



Northwestel Inc.
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June 27, 2003

Ms. Shirley Soehn
Executive Director – Telecommunications,
Canadian Radio-television and
Telecommunications Commission
Ottawa, Ontario
K1A 0N2

SECRETARIAT
APPLICATION TRACKING

JUN 30 2003
8654-N1-200305173

SECRETARIAI
SUIVI DES DEMANDES

Dear Ms. Soehn:

Subject: Phase III Manual Updates

Due to changes to Northwestel's Chart of Accounts and general cleanup, the following revisions to the Company's Phase III manual are proposed for Commission approval, to be incorporated into the 2002 Phase III results.

See Attachment 1 for an overview of the proposed changes. The pages that were revised are noted in Attachment 1, and are also noted with a vertical line in the right margin in the attached manual.

Yours truly,


Muriel Chalfoux
Director, Finance & Regulatory

c.c.: Interested Parties
CRTC Western Regional Office Vancouver
CRTC Public Examination Room - Hull

Northwestel Inc.**Attachment 1
Page 1 of 4****Section B****Section B4 Transmission Plant**

Asset Code 541 contains investment associated with the Yukon Infrastructure Project (YIP). This project built a high capacity digital transmission route within the Yukon Territory, which is used for a dedicated Competitive Network (CN) Service. The investment in this project is identifiable and should specifically be assigned 100% to the Competitive Network Broad Service Category.

Revised Page B4-6

Section B9 Vehicles

Due to the decreasing value of investment in vehicles, all vehicle investment formerly in Asset Codes 730 and 740 has been amalgamated into Asset Code 730. As B9 & B11 apply the same assignment methodology, sections B9 and B11 have been merged. Investment will still be identified as heavy and light and the assignment methods for each will not change. Section B11 will be deleted from the manual completely. For the 2002 report, due to the averaging of Asset investment, Asset Code 740 will be assigned in the same manner as Asset Code 730 in Section B9. Pages B9-4 and B9-5 have been deleted.

Revised Pages B9-1 to B9-5

Section B11 Other Plant Vehicles

Delete Pages B11-1 through B11-3.

Section C**PIC/CARE**

General ledger account 4461 PIC/CARE is revenue from equal access customers for the establishment of their accounts and a per charge for pic'd lines. Assigned 70% to the Competitive Toll and 30% to the ACCESS Broad Service Category to match the assignment of investment in Equal Access Start-up.

Revised Page C1-10

IT Services

General ledger account 4706 IT Services is revenue from value added internet services such as website hosting, email hosting, and spam protection. Assigned 100% to the COMPETITIVE NETWORK INTERNET SERVICES Sub-Category.

Revised Page C1-12

Section E

Northwestel Inc.

Attachment 1
Page 2 of 4

In the introduction, account 8152 Miscellaneous Rent: NWT Owned Property was erroneously allocated to Investment in Subsidiaries, instead of the correct allocation Common, as stated on Page E-1.

Revised Page E-III

Section F

EOP Work Stoppage

Significant expenses were incurred during the eight week strike in 2002. These expenses are incremental costs related to providing and maintaining basic network services, as well as 'business as usual' levels for essential services to customers of Northwestel, and are 95% overtime and travel costs for non union staff. These expenses have been specifically identified and charged to Cost Centre 125. As a result of the nature of these expenses they will be assigned to the Broad Service Categories based on the prior assignment of all other operating expenses for the year.

Section F16 General Administration

Intercarrier Relations

Intercarrier Relations expenses are the costs associated with providing wholesale sales, intercarrier settlements and facilitating competition. Previously, due to the small size of this organization, it was assigned based on revenues. Now that the expenses are material, they will be assigned to the Broad Service Categories based on staff activities. Interviews will be conducted with the each staff member, assigning prorata share of time spent on different activities to the Broad Service Categories (primarily Competitive Toll and Competitive Network).

Information Systems

Due to a organization restructuring in the IS department and the resulting creation of new cost centres the company proposes to update the manual to reflects these changes. The general methodology will remain the same. The expenses for different functions within the IS department are uniquely identifiable and will be assigned based on the prior assignment of the investment in assets (systems) they support.

The Data Centre Operations department, which runs the help desk and provides individual computer users with assistance, will be assigned based on the prior assignment of Personal Computers (Asset Code 151).

The Application Development and Management department develops and maintains the company's business applications (ie billing, customer care, and financial systems). This department will be assigned 100% based on the prior assignment of investment in General & Admin Software (Asset Code 140) and OCS Computers Mainframe (Asset Code 150).

