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Dear Mr. Katz:

Subject: Phase III Manual Updates

Please find the revised Phase III manual changes and revised notes outlining the proposed Manual changes for 2005. Please remove any duplicated previous pages sent and replace with these revised pages.

See Attachment 1 for an overview of the proposed changes.

Yours truly,

Dallas Yeulett
Manager Regulatory Affairs

Attachment 1

Section A1 – Introduction

Pages A-15-17 Updated System Study Schedule to reflect the current frequency of the studies. The Subscriber Equipment Section now includes asset code 557.

Pages A-16 Updated the Transmission Plant Asset Code section to include asset code 070 as it is identified in other sections of the manual but was accidentally missed on this page. Added Asset Codes 290, 501 and 504 to Central Office Circuit Terminations to reflect what is stated throughout Section B5. These additions are made to maintain consistency with what is stated later on in the manual. Updated the Frequency portion of the Power section to read Bi-annually (or as deemed necessary) to reflect what is stated in Section B7-5.

Pages A-21&22 Corrected the final inconsistencies between pages A-21 and B-ii and A-22 and Biii. Also updated the Main Plant Function Categories to show the correct assignment of the asset codes to the Phase III categories. Added asset code: 556 – Mobile Radio, 557 – Base Stations and 558 – OCS Mobile Radio Equipment to B1, asset code 563 was removed from this section as there has been no investment in this asset code for years; added asset codes 161 - Data Switch Internet and 301 – Distribution Frames to B3; Removed 380 – Electronics-Fibre Optics in B4; Removed 200 – Broadband Exchange Equipment in B5; 901 – Heating Systems in B6; added asset code 632 – Solar Generating Plants in B7 and finally in B9 added 342 – Vehicles.

Amalgamated Sections B9 and B10 to form Other-Plant Work Equipment Vehicles and Work Equipment Light. This is due to the fact that we no longer lease these vehicles; therefore the total investment in these two sections is small and no longer needs be separated into two sections. Asset code 341 Light Construction Equipment has been added to Section B9. Asset Code 770 has not had any investment in it for a few years and has been removed from section 10.

Page A – 23 To make the allocation summary chart consistent with the amalgamation of Sections B9 and B10, Work Equipment Heavy and Work Equipment Light were combined to form Work Equipment Vehicles and Work Equipment Light. Allocation to all of the broad service categories remains the same. Central Office Circuit Terminations was also corrected by removing the X in the Other category as no asset codes in this Section that are allocated to this Broad Service Category.

Section B – Assets

Page B-ii & iii Updated the asset code section for each Main Plant Function Category so that it reflects the 2004 investments that reside in each section and that the asset codes are consistent with the ones listed on pages A-21 and A-22. Removed asset code 563 from this section as there is no longer any investment in this asset code as stated above. Amalgamated Sections B9 and B10 so now asset code 341 is found in Section B9, Other Plant Function Category was also updated so that the title for B9 reads Work Equipment Vehicles and Work Equipment Light.

Pages B –v As per section B5 – Central Office Circuit Terminations none of the asset codes are allocated to the Broad Service Category Common, therefore to be consistent throughout the manual the X has been removed from this Allocation Summary Table.

Combined Work Equipment Heavy and Work Equipment Light and changed the name to read Work Equipment Vehicles and Work Equipment Light. Allocation to the broad service categories remains the same.

