

April 22, 1996

Mr. Allan J. Darling
Secretary General
Canadian Radio-television and
Telecommunications Commission
Ottawa, Ontario
K1A 0N2

Dear Mr. Darling:

Subject: Telephone Company Proposed Updates to Phase III/SRB Manuals

1. Unitel is in receipt of proposed updates to 1995 Phase III/SRB Manuals from AGT, dated March 31, 1996, BC TEL, dated March 27, 1996, Bell Canada, dated March 29, 1996 and MT&T dated March 29, 1996. Unitel's detailed comments on these proposals is found below.
2. Unitel acknowledges the extension granted by the Commission's letter of April 10, 1996 to accommodate MTS. However, Unitel received the proposals of NB TEL on April 15, 1996, and Newfoundland Tel on April 10, 1996. Unitel has yet to receive Island Tel's proposals. Unitel reserves the right to submit any comments that it might have on these proposals within 21 days of the date upon which Unitel received them.
3. Unitel also notes that several telephone company submissions reflect the implementation of proposals put forward in the following proceedings:
 1. The telephone companies' January 15, 1996, Phase III/SRB proposals;
 2. The telephone companies' January 15, 1996, Phase III Procedures for new broadband costing; and,
 3. The telephone companies' proposals in Telecom Public Notice 95-55 - Customer Account Queries.
4. The Commission has not issued orders approving any of the telephone companies' proposals in these proceedings¹. It is incumbent on the Commission to ensure that these outstanding proposals be dispensed with before the Commission approves the March 31, 1996 proposed updates to the

¹ Unitel submitted comments on these proceedings in submissions dated February 9, 1996, February 15, 1996 and March 4, 1996, respectively.

Phase III Manuals that reflect only the telephone companies' proposals in the above referenced proceeding. This will ensure that the telephone companies base the calculation of the final 1995 Split Rate Base results on methods that have been approved by the Commission and that interested parties will be able to track the proposals that have been approved, denied or are still pending before the Commission.

5. Unitel's detailed comments on the proposed changes that are outside the scope of the three proceedings referenced above are provided below.

BC TEL BSCC 73.005 - Central Office Equipment Switching Investment Study

6. At Page 3 of 4 to the Overview of its proposed updates to the BC TEL Phase III/SRB Manual for the Study Year 1995, BC TEL discusses its Central Office Equipment (COE) investments.

7. For Class 4/5 switches, BC TEL states that investment is assigned to the Competitive and Utility segments based on the following methodology:

Competitive Segment

- All Toll trunks used for the Class 4 portion of the switch.
- All Digital Trunk Controllers used for the above Toll trunks.
- The Toll portion of the network startup, based on the Toll Centre Toll Traffic Ratio.

Utility Segment

- All other investments for the Class 4/5 switches in Accounts C641 (Digital - S.P.C. - Local), C643 (Digital - S.P.C. - A.M.A. Equipment), C644 (Digital - S.P.C. - Common Control Equipment), C647 (Digital Switching Machine Application Software), C648 (Digital - S.P.C. - Portable Test Equipment (\$1500+)) and C649(Digital - S.P.C. - Power Equipment).

8. However, it is clear from BC TEL's Accounting Manual that each of the Accounts identified as being assigned solely to the Utility segment should in fact be treated as an investment utilized by both the Competitive and Utility segments. Below are excerpts from BC TEL's Accounting manual which demonstrate that these accounts either contain costs relating to toll investment or contain items that have a shared functionality in providing both local and toll

services². In some cases Unitel has provided comments on the specific account. Assignment of investment should be done accordingly. For example:

Account C641

Local Digital central office equipment (COE) includes the following illustrative items:

(b) The cost of all toll connecting trunks located in a class 4/5 or class 5 central office.

Account C643

Automatic message accounting Digital central office equipment (COE) includes the following illustrative items:

(a) The original material and installation cost of equipment located in digital - SPC central offices used solely for the identification, recording and timing of customer dialed toll traffic.

Account C644

Common Control digital central office equipment (COE) includes the following illustrative items:

(c) System or Generic Software

Comprises operating systems, administrative systems, monitors, compiles, translators, assembly routines and utility programs that are required to run the computer...

The term “Generic Software” implies that the software is used for operating and administering the entire switch. Therefore, a portion of this account should be allocated to the competitive segment.