The Data Centre Support department includes costs associated with bill production and postage for bills. These expenses are identifiable and will continue to be assigned 50% to Monopoly Local and 50% to Competitive Toll as per existing methodology. The residual expense is for implementing and managing processes associated with security and system administration and change management. These expenses are assigned based on the prior assignment of investment in General & Admin Software (Asset Code

Northwestel Inc.

Attachment 1
Page 3 of 4

140) and OCS Computers Mainframe (Asset Code 150).

The IS Architecture department includes costs associated with the Data warehouse and database administration. This group is responsible for technology infrastructure planning, standards, and implementation. This department will be assigned based on the prior assignment of investment in General & Admin Software (Asset Code 140) and OCS Computers Mainframe (Asset Code 150).

Revised Pages F16-1 to F16-3

Section F21 Central Support Group

Central Dispatch, POTS Testing & Assignment

Assignment for Central Dispatch, POTS Testing & Assignment is assigned based on the prior assignment of F26, Access. The paragraph has been changed by dropping the phrase "Access/Service technical forces" to reduce confusion.

Revised Page F21-1

Central Support Administration, Network Maintenance & Admin & Residual Expenses

The Central Support Group's Administration expenses are support costs for the technical forces. Therefore these costs should be assigned based upon the work done by the technical forces. The costs will be assigned based on the F21 Operating Hours Time Reporting.

Revised Page F21-2

Section F48 Network Operations

Payphones Direct Costs

Payphones Direct Costs, are the costs required to service, clean, and maintain the operation of payphones. These expenses are assigned 85% to MONOPOLY LOCAL and 15% to COMPETITIVE TOLL to match payphone revenue.

Revised Page F48-5

Tower Maintenance

Tower Maintenance costs, are the costs of maintaining and repairing towers. These expenses are assigned, to the Broad Service Categories, based on the prior assignment of investment in Towers, section B8, Asset Code 880.

Revised Page F48-5

Section F92 Revenue Accounting

Northwestel Inc.

Attachment 1
Page 4 of 4

T-Bills & R-Bills were erroneously allocated on Page F92-2. This has been corrected, so that their allocation is consistent with Page F92-1, 100% to the OTHER Broad Service Category.

Revised Page F92-2

Section I

The table on Page I-II did not check off the box for allocation of working capital to A-SWAG. This page has been corrected.

Revised Page I-II

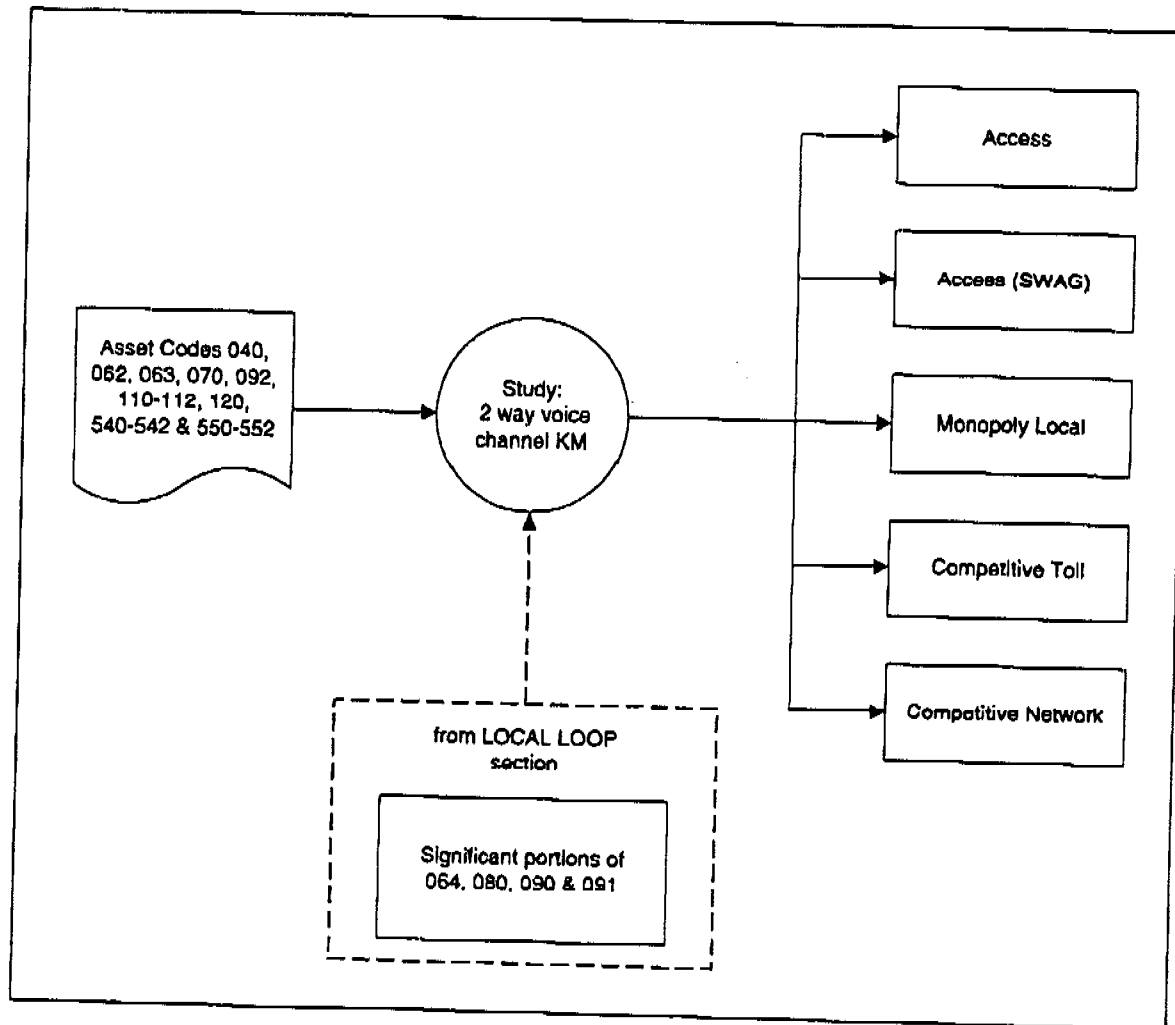
TRANSMISSION: Asset Codes 063, 040, 062, 070, 092, 100-112, 120, 540-542 (also included are significant portions of 064, 080, 090 and 091, if any).

