



## Telecom Order CRTC 2016-228

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Ottawa, 16 June 2016

*File number: Tariff Notice 494*

### **TELUS Communications Company – Application to modify monthly pole attachment rate**

*The Commission **approves** a revised monthly pole attachment rate of \$1.61 for TCC in Alberta and British Columbia, effective the date of this order.*

#### **Background**

1. In Telecom Decision 2010-900, the Commission approved revised rates for incumbent local exchange carrier (ILEC) support structure services<sup>1</sup> provided to licensees<sup>2</sup> by the following ILECs: Bell Aliant Regional Communications, Limited Partnership; Bell Canada; MTS Allstream Inc. (MTS Allstream); Télébec, Limited Partnership; and TELUS Communications Company (TCC). Rates were approved for mainline poles, strands, and conduits on an ILEC-specific basis.<sup>3</sup> The approved mainline pole attachment rate was established based on costs, as adjusted by the Commission, and on each ILEC's pole counts. In a follow-up decision (Telecom Decision 2011-406), the Commission determined that these ILECs could also charge a service pole attachment rate equal to each company's mainline pole attachment rate.
2. In Telecom Decision 2014-645, in response to an application by Raftview Communications Ltd. (Raftview), the Commission determined that TCC was precluded by its Support Structure Service tariff from charging licensees for service poles it does not own or control, as defined in that decision. The Commission directed TCC to withdraw all invoices and/or provide refunds to Raftview, and similarly placed licensees, for payments related to such service poles effective the date of Telecom Decision 2011-406, in which the Commission initially approved the rate for service poles.

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<sup>1</sup> ILEC support structure services are wholesale services classified by the Commission as a public good in Telecom Decision 2008-17. ILECs and third parties use support structures as inputs to provide retail services.

<sup>2</sup> Licensees are cable television undertakings or Canadian carriers that attach their facilities, such as wires, onto ILECs' poles to serve their own end-users.

<sup>3</sup> There are three types of support structures: poles, strands, and conduits. Poles are used to support aerial facilities, and include two types: service poles, on which the only licensee attachment is a drop wire to a subscriber's premises, and mainline poles, which are poles other than service poles to which licensees attach. Strands are steel wires that allow the carriage of cables over longer spans between two poles, while conduits are underground structures used to channel and protect cables.

## **Application**

3. The Commission received an application from TCC, dated 1 May 2015, in which the company requested an adjustment to the monthly pole attachment rate that it is allowed to charge to licensees in Alberta and British Columbia from \$1.44 to \$1.60. TCC submitted that the change was necessary mainly because the total number of poles over which it could recover its costs, as approved in Telecom Decision 2010-900, had been reduced as a result of the Commission's determinations in Telecom Decision 2014-645. TCC argued that it should now be able to recover its approved costs, which had remained constant, from a smaller number of poles, and that this necessitates an increase in the pole attachment rate. TCC requested that the adjusted pole attachment rate be applied on a retroactive basis to 4 July 2011, the effective date of Telecom Decision 2014-645. TCC subsequently explained that the company's proposed revised rate had been reached by including both the number of service poles to which third parties attach and service pole billing units in the pole attachment rate calculation.
4. The Commission received interventions regarding TCC's application from Allstream Inc. (Allstream); Bragg Communications Incorporated, operating as Eastlink (Eastlink); and Shaw Cablesystems G.P. (Shaw) [collectively, the interveners]. The public record of this proceeding, which closed on 24 February 2016, 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.

## **Issues**

5. The Commission has identified the following issues to be addressed in this order:
  - Should TCC's application be considered as a tariff application or as an application to review and vary Telecom Decision 2010-900?
  - Should TCC be required to file a new cost study?
  - Did TCC follow the Commission's costing methodology when calculating its proposed pole attachment rate?
  - What are the appropriate pole counts, billing units, and percentage utilization factor to be used when determining the pole attachment rate?
  - Should TCC's embedded costs be adjusted?
  - What is the appropriate pole attachment rate?
  - Should the adjusted pole attachment rate be applied retroactively?
  - Is it appropriate, in the circumstances, for TCC to recover service pole costs using mainline pole attachment rates?

