Telecom Order CRTC 2023-35

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Ottawa, 16 February 2023

Public records: Tariff Notice 678 and Tariff Notice 4407

TELUS Communications Inc. – Carrier Access Tariff – DC power rate change in co-location tariffs

Summary

The Commission **approves** TELUS Communications Inc.'s (TCI) applications, Tariff Notice 678 and Tariff Notice 4407, including TCI's proposal to use a proxy to set the rate charged to co-locators for direct current (DC) power service. Accordingly, the Commission **approves on a final basis**, effective **16 February 2023,** the rate of $8.30 per fuse amp per month for TCI's DC power service.

Applications

1. The Commission received applications from TELUS Communications Inc. (TCI), Tariff Notices (TNs) 678 and 4407, dated 21 January 2022, in which the company proposed changes to its Carrier Access Tariff and its Tariff for Interconnection with the Facilities of Interexchange Carriers (IXCs).

2. Specifically, TCI proposed changes to

   - CRTC 18008, Item 250, Virtual Co-location;
   - CRTC 18008, Item 255, Physical Co-location; and
   - CRTC 1017, Item 110, Co-location Arrangements for Interconnecting Canadian Carriers.

3. The applications concern the 48-volt direct current (DC) power service that is used to provide power to co-locators' telecommunications equipment (DC power service).

4. In its applications, TCI requested that the Commission approve an increase to the monthly rate for DC power service in Alberta and British Columbia in order to reflect the higher costs of providing power, which the company states are beyond its control.

5. TCI submitted that its DC power service rate was last increased in Telecom Decision 2013-167, to $9.15 per fuse amp, and over the last nine years has been reduced by

16.4%, to $7.65, due to annual I-X adjustments.[1] TCI further submitted that while its DC power service rate has declined, the average utility cost per kilowatt hour has increased, in Alberta and British Columbia, by a weighted average of 60%. TCI proposed a rate adjustment in order to reflect those increasing underlying costs.

6. To set the rate, TCI proposed to use Bell Canada's DC power service rate in Quebec of $8.30 per fuse amp[2] as a proxy, in order to simplify and expedite the approval process. TCI submitted that if the Commission were to request a cost study, it would likely result in a higher rate.

7. In support of its proposed approach, TCI referenced Telecom Decision 2007-132, in which the Commission directed Télébec, Limited Partnership and TELUS Communications Company[3] to file revised retail 9-1-1 rates that were (i) set at the level approved for Bell Canada, or (ii) based on company-specific costs supported by cost justification. TCI also submitted a number of other instances where the Commission has approved rates using Bell Canada's rate as a proxy.[4]

8. TCI proposed an effective date of 1 March, 2022.

9. The Commission received an intervention from Competitive Network Operators of Canada (CNOC), dated 22 February 2022.

Positions of parties

CNOC

10. CNOC submitted that although the Commission has in the past endorsed proxy approaches to set rates in the absence of a cost study, in this case the proxy approach is arbitrary. CNOC argued that TCI's proposal fails to establish an appropriate proxy that could be used to set a just and reasonable rate, because the proxy used, Bell Canada's Quebec rate, was approved in 2012 and reflects utility costs in a province outside of TCI's incumbent territory.

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[1] In Telecom Decision 2008-17, the Commission determined that rates for certain mandated wholesale interconnection services, including DC power service, should be adjusted annually by the rate of inflation (I) less the anticipated productivity gain (X), or the I-X factor.

[2] Bell Canada Access Services Tariff, CRTC 7516, Item 110.4 (e) (4) Québec: a.

[3] Effective 1 October 2017, TELUS Communications Company's (TCC) assets were legally transferred to TCI and TCC ceased to exist.

[4] Past examples of using Bell Canada's rates as proxies include: TCI TNs 543 and 634, approved in Telecom Order 2019-58; TELUS Communications Company TN 478, filed pursuant to Telecom Decision 2007-132 and approved in Telecom Orders 2008-72 and 2008-98; and Québec-Téléphone's TN 260, approved in Telecom Order 2000-160.

11. CNOC submitted that TCI's argument with respect to the increase in DC power service costs does not take into account any changes to other costs that might offset increased power consumption costs. CNOC stated that a review of the costs that TCI submitted in the proceeding leading to Telecom Decision 2013-167 indicates that power consumption costs make up 15.4% of total DC power service costs. The remaining 84.6% of those costs are related to other expenses.

12. Accordingly, CNOC submitted that the Commission should deny TCI's tariff application.

TCI's reply

13. TCI replied that the objective of its proposed proxy approach is to simplify and expedite the approval process for a small rate increase that would impact a small number of customers.

14. TCI submitted that the increase in utility costs alone could justify an increase of $0.85 to the monthly rate for DC power service, which would lead to a new rate of $8.50. TCI stated that, after comparing that estimated rate to Bell Canada's Ontario rate of $9.20 and Bell Canada's Quebec rate of $8.30, it chose Bell Canada's Quebec rate as a proxy because it is the lower of the two and is reasonably close to the estimated rate of $8.50.

15. TCI submitted that the Commission should disregard CNOC's unsupported allegation regarding potential decreases in other cost components and their impact on the DC power service rates, but nevertheless provided, in confidence, the percentage increase in many of those costs between 2013 and 2021.

16. TCI further submitted that the net impact of all the costing changes will remain unknown unless a full cost study is prepared, which typically requires substantial time and effort by all parties.

17. TCI requested that the Commission approve the applications as proposed, because its proxy approach leverages the already approved Bell Canada rate and focuses on recovering the increasing costs associated with a cost element that has increased significantly and is beyond its control.