General Approach:

The investment in these asset codes is related to use of transmission facilities and allocated to various Phase III categories on the basis of site by site actual usage, as measured in terms of equivalent 2-way voice channel kilometres.

Note: Two high capacity digital transmission routes, where more than 85% of the network is used for dedicated Competitive Network (CN) Services, is specifically assigned to the CN Broad Service Category. The transmission investment associated with these two routes, as well as the circuit kilometres on these routes are extracted from the general circuit kilometre study and assigned directly to the CN Category.

Allocation:



9. OTHER PLANT - WORK EQUIPMENT VEHICLES

Overview

The asset code used to record the investment in the OTHER PLANT - WORK EQUIPMENT VEHICLES category is not specific enough to permit direct assignment to the Phase III categories. A study is necessary to identify the investment in vehicles by function/use.

The study procedures (where applicable), and assignment procedures, is outlined in this section of the manual.

Other Plant - Work Equipment Vehicles Asset Code

Asset Code	Title	Content Definition
730	Vehicles	Cost of all types of light vehicles such as lineman's trucks, cable splicer's trucks, radio and microwave maintenance trucks, general purpose vehicles. Heavy trucks and trailers such as; transport and gang trucks and all heavy trailers such as pole, cable and general utility trailers. Includes: accessories such as tires, hydraulic equipment, winches; provided with the unit. Also includes snow machines and snow machine trucks.

Allocation Summary:

Asset Code	Access	Access (SWAG)	Monopoly Local	Comp. Toll	Comp. Network	Comp. Network IS	CTMD	CTO	Other	Commun
730	X	X	X	X	X	X	X	X	X	X

