



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

August 22, 2005

Mr. Leonard Katz
Executive Director – Telecommunications,
Canadian Radio-television and
Telecommunications Commission
Ottawa, Ontario
K1A 0N2

Dear Ms. Soehn:

Subject: Phase III Manual Updates

Due to changes to Northwestel's Chart of Accounts and general cleanup of the manual, revisions to the Company's Phase III manual are included in this submission, to be incorporated into the 2004 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,

A handwritten signature in black ink, appearing to read 'Dallas Yeullet', written in a cursive style.

Dallas Yeullet
Manager Regulatory Affairs

Attachment 1

Section A1 – Introduction

Pages A-15-17 Updated System Study Schedule to reflect the changes in the frequency of studies.

Pages A-21&22 Corrected the final inconsistencies between pages A-21 and B-ii and A-22 and Biii. Also updated the Main Plant Function Categories to show the correct assignment of the asset codes to the Phase III categories. Added asset code: 556 – Mobile Radio, 557 – Base Stations and 558 – OCS Mobile Radio Equipment to B1; added asset codes 161 - Data Switch Internet and 301 – Distribution Frames to B3; Removed 380 – Electronics-Fibre Optics in B4; Removed 200 – Broadband Exchange Equipment in B5; 901 – Heating Systems in B6; added asset code 632 – Solar Generating Plants in B7 and finally in B9 added 342 – Vehicles.

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

Page A – 23 To make the allocation summary chart consistent with the amalgamation of Sections B9 and B10, Work Equipment Heavy and Work Equipment Light were combined to form Work Equipment Vehicles and Work Equipment Light. Allocation to all of the broad service categories remains the same.

Section B – Assets

Page B-ii & iii Updated the asset code section for each Main Plant Function Category so that it reflects the 2004 investments that reside in each section and that the asset codes are consistent with the ones listed on pages A-21 and A-22. Amalgamated Sections B9 and B10 so now asset code 341 is found in Section B9, Other Plant Function Category was also updated so that the title for B9 reads Work Equipment Vehicles and Work Equipment Light.

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

Section B1 – Subscriber Equipment

Pages B1-2-3 The assets that used to reside in 452 were transferred to asset code 556. This investment will be assigned 100% to ACCESS Broad Service Category.

Pages B1-2-3 The assets that used to reside in 560, 561 and 562 were transferred to 557 and the investment in this asset code is allocated to ACCESS AND COMMON Broad Service Categories based on a study, which determines the number and investment value of Base Stations assigned to OCS and Public service.

Pages B1-3 The assets that use to reside in 456 and 457 were transferred to 558. The investment in this asset code will be allocated to the broad service categories in the same ratio as salary and wages. Since OCS investment is allocated to the broad service categories in the same ratio as salary and wages, asset codes 456 and 457 as well as 460-463 are also allocated to COMPETITIVE NETWORK INTERNET SERVICES.

- Page B1-4 Added asset code 556 and 558 into the listing of asset codes in the title as well as in the general approach.
- Page B1-8 Updated the title listing of asset codes to include 557 and updated the allocation diagram to include asset code 557.
- Page B1-9 Updated the Responsibility section to read as deemed necessary instead of biennially because the study is only updated when the number of base stations changes.

Section B3 – Switching Systems

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

Section B5 – Central Office Circuit Terminations

- Page B5-6 Since the Circuit study is performed in conjunction with the Transmission 2-way voice channel Terminations study, which occurs every two years, the manual should read biennially instead of bi-annually.

Section B6 – Other Plant – Structures

- Pages B6-2-3 The investment in asset code 920 is now found in asset code 901 – Heating systems. The allocation of the investment to the Broad Service Categories is based on the use of the related structure. Residual investment that cannot be allocated by related structure is allocated by the total aggregate result of the building study.
- Page B6-4 Updated Structures heading to include asset code 901 and included 901 in the general approach.
- Page B6-5 Updated the allocation summary to include asset code 901.
- Page B6-8 Updated the responsibility section to reflect the correct frequency that the study is conducted.

Section B8 – Other plant – Other Equipment

- Page B8-3 Updated the manual to show that the start-up costs for asset code 150 are being allocated 30% to ACCESS.
- Pages B8-5&6 Removed statement about billing equipment and its allocation since we no longer have investment related to that, therefore all office equipment is allocated based on the same ratio as salary and wage expense related to management and clerical staff.
- Page B8-11 Updated the manual to read “The studies are conducted by IS Specialty Systems”.

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

- Pages B9-1-3 Updated Section B9 (including the title of the section) to include work equipment light. Transferred asset code 341 – Light Construction Equipment to B9 and updated the allocation summary to include this asset code. Investment in 730 was transferred to asset

code 342 therefore vehicles is represented by both 730 and 342. This is due to the fact that a two-year average of investments is taken therefore asset code 730 is still reporting investment. Updated Allocation Summary with asset code 342 as well. Updated the General Approach to include 341 and 342 as well as the allocation chart.

Section B10 – Other Plant – Work Equipment Light

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

Section B12 – Other Plant – Satellite Earth Stations

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

Section C – Revenues

Page C1-5 Added new revenue accounts 4025 – Telus MTS Expense; 4026 – Telus Toll Free Expense; 4044 Bell West MTS Expense; 4046 – Bell MTS Expense; 4047 Bell Op. Surcharge Expense; 4048 – Bell ITTS Expense and 4049 – Bell – Other Expense. These accounts are allocated 100% to COMPETITIVE TOLL (CT), as they are settlement revenue. Added new revenue accounts 4042 – Bell 1-800 Settlement and 4043 – Bell ITTS Settlement under Bell Settlement Revenue. These accounts are also allocated 100% to COMPETITIVE TOLL (CT).

Pages C1-11 Added 4632 – PWS Settled Telus Loops and 4636 – PWS Settled Telus MW Occupancy to the listing of Settled PWS Revenues. Their allocations are based on the study.

Page C1-12 Added new revenue account 4785 – Late Payment Interest; Misc. This account will be allocated to the broad service categories based on the same study used for Late Payment Interest; Telephone. This study is derived from Total Telephone Revenue.

Section F – Operating Accounts

Page FV - FX Updated the technical forces time code with current job class codes. The expenses are allocated to the phase III categories based on their activity. These allocations are used in section F26 and F48, for convenience in maintaining this data it has been consolidated and put in the introduction to the F section.

Page F16-1 Added sub-category Wage Related Expenses. Expenses relating to wages are allocated to the broad service categories based on the percentages determined in the wages and expense study.

Page F21-2 Updated the manual to include the new cost centre 723 Advanced Data Services IP. Expenses related to this cost centre are allocated to the broad service categories based on F21 Operating Hours Time Reporting.

Page F21-5 The costs for account 690 Network Service Control (circuit orders) is also allocated to ACCESS AND COMPETITIVE NETWORK INTERNET SERVICES broad service categories.

Page F26-1 Added a description of the allocation of the job classes for technical forces and included a location of where to find the listing of the Technical Forces Time Code Mapping.

- Page F26-2 Updated the Study of Time Reporting Results diagram with the correct location of the time code mapping.
- Pages F26-3 & 4 Removed the Technical Forces Time Code Mapping section from Section F26 and a current listing of the job classes is now located in the Introduction section of F.
- Page F48-1 Added a description of the allocation of the job classes for technical forces and included a location of where to find the listings of the Technical Forces Time Code Mapping.
- Pages F48-2 Updated the Study of Time Reporting Results diagram with the correct location of the time code mapping.
- Pages F48 –3 – 5 Removed the Technical Forces Time Code Mapping section from Section F48 and a current listing of the job classes is now located in the Introduction section of F.
- Page F65-3 Since the satellite study is carried out every other year, the responsibility section was changed from bi-annually to read, "This study is conducted biennially, by Network Control".
- Page F90-2 In regards to the payment agent expenses, only one payment agent is used for the study as all other payment agents are paid a flat monthly rate. Invoices from the payment agent are collected for the various months throughout the year and the detail analyzed. Therefore, the wording in the manual has been changed to reflect the current process of analyzing payment agents.
- Page F90-4 Under Responsibility changed annually to biennially so that the manual is consistent with the frequency that the study is conducted.
- Page F92-1&2 Updated this section to reflect the current processes of the company. The expenses in this section are all related to Accounts Receivable functions and are allocated to the broad service categories based on a study of activities processed by the accounts receivable department. The Allocation diagram was also updated to be consistent with the paragraph above.
- New cost centre 742, Credit and Collections, is assigned to the Broad Service Categories based on a study of activities processed by the accounts receivable department. The allocation diagram was also updated to include this new cost centre. Also updated the type of accounts to include Arbor Bad Debt and removed Private Wire Service and Sales Bills because they are no longer applicable to this section. Included directory advertising into the Type of Account/Phase III classification box to be consistent with the chart on page 2.
- Page F2-1 Changed the title of Account Number 4926 from Facsimile to the current title of Other Cost of Goods Sold. The allocation still remains the same at COMPETITIVE TERMINAL MULTILINE AND DATA.

Section H – Financial Expenses

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

Section I – Balance Sheet

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

SYSTEM STUDY SCHEDULE

MAIN PLANT INVESTMENT

ASSET CODE	STUDY	DEPARTMENT RESPONSIBLE	FREQUENCY
<u>SUBSCRIBER EQUIPMENT</u>			
557 & 560-563	BASE STATIONS BY SERVICE	PLANNING & ENGINEERING	WHEN DEEMED NECESSARY
<u>LOCAL LOOP</u>			
080	CABLE PLANT ASSIGNMENT - DUCT SYSTEMS	PLANNING & ENGINEERING	ONE TIME STUDY - RESULTS CONFIRMED ANNUALLY
121	CABLE ASSIGNMENT - FIBRE OPTICS	PLANNING & ENGINEERING	ANNUALLY
<u>SWITCHING SYSTEMS</u>			
170-172	NON-TRAFFIC SENSITIVE EQUIPMENT	PLANNING & ENGINEERING	AS REQUIRED
	MONOPOLY LOCAL & COMPETITIVE TOLL TRAFFIC	PLANNING & ENGINEERING	ANNUALLY
176 & 301	MAIN DISTRIBUTION FRAME (MDF)	PLANNING & ENGINEERING	ONE TIME STUDY
182/189	TERMINATIONS TOLL SWITCHING	NETWORK TRAFFIC	ANNUALLY

MAIN PLANT INVESTMENT

ASSET CODE	STUDY	DEPARTMENT RESPONSIBLE	FREQUENCY
<u>TRANSMISSION PLANT</u>			
062-065, 067-068 092,120, 540-542, 550-552	2 WAY VOICE CHANNELS TERMINATION	NETWORK CONTROL	BIENNIALY
<u>CENTRAL OFFICE CIRCUIT TERMINATIONS</u>			
230, 231, 232, 300,	CIRCUIT ASSIGNMENT	NETWORK CONTROL	BIENNIALY

