



Telecom Order CRTC 2024-179

PDF version

Reference: 2020-258

Ottawa, 12 August 2024

Public record: 1011-NOC2019-0191

Broadband Fund – Change request – Northwestel Inc.’s Northwest Territories fibre project

Summary

Canadians need reliable, affordable, and high-quality Internet and cellphone services for every part of their daily lives.

Through its Broadband Fund, the Commission contributes to a broad effort by federal, provincial, and territorial governments to address the gap in connectivity in underserved rural, remote, and Indigenous communities across Canada.

With this order, the Commission approves the reallocation of Broadband Fund project funding to rebuild a portion of Northwestel Inc.’s fibre project that was damaged by wildfires in Enterprise, Northwest Territories, and also approves a modified completion date of an additional year since the rebuild is anticipated to begin in 2025. While rebuild costs are not expressly contemplated in the existing Broadband Fund policy, the circumstances here are exceptional, including the fact that the overall project was still underway at the time of the wildfires (although the Enterprise component of the project had itself been completed).

Change requests of a similar nature will continue to be considered case by case.

Background

1. In Telecom Regulatory Policy 2018-377, the Commission set out objectives and governing frameworks for the Broadband Fund. In Telecom Notice of Consultation 2019-191, the Commission initiated the first call for Broadband Fund applications.
2. The Application Guide appended to Telecom Notice of Consultation 2019-191 addressed material changes. A material change includes a major change in the cost or scope of a project. A change in scope may include, for instance, proposing to expand the funded network build. Applications to seek Commission approval for material changes are known as change requests and must include clear and compelling documentation.

3. Northwestel Inc. (Northwestel) participated in the first call. In Telecom Decision 2020-258, Northwestel received approval for its project to upgrade a transport point of presence in Dettah, Northwest Territories. The project proposed to provide fibre-to-the-home service that meets the universal service objective¹ in Dettah and 17 other communities in the Northwest Territories.²
4. The Commission later received written acceptance of this funding award from Northwestel. The Commission approved Northwestel's related statement of work in Telecom Order 2021-135, subject to the conditions of funding set out in Telecom Decision 2020-258. These include the holdback period and the requirement to seek Commission approval for material changes.³
5. According to the Broadband Fund's framework, a holdback payment of 10% of the approved amount of funding will be retained for each project approved under the Broadband Fund. The Commission distributes the holdback amount only after the recipient has fulfilled the conditions of service outlined in the funding decision for one year.

Change requests

6. The project approved in Telecom Decision 2020-258 has been modified by two approved change requests to date.
7. First, in Telecom Order 2023-224, the Commission approved a funding increase of \$6,975,239 (+41.6%) due to inflation and other factors that had substantially increased project costs. The Commission also approved an increase of 104 households (+2.9%) to bring the total number of households to 3,747.
8. Second, in Telecom Order 2024-54, the Commission approved Northwestel's request to postpone the project's completion date by one year, to the end of 2024, due to delays affecting the rollout of services to Fort McPherson and Tsiigehtchic. The approval also granted Northwestel's request to change the associated holdback to release other funds based on the original project timeline, despite the delay affecting those two communities, and to modify the further holdback to the funds relating to these communities.

¹ In Telecom Regulatory Policy 2016-496, the Commission established the universal service objective, namely that Canadians, in urban areas as well as in rural and remote areas, have access to voice services and broadband Internet access services, on both fixed and mobile wireless networks.

² These communities are Aklavik, Behchokò, Deline, Enterprise, Fort Good Hope, Fort Liard, Fort McPherson, Fort Providence, Fort Resolution, Fort Simpson, Jean Marie River, Kakisa, Nahanni Butte, Tsiigehtchic, Tuktoyaktuk, Tulita, and Wrigley.

³ Telecom Decision 2020-258, paragraph 17.

9. On 20 November 2023, Northwestel submitted a third change request for this project. Northwestel asked to use Broadband Fund funding that had already been allocated to this project, but that had not yet been used, to rebuild the fibre-to-the-home network in the community of Enterprise, Northwest Territories. The rebuild would remediate damage caused by wildfires in August 2023.
10. In this same change request, Northwestel made related requests. It asked to delay the original completion date of the project by one year, in respect of Enterprise. It likewise asked to change the holdback so as to release non-Enterprise funds according to the already-in-place project timeline, and to release the holdback funds for Enterprise separately.

