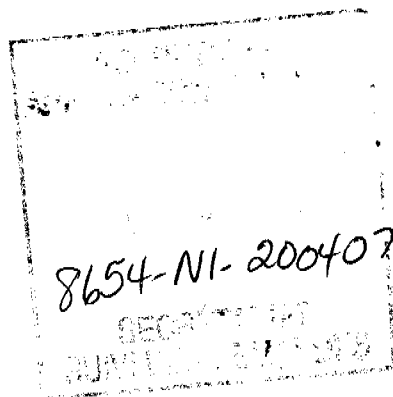




Northwestel Inc.
P.O. Box 2727
Whitehorse, YT
Y1A 4Y4



07 July 2004

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

Dear Ms. Soehn:

Re: Phase III Manual Updates

Due to changes to Northwestel's Chart of Accounts and general clean up, revisions to the Company's Phase III Manual are included in this submission, to be incorporated into the 2003 Phase III results.

See Attachment 1 for an overview of the proposed changes. The changed manual pages are in Attachment 2 and revisions are noted with a vertical line in the right margin.

Yours truly,

Dallas Yeulett
Manager, Regulatory Affairs

cc: Interested Parties

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Overview of the Proposed Changes

Section A1 – Introduction

- Pages A-21-22 Updated the asset codes listed in each of the B Sections. Added asset codes: 503-Customer Internet Equipment in B1; 066-Pressurization Equip-Cable Plant in B2; 065-Power Lines and Cables, 067-Repeater Housings (interexchange) and 068-Repeater Housings (distribution) in B4; 504-Loop and Trunk Conditioning Equipment in B5; 631-Ground Systems Installations in B6; 356-OCS Office Equipment in B8; and finally 730-Vehicles in B9. Since B11 no longer has any investments it was removed from the table on page A-22.
- Page A-23 Added a column for COMPETITIVE NETWORK INTERNET SERVICES, also updated the allocation summary to show the current allocations of each of the B Sections. B11 – Other Plant Vehicles was removed from the allocation summary because there are no assets residing in that section anymore.

Section B – Assets

- Page B-iii-iii Updated the asset code section for each Main Plant Function Category so that it reflects the 2003 investments that reside in each section. Removed B11 – Other Plant Vehicles because the only asset code 730 now resides in Section B9
- Page B-v B7 – Power is also allocated to COMPETITIVE NETWORK INTERNET SERVICES sub-category. Section B-11 was removed from the allocation summary table for the reasons mentioned above.

Section B1 – Subscriber Equipment

- Pages B1-2-3 New asset code 503, Customer Internet Equipment, contains ADSL modems. This investment will be assigned 100% to COMPETITIVE NETWORK INTERNET SERVICES, Broad Service Category.
- Page B1-3 OCS (On Company Service), Investment in Ruraltel is assigned to COMMON.
- Page B1-7 Added a General Approach for asset code 503, Customer Internet Equipment.

Section B2 – Local Loop Plant

- Pages B2-1-3 New asset code 066, Pressurization Equip-Cable Plant, includes air dryers & pressurize cable and equipment. The assets that use to reside in asset code 091 were transferred to asset code 061. Asset codes 090-091 are no longer in use. Also updated the allocation summary with asset code 066.
- Page B2-3 Investment in asset code 121, Cable Fibre Optic – Local is also allocated to COMPETITIVE NETWORK INTERNET SERVICES, as fibre is used in the provisioning of Internet services for some customers.
- Pages B2-6-7 Since the assets in 091 were simply transferred to 066 the general approach and allocation are still the same. The asset code on these two pages has been updated to reflect the proper asset code 066.

Section B3 – Switching Systems

- Pages B3-2-3 Investments in asset code 190 are also allocated to COMPETITIVE NETWORK Broad

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&11 Service Category because of the non-Internet related assets. These assets provide transport to the Internet backbone.

Page B3-3-4 Investment in Data Switching Systems, asset codes 160, and 169 includes some Internet assets which are assigned to COMPETITIVE NETWORK INTERNET SERVICES. The residual is still assigned to COMPETITIVE NETWORK Broad Service Category.

Page B3-11 Updated the General Approach for asset code 190 to include a statement that describes the allocation to COMPETITIVE NETWORK.

Section B4 – Transmission Plant

Page B4-1 Asset code 040 Power Lines and Cables no longer has any assets residing in it, the assets are now found in the new asset code 065. The allocation to various Phase III categories has not changed; it is still based on the 2-way voice channel KM study.

Page B4-2 Asset codes 111 & 112 titled Repeater Housings no longer have any assets assigned to them, the Repeater Housings (interexchange and distribution) investments are now located in asset codes 067 & 068. The allocations to the various Phase III categories have not changed; they are still based on the 2-way voice channel KM study.

Page B4-4 Asset code 040 is no longer in use. Power Lines and Cable are now located in asset code 065 and is allocated to the Broad Service Categories based on the results of the 2-way voice channel KM study.

Page B4-4 Asset codes 111 & 112 are no longer in use. Repeater housings (interexchange and distribution) are now asset codes 067 and 068. These new asset codes are allocated the same way to the Broad service Categories as asset code 065.

Page B4-4 Added asset code 070 to the allocation summary table. The assets in Cable, Coaxial and Video are allocated to the Broad Service Categories based on the results of the 2-way voice channel KM study.

Page B4-6 Added asset codes 065 and 067-068 to the transmission and allocation divisions to reflect the proper asset codes. Also added them to the allocation diagram.

Section B5 – Central Office Circuit Terminations

Page B5-1-2 Asset code 270, Loop and Trunk Conditioning Equipment is no longer in use. Asset code 504 has replaced code 270 and all loop and trunk-conditioning equipment is now found in 504. The investments will continue to be allocated 100% to ACCESS Broad Service Category.

Page B5-2 Added asset code 300, Basic Central Office & Repeater Station, and a content definition to the Central Office Circuit Terminations category. Allocation is made to ACCESS, ACCESS (SWAG), MONOPOLY LOCAL, COMPETITIVE TOLL, COMPETITIVE NETWORK and COMPETITIVE NETWORK INTERNET SERVICES.

Page B5-3 Replaced asset code 270 with 504. Allocation is still 100% to ACCESS.

Page B5-3 Removed allocation from the Broad Service Category OTHER for asset code 300.

Page B5-4 Asset code 300 is also allocated to COMPETITIVE NETWORK INTERNET SERVICES (CN-IS). Also added CN-IS to the allocation diagram.

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- Page B5-6 Changed the Responsibility of the Circuit Assignment Study to say that it is conducted bi-annually to be consistent with the Transmission 2-way voice channel terminations study, as both studies are completed simultaneously with the same source data.
- Page B5-7 Updated the Loop and Trunk Conditioning Equipment heading with the appropriate asset code of 504.

Section B6 – Other Plant – Structures

- Page B6-1 New Asset Code 631, Ground Systems Installations, which includes upgrade wiring and grounding. Allocation to the Broad Service Categories is based on the use of the related structure.
- Page B6-3 Added asset code 631 to the Allocations Summary table.
- Page B6-3 Asset code 831 is allocated 100% to the COMMON category.
- Page B6-4 Added asset code 631 to Other Assets section.
- Page B6-5 Replaced asset code 720 with 621 which is the new code for Ground Systems Installation. Also added asset code 393 because it was missing from the list.
- Page B6-7 Changed F26 Stores to F28 Stores which is actually the correct F Section.

Section B7 – Other Plant – Power

- Page B7-1 Added new asset code 632 Solar Generating Plants. The assets for 632 use to reside in asset code 700, Photo Electric (Solar) Generating Plants which is no longer in use.
- Page B7-2 Updated asset code 700 with the current code 632 in the allocation summary table.
- Page B7-3 Changed Power heading to include asset code 632 which replaced 700. Also added 632 and removed 700 from the allocation diagram.
- Page B7-4 Updated Power Study Procedure to include allocation to Mobility equipment. Also included NMI, Mobility Equipment in Use of DC and AC Power diagram.
- Page B7-5 Added NMI to the bottom of the list of Main Plant/Other Plant Function Category and Mobility Equipment under the heading Equipment.

Section B8 – Other Plant – Other Equipment

- Page B8-1 Added a brief description of new asset code 141, Network Management System Software.
- Page B8-2 Changed headings 351-355 to include new asset code 350, OCS Furniture. 350-355 Furniture (OCS) still has the same description.
- Page B8-2 New asset code 356, OCS – Office Equipment, contains all costs associated with the company use of equipment or machines. These costs are allocated to the Broad Service Categories in the same ratio as the salary and wage expense relating to management and clerical staff by department.

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- Page B8-3 Asset code 150 also contains investment related to Internet Services and is assigned directly to the COMPETITIVE NETWORK INTERNET SERVICES, (CN - IS) category.
- Page B8-5 Added asset code 356 to the heading and to the General Approach sub-category Office Equipment. Also, changed the heading to read 350-355 and not just 350.
- Page B8-6 Added 356 to the allocation diagram.
- Page B8-10 Under the General Approach for asset code 140, Cognos was added to the list following Mediation Software (Axiom)
- Page B8-11 Asset code 140 has a new variable included in the study which is SMS Reporting Cognos. Cognos is a SMS management tool, which assists in analysis. Thus, investment in Cognos is prorated to the Broad Service Categories based upon prior assignment of investment in SMS assets. Asset code 141, Network Management System Software is investment in computer software used in the surveillance and management of the network. Currently investment in Network Management System Software is immaterial and will be assigned 100% to the COMMON Broad Service Category, when the investment becomes material, an assignment methodology will be developed. Cognos was also added to the Allocation diagram.

Section B9 - Other Plant Work Equipment

- Page 9-3 Investment in heavy work equipment, recorded in Asset Code 730 will only be assigned to the ACCESS, ACCESS (SWAG), MONOPOLY LOCAL, COMPETITIVE NETWORK, OTHER and COMMON Broad Service Categories as these vehicles are not used to provide COMPETITIVE NETWORK INTERNET SERVICES, COMPETITIVE TERMINAL MULTI LINE & DATA and COMPETITIVE TERMINAL services. Examples of heavy equipment include transport and gang trucks and all heavy trailers such as pole, cable and general utility trailers.

Section B11- Vehicles

Removed the entire section from the manual because the only asset code 730 was transferred to B9 - Other Plant - Work Equipment.

Section B12 - Other Plant - Satellite Earth Stations

- Page B12-3 Updated Responsibility to read this study is conducted biannually, by Network Control. The satellite study is the same as the circuit termination study and this change will keep both studies consistent.

Section C - Revenues

- Page C1-1 Added a general approach for revenue account 4543 - Data Services. Data Services will be allocated 2% to ACCESS and 98% to COMPETITIVE NETWORK, as a change in systems no longer allows this study to be completed. A one time historical study was completed to determine assignment to the Broad Service Category. Also revenue account 4543 was removed from the allocation diagram.
- Page C1-5 Added new revenue account 4090, BCSA Revenue. It is allocated 100% to COMPETITIVE TOLL (CT), as it is settlement revenue.

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- Page C1-12 Added new revenue account 4730, Satellite Internet. This revenue is allocated 100% to COMPETITIVE NETWORK INTERNET SERVICES sub-category, as it is revenue from Internet over satellite.
- Page C1-13 Added new revenue account 4832, Mobile Equipment. This revenue is allocated 100% to COMPETITIVE TERMINAL MULTILINE & DATA, as this equipment is for sale to customers and terminates data transmissions.

Section E - Other Income

- Page E-III 8141 is also allocated to INVESTMENT IN SUBSIDIARIES & AFFILIATES. 8156, Gain (Loss) on Sale of Assets is also assigned to COMPETITIVE TERMINAL MULTILINE AND DATA, and COMPETITIVE TERMINAL OTHER.

Section F - Other Income

- Page F-IV F90 - Customer Service is also allocated to COMPETITIVE TOLL, Broad Service Category.
- Page F13-1 New cost centre 819, Advanced Solutions, assigned to the Phase III categories based on a survey of employee activities. Changed heading to read Sales, Marketing, and Advanced Solutions. Cost centre 682, Advanced Comm name has been changed to Customer Service Experts (CSE), which is combined with 819 to compose the value of Advanced Solutions.
- Page F13-1 A portion of cost centre 681, Internet Services, object 5551 Video Bridge Lease is assigned to COMPETITIVE NETWORK, as this service is not Internet related.
- Page F13-4 Replaced any reference to Advance Comm with Advanced Solutions.
- Page F16-2 New cost centre 702, Process Improvement, is assigned 100% to the COMMON Category. Process Improvement costs are an internal process to reduce expenses and increase efficiencies without impacting customer service. Also updated the allocation diagram to include Process Improvement.
- F83-1 B-11 asset code 730 now resides in B-9 therefore the reference to Section B-11 under Miscellaneous Fuel & Maintenance has been changed to read Section B-9.
- Page F2-1 Changed the allocation of 4921 to COMPETITIVE TERMINAL MULTILINE AND DATA, to match the allocation that occurs in section C - Revenues Phase III results. New account number 4951, Meals and Entertainment Cost I&R. This account number is allocated to COMPETITIVE TERMINAL MULTILINE AND DATA. New account number 4952 Hotel & Accommodations Cost, allocated to COMPETITIVE TERMINAL MULTILINE AND DATA, as they represent revenues from customers who pay to have technicians install sold telephony systems.

Section G - Other Expenses

- Page G-ii Added 110.7502, Writedown of Investments, which is the loss taken when investment in subsidiaries are written down.
- Page G-iii Changed the allocation summary of legal costs to show 100% allocation to the Broad Service Category OTHER to be consistent with Page G-2.

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- Page G-iii Added a column for INVESTMENT SUBSIDIARIES & AFFILIATES (ISA) in the allocation summary table and allocated 100% of Writedown and Investments to the Phase III Category ISA.
- Page G-3 Added a General Approach for account number 110.7502, Writedown of Investments.

Section I – Balance Sheet Items

- Page I-ii A portion of the balance of Working Capital is assigned to ACCESS (SWAG).
- Page I-ii Capital Accrual is not allocated to PLANT UNDER CONSTRUCTION because the allocation of Capital Accruals is based on Net Plant Investment, which is not allocated to PLANT UNDER CONSTRUCTION.
- Page I-iii Changed Line 12 to read Line 14 because that is actually where Working Capital Balance is contained.
- Page I-5 In order to be consistent with F92, T&R Bills are assigned 100% to the Phase III Category OTHER.
- Page I-6 Added T&R Bills to the allocation Table as well as its allocation to the COMMON category.

Section J – Income Statement

- Page J-2 Line 17. OTS Consumed is also allocated to the Broad Service Category, ACCESS-SWAG. Line 18. OTS Adjustments is also allocated to the Broad Service Category ACCESS-SWAG.

Main Plant Functions

Investment in the Main Plant Function categories is assigned to the Phase III categories on the basis of studies related to individual asset codes (or groups of asset codes).

