

Willie Grieve  
Vice President  
Telecom Policy & Regulatory Affairs

(780) 493-6590 Telephone  
(780) 493-6519 Facsimile  
willie.grieve@telus.com

May 10, 2006

Ms. Diane Rhéaume  
Secretary General  
Canadian Radio-television and  
Telecommunications Commission  
Ottawa, Ontario  
K1A 0N2

Dear Ms. Rhéaume:

**Subject: *Review of regulatory framework for Northwestel Inc.*, Telecom Public Notice  
CRTC 2006-1, Requests for Further Responses to Interrogatories**

1. In accordance with the procedures set out by the Commission in *Review of regulatory framework for Northwestel Inc.*, Telecom Public Notice CRTC 2006-1 (“PN 2006-1” or the “Public Notice”), TELUS Communications Company (“TELUS” or the “Company”) hereby files the following requests for further responses to interrogatories.
2. TELUS is in receipt of interrogatory responses from Northwestel Inc. (“Northwestel”) with respect to PN 2006-1 filed electronically with the Commission on 2 May and 3 May 2006. This letter concerns the Northwestel’s responses to the following interrogatories:
  - NWTEL(TELUS)10Apr06-4
  - NWTEL(TELUS)10Apr06-5
  - NWTEL(TELUS)10Apr06-8 and
  - NWTEL(TELUS)10Apr06 -25
3. TELUS submits that each of Northwestel’s responses to the interrogatories listed above is deficient because, in each case, the response does not provide a full and adequate response as required by the *CRTC Telecommunications Rules of*

*Procedure* (the “Rules of Procedure”). TELUS provides its respective rationale for its deficiency request for each interrogatory in detail below.

## **Requests for Further Responses to Interrogatories**

### **NWTEL(TELUS)10Apr06 -4**

4. In this interrogatory, TELUS requested a forecasted net income and regulated rate of return schedule for the years of 2008-2010 (inclusive), assuming a further \$2 increase in residential rates and a further \$5 increase in business rates for each of those years.
5. TELUS submits that Northwestel has not met the requirements of Rule 18(2) of the Rules of Procedure as it has not contended that the interrogatory is not relevant, not stated that the information is unavailable nor claimed that the information is confidential. All Northwestel has stated is that there is “no significant value derived from producing the requested schedules” and that the requested information would require significant resources to produce.”
6. Regarding Northwestel’s claim that there is no significant value in producing the requested schedule, TELUS submits that the requested information is both relevant and necessary for a determination in this proceeding. Given that Northwestel’s regulatory framework will be in place for the four-year period from 2007 to 2010, the revised schedule requested and the information contained therein are directly relevant to the design of a suitable regulatory framework for Northwestel.
7. Regarding Northwestel’s claim that the requested information would require significant resources to produce, TELUS submits that the value of the revised schedule with the assumed rate increases would be for parties to understand the impact of such rate increases upon Northwestel’s operating revenues and the “cost-based subsidy” revenue line item. TELUS recognizes that while the assumed rate changes may not have a material impact upon the forecasted expense items, the revenue line items will change materially. As such, if Northwestel provides the detail for all revenue line items forecasted to 2010 (with the assumed rate increases), TELUS is willing to waive its request for the information contained in the remainder of the schedule. This will reduce the amount of time and resources that Northwestel will have to dedicate to completing this interrogatory response.
8. Finally, Northwestel has claimed that should it implement four successive years of rate increases as described, rate shock would ensue, raising affordability concerns of local services among its customer base. This claim is simply an irrelevant consideration and provides no basis for Northwestel to avoid responding to this interrogatory. TELUS has not asked whether the rate increases described would result in rate shock, or, moreover, whether Northwestel would

even consider such rate increases. TELUS has asked simply for Northwestel to provide the impact the rate increases would have upon its 2008-2010 financial forecast.

9. For all the foregoing reasons, TELUS submits that the Commission should direct Northwestel to provide a full and adequate response to NWTel(TELUS)10Apr06 - 4.