**Should TCC's application be considered as a tariff application or as an application to review and vary Telecom Decision 2010-900?**

6. Shaw submitted that TCC's request should be treated as an application to review and vary<sup>4</sup> Telecom Decision 2010-900 and, hence, should not be considered as a tariff application.<sup>5</sup>
7. Shaw argued that TCC is seeking to question the correctness of the pole attachment rate established in Telecom Decision 2010-900 as of the time it was initially set. Eastlink and Shaw submitted that TCC's request for a retroactive revision to the rate is strongly indicative of a review and vary application. Allstream argued that TCC, in its application, attempts to establish a fundamental change in circumstances since Telecom Decision 2010-900 was issued, but fails to do so. Allstream, Eastlink, and Shaw argued that whether the application is to be considered as a request to review and vary or as a tariff application, it should be denied because TCC had failed to provide sufficient rationale in support of its requested pole attachment rate revision.
8. TCC submitted that the application had been properly filed as a tariff notice because it did not question the correctness of Telecom Decision 2010-900 and contained all the required documentation for a tariff filing. TCC submitted that it has demonstrated sufficient cause to modify the pole attachment rate, and that the proposed revision would be fully consistent with the Commission's approach to the assessment of embedded and Phase II costs used in Telecom Decision 2010-900.

**Commission's analysis and determinations**

9. Telecom Information Bulletin 2011-214 sets out a non-exhaustive list of factors that the Commission may take into account in exercising its discretion to determine whether an application should be considered as an application to review and vary a previous decision or as a new application.<sup>6</sup> These factors are all intended to assist the Commission in determining whether the application (i) raises substantial doubt as to the correctness of a previous Commission decision at the time it was made, or (ii) questions the continuing correctness of a decision.
10. On the one hand, TCC seeks a retroactive adjustment of the pole attachment rate that was set on a final basis in Telecom Decision 2010-900. This factor suggests that the

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<sup>4</sup> Section 62 of the *Telecommunications Act* provides that the Commission may, on application or on its own motion, review and rescind or vary any decision made by it or re-hear a matter before rendering a decision.

<sup>5</sup> Carriers are required to file tariffs with the Commission for approval in respect of the telecommunications services they offer, to the extent that rates for those services are not forborne from Commission approval. Telecom Information Bulletin 2010-455-1 describes the process associated with tariff applications.

<sup>6</sup> These factors are the following: (i) whether the application raises an error of law, jurisdiction, or fact; (ii) the extent to which the issues raised in the application were central to the original decision; (iii) the extent to which the facts or circumstances relied upon in the application were relied upon in the original decision; (iv) the length of time since the original decision; and (v) whether the resulting decision would supersede the original decision in a prospective manner as opposed to curing an error on a retrospective basis.

application should be considered to be an application to review and vary Telecom Decision 2010-900.

11. However, it has been several years since the issuance of Telecom Decision 2010-900, and TCC's application essentially relies upon a subsequent change in circumstances (including the Commission's determinations in Telecom Decision 2014-645). These factors suggest that TCC's application should be considered as a tariff application.
12. In the circumstances, greater weight should be placed on the change in circumstances resulting from Telecom Decision 2014-645 and the significant length of time between the issuance of Telecom Decision 2010-900 and the filing of TCC's application, and, correspondingly, less weight on the retroactive nature of the request, especially given that the Commission may treat the request for retroactivity separately, as it has done in this case.<sup>7</sup>
13. In light of the above, the Commission considers that TCC's application should be treated as a tariff application.

**Should TCC be required to file a new cost study?**

14. Shaw submitted that no rate increase should be made effective prior to the completion of a full review and update of TCC's costing approach.
15. In its application, TCC's approach was to modify total pole counts and introduce billed service poles and service pole billing units<sup>8</sup> into the Commission's 2010 cost study calculation for the pole attachment rate, while retaining all other information used in that study.
16. The Commission considers that TCC provided sufficient information to allow for the assessment of its proposed approach and resulting adjustments, as elaborated on below. Therefore, a new cost study is not required.

**Did TCC follow the Commission's costing methodology when calculating its proposed pole attachment rate?**

17. In Telecom Decision 95-13, the Commission adopted a pricing methodology that determines support structure rates on the basis that rates should, at a minimum, exceed the ILECs' causally attributed incremental costs and make a reasonable contribution to their fixed structure costs. The pricing methodology treats ILEC costs for the structures themselves as fixed costs and assesses them on an embedded-cost basis.<sup>9</sup> The amount of contribution that third parties make to the ILECs' fixed

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<sup>7</sup> The analysis of whether a retroactive rate adjustment is appropriate begins at paragraph 49 below.