Section B1 – Subscriber Equipment

- Pages B1-2-3 The assets that used to reside in 452 were transferred to asset code 556. This investment will be assigned 100% to ACCESS Broad Service Category.
- Pages B1-2-3 The assets that used to reside in 560, 561 and 562 were transferred to 557 and the investment in this asset code is allocated to ACCESS AND COMMON Broad Service Categories based on a study, which determines the number and investment value of Base Stations assigned to OCS and Public service. Due to the two-year average that we use for calculating the asset code investments we still have investment in these asset codes however next year these asset codes will be zero. Asset code 563 was removed from this section as there is no longer any investment in this asset code as stated above.
- Pages B1-3 The assets that use to reside in 456 and 457 were transferred to 558. The investment in this asset code will be allocated to the broad service categories in the same ratio as salary and wages. Since OCS investment is allocated to the broad service categories in the same ratio as salary and wages, asset codes 456 and 457 as well as 460-463 are also allocated to COMPETITIVE NETWORK INTERNET SERVICES. As explained above there are still investments showing in asset codes 456 and 457 due to the two-year average.
- Page B1-4 Added asset code 556 and 558 into the listing of asset codes in the title as well as in the general approach.
- Page B1-8 Updated the title listing of asset codes to include 557 and updated the allocation diagram to include asset code 557. Asset code 563 was also removed from this section as there is no longer any investment in this asset code as stated above.
- Page B1-9 Updated the Responsibility section to read as deemed necessary instead of biennially because the study is only updated when the number of base stations changes.

Section B3 – Switching Systems

- Pages B3-2-3 The assets that use to reside in asset code 176 were transferred to asset code 301 – Distribution Frames and will be allocated 100% to ACCESS Broad Service Category.
- Page B3-4 Updated the Telephone MDF Local section with asset code 301 to reflect the transfer of assets to the new asset code. Asset code 176 is still included because we use a two-year average of the assets therefore there is still investment showing in 176 for this year.

Section B5 – Central Office Circuit Terminations

- Page B5-3 To be consistent with pages B5-4 the first row in the Allocation Summary, Asset Codes 230-232, was updated by removing the X in the Other column, as there is no allocation to this Broad Service Category. Since none of the asset codes in Section B5 are allocated to the Other Category this column has been removed from the Summary Table.
- Page B5-6 Since the Circuit study is performed in conjunction with the Transmission 2-way voice channel Terminations study, which occurs every two years, the manual should read biennially instead of bi-annually.

Section B6 – Other Plant – Structures

Pages B6-2-3 The investment in asset code 920 is now found in asset code 901 – Heating systems. The allocation of the investment to the Broad Service Categories is based on the use of the related structure. Residual investment that cannot be allocated by related structure is allocated by the total aggregate result of the building study. There is still investment in asset code 920 though as we use a two year average to determine the investment value. Next year we will not see any investment in asset code 920.

Page B6-4 Updated Structures heading to include asset code 901 and included 901 in the general approach.

Page B6-5 Updated the allocation summary to include asset code 901.

Page B6-8 Updated the responsibility section to reflect the correct frequency that the study is conducted.

Section B8 – Other plant – Other Equipment

Page B8-3 Updated the manual to show that the start-up costs for asset code 150 are being allocated 30% to ACCESS.

Page B8-4 Updated the frequency of the study to read biennially to be consistent with pages A-17 and B11.

Pages B8-5&6 Removed statement about billing equipment and its allocation since we no longer have investment related to that, therefore all office equipment is allocated based on the same ratio as salary and wage expense related to management and clerical staff.

Page B8-11 Updated the manual to read “The studies are conducted biennially by IS Specialty Systems” to reflect the correct frequency of the studies.

Section B9 – Other Plant- Work Equipment Vehicles and Work Equipment Light

Pages B9-1-3 Updated Section B9 (including the title of the section) to include work equipment light. Transferred asset code 341 – Light Construction Equipment to B9 and updated the allocation summary to include this asset code. Investment in 730 was transferred to asset code 342 therefore vehicles is represented by both 730 and 342. This is due to the fact that a two-year average of investments is taken therefore asset code 730 is still reporting investment. Updated Allocation Summary with asset code 342 as well. Updated the General Approach to include 341 and 342 as well as the allocation chart.

Section B10 – Other Plant – Work Equipment Light

Removed Section B10 from the manual because the only asset code 341 was transferred to Section B9.

Section B12 – Other Plant – Satellite Earth Stations

Page B12-3 The Satellite Terminations study is actually performed every two years therefore, the manual should read biennially instead of biannually.