The Main Plant Function categories are as follows:

MAIN PLANT FUNCTION CATEGORY	ASSET CODES	MANUAL SECTION
SUBSCRIBER EQUIPMENT	450, 451, 452, 453, 456, 457, 460, 461, 462, 463, 464, 470, 471, 472, 480, 490, 491, 492, 493, 494, 495, 496, 500, 502, 503, 560, 561, 562, 563	B1
LOCAL LOOP	050, 060, 061, 066, 080, 090, 091, 121	B2
SWITCHING SYSTEMS	160, 169, 170, 171, 172, 173, 174, 175, 176, 177, 179, 180, 181, 182, 183, 184, 189, 190, 520	B3
TRANSMISSION PLANT	030, 040, 062, 063, 064, 065, 067, 068, 070, 092, 100, 111, 112, 120, 380, 540, 541, 542, 550, 551, 552, 553, 554, 555	B4
CENTRAL OFFICE CIRCUIT TERMINATIONS	200, 230, 231, 232, 260, 270, 290, 300, 360, 370, 501, 504	B5

Other Plant Functions

Certain groups of asset codes within the Other Plant Function categories are assigned to the Phase III categories on the basis of the prior assignment of selected Main Plant Function groups. Other groups of asset codes, such as structures, are subject to studies specific to the type of investment.

The Other Plant Function categories are as follows:

OTHER PLANT FUNCTION CATEGORY	ASSET CODES	MANUAL SECTION
STRUCTURES	791, 393, 631, 830, 831, 840, 850, 860, 861, 870, 880, 900, 920	B6
POWER	630, 640, 650, 660, 670, 700	B7
OTHER EQUIPMENT	140, 141, 150, 151, 152, 153, 154, 310, 311, 312, 313, 340, 350, 351, 352, 353, 354, 355, 356, 390, 391, 392	B8
WORK EQUIPMENT HEAVY	730, 740, 750, 760	B9
WORK EQUIPMENT LIGHT	341, 770	B10
SATELLITE EARTH STATIONS	093, 570, 571, 572, 580, 581, 582	B12

Northwestel Cost Inquiry Phase III Manual

Introduction

Allocation Summary

MAIN PLANT FUNCTION CATEGORY	OTHER PLANT FUNCTION CATEGORY	ACCESS	ACCESS (SWAG)	MONOPOLY LOCAL	COMPETITIVE TOLL	COMPETITIVE NETWORK	COMPETITIVE NETWORK INTERNET SERVICES	COMPETITIVE TERMINAL MULTILINE & DATA	COMPETITIVE TERMINAL OTHER	OTHER	COMMON
SUBSCRIBER EQUIPMENT		X	X	X	X	X	X	X	X	X	X
LOCAL LOOP		X					X				
SWITCHING SYSTEMS		X	X	X	X	X	X				
TRANSMISSION PLANT		X	X	X	X	X				X	X
CENTRAL OFFICE CIRCUIT TERMINATIONS		X	X	X	X	X	X			X	
	STRUCTURES	X	X	X	X	X	X	X	X	X	X
	POWER	X	X	X	X	X	X			X	X
	OTHER EQUIPMENT	X	X	X	X	X	X	X	X	X	X
	WORK EQUIPMENT HEAVY	X	X	X	X	X	X	X	X	X	X
	WORK EQUIPMENT LIGHT	X	X	X	X	X	X	X	X	X	X
	SATELLITE EARTH STATIONS	X	X	X	X	X				X	X

Northwestel Cost Inquiry Phase III Manual**Plant Investment****Main Plant Functions**

Investment in the main Plant Function categories is assigned to the Phase III Categories on the basis of studies related to individual asset codes (or groups of asset codes).

The Main Plant Function categories are as follows:

Main Plant Function Category	Asset Code	Manual Section
Subscriber Equipment	450-457, 460-464, 470-472, 480, 490, 491-496, 497, 500-503, 560-563	B1
Local Loop	050 (Portion), 060-061, 066, 080 (Portion), 090-091, 121	B2
Switching Systems	160, 161, 169, 170-179, 180-189, 190, 520	B3
Transmission Plant	030, 040, 050 (Portion), 062-068, 070, 080 (Portion), 090, 091 (Portion), 092, 100, 111, 112, 120, 540-542, 550-555	B4
Central Office Circuit Terminations	230, 231, 232, 250, 260, 270, 280, 290, 300, 360, 370, 501, 504	B5

Northwestel Cost Inquiry Phase III Manual**Plant Investment****Other Plant Functions**

Certain groups of asset codes within the Other Plant Function categories are assigned to the Phase III categories on the basis of the prior assignment of selected Main Plant Function groups. Other groups of asset codes, such as structures, are subject to studies specific to the type of investment.

The Other Plant Function categories are as follows:

Other Plant Functions Category	Asset Code	Manual Section
Structures	393, 631, 720, 830, 831, 840, 841, 850, 860, 870, 880, 900, 920	B6
Power	630, 632, 640, 650, 660, 670, 680	B7
Other Equipment	140, 141, 150-154, 310-313, 330, 340, 350-355, 356, 390-392	B8
Work Equipment Heavy	730, 740, 750, 760	B9
Work Equipment Light	341, 770, 780	B10
Satellite Earth Stations	093 570-572, 580-582,	B12

Allocation Summary

MAIN PLANT FUNCTION CATEGORY	OTHER PLANT JUNCTION CATEGORY	ACCESS	ACCESS (WAG)	EXCLUSIVELY LOCAL	COMPETITIVE TOLL	COMPETITIVE NETWORK	CONVERTIVE NETWORK INTERNET SERVICES	COMPETITIVE MULTIMEDIA & DATA	COMPETITIVE TERMINAL OTHER	OTHER	COMMON
Subscriber Equipment		X	X	X	X	X	X	X	X	X	X
Local Loop		X					X				
Switching Systems		X	X	X	X	X	X				
Transmission Plant		X	X	X	X	X					X
Central Office Circuit Terminations		X	X	X	X	X	X				X
	Structures	X	X	X	X	X	X	X	X	X	X
	Power	X	X	X	X	X	X				
	Other Equipment	X	X	X	X	X	X	X	X	X	X
	Work Equipment Heavy	X	X	X	X	X	X	X	X	X	X
	Work Equipment Light	X	X	X	X	X	X	X	X	X	X
	Security Earth Stations	X	X	X	X	X					X

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Plant Investment

500- 502	Data Sets	Cost of interface equipment and associated equipment and hardware required at subscriber locations to convert digital data signals to analogue signals or vice versa for connection to a conventional analogue facility at voice, group, or supergroup frequencies.
503	Customer Internet Equipment	Cost of providing ADSL modems to provision ADSL internet to customers.
560- 563	Mobile Radio-Base	Cost of providing and installing mobile radio base station equipment necessary for operation of mobile radio system. Includes: radio base station and control equipment; antenna cabling; miscellaneous materials; and hardware.

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Plant Investment

Allocation Summary:

Asset Code	Access	Access (SWAG)	CN	CN-IS	CTMD	CTO	Common
450-453	X						
456, 457	X	X	X		X	X	X
460-463	X	X	X		X	X	X
464			X				
490-496	X				X	X	
500-502	X	X	X		X	X	X
503				X			
560-563	X				X		X
Subscriber Equipment OCS	X	X	X		X	X	X

**Data Equipment "OCS"
Study Procedures:**

The purpose of this study is to determine the value of investment in data equipment used On Company Service.

OCS Equipment Inventory

A physical inventory of OCS subscriber equipment units is done by "type of equipment".

Unit Costs by Type

After identifying OCS equipment by type, unit costs are derived from the capital investment records and individual project folders which contain invoices, purchase orders, project specifications, estimates, and other documentation pertaining to a project.

Where several units of any type of equipment are purchased with varying unit costs, sample costs are taken over a 3 to 5 year period and a weighted average cost is calculate.

The value of OCS investment is derived by multiplying average unit costs by the number of OCS units inventoried for each type of equipment, and summing the products.

Responsibility:

This study is conducted biennially, by the finance department in conjunction with the Business Systems Division inventory count.

Source Documents:

Capital Investment Record

Project Folders

The BSD Inventory Count

CUSTOMRE INTERNET EQUIPMENT: Asset Code 503**General Approach:**

This asset code includes investment related to ADSL modems and is assigned directly to the COMPETITIVE NETWORK INTERNET SERVICES sub-category.

2. LOCAL LOOP PLANT

Overview

The investment associated with the LOCAL LOOP section is primarily Pole Line Structures and Cable Plant. The asset codes used to record the investment in this section are assigned to the ACCESS category. Results of the following studies completed in 1987, and 1993 are confirmed annually to ensure that assignment to categories besides ACCESS is insignificant.

- Cable pair assignments - pole line
- Cable pair assignments - tube duct systems
- Cable pair assignments - pressurization equipment

The study procedures (where applicable) and assignment procedures for each asset code, are outlined in this section of the manual.

Note: 'Insignificant' for purposes of this section is; less than 5% for asset codes containing less than \$ 10,000,000 in investment; and less than 1% for asset codes containing \$ 10,000,000 or greater in investment.

Local Loop Asset Codes

Following is a list of the asset codes in the LOCAL LOOP category, including general content definitions.

<u>Asset Code</u>	<u>Title</u>	<u>Content Definition</u>
050	Pole line Structure	Cost of material and erection of a pole line including poles, crossarms, braces, anchors, guy wire and all other associated hardware, including the cost of clearing the right of way.
060-061	Cable Plant	Cost of materials and construction of all types of communication cable plants (except coaxial, video or fibre optics). Cable plant includes all associated items.
066	Pressurization Equip-Cable Plant	Cost of providing pressurization equipment including compressor, dehydrator tanks, fittings, tubing, gauges and necessary hardware that is associated with pressurization of outside plant cables.
080	Duct Systems (Underground Conduit)	Cost of materials and construction of underground ductwork, access holes, and associated hardware and material between any two conduit termination points, or at the end of a submarine crossing.

Allocation Summary

ASSET CODE	ACCESS	MONOPOLY LOCAL	COMPETITIVE TOLL	COMPETITIVE NETWORK	COMPETITIVE NETWORK INTERNET SERVICES	COMMON
050	X	X	X	X		X
060-061	TOTAL					
066	X					
080	X	X	X	X		X
121	X				X	

X - SIGNIFICANT INVESTMENT ALLOCATED TO TRANSMISSION PLANT IS ASSIGNED TO BSC's VIA TWO WAY VOICE CHANNEL KILOMETERES STUDY (SECTION B4)

PRESSURIZATION EQUIPMENT: Asset code 066**General Approach**

These asset codes contains investment related to Pressurization Equipment associated with outside plant (cable plant),

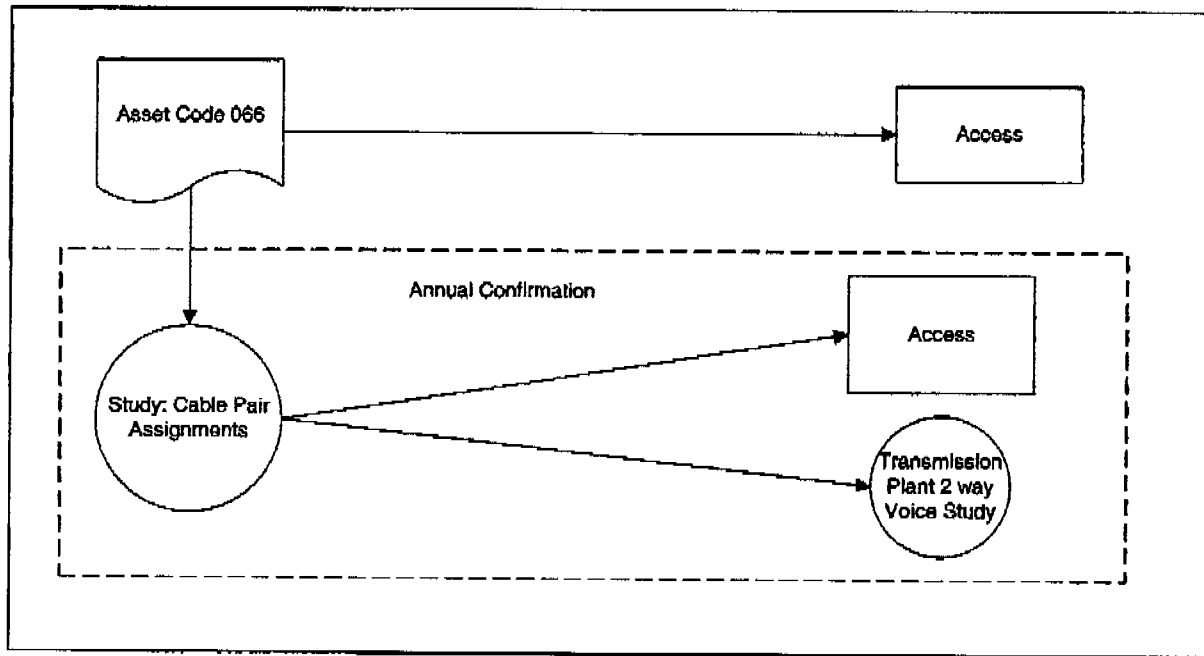
They are allocated to the ACCESS category upon confirmation of prior year study results,

In 1987, the assignment study confirmed that investment in pressurization equipment used for transmission is insignificant and therefore, no allocations are made to the Main Plant Function category, TRANSMISSION PLANT.

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Plant Investment

Allocation:



Northwestel Cost Inquiry Phase III Manual**Plant Investment**

180- 189	Toll Telephone Equipment	Cost of all equipment required to provide toll telephone service for one or more central office. Including: switchboards, toll trunk equipment, trunk concentrators, toll ticketing equipment, DDD and intertoll dialling equipment.
190	Internet Data Equipment	Cost of servers, routers, modems, ADSL transmission equipment and related costs associated with the provision and connection to the Internet backbone.
520	Centrex Telephone Equipment	Cost of each PABX having multi-customer capability, with dial switching equipment located either on subscriber property or Northwestel property.

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Plant Investment

Allocation Summary:

Asset Code	Access	Access (SWAG)	Monopoly Local	Competitive Toll	Competitive Network	Competitive Network Internet Services
160, 169					X	X
170-179	X	X	X	X		
180,181, 183,184				X		
182/189	X	X		X		
190					X	X
520			X			

SWITCHING SYSTEMS: Asset Codes 160, 169**General Approach**

These asset codes contain investment related to data switching systems and are specific enough to assign directly to the COMPETITIVE NETWORK category. However, there are some Internet related assets that reside in asset code 160 and are assigned to COMPETITIVE NETWORK INTERNET SERVICES.

LOCAL TELEPHONE EXCHANGE EQUIPMENT: Asset Codes 170-179**General Approach**Digital Equipment

Asset codes 170, 171 and 172 contain investment in digital switching equipment. Further studies are done to split non-traffic sensitive equipment and traffic sensitive equipment.

Asset code 171 contains investment in Start Up Costs for Equal Access, this investment is assigned 30% to Access and 70% to Competitive Toll.