<sup>8</sup> "Billed service poles" refers to the number of service poles that have at least one third-party attacher for which TCC is charging a monthly pole attachment fee. "Service pole billing units" refers to the number of attachments by third parties to service poles for which TCC is charging a monthly pole attachment fee.

<sup>9</sup> "Embedded cost" refers to the historical accounting cost for all of TCC's poles.

structure costs is based on their use of the ILECs' structures. Causally attributed incremental costs for support structure services include costs associated with administration and lost productivity. In Telecom Order 2009-731, the Commission published a template for support structure costing. In Telecom Decision 2010-900, the Commission upheld the pricing methodology for support structure services outlined in Telecom Decision 95-13.

18. Shaw submitted that the formula that TCC used to arrive at its proposed rate adjustment is overly simplistic and is not consistent with the embedded costs methodology outlined in Appendix 1 to Telecom Decision 2010-900 and the template set out in Telecom Order 2009-731. Shaw submitted that using TCC's estimate of non-owned service poles to be removed from its original total pole count would result in a pole attachment rate of \$1.55 per month, rather than TCC's proposed rate of \$1.60 per month.
19. TCC submitted that, following the Commission's ruling in Telecom Decision 2011-406 and using the methodology for support structure costing from Telecom Decision 2010-900, the calculation of the pole attachment rate should include both an adjustment to the embedded unit cost due to the reduction in the total pole count, and an adjustment for the service poles TCC is charging for as allowed by Telecom Decision 2014-645.
20. TCC stated that it has added service poles to the number of poles to which third parties attach, an item that Shaw did not include in its calculation. TCC submitted that it also increased the number of annual billing units to reflect the inclusion of service poles in its calculation. TCC submitted that it has correctly applied the Commission's framework to arrive at the revised rate of \$1.60.

#### **Commission's analysis and determinations**

21. In Telecom Decision 2010-900, the Commission applied its methodology for the determination of the pole attachment rate only to mainline poles. It subsequently approved a service pole attachment rate equal to the mainline pole attachment rate in Telecom Decision 2011-406. TCC proposed to use the calculation steps from Telecom Decision 2010-900 to calculate the pole attachment rate for both mainline and service poles. In other words, it is combining in one step what the Commission did in two steps; however, the methodology used is the same as that applied by the Commission.
22. In its calculation, TCC changed the values for three items: the number of owned poles, the number of poles to which third parties attach, and the number of billing units. However, it did not modify the steps in the calculation approach, and its calculation is consistent with the Commission's determination in Telecom Decision 2011-406 that service pole attachment rates should be equal to mainline pole attachment rates. Accordingly, the Commission is satisfied that TCC followed the Commission's costing methodology when calculating its proposed pole attachment rate.

**What are the appropriate pole counts, billing units, and percentage utilization factor to be used when determining the pole attachment rate?**

23. TCC proposed adjustments to the pole counts and billing units used in the calculation of the pole attachment rate in Telecom Decision 2010-900. TCC proposed to reduce the total pole count by 78,894 poles – an estimate of the service poles it did not own or control (non-owned service poles) as of the publication date of Telecom Decision 2010-900 – to reflect the withdrawal of invoices related to such poles as directed by the Commission in Telecom Decision 2014-645. It also proposed
- to include the number of service poles to which third parties attach (40,670) in its calculation of the embedded costs of owned poles that are attributable to third parties,
  - to include 40,670 service pole billing units in its calculation of the cost per billing unit, and
  - a revised percentage utilization factor<sup>10</sup> of 42.18%.
24. Shaw submitted that TCC had failed to establish that non-owned service poles were included in the total pole count that TCC had submitted to the Commission during the proceeding leading to Telecom Decision 2010-900, and, therefore, that a reduction in the total pole count was necessary. Shaw noted TCC's acknowledgement that the only assets that were included for the purpose of calculating embedded costs at that time were owned assets. Shaw submitted that this can only mean that non-owned assets, such as non-owned service poles, were not included.
25. Shaw further submitted that TCC did not explain why it could not identify the correct count for its service poles rather than using an imperfect estimate as a proxy. Shaw noted that in 2010, TCC stated that it had approximated the number of owned service poles within its original total pole count because it had no records to determine the actual number of service poles among its assets. Shaw submitted that TCC has carried out a service pole census in British Columbia in the interim and should now therefore be able to identify the number of owned service poles within its total pole count, rather than having to rely on an estimate.
26. Shaw submitted that if one subtracts TCC's estimated figure of 78,894 non-owned service poles from its original estimate of service poles, the final tally of TCC-owned service poles for all of Alberta and British Columbia would be only 15,769, which is lower than the number of Shaw-specific TCC-owned service poles that TCC identified during the course of the recent census of British Columbia service poles. Shaw argued that this highlights the unreliability of TCC's estimate.