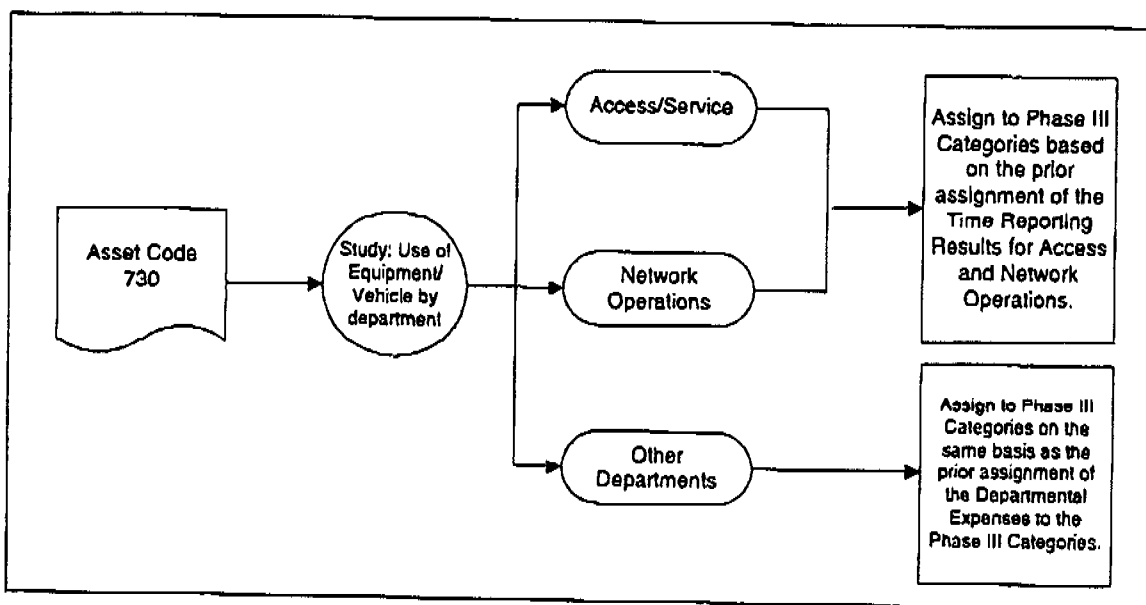
WORK EQUIPMENT VEHICLES: Asset Code 730

General Approach

This asset code contains investment related to vehicles.

The investment in work equipment vehicles is identified at an asset level, and is assigned to the Phase III categories based on a study which determines the usage of the equipment by department and/or by cost centre.

Allocation:



Equipment Assignment Study Procedures:

The purpose of this study is to determine the use of each piece of vehicle and/or equipment and assign related investment to an organizational sub-unit and subsequently to a Phase III Broad Service Category.

A list of company equipment and their assigned use, is obtained from the "Vehicle Maintenance Report" which is generated in the Financial System (JDE) - Fixed Asset Sub-ledger. The system is updated monthly to reflect retirements, additions, or vehicle transfers. The report contains the capital cost of each vehicle/unit as well as the associated maintenance expenses.

Assigned Equipment/Vehicles

Each vehicle or piece of equipment is assigned to a single organizational cost centre. The related investment is then subsequently assigned to the Broad Service Categories based on the assignment of the departmental operating expenses to these Broad Service

Categories. In the case of equipment and vehicles assigned to the Access/Service group and the Network Operations group, the assignment is based on the results of the time reporting studies that are done in order to assign the related operating expenses (see F - Operating Expenses: Accounts 26 and 48), except that all labour hours are included in the study, including capital hours. The labour hours by activity are either assigned directly to a Phase III Broad Service Category (BSC), or to a Main Plant Function and then subsequently assigned to the Phase III BSC's based on the prior assignment of that Main Plant Function. Therefore the vehicle and equipment investment is assigned to the Phase III BSC's based on the prior aggregate results of this Time Reporting Study.

Responsibility:

The results of this study are updated on an annual basis, by the Accounting Department in cooperation with the Network Operations Department.

Source Documents:

Vehicle Investment & Maintenance Report (year-end).

Network Operations Time Reporting Results (year-end).

Northwestel Cost Inquiry Phase III Manual**Operating Revenues**

		NON-TELEPHONE INSTALLATION	
3001	305	Install/Construction Charges	4441 CTMD
3001	309	Telephone Installation	4451 CTMD
3001	309	Data Installation	4452 CTMD
3001	309	Miscellaneous Installation	4453 CTMD
		NRI Accrual	4454
21480	40	PIC/CARE	4461 A/CT
		DIRECTORY ADVERTISING	
	N/A	Telephone / Dir. Ads Yellow	4502 O
3001	402	Telephone / Dir. Ads White	4521 O
	N/A	Telephone / Dir. Tariff Sales	4531 O
	N/A	Miscellaneous Advertising	4532 O
	N/A	Directory Database Sales	4533 O
		OTHER SERVICES	
		DATA SERVICES	
		DATAPAC	
3003	1106	Data Services	4543 A, CN
3003	1104	Data Services	4543 A
3003	1104	Datapac Usage	4544 CN
3003	1106	Datapac Usage	4544 CN
3003	1104	DataPac NRI	4545 CN
3003	1106	DataPac NRI	4545 CN
3003	1108	Data Settlement	4546 CN
3003	1108	Datapac Settlement Telus Usage	4547 CN
		MISCELLANEOUS SERVICES	
		Connections	4591 CN
		Donations of Service	4599 Study

