



Telecom Decision CRTC 2018-250

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Sogetel inc. – Implementation of local competition for Iristel Inc. in the exchanges served by the local interconnection regions of Lac-Etchemin, Nicolet, and St-Liboire, Quebec

*The Commission **approves** Sogetel inc.'s implementation plan for local competition, including local number portability, for Iristel Inc., in the exchanges served by the local interconnection regions of Lac-Etchemin, Nicolet, and St-Liboire, Quebec. The Commission's decision enables customers in these exchanges to have a greater choice of telecommunications services.*

Background

1. The regulatory framework for local competition in the serving territories of the small incumbent local exchange carriers (ILECs) is set out in Telecom Decision 2006-14. That decision includes directives that the small ILECs must follow when submitting their implementation plans. The implementation of local number portability (LNP) is one of the key requirements of that framework.
2. The Commission reviewed the framework and determined, in Telecom Regulatory Policy 2011-291, that local competition should continue to be introduced in the serving territories of the small ILECs based on the existing framework, subject to the modifications set out in that decision. For example, although the Commission considered that the small ILECs' customers should have the opportunity to benefit from local competition, it determined that the small ILECs should be subject to special considerations regarding the recovery of costs.

Application

3. The Commission received an implementation plan for local competition, including LNP (the implementation plan), dated 8 January 2018, from Sogetel inc. (Sogetel). In accordance with the framework set out in Telecom Decision 2006-14 and modified in Telecom Regulatory Policy 2011-291, the implementation plan was submitted in response to a formal signed expression of interest from Iristel Inc. (Iristel), which indicated that Iristel wished to interconnect with Sogetel to provide local services as a competitive local exchange carrier in the exchanges served by the local interconnection regions (LIR) of Lac-Etchemin, Nicolet, and St-Liboire, Quebec (referred to hereafter as the affected exchanges), located in Sogetel's serving territory in Quebec.

4. In its implementation plan, Sogetel indicated that in previous decisions, the Commission had already approved the terms associated with the implementation of local competition and LNP in these LIRs. Accordingly, Sogetel specified that the plan submitted as part of the present application was limited to additional elements that were required given Iristel's request. Sogetel indicated that Iristel's request would generate additional costs related to shared-cost circuits¹ (e.g. materials, installation, and maintenance) and to LNP (e.g. portability and research costs).
5. The Commission did not receive any interventions regarding Sogetel's application.

Issues

6. The Commission has examined the following issues in considering Sogetel's proposed implementation plan:
 - Which interconnection methods and options would be appropriate for implementing local competition for Iristel in the affected exchanges?
 - Are new wholesale tariffs required to allow for the implementation of local competition for Iristel in the affected exchanges?
 - What additional costs would be incurred related to the implementation of local competition for Iristel in the affected exchanges, and what mechanisms are available to Sogetel to recover its costs?
 - What would be a reasonable time frame to implement local competition for Iristel in the affected exchanges?

Which interconnection methods and options would be appropriate for implementing local competition for Iristel in the affected exchanges?

Positions of parties

7. In the implementation plan, Sogetel proposed to respond to Iristel's request by using the default point of interconnection (POI)² located in the central office of each LIR of Lac-Échemin, Nicolet, and St-Liboire. Sogetel proposed to undertake all necessary discussions with Iristel to establish the exact number of interconnecting trunks that will be required and any other necessary information on POIs. Sogetel expected a need for shared-cost circuits between each of the company's LIRs and Iristel's point

¹ Shared-cost circuits are interconnection circuits that ensure the exchange of traffic between each point of interconnection (POI) site of local exchange carriers within an LIR. The traffic that is exchanged within an LIR is generally subject to a bill-and-keep mechanism.

² The default POI is the point located in an LIR for the purpose of a new interconnection agreement, unless a different POI has been mutually agreed to.

of presence.³ In addition, for LNP, Sogetel expected to use the terms and systems already approved in previous Commission decisions.

Commission's analysis and determinations

8. In Telecom Decision 97-8, in which the Commission established the regulatory framework for local competition in the large ILECs' serving territories, the Commission stated that competitors should be permitted to interconnect using shared-cost facilities to minimize interconnection costs. The Commission was seeking to promote competitive equity and interconnection efficiency by reducing or eliminating any incentive to impose on competitors costs for interconnection facilities that are higher than necessary.
9. In Telecom Decisions 2006-14 and 2008-122, in which the Commission established the framework for local competition in the small ILECs' serving territories, the Commission indicated that the frameworks for interconnection and wireless number portability that applied to the large ILECs should apply to the small ILECs.
10. The principles of competitive equity and interconnection efficiency should prevail in the interconnection between Sogetel and Iristel to enable the parties to reduce their interconnection costs and, consequently, the impact on their subscribers.
11. Accordingly, the Commission expects the two parties to negotiate the proposed terms and technologies, and to interconnect using the most efficient configuration possible, while minimizing the costs to be incurred.