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<sup>10</sup> "Percentage utilization factor" refers to the portion of a pole's embedded cost that is attributable to third parties and is based on the average number of third-party cables attached to a pole relative to the average total number of cables attached to a pole.

27. TCC submitted that it included poles it owns, controls, or maintains in the total pole count used in determining pole attachment rates in the proceeding leading to Telecom Decision 2010-900. Specifically, it included service poles that it maintains and that are located on private property. TCC submitted that under certain tariff items from its tariffs in Alberta and British Columbia,<sup>11</sup> it was responsible for maintaining these poles, had gained ownership of these poles, and had incurred costs for their maintenance, for which it was entitled to reimbursement.
28. TCC submitted that, while it knows the actual number of non-owned service poles for which it withdrew invoices pursuant to Telecom Decision 2014-645, it is nonetheless appropriate for it to use an estimated number of service poles to be subtracted from its total pole count in the circumstances. In particular, TCC submitted that since it is seeking a retroactive adjustment to its revised pole attachment rate, it is reasonable to estimate the number of non-owned service poles that would have been included in its total pole count at the time that Telecom Decision 2010-900 was published, and to remove that number from the total pole count. TCC submitted that it is unable to determine the actual number of service poles as of the publication date of Telecom Decision 2010-900, but that its estimated number was derived by using the actual audit count from its census of billed service poles.
29. TCC submitted that it applied a 1% annual deflation factor, which is a proxy based on the average number of poles that are currently added on annual basis, to the comparable number of service poles for which invoices were withdrawn in 2014 (82,130) to arrive at an estimate of the average number of non-owned service poles in 2010 (78,894).
30. Finally, TCC submitted that a revised percentage utilization factor that consists of a blended average of the approved factor for mainline poles (40.96%) and TCC's proposed factor for service poles (50%) would be more accurate than the Commission-approved factor of 40.96%. The 50% factor for service poles is based on an assumption that, for service poles with third-party attachers, there is, on average, one attacher besides TCC. TCC proposed a revised factor of 42.18% based on an average weighted by the number of third-party attachers to mainline poles and to service poles. TCC submitted that it did not apply the revised percentage utilization factor when determining its proposed pole attachment rate because this would have a negligible impact.

#### **Commission's analysis and determinations**

31. In this proceeding, TCC submitted that it had included certain non-owned service poles in its pole count during the proceeding leading to Telecom Decision 2010-900, since it considered that this was consistent with its tariffs. While there is no indication on the record of the proceeding that led to Telecom Decision 2010-900 that TCC's

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<sup>11</sup> TCC referred to its British Columbia General Tariff 1005, item 97B – Construction Charges (grandfathered); Alberta General Tariff 18001, item 406 – Construction Charges (grandfathered); and General Tariff 21461, item 406 – Construction Charges (in force).

total pole count included non-owned poles, this is not surprising given that service pole ownership was not an issue in that proceeding. TCC proposed a total pole count without distinguishing between types of poles and the Commission accepted this count.