Northwestel Cost Inquiry Phase III ManualOperating Revenues

MISCELLANEOUS PRIVATE NETWORK				
ALASCOM SUPER GROUP REVENUE				
	N/A	Alascom Super Group Lease	4652	CN
	N/A	Alascom Circuit Rental	4654	CN
OTHER PRIVATE NETWORK REVENUE				
3010	731	Frame Relay Network (Ardicom)	4701	CN
	N/A	Other Frame Relay	4702	CN
	N/A	IP Gateway Service	4703	CN - IS
	N/A	ADSL	4704	CN - IS
3003	1119/20	Other Revenue	4705	CN
		Other Revenue	4705	CN-IS
		IT Services	4706	CN - IS
SYMPATICO SERVICES				
3001	1602	Sympatico Software	4721	CN - IS
3001	1602	Sympatico COGS - Software	4722	CN - IS
3001	1602	Sympatico User Fees	4723	CN - IS
LATE PAYMENT INTEREST				
		Late Payment Int; Telephone	4782	Study
OTHER INCOME				
		Other Income	4791	CN
SUPPLEMENTAL FUNDING				
		Supplemental Funding	4796	SF
BSD SALES AND SERVICE REVENUE				
BSD REVENUE				
EQUIPMENT SALES				
	N/A	Telephone Multi Line Equipment	4811	CTMD

Northwestel Cost Inquiry Phase III Manual

Other Income

Allocation Summary

Account	Access	Access (SWAG)	Multiply Local	Competitive Toll	Competitive Network	Competitive Terminal Other	Competitive Terminal Multi-type and Data	Other	Common	ISA	Plant Under Construction
5000.8102											X
5000.8106										X	
5000.8122	X	X	X	X	X	X	X	X	X		
5000.8123	X	X	X	X	X	X	X	X	X	X	X
5000.8138	X	X	X	X	X	X	X	X	X	X	X
5000.8141	X	X	X	X	X	X	X	X	X		X
5000.8152									X		
5000.8153									X		
5000.8154									X		
5000.8156	X	X	X	X	X			X	X		
5000.8157										X	

GENERAL ADMINISTRATION: Account 16**General Approach:**

This account contains expense related to general administration.

Information Systems:

Total expense for Information Systems is charged to this account and is specifically identified in the General Ledger, by cost centres. Expenses related to the Data Centre Operations are assigned based on the prior assignment of investment in Personal Computers. Expenses related to Application Development and Management are assigned based on the prior assignment of investment in General & Admin Software and OCS Computers Mainframe. Expenses relating to processing of customers bills and the associated postage are identifiable and assigned 50% to MONOPOLY LOCAL and 50% COMPETITIVE TOLL broad service categories. Residual expenses are assigned based on the prior assignment of investment in General & Admin Software and OCS Computers Mainframe.

Miscellaneous Expenses:

Expenses related to HR Recruitment, General Relocation Costs, Process Development, and Administration Services are allocated to the PHASE III CATEGORIES based on prior assignment of salary and wages.

Intercarrier Relations

The total expenses for Intercarrier Relations are identified by cost centre in the general ledger. These expenses are almost entirely associated with the activities of the staff; therefore assignment to the Broad Service Categories is based on a study of the activities of the Intercarrier Relations staff.

Study Procedures:

The purpose of this study is to allocate the total Intercarrier Relations' expenses based on a time study. The expenses associated with this cost centre are allocated to the Phase III Categories based on the prorata share of time spent by the employees on each Broad Service Category. Study Results are obtained through interviews with the employees and where applicable using time reporting.

Responsibility:

This study is conducted annually by the Intercarrier Relations department with support from Finance.

Vice-President Salaries

Executive Salaries for the Vice Presidents of Network, Customer Services, and Corporate, are assigned based on prior allocation of their respective departments.