Section C – Revenues

- Page C1-5 Added new revenue accounts 4025 – Telus MTS Expense and 4026 – Telus Toll Free Expense under Telus Settlement Revenue. These accounts are allocated 100% to COMPETITIVE TOLL (CT), as they are settlement revenue. Added new revenue accounts 4042 – Bell 1-800 Settlement; 4043 – Bell ITTS Settlement; 4044 Bell West MTS Expense; 4046 – Bell MTS Expense; 4047 Bell Op. Surcharge Expense; 4048 – Bell ITTS Expense and 4049 – Bell – Other Expense, under Bell Settlement Revenue. These accounts are also allocated 100% to COMPETITIVE TOLL (CT).
- Pages C1-11 Added 4632 – PWS Settled Telus Loops and 4636 – PWS Settled Telus MW Occupancy to the listing of Settled PWS Revenues. Their allocations are based on the study.
- Page C1-12 Added new revenue account 4785 – Late Payment Interest; Misc. This account will be allocated to the broad service categories based on the same study used for Late Payment Interest; Telephone. This study is derived from Total Telephone Revenue.

Section F – Operating Accounts

- Page FV - FX Updated the technical forces time code with current job class codes. The expenses are allocated to the phase III categories based on their activity. These allocations are used in section F26 and F48, for convenience in maintaining this data it has been consolidated and put in the introduction to the F section.
- Page F16-1 Added sub-category Wage Related Expenses. Expenses relating to wages are allocated to the broad service categories based on the percentages determined in the wages and expense study.
- Page F21-2 Updated the manual to include the new cost centre 723 Advanced Data Services IP. Expenses related to this cost centre are allocated to the broad service categories based on F21 Operating Hours Time Reporting.
- Page F21-5 The costs for account 690 Network Service Control (circuit orders) is also allocated to ACCESS AND COMPETITIVE NETWORK INTERNET SERVICES broad service categories.
- Page F26-1 Added a description of the allocation of the job classes for technical forces and included a location of where to find the listing of the Technical Forces Time Code Mapping.
- Page F26-2 Updated the Study of Time Reporting Results diagram with the correct location of the time code mapping.
- Pages F26-3 & 4 Removed the Technical Forces Time Code Mapping section from Section F26 and a current listing of the job classes is now located in the Introduction section of F.
- Page F48-1 Added a description of the allocation of the job classes for technical forces and included a location of where to find the listings of the Technical Forces Time Code Mapping.
- Pages F48-2 Updated the Study of Time Reporting Results diagram with the correct location of the time code mapping.
- Pages F48 –3 – 5 Removed the Technical Forces Time Code Mapping section from Section F48 and a current listing of the job classes is now located in the Introduction section of F.
- Page F65-3 Since the satellite study is carried out every other year, the responsibility section was changed from bi-annually to read, "This study is conducted biennially, by Network Control".

Page F90-2 In regards to the payment agent expenses, only one payment agent is used for the study as all other payment agents are paid a flat monthly rate. Invoices from the payment agent are collected for the various months throughout the year and the detail analyzed. Therefore, the wording in the manual has been changed to reflect the current process of analyzing payment agents.

Page F90-4 Under Responsibility changed annually to biennially so that the manual is consistent with the frequency that the study is conducted.

Page F92-1&2 Updated this section to reflect the current processes of the company. The expenses in this section are all related to Accounts Receivable functions and are allocated to the broad service categories based on a study of activities processed by the accounts receivable department. The Allocation diagram was also updated to be consistent with the paragraph above.

New cost centre 742, Credit and Collections, is assigned to the Broad Service Categories based on a study of activities processed by the accounts receivable department. The allocation diagram was also updated to include this new cost centre. Also updated the type of accounts to include Arbor Bad Debt and removed Private Wire Service and Sales Bills because they are no longer applicable to this section. Included directory advertising into the Type of Account/Phase III classification box to be consistent with the chart on page 2.

Page F2-1 Changed the title of Account Number 4926 from Facsimile to the current title of Other Cost of Goods Sold. The allocation still remains the same at COMPETITIVE TERMINAL MULTILINE AND DATA.