32. In the circumstances, the Commission is prepared to accept TCC's assertion that non-owned poles were included in the total pole count in the proceeding that led to Telecom Decision 2010-900.
33. TCC noted in this proceeding that, pursuant to Telecom Decision 2014-645, it had withdrawn 82,130 invoices related to service poles that it maintains on private property. Because the company's records do not allow it to determine the exact number of non-owned service poles as of the date that the service pole rate was determined,<sup>12</sup> a proxy is appropriate. Specifically, TCC's method of applying an annual deflation factor of 1% to the number of service poles for which it actually withdrew invoices to licensees (82,130, as noted above) is an acceptable method for approximating the count for non-owned service poles on private property in 2010 (78,894).
34. With regard to the count of billed service poles, TCC proposed to use its 2014 billed service pole count (40,670) without applying an adjustment to reflect the 2010 count. In the circumstances, it is also appropriate to apply TCC's proposed annual 1% deflation factor to the 2014 counts for billed service poles to approximate the count for billed service poles in 2010 (39,068).
35. TCC's unchallenged assumption that there is, on average, one attacher per service pole, is reasonable. As a result of this assumption, the number of service poles with third-party attachers would be equivalent to the number of billed service poles.
36. Since service poles with third-party attachers are assumed to have one attacher besides TCC, the company's proposed percentage utilization factor is appropriate and should be applied to the calculation of the pole attachment rate to ensure a just and reasonable rate.
37. In light of the above, the Commission
  - reduces TCC's total pole count by its proposed proxy for service poles it neither owns nor controls (78,894 poles),
  - reduces TCC's proposed counts for service poles with third-party attachers and billed service poles by the proposed annual deflation factor of 1% (both counts reduced to 39,068 poles), and
  - applies a modified percentage utilization factor of 42.18%.

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<sup>12</sup> ILECs were not permitted to begin charging rates for service poles until Telecom Decision 2011-406 was published; however, that decision determined that the service pole rate should be equivalent to the mainline pole rate, which was established in Telecom Decision 2010-900.

### **Should TCC's embedded costs be adjusted?**

38. Allstream, Eastlink, and Shaw submitted that it would be inconsistent with Telecom Decision 2014-645 if TCC were to recover the same costs determined in Telecom Decision 2010-900 over a smaller base of poles, since licensees would seemingly still be paying TCC for costs associated with poles that it does not own or control. The interveners submitted that if any adjustment is to be made to TCC's pole attachment rate as a result of the removal of non-owned service poles, the calculation should exclude expenses incurred for such poles.
39. The interveners also submitted that if TCC incurred any costs associated with non-owned poles located on private property, these costs should be recovered from the customers (i.e. the property owners), not the licensees.
40. TCC submitted that, according to the terms of its construction tariff, it is responsible for maintaining support structures located on private property and that it incurs costs to do so. TCC indicated that because its accounting records do not differentiate between costs associated with poles on private versus public property, it could not break down the costs for poles on private property.
41. TCC submitted that it is entitled to recover its total actual costs incurred in respect of mainline and service poles on public and private property.
42. TCC argued that a just and reasonable pole attachment rate should recover all maintenance costs, and that it would be appropriate to recover these costs from licensees.

### **Commission's analysis and determinations**

43. By withdrawing invoices for 82,130 service poles, TCC has acknowledged that it does not, and is not required to, provide support structure services in respect of those poles. To the extent that TCC incurs any costs in respect of such poles, such costs are not attributable to the provision of telecommunications services to licensees. Accordingly, it is reasonable to exclude costs associated with the maintenance of those poles from the embedded costs used to calculate the pole attachment rate charged to licensees. By the same logic, it is reasonable to exclude costs associated with the removal of those poles from the embedded costs as well.
44. Although TCC indicated that it would not be able to provide a cost figure associated with the maintenance and removal of non-owned service poles affected by the determinations in Telecom Decision 2014-645, an adjustment to the maintenance and removal costs for TCC's poles is necessary. In Telecom Decision 2011-406, the Commission noted that the embedded costs for mainline poles and service poles were the same. Therefore, the Commission assumes that the maintenance and removal costs per pole for non-owned service poles are the same as the maintenance and removal costs per pole determined in Telecom Decision 2010-900.

45. In light of the above, the Commission reduces the total maintenance and removal costs for TCC's poles by the following:

(maintenance and removal costs per pole determined in Telecom Decision 2010-900)  $\times$  (proxy value for the number of service poles that TCC does not own or control and for which the company has withdrawn invoices)

**What is the appropriate pole attachment rate?**

46. Based on the above determinations, the Commission **approves** a monthly pole attachment rate of \$1.61 for TCC. Details of the methodology used to calculate the rate are set out in the Appendix to this order.

