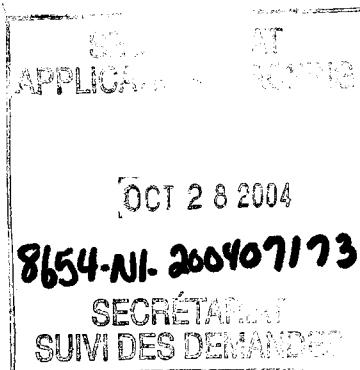




Northwestel Inc.
P.O. Box 2727
Whitehorse, YT
Y1A 4Y4



27 October 2004

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

Dear Ms. Soehn:

Re: Phase III Manual Updates

After discussions with Commission Staff, Northwestel has a number of additional changes to the revisions proposed on June 7, 2004 to the Company's Phase III Manual to be incorporated into the 2003 Phase III results.

Those revisions include:

- Amendments to page F13-1 to revise the name Advanced Comm which should read Advanced Solutions.
- Amending page C1-5 revenue code 4090 BSCA, which should read Billing and Collections Service Agreement.

These proposed revised pages are attached. Revisions are noted with a vertical line in the right margin.

In addition, Northwestel notes that the cover letter to the proposed changes dated June 7th for Section E – Other Income, page E-III account 8141, should have stated “sale of land” and not “sale of assets”. Finally the proposed changes for Section F – Other Income, page F-IV, should read “Competitive Network”, not “Competitive Toll”.

Yours truly,

Dallas Yeulett
Manager, Regulatory Affairs

Northwestel Cost Inquiry Phase III Manual

Operating 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
		Billing Collections Service Agreement	4090	CT

MARKETING, ADVANCED SOLUTIONS 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 Solutions 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.