The value of investment related to non-traffic sensitive equipment (i.e. line cards) is based on the cost of "equipped" lines. This investment is allocated to the ACCESS category.

The investment remaining in the digital equipment asset codes (170 - 172) is for traffic sensitive equipment. A traffic distribution study is required to determine the portion of local calling vs. long distance. The portion of local calling is assigned to the MONOPOLY LOCAL category. The portion relating to toll traffic is assigned to the ACCESS (SWAG) category as it is part of the switching and aggregation facilities. The study is based on the weighted average distribution of busy hour traffic.

Pair Gain and Loop Extender

Asset codes 173 (Pair Gain Analogue), 174 (Pair Gain Digital), and 175 (Loop Extenders) are specifically related to access and therefore allocations are made direct to the ACCESS category.

Telephone MDF Local

The Main Distribution Frame (MDF) portion of investment is contained in asset code 176. This investment is directly assigned to the ACCESS category.

Telephone Exchange Application Software

Asset code 179 contains investment in Start Up Costs for Equal Access; this investment is assigned 30% to Access and 70% to Competitive Toll.

Study Procedures:

A count of the number of trunk terminations by type is conducted on Fort Nelson's GTD-5, Whitehorse's DMS-200 and Yellowknife's GTD-5 switch. The types of terminations are assigned as follows;

Intra Toll	ACCESS (SWAG)
APLDS	ACCESS (SWAG)
Intra Inter Toll	COMPETITIVE TOLL
Inter Toll	COMPETITIVE TOLL
Operator	COMPETITIVE TOLL

Responsibility:

This study is conducted by the Network Traffic Group

Source Documents:

Telephone Trunk Records

TOLL APPLICATION SOFTWARE: Asset Code 189**General Approach:**

This asset code contains specific investment in Start Up Costs. This investment is assigned 30% to ACCESS and 70% to COMPETITIVE TOLL categories.

The residual is assigned based on the result of Asset Code 182.

SWITCHING SYSTEMS: Asset Code 190**General Approach**

This asset code contains investment related to Internet Services. Provisioning assets are assigned directly to the Competitive Network - Internet Services (CN - IS) sub-category, assets used to provide transport to the Internet backbone are assigned to Competitive Network.

CENTREX TELEPHONE EQUIPMENT: Asset Code 520**General Approach:**

This asset code contains investment related to switching of Centrex service and is allocated to the MONOPOLY LOCAL category.

4. TRANSMISSION PLANT

Overview

The asset codes used to record investment in the TRANSMISSION PLANT category are allocated to various Phase III categories based on a study, which determines ratios of 2-way voice channel use.

Pressurization Equipment

The investment assigned to TRANSMISSION PLANT from the LOCAL LOOP cable assignment study (asset codes 080, 090, and 091), *if significant (see LOCAL LOOP section)* is allocated to the Phase III categories based on the results of transmission plant 2-way voice channel terminations study.

The study procedures (where applicable) and assignment procedures for each asset code, are outlined in this section of the manual.

Transmission Plant Asset Codes

Following is a list of the asset codes in the TRANSMISSION PLANT category, including general content definitions.

<u>Asset Code</u>	<u>Title</u>	<u>Content Definition</u>
062	Cable Plant - Wire Line Entrance Links	Cost of materials and construction of all types of communication cable plants (except coaxial, video or fibre optics).
063	Line Wire - Insulated	Cost of materials and erection of insulated line wire, insulators, sleeves, pins, tie wire, transportation brackets, protection equipment, etc, where applicable, and all material used to attach the wire to the structures.
064	Pole Line Structures	Cost of material and erection of a pole line including poles, cross-arms, braces, anchors, guy wire and all other associated hardware, including the cost of clearing the right of way.
065	Power Lines and Cables	Cost of materials and erection of a power line consisting of aerial cable or conductors including poles, brackets and all miscellaneous hardware

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		including transformers that are required to erect a power line.
067- 068	Repeater Housings	Cost of all types of repeater equipment housings, whether pole mounted for aerial cable or stub, or concrete slab mounted for underground cable, including splicing material, associated hardware, covers, and physical protection devices.
070	Cable, Coaxial and Video	Cost of materials and construction for a coaxial or video cable including all associated items.
080	Duct Systems (Underground Conduit)	Cost of materials and construction of underground ductwork, access holes, and associated hardware, and material between any two conduit termination points, or at the end of a submarine crossing.
090- 091	Pressurization Equipment - Cable Plant	Cost of providing all types of pressurization equipment including compressor, dehydrator tanks, fittings, tubing, gauges and necessary hardware that is associated with pressurization of cable plant.
092	Pressurization Equipment - Waveguide Applications	Cost of providing all types of pressurization equipment including compressor, dehydrator tanks, fittings, tubing, gauges and necessary hardware that is associated with pressurization of microwave waveguides.
100	Pole Mounted Filters	Cost of materials and installation of all types of line filters installed on poles or fixtures including the required housing, brackets, mechanical and electrical protection, and miscellaneous hardware.
120	Fibre Optic Cable - Transmission	Cost of Fibre Optic Cable used for transmission purposes.
540- 542	Microwave Plant	Cost of microwave equipment, cabinets, racks, supervisory equipment, order wire equipment, antennas, wave guides, power supplies (where directly part of the equipment) and all necessary material and hardware to provide a complete installation. Note that this is a point- to-point system.

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Allocation Summary:

Asset Code	Access	Access (SWAG)	Monopoly Local	Monopoly Toll	Competitive Network
062-063	X	X	X	X	X
Significant Portion of 064	X	X	X	X	X
065	X	X	X	X	X
067-068	X	X	X	X	X
070	X	X	X	X	X
Significant portion of 080	X	X	X	X	X
Significant Portions of 090 & 091	X	X	X	X	X
092	X	X	X	X	X
120	X	X	X	X	X
540 - 542	X	X	X	X	X
550 - 552	X	X	X	X	X
553 - 555	Total				

X = PROPORTIONATE USE OF TRANSMISSION FACILITIES

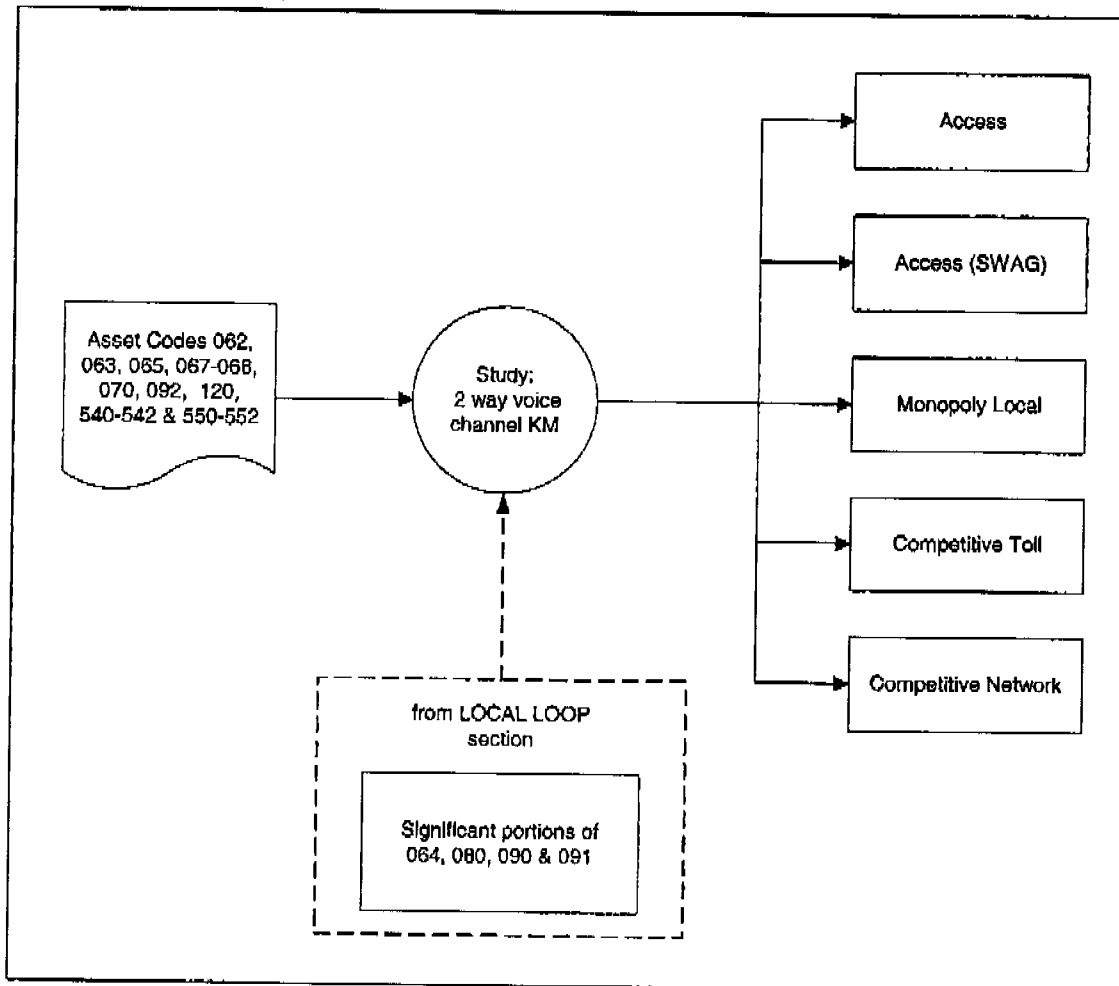
TRANSMISSION: Asset Codes 062, 063, 065, 067-068, 070, 092, 120, 540-542 (also included are significant portions of 064, 080, 090 and 091, if any).

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:



5. CENTRAL OFFICE CIRCUIT TERMINATIONS

Overview

This category primarily includes telephone and telegraph carrier, voice frequency equipment, and other central office equipment. The asset codes used to record the investment in the CENTRAL OFFICE CIRCUIT TERMINATIONS category are specific enough to permit direct assignment to the Phase III categories with the following exceptions:

- Telephone carrier and voice frequency equipment
- MDF equipment

The study procedures (where applicable), and assignment procedures for each asset code are outlined in this section of the manual.

Central Office Circuit Terminations Asset Codes

Following is a list of the asset codes in the CENTRAL OFFICE CIRCUIT TERMINATIONS category, including general content definitions.

<u>Asset Code</u>	<u>Title</u>	<u>Content Definition</u>
230- 231	Carrier Telephone Equipment (Solid State)	Cost of providing and installing all types of telephone carrier equipment used to derive voice and program circuits including terminals, repeaters, multiplex and all types of channelizing carrier systems.
232	Digital Clocking Equipment	Cost of providing and installing all of the equipment and associated materials, special test equipment, hardware and miscellaneous equipment, cabling and distribution system that is required in a Central Office to provide a digital synchronizing signal for timing purpose to the other digital equipment and /or network.
290	Program Equipment	Cost of providing and installing equipment required solely for the transmission of radio programs and TV audio services. Including line amplifiers, equalizers and speakers, program control bays, special program test equipment, associated relay racks, fuse panel equipment, cabling and hardware.

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300	Basic Central Office & Repeater Station	Cost of providing and installing all the equipment and associated materials required to form or add to a Central Office or Repeater Station. Includes rackwork, cable trays, tiebars and frames and blocks for termination of carrier derived circuits.
501	Voice Frequency Equipment	Cost of providing and installing all types of miscellaneous equipment associated with voice frequency circuits (excluding data trunk and loop conditioning equipment).
504	Loop and Trunk Conditioning Equipment	Cost of providing and installing all equipment required for the express purpose of conditioning data circuit.

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Plant Investment

Allocation Summary

Asset Code	Access	Access (SWAG)	Monopoly Local	Competitive Toll	Competitive Network	Competitive Network IS	Other
230-232	X	X	X	X	X	X	X
290					Total		
300	X	X	X	X	X	X	
501	X						
504	X						

X = Proportionate use of Central Office Facilities

CENTRAL OFFICE: Asset Codes 230, 231, 232 & 300

General Approach:

The investment recorded in these asset codes is associated with the use of central office facilities.

Investment related to the provision of Internet Services is specifically identified and flagged as Internet Services (IS) assets based on a study of project files. IS assets are assigned directly to the Competitive Network - Internet Services (CN - IS) sub-category.

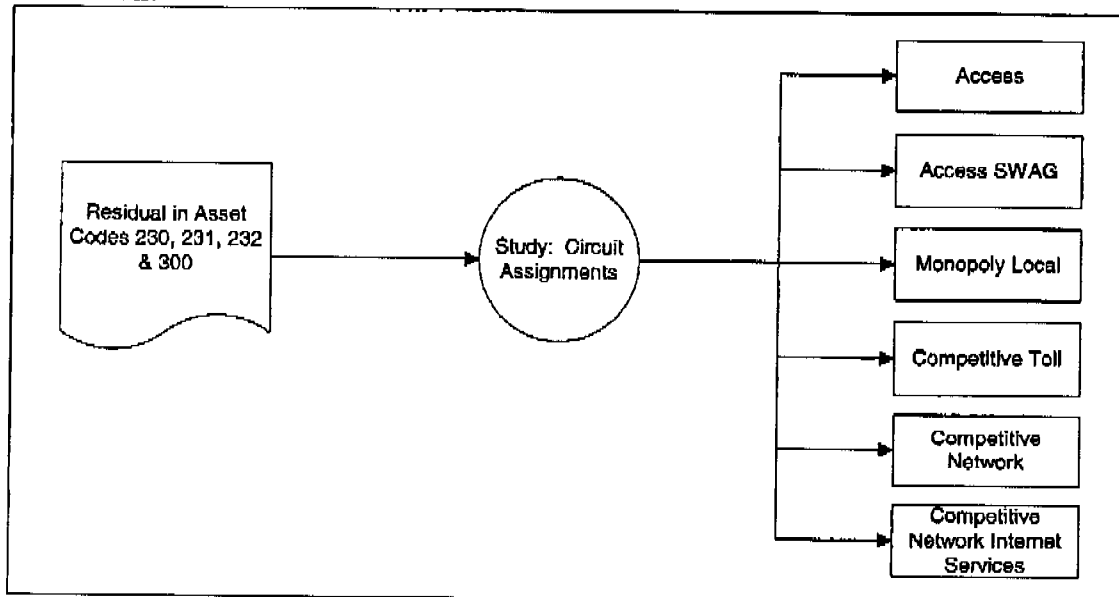
Carrier/Multiplex-Solid State: Asset Code 230

For this investment, aggregate allocation is made to the ACCESS, ACCESS (SWAG), MONOPOLY LOCAL, COMPETITIVE TOLL and COMPETITIVE NETWORK categories on a site-by-site basis, in proportion to the number of voice grade channels terminating on each type of circuit.