**Should the adjusted pole attachment rate be applied retroactively?**

47. Allstream, Eastlink, and Shaw argued that TCC's request to apply the revised pole attachment rate on a retroactive basis should be denied. They submitted that TCC ought to have known that non-owned service poles should not have been included in its original pole count, and argued that it would be inappropriate after such an extended amount of time to approve a retroactive modification to a rate set in a proceeding that ended in 2010. They submitted that organizations rely on the finality of Commission determinations in planning their respective affairs, and that the finality of Commission decisions is in the public interest.
48. TCC submitted that, since it was required to give effect to the determinations set out in Telecom Decision 2014-645 as of the publication date of Telecom Decision 2011-406, the revised pole attachment rate should be effective as of the same date in order to ensure symmetrical treatment and revenue neutrality. TCC submitted that, absent a retroactive adjustment, it will be prejudiced in perpetuity for not being able to recover allowable costs as determined by Telecom Decision 2010-900.

**Commission's analysis and determinations**

49. As noted above, the Commission has treated TCC's application as a tariff application, consistent with TCC's request. Tariff applications containing requests to vary a final rate generally take effect on a prospective basis only. While the Commission has varied final rates on a retroactive basis in the past, it has only done so in rare cases where the facts clearly demonstrated that the existing rate was not and had not been just and reasonable.
50. The Commission considers that TCC has failed to justify why a retroactive application of an adjusted pole attachment rate would be appropriate in the present case. The Commission has determined in this order that it would be appropriate to remove from TCC's total pole count the non-owned poles in respect of which TCC does not provide support structure services. However, the responsibility to supply the Commission with an accurate pole count in respect of which the attachment rate is set rests solely with TCC. In the proceeding leading to Telecom Decision 2010-900, there was no indication that TCC's total pole count included non-owned poles. Further, almost five years elapsed between the issuance of Telecom Decision

2010-900 and the filing of TCC's application purporting to clarify this matter. Any prejudice accruing to TCC from the prospective application of a revised rate is the result of TCC's own actions or omissions.

51. In addition, the retroactive revision of the rate determined on a final basis in Telecom Decision 2010-900 would operate to the detriment of licensees, whose reliance on the finality of the decision at that time was reasonable.
52. Given licensees' reliance on the finality of the rates set in Telecom Decision 2010-900, the amount of time that has passed, and the responsibility of TCC to provide the Commission with accurate and timely information in support of its rates, it would be inappropriate to apply the revised pole attachment rate on a retroactive basis. Further, applying the new rate on a prospective basis would be consistent with TCC's view that its application should be treated as a tariff application.
53. Accordingly, the revised monthly pole attachment rate of \$1.61 for TCC takes effect the date of this order.

**Is it appropriate, in the circumstances, for TCC to recover service pole costs using mainline pole attachment rates?**

54. Allstream raised concerns over the appropriateness of TCC recovering service pole costs using mainline pole attachment rates, and requested that the Commission reject TCC's application in its entirety.
55. Allstream referred to paragraph 50 of Telecom Decision 2010-900, in which the Commission stated that mainline pole attachment rates should not recover service pole costs.<sup>13</sup> Allstream submitted that the purpose of TCC's application is to compensate TCC for service pole costs, but that it seeks to do so through an increase in attachment rates for all poles, both mainline and service. Allstream submitted that, since it only attaches to mainline poles, it would be prejudiced by the proposed increase, since it would be compensating TCC for a class of support structure it does not use.
56. TCC submitted that the Commission considered the matter of compensating ILECs for service pole costs in Telecom Decision 2011-406, wherein the Commission found that the then-current service pole attachment rate (which was effectively zero) did not adequately compensate ILECs for non-ILECs' use of service poles. The Commission established that the service pole attachment rate should be the same as the mainline pole attachment rate approved in Telecom Decision 2010-900.

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<sup>13</sup> Paragraph 50 of Telecom Decision 2010-900 states the following: "Consistent with the ILECs' tariffs, the Commission considers that pole rates should not recover service pole costs. However, the Commission notes that the ILECs incur service pole costs and that third parties use ILEC service poles. The Commission considers that the current effective service pole rate does not adequately compensate ILECs for third-party use of service poles and should be revised, using the [95-13](#) pricing methodology, to permit recovery of service pole costs."

