

YEAR 1998

ANNUAL REPORT  
OF

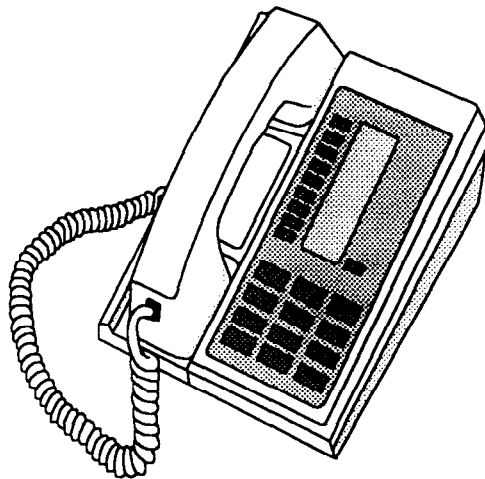
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APR 30 1999

MONT. P. S. COMMISSION

# Citizens Communications

## TELEPHONE UTILITY



TO THE  
PUBLIC SERVICE COMMISSION  
STATE OF MONTANA  
1701 PROSPECT AVENUE  
P.O. BOX 202601  
HELENA, MT 59620-2601

Check No. 0000059244  
Citizens Communications

## General Information

Year: 1998

- |     |   |  |
|-----|---|--|
| 1.  | Legal Name of Respondent:                         | Citizens Telecommunications Company of Montana         |
| 2.  | Name Under Which Respondent Does Business:        | Citizens Telecommunications Company of Montana         |
| 3.  | Date of Incorporation:                            | July 7, 1993   |
| 4.  | Address to send Correspondence Concerning Report: | 9672 South 700 East, Suite 101<br>Sandy, UT 84070-3555 |
| 5.  | Person Responsible for This Report:               | Lance Tade   |
| 5a. | Telephone Number:                                 | 801-553-0240   |

## Control Over Respondent

- |     |  |   |
|-----|--|---|
| 1.  | If direct control over the respondent was held by another entity at the end of year provide the following: |   |
| 1a. | Name and address of the controlling organization or person:  | Citizens Utilities Company<br>P.O. Box 3801 / 3 High Ridge Park<br>Stamford, CT 06905 |
| 1b. | Means by which control was held:   | Common Stock  |
| 1c. | Percent Ownership:   | 100%  |

Board of Directors		
Line No.	Name of Director and Address (City, State) (a)	Fees Paid During Year (b)
1	Leonard Tow Stamford, Connecticut	None
2	Daryl A. Ferguson Stamford, Connecticut	None
3	O. Lee Jobe Stamford, Connecticut	None
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18	<b>Chairman of the Board:</b> Leonard Tow	
19		
20		

**Officers**

Year: 1998

Line No.	Title of Officer (a)	Department Over Which Jurisdiction is Exercised (b)	Name and Address of Person Holding Office at Year End (c)
1	President and Chief Operating Officer		Daryl A. Ferguson *
2	Vice President, Treasurer, CFO, Assistant Secretary		Robert J. DeSantis *
3	Vice President - Communication Sector		O. Lee Jobe *
4	Vice President		Dale Register **
5	Vice President		F. Wayne Lafferty *
6	Vice President (Resigned 1/1/99)		Roberta Patterson *
7	Vice President - Tax		Edward O. Kipperman *
8	Vice President, General Counsel & Assistant Secretary		L. Russell Mitten *
9	Vice President, Human Resources		James D. Ranton *
10	Vice President & Controller		Livingston E. Ross *
11	Vice President		Donald P. Weinstein *
12	Vice President		E. Benjamin Buttolph **
13	Vice President		Rick Hildebrandt **
14	Vice President		Merton Bernabi **
15	Vice President		Todd Wells **
16	Vice President		William O'Neill ***
17	Secretary & Assistant Vice President		Charles J. Weiss *
18	Assistant Treasurer & Assistant Vice President		Kenneth C. Dering *
19	Assistant Vice President & Assistant Controller		Laura L. DiPreta *
20	Assistant Secretary		Susan M. Redner *
21	Assistant Secretary		Barbara Snider *
22	Assistant Secretary		Richard Tettelbaum *
23			
24			
25			
26			* Stamford, Connecticut
27			
28			** Dallas, Texas
29			
30			*** Sacramento, California
31			
32			
33			
34			
35			