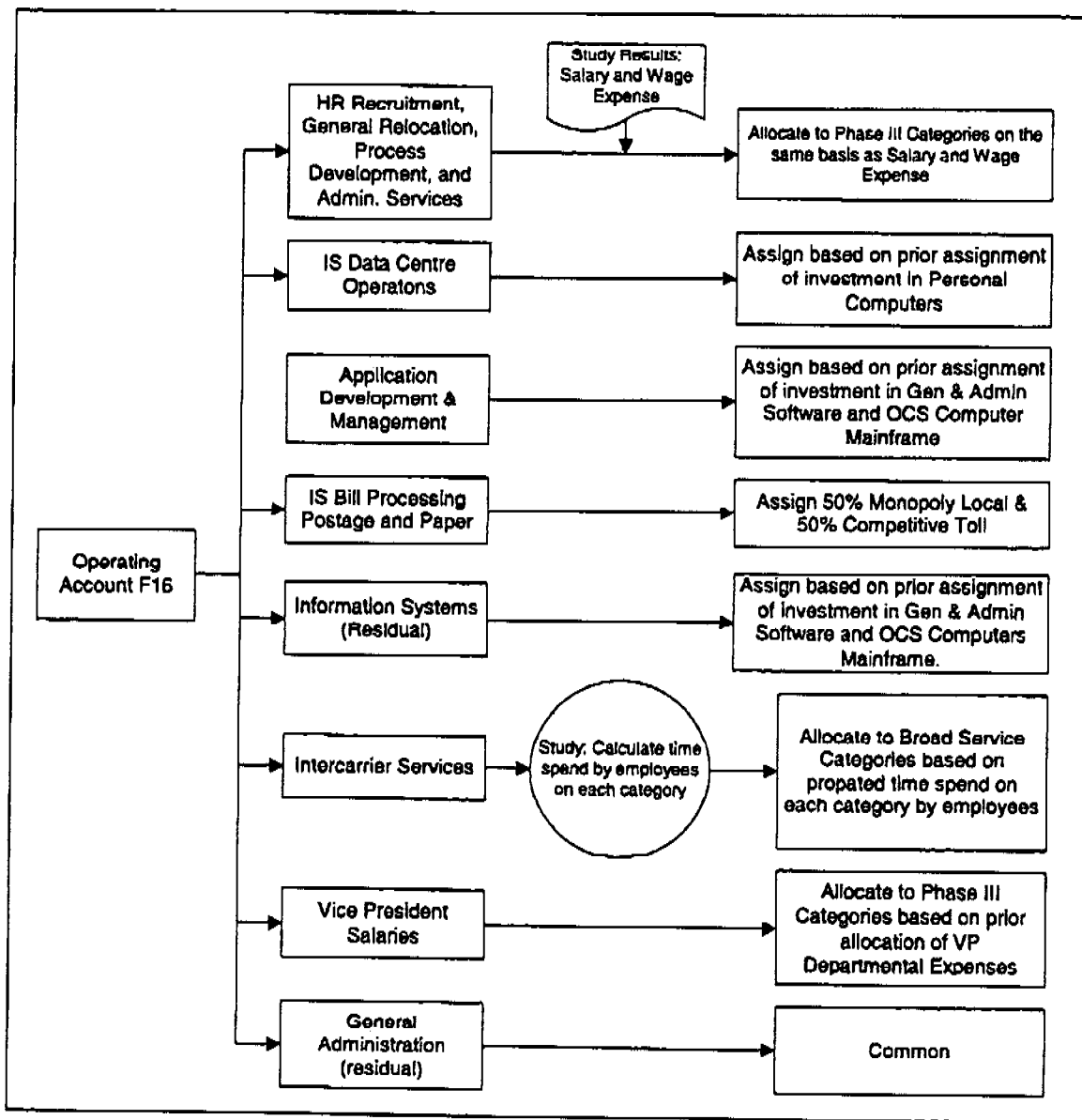
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Operating Expense

General Administration:

Other costs recorded in this account are common to all segments of the business and are allocated direct to the COMMON category.

Allocation



Responsibility:

This study is conducted annually, by the Accounting Department, after completing the allocation procedures for all other operating accounts.

Northwestel Cost Inquiry Phase III Manual

Operating Expense

Source Documents:

G/L Report of Operating Expense (Sorted by Account/Cost Code)

Interview Results/Phase III Time Tracking Report

CENTRAL SUPPORT GROUP: Account 21**General Approach:**

Expenses in this account are for the centralized functions of dispatch, repair answer, testing & assignment, and network control.

Circuit Rentals

The expense related to circuits rented from other Telco's is identified in the General Ledger by specific object codes and is allocated to the Broad Service Categories based on a study of the use of the rented circuits.

Loop Payouts

The total expense related to loop payouts is identified in the General Ledger by specific object code and allocated direct to the ACCESS category.

Radio Licenses

The expense related to Radio Licenses is identified in the General Ledger by a specific object code and is allocated to the Broad Service Categories based on the prior assignment of Transmission Investment (B4).

Hardware Support Expenses

Hardware Support Expenses are identified in the General Ledger by specific object code and is allocated to the Broad Service Categories based on the average of the prior assignment of Switching Systems (B3), Transmission Plant (B4) and Other Plant – Satellite Earth Stations (B12).