## Commission's analysis and determinations

57. In Telecom Decision 2010-900, the Commission determined that the existing service pole attachment rate did not adequately compensate ILECs for competitors' use of service poles, and consequently initiated a follow-up proceeding to establish a revised service pole attachment rate.
58. In Telecom Decision 2011-406, which resulted from the follow-up proceeding, the Commission noted that, as is the case for mainline poles, ILECs will incur ongoing administrative and lost productivity costs for service poles. Further, the Commission noted that the embedded cost for mainline poles and service poles is the same, and determined that an ILEC's pole attachment rate would be an appropriate attachment rate for its service poles.
59. In the Commission's view, the paragraph from Telecom Decision 2010-900 cited by Allstream cannot be viewed in isolation. That decision and Telecom Decision 2011-406, viewed together, confirmed that embedded costs for both types of poles are equivalent, confirmed an ILEC's right to recover those costs, and set equivalent rates for both types of poles to allow for such recovery. It would be inconsistent with these determinations to require that an ILEC recover costs associated with service poles exclusively from licensees who attach to service poles.
60. Accordingly, the Commission **denies** Allstream's request.

Secretary General

## Related documents

- *Raftview Communications Ltd. – Request for relief from alleged inappropriate charges by TELUS Communications Company for privately owned service poles*, Telecom Decision CRTC 2014-645, 12 December 2014
- *Follow-up to Telecom Decision 2010-900 – Service pole rate and markup issues*, Telecom Decision CRTC 2011-406, 4 July 2011
- *Approval processes for tariff applications and intercarrier agreements*, Telecom Information Bulletin CRTC 2010-455-1, 19 February 2016
- *Revised guidelines for review and vary applications*, Telecom Information Bulletin CRTC 2011-214, 25 March 2011
- *Review of the large incumbent local exchange carriers' support structure service rates*, Telecom Decision CRTC 2010-900, 2 December 2010, as amended by Telecom Decision CRTC 2010-900-1, 9 December 2010
- *Review of the large incumbent local exchange carriers' support structure service rates – Requests from cable carriers*, Telecom Order CRTC 2009-731, 27 November 2009

- *Revised regulatory framework for wholesale services and definition of essential service*, Telecom Decision CRTC 2008-17, 3 March 2008
- *Access to telephone company support structures*, Telecom Decision CRTC 95-13, 22 June 1995

## Appendix to Telecom Order CRTC 2016-228

### Methodology used to calculate TCC's pole attachment rate<sup>14</sup>

#### Embedded and net embedded costs per unit

Factor	Amount
Total number of poles	747,769
Embedded cost (book value or original cost)	\$499.75
Net embedded cost (net book value)	\$224.80

#### Annual embedded costs per unit

Factor	Amount
Depreciation	\$14.80
Maintenance	\$7.11
Removal	\$4.84
Capital taxes	\$0.02
Property taxes	\$4.50
Revenue charge	\$0.51
Debt interest	\$8.86
Return on equity	\$13.60
Income tax expense	\$5.71
Other costs (pine beetle)	\$1.50
Other costs (joint-use management)	\$0.38
Other costs (rights of way)	\$0.46
<b>Total annual embedded cost per unit</b>	<b>\$62.26</b>

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<sup>14</sup> Totals may not add up exactly due to rounding.

**Embedded cost attributable to third parties**

<b>Factor</b>	<b>Amount</b>
Percentage utilization factor	42.18%
Embedded cost per unit attributable to third parties	\$26.27
Number of structures to which third parties attach	298,261
<b>Total embedded cost attributable to third parties</b>	<b>\$7,836,486</b>

**Pole rental cost**

<b>Factor</b>	<b>Amount</b>
Embedded pole rental cost per unit	\$16.24
Number of rented poles to which third parties attach	85,399
<b>Total pole rental cost</b>	<b>\$1,386,987</b>

**Annualized prospective incremental costs (annualized equivalent costs)**

<b>Factor</b>	<b>Amount</b>
Loss in productivity costs	\$534,296
Administration costs	\$55,135
<b>Total annualized prospective incremental costs</b>	<b>\$589,431</b>

**Total costs**

<b>Factor</b>	<b>Amount</b>
Total annual costs	\$9,812,851
Number of annual billing units	507,713
<b>Annual cost per billing unit</b>	<b>\$19.33</b>
<b>Monthly cost per billing unit</b>	<b>\$1.61</b>