



## Telecom Decision CRTC 2004-64-1

Ottawa, 18 October 2004

### Northwestel Inc. – Supplemental funding requirement for 2003

Reference: 8695-C12-200307414

#### Erratum

In its application for supplemental funding for 2003, Northwestel proposed a depreciation schedule that included the impact of changes to the life characteristics for four asset codes (accounts). In a separate section, the company provided the impact on depreciation expense of a change to the life characteristics for a fifth account, Account 60, which the company proposed for 2004. The Commission denied Northwestel's proposal to decrease the average service life for this account to 22 years for 2004. However, the associated reduction of \$0.8 million additional depreciation expense was erroneously reflected as an adjustment in the final 2003 supplemental funding requirement, resulting in an underestimate of the supplemental funding required of \$0.8 million. Accordingly, the second paragraph of the summary, and paragraphs 68, 69, 71, 92, 100, 188, 189, 190, 192, and 193 of the Commission's decision set out in *Northwestel Inc. – Supplemental funding requirement for 2003*, Telecom Decision CRTC 2004-64, 30 September 2004 should read as follows:

*As a result of its determinations in this Decision, the Commission **approves, on a final basis,** supplemental funding for Northwestel in the amount of **\$9.6 million** for 2003. The Commission initiates a follow-up proceeding to determine a repayment schedule for remitting to the Central Fund Administrator the excess 2003 funding. The Commission also **approves** a revised interim 2004 supplemental funding amount of **\$9.6 million** for the company.*

1. 68. Further, as directed in that Decision, the company filed an updated study for Account 60 - Cable - Aerial/Underground. Northwestel submitted this study on 14 November 2003 as part of its final argument. The company requested that the ASL for this account be reduced **in 2004** to 22 years from the ASL of 26 years approved by the Commission in Decision 2003-39.
2. 69. Northwestel's estimated 2003 depreciation expense of **\$30.7 million** reflected the company's proposed changes in depreciation life characteristics, new capital additions, and asset retirements. The total net impact of all of the proposed changes in depreciation life characteristics was an increase to the company's 2003 depreciation expense estimate of **\$1.0 million**.
3. 71. For Account 60 - Cable - Aerial/Underground, Northwestel proposed a service life reduction of four years to an ASL of 22 years using an Iowa R-3 dispersion curve **for 2004**. Northwestel submitted that its 2003 depreciation study for this account showed historical life estimates of 25 to 28 years for the 2002-2003 experience band. The company noted that this reflected a seven- to ten-year reduction in the historical life estimates for this account because of the significant cable retirements in 2003. Northwestel indicated that it was very concerned that the asset life prescribed by the Commission for aerial and underground cable was 24 to 86 percent longer than the asset lives prescribed for other telephone companies, considering

that there was no reason to expect cable plant to survive longer in the harsh conditions of the North when compared to that in southern Canada. The company also indicated that it had changed its approach to booking cable retirements, noting that it had started a cable verification program to reflect actual retirements.

4. 92. In light of the foregoing, the Commission finds that the ASL of 26 years for Account 60 should be retained at this time, and accordingly **denies** Northwestel's proposal to decrease the ASL for this account to 22 years **for 2004**.
5. 100. The Commission notes that its determinations regarding the accounts noted above will result in a reduction of **\$0.6** million in the company's estimated 2003 depreciation expense.
6. 188. As a result of its determinations in this Decision, the Commission has adjusted Northwestel's supplemental funding for 2003 downward to **\$9.6** million, as set out below:

**Northwestel 2003 supplemental funding<sup>9</sup>**  
**(\$ millions)**

<b>Total supplemental funding proposed by Northwestel</b>	<b>13.4</b>
Commission adjustments:	
Depreciation	<b>(0.6)</b>
Operating expense and productivity	(2.4)
Regulatory accounting matters	(0.9)
<b>Total adjustments</b>	<b>(3.8)</b>
<b>Total adjusted supplemental funding requirement</b>	<b>9.6</b>

7. 189. Consistent with its determination in Decision 2003-39, the Commission finds that the interim 2004 supplemental funding amount should be adjusted from \$13.4 million to **\$9.6** million, effective 1 January 2004.
8. 190. The Commission notes that based upon the approved supplemental funding of **\$9.6** million for 2003, Northwestel received **\$3.8** million more in supplemental funding from the CFA than it was entitled to have received in 2003.
9. 192. The Commission considers that, in view of the materiality of the amount of excess supplemental funding received by Northwestel, it would be appropriate to have an expedited follow-up proceeding to determine a repayment schedule by which Northwestel will remit to the CFA the excess 2003 funding that it has received. The timing of this proceeding would be as follows:

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<sup>9</sup> Totals may not add due to rounding.

- Northwestel is to submit, for Commission approval, a proposal to remit to the CFA the excess funding of **\$3.8** million that it has received for 2003 by **20 October 2004**.
  - Parties to the proceeding may provide comments on Northwestel's proposal by **1 November 2004**.
  - Northwestel may provide reply comments on parties' comments by **9 November 2004**.
10. 193. With respect to 2004, the Commission directs the CFA to distribute to Northwestel, on an interim basis, revised monthly supplemental funding equivalent to one-twelfth of the revised interim 2004 supplemental funding of **\$9.6** million, effective 1 January 2004.

Secretary General

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