



Telecom Order CRTC 2017-118

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Ottawa, 27 April 2017

File numbers: Tariff Notice 976, 8740-NI-201700740

Northwestel Inc. – Revisions to Wholesale Connect service

Application

1. In *Review of the rates for Northwestel Inc.'s Wholesale Connect service*, Telecom Decision CRTC 2016-443, 8 November 2016 (Telecom Decision 2016-443), the Commission directed Northwestel Inc. (Northwestel) to file revised Phase II cost studies for all its Wholesale Connect service speeds, for all community types,¹ reflecting the determinations and costing assumptions set out in that decision.
2. Northwestel filed Tariff Notice 976, dated 6 February 2017, proposing revisions to its Access Services Tariff, CRTC 21480, Item 300 – Wholesale Connect Service, with a proposed effective date of 1 March 2017. In its Tariff Notice, Northwestel proposed two rate scenarios (A and B) to revise the rates for each of its existing Wholesale Service speeds, by community type, supported by cost studies, and to introduce two new speeds of 300 megabits per second (Mbps) and 400 Mbps in Type A and Breakout communities, in response to competitors' requests for higher-speed transport services. Northwestel also proposed to reclassify Dawson City from a Type C to a Type B community.
3. Northwestel requested that the Commission approve on an interim basis the rates proposed in Scenario A, which reflect a proposed revision to the -26.4% annual capital unit cost change assumption for traffic-driven equipment and labour costs set out in Telecom Decision 2016-443. Specifically, in Scenario A, Northwestel proposed to use an assumption of -11.3% for the restatement of historical costs and -12.3% during the cost study period. Northwestel submitted that Scenario A is consistent with its Part 1 application entitled "Application by Northwestel to Review and Vary Telecom Decision CRTC 2016-443," which it filed on 6 February 2017, concurrently with Tariff Notice 976. The rates proposed under Scenario A are set out in Appendix 1 to this order.

¹ Type A band consists of core communities served by fibre transport links (e.g. Whitehorse, Y.T. and Yellowknife, N.W.T.). Type B band consists of communities connecting to Type A communities using fibre transport links (e.g. Fort Providence, N.W.T.). Type C band consists of communities connecting to Type A communities using a combination of high-capacity microwave radio and fibre transport links (e.g. Dawson City, Y.T.). The Breakout band consists of communities outside of Northwestel's operating territory (e.g. High Level, Alta.).

4. In Scenario B, Northwestel provided revised Wholesale Connect service rates, with supporting cost studies, pursuant to the Commission's directives in Telecom Decision 2016-443. The rates proposed under Scenario B reflect the annual capital unit cost change assumption that was originally set out in Telecom Decision 2016-443 (i.e. -26.4%). They are set out in Appendix 2 to this order.
5. The Commission received comments from SSi Micro Ltd., with support from ArcTech Computers Inc. and Iristel Inc., submitting that Northwestel's current rates are too high and that the Commission should give interim approval to the proposed rates associated with Scenario B. The public record of this proceeding is available on the Commission's website at www.crtc.gc.ca or by using the file numbers provided above.

Commission's analysis and determinations

6. In Telecom Decision 2016-443, the Commission directed Northwestel to apply the annual capital unit cost reduction of 26.4% for traffic-driven equipment to its Wholesale Connect service. This amount is consistent with the annual capital unit cost reduction applied for the aggregated wholesale high-speed access services provided by the large telephone and cable companies, which use service components similar to the ones that Northwestel uses.
7. Considering (i) that the rates proposed in Scenario A reflect the costing assumption issue that is at the heart of Northwestel's review and vary application, which is currently under review, and (ii) the Commission's determinations in Telecom Decision 2016-443, the Commission finds that the rates proposed in Scenario B would be more appropriate at this time.
8. With respect to the proposed rates in Scenario B associated with the introduction of the two new speeds, the Commission notes that they align with the rates for other tariffed speeds proposed in Tariff Notice 976.
9. In light of the above, the Commission **approves on an interim basis** Northwestel's proposed rates provided in Scenario B and the reclassification of Dawson City to a Type B community, effective the date of this order.

Secretary General

Appendix 1 to Telecom Order CRTC 2017-118

Wholesale Connect monthly rates: Scenario A as proposed by Northwestel

Bandwidth (Mbps)	Type A Communities	Type B Communities	Type C Communities	Breakout Communities
5	N/A	\$935	\$2,694	N/A
10	\$1,012	\$1,140	\$4,728	\$1,823
20	\$1,277	\$1,693	\$9,011	\$2,218
30	\$1,542	\$2,103	\$13,080	\$2,613
40	\$1,807	\$2,513	\$17,149	\$3,008
50	\$2,073	\$2,924	\$21,218	\$3,402
60	\$2,338	\$3,334	N/A	\$3,797
80	\$2,868	\$4,154	N/A	\$4,586
100	\$3,399	\$4,975	N/A	\$5,376
150	\$4,725	N/A	N/A	\$7,350
200	\$6,052	N/A	N/A	\$9,323
300	\$8,705	N/A	N/A	\$13,271
400	\$11,357	N/A	N/A	\$17,218

Appendix 2 to Telecom Order CRTC 2017-118

**Wholesale Connect monthly rates: Scenario B as proposed by Northwestel
and approved on an interim basis**

Bandwidth (Mbps)	Type A Communities	Type B Communities	Type C Communities	Breakout Communities
5	N/A	\$829	\$1,894	N/A
10	\$863	\$934	\$3,131	\$1,633
20	\$992	\$1,278	\$5,807	\$1,833
30	\$1,120	\$1,488	\$8,281	\$2,032
40	\$1,248	\$1,697	\$10,755	\$2,232
50	\$1,377	\$1,906	\$13,228	\$2,431
60	\$1,505	\$2,115	N/A	\$2,630
80	\$1,762	\$2,534	N/A	\$3,029
100	\$2,019	\$2,952	N/A	\$3,428
150	\$2,660	N/A	N/A	\$4,425
200	\$3,302	N/A	N/A	\$5,422
300	\$4,586	N/A	N/A	\$7,416
400	\$5,869	N/A	N/A	\$9,410