**Total Company Balance Sheet**

Year: 1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>CURRENT ASSETS:</b>		
2	1120	Cash and Equivalents	2,599	2,599
3	1180	Telecommunications Accounts Receivable - Net	827,075	815,301
4	1190	Other Accounts Receivable - Net	461,624	430,498
5	1200	Notes Receivable - Net		
6	1210	Interest and Dividends Receivable		
7	1220	Materials and Supplies	19,771	22,712
8	* 1280	Prepayments	126	
9	^ 1290	Prepaid Rents		
10	^ 1300	Prepaid Taxes		
11	^ 1310	Prepaid Insurance		
12	^ 1320	Prepaid Directory Expenses	126	
13	^ 1330	Other Prepayments		
14	1350	Other Current Assets		
15		<b>Total Current Assets</b>	1,311,195	1,271,110
16		<b>NONCURRENT ASSETS:</b>		
17	1401	Investments in Affiliated Companies		
18	1402	Investments in Nonaffiliated Companies		
19	1406	Nonregulated Investments		
20	1407	Unamortized Debt Issuance Expense		
21	1408	Sinking Funds		
22	1410	Other Noncurrent Assets		
23	1438	Deferred Maintenance and Retirements		
24	1439	Deferred Charges	24,337	(53,338)
25	1500	Other Jurisdictional Assets - Net		
26		<b>Total Noncurrent Assets</b>	24,337	(53,338)
27		<b>PROPERTY, PLANT, &amp; EQUIPMENT:</b>		
28	2001	Telecommunications Plant in Service	22,558,880	20,824,263
29	2002	Property Held for Future Telecommunications Use		
30	2003	Plant Under Construction - Short Term	531,345	1,391,469
31	2004	Plant Under Construction - Long Term		
32	2005	Telecommunications Plant Adjustment	14,619,967	14,619,967
33	2006	Nonoperating Plant		
34	2007	Goodwill		
35	3100	Accumulated Depreciation	(9,684,082)	(8,588,094)
36	3200	Accumulated Depreciation - Held for Future Use		
37	3300	Accumulated Depreciation - Nonoperating		
38	3400	Accumulated Amortization	(3,574,744)	(2,699,295)
39		<b>Net Property, Plant, &amp; Equipment</b>	24,451,366	25,548,310
40		<b>TOTAL ASSETS</b>	25,786,898	26,766,082

^ Subaccount of account marked with a \*.

