



Telecom Order CRTC 2004-411

Ottawa, 8 December 2004

TELUS Communications Inc.

Reference: Tariff Notices 388 and 389

COMM Residential Optional Service Bundles

1. The Commission received applications by TELUS Communications Inc. (TCI), dated 27 August 2004 and 1 September 2004, to revise the former TELUS Communications (Québec) Inc.'s¹ (TCQ's) General Tariff item 2.27, Residential Bundles, in order to increase the monthly rates for COMM Residential Optional Service Bundles in high-cost serving areas (HCSAs) by \$0.80 or \$0.85, depending on the bundle. TCI also proposed to introduce a new COMM service bundle, which includes basic residential local service, residential optional services and forborne services, which the company stated was being offered without an approved tariff.
2. TCI acknowledged that it had failed to adhere to the regulatory framework applicable to TCQ by offering the previously untariffed COMM Residential Optional Service Bundles in the absence of an approved tariff. In addition, TCI acknowledged that it had applied a rate increase to all its COMM Residential Optional Service Bundles in HCSAs, in the absence of Commission's approval since 22 December 2003.
3. TCI argued that, due to system limitations, it was unable to refund the amounts it had overcharged COMM Residential Optional Service Bundles subscribers in HCSAs other than on a manual basis. TCI alleged that the impact of such a refund on the company would be onerous in view of the large number of subscribers that would be affected.
4. As an alternative to refunding its customers, the company proposed to add all the revenues derived from the rate increases not approved by the Commission to its deferral account. TCI considered its proposal reasonable since the revenues associated with the non-compliant rate increases would not be retained by the company.
5. TCI provided cost justification to demonstrate that the proposed rates for the new service bundle were compensatory.
6. The Commission received no comments with respect to the application.

Commission's analysis and determination

7. In *Implementation of price regulation for Télébec and TELUS Québec*, Telecom Decision CRTC 2002-43, 31 July 2002 (Decision 2002-43), the Commission determined that it would not apply a rate element constraint to the prices of service bundles that include a residential local

¹ Effective 1 July 2004, TELUS Communications Inc. (TCI) has assumed all rights, entitlements, liabilities, and obligations relating to the provision of telecommunications services in the territory previously serviced by TELUS Communications (Québec) Inc.

exchange service or a residential optional local service.

8. In *Société en commandite Télébec and TELUS Communications (Québec) Inc. 2002 annual price cap filings*, Telecom Decision CRTC 2003-57, 22 August 2003, the Commission concluded that TCQ should file cost studies and imputation test results or alternate costing support when filing tariff applications to introduce a new service or to propose implicit or explicit rate reductions to an existing service.
9. The Commission is satisfied that the proposed rate increases to COMM Residential Optional Service Bundles in HCSAs are acceptable, since Decision 2002-43 imposed no price constraints on bundles that include optional local services. The Commission is also satisfied, based on the costing support provided by TCI, that the proposed rates for the new COMM Residential Optional Service Bundle are set above the costs of providing that service. Accordingly, the Commission is satisfied that the proposed rates are acceptable.
10. In regard to TCI's request to add the revenue resulting from its non-compliant rate increases to its deferral account, the Commission notes that the company would normally be required to credit those subscribers the overcharged amount to adhere to the approved tariffs. The Commission notes, however, TCI's concern that it would not be able to refund those subscribers in a cost-effective manner.
11. In Decision 2002-43, the Commission anticipated that the deferral account would be drawn down to mitigate rate increases for residential service that could result from the approval of exogenous factors or when inflation exceeds productivity. Other draw downs could occur, for example, through subscriber rebates or through funding initiatives that would benefit residential customers in other ways.
12. The Commission considers that, in light of the complications associated with refunding COMM Residential Optional Service Bundles subscribers in HCSAs, and since additional revenues deposited into the deferral account can be used to benefit the same residential customers that were impacted by the rate increases, the Commission finds TCI's proposal to add the revenues associated with the non-compliant rate increases to its deferral account acceptable.
13. In light of the above, the Commission **approves** TCI's applications. The revisions take effect as of the date of this Order. In addition, the Commission directs TCI to apply the revenues associated with the rate increases to the COMM Residential Optional Service Bundles in HCSAs for the period of 22 December 2003 to the date of approval of these tariff notices and deposit that amount to TCQ's deferral account.

Secretary General

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