



## Telecom Order CRTC 2014-631

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Ottawa, 5 December 2014

*File number: Tariff Notice 368*

### **NorthernTel, Limited Partnership – Proposed rate decreases due to the removal of an exogenous factor**

1. The Commission received an application, dated 15 November 2013, from NorthernTel, Limited Partnership (NorthernTel), in which the company proposed to decrease rates for certain residential and business services<sup>1</sup> to reflect the expiry of exogenous adjustments it had implemented in 2008 to recover local competition start-up costs.<sup>2</sup>
2. NorthernTel submitted that it had inadvertently omitted to file for the necessary rate reduction after the five-year recovery period expired on 26 June 2013 and that it anticipated providing the Commission with its plan for crediting or refunding customers by 6 December 2013. The application was approved on an interim basis on 3 December 2013, effective 1 January 2014.
3. On 5 December 2013, NorthernTel filed a proposal for crediting and refunding customers for the period of 27 June to 31 December 2013.
4. The Commission received no interventions on this application. The public record of this proceeding, which closed on 30 October 2014, is available on the Commission's website at [www.crtc.gc.ca](http://www.crtc.gc.ca) or by using the file number provided above.
5. The Commission has identified the following issues to be addressed in this order:
  - Is NorthernTel's plan to credit and refund customers appropriate?
  - Should the price ceiling for the stand-alone primary exchange service (PES) rate in forborne areas be lowered and customers in forborne areas receive refunds?

#### **Is NorthernTel's plan to credit and refund customers appropriate?**

6. NorthernTel proposed to issue credits to all customers who had subscribed to any of the services mentioned in its application that were subject to the rate increase during

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<sup>1</sup> These services include residential primary exchange and resale services, and single- and multi-line business services.

<sup>2</sup> NorthernTel proposed the exogenous increases in Tariff Notice 256, which was approved on a final basis in Telecom Order 2008-198.

the 27 June to 31 December 2013 period. The credits would be based on the number of days customers had subscribed to the services during the period in question. Existing customers would receive a credit on their bill, while customers that were no longer served by the company would receive a refund.

7. During the proceeding, NorthernTel clarified the number of network access services (NAS) to which the credits and refunds would apply. It also explained why there was a significant difference between the number of NAS to which the exogenous amount was originally applied in 2008 and the number of NAS in 2013 to which the credits and refunds would apply.
8. The Commission considers that NorthernTel's explanation for the decrease in the number of residential and business NAS to which the credits would apply – that is, the Commission's approval of local forbearance applications between 2008 and 2013; the loss of customers who had cancelled their subscriptions, including those who had migrated to competitive service providers during that time; and the subscription of residential customers to bundles that include basic local service – is reasonable.
9. Accordingly, the Commission considers that NorthernTel's proposal to credit and refund customers for the period of 27 June to 31 December 2013 is appropriate.

**Should the price ceiling for the stand-alone PES rate in forborne areas be lowered and customers in forborne areas receive refunds?**

10. In a request for information dated 19 March 2014, it was noted that the Commission had imposed a price ceiling on stand-alone residential PES in forborne markets that would apply to the most recent approved rates at the time of forbearance.<sup>3</sup> NorthernTel was asked if, given that the exogenous increase was applied when the company's rates were regulated, the price ceiling for the stand-alone PES rate in forborne areas should be lowered, and whether customers in forborne areas should receive refunds to the extent that the amount billed exceeded the price ceiling on the assumption that the exogenous factor no longer applied.
11. NorthernTel submitted that, in Telecom Regulatory Policy 2011-291, the Commission did not require companies with rates above the \$30 price ceiling to lower their rates, but instead permitted those rates to remain at their existing levels. It also noted that, in accordance with Telecom Regulatory Policy 2011-291, these rates were permitted to increase by the rate of inflation beginning on 1 June 2014. The company submitted that, at the time, the rates that were above \$30 were considered affordable, and that the expiry of the exogenous factor should not change this consideration.

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<sup>3</sup> This price ceiling was established for the large incumbent local exchange carriers (ILECs) in Telecom Decision 2006-15, and for the small ILECs in Telecom Regulatory Policy 2009-379. It applies to the most recent approved rates at the time of forbearance for stand-alone PES, including Touch-Tone service and primary directory listing, as well as for connection charges.

12. The company suggested, therefore, that the price ceiling for stand-alone PES rates in forborne areas should not be adjusted by the expired exogenous factor and a refund to forborne residential stand-alone PES customers would be inappropriate.
13. The Commission notes that, in Telecom Regulatory Policy 2011-291, it
- set the price ceiling for the monthly stand-alone residential PES rate at \$30 in forborne exchanges;
  - noted that the price ceiling includes Touch-Tone service and other permanent monthly charges associated with unlimited local calling;
  - noted that, for stand-alone PES rates that already exceeded the monthly rate of \$30, the price ceiling remained at the existing rate; and
  - determined that, effective 1 June 2014, the \$30 price ceiling would be increased annually by the rate of inflation.
14. At the time NorthernTel's exogenous adjustment was approved, the Commission considered that the rate increase, including the exogenous adjustment, was just and reasonable. The Commission notes that in a forborne environment, the company is subject to a ceiling for stand-alone PES of the most recent approved rates at the time of forbearance. At the time of forbearance, those rates included the exogenous adjustment.
15. The Commission notes that the price ceiling approved at the time of forbearance was put in place as a safeguard to protect customers who subscribe to NorthernTel's stand-alone residential PES. The Commission further notes that the company may increase its rates for this service only when the \$30 price ceiling has increased by the cumulative annual amount of inflation to a level that surpasses NorthernTel's current rate, including Touch-Tone service and other permanent monthly charges associated with unlimited local calling.
16. In the Commission's view, given that the price ceiling is a safeguard, and that the service is otherwise not subject to regulatory oversight, it is appropriate that NorthernTel's price ceiling not be adjusted by the exogenous adjustment.
17. In light of the above, the Commission **approves on a final basis** NorthernTel's application. Revised tariff pages are to be issued<sup>4</sup> within **10 days** of the date of this order.

Secretary General

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<sup>4</sup> Revised tariff pages can be submitted to the Commission without a description page or a request for approval; a tariff application is not required.

## Related documents

- *Obligation to serve and other matters*, Telecom Regulatory Policy CRTC 2011-291, 3 May 2011, as amended by Telecom Regulatory Policy CRTC 2011-291-1, 12 May 2011
- *Framework for forbearance from regulation of retail local exchange services in the serving territories of the small incumbent local exchange carriers*, Telecom Regulatory Policy CRTC 2009-379, 23 June 2009
- Telecom Order CRTC 2008-198, 18 July 2008
- *Forbearance from the regulation of retail local exchange services*, Telecom Decision CRTC 2006-15, 6 April 2006, as amended by Order in Council P.C. 2007-532, 4 April 2007