OTHER PLANT INVESTMENT

ASSET CODE	STUDY	DEPARTMENT RESPONSIBLE	FREQUENCY
<u>STRUCTURES</u>			
830, 831, 840, 850, 860, 870, 900, 901, 920	ASSIGNMENT OF STRUCTURES	PLANNING & ENGINEERING	AS DEEMED NECESSARY
<u>POWER</u>			
630, 632, 640, 650, 660, 670	USE OF POWER	PLANNING & ENGINEERING	AS DEEMED NECESSARY

<u>OTHER EQUIPMENT</u>			
340	USE OF TEST EQUIPMENT	CAPITAL PLANNING & PROJECTS CONTROL	ANNUALLY
140, 150	SMS INVESTMENT ARBOR & TBS	INFORMATION SYSTEMS	BIENNIALLY
151	PERSONAL COMPUTERS	INFORMATION SYSTEMS	ANNUALLY
<u>VEHICLES AND WORK EQUIPMENT</u>			
341,342, 730,	VEHICLE/ WORK EQUIPMENT ASSIGNMENT	ACCOUNTING & ADMINISTRATION (IN COOPERATION WITH PLANNING & ENGINEERING)	ANNUALLY
<u>SATELLITE EARTH STATIONS</u>			
093, 570-572, 580-582	CHANNEL ASSIGNMENTS	NETWORK CONTROL	BIENNIALLY

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	450-453, 456, 457, 460-464, 470-472, 480, 490-496, 500, 502, 503, 556-558, 560-563	B1
LOCAL LOOP	050 (Portion), 060, 061, 066, 080 (Portion), 090, 091, 121	B2
SWITCHING SYSTEMS	160, 161, 169, 170-177, 179, 180-184, 189, 190, 301, 520	B3
TRANSMISSION PLANT	030, 040, 062-065, 067, 068, 070, 092, 100, 111, 112, 120, 540-542, 550- 555	B4
CENTRAL OFFICE CIRCUIT TERMINATIONS	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	393, 791, 631, 830, 831, 840, 850, 860, 861, 870, 880, 900, 901, 920	B6
POWER	630, 632, 640, 650, 660, 670, 700	B7
OTHER EQUIPMENT	140, 141, 150-154, 310-313, 340, 350-356, 390-392	B8
WORK EQUIPMENT VEHICLES & WORK EQUIPMENT LIGHT	341, 342, 730, 740, 750, 760	B9
SATELLITE EARTH STATIONS	093, 570- 572, 580-582	B12

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					
CENTRAL OFFICE CIRCUIT TERMINATIONS		X	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 VEHICLES & WORK EQUIPMENT LIGHT	X	X	X	X	X	X	X	X	X	X
	SATELLITE EARTH STATIONS	X	X	X	X	X					

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	450-453, 456, 457, 460-464, 470-472, 480, 490-496, 500, 502, 503, 556-558, 560-563	B1
Local Loop	050 (Portion), 060, 061, 066, 080 (Portion), 090, 091, 121	B2
Switching Systems	160, 161, 169, 170-177, 179, 180-184, 189, 190, 301, 520	B3
Transmission Plant	030, 040, 062-065, 067, 068, 070, 092, 100, 111, 112, 120, 540-542, 550-555	B4
Central Office Circuit Terminations	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 Functions Category	Asset Code	Manual Section
Structures	393, 791, 631, 830, 831, 840, 850, 860, 861, 870, 880, 900, 901, 920	B6
Power	630, 632, 640, 650, 660, 670, 700	B7
Other Equipment	140, 141, 150-154, 310-313, 340, 350-356, 390-392	B8
Work Equipment Vehicles & Work Equipment Light	341, 342, 730, 740, 750, 760	B9
Satellite Earth Stations	093 570-572, 580-582	B12

Allocation Summary

MAIN PLAN FUNCTION CATEGORY	OTHER PLAN 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					
Central Office Circuit Terminations		X	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 Vehicles & Work Equipment Light	X	X	X	X	X	X	X	X	X	X
	Satellite Earth Stations	X	X	X	X	X					

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.
556	Mobile Radio	This asset code includes all equipment installed in subscribers' premises and vehicles used to provide mobile radio services (Ruraltel services).
558	OCS Mobile Radio Equip	This asset code includes all equipment installed in subscribers' premises or vehicles used to provide OCS mobile radio service.
557 & 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.

Allocation Summary:

Asset Code	Access	Access (SWAG)	CN	CN-IS	CTMD	CTO	Common
450-453	X						
456, 457	X	X	X	X	X	X	X
460-463	X	X	X	X	X	X	X
464			X				
490-496	X				X	X	
500-502	X	X	X		X	X	X
503				X			
556	X						
558	X	X	X	X	X	X	X
557 & 560-563	X				X		X
Subscriber Equipment OCS	X	X	X		X	X	X

MOBILE RADIO - MOBILE SETS: Asset Code 450-457, 556 and 558**General Approach:**

These asset code contains investment related Manual Mobile Radio Sets. Asset codes 450-453 and 556 contain Ruraltel sets. Asset codes 456, 457 and 558 contain OCS sets.

Investment in Mobile sets is allocated to the cost categories by assignment of Ruraltel service and OCS.

Ruraltel service investment is allocated to ACCESS.

OCS investment is allocated to the broad service categories in the same ratio as salary and wages.

TELEPHONE & OTHER OCS EQUIPMENT: Asset Codes 460-463**General Approach:**

In 1991, the following asset codes were created to keep track of OCS investment on a prospective basis:

<u>Asset</u>	<u>Description</u>
460	Telephone sets - OCS
461	Key Systems - OCS
463	Fax Machines - OCS

These asset codes contain investment used for OCS purposes. Investment in subscriber equipment used for OCS purposes is allocated to the broad service cost categories in the same ratio as salary and wages.

ELECTRONIC MESSAGING EQUIPMENT: Asset Code 464**General Approach:**

This asset code includes investment related to Electronic Messaging Equipment (i.e. Octel Voice Mail) and is assigned directly to the COMPETITIVE NETWORK Category.

MOBILE RADIO - BASE STATIONS: Asset Code 557 & 560 – 563**General Approach:**

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

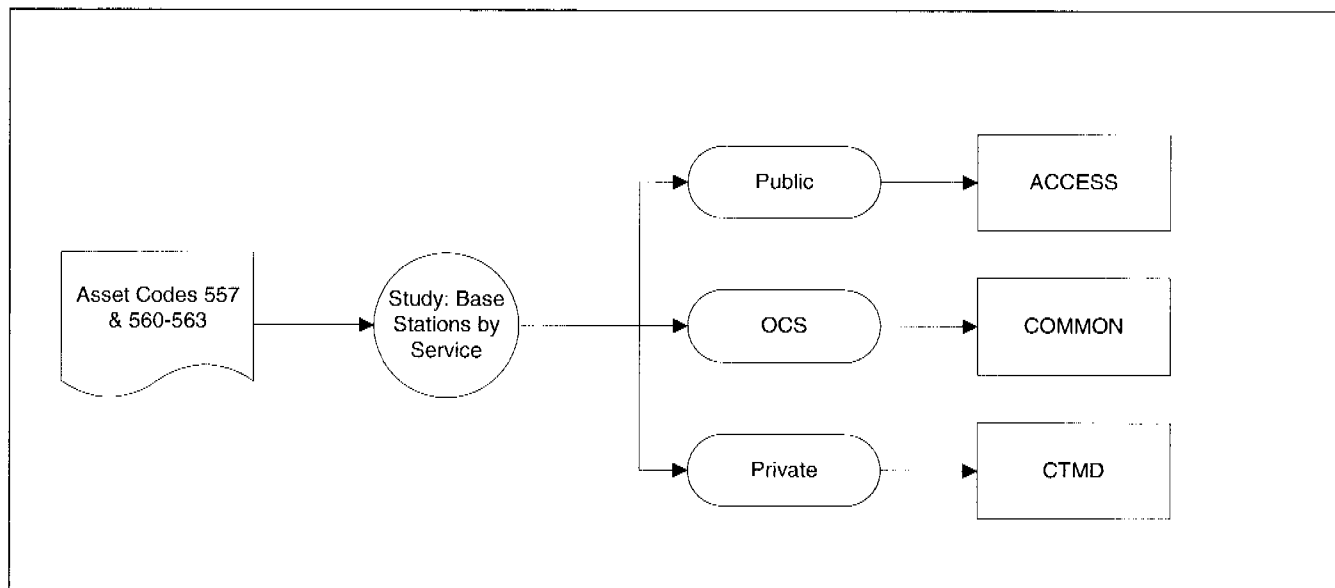
Base Station Investment

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

Public service investment is allocated to ACCESS category:

OCS investment is allocated to COMMON category:

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

Allocation:

**Base Stations By Service
Study Procedures:**

The purpose of this study is to determine the prorata share of investment in Base Stations used for OCS and Public purposes and to identify the investment related to Private Base Stations.

Public and OCS Base Stations

The number of OCS and Public Base Stations are determined by a review of the Mobile Telephone Services Map and by reviewing Northwestel Radio Licenses as identified in the "Radio Licenses: Mobile, Portable and Other Companies" report and the "Radio Licenses: Fixed" report by location.

Private Base Stations

The number of Private Base Stations is determined by a review of Northwestel Radio Licenses. Private Base Stations are identified in the "Radio Licenses: Mobile, Portable and Other Companies" report.

Investment by Service

The original cost of private base stations is identified on the investment record and allocated directly to the COMPETITIVE TERMINAL MULTI-LINE AND DATA Category. The residual investment in base stations (sub-assets 560,561,562) is divided between Public and OCS Base Stations based on the number of stations assigned to each service.

Note: Public and OCS Base Stations were installed over the same time period and are identical in structure; therefore, Northwestel makes the assumption that each grouping has equal average life and that the investment in each Public or OCS Base Station is equivalent.

Responsibility:

This study is conducted when deemed necessary, by the Transmission Engineering Department.

Source Documents:

Mobile Telephone Service Map

Radio License: Mobile, Portable & Other Companies

Radio License: Fixed

Capital Investment Record

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.
301	Distribution Frames	Cost of all material associated with the central office distribution frames. Distribution Frames are used to support cross connect in the central office.
520	Centrex Telephone Equipment	Cost of each PABX having multi-customer capability, with dial switching equipment located either on subscriber property or Northwestel property.

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
301	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 and 301. 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.

The residual investment is in Telephone Exchange Application Software (i.e. CCS7 Signalling & Features), and is assigned to the MONOPOLY LOCAL category.

CIRCUIT TYPESBroad 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 biennially, by Network Control, in conjunction with the Transmission 2-way voice channel terminations study.

Source Documents:

Facilities Records Cards

Multiplex Channel Allocation Study Form

<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.
901	Heating Systems	Costs associated with all types of fire protection systems, gas or sprinklers, installed in buildings.