Account C647

Application software costs for Digital Switching Machines. When a time lag exists between the purchase of the software and its activation, the costs are charged to account D647 and cleared to account C647 upon activation.

² All references taken from BC TEL Accounting Manual, Section 3.160, Subject: Central Office Equipment, pages 7-10.

Application software appears to be applicable to the operation of the entire facility with no differentiation between toll and local traffic.

Account C648

This account includes to following illustrative items:

(b) Major central office tools permanently assigned to a specific central office.

Presumably these tools would be used to operate the entire central office facility with no differentiation between local and toll traffic.

Account C649

This account includes the following illustrative items:

(a) AC service equipment including unit substations, power transformers, main distribution lighting cabinets, etc.

The provision of power is logically applicable to the operation of the entire facility, not just those aspects relating to the provision of local services.

9. There is no justification for having each of these accounts assigned solely to the Utility segment, since each of them contain investment directly associated with toll services or have shared functionality in providing both local and toll services. An obvious example would be that in this proposal, the toll software found in these accounts that should be assigned to the competitive segment will be allocated solely to the Utility segment. This will result in an over allocation of investment to the Utility segment. The Commission should reject BC TEL's proposed assignments and require it to assign a representative portion of this investment to the Competitive segment as well.

BC TEL BSCC 73.080 - Land and Buildings

10. On BC TEL's proposed Page 6 of BSCC 73.080, Unitel notes that the expenses associated with Vacant Space investment (Item 3.10, CAT.4) were assigned directly to the Common category for Phase III purposes and continue to be assigned to the Common category for SRB purposes.

11. The revenues and expenses associated with Item 3.11 CAT.5, Space Rented to Others were assigned to the Other BSC for Phase III purposes. Under SRB, BC TEL is proposing to assign this rented space only to the Competitive Other BSC.
12. According to BC TEL's proposal then, when building or other spaces lie vacant, the expense (i.e. the liability) is assigned to the Common BSC. Common is then divided between the Utility and Competitive segments on the basis of total operating expenses. However, when that space is rented, BC TEL is proposing that both the revenues and expenses associated with that space be assigned only to the Competitive Other BSC. According to Stentor's proposal in the proceeding initiated by Telecom Public Notice CRTC 95-13 Implementation of Regulatory Framework - Co-location, it is clear the rental rates charged for this space will be based on cost plus some level of mark-up which is intended to contribute to the recovery of fixed and common costs. It is inappropriate for this space to be assigned entirely to the Competitive segment at the time when it begins to generate compensatory revenue for the company. Since the costs of the vacant office space are allocated between the Utility and Competitive segments, it is appropriate that any revenues generated by the mark-up for the recovery of fixed and common costs also be allocated to both the Utility and Competitive segments.
13. Unitel submits that once rented, building or other space should be assigned to both the Competitive and the Utility segments on the same basis as it was while still assigned to the Common BSC.

Bell Canada Updates to Phase III Manual - Attachment M2, Appendix 1, Section 2

14. In this round of Phase III Manual Proposed Updates, Bell Canada has proposed to classify or re-classify several tariffed items to the Utility segment. In each of the cases identified below, Bell Canada has provided no explanation for its proposals and it is unclear to Unitel why these items are allocated to the Utility segment. Unitel submits that the Commission should direct Bell Canada to provide detailed justification why the following items are assigned to the Utility segment. Any clarification will also aid the Commission in coming to a determination on the appropriateness of these proposals. They are as follows:

Items 75 and 4960 - Inside wire and jacks. It is unclear why Item 75 continues to be assigned to the Utility segment when according to Bell Canada Tariff Notice 5466, customers are now responsible for installations, rearrangements, additions, moves, repairs and maintenance of single-line inside wiring on the customer's side of the demarcation

point. Since this is now a competitive service, this item should now be assigned to the Competitive Segment.

Items 224 and 225 - Switched Call Completion and Advantage Long Distance Plan. Both of these services are competitive long distance services. It is unclear why any portion of them should be assigned to the Utility Segment. Unitel notes that BC TEL Tariff Item 224 - Switched Call Completion is assigned entirely to the Competitive Segment.

Yours truly,

J. K. Liesemer

cc: Interested Parties

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