RCI Exhibit # 5

Order CRTC 2001-278

Ottawa, 30 March 2001

CRTC approves increases to Bell Canada's residential rates

Reference: Tariff Notice 6557

The CRTC approves increases to certain residential primary exchange services rates.

1. On 26 January 2001, Bell Canada filed an application to raise residential primary exchange service rates. Bell Canada noted that these rate increases would enable the company to recover a portion of the additional contribution the company is required to pay pursuant to *Changes to the contribution regime*, Decision CRTC 2000-745, dated 30 November 2000.
2. Bell Canada submitted that the new contribution system will require the company to remit an additional $272 million in contribution to the Central Fund administrator in 2001, while the contribution it receives will remain unchanged.
3. Bell Canada submitted that the exogenous adjustment, which it proposes be effective 1 March 2001, must permit, over the 10 months of 2001, the recovery of the 4.5% revenue charge applicable to capped services over 12 months.
4. The Public Interest Advocacy Centre (PIAC) filed comments on behalf of Action Réseau Consommateur, the Consumers' Association of Canada, the Fédération des associations coopératives d'économie familiale du Québec and the National Anti-Poverty Organization. A few subscribers filed comments opposing the proposed rate increases.
5. PIAC did not object to Bell Canada "grossing-up" the 4.5% exogenous factor in order to account for collection of the revenue charge for 2001 over 10 months rather than 12. PIAC was however concerned that this gross-up not be carried forward into future years. Consequently, Bell Canada's price cap index (PCI) for 2002 should be reduced by 0.9% in order to eliminate the 2001-specific gross-up.
6. PIAC argued that it is essential that the 4.5% exogenous factor adjustment not be automatically carried through into 2002 since the revenue charge is expected to drop significantly due to reductions in the total subsidy requirement in 2002. PIAC submitted that any future year's PCI should be adjusted annually for the revenue charge applicable in that year.
7. In Order CRTC 2001-100, dated 2 February 2001, the Commission directed Bell Canada to include a downward exogenous adjustment to the PCI and to the service basket limits (SBLs) for each of the Residence Local Services and Other Capped Services sub-baskets to reflect the portion of the savings that results from the reduction of the Ontario gross receipts tax (GRT) rate for 2000 and 2001 associated with the company's capped services.
8. In an interrogatory Bell Canada was asked to amend its rate proposal in view of the directives in Order 2001-100. The company was also questioned about the appropriateness of its proposed adjustment to the 4.5% exogenous factor and the impact on the proposed rates if it were to be disallowed.
9. In response, Bell Canada submitted that Decision 2000-745 allows the company to recover the revenue-percentage charge applicable to its capped services in 2001 through an exogenous adjustment. Bell Canada argued that disallowing its proposed adjustment to the exogenous factor would be inconsistent with this determination and would have a very significant negative financial impact on the company. Bell Canada submitted that it would be inappropriate and unfair to disallow the company's proposed adjustment to the 4.5% exogenous factor approved in Decision 2000-745.
10. At paragraph 135 of Decision 2000-745, the Commission stated:

    The Commission considers that companies currently under price cap regulation

should be allowed to recover, in 2001, the revenue-percentage charge applicable to their capped services through an exogenous adjustment. Accordingly, each ILEC under price cap regulation is allowed to reflect, in its 2001 price cap filing, an exogenous factor adjustment of 4.5 percent to the Service Band Limit for each of the Residence Local Services and Other Capped Services sub-baskets and to the overall price cap index.

11. The Commission does not expect the rates approved in this order will be reduced when a lower revenue charge is approved effective 1 January 2002. Therefore, the revenues generated by the rate increases approved in this order will continue to flow to the company at the level set to recover the interim revenue charge for 2001. Accordingly, with an exogenous factor of 4.5%, the company will have a reasonable opportunity to recover an appropriate amount with respect to the 2001 interim revenue charge and the 2002 revenue charge applicable to capped services in the period from now until the new price regulatory regime is implemented.

12. In a further interrogatory, Bell Canada was questioned about having included switching and aggregation and contribution revenues in allocating the Ontario GRT savings to capped services within the Utility segment when these revenues were not subject to the Ontario GRT.

13. Bell Canada confirmed that the Ontario GRT is not applied to start-up, switching and aggregation and contribution revenues. The company submitted that it had allocated the Ontario GRT savings within the Utility segment based on revenues as directed in Order 2001-100.

14. In *Price cap regulation and related issues*, Telecom Decision CRTC 97-9, dated 1 May 1997, the Commission stated that the impact of an exogenous event should be determined on a company-wide basis and assigned between the capped and uncapped services on a cost-causal basis.

15. In Order 2001-100, the Commission determined that the savings resulting from the reduction in the gross receipt tax rate qualify for exogenous treatment as contemplated in Decision 97-9. The Commission found that the total company GRT savings should be assigned to the Utility and Competitive segments using the procedures described in Bell Canada's [Split Rate Base] SRB Manual. The Commission notes that cost causality is the underlying principle of the SRB Manual.

16. In that order, the Commission noted that Bell Canada's SRB Manual did not contain procedures to assign the GRT to services within the Utility segment, and determined that because the GRT is a revenue-based tax, it is appropriate to use revenues to assign the GRT savings within the Utility segment. Accordingly, the Commission determined that the allocation of the Utility segment GRT savings between capped and non-capped services was to be based on their respective revenues. Further allocations of the capped services GRT savings among the various sub-baskets were to be based on the respective sub-basket revenues.

17. In Order 2001-100, the Commission based the calculation of the GRT savings for capped services on the principle of cost causality. The Ontario GRT is not applied to start-up, switching and aggregation, and contribution revenues. Accordingly, the Commission considers that Bell Canada should have excluded such revenues from the Utility segment in the allocation of the GRT savings between capped and non-capped services.

18. In light of the foregoing, the Commission hereby approves the following rates:

Residence individual line service:

Rate band	Rate
A	$19.80
B1	$19.00
B2	$19.80
C1	$19.00
C2A	$19.80
C2B	$23.25
D2A	$19.80

Residential push-button (Touch-Tone) service:

Service	Rate
Touch-Tone Residence	$2.80

Secretary General

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Date Modified: 2001-03-30

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