920 Fire Protection System Costs of all types of fire protection systems, gas or sprinklers, installed in buildings.

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
901	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, 901 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)

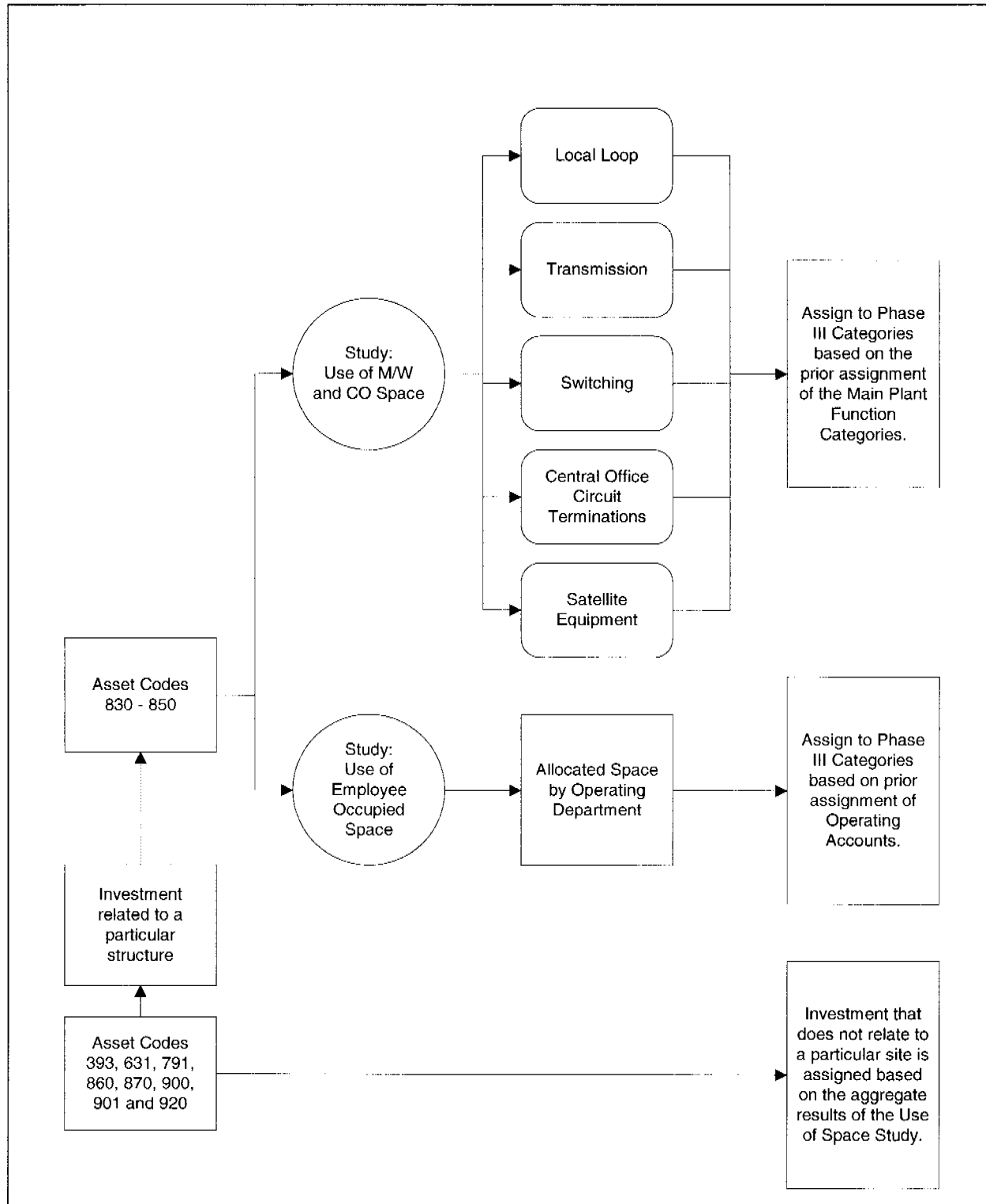
The investment in Microwave and Central Office structures is allocated to the various Main Plant Function categories based on the aggregate use of floor space by various types of equipment within each structure. Assignments to the Phase III categories are based on the prior aggregate assignment of the 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, 901 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.

Allocation:



Building UseMain Plant Function/Operating Account

Employee Occupied Space

Assign Square footage used by each department based on prior assignment of departmental operating expenses:

General Accounting	Account 10
Training & Safety	Account 12
Marketing & Sales	Account 13
General Administration	Account 16
Engineering Implementation	Account 20
Central Support Group	Account 21
Access/Service	Account 26
Network Operations	Account 48
Maintenancce - Power	Account 55
Buildings & Road Mntce	Account 83
Customer Services	Account 90
Operator Services	Account 91
Revenue Accounting	Account 92

Conference rooms
 General purpose training rooms
 Lunch Rooms, Washrooms
 General purpose material storage

Allocate based on prior assignment of assigned space.

Employee Residences

COMMON

Empty Buildings

COMMON

Responsibility:

The Engineering and Real Estate Departments conduct this study as deemed necessary.

Source Documents:

Building floor plans
 Building and Structures Study Forms
 Capital Investment Record

COMPUTERS - ADMINISTRATION: Asset Codes 150-154**General Approach****Asset Code 150 -Mainframe**

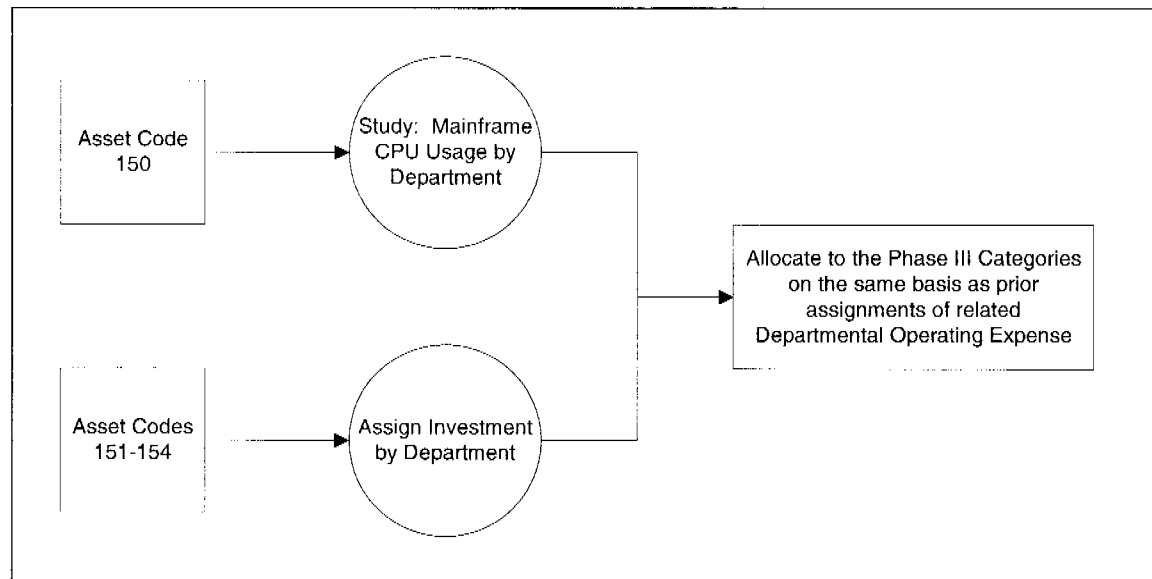
Asset Code 150 contains investment in Start Up Costs; this investment is assigned 30% to ACCESS and 70% to COMPETITIVE TOLL.

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 in these asset codes 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.

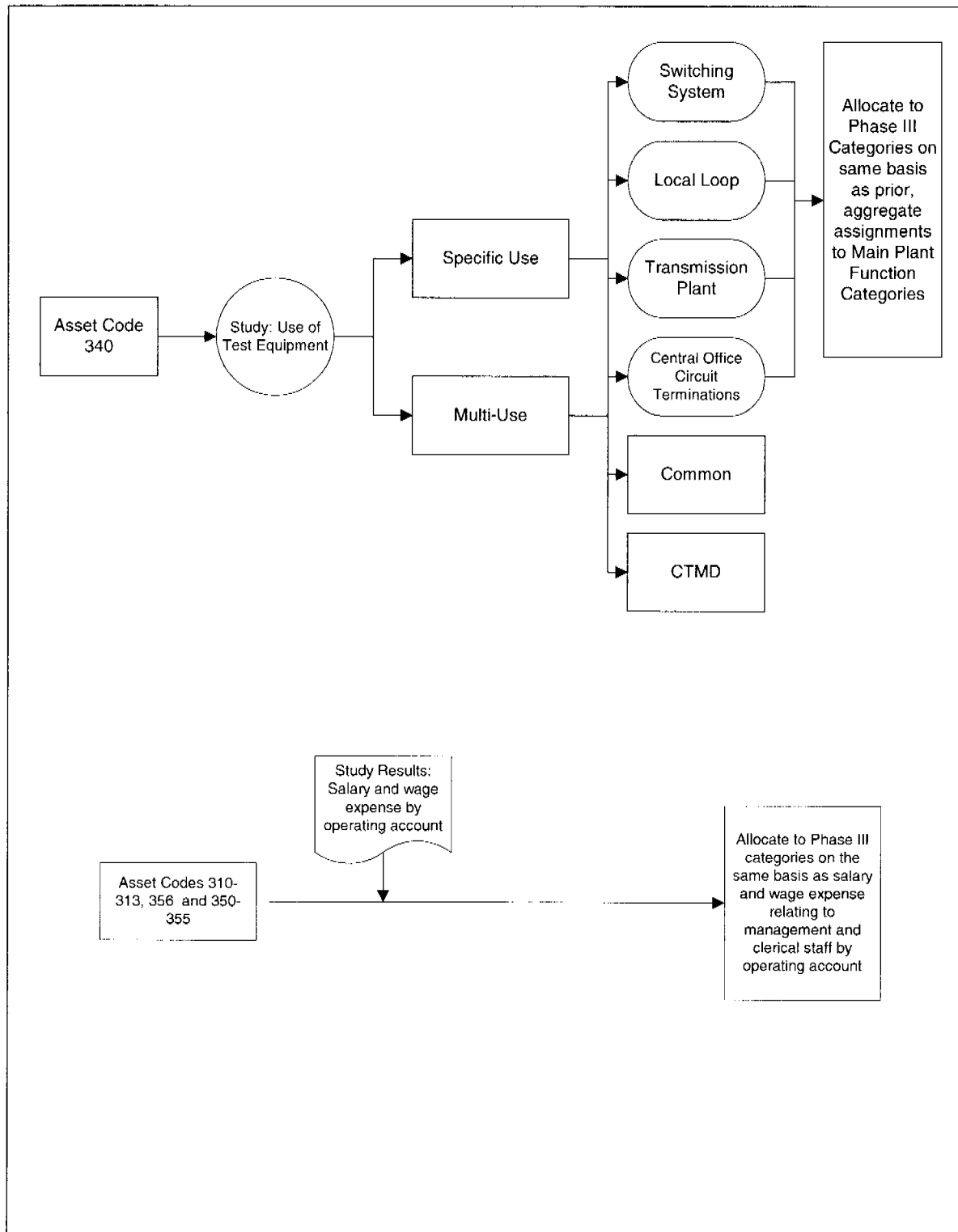
Allocation from the Main Plant Function categories to the Phase III categories is based on the prior, aggregate assignment of investment to related Main Plant Function categories.