Central Dispatch, POTS Testing & Assignment

Central Dispatch and POTS Testing & Assignment Expenses are identified in the General Ledger by specific cost centres, and are allocated to the Broad Service Categories based on the prior assignment of the Operating Expense Account 26.

Facilities Design & Control

Facilities Design & Control expenses are identified in the General Ledger by a specific cost centre, and are allocated to the BSC's based on a study of circuit orders processed by the Facilities Design Group.

Network Surveillance

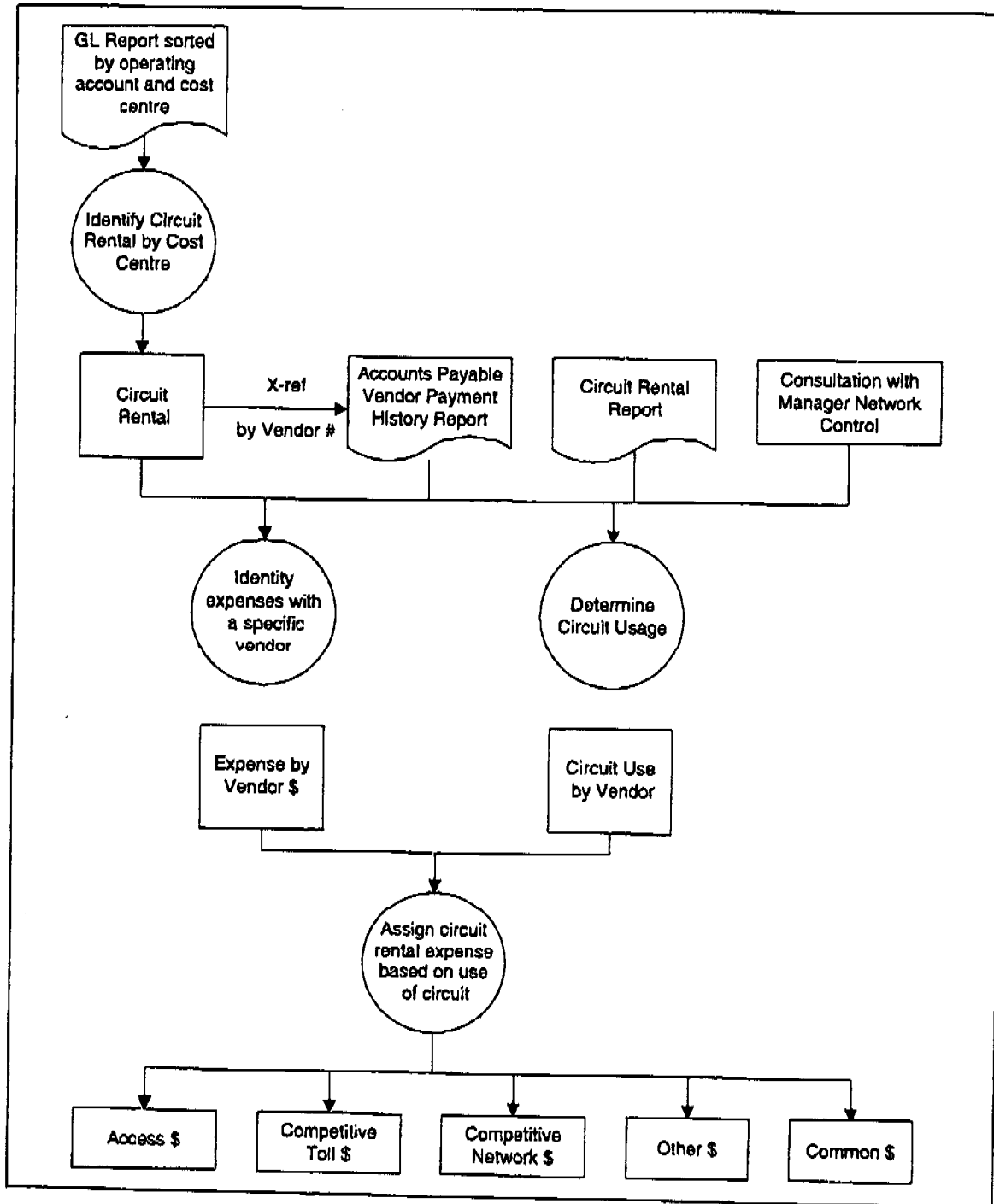
Network Control and Surveillance Expenses and are identified in the General Ledger by a specific cost centre, and are allocated to the Broad Service Categories based on the prior assignment of the summery of Operating Expense Account 48.

