

March 21, 1997

Mr. A. J. Darling
Secretary General
Canadian Radio-television and
Telecommunications Commission
Ottawa, Ontario
K1A 0N2

Dear Mr. Darling:

Subject: Proposed Revisions to the Split Rate Base Manual for 1996

1. AT&T Canada Long Distances Services (AT&T Canada LDS) is in receipt of Bell Canada's proposed revisions to its Split Rate Base Manual, dated February 28, 1997. Pursuant to the procedures established by the Commission in Telecom Decision CRTC 94-24 - Review of Phase III of the Cost Inquiry (Decision 94-24), AT&T Canada LDS provides its detailed comments below.

BSCC 73.070 Outside Plant - Copper

2. Bell Canada is proposing to revise the current methodology used to assign outside copper plant between the Utility and Competitive segments. The current methodology assigns this plant based on ratios derived from Stentor Settlement Plan studies which have been frozen since 1982. At Page 2 of 6 of Attachment M3 to its proposed updates, Bell Canada states that it has:

[Developed a] new methodology to assign Outside Plant Copper investment in field codes 2C, 12 TC, 5C 15TC, 55C, 65C, 75TC, 175TC to Utility and Competitive segments. The new methodology is outlined in the draft manual...

The Outside Plant - Copper assignments have been based on a frozen Settlements study which was developed using 1982 data. This frozen study no longer reflects current use of OP - Copper facilities.

3. AT&T Canada LDS notes that Outside Plant - Copper makes up a significant portion of Bell Canada's Utility Segment total embedded investment. In

response to interrogatory Bell(CRTC)13Mar96-606 PCR Attachment, Bell Canada indicates that effective December 31, 1995, its Utility Segment Reserve Capital Balance for the categories of plant to which Bell assigns the field codes identified as being impacted by its proposed methodology revisions were as follows:

<u>Account Name</u>	<u>Capital Balance (\$Billions)</u>
Aerial Cable - Metallic ¹	\$2.2
Underground Cable - Metallic ²	\$1.6
Buried Cable - Metallic ³	\$1.8
Submarine Cable - Metallic ⁴	<u>\$0.1</u>
Total	\$5.7

4. The same Attachment to this interrogatory response indicates that Bell Canada's Utility Segment total Capital Balance as of December 31, 1995 was approximately \$19 billion. As a result, in 1995 Bell Canada's Outside Plant - Copper investment comprised approximately 30% of Bell's Utility segment Capital Balance. Bell Canada's proposal, therefore, represents significant assignment revisions for almost one third of Bell Canada's Utility Segment total telephone plant investment. This could have substantial impacts on the Utility segment shortfall and the contribution paid by all toll service providers and rates going into price caps. In light of this, the Commission must closely examine Bell Canada's proposal before it is approved.

¹ Field Codes **2C** and **12TC** are assigned to Aerial Cable - Metallic. According to response to interrogatory Bell(CRTC)13Mar96-607 PCR Attachment 17:

Aerial cable - Metallic consists almost exclusively of exchange (2C) and toll (12TC) copper paired cable...(emphasis added)

² Field Codes **5C** and **15TC** are assigned to Underground Cable - Metallic. According to response to interrogatory Bell(CRTC)13Mar96-607 PCR Attachment 18:

Underground cable - Metallic consists almost exclusively of exchange (5C) and toll (15TC) copper paired cable...(emphasis added)

³ Field Codes **65C**, **75TC** and **175TC** are assigned to Buried Cable - Metallic. According to response to interrogatory Bell(CRTC)13Mar96-607 PCR Attachment 19:

About 75% of outside plant buried cable serves the access feeder network. The remainder serves the access distribution network. (emphasis added)

⁴ Field Code **55C** is assigned to Submarine Cable - Metallic. According to response to interrogatory Bell(CRTC)13Mar96-607 PCR Attachment 20:

About 55% and 35% of submarine copper cable serve the access feeder and distribution networks respectively. The remainder serves the interoffice transport network. (emphasis added)

No Rationale

5. Notwithstanding the significant impact of Bell Canada's yearly proposed assignment revisions, its only explanation for re-opening the Outside Plant - Copper study is:

This frozen study no longer reflects current use of OP - Copper facilities.⁵

AT&T Canada LDS submits that this one statement is hardly sufficient as an explanation as to why Bell Canada has, after 14 years, decided to re-open this study. Bell Canada should be required by the Commission to provide a full explanation as to why the current approved study no longer reflects the current use of facilities.

No Impact Assessment

6. Furthermore, Bell Canada has provided no estimation of the impact that this proposed revision will have on the assignment of Utility and Competitive segment investment and specifically on the Utility segment shortfall. AT&T Canada LDS notes that in Decision 94-24 the Commission stated:

Effective January 1995, Phase III Manual update submissions, as well as any revisions, are to be filed with the Commission and served on all parties who receive copies of the Phase III Manual, and these filings are to be accompanied by a supplementary discussion paper identifying all significant changes, with a full discussion of the rationale and a statement as to the directional impact of each item. (Emphasis added)

Significant changes are defined as those that modify category definitions or are expected to have a significant impact on contribution rates, competitive category results or the assignment of investment, revenues or costs by BSC.

7. Bell Canada has not even indicated at a high level if the expected impact on the Utility segment shortfall and thus on contribution rates will be positive or negative. Clearly, Bell Canada has not adhered to the Commission's direction in Decision 94-24.

Proposed Study Appears to be Flawed

8. AT&T Canada LDS also notes that in its description of its revised study methodology, Bell Canada is proposing to rely on a study to assign copper plant. However, it appears that this some of this copper plant, according to Bell Canada's description of it, should clearly be assigned directly to the Competitive segment. Field Codes 12TC, 15TC, 75TC and 175TC are all related to plant

⁵ Attachment M3, Page 2 of 6.

used in the toll portions of the network. It is unclear why Bell proposes to assign these facilities using ratios when they should be directly assigned to the Competitive segment.

9. Bell Canada also identifies "LD-1 carrier facilities" in its description of its revised study. However, it is unclear to AT&T Canada LDS exactly what these facilities are and since it appears that there is both Utility and Competitive segment LD-1 copper investment, Bell Canada should be required to provide a definition of these facilities so interested parties can fully understand Bell Canada's proposed methodology.
10. AT&T Canada submits that the Commission should not approve Bell Canada's proposed methodology for the assignment of Outside Plant - Copper investment unless or until Bell Canada provides a detailed explanation and justification as to why it has decided to re-open the assignment study for these facilities; and unless or until Bell Canada provides a full statement as to the impact of these changes on the assignment of this investment and on the Utility segment shortfall. At that time, interested parties should be given the opportunity to provide further comment to the Commission.

Yours truly,

J. K. Liesemer

cc: Bell Canada
Interested Parties