Furniture (Asset Codes 350 -355)

The investments 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.

Allocation



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.

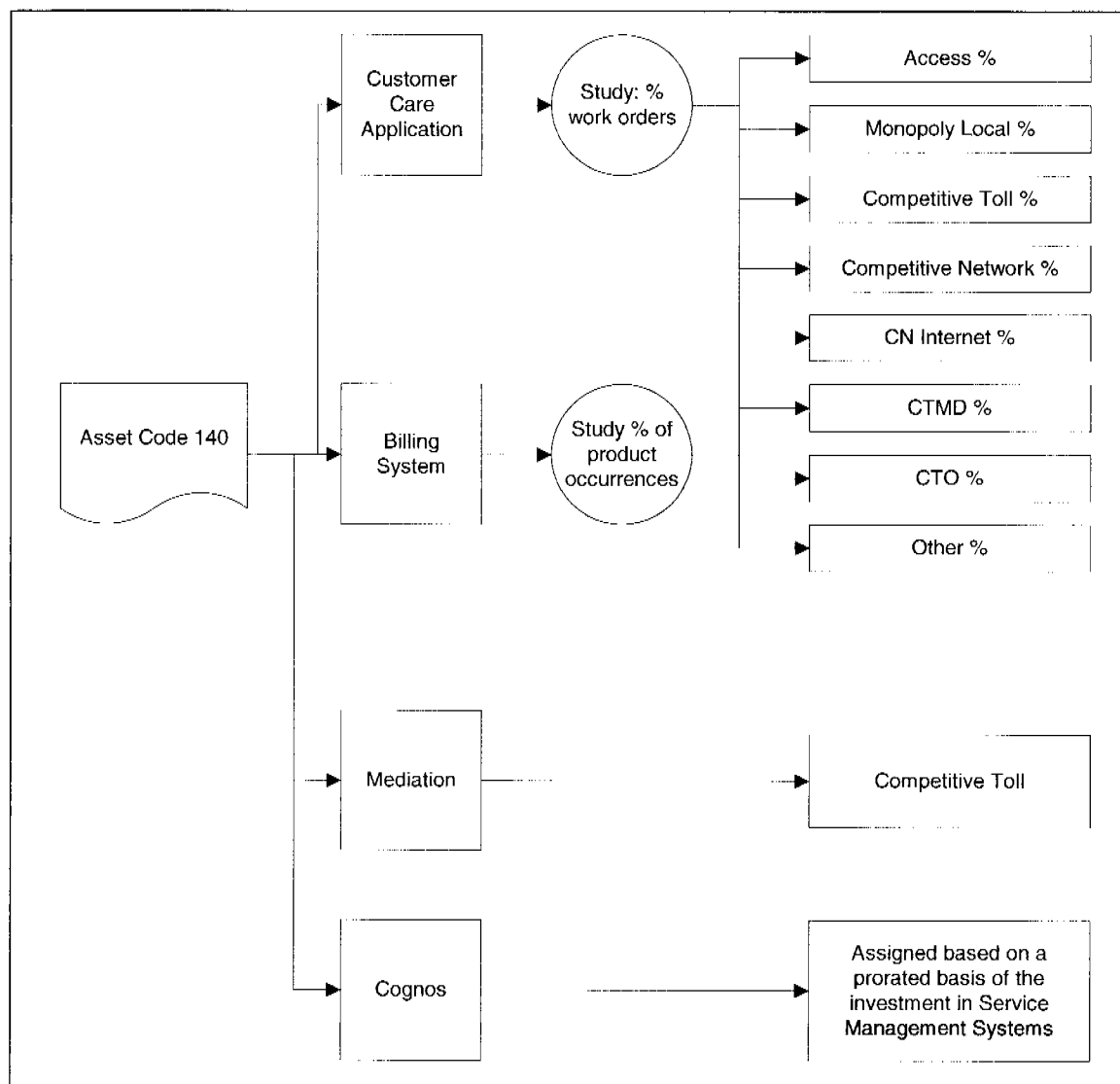
Cognos is a management tool used to query data out of the above systems. Investment in Cognos is assigned on a prorated basis of the investment in Service Management Systems.

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 by IS Speciality Systems.

Allocation:



9. OTHER PLANT - WORK EQUIPMENT VEHICLES AND WORK EQUIPMENT LIGHT.

Overview

The asset codes used to record the investments in the OTHER PLANT - WORK EQUIPMENT VEHICLES AND OTHER PLANT - WORK EQUIPMENT LIGHT categories are 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 and another study is necessary to identify the investment in light equipment by function/use.

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

Other Plant - Work Equipment Asset Code

Asset Code	Title	Content Definition
341	Light Construction Equipment	Costs for portable generating plants, rock drills, water pumps, air compressors, portable heating equipment, and miscellaneous construction equipment.
342/730	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	Common
341	X	X	X	X	X	X	X	X	X	X
342/730	X	X	X	X	X	X	X	X	X	X

WORK EQUIPMENT VEHICLES: Asset Codes 341, 342 and 730

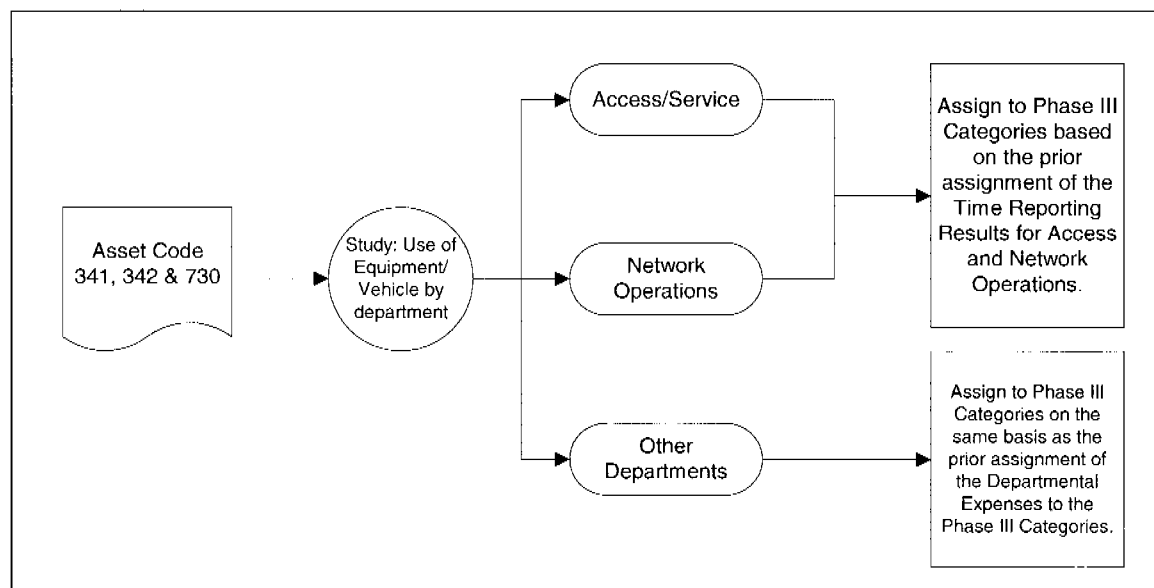
General Approach

Asset code 341 contains investment related to light construction equipment.

Asset codes 342 and 730 contain investment related to vehicles.

The investments in these two Asset Codes are assigned to the Phase III categories based on studies 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 and equipment 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.

Investment in heavy work equipment, recorded in Asset Code 342 and 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).

<u>CIRCUIT TYPES</u>	<u>PHASE III CATEGORY</u>
Pair Gain	ACCESS
Ruraltel II	
Public VHF Mobile	
Spacotel FX Links	
Frame Relay	COMPETITIVE NETWORK
Leased Circuits	
FX Circuits	
Inter-city PABX Tie Trunks	
VFCT Carrier	
Intra-exchange Trunks	MONOPOLY LOCAL
T1 Host/Remote Link	
OCS Test Facilities Administration	Allocate based upon prior circuit allocations.

Responsibility:

This study is conducted biennially, by Network Control.

Source Documents:

Facilities Records Cards

Voice Grade Channel Terminations Study Form

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
		Telus MTS Expense	4025	CT
		Telus Toll Free Expense	4026	CT
		Bell West MTS Expense	4044	CT
		Bell MTS Expense	4046	CT
		Bell Op. Surcharge Expense	4047	CT
		Bell ITTS Expense	4048	CT
		Bell – Other Expense	4049	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
		Bell 1-800 Settlement	4042	CT
		Bell ITTS Settlement	4043	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

TOLL REVENUE

TELEPHONE TOLL REVENUE

RES & BUS BILLED TOLLS

3002	211	Billed Tolls	4105	CT
3002	208	Billed Tolls	4105	CT
3002	210	Billed Tolls	4105	CT
3002	209	Billed Tolls	4105	CT
3002	213	Billed Tolls	4105	CT
3002	209A	Billed Tolls	4105	CT
3002	212	Billed Tolls	4105	CT
3002	307	Billed Tolls	4105	CT
3002	308	Billed Tolls	4105	CT

MISCELLANEOUS TOLL SERVICES

3006	203	Manual Mobile Tolls	4121	CT
3006	203	Manual Mobile Airtime	4122	ML
3002	302	Toll Free	4126	CT
3002	303	Telephone Tolls - 900 Service	N/A	CT
3001	501.4	Payphone Tolls	4133	ML/CT
3002	502	Toll Plan Fees	4138	CT
3002	502	Conferencing Tolls	4151	CN
3002	501	Prepaid Card Revenue	4160	CT
3002	501	Prepaid Card Usage	4161	CT

ACCRUED TOLL REVENUE

N/A	Unprocessed Toll Accrual	4181	CT
N/A	Processed Toll Accrual	4182	CT

OTHER TOLL REVENUE

Carrier Access Tariff	4196	A
Deferred Revenue	4197	CT

PRIVATE NETWORK

PWS REVENUE

BILLED PWS REVENUE

3003	202b	PWS Circuit Rentals (Analog)	4603	Study
3003	304	PWS Circuit Rentals (Analog)	4603	Study
3003	207	PWS Circuit Rentals (Analog)	4603	Study
3003	203	PWS Circuit Rentals (Analog)	4603	Study
3003	202d	PWS Circuit Rentals (Analog)	4603	Study
3003	202e	PWS Circuit Rentals (Analog)	4603	Study
3001	707	Other Analog - PWS Circuit Rentals	4604	Study
3001	1403	Other Analog - PWS Circuit Rentals	4604	Study
3001	1405	Other Analog - PWS Circuit Rentals	4604	Study
3003	402	Other Analog - PWS Circuit Rentals	4604	Study
3003	503.2	Other Analog - PWS Equipment NRI	4604	Study
3003	202d	Other Analog - Loops	4604	Study
3010	702	PWS Occupancy Charge	4608	Study
3003		Satellite/Digital Direct	4613	Study
3003	1112.3	Mega Circuit Rental (Digital)	4621	Study
3003	1112.1	Other Digital - IX Links	4621	Study
3003	1113	Other Digital - Mega Equipment Rental	4622	Study
3003	111-1116	Other Digital - Mega NRI	4622	Study
3003	1111	Other Digital - Mega Local Access	4622	Study
3003	1111.3	Other Digital - Mega Local Links	4622	Study
	NA	PWS Accrual	4629	Study
		SETTLED PWS REVENUE		
	N/A	PWS Sett Telus Through	4631	Study
	N/A	PWS Settled Telus Loops	4632	Study
	N/A	PWS Settled Telus MW Occupancy	4636	Study
	N/A	Mega Settled - Telus/BC Tel	4637	Study
	N/A	PWS Sett Bell Through	4641	Study

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
		Late Payment Int; Misc	4785	Study

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

The job classes for technical forces are allocated to the phase III categories based on their activity.