Basic Central Office & Repeater Station: Asset Code 300

Northwestel undertook a one-time review of floor plan drawings to associate the assignment of central office frames and blocks with asset code 300 investment records. The review confirmed that this asset code does not contain investment related to telephone main distribution frame ("MDF") equipment. The investment in this asset code is totally related to central office facilities. Allocation is made to ACCESS, ACCESS (SWAG), MONOPOLY LOCAL, COMPETITIVE TOLL, COMPETITIVE NETWORK and COMPETITIVE NETWORK INTERNET SERVICES on the basis of circuit assignments.

Allocation:



Northwestel Cost Inquire Phase III Manual**Plant Investment**

CIRCUIT TYPES**Broad Service Category**

Public VHF Mobile

Access

Leased Circuits

Competitive Network

Frame Relay

Inter-City PABX Tie

Trunks

VFCT Carrier

Satellite Link (Inter-exchange Portion)

Intra Exchange Trunks

Monopoly Local

T1 Host/Remote Link

OCS Administration

Allocate based upon the prior circuit allocations.

OCS Test Facilities

Responsibility:

This study is conducted bi-annually by Network Control, in conjunction with the Transmission 2-way voice channel terminations study.

Source Documents:

Facilities Records Cards

Multiplex Channel Allocation Study Form

LOOP AND TRUNK CONDITIONING EQUIPMENT: Asset Code 504

This asset code contains investment specifically related to ACCESS and is allocated direct to that category.

PROGRAM EQUIPMENT: Asset Code 290

This asset code contains investment specifically related to COMPETITIVE NETWORK service and is allocated direct to that category.

VOICE FREQUENCY EQUIPMENT: Asset Code 501

This asset codes investment in equipment associated with VF circuits and is comprised primarily of voice conditioning equipment on loops from the customer premise and is assigned directly to the ACCESS Category.

6. OTHER PLANT - STRUCTURES

Overview

The asset codes used to record the investment in the OTHER PLANT STRUCTURES category are not specific enough to permit direct assignment to the Phase III categories. A study is necessary to assign the square-footage use of structures by location or site, to the Main Plant Function categories, or to an Operating Department, prior to assignment to the Phase III Categories.

The assignment procedures and study procedures (where applicable), for each asset code are outlined in this section of the manual.

Structures Asset Codes

Following is a list of the asset codes in the OTHER PLANT STRUCTURES category, including general content definitions.

<u>Asset Code</u>	<u>Title</u>	<u>Content Definition</u>
393	Security Systems	Cost of items relating to security i.e.: Electronic Card Access, Fencing as related to securing assets, and capital funds used to protect company assets against loss.
631	Ground Systems Installations	Cost of providing and installing AC and DC ground systems for central offices, small RF repeater buildings, guyed and self supported towers. Includes: all types of grounding rods, ground windows, cable excavation hardware and miscellaneous materials required to complete an installation.
830	Permanent Buildings	Cost of erecting all buildings (including foundations) of a permanent nature having a life expectancy of 50 years or more. Also, permanent extensions, and outfitting material including heating, plumbing, electrical systems, and small air conditioners.
831	Permanent Buildings	Same as above, but having a life expectancy of less than 50 years.

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<u>Asset Code</u>	<u>Title</u>	<u>Content Definition</u>
840	Semi-Permanent Buildings	Cost of erecting all buildings (including foundations) of a semi-permanent nature, having a life expectancy of more than 25 years but less than 50 years. Also semi-permanent extensions, as well as outfitting material including heating, plumbing, electrical systems, and small air conditioners.
850	Small Buildings	Cost of erecting all small buildings, including foundations, of a semi-permanent nature, having a small cost and a life expectancy of less than 25 years, such as tool houses, small garages, small storage sheds, and small utility buildings.
860	Land	Initial cost of a parcel of land (whether used for buildings, towers or roads) and includes real estate fees, legal survey fees, search of title and registration.
870	Access Roads and Site Clearance	All costs incurred for clearing, grubbing, grading and drainage of any parcel of land, and includes culverts, bridges, road construction, fences, docks, sodding, and landscaping.
880	Towers	Cost of antenna towers (but not the antenna), and includes foundations, grounding systems, lighting systems, ladders, safety rails, platforms, guy cables, ice guards, or ice protective canopies, and transmission line bridges. There are approximately 12 types including self-supporting towers of steel, aluminium, wooden pole and timber, as well as guyed steel, guyed wooden pole, roof mounted stub, wall mount, steel poles, aluminium poles, etc.
900	Air Conditioning Systems	Cost of air conditioning units over 35,000 BTU's including compressors, condensers, evaporators, coils, motors, fans, controls, valves, gas lines, re-heat coils, humidifiers, filters, etc. and major additions to existing systems, but does not include duct systems which are a permanent part of the building.
920	Fire Protection System	Costs of all types of fire protection systems, gas or sprinklers, installed in buildings.

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PLANT INVESTMENT

Allocation Summary:

Main Plant Function Categories

Asset Code	Operating Account	Other	Common	Local Loop	Switching Systems	Transm. Plant	COCT	Other Plant Satellite
393	X	X	X	X	X	X	X	X
631	X	X	X	X	X	X	X	X
830	X	X	X	X	X	X	X	X
831			X					
840	X	X	X	X	X	X	X	X
850	X	X	X	X	X	X	X	X
860	X	X	X	X	X	X	X	X
870	X	X	X	X	X	X	X	X
880						X		
900	X	X	X	X	X	X	X	X
920	X	X	X	X	X	X	X	X

X = PROPORTIONATE ASSIGNMENT OF STRUCTURES

STRUCTURES: ASSET CODES 393, 830-870, 900 and 920**General Approach**

This asset group includes the investment in buildings, land, access roads, air conditioning systems, ground systems installations, and security systems.

Buildings (Asset Codes 830 to 850)

The investment in Microwave and Central Office structures is allocated to the various Main Plant Function categories based on the aggregate use of floor space by various types of equipment within each structure. Assignments to the Phase III categories are based on the prior aggregate assignment of the respective Main Plant Function categories.

Investment in Employee Occupied space/structures is allocated to the various Operating Departments based on the aggregate use of space by each department within each structure. Assignment to the Phase III Categories is based on the prior assignment of the Departments using the space.

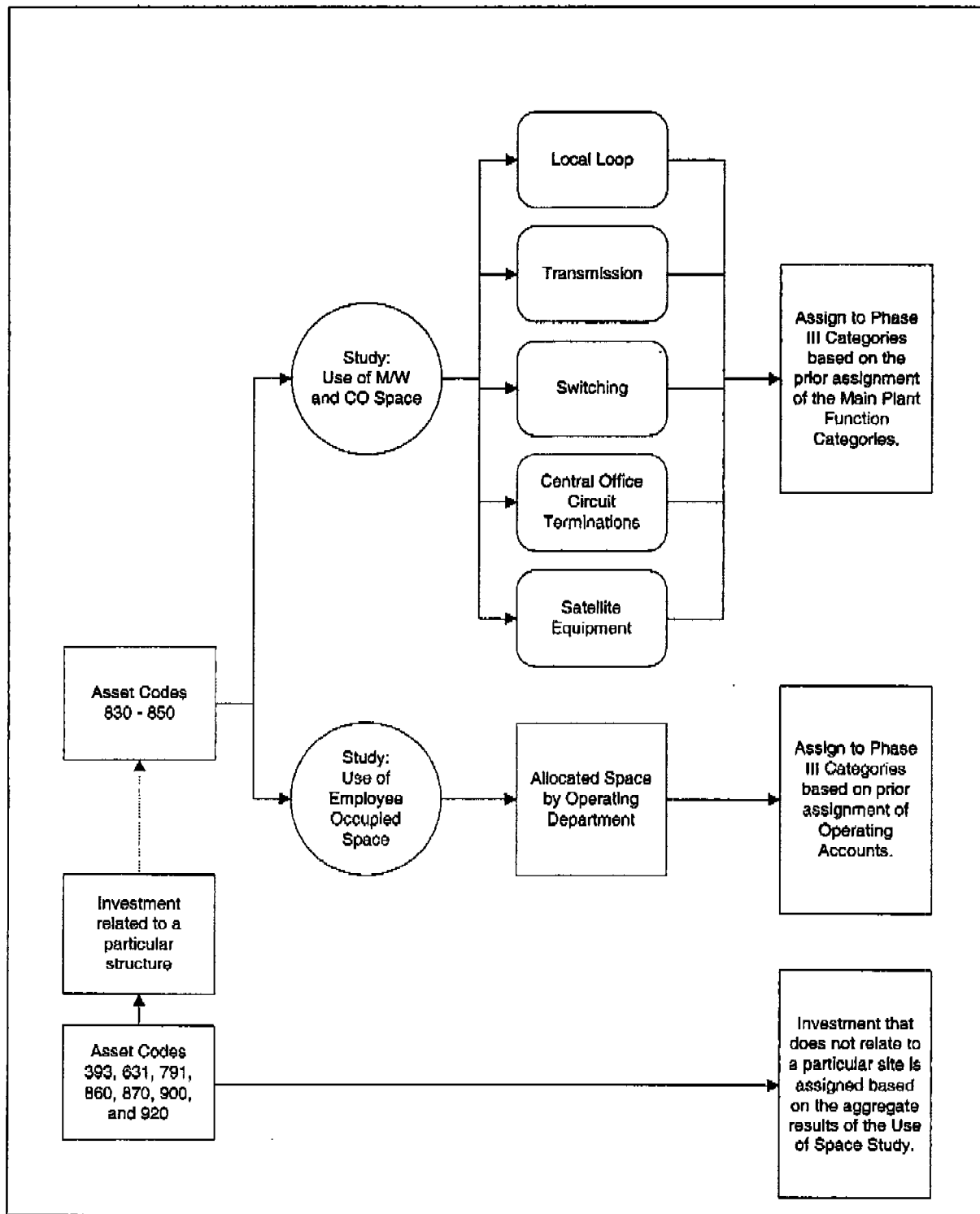
Other Assets (Asset Codes 393, 631, 860, 870, 900 and 920)

Investments in these asset codes are allocated 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 buildings study.

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PLANT INVESTMENT

Allocation:



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space dedicated to one department is assigned to that department; otherwise it is considered common space.

Employee Residences

All investment related to Employee Housing is in Asset Code 831 and is directly assigned to the Phase III category COMMON.

Floor Space Allocations

The use of building floor space is categorized as follows:

<u>Building Use</u>	<u>Main Plant Function/Operating Account</u>
Radio and microwave terminals Fibre-optic cables Wire line entrance links Supervisor computers Terminating open wire line Coaxial and video cables Radio wave guide pressurization equipment	TRANSMISSION PLANT
Telephone switching systems Packet Switching Competitive Network	SWITCHING
Central office terminations equipment	CENTRAL OFFICE CIRCUIT TERMINATIONS
Rural radio equipment and base stations	ACCESS
Satellite Terminals	OTHER PLANT - SATELLITE
Batteries; Rectifiers; Transformers; Diesel Generators; Control Panels	Allocated based on use of related building floor space.
Warehouse	F28 Stores

7. OTHER PLANT - POWER

Overview

The asset codes used to record the investment in the OTHER PLANT - POWER category are not specific enough to permit direct assignment to the Phase III categories. A study is necessary to identify the investment in power plant equipment by function.

The assignment procedures and study procedures (where applicable), for each asset code are outlined in this section of the manual.

Other Plant - Power Asset Codes

Following is a list of the asset codes in the OTHER PLANT - POWER category, including general content definitions.

<u>Asset Code</u>	<u>Title</u>	<u>Content Definition</u>
630	Basic Power Installation	Cost of providing and installing all basic power equipment and material required to initially equip or add to a power installation.
632	Solar Generating Plants	Cost of providing and installing all types of photo electric generating plants that are stationary or mobile.
640	Rectifiers	Cost of providing and installing all types of rectifiers such as 12, 24, 48, 60 and 130 volts, associated with power plant installations (excluding small rectifiers used at subscriber locations) and all miscellaneous hardware and materials.
650	Batteries	Cost of providing and installing all types of batteries associated with a power plant installation (excluding starting batteries and batteries for subscribers locations).
660	Diesel Generating Plants	Cost of providing and installing all types of generating plants (gas engine or diesel), stationary or mobile.
670	Inverters and Converters	Cost of providing and installing all types of power inverters and converters (excluding subscribers location), provided at a Central Office or Repeater Station.

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PLANT INVESTMENT

Allocation Summary:

Asset Code	Access	Main Plant	Function	Categories	
		Switching System	Transmission Plant	Central Office Circuit Terminals	Other Plant Satellite
630	DC	DC	DC	DC	DC
632	DC	DC	DC	DC	DC
640	DC	DC	DC	DC	DC
650	DC	DC	DC	DC	DC
660	AC	AC	AC	AC	AC
670	DC	DC	DC	DC	DC

AC = ALTERNATE CURRENT

DC = DIRECT CURRENT

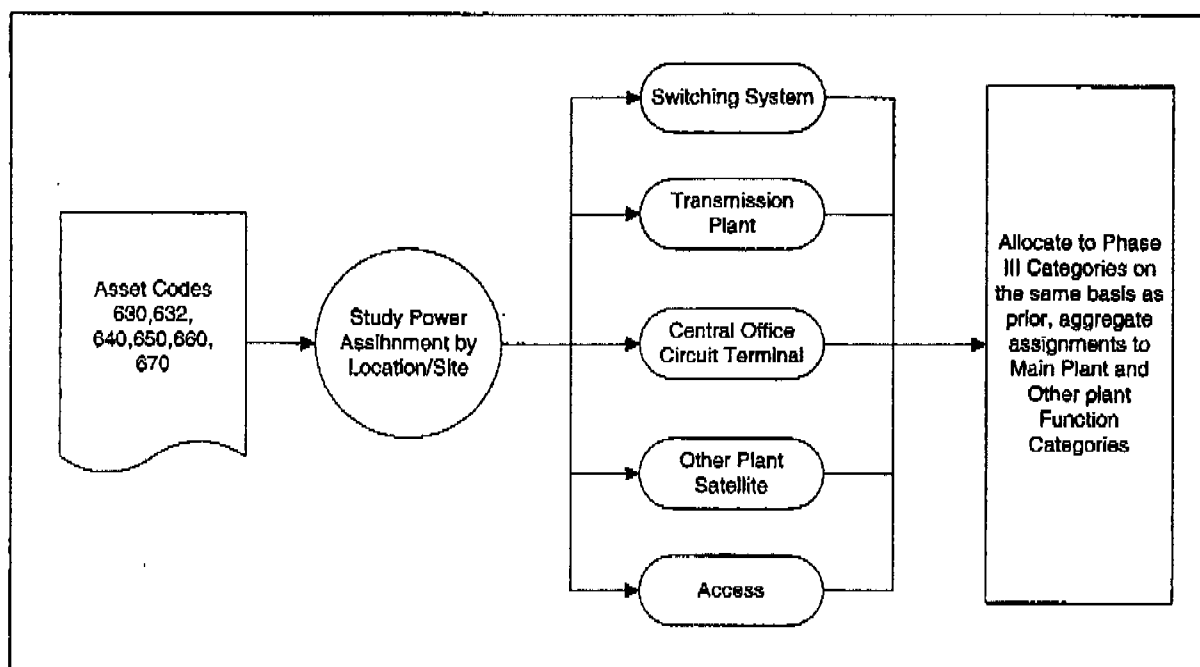
POWER: Asset Codes 630 to 670

General Approach:

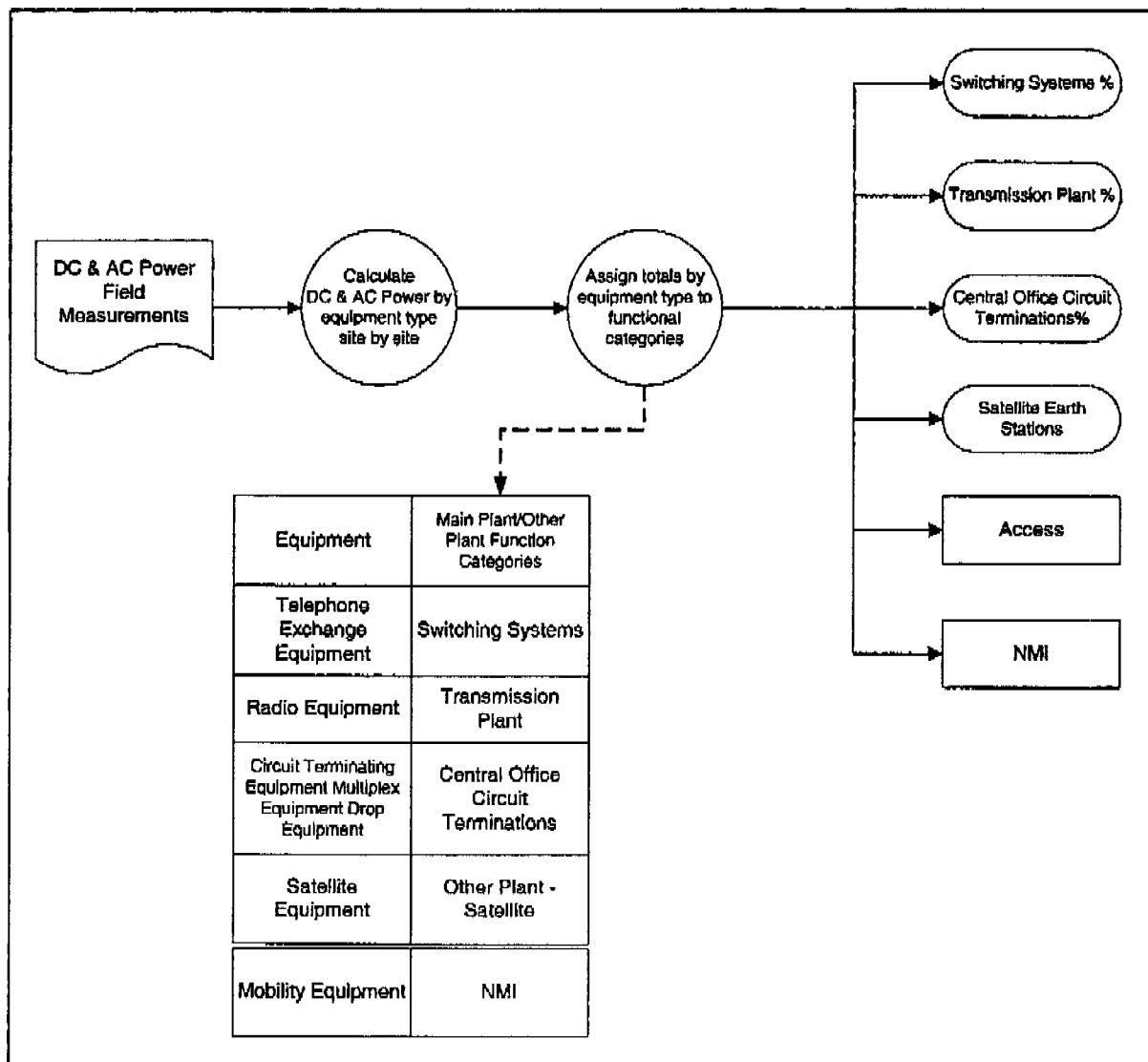
These asset codes contain investment related to the provision of Alternate Current (AC), and Direct Current (DC), power.

Investment in Power Assets are allocated to the various Main Plant and Other Plant Function categories on the basis of power draw by type of equipment, and subsequently, to the Phase III categories in the same ratio as prior aggregate assignments of the various Main Plant Function categories to the Phase III Categories. Manual mobile base station equipment is assigned directly to the Access Category.

Allocation:



Use of DC and AC Power



Study Procedures:

The purpose of this study is to develop usage ratios for power plant equipment on a site-by-site basis.

An on-site analysis of power draw, calculated in amperes, is completed for approximately two thirds of Northwestel sites. Power draw for the remaining sites is estimated, based on equipment type.

Power draws are recorded by location and equipment type. The percentage of power used by each type of equipment is calculated on a site-by-site basis, and assigned to the Main Plant Function categories: SWITCHING, TRANSMISSION PLANT, CENTRAL OFFICE CIRCUIT TERMINATIONS; Other Plant SATELLITE; AND NMI.

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Power Plant Equipment types are assigned to categories as follows:

<u>Equipment</u>	<u>Main Plant/Other Plant Function Category</u>
Telephone exchange equipment	SWITCHING SYSTEMS
Radio equipment	TRANSMISSION PLANT
Circuit Terminating Eqpt. Multiplex Equipment	CENTRAL OFFICE CIRCUIT TERMINATIONS
Satellite Equipment	OTHER PLANT - SATELLITE
Manual Mobile Base Stations Rural Radio	ACCESS
Mobility Equipment	NMI

Responsibility:

This study is conducted bi-annually (or as deemed necessary), by the Planning and Engineering Department.

Source Documents:

DC Power Field Measurements

8. OTHER PLANT - OTHER EQUIPMENT

Overview

The asset codes used to record the investment in the OTHER PLANT - OTHER EQUIPMENT category are not specific enough to permit direct assignment to the Phase III categories; therefore the following studies are necessary:

- Use of Other Equipment
- Use of Test Equipment
- Use of SMS Equipment

The study procedures (where applicable), and assignment procedures for each asset code, are outlined in this section of the manual.

Asset Codes 140 & 150 contain investment in start up costs; these assets have been identified at the asset item level and flagged. As per response to interrogatory NWTel (CRTC) 01Nov99-712, *the Companies view is that Equal Access start-up costs could be recovered, as per Telecom Decision 92-12, from each of Northwestel and new entrants in a proportion that reflects estimated long-run market share of all competitors over a 10-year period. The company's current forecasted long-run market share is 70 per cent/30 per cent between Northwestel and APLDs receptively.* Therefore, for Phase III methodology the Company deemed it appropriate to assign 70% of the embedded start up costs to COMPETITIVE TOLL and 30% to ACCESS. This 30% will then match the revenues received from the bundled CAT revenue from APLDS.

Other Plant - Other Equipment Asset Codes

Following is a list of the asset codes in the OTHER PLANT - OTHER EQUIPMENT category, including general content definitions.

<u>Asset Code</u>	<u>Title</u>	<u>Content Definition</u>
140	General & Admin Software	Cost of software for the SMS, service management system. This includes Arbor, CALRS, Axiom & TBS, as well as associated capitalized costs.
141	Network Management System Software	Cost of software used in the surveillance and management of the network. This includes NMS and Net RIO usage based billing software.

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<u>Asset Code</u>	<u>Title</u>	<u>Content Definition</u>
150-154	Computers - Administration	Cost of materials and installation for a computer and peripherals used to support the administrative functions of the Northwestel. It includes the computer, associated cabinets or racks, hardware, software, access terminals, personal computer terminals and cable and miscellaneous material.
310-313	Office Equipment	Cost of major items of equipment or machines such as billing machine equipment, microfilming equipment, copying machines, accounting machines, drafting equipment, etc., where the cost of each unit exceeds the minimum rule.
340	Test Equipment	Cost of only the major items of test equipment costing in excess of the minimum rule and used in Central Offices or Repeater Stations, Engineering laboratories, Engineering workshops, test rooms, maintenance depots; also includes major items of portable test equipment.
350-355	Furniture (OCS)	Cost of furniture used by the company.
356	OCS - Office Equipment	Cost of office equipment such as facsimile machines, photocopiers, LAN printers, overhead projectors, accounting machines, etc., used by company employees.
390-392	Supervisory Systems	Cost of providing and installing supervisory equipment used to monitor facility operators in central office of repeater stations and microwave stations. This includes Unitel, T & R, and any other surveillance and supervisory equipment.

COMPUTERS - ADMINISTRATION: Asset Codes 150-154

General Approach

Asset Code 150 -Mainframe

Asset Code 150 contains investment in Start Up Costs, this investment is assigned 30% to ACCESS (SWAG) and 70% to COMPETITIVE TOLL.

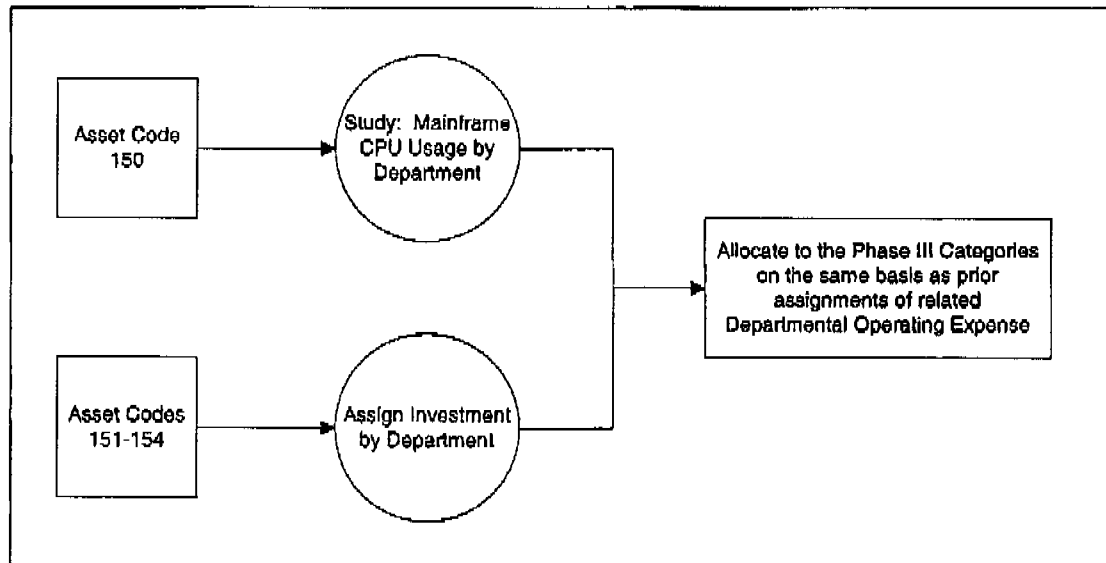
This asset code also contains investment related to Internet Services and is directly assigned to the Competitive Network – Internet Services (CN-IS) category.

Residual Investment will be assigned by a special program, which was developed to determine mainframe CPU usage by department. The results of this study will be used to allocate the investment in mainframe computers supporting administrative functions to the Phase III categories.

Asset Codes 151, 152, 153, & 154

Investment in individual personal computers and related equipment are identified by work station and assigned to specific departments and to Phase III categories

Allocation:



OTHER EQUIPMENT Asset Codes: 310 – 313, 356, 340, and 350-355**General Approach**

These asset codes contain investment related to various types of office equipment; multipurpose equipment; and test equipment.

Office Equipment (Asset Codes 310 – 313 & 356)

The investment in asset codes 310 – 313 and 356 are related to office equipment used for administrative purposes. The investment related to Billing Equipment is allocated in a manner consistent with Operating Expense Account 92 - Revenue Accounting. The remaining investment is allocated to the BSCs in the same ratio as salary and wage expense related to management and clerical staff.

Test Equipment (Asset Code 340)

The investment in asset code 340 is for test equipment assigned to various user groups. A study is done to determine the investment value of test equipment assigned to each user group. Investment assigned to each user group is allocated to related Main Plant Function categories.

Allocation from the Main Plant Function categories to the Phase III categories is based on the prior, aggregate assignment of investment to related Main Plant Function categories.

Furniture (Asset Codes 350 -355)

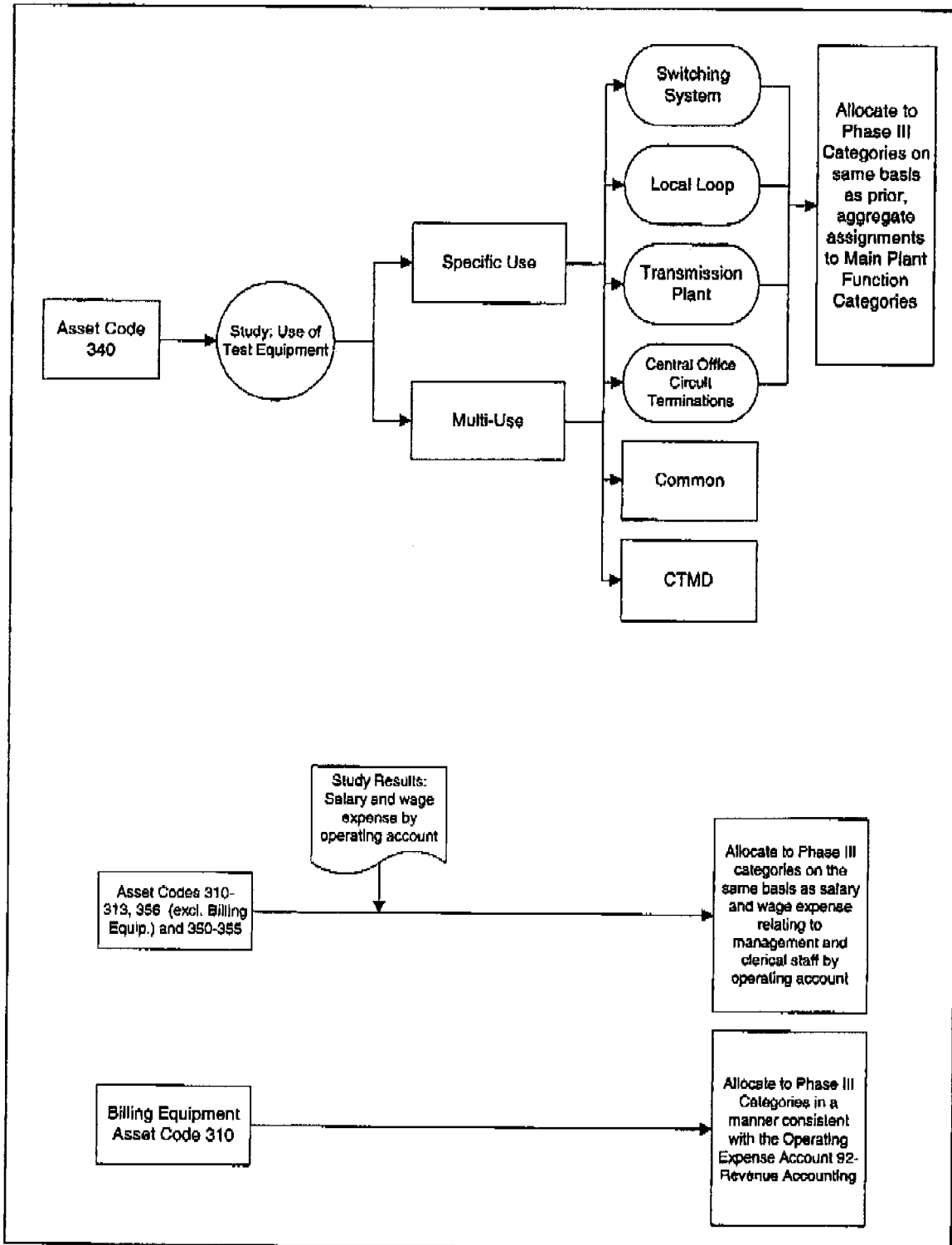
The investment in these asset codes are for furniture utilized by Northwestel for official company service.

