider the question of whether Northwestel should establish LIRs, given that the company has recently filed its network modernization plan in accordance with that decision and that significant changes to the network are anticipated. The Commission intends to explore this matter in the context of its review of that plan and of Northwestel's regulatory framework.
36. However, the Commission considers that TCC's request that Northwestel's tariff identify POIs is reasonable and, therefore, that Northwestel's tariff should be amended accordingly.
37. The Commission considers that Northwestel's proposal to provide competitors, upon request, with an up-to-date list that indicates in which locations line-side or trunk-side interconnection is available is acceptable.

CAT rate

38. TCC submitted that Northwestel's CAT rate includes toll contribution intended to support Northwestel's local service, and that the CAT rate should be amended to specify a separate rate for toll transit service.
39. The Commission notes that Northwestel's current CAT rate was approved in Telecom Regulatory Policy 2011-771. The Commission also notes that TCC made, and the Commission took into account, the same arguments regarding the CAT rate in the proceeding leading to Telecom Regulatory Policy 2011-771 as were put forward in this proceeding. Accordingly, the Commission considers that there is no new information to justify a change to Northwestel's existing CAT rate and that, therefore, the rate remains appropriate.

Conclusion

40. In light of the above, the Commission **approves** Northwestel's proposed LNI tariff, with the following changes, effective the date of this order:
 - i. in paragraph C.5.b) and subsection D.5, remove the condition that limits the use of Local Transit Service to CLEC traffic that originates in the same EAS area;
 - ii. in paragraph C.5.c), remove the condition that in areas where toll transit calls are routed to CLECs for termination via bill-and-keep trunks, Northwestel may deduct any imbalance associated with those calls from any charges billed to it by the CLEC;

- iii. identify a SPOI in each area code in Northwestel's serving territory;
 - iv. in paragraphs C.1.b), D.2.a), D.2.b), and D.2.c), change all references to "CLEC(s)" to "CLEC(s) or DSLSP(s)," defining DSLSP [DSL service provider] on the first reference; and
 - v. identify Northwestel's POIs.
41. The Commission directs Northwestel to issue revised tariff pages that include the above-noted changes within **15 days** of the date of this order.²
42. The Commission also directs Northwestel to file a proposed tariff to introduce CCS7 transit service within **30 days** of the date of this order.

Secretary General

Related documents

- *Northwestel Inc. – Review of regulatory framework*, Telecom Regulatory Policy CRTC 2011-771, 14 December 2011
- *Revised regulatory framework for wholesale services and definition of essential service*, Telecom Decision CRTC 2008-17, 3 March 2008
- *Follow-up to Trunking arrangements for the interchange of traffic and the point of interconnection between local exchange carriers*, *Telecom Decision CRTC 2004-46*, Telecom Decision CRTC 2006-35, 29 May 2006
- *Northwestel Inc. – Interconnection services for wireless service providers*, Telecom Order CRTC 2004-330, 30 September 2004
- *Trunking arrangements for the interchange of traffic and the point of interconnection between local exchange carriers*, Telecom Decision CRTC 2004-46, 14 July 2004
- *Long-distance competition and improved service for Northwestel customers*, Decision CRTC 2000-746, 30 November 2000
- *Transiting and points of interconnection*, Telecom Order CRTC 98-486, 19 May 1998
- *Local competition*, Telecom Decision CRTC 97-8, 1 May 1997

² The revised tariff pages can be submitted to the Commission without a description page or an approval request; a tariff application is not required.