**Total Company Balance Sheet**

Year: 1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
41		<b>CURRENT LIABILITIES:</b>		
42	4010	Accounts Payable	285,280	353,002
43	4020	Notes Payable		
44	4030	Advance Billing and Payments	78,925	131,547
45	4040	Customer Deposits	4,325	6,058
46	4050	Current Maturities - Long Term Debt		
47	4060	Current Maturities - Capital Leases		
48	4070	Income Taxes - Accrued	(200)	
49	4080	Other Taxes - Accrued	358,879	387,757
50	4100	Net Current Deferred Operating Income Taxes		
51	4110	Net Current Deferred Nonoperating Income Taxes		
52	4120	Other Accrued Liabilities	38,576	11,134
53	4130	Other Current Liabilities	7,790	19,898
54		<b>Total Current Liabilities</b>	<b>773,575</b>	<b>909,396</b>
55		<b>LONG-TERM DEBT:</b>		
56	4210	Funded Debt		
57	4220	Premium on Long-Term Debt		
58	4230	Discount on Long-Term Debt		
59	4240	Reacquired Debt		
60	4250	Obligations Under Capital leases		
61	4260	Advances From Affiliated Companies	21,739,272	23,274,757
62	4270	Other Long-Term Debt		
63		<b>Total Long-Term Debt</b>	<b>21,739,272</b>	<b>23,274,757</b>
64		<b>OTHER LIABILITIES AND DEFERRED CREDITS:</b>		
65	4310	Other Long-Term Liabilities		
66	4320	Unamort. Oper. Invest. Tax Credits - Net		
67	4330	Unamort. Nonoper. Invest. Tax Credits - Net		
68	4340	Net Noncurrent Deferred Oper. Income Taxes	4,393,023	3,663,697
69	4350	Net Noncurrent Deferred Nonoper. Income Taxes		
70	4360	Other Deferred Credits	113,965	49,496
71	4370	Other Jurisdictional Liab. and Def. Credits		
72		<b>Total Other Liabilities and Deferred Credits</b>	<b>4,506,988</b>	<b>3,713,193</b>
73		<b>STOCKHOLDERS' EQUITY:</b>		
74	4510	Capital Stock	1,000	1,000
75	4520	Additional Paid-In Capital		
76	4530	Treasury Stock		
77	4540	Other Capital		
78	4550	Retained Earnings	(1,233,937)	(1,132,264)
79		<b>Total Stockholders' Equity</b>	<b>(1,232,937)</b>	<b>(1,131,264)</b>
80		<b>TOTAL LIAB. AND STOCKHOLDERS' EQUITY</b>	<b>25,786,898</b>	<b>26,766,082</b>

## Total Company Income Statement

Year: 1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues	2,007,449	1,908,659
3	5080	Network Access Revenues	4,130,738	4,320,829
4	* 5100	Long Distance Message Revenue	127,085	260,416
5	^ 5110	Unidirectional Long Distance Revenue	98,194	260,254
6	^ 5120	Long Distance Private Network Revenue	26,686	
7	^ 5160	Other Long Distance Revenue	2,205	162
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	506,188	391,529
10	^ 5230	Directory Revenue	39,250	43,240
11	^ 5240	Rent Revenue	39,008	18,143
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	22,770	36,464
14	^ 5270	Carrier Billing and Collection Revenue	109,324	108,165
15	^ 5280	Nonregulated Revenue	295,836	185,517
16	5300	Uncollectible Revenue	154,353	114,935
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>	<b>6,617,107</b>	<b>6,766,498</b>
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense		(122)
20	6120	General Support Expense	427,352	409,922
21	6210	Central Office Switching Expense	128,864	209,985
22	6220	Operator Systems Expense	22	132
23	6230	Central Office Transmission Expense	67,372	62,177
24	6310	Information Origination/Termination Expense	206,449	177,851
25	* 6410	Cable and Wire Facilities Expense	392,309	686,713
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense	593	313
29	6530	Network Operations Expense	180,763	260,828
30	6540	Access Expense	26,553	
31	6560	Depreciation and Amortization Expense	2,302,348	2,205,488
32	6610	Marketing	123,707	228,015
33	6620	Services	410,495	675,264
34	6710	Executive and Planning	72,719	82,405
35	6720	General and Administrative	1,723,714	1,256,666
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>	<b>6,063,260</b>	<b>6,255,637</b>
38	7100	Other Operating Income and Expense		(522,643)
39	7200	Operating Taxes	686,680	715,517
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>	<b>(132,833)</b>	<b>(727,299)</b>
41	7300	Nonoperating Income and Expense	20,850	17,122
42	7400	Nonoperating Taxes	(10,367)	(206,538)
43	7500	Interest and Related Items	56	711
44	7600	Extraordinary Items		
45	7910	Effects of Juris. Ratemaking Diff. - Net		
46	7990	Nonregulated Net Income		
47		<b>NET INCOME (L.40+L.41-L.42-L.43-L.44+L.45-L.46)</b>	<b>(101,672)</b>	<b>(504,350)</b>

^ Subaccount of the account marked with a \*.