The costs of investment in furniture is allocated to the broad service category in the same ratio as salary and wage expense relating to management and clerical staff by department. Technical forces do not possess significant investment in furniture. The expense associated with management and clerical staff is identifiable by cost code.

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Plant Investment

Allocation



GENERAL & ADMIN SOFTWARE Asset Code 140**General Approach**

These assets relate to the SMS billing software and capitalized costs associated with that software.

This asset code also contains investment in equal access software. This investment is allocated 30% to ACCESS and 70% to COMPETITIVE TOLL.

The residual investment in this asset code is assigned to the Broad Service Categories, based on the assignment of the following underlying applications:

Customer Care (TBS)
Billing System (Arbor/BP)
Mediation Software (Axiom)
Cognos

The Customer Care Application (TBS) is related to customer care and work order management and is assigned to the Phase III Categories based on a ratio of related service orders flowing through the system by Broad Service Category.

Study Procedure:TBS

The purpose of this study is to determine the volume of work orders by type of service flowing through the Customer Care System (TBS) and then weighting these volumes based on the complexity of the order. The study will collect a minimum of 3 months of data containing customer generated work orders for services added and services removed and excluding system generated orders i.e. rate changes. The costs of the Customer Care System will be assigned to the BSC's based on the derived ratio of the work orders by BSC.

The Billing System

The Billing System Application performs the functions of rating, formatting, guiding, discounting, taxes and invoice creation, and is assigned to the Phase III Categories based on a ratio, by BSC, derived from a count of product occurrences and toll messages on bills.

The purpose of this study is to determine the count of product occurrences and toll messages on bills. This study will collect a minimum of 1 month of data containing recurring charges by type of service, usage based services and non installation charges. These charges are all directly related to a revenue code, which is assigned to a BSC. The costs of the Billing System will be assigned to the BSC based on the resulting ratio of product occurrence and messages by BSC.

The Mediation Software is used for polling and formatting usage records. This application is used almost exclusively for processing Message Toll records and is therefore assigned directly to the Monopoly Toll Category.

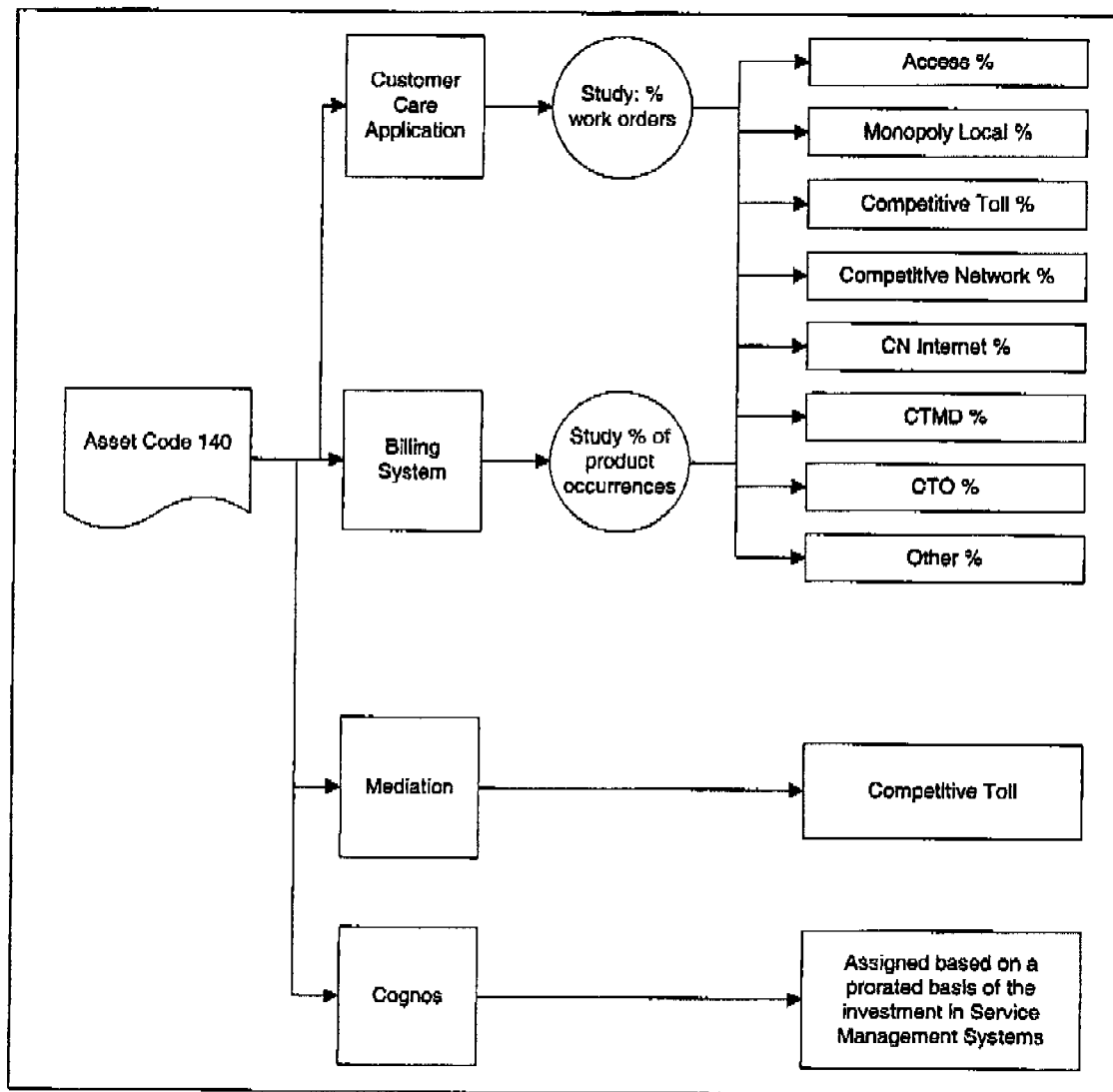
Cognos is a management tool used to query data out of the above systems. Investment in Cognos is assigned on a prorated basis of the investment in Service Management Systems.

Asset code 141, Network Management System Software is allocated 100% to the COMMON category due to the fact that the investment is immaterial at this time. When investment is material an assignment methodology will be developed.

Responsibility:

The studies are conducted annual, by IS Speciality Systems.

Allocation:



Northwestel Cost Inquiry Phase III Manual**Plant Investment**

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.

Investment in heavy work equipment, recorded in Asset Code 730 will be specifically identified and assigned to the ACCESS, ACCESS (SWAG), MONOPOLY LOCAL, COMPETITIVE TOLL, COMPETITIVE NETWORK, OTHER and COMMON Broad Service Categories.

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).

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Plant Investment

CIRCUIT TYPES

PHASE III CATEGORY

Pair Gain
 Ruraltel II
 Public VHF Mobile
 Spacotel FX Links

ACCESS

Frame Relay
 Leased Circuits
 FX Circuits
 Inter-city PABX Tie Trunks
 VFCT Carrier

COMPETITIVE NETWORK

Intra-exchange Trunks
 T1 Host/Remote Link

MONOPOLY LOCAL

OCS Test Facilities
 Administration

Allocate based upon prior
 circuit allocations.

Responsibility:

This study is conducted biannually, by Network Control.

Source Documents:

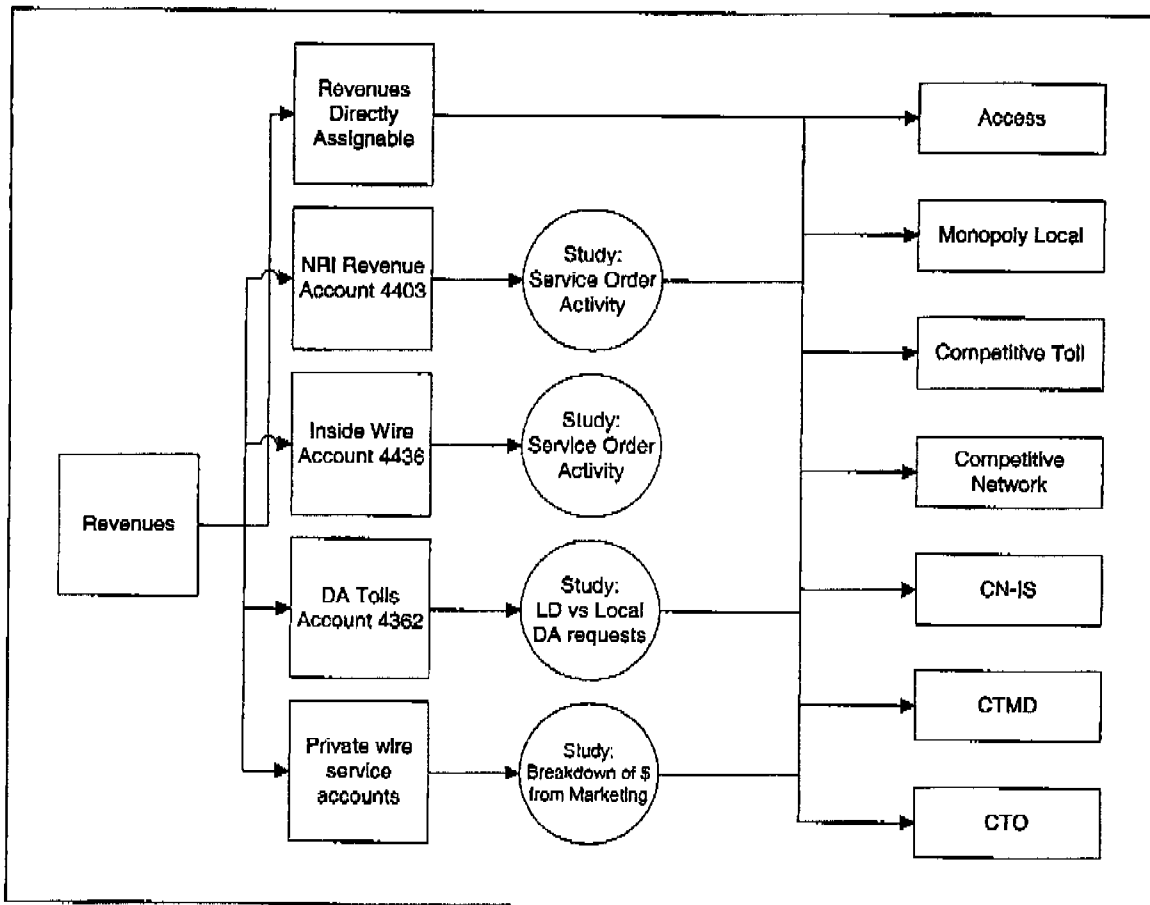
Facilities Records Cards

Voice Grade Channel Terminations Study Form

General Approach

The revenue accounts, with the exception of Datapac Billed Access, Order Processing NRI's, Directory Assistance, Private Wire and Telephone Equipment Rental Accrual Account, are specific enough to be allocated directly to the Phase III Revenue categories. With the combining of Revenue Codes a portion of some accounts may have to be assigned to more than one Phase III category, where applicable these accounts have been identified by analysis and a breakdown of the GL code by product or service is provide by marketing to assign revenues to the BSC.

Allocation:



DATA SERVICES: Account 4543

General Approach:

Data Services is assigned 2% to ACCESS and 98% to COMPETITIVE NETWORK to match historical Average Loop Length.

Northwestel Cost Inquiry Phase III ManualOperating Revenues

Tariff	Item #	Description	Revenue Code	Phase III Category
		REVENUE		
		SETTLEMENT TOLL REVENUE		
		TELUS SETTLEMENT REVENUE		
3000	Sec III	Telus - MTS Settlement	4011	CT
3000	Sec III	Telus - 1-800 Settlement	4012	CT
3000	Sec III	Telus - ITTS Settlement	4014	CT
3000	Sec III	Telus - Overseas Settlement	4015	CT
3000	Sec III	Telus - Transit TCan to AK Settlement	4016	CT
3000	Sec III	Telus - Message Relay Service	4017	CT
3000	Sec III	Telus - Operator Surcharges	4018	CT
3000	Sec III	Telus - LDDA Charges	4019	CT
		Telus - Data Processing	4020	CT
		BCTEL SETTLEMENT REVENUE		
3000	Sec III	BC Tel - MTS Settlement	4031	CT
3000	Sec III	BCTel - Overseas Settlement	4035	CT
		BELL SETTLEMENT REVENUE		
3000	Sec III	Bell MTS Settlement	4041	CT
		APLDS SETTLEMENT REVENUE		
3000	Sec III	APLDS Toll Free Settlement	4052	CT
3000	Sec III	APLDS Calling Card Surcharge	4053	CT
		OTHER SETTLEMENT REVENUE		
		Telcase Suspense - Summary	4087	CT
		Toll Free (Payphone)	4088	CT
		BSCA Revenue	4090	CT

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
		Satellite Internet	4730	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
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OTHER INCOME

	Other Income	4791	CN
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SUPPLEMENTAL FUNDING

	Supplemental Funding	4796	SF
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BSD SALES AND SERVICE REVENUE