Northwestel Cost Inquiry Phase III Manual

Operating Expense

Central Support Administration, Network Maintenance & Admin & Residual Expenses
 Expenses related to the administration of the Central Support Group, identified in the General Ledger by a specific cost centre, are allocated to the BSC's based on F21 Operating Hours Time Reporting.

Study: Use of Rental Circuits



Northwestel Cost Inquiry Phase III Manual

Operating Expense

TECHNICAL FORCES TIME CODE MAPPING - Cont'd

Activity Class	Job Code	Description	Phase III Assignment
ARDICOM/ FRAME RELAY			
	5A	Frame Relay Trunks	CN
	5B	Frame Relay Distribution	CN
	5C	Passport 50, 160	CN
	5D	Frame Relay Access Device	CN
	5E	Satellite Modems	CN
	5F	Router (ACL)	CN
	6A	Coaxial Modem (ACL)	CN
	6B	Pairgain Campus Star	CN
	6C	Network Configuration	CN
	6D	Network Surveillance (OMS)	CN
	6E	Magellan Data Provider (MDF)	CN
	6F	Nexus Billing System	CN
	7A	Low Speed Modem/Black Box	CN
	7B	Engineering Assistance	CN
BUILDING	All	General Building Work	B6

Payphone Direct Costs

The expenses related to providing payphone service are identified in the General Ledger by specific cost centre, and are allocated 85% to MONOPOLY LOCAL and 15% to COMPETITIVE TOLL Broad Service Categories.

Tower Maintenance

The expenses related with providing tower maintenance and repairs are identified in the General Ledger by specific cost centre, and are allocated based on the prior investment in Asset Code 880, Towers.

Northwestel Cost Inquiry Phase III ManualOperating Expense**Study Procedures:***CTI, and Billing and Interchange Activities*

The purpose of this study is to determine the number of staff and the proportionate share of expenses related to the Central Ticket Investigation function and the Settlement and Interchange function. Through consultation with the Manager, Revenue Accounting, the number of employees in the department supporting these functions are determined and a proportionate share of the expenses are allocated to the COMPETITIVE TOLL category based on the ratio of staff supporting these functions to total staff for the Revenue Accounting group.

Accounts Processed

The purpose of this study is to determine the ratio of accounts processed by type of account to establish a basis of allocation for the total expense related to the accounts receivable function and the expenses related to credit card fees.

A special computer listing of subscriber master file records provides a count of customer records totalled by service type. Customer accounts which exhibit similar characteristics in terms of their content are grouped into account types and assigned to the Phase III Categories as follows:

<u>Type of Account</u>	<u>Phase III Classification</u>
Telephone	Split 50/50 between MONOPOLY LOCAL/ COMPETITIVE TOLL
Private Wire Service	COMPETITIVE NETWORK
Directory Advertising	OTHER
T-Bills/R-Bills	OTHER
Sales Bills	COMPETITIVE TERMINAL MULTI LINE & DATA

Responsibility:

This study is conducted annually, by the revenue accounting department.

Source Documents:

Subscriber Master File Listing - customer accounts by service

Northwestel Cost Inquiry Phase III Manual

Balance Sheet Items

TABLE I
PRESENTATION OF BALANCE SHEET ITEMS
(Yearly Average)

	(A)	(A SV/AG)	(ML)	(MT)	(CN)	(CT-MD)	(CT-O)	(O)	(C)	(PUC)	(ISA)	Total
1. Gross Plant Investment	X	X	X	X	X	X	X	X	X			X
2. Accumulated Depreciation	X	X	X	X	X	X	X	X	X			X
3. Net Plant (Line 1 minus Line 2)	X	X	X	X	X	X	X	X	X			X
4. Deferred Taxes	X	X	X	X	X	X	X	X	X			X
5. Sub-Total (Line 3 minus Line 4)	X	X	X	X	X	X	X	X	X			X
6. Plant Under Construction										X		X
7. Subsidiaries and Affiliates									X		X	X
8. Material and Supplies	X	X	X	X	X	X	X	X	X			X
9. Accounts Receivable (Net)	X	X	X	X	X	X	X	X	X			X
10. Deferred Mortgage Payments	X	X	X	X	X	X	X	X	X			X
11. Capital Accrual	X	X	X	X	X	X	X	X	X			X
12. Deferred Income Taxes Debit												
13. Provision for Future Losses												
14. Working Capital (includes)	X		X	X	X	X	X	X	X			X
15. Average Net Investment (Lines 6 to 11)	X	X	X	X	X	X	X	X	X	X	X	X