Are new wholesale tariffs required to allow for the implementation of local competition for Iristel in the affected exchanges?

Positions of parties

12. Sogetel indicated that in Telecom Order 2012-297, the Commission approved tariffs to implement local competition in Sogetel's serving territory. The company did not expect that it would need to file additional tariffs associated with Iristel's request.

Commission's analysis and determinations

13. Sogetel already has an Access Services Tariff that the Commission approved during the implementation of local competition in Sogetel's serving territory. However, in the current proceeding, Iristel did not identify which services it may need.
14. Accordingly, the Commission determines that Sogetel's proposal to rely on its existing Access Services Tariff is acceptable. The Commission encourages the parties to come to an agreement on which services should be provided. If a change is

³ A point of presence is a point at which two or more networks or different communications devices establish connections with one another. A point of presence designates an access point, a location, or a facility that connects to other devices (e.g. to establish an Internet connection).

required to the services that Sogetel offers, it must file a new tariff notice with the Commission to reflect the change.

What additional costs would be incurred related to the implementation of local competition for Iristel in the affected exchanges, and what mechanisms are available to Sogetel to recover its costs?

Positions of parties

15. Sogetel submitted a cost study to justify the start-up costs and recurring costs related to the implementation of local competition for Iristel. Sogetel noted that in Telecom Decisions 2012-42, 2013-176, 2016-182, and 2017-233, the Commission authorized exogenous adjustments⁴ of \$71,000, \$31,000, \$28,431, and \$2,500 per year, respectively, for the recovery of start-up costs, with corresponding reductions of \$0.64, \$0.11, \$0.39, and \$0.03 in the rate component Sogetel used to calculate its subsidy amount for the recovery of its ongoing costs.
16. Sogetel identified \$80,000 in start-up costs and \$68,261 in ongoing costs over the five-year study period. The company submitted that these amounts represent an additional exogenous adjustment of \$20,128 per year over a period of five years for the recovery of its start-up costs, as well as an additional reduction of \$0.17 in the rate component used to calculate its subsidy amount for the recovery of its ongoing costs.⁵
17. Sogetel indicated that its forecasted start-up costs are based on an estimate of the consultation costs to prepare the implementation plan and the costs for materials to be installed at the three POIs. The forecasted ongoing costs are based on an estimate of additional portability costs related to the loss of network access services (NAS) and an estimate of additional LNP research costs related to NAS.

Commission's analysis and determinations

18. In previous decisions regarding local competition, the Commission recognized that the implementation of local competition could be costly for small ILECs, but determined that customers in the small ILECs' serving territories should not be deprived of the advantages of local competition.⁶ The Commission has consistently

⁴ An exogenous adjustment, which could result in a rate increase, reflects the financial impact associated with events or initiatives that are not captured by other elements of the price cap regime. Adjustments would be considered for events or initiatives that meet the following criteria: (a) they are legislative, judicial, or administrative actions that are beyond the control of the company; (b) they are addressed specifically to the telecommunications industry; and (c) they have a material impact on the company.

⁵ This reduction is calculated based on revised forecasts of Sogetel's market loss over five years. The subsidy for high-cost serving areas is calculated based on several factors, after which the rate element, based on subscription revenues for residential primary exchange service, is deducted. This allows for the subsidy to be increased to cover ongoing costs associated with the implementation of local competition.

⁶ In Telecom Regulatory Policy 2011-291, the Commission noted that several small ILECs had begun to offer broadcast distribution services in their incumbent serving territories and were also acting as competitors by offering services such as telephony and Internet outside their incumbent serving territories. The Commission expressed the view that it would be inconsistent with the principle of competitive

recognized that local competition should continue to be implemented in the small ILECs' serving territories. In this case, local competition has already been established in the affected exchanges; however, the implementation plan in the present application deals with additional costs related to shared-cost circuits and to LNP.