BSD REVENUE

EQUIPMENT SALES

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

	N/A	Telephone Multi Line Equipment	4811	CTMD
	N/A	Telephone Multi Line Accessories	4812	CTMD
	N/A	Telephone Single Line Equipment	4821	CTO
	N/A	Telephone Other	4831	CTMD
	N/A	Mobile Equipment	4832	CTMD
	N/A	Data Equipment	4834	CTMD
	N/A	Data Accessories	4835	CTMD
	N/A	Consumables Revenues	4836	CTMD
MAINTENANCE CONTRACTS				
	N/A	Contract Maintenance Data	4841	CTMD
3001	815.2	Tier "B" Maintenance	4842	CTMD
3001	816.2	Tier "B" Maintenance	4842	CTMD
3001	1108	Tier "B" Maintenance	4842	CTMD
3001	1406.1	Tier "B" Maintenance	4842	CTMD
3001	814.2	Tier "B" Maintenance	4842	CTMD
3001	812.2	Tier "B" Maintenance	4842	CTMD
3001	309	Tier "B" Maintenance	4842	CTMD
3001	301	Tier "B" Maintenance	4842	CTMD
3001	811.2	Tier "B" Maintenance	4842	CTMD
3001	810.2	Tier "B" Maintenance	4842	CTMD
	N/A	Tier A Revenue	4848	CTMD
REVENUE FROM I&R SERVICES				
EXPENSE REIMBURSEMENTS				
	N/A	Meals & Ent. Revenue	4851	CTMD
LABOUR CHARGES				
	N/A	Labour Revenue	4861	CTMD
	N/A	Travel Charges	4863	CTMD
	N/A	Enhanced Training	4864	CTMD

Northwestel Cost Inquiry Phase III Manual

Other Income

Allocation Summary

Account	Access	Access (SWAG)	Monopoly Local	Competitive Toll	Competitive Network	Competitive Terminal Other	Competitive Terminal Multi-line 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	X
5000.8152									X		
5000.8153									X		
5000.8154									X		
5000.8156	X	X	X	X	X	X	X	X	X		
5000.8157										X	

Northwestel Cost Inquiry Phase III Manual

Operating Expense

Allocation Summary

Account	Access	Access SWAG	Monopoly Local	Competitive Toll	Competitive Network	Competitive Network Internet Services	Competitive Terminal Multi-line and Data	Competitive Terminal Other	Other	Common
10	X	X	X	X	X	X	X	X	X	X
12	X	X	X	X	X	X	X	X	X	X
13	X		X	X	X	X	X	X	X	X
16	X	X	X	X	X	X	X	X	X	X
20	X	X	X	X	X	X	X	X	X	X
21	X	X	X	X	X	X	X	X	X	X
26	X	X	X	X	X	X	X	X	X	X
28	X	X	X	X	X	X	X	X	X	X
48	X	X	X	X	X	X	X	X	X	X
55	X	X	X	X	X	X				
65	X	X	X	X	X					
83	X	X	X	X	X	X	X	X	X	X
90	X		X	X	X	X	X	X	X	
91			X	X						
92	X		X	X	X		X	X	X	

MARKETING AND SALES: Account 13

General Approach

Expenses recorded in this account are for advertising, marketing, business development, sales, demos and seminars, client resource administration, and direct marketing.

Advertising Expense:

Advertising expense is identified by a study of the Corporate Communications Departments' subledger of expenses cross referenced with the general ledger (JDE). They are assigned directly to the PHASE III CATEGORIES on the basis of the Phase III classification of the product or service being promoted.

Product Management, and Business Development

Product Management and Business Development expenses are specifically identified by cost centre. The related expenses are allocated to the Phase III categories based on the amount of time an individual spends on each category. The residual expense is allocated to the Phase III categories on the combined ratio of time spent by the entire department.

Directory

Directory expense includes all the costs of producing the Northwestel directories. All expenses are assigned 100% to the OTHER category.

Sales, Marketing, and Advanced Solutions

Sales, Marketing, and Advance Comm expenses are specifically identified by cost centre. The related expenses are allocated to the Phase III categories based on the amount of time an individual spends on each category. The residual expense is allocated to the Phase III categories on the combined ratio of time spent by the entire department.

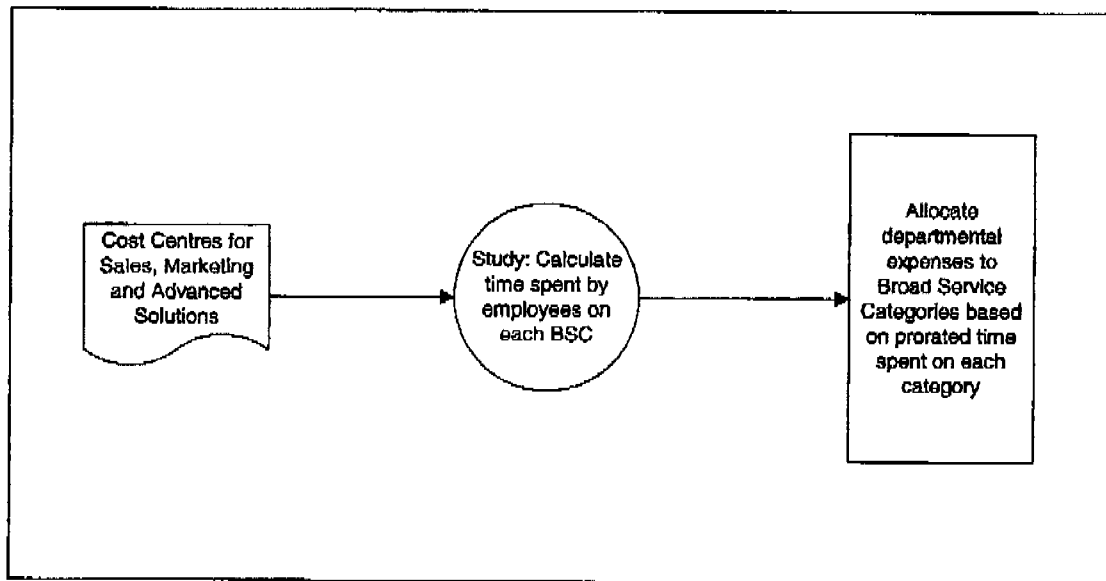
Ruraltel Service

Ruraltel Service expenses include the cost of facility rentals related to the provision of Northwestel's Ruraltel Service. These expenses are specifically identified in the subledger of expenses and are assigned to the ACCESS and COMPETITIVE TOLL Phase III Categories based on a study of invoices.

Internet Services

Direct operating expenses associated with Internet Services are tracked in a separate cost centre and include the following: Internet Gateway fees, Internet Usage Fees, Technical Support & Billing, and Advertising & Promotion. Internet Services expenses are assigned directly to the Competitive Network - Internet Services (CN - IS) sub-category. There is however, a small portion of Internet Services that gets allocated to Competitive Network, which is based on object 5551, Miscellaneous Rents.

Sales, Marketing and Advanced Solutions Expenses



Study Procedures:

The purpose of this study is to allocate the total Sales, Marketing, and Advanced Solutions expenses based on a time study. The total expenses for these functions are identified by cost centre in the general ledger.

The expenses associated with these cost centres 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 Sales, Marketing and Advanced Solutions departments with support from Finance.

Source Documents:

Interview Results
Phase III Time Tracking Report

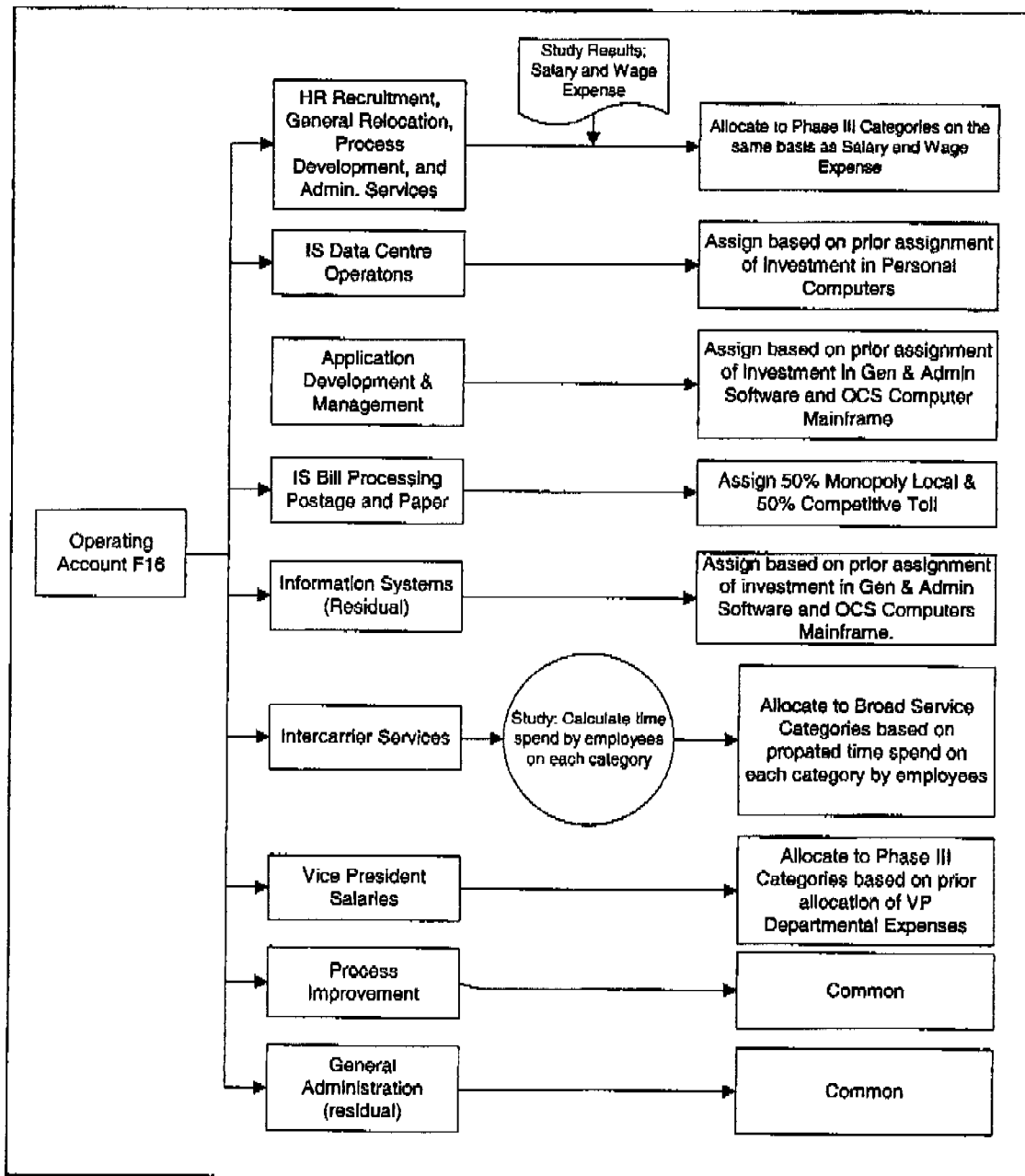
Process Improvement:

All costs associated with Process Improvement, with the majority expense coming from labour, are directly assigned to the COMMON category.

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



BUILDING & ROADS MAINTENANCE: Account 83

General Approach:

The expense in this account is for building rents and other expenses associated with leased property, and Northwestel owned property.

Building Rent and Leased Property

Building rents and other expenses associated with leased property are identified by studying lease agreements and building usage. Allocations are made to the Phase III categories based on the use of the property.

Utility Expenses

Utility Expenses are specifically identified in the general ledger object code detail, and assigned to the Phase III categories based on the Power Draw of the related equipment.

Property Taxes

Property taxes are allocated in the same ratio as investment in Other Plant - Structures Category (Section B-6 in this manual).

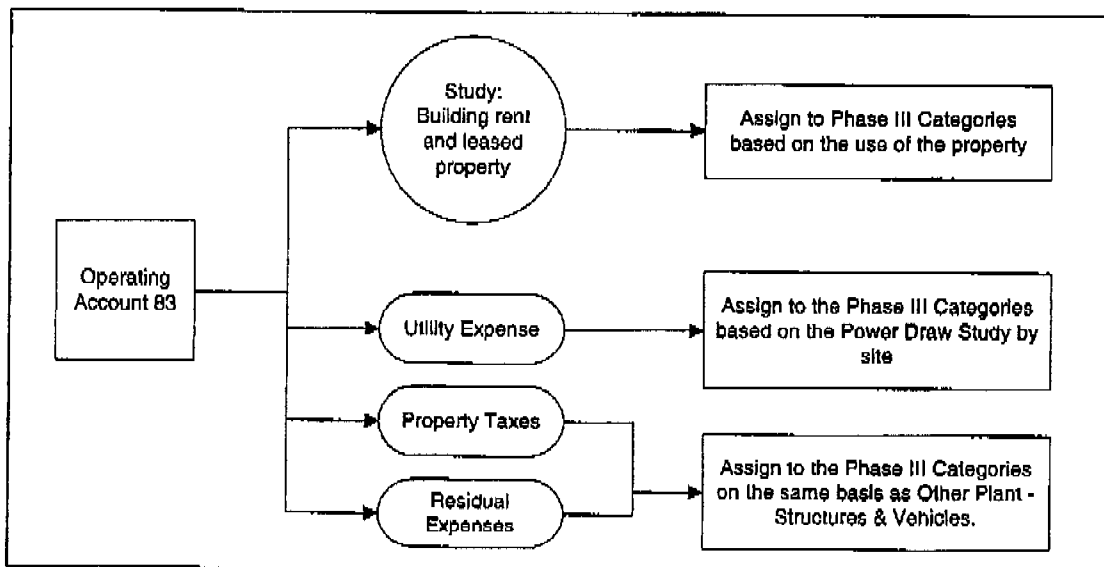
Residual: Property Owned by Northwestel

The residual in this account is related to property owned by Northwestel and is allocated to the Phase III categories on the same basis as investment in Other Plant Structures (Section B-6).

Miscellaneous Fuel & Maintenance

All vehicle cost are charged back to the appropriate cost centre, the residual in this account is related to property owned by Northwestel and is allocated to the Phase III categories on the same basis as investment in Other Plant Vehicles (Section B-9).

Allocation



2. COST OF SALE ACCOUNTS**Overview**

Cost of Sale accounts are used to record the cost of sales for subscriber terminal equipment including any associated expense such as installation and repairs or maintenance of customer-owned equipment. These accounts are specific enough to permit direct allocation to either **COMPETITIVE TERMINAL MULTILINE AND DATA** or **COMPETITIVE TERMINAL OTHER**.