TECHNICAL FORCES TIME CODE MAPPING

JobClass				
Cd	Job Class Description	Activity Description		Phase III
01	OSC Work	ACCESS	Access	
A5	SR500 CUSTOMER PREM	ACCESS	Access	
AB	RESIDENTIAL OUTSIDE/TO DEMARC	ACCESS ACTIVITY	Access	
AD	BUSINESS OUTSIDE-SINGLE LINE	ACCESS ACTIVITY	Access	
AE	MULTILINE OUTSIDE	ACCESS ACTIVITY	Access	
AF	MULTILINE-INSIDE	ACCESS ACTIVITY	Access	
AH	CENTREX-OUTSIDE	ACCESS ACTIVITY	Access	
AI	SPECIAL SERVICE -INSIDE	ACCESS ACTIVITY	Access	
AJ	SPECIAL SERVICE OUTSIDE	ACCESS ACTIVITY	Access	
AK	PAYPHONE INSTALL/REMOVAL/REPAIR	ACCESS ACTIVITY	Access	
AQ	PAIR GAIN (ACCESS)	ACCESS ACTIVITY	Access	
AX	CENTRAL OFFICE X CONN	ACCESS	Access	
DI	DLS INSIDE	ACCESS ACTIVITY	Access	
DL	DROPS LOOPS	ACCESS ACTIVITY	Access	
DO	DLS OUTSIDE	ACCESS ACTIVITY	Access	
DR	DIGITAL RADIO MOBILE	ACCESS	Access	
ED	ESCORT, ADSL SERVICE	ACCESS	Access	
EI	ESCORT, ISP	ACCESS	Access	
ER	ESCORT, RADIO	ACCESS	Access	
ET	ESCORT, TRAVEL	ACCESS	Access	
FO	FIBRE OPTICS	OUTSIDE PLANT	Access	
OC	OSP CONSTRUCTION	OUTSIDE PLANT	Access	
OD	MANHOLE/DUCT WORK	OUTSIDE PLANT	Access	
OF	FACILITIES MAINTENANCE	OUTSIDE PLANT	Access	
OG	GROUNDING	OUTSIDE PLANT	Access	
OL	CABLE LOCATES	OUTSIDE PLANT	Access	
ON	CABLE REPAIR (NETWORK ACCESS)	OUTSIDE PLANT	Access	
OP	PRESSURIZATION	OUTSIDE PLANT	Access	
OR	CABLE RE-ARRANGEMENT/ADDITION	OUTSIDE PLANT	Access	
OX	POLE TRANSFERS	OUTSIDE PLANT	Access	
4R	RURALTEL (400)	TRANSMISSION	Access	
4X	CUSTOMER CELLULAR MOBILE	TRANSMISSION	Access	
8R	RURATELL (800)	TRANSMISSION	Access	
RR	RURAL RADIO	TRANSMISSION	Access	
VB	VHF/SSB BASE STATION	TRANSMISSION	Access	
			Access Total	
RS	SATELLITE	TRANSMISSION	B12	
TS	TELESAT	TRANSMISSION	B12	
			B12 Total	

TE	TELEPHONE	CENTRAL OFFICE GENERAL	B3 B3 Total
K1	TRAVEL - YEAR 2000	CENTRAL OFFICE GENERAL	B3 - 17X/18X
KK	YEAR 2000 TESTING	CENTRAL OFFICE GENERAL	B3 - 17X/18X
C2	DMS 100/200	CENTRAL OFFICE SWITCHING	B3 - 17X/18X
CA	CENTRAL OFFICE - SA-1	CENTRAL OFFICE SWITCHING	B3 - 17X/18X
CC	CENTRAL OFFICE - CENTREX	CENTRAL OFFICE SWITCHING	B3 - 17X/18X
CD	CENTRAL OFFICE - DMS-10	CENTRAL OFFICE SWITCHING	B3 - 17X/18X
CG	CENTRAL OFFICE - GTD-5	CENTRAL OFFICE SWITCHING	B3 - 17X/18X
CR	CENTRAL OFFICE - REDCOM	CENTRAL OFFICE SWITCHING	B3 - 17X/18X
CU	CENTRAL OFFICE - UMC-1000	CENTRAL OFFICE SWITCHING	B3 - 17X/18X B3 - 17X/18X Total
NR	NETWORK REPORT PREPARATION	CENTRAL OFFICE SWITCHING	B3/B4
NS	NETWORK SURVEILLANCE	CENTRAL OFFICE SWITCHING	B3/B4
NV	NETWORK VERIFICATION	GENERAL	B3/B4 B3/B4 Total
NA	NETWORK INFRASTRUCTURE	TRANSMISSION	B4
NC	TRUCK TESTING	TRANSMISSION	B4
NH	TES INSTALLATION HUGHS	TRANSMISSION	B4
NI	NETWORK INFRASTRUCTURE	TRANSMISSION	B4
NM	SNAC WORK	TRANSMISSION	B4
MS	SUPERVISORY (DATAP, UNITEL)	TRANSMISSION	B4
MX	VF. MISC.	TRANSMISSION	B4
OA	ANTENNA	OUTSIDE PLANT	B4
OI	TOWER LIGHTS	OUTSIDE PLANT	B4
RA	ANALOG RADIO	TRANSMISSION	B4
RC	BIT CLOCKS	TRANSMISSION	B4
RD	DIGITAL RADIO/ WK ON SR500	TRANSMISSION	B4
RG	RADIO DISMANTLING/DISPOSAL	TRANSMISSION	B4
RM	MDMRS	TRANSMISSION	B4
RO	ORDERWIRE	TRANSMISSION	B4
RP	CMP'S	TRANSMISSION	B4
TU	SUBSCRIBER CARRIER	CENTRAL OFFICE GENERAL	B4
VG	GELNAYRE	TRANSMISSION	B4
VH	VHF MOBILE	TRANSMISSION	B4 B4 Total
MA	ANALOG MULTIPLEX	TRANSMISSION	B5
MD	DIGITAL MULTIPLEX	TRANSMISSION	B5
MF	FIBRE MULTIPLEX	TRANSMISSION	B5 B5 Total
10	GENERAL BUILDING	GENERAL BUILDING	B6
11	FOUNDATION	GENERAL BUILDING	B6

12	FLOOR	GENERAL BUILDING	B6
13	WALLS (INTERIOR & EXTERIOR)	GENERAL BUILDING	B6
14	CEILING	GENERAL BUILDING	B6
15	ROOF	GENERAL BUILDING	B6
16	DOORS/WINDOWS/OPENINGS	GENERAL BUILDING	B6
17	STAIRS/LANDINGS/RAILING	GENERAL BUILDING	B6
19	OTHER BUILDING	GENERAL BUILDING	B6
70	GENERAL PLUMBING	GENERAL BUILDING	B6
80	GEN PROPERTY LOSS PREV/SEC/SAF	GENERAL BUILDING	B6
AS	ACTING SUPERVISOR	GENERAL BUILDING	B6
BJ	BUILDING JANITORIAL	GENERAL BUILDING	B6
BM	GENERAL BUILDING CLEAN-UP	GENERAL BUILDING	B6
30	GENERAL HVAC	UNKNOWN	B6
31	FURNACE (OIL/PROPANE)	UNKNOWN	B6
32	ELECTRIC HEATERS	UNKNOWN	B6
33	AIR CONDITIONERS	UNKNOWN	B6
34	FANS AND FILTERS	UNKNOWN	B6
35	HOODS	UNKNOWN	B6
36	DUCTING/PIPING	UNKNOWN	B6
39	OTHER HVAC	UNKNOWN	B6
50	GENERAL ELECTRICAL	UNKNOWN	B6
51	LIGHTING (INTERIOR OR EXTERIOR	UNKNOWN	B6
52	ALARMS (DOOR/TEMP)	UNKNOWN	B6
53	INSIDE WIRING	UNKNOWN	B6
54	OUTSIDE WIRING	UNKNOWN	B6
59	OTHER ELECTRICAL	UNKNOWN	B6
71	FIXTURES	UNKNOWN	B6
79	OTHER PLUMBING	UNKNOWN	B6
81	FIRE DETECTION SYSTEMS	UNKNOWN	B6
82	FIRE EXTINGUISHERS	UNKNOWN	B6
83	FIRE PRO.SYSTEMS HALON/SPRINKL	UNKNOWN	B6
84	FENCING/GATES	UNKNOWN	B6
89	OTHER PLP/SECURITY/SAFETY	UNKNOWN	B6
			B6 Total
PW	POWER (C0)	CENTRAL OFFICE GENERAL	B7
PA	AC POWER DISTRIBUTION	POWER	B7
PD	DIESEL ENGINE	POWER	B7
PF	FUEL SUPPLY	POWER	B7
PG	AC GENERATOR	POWER	B7
DC	DC POWER	TRANSMISSION	B7
DP	DC POWER	TRANSMISSION	B7
			B7 Total
5A	FRAME RELAY TRUNKS	ARDICOM/FRAME RELAY	CN
5B	FRAME RELAY DISTRIBUTION	ARDICOM/FRAME RELAY	CN
5C	PASSPORT 50,160	ARDICOM/FRAME RELAY	CN
5D	FRAME RELAY ACCESS DEVICE	ARDICOM/FRAME RELAY	CN