Commission's analysis

11. Telecom Regulatory Policy 2018-377 does not expressly consider rebuild costs. However, the policy does list ineligible costs, which include general repairs, ongoing maintenance, insurance costs, and costs after the project completion date. The Commission considers that Northwestel's wildfire-related costs do not fall into these categories of ineligible costs.
12. The policy also makes reference to eligible "one-time" costs. Since rebuild costs are similar to certain ineligible costs listed in the policy and also cannot be considered as "one-time" costs if the costs are claimed a second time, costs to rebuild a portion of a project that is already complete could be viewed as ineligible for either reason. In the Commission's view, however, Telecom Regulatory Policy 2018-377 is not explicit on the second basis of "one-time" costs. The policy does not address a situation where only a portion of the project has been completed, but the overall project has not been, as is the case with Enterprise. The Commission notes that additional funding beyond what was previously approved is not required to rebuild the Enterprise portion of the project, as Northwestel continues to work towards project completion.
13. The Commission has considered the factors above in light of the sudden and destructive nature of the wildfires; the critical need for connectivity in the North, especially in remote communities such as Enterprise; and the importance of maintaining and ensuring long-term connectivity for ongoing projects. Under these exceptional circumstances, the Commission considers it reasonable for the already-committed Broadband Fund funds to be reallocated to cover the rebuild costs for the community of Enterprise.
14. Events such as wildfires can be unpredictable and devastating. Network builders, including funding recipients, should take into consideration from project inception how they might mitigate the effects of such potential events, given their increased frequency and regularity. The Commission notes that it will continue to consider change requests of a similar nature case by case.

Conclusion

15. In light of the above, the Commission approves, on an exceptional basis, Northwestel's request to use Broadband Fund amounts to cover the costs of rebuilding the fibre-to-the-home network in Enterprise, Northwest Territories, given the unprecedented nature of the wildfire event. Since the rebuild is anticipated to begin in 2025, the Commission also approves a modified completion date of an additional year, and related modified holdback, for the Enterprise portion of the project.
16. In carrying out the rebuilding of the network in Enterprise, the Commission expects Northwestel to consider steps it might take to improve the resiliency of the network in ways that anticipate future environmental disasters of a similar nature, which have been increasing in frequency in recent years.
17. The project completion report and holdback report requirements are set out in subparagraphs 20(k) and 20(l) of Telecom Decision 2020-258. They will continue to apply with respect to the project's original final milestone, as described in the statement of work approved by the Commission in Telecom Order 2021-135, with the exceptions approved in Telecom Order 2024-54 and in this order.
18. Northwestel must file another project completion report within **90 days** of the date on which construction of the Enterprise portion of the project is complete and services are offered. The company must also file a project holdback report one year after the completion date for the Enterprise portion of the project.
19. Holdback funds for (i) the original project, (ii) Fort McPherson and Tsiigehtchic, and (iii) Enterprise will be released in separate components. They will be released once the Commission is satisfied that Northwestel has been operating the network associated with each component for one year according to the conditions of service set out in Telecom Decision 2020-258.
20. All other funding conditions and conditions imposed under section 24 of the *Telecommunications Act*, as set out in Telecom Decision 2020-258, continue to apply.

Secretary General

Related documents

- *Broadband Fund – Change requests – Northwestel Inc.'s Northwest Territories fibre project*, Telecom Order CRTC 2024-54, 13 March 2024
- *Broadband Fund – Change requests – Northwestel Inc.'s Northwest Territories and Yukon fibre projects*, Telecom Order CRTC 2023-224, 27 July 2023
- *Broadband Fund – Acceptance of statement of work for Northwestel Inc.'s Northwest Territories fibre project*, Telecom Order CRTC 2021-135, 16 April 2021

- *Broadband Fund – Project funding approval for Northwestel Inc.’s Northwest Territories fibre project*, Telecom Decision CRTC 2020-258, 12 August 2020
- *Broadband Fund – Call for applications*, Telecom Notice of Consultation CRTC 2019-191, 3 June 2019
- *Development of the Commission’s Broadband Fund*, Telecom Regulatory Policy CRTC 2018-377, 27 September 2018
- *Modern telecommunications services – The path forward for Canada’s digital economy*, Telecom Regulatory Policy CRTC 2016-496, 21 December 2016