The following is a list of Northwestel Cost of Sale Accounts:

<u>Account Number</u>	<u>Title</u>	<u>Allocation</u>
4911	Multi-line Telephone	COMPETITIVE TERMINAL MULTILINE AND DATA
4912	Single-line Telephone	COMPETITIVE TERMINAL OTHER
4913	Telephone Other	COMPETITIVE TERMINAL MULTILINE AND DATA
4921	Mobile Equipment	COMPETITIVE TERMINAL MULTILINE AND DATA
4926	Facsimile	COMPETITIVE TERMINAL MULTILINE AND DATA
4931	Data	COMPETITIVE TERMINAL MULTILINE AND DATA
4936	Software	COMPETITIVE TERMINAL MULTILINE AND DATA
4941	Consumables	COMPETITIVE TERMINAL MULTILINE AND DATA
4946	Cellular Radio	COMPETITIVE TERMINAL OTHER
4948	Tier A Cost of Sales	COMPETITIVE TERMINAL MULTILINE AND DATA
4951	Meals & Entertainment Cost I&R	COMPETITIVE TERMINAL MULTILINE AND DATA
4952	Hotel & Accommodations Cost	COMPETITIVE TERMINAL MULTILINE AND DATA

Northwestel Cost Inquiry Phase III Manual**Other Expense**

110.527577	Pensions Expense	This account contains monthly pension expenses, amortization of unfunded liability, and share purchase plan costs.
110.5739	50% GST ITC	This account contains the portion of GST ITC on M&E Expenses for meals and entertainment expenses that is not claimable for GST purposes.
110.6103	Legal Fees	This account contains the costs of legal services performed by outside parties.
825.7003-7008	Bad Debt Expense	This account contains monthly charges and credits required to adjust the Provision for Bad Debts to the current estimated level of exposure to loss from uncollectible accounts.
110.7053	Accounting & Finance	This account contains any bank charges excluding interest, Rapid Trans service charges, bank confirmation charges, etc.
110.7061	Insurance Expense	This account contains an accrued amount to cover annual insurance premiums. Coverage is for owned and leased buildings, equipment, vehicles, and third party liability. This account is used to record damage repair costs (up to the deductible on any policy).
110.7203-251	Depreciation	These accounts contain the expense written off to recognize the use of capital assets.
110.7502	Writedown of Investments	This account contains the loss from a writedown of an investment.

Other Expense

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Allocation Summary

Description	Account Number	Access	Access (SWAG)	Manually Local	Toll	Competitive Network	Competitive Network Internal Service	Competitive Mobile & Data	Competitive Terminal Other	Other	Common	Investment Subsidiaries & Affiliates
BCE Corporate	CC 201										X	
Chairman Costs	CC202										X	
Board of Directors	CC203										X	
Other Expenses	110.5063	X	X	X	X	X	X	X	X	X	X	
Health and Welfare	110.5271	X	X	X	X	X	X	X	X	X	X	
BCE Share Purchase	110.5273	X	X	X	X	X	X	X	X	X	X	
Pension	110.5275-77	X	X	X	X	X	X	X	X	X	X	
50% GST ITC	110.5739	X	X	X	X	X	X	X	X	X	X	
Legal	110.6103										X	
Bad Debt	825.7003-8	X	X	X	X	X		X	X	X		
Accounting & Finance	110.7053										X	
Insurance Premiums	110.7061	X	X	X	X	X	X	X	X	X	X	
Depreciation	110.7203-251	X	X	X	X	X	X	X	X	X	X	
Write-down of Investments	110.7502											X

ACCOUNTING AND FINANCE: Account 110.7053

General Approach

Accounting and finance costs are shared by all revenue producing activities of the Company and any attempt to allocate their cost would be purely arbitrary; therefore, the costs in this account are assigned directly to the COMMON category.

INSURANCE PREMIUMS: Account 110.7061

General Approach

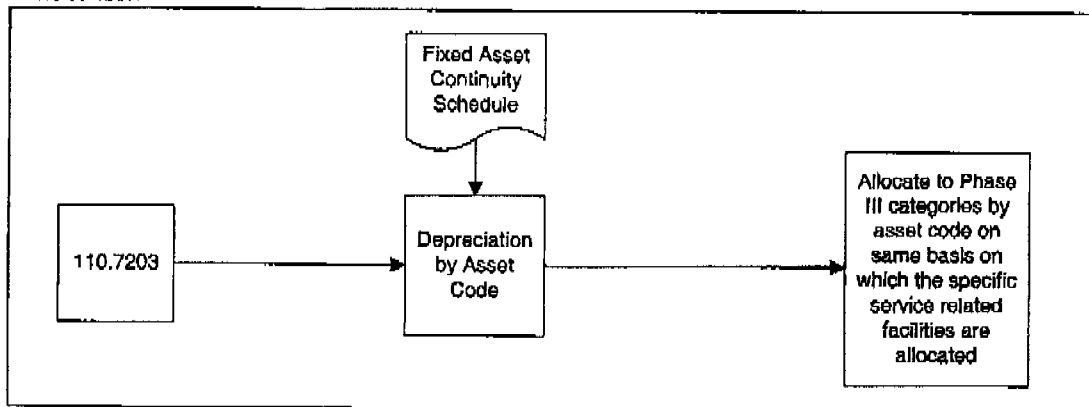
Insurance premiums are directly related to the assets they protect and are allocated to the cost categories in the same ratio as the Fixed Asset Summary.

DEPRECIATION: Account 110.7203 - 7251

General Approach

Depreciation is maintained in a subsidiary ledger and summarized by asset code in a report named "Fixed Asset Continuity Schedule". Depreciation expense is identified by asset code and assigned to the Phase III categories, on the same basis, which the specific service related facilities are allocated.

Allocation



WRITEDOWN OF INVESTMENTS: Account 110.7502

General Approach

Writedown of Investments is recorded in 11.7502 and is allocated 100% to the Phase III Category, INVESTMENT SUBSIDIARIES & AFFILIATES.

Northwestel Cost Inquiry Phase III Manual

Balance Sheet Items

TABLE 1
PRESENTATION OF BALANCE SHEET ITEMS
(Yearly Average)
\$

	Access	Access SWAG	Monopoly Local	Monopoly Toll	Competitive Network	Competitive Terminal MD	Competitive Terminal Other	Other	Common	Plant Under Construction	Investment Subsidiaries & Affiliates	Total
	(A)	(A SWAG)	(ML)	(MT)	(CN)	(CT-MD)	(CT-O)	(O)	(C)	(PUC)	(ISA)	
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
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	X	X	X	X	X	X	X	X	X			X
13. Provisions for Future Losses												
14. Working Capital (balances)	X	X	X	X	X	X	X	X	X			X
15. Average Net Investment (Lines 8 to 11)	X	X	X	X	X	X	X	X	X	X	X	X

Supplementary Presentation of Balance Sheet Items - Working Capital

The Supplementary table (illustrated below) identifies the balance sheet items that are contained in Line 14 (Working Capital Balance) of the Presentation of Balance Sheet Items (Table I).

SUPPLEMENTARY PRESENTATION OF BALANCE SHEET ITEMS

(Yearly Average)

Description	Account #	Balance Jan 1	Balance Dec 31	Average
Current Assets				
1. Cash & Cash Equivalents (Various Accounts)	X	X	X	X
2. Other Current Assets (Various Accounts)	X	X	X	X
3. Total Current Assets	X	X	X	X
Current Liabilities				
4. Cash & Cash Equivalents (Various Accounts)	X	X	X	X
5. Other Current Liabilities (Various Accounts)	X	X	X	X
6. Total Current Liabilities	X	X	X	X
Total Working Capital Line 3 - Line 6	X	X	X	X

ACCOUNTS RECEIVABLE (NET): Account **1.1202 - 1276**
 1.1631 - 1632
 & 1.2403

General Approach

All of the items recorded in this account are identified by service in the year-end General Ledger report 003. A line-by-line review of this report is done and items are allocated as follows:

Tier A Receivables:

Receivables associated with Tier A are allocated direct to the COMPETITIVE TERMINAL MULTI-LINE AND DATA category.

Alascom:

Receivables associated with Alascom are allocated to the COMPETITIVE NETWORK category.

Retail Sales Receivables:

Receivables for retail sales of multi-line and data equipment are allocated direct to the COMPETITIVE TERMINAL MULTI-LINE AND DATA category.

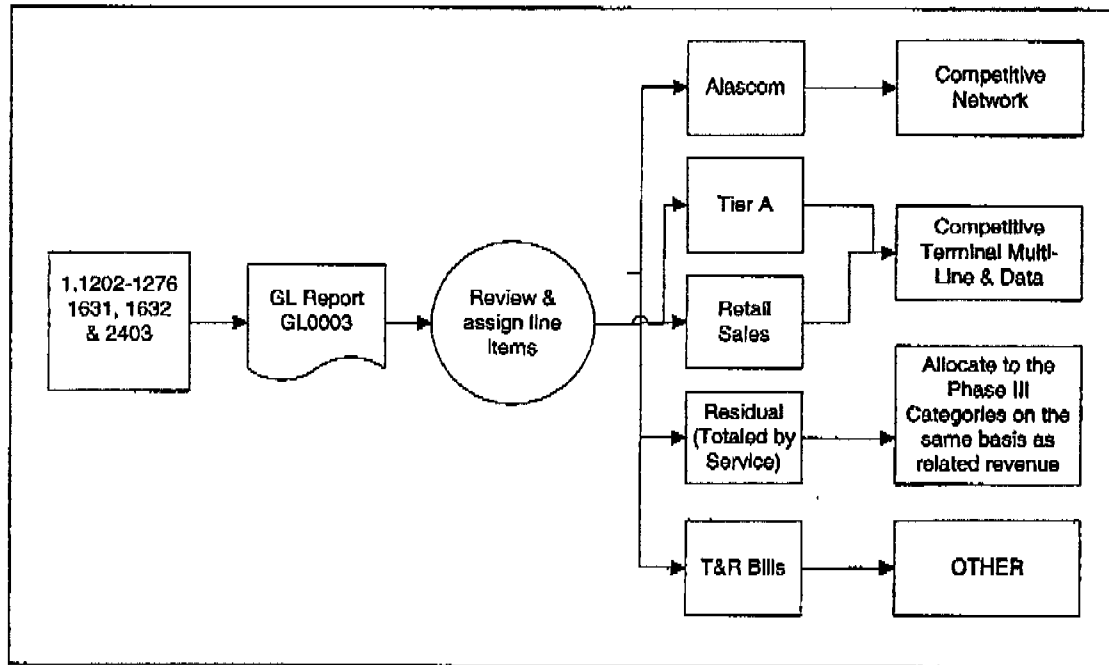
Residual:

The remaining receivables (net of allowance for doubtful accounts) are identified by service and allocated to the Phase III categories on the same basis as related revenue.

T&R Bills

Receivables associated with T&R Bills are assigned 100% to the Phase III Category OTHER.

Allocation:



WORKING CAPITAL BALANCE: Various Accounts

General Approach

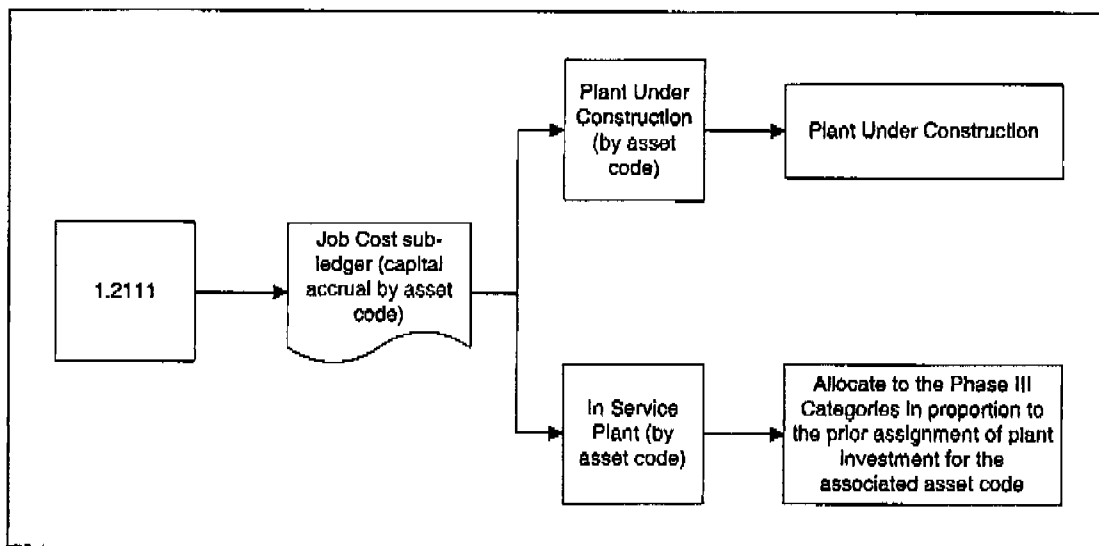
The total working capital balance is allocated to Phase III categories on the same basis as net plant (Table I, Line Item 3).

CAPITAL ACCRUAL: ACCOUNT 1.2111

General Approach

The in-service plant portion of this account is identified by asset code, and is allocated in proportion to the prior assignment of plant investment for the associated asset code. The portion of this account identified as Plant Under Construction is allocated to that category.

Allocation



INVESTMENT IN SUBSIDIARIES & AFFILIATES: Accounts 1.1661 - 1.1663

General Approach

The total of these accounts is allocated entirely to the Investment in Subsidiaries and Affiliates reporting category.

Northwestel Cost Inquiry Phase III Manual

Presentation of Results

TABLE II
PRESENTATION OF INCOME STATEMENT ITEMS

	Access (A)	Access SWAG (A SWAG)	Monopoly Local (ML)	Monopoly Toll (MT)	Competitive Network (CN)	Competitive Terminal MD (CT-MD)	Competitive Terminal Other (CT-O)	Other (O)	Canada	Yukon Under Construction (YUC)	Investment in Subsidiaries & Affiliates (ISA)	Supplemental Funding (SF)	Total
1. Total Operating Revenue	X		X	X	X	X	X	X	X	X	X	X	X
2. Depreciation	X	X	X	X	X	X	X	X	X	X	X	X	X
3. Operating Expenses	X	X	X	X	X	X	X	X	X	X	X	X	X
4. Cost of Sales	X	X	X	X	X	X	X	X	X	X	X	X	X
5. Administration Expenses	X	X	X	X	X	X	X	X	X	X	X	X	X
6. Total Operating Expenses (Lines 2 to 5)	X	X	X	X	X	X	X	X	X	X	X	X	X
7. Net Operating Revenue (Line 1 minus Line 6)	X	X	X	X	X	X	X	X	X	X	X	X	X
8. Other Income	X	X	X	X	X	X	X	X	X	X	X	X	X
9. Declared Credit	X	X	X	X	X	X	X	X	X	X	X	X	X
Net Income before Taxes and Interest (Line 7 Plus Lines 8 & 9)	X	X	X	X	X	X	X	X	X	X	X	X	X
11. Interest Expense	X	X	X	X	X	X	X	X	X	X	X	X	X
12. Income Taxes	X	X	X	X	X	X	X	X	X	X	X	X	X
13. Net Income	X	X	X	X	X	X	X	X	X	X	X	X	X
14. Financial Expenses (Lines 11 to 13)	X	X	X	X	X	X	X	X	X	X	X	X	X
15. Before OTS Adjustment (Line 10 minus Line 14)	X	X	X	X	X	X	X	X	X	X	X	X	X
16. OTS Provided	X	X	X	X	X	X	X	X	X	X	X	X	X
17. OTS Consumed	X	X	X	X	X	X	X	X	X	X	X	X	X
18. OTS Adjustment (Line 16 plus Line 17)	X	X	X	X	X	X	X	X	X	X	X	X	X
19. Surplus/Shortfall (Line 15 Plus Line 18)	X	X	X	X	X	X	X	X	X	X	X	X	X

Date of Issue: Draft

J-2

Surplus/Shortfall