5E	SATELLITE MODEMS	ARDICOM/FRAME RELAY	CN
5F	ROUTER (ACL)	ARDICOM/FRAME RELAY	CN
6A	COAXIL MODEN (ACL)	ARDICOM/FRAME RELAY	CN
6B	PAIRGAIN	ARDICOM/FRAME RELAY	CN
6C	NETWORK CONFIGURATION	ARDICOM/FRAME RELAY	CN
6D	NETWORK SURVEILLANCE (OMS)	ARDICOM/FRAME RELAY	CN
6E	MAGELLAN DATA PROVIDER (MDP)	ARDICOM/FRAME RELAY	CN
6F	NEXUS BILLING SYSTEM	ARDICOM/FRAME RELAY	CN
6G	NETWORK CONFIGURATION ATM	ATM	CN
6H	NETWORK CONFIGURATION VIDEO	VIDEO	CN
7A	LOW SPEED MODEM/BLACK BOX	ARDICOM/FRAME RELAY	CN
7B	ENGINEERING ASSISTANCE	ARDICOM/FRAME RELAY	CN
7C	VIDEO CONFERENCE	ARDICOM/FRAME RELAY	CN
SS	SPECIAL SERVICE (PWS)	CENTRAL OFFICE GENERAL	CN
TD	TBS	SITRIX DAIL-UP	CN
VM	VOICE MAIL WORKING ON (OCTEL)	CENTRAL OFFICE GENERAL	CN
DS	DATA SWITCH	CENTRAL OFFICE SWITCHING	CN
DX	DIGITAL CROSSCONNECT	CENTRAL OFFICE SWITCHING	CN
5J	SERVERS	ADS	CN
7E	NETWORK SECURITY	ADS	CN
7F	MANAGED SERVICES NCL	ADS	CN
			CN Total
5H	XDSL	ADS	CNIS
7D	D SLAM	ADS	CNIS
			CNIS Total
AV	VOICE MAIL(STARTALK, MERID MAIL	ACCESS ACTIVITY	CTMD
AY	PABX, KEY SYSTEM	ACCESS ACTIVITY	CTMD
BC	PABX, KEY SYSTEM, MAINTENANCE	ACCESS ACTIVITY	CTMD
HD	HARDWARE	OFFICE AUTOMATION ACTIVITY	CTMD
SW	SOFTWARE	OFFICE AUTOMATION ACTIVITY	CTMD
			CTMD Total
RT	ROUTER	OFFICE AUTOMATION ACTIVITY	CTMD/CN
SH	SERVERS, HUBS	OFFICE AUTOMATION ACTIVITY	CTMD/CN
			CTMD/CN Total
AA	RESIDENTIAL INSIDE/PAST DEMARC	ACCESS ACTIVITY	CTO
AC	BUSINESS INSIDE-SINGLE LINE	ACCESS ACTIVITY	CTO
			CTO Total
CH	CATV HEAD END	CABLE TELEVISION	Exclude
CL	UPGRADE SERVICE	CABLE TELEVISION	Exclude
CM	DOWNGRADE SERVICE	CABLE TELEVISION	Exclude
CN	CATV ANTENNA	CABLE TELEVISION	Exclude
CP	CATV CUSTOMER WIRING	CABLE TELEVISION	Exclude
CV	CATV DISTRIBUTION CBL & AMPS/T	CABLE TELEVISION	Exclude

CX	CONNECT SUBSCRIBER	CABLE TELEVISION	Exclude
CZ	DISCONNECT SUBS	CABLE TELEVISION	Exclude
TC	TRAVEL (CATV)	CABLE TELEVISION	Exclude
4A	NMI PAGER	MOBILITY	Exclude
4B	AUTOTEL	MOBILITY	Exclude
4C	CELLULAR CELLSITE	MOBILITY	Exclude
4M	CELLULAR MMC	MOBILITY	Exclude
4S	CELLULAR SMC	MOBILITY	Exclude
8C	CELL 800 CELLSITE	MOBILITY	Exclude
8M	DMS 100 MTX	MOBILITY	Exclude
NT	TRAVEL (NMI)	MOBILITY	Exclude
MO	MOBILITY NETWORK	MOBILITY	Exclude
			Exclude Total
TO	TOPS, MS-1 CONFERENCE	CENTRAL OFFICE GENERAL	F91
			F91 Total
EC	ESCORT, CO LOCATION	ACCESS	Ignore
OO	353-352	OUTSIDE PLANT	Ignore
SB	STAND BY CT	COMMUNITY TECHS	Ignore
55	MAST	UNKNOWN	Ignore
LN	SUSPENSION	ABSENCE	Ignore
			Ignore Total
AG	CENTREX-INSIDE	ACCESS ACTIVITY	ML
CT	CALL TRACE-RCMP	CENTRAL OFFICE SWITCHING	ML
			ML Total
AL	PAYPHONE COLLECTION	ACCESS ACTIVITY	ML/MT
PP	PAYPHONE COIN COUNTING	ACCESS ACTIVITY	ML/MT
			ML/CT Total
TF	TOLL CIRCUITS	CENTRAL OFFICE GENERAL	MT
OT	CABLE -WLEC (TOLL)	OUTSIDE PLANT	MT
			MT Total
WT	WAITING FOR WORK ORDER	ACCESS	Prorate - Access
AM	WAITING FOR WORK ORDER	ACCESS ACTIVITY	Prorate - Access
AN	WAIT FOR EXCHANGE	ACCESS ACTIVITY	Prorate - Access
AP	PREFIELD WORK	ACCESS ACTIVITY	Prorate - Access
IR	INSTALLATION + REPAIR	UNKNOWN	Prorate - Access
			Prorate - Access Total
A1	OPERATIONS SUPPORT	OPERATIONS CLERKS	Prorate - All
EA	ENGINEERING ASSISTANCE	CENTRAL OFFICE GENERAL	Prorate - All
LA	LEAVE OF ABSENCE	ABSENCE	Prorate - All
LB	BANKED TIME	ABSENCE	Prorate - All
LC	COMMUNITY SERVICE	ABSENCE	Prorate - All

LD	LONG TERM DISABLILITY	ABSENCE	Prorate - All
LH	STAT. HOLIDAY	ABSENCE	Prorate - All
LK	SICK CHILD	ABSENCE	Prorate - All
LM	MATERINTY LEAVE	ABSENCE	Prorate - All
LS	SICKNESS	ABSENCE	Prorate - All
LT	LONG TERM DISABLILITY	ABSENCE	Prorate - All
LV	VACATION	ABSENCE	Prorate - All
LW	WCB	ABSENCE	Prorate - All
LZ	BEREAVEMENT	ABSENCE	Prorate - All
O	WEEKLY INDEMNITY	ABSENCE	Prorate - All
ST	SAFETY	GENERAL	Prorate - All
TP	TRIP PREPARATION	GENERAL	Prorate - All
XC	CUSTOMER MEETING	MEETINGS AND CONFERENCES	Prorate - All
XE	EFDP MEETING	MEETINGS AND CONFERENCES	Prorate - All
XP	PROCESS IMPROVEMENT MEETING	MEETINGS AND CONFERENCES	Prorate - All
XQ	SAFETY MEETINGS	MEETINGS AND CONFERENCES	Prorate - All
XS	STAFF MEETING	MEETINGS AND CONFERENCES	Prorate - All
XU	UNION MEETING	MEETINGS AND CONFERENCES	Prorate - All
WI	WEEKLY INDEMNITY	ABSENCE	Prorate - All
WP	SPECIAL PROJECTS TRADE SHOWS	MEETINGS AND CONFERENCES	Prorate - All
			Prorate - All Total
AR	PROVIDE TECHNICAL ASSIST	GENERAL	Prorate - Investment
AT	GETTING TECH ASSISTANCE	GENERAL	Prorate - Investment
AU	ADMINISTRATION	GENERAL	Prorate - Investment
MR	MARTINS WORK	GENERAL	Prorate - Investment
SP	SUPPLY PICKUP (STORES)	GENERAL	Prorate - Investment
SR	SHIPPING & RECEIVING	GENERAL	Prorate - Investment
TR	TRAVEL	GENERAL	Prorate - Investment
UA	UNALLOCATED	GENERAL	Prorate - Investment
VE	VEHICLE MAINTENANCE	GENERAL	Prorate - Investment
			Prorate - Investment Total
PC	INTERNAL NWTEL OA	OFFICE AUTOMATION ACTIVITY	Wages
			Wages Total

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.

Wage Related Expenses

The portion of expenses related to wages is allocated to the broad service categories using the percentages determined in the wages and expense study.

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.

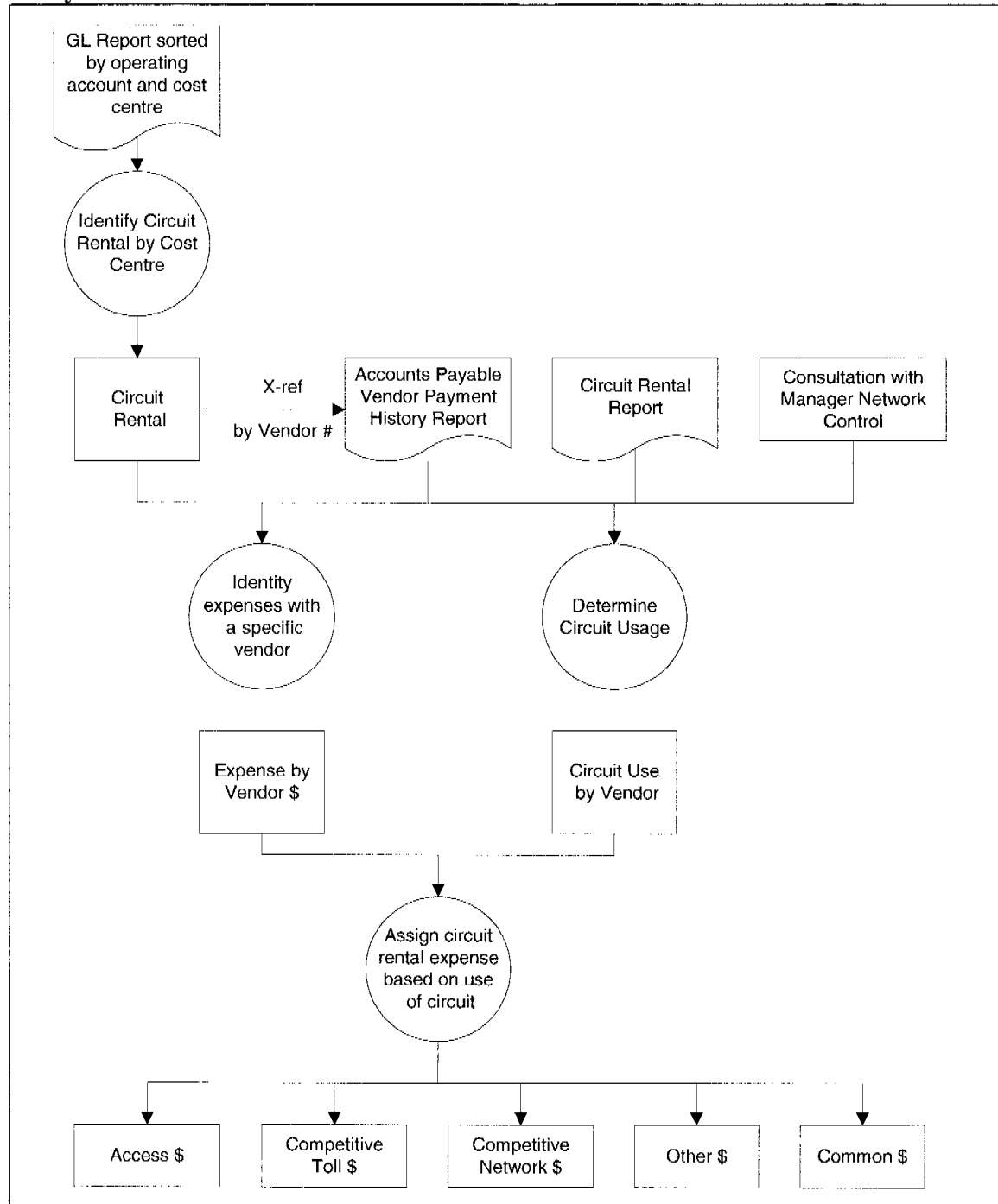
Responsibility:

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

Central Support Administration, Network Maintenance & Admin, Advanced Data Services IP & 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



Supervisory and Test Circuits; and time allotted for forecasting, special reports, and maintenance of records not associated with toll trunk orders or special services orders.

This time is allocated to ACCESS, MONOPOLY LOCAL, COMPETITIVE TOLL, COMPETITIVE NETWORK INTERNET SERVICES and COMPETITIVE NETWORK categories prorata, based on the aggregate of time spent on Toll Trunk and Special Service orders.

Responsibility:

This study is conducted annually, by the Facilities Design & Control Department, using information gathered by the IS Department

Source Documents:

Network Facilities Circuit Order records (12-months)
Info Systems

ACCESS: Account 26**General Approach:**Rental of Poleline Attachments

Expense related to rental of poleline attachments is identified in the General Ledger by a specific object code. A significant portion of the investment in Pole Line Structure is specifically related to the provision of network access and therefore, the total expense for pole line rentals is allocated to the ACCESS category.

Access Activities

Expenses in this account are for the technical forces who are responsible for the installation & repair of basic service, cable maintenance, outside plant construction, and the provision and maintenance of inside wire and subscriber equipment.

The technical forces time reporting system provides a breakdown of person hours into the various types of work (activities) performed. The expenses in this account are allocated to the Broad Service Categories based upon this breakdown of labour for the Access/Service technical forces (See Technical Forces Time Reporting Activity Code Mapping).

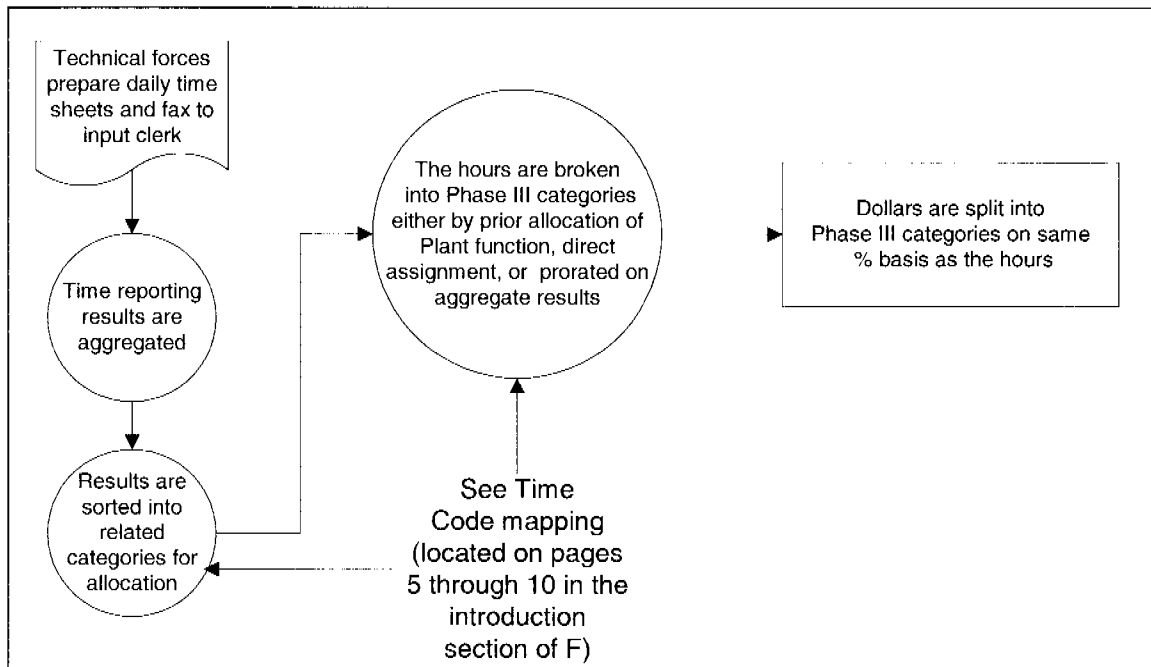
Technical Forces Time Code Mapping

Job class codes for technical forces are allocated to the phase III categories based on their activity, (refer to pages 5 through 10 in the introduction section of F).

Note:

Until time reporting codes that are unique to Internet Services are implemented, maintenance expenses for Internet Services will be assigned to the COMPETITIVE NETWORK - INTERNET SERVICES (CN - IS) sub-category based on a Northwestel maintenance factor of 4% of Internet Services assigned capital.

Study of Time Reporting Results



Study Procedures:

The purpose of this study is obtaining the Access/Service technical forces breakdown of labour into specific categories, which facilitate the assignment of labour hours into Phase III Broad Service Categories.

The yearend aggregate results for time reporting are obtained from the operations manager.

NETWORK OPERATIONS: Account 48

General Approach:

Network Operations Activities

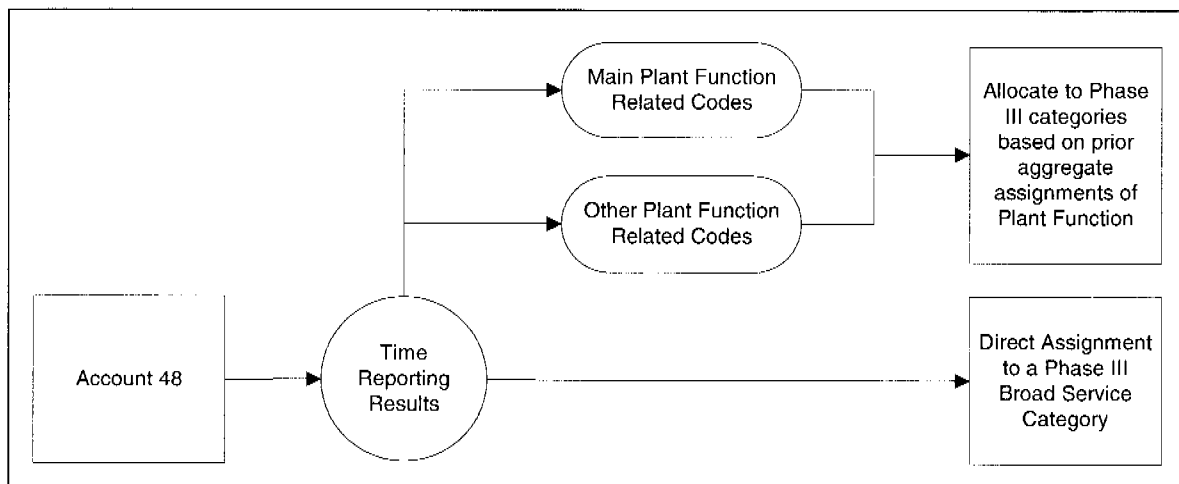
Expenses in this account are for the technical forces who are responsible for the provision and maintenance of network facilities, including microwave and radio facilities, central office facilities, and switching facilities.

The technical forces time reporting system provides a breakdown of person hours into the various types of work (activities) performed. The expenses in this account are allocated to the Broad Service Categories based upon this breakdown of labour for the Network Operations technical forces (See Technical Forces Time Reporting Activity Code Mapping).

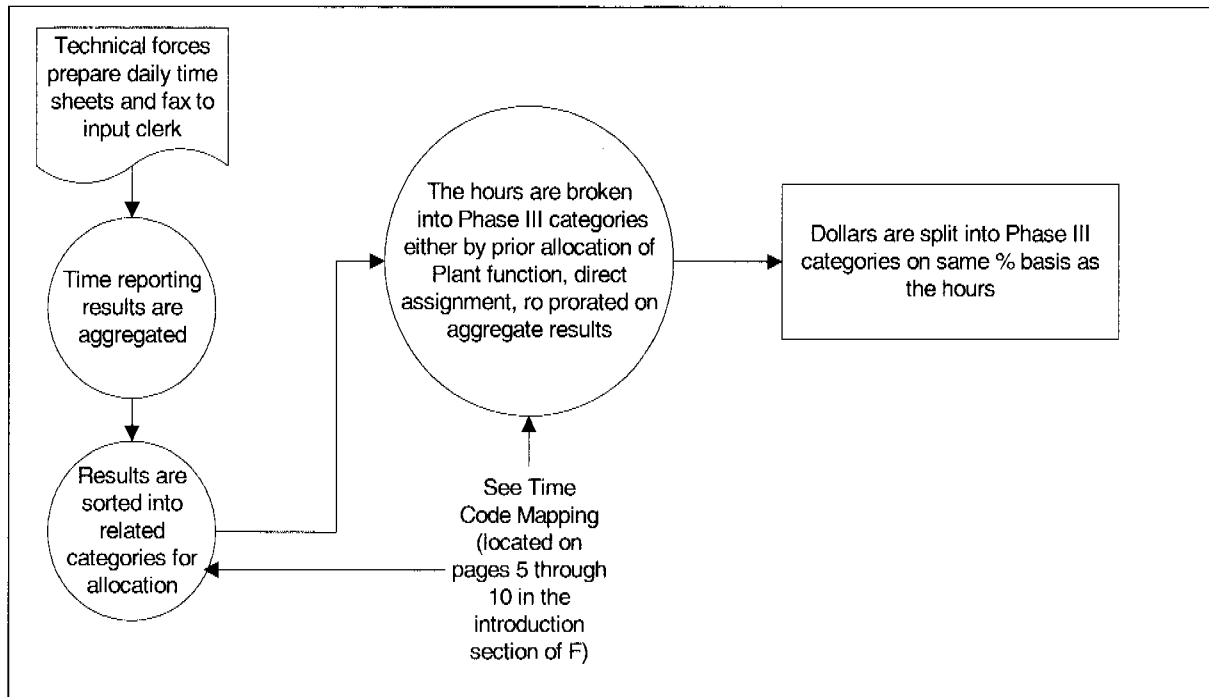
Technical Forces Time Code Mapping

Job class codes for technical forces are allocated to the phase III categories based on their activity, (refer to pages 5 though 10 in the introduction section of F).