19. The Commission has reviewed the cost study and the breakdown of costs, taking into account the regulatory framework and costs approved in the past. It considers the proposed costs to be reasonable and comparable to costs submitted in previous applications for local competition implementation.
20. Regarding Sogetel's proposed start-up costs, these costs can be partially recovered through an exogenous adjustment, should Sogetel decide to take advantage of it.
21. Regarding Sogetel's proposed ongoing costs, in Telecom Regulatory Policy 2011-291, the Commission allowed for the recovery of ongoing costs related to the implementation of local competition through access to the National Contribution Fund, finding that the imputed \$30 rate component used in calculating the subsidy requirement would be lowered by an amount equal to the lesser of the approved ongoing local competition costs on a per-NAS, per-month basis, or \$2 per NAS per month.
22. In light of the above, the Commission **approves** Sogetel's proposed costs of (a) \$80,000 in start-up costs over a period of five years, and (b) \$68,261 in ongoing costs over a period of five years, which corresponds to an additional reduction of \$0.17 in the rate component used to calculate the subsidy amount for the recovery of Sogetel's ongoing costs.

What would be a reasonable time frame to implement local competition for Iristel?

Positions of parties

23. Sogetel proposed to carry out its implementation plan within 160 days of the Commission approving the plan. In addition, Sogetel indicated that if certain issues are not resolved within the proposed time frame, the company would inform the Commission and, if required, propose another solution.

Commission's analysis and determinations

24. The framework governing local competition applicable to the small ILECs did not set out a specific time frame to establish each element of the implementation plan.
25. Nonetheless, even if several activities related to the implementation of local competition for Iristel must be carried out separately from those carried out in the

neutrality not to allow the implementation of local competition in the territories of the small ILECs, as this would allow small ILECs to offer telecommunications services in any territory while preventing cable companies from offering telephony services in their own territories.

past, Iristel already has several elements in operation, such as basic POIs that have already been established in the exchanges served by the LIRs of Lac-Etchemin, Nicolet, and St-Liboire. In addition, Sogetel now has the experience to successfully complete the implementation of local competition. Accordingly, the Commission considers that the 160-day time frame proposed by Sogetel is appropriate.

Conclusion

26. In light of all the above, the Commission **approves** the implementation of local competition for Iristel for the exchanges served by the LIRs of Lac-Etchemin, Nicolet, and St-Liboire, Quebec, within **160 days** of the date of this decision.
27. In Telecom Regulatory Policy 2018-213, the Commission determined that the local service subsidy would be phased out over a period of three years, from 1 January 2019 to 31 December 2021, through semi-annual reductions. The Commission also determined that the total 2018 subsidy amounts would be used to calculate the subsidy amounts to be paid during the transition period from 2019 to 2021. Accordingly, the reduction in the rate component used to calculate the subsidy amount for the recovery of ongoing costs approved in this decision will be included in the 2018 subsidy amount that will be used as the starting point for the phase-out.

Secretary General

Related documents

- *Phase-out of the local service subsidy regime*, Telecom Regulatory Policy CRTC 2018-213, 26 June 2018
- *Sogetel inc. – Implementation of local competition for CoopTel, on behalf of Câble Axion Digital inc., in the exchanges of Lac-Etchemin and St-Just-de-Bretonnières, Quebec*, Telecom Decision CRTC 2017-233, 5 July 2017
- *Sogetel inc. – Implementation of local competition for CoopTel on behalf of Câble Axion Digital inc.*, Telecom Decision CRTC 2016-182, 13 May 2016
- *Sogetel inc. – Implementation of local competition and wireless number portability for Quebecor Media Inc. on behalf of its affiliate Videotron G.P.*, Telecom Decision CRTC 2013-176, 4 April 2013
- *Sogetel inc. – Local network interconnection*, Telecom Order CRTC 2012-297, 17 May 2012
- *Sogetel inc. – Implementation of local competition for Cogeco Cable Inc.*, Telecom Decision CRTC 2012-42, 24 January 2012
- *Obligation to serve and other matters*, Telecom Regulatory Policy CRTC 2011-291, 3 May 2011; as amended by Telecom Regulatory Policy CRTC 2011-291-1, 12 May 2011

- *Regulatory framework for the implementation of wireless number portability within the serving territories of the small incumbent local exchange carriers*, Telecom Decision CRTC 2008-122, 18 December 2008
- *Revised regulatory framework for the small incumbent local exchange carriers*, Telecom Decision CRTC 2006-14, 29 March 2006
- *Local competition*, Telecom Decision CRTC 97-8, 1 May 1997