Section H – Financial Expenses

Page H-ii Added account 7903 – Drawdown of Excess DIT along with a brief description.

Section I – Balance Sheet

Page I-4 Updated Diesel Fuel section from MONOPOLY TOLL TO COMPETITIVE TOLL to maintain terminology consistency throughout the manual.

MOBILE RADIO - BASE STATIONS: Asset Code 557 & 560 - 562**General Approach:**

These asset codes contain investment related to Base Stations and Mobile Sets.

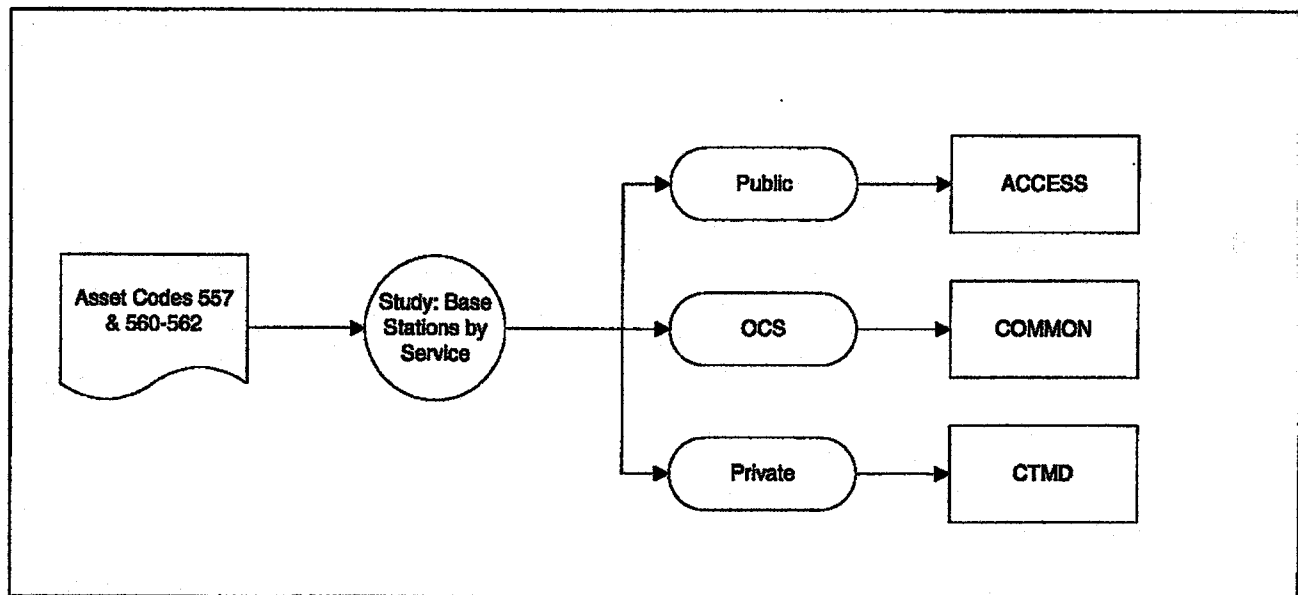
Base Station Investment

Investment in Base Stations is allocated to the cost categories based on a study which determines the number and investment value of Base Stations assigned to Public, Private and OCS service.

Public service investment is allocated to ACCESS category:

OCS investment is allocated to COMMON category:

Private service investment is allocated to COMPETITIVE TERMINAL MULTI-LINE AND DATA category.

Allocation:

Allocation Summary:

Asset Code	Access	Access (SWAG)	CN	CN-IS	CTMD	CTO	Common
450-453	X						
456, 457	X	X	X	X	X	X	X
460-463	X	X	X	X	X	X	X
464			X				
490-496	X				X	X	
500-502	X	X	X		X	X	X
503				X			
556	X						
558	X	X	X	X	X	X	X
557 & 560-562	X				X		X
Subscriber Equipment OCS	X	X	X		X	X	X