Allocation



Study of Time Reporting Results



Study Procedures:

The purpose of this study is to obtain the Network Operations technical forces breakdown of labour into specific categories which facilitate the assignment of labour hours into Phase III Broad Service Categories.

The yearend aggregate results for time reporting are obtained from the operations manager.

<u>CIRCUIT TYPES</u>	<u>PHASE III CATEGORY</u>
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 biennially, by Network Control.

Source Documents:

Facilities Records Cards

Payment Agent Expenses

Payment Agent Expenses are allocated to the Broad Service Categories based on a study of the activities performed by the payment agent. The study is based on one payment agent (as the other payment agents are now paid a flat monthly rate) and various monthly invoices are collected and the detail analyzed.

Residual Expenses

Expense related to the administration function for the Customer Services department is allocated to the PHASE III CATEGORIES based on the prorata allocation of the call centre and payment agent expenses.

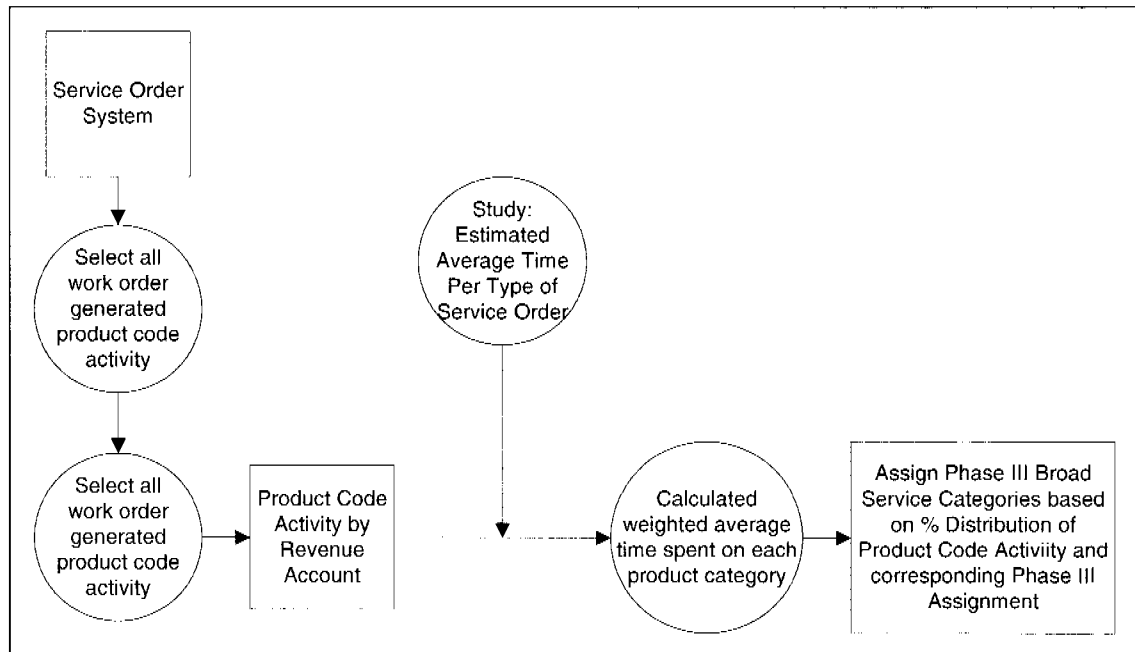
Ardicom

Expense related to the provision of data circuits in the NWT, allocated 100% to COMPETITIVE NETWORK.

Data Customer Service

Expense related to the data entry of data circuit orders. Allocated to MONOPOLY LOCAL and COMPETITIVE NETWORK based on data circuit rental revenues.

Product Code Activity



Study Procedures

The purpose of this study is to extract all service order activity over a minimum period of two months and determine the distribution of product codes by revenue type and the average time per type of work order, to establish a basis for allocating the portion of expense in account 90 which relates to the call centre function.

Service Order records are selected from the Service Centre System and product codes are extracted from each service order and allocated to the appropriate cost categories based on the Phase III classification of the corresponding revenue account (as determined by the revenue assignment procedures - Section C in this manual). The average time spent on the various types of service order is estimated by consulting with the call centre managers and/or a reasonable sample (i.e. 10) call centre representatives.

The distribution of product codes, weighted by the average time per order, assigned to each category is the basis for allocating expense to the Phase III categories.

Responsibility:

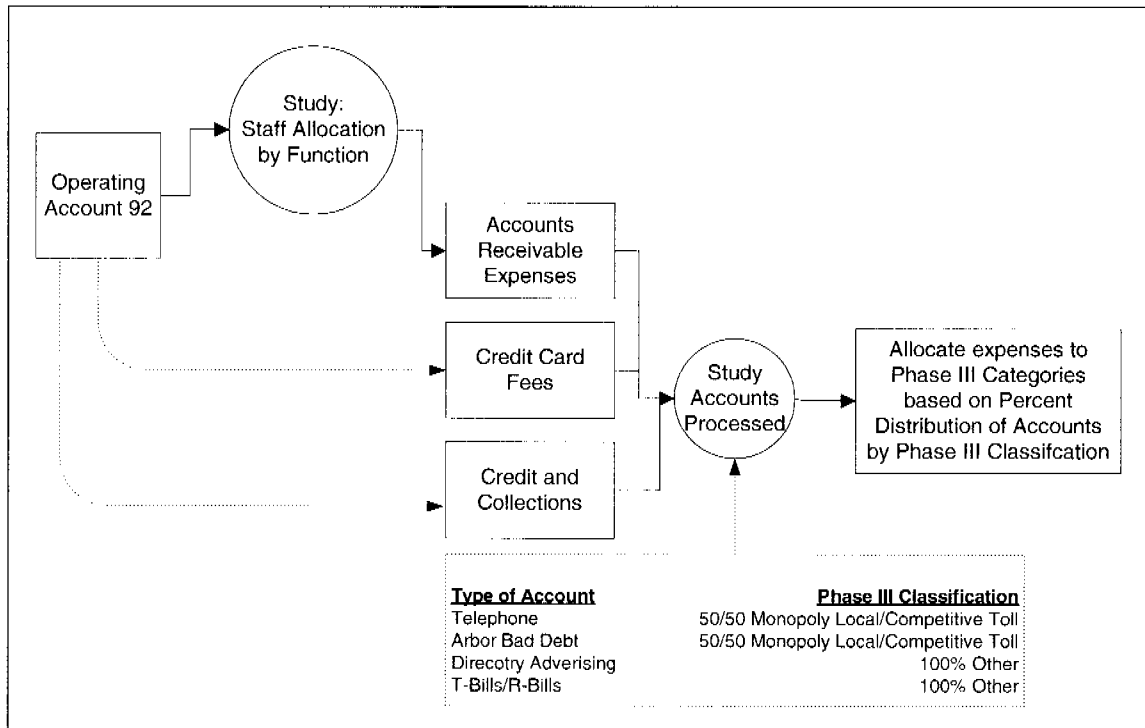
This study is conducted biennially, by Information Systems and the Call Centre Managers.

Source Documents

Product Code Listing

REVENUE ACCOUNTING: Account 92Accounts Receivable

The expenses in the Revenue Accounting Cost Centre are for the Accounts Receivable functions. Accounts Receivable expenses, credit and collections and credit card fees are allocated to the Broad Service Categories based on a study of activities processed by the accounts receivable department.

Allocation:**Study Procedures:**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
Arbor Bad Debt	Split 50/50 between MONOPOLY LOCAL/ COMPETITIVE TOLL
Directory Advertising	OTHER
T-Bills/R-Bills	OTHER

Responsibility:

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

Source Documents:

Subscriber Master File Listing - customer accounts by service

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	Other Cost of Goods Sold	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

- 7110 Interest on Mortgage**
To record the interest on mortgage liabilities on real estate holdings.
- 7111 Interest to Related Party**
To record the interest paid to related parties as a result of monetization of related party operating losses.
- 7131 Interest on STD / Bank Overdraft**
This account contains the interest paid on short term debt and bank overdraft charges, excluding amounts paid to BCE.
- 7132 Interest on STD - BCE Only**
This account contains the interest paid on short term debt to BCE.
- 7133 Interest On Customer Deposits**
This account contains the interest payable to customers on deposits held by the company.
- 7134 Late Payment Charges (A/P)**
To include all charges associated with the late payment of invoices.
- 7199 Non-deductible Interest & Penalties**
To include any interest and/or penalties that are non-deductible for Revenue Canada purposes.
- 7902 DIT - Current Year**
This account contains the estimated deferred portion of income tax expense on earnings before taxes.
- 7903 Drawdown of Excess DIT**
This account writes off over estimations from prior years of deferred income tax expenses for Scientific Research and Experimental Development Tax Credits.
- 7904 Changes To Statutory Rates**
To record any changes in statutory tax rates upon the deferred income credit (balance sheet object account 2603).
- 7905 Adjustments to Prior Years**
To record adjustments to prior year deferred income tax provisions.
- 7909 DIT Provision RE: R & D ITC's**
To record the deferred tax provision relating solely to Scientific Research and Experimental Development Tax Credits.

7921 Current Tax Provision

This account contains the estimated current income tax expense.

7922 LCT Provision - Current Year

To record the federal Large Corporations Tax for the current year.

7923 LCT Provision - Prior Years

To record adjustments to the federal Large Corporations Tax for prior years.

7924 Prior Year Tax Adjustments

To record adjustments to the prior year current tax provision.

7929 R & D ITC's Claimed

To record the current year investment tax credits relating to research and development.

MATERIALS AND SUPPLIES: 1.1301 - 1379**General Approach**Retail Items:

Allocation of items held for resale are made direct to the Phase III categories, COMPETITIVE TERMINAL MULTI-LINE AND DATA or COMPETITIVE TERMINAL OTHER category based on a line-by-line review of account items listed in the year-end General Ledger report 003.

Diesel Fuel:

Diesel fuel is also identified by reviewing the year-end General Ledger report 003. Total diesel fuel is allocated to ACCESS, MONOPOLY LOCAL, COMPETITIVE TOLL, and COMPETITIVE NETWORK categories in the same ratio as fuel costs in Operating Expense Account 55 (Maintenance, Power Generating Equipment).

Residual:

The balance remaining in this account is allocated to the Phase III categories on the same basis on which the specific service related facilities are allocated.

Allocation