**NWTel(TELUS)10Apr06 -5**

10. In this interrogatory, TELUS requested that Northwestel confirm that its proposed rates for primary exchange business services cover all Phase II costs plus a 25% mark-up associated with this service. In its response, Northwestel has stated merely that it “confirms that its rates are compensatory and include an appropriate mark-up.”
11. Simply put, Northwestel’s response does not answer the interrogatory posed. To say that its rates are “compensatory” does not necessarily mean that the rates cover its Phase II costs. In addition, Northwestel’s statement that its rates include an “appropriate mark-up” does not confirm that its rates for primary exchange business services include a 25% mark-up. An appropriate mark-up does not necessarily mean a 25% mark-up.
12. Given that Northwestel’s response does not confirm that its rates for primary exchange business services cover all Phase II costs plus a 25% mark-up, TELUS submits that the Commission should direct Northwestel to provide a full and adequate response to NWTel(TELUS)10Apr06 -5.

**NWTel(TELUS)10Apr06 -8**

13. In this interrogatory, TELUS requested that Northwestel provide details of the source of revenues for “settlement” and an explanation of the year-over-year decrease estimated from 2006 to 2007. TELUS is satisfied with Northwestel’s explanation of the year-over-year decrease in settlement revenue.
14. However, TELUS submits that Northwestel has not provided adequate details regarding the source of revenues for settlement. Thus, Northwestel’s response to this part of the interrogatory does not meet the requirement for full and adequate disclosure.
15. TELUS acknowledges that Northwestel has indicated that toll settlement revenues are “generated from Northwestel’s interconnection agreements and agreements with alternate providers of long distance service.” What this response still lacks, however, are the amounts Northwestel expects to receive in revenue from each respective source in 2006 and 2007. Because Northwestel has not provided these

amounts, it has not provided full and adequate disclosure of the source of revenues for settlement.

16. This information is relevant and necessary because it will provide needed context behind the reduction in the settlement revenues. As much detail as possible should be provided for settlement revenues given the dramatic reduction year-over-year. This reduction has large implications on the regulatory framework regime in general for Northwestel because the resulting reduction in revenues must be funded *via* a subsidy from contribution.
17. For all the foregoing reasons, TELUS submits that the Commission should direct Northwestel to provide a full and adequate response to NWTel(TELUS)10Apr06 - 8.

### **NWTel(TELUS)10Apr06 -25**

18. In this interrogatory, TELUS requested information concerning the chain-weighted GDP-PI used by Northwestel in determining a 2% inflation rate. In particular, TELUS requested that Northwestel provide the source and the time period for the basis of the inflation rate of 2.0% that it used in its offset calculation, as found in Part B of the response to NWTel(CRTC)30Jan06-104.
19. Northwestel's response to the interrogatory does not cite the source nor does it identify the time period used in determining the 2% inflation rate. While Northwestel has also referred to its response given in NWTel(CRTC)30Jan06-104-Revised, this other interrogatory response also does not provide the source and time period used in determining the 2.0% inflation rate.
20. The requested information is both relevant and necessary for a determination in this proceeding. It is directly relevant to a matter at issue in this proceeding because the requested information concerns the proposed calculation of Northwestel's productivity offset. TELUS requires the information to verify the source and the time period used to determine the inflation rate.
21. Therefore, TELUS submits that the Commission should direct Northwestel to provide a full and adequate response to NWTel(TELUS)10Apr06-25 by providing the source and time period for the basis of its inflation rate. It would also be of great assistance for Northwestel to provide a link to the website for the source of the inflation rate, if the data source is available online.

### **Conclusion**

22. In summary, TELUS requests further responses to the following interrogatories:
  - NWTel(TELUS)10Apr06 -4
  - NWTel(TELUS)10Apr06 -5
  - NWTel(TELUS)10Apr06 -8
  - NWTel(TELUS)10Apr06 -25

23. The interrogatories deemed deficient that are listed above are relevant and necessary for a determination in this proceeding. Full and adequate responses to these interrogatories will enable parties to better formulate their arguments and provide further information for the Commission to consider in reaching its determinations in this proceeding.

Yours truly,

*{original signed by Willie Grieve}*

Willie Grieve  
Vice-President  
Telecom Policy & Regulatory Affairs

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c.c.: Parties to PN 2006-1