Commission's analysis

18. The Commission considers that these applications were filed appropriately as competitor tariff applications as defined in Telecom Information Bulletin 2010-455-1.

19. The Commission notes that when it sets wholesale service rates for regulated services it generally relies on costing principles and methodologies whereby rates are set based on costs plus a specified markup. However, in certain circumstances, the Commission has approved rates that were based on proxy rates of other companies.

20. The Commission notes that in 2012, in the proceeding that led to Telecom Decision 2013-167, TCI stated that utility costs in Alberta and British Columbia had increased by 52 percent and 32 percent respectively since 2002. TCI further submitted that its co-location power rates had declined by over 9 percent over the same period due to application of the I-X factor. The Commission conducted an extensive analysis of the cost study that TCI filed in support of that application and concluded that DC power service costs had increased because of an increase in utility costs and increases in certain capital and expense costs. The Commission considers that there is a high likelihood that the DC power service costs have also increased in this case.

21. The Commission considers that, in evaluating the benefits of using a proxy instead of a full costing analysis to set the rate for a service, the number of customers and the monthly revenues should be taken into account. TCI submitted information that suggests that the customer base for the affected services is very small, and that monthly revenues are minimal.

22. Accordingly, the Commission considers that there is merit to TCI's proposed use of a proxy rate to set the rate for DC power service, and that the benefits of using a proxy to determine the rate outweigh the costs of conducting a costing study.

23. With respect to CNOC's argument that TCI's proxy approach does not take into account changes to other costs that may offset increased power consumption costs, the Commission notes that a review of the material and labour costs that TCI submitted indicates that those costs have likely increased between 2013 and 2021.

24. The Commission also notes that, whether TCI's DC power service rate is determined by using a proxy rate or by completing a costing exercise, the I-X factor will be applied to the final rate on an annual basis.

25. The Commission notes that previously, in Telecom Decision 2006-42 and Telecom Decision 2007-17, it approved rates for DC power service and other power services based on proxy rates of other companies. However, the Commission considers that those decisions are not determinative in the present case, and that the record of this proceeding supports, on its own, such a use of proxy rates.

Conclusion

26. In light of all of the above, the Commission **approves** TCI's applications, including the proposed use of a proxy to adjust the rate for DC power service.

27. Specifically, the Commission **approves on a final basis**, effective **16 February 2023,** a rate of $8.30 per fuse amp per month for TCI's DC power service as proposed in TNs 678 and 4407.

Policy Directions

28. In accordance with subparagraph 1(b)(i) of the 2006 Policy Direction,[5] the Commission considers that the approval of these applications will advance the policy objectives set out in paragraphs 7(b), (c) and (f) of the *Telecommunications A*ct.[6]

29. The Commission also considers that, in accordance with subparagraphs 1(a) (ii) and 1(b) (ii) of the 2006 Policy Direction, the rates approved in this decision are efficient and proportionate to their purpose and interfere with competitive market forces to the minimum extent necessary to meet the above-referenced policy objectives, and neither deter economically efficient competitive entry into the market nor promote economically inefficient entry. The DC power service rate approved in this decision will ensure that competitors pay slightly higher rates in order to enable TCI to recover the costs that it legitimately incurs in providing the service.

30. Furthermore, the Commission considers that, in accordance with subparagraph 1(b)(iv) of the 2006 Policy Direction, the approval of these applications, insofar as they relate to network interconnection arrangements or regimes for access to networks, is technologically and competitively neutral and does not artificially favour either TCI or its competitors.

31. The 2019 Policy Direction[7] states that the Commission should consider how its decisions can promote competition, affordability, consumer interests and innovation. The Commission has reviewed the application in light of the 2019 Policy Direction and has considered its aspects to the extent necessary, using measures that are efficient and proportionate to their purpose.

32. The Commission considers that approval of these applications is compliant with the 2019 Policy Direction because it is consistent with subparagraph 1(a)(iii), which states that the Commission should consider the extent to which its decisions ensure that affordable access to high-quality telecommunications services is available in all regions of Canada, including rural areas.

Secretary General

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[5] *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives*, SOR/2006-355, 14 December 2006

[6] The cited policy objectives are: 7(b) to render reliable and affordable telecommunications services of high quality accessible to Canadians in both urban and rural areas in all regions of Canada; (c) to enhance the efficiency and competitiveness, at the national and international levels, of Canadian telecommunications; and (f) to foster increased reliance on market forces for the provision of telecommunications services and to ensure that regulation, where required, is efficient and effective.

[7] *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives to Promote Competition, Affordability, Consumer Interests and Innovation*, SOR/2019-227, 17 June 2019

Related documents

- Telecom Order CRTC 2019-58, 1 March 2019
- *Approval processes for tariff applications and intercarrier agreements*, Telecom Information Bulletin CRTC 2010-455-1, 19 February 2016
- *TELUS Communications Company – Revised co-location power rates*, Telecom Decision CRTC 2013-167, 28 March 2013
- Telecom Order CRTC 2008-98, 8 April 2008
- Telecom Order CRTC 2008-72, 12 March 2008
- *Revised regulatory framework for wholesale services and definition of essential service*, Telecom Regulatory Policy CRTC 2008-17, 3 March 2008
- *Télébec, Limited Partnership and TELUS Communications Company - Local network interconnection and network component unbundling*, Telecom Decision CRTC 2007-132, 20 December 2007
- Telecom Order CRTC 2007-17, 22 January 2007
- *Bell Canada and TCC – Co-location power service rates*, Telecom Decision CRTC 2006-42, 30 June 2006; as amended by Telecom Decision CRTC 2006-42-1, 25 August 2006
- *Compensation per toll-free call*, Telecom Order CRTC 2000-160, 28 February 2000