## Montana Total State Income Statement

Year: 1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues	Same as Schedule 4	
3	5080	Network Access Revenues		
4	* 5100	Long Distance Message Revenue		
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue		
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue		
10	^ 5230	Directory Revenue		
11	^ 5240	Rent Revenue		
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue		
14	^ 5270	Carrier Billing and Collection Revenue		
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue		
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>		
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense		
20	6120	General Support Expense		
21	6210	Central Office Switching Expense		
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense		
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense		
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense		
30	6540	Access Expense		
31	6560	Depreciation and Amortization Expense		
32	6610	Marketing		
33	6620	Services		
34	6710	Executive and Planning		
35	6720	General and Administrative		
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>		
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes		
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>		

^ Subaccount of the account marked with a \*.

## Montana Intrastate Income Statement

Year: 1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues	2,007,449	1,908,659
3	5080	Network Access Revenues	1,922,221	2,157,128
4	* 5100	Long Distance Message Revenue	55,302	95,705
5	^ 5110	Unidirectional Long Distance Revenue	26,417	95,562
6	^ 5120	Long Distance Private Network Revenue	26,685	
7	^ 5160	Other Long Distance Revenue	2,200	143
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	440,120	334,598
10	^ 5230	Directory Revenue	39,250	43,240
11	^ 5240	Rent Revenue	39,008	18,143
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	22,770	36,464
14	^ 5270	Carrier Billing and Collection Revenue	43,256	51,234
15	^ 5280	Nonregulated Revenue	295,836	185,517
16	5300	Uncollectible Revenue	154,353	114,935
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>	4,270,739	4,381,155
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense		(77)
20	6120	General Support Expense	270,432	259,243
21	6210	Central Office Switching Expense	62,357	103,182
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	32,595	30,533
24	6310	Information Origination/Termination Expense	116,268	133,397
25	* 6410	Cable and Wire Facilities Expense	291,795	510,748
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense	375	197
29	6530	Network Operations Expense	114,394	164,956
30	6540	Access Expense		
31	6560	Depreciation and Amortization Expense	883,062	825,355
32	6610	Marketing	123,704	138,943
33	6620	Services	319,324	520,945
34	6710	Executive and Planning	52,131	57,351
35	6720	General and Administrative	1,235,706	874,570
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>	3,502,143	3,619,343
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	421,432	556,351
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>	347,164	205,461

^ Subaccount of the account marked with a \*.



## Montana Intrastate Regulated Income Statement

Year: 1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues	2,007,449	1,908,659
3	5080	Network Access Revenues	1,922,221	2,157,128
4	* 5100	Long Distance Message Revenue	55,302	95,705
5	^ 5110	Unidirectional Long Distance Revenue	26,417	95,562
6	^ 5120	Long Distance Private Network Revenue	26,685	
7	^ 5160	Other Long Distance Revenue	2,200	143
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	144,284	149,081
10	^ 5230	Directory Revenue	39,250	43,240
11	^ 5240	Rent Revenue	39,008	18,143
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	22,770	36,464
14	^ 5270	Carrier Billing and Collection Revenue	43,256	51,234
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	146,307	112,102
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>	<b>3,982,949</b>	<b>4,198,471</b>
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense		(77)
20	6120	General Support Expense	230,841	233,630
21	6210	Central Office Switching Expense	62,151	102,996
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	32,357	30,496
24	6310	Information Origination/Termination Expense	10,999	26,789
25	* 6410	Cable and Wire Facilities Expense	291,795	510,748
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense	370	195
29	6530	Network Operations Expense	113,776	164,511
30	6540	Access Expense		
31	6560	Depreciation and Amortization Expense	861,174	806,065
32	6610	Marketing	89,215	96,857
33	6620	Services	309,904	528,863
34	6710	Executive and Planning	47,554	50,756
35	6720	General and Administrative	1,104,103	819,297
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>	<b>3,154,239</b>	<b>3,371,126</b>
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	400,496	560,673
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>	<b>428,214</b>	<b>266,672</b>

^ Subaccount of the account marked with a \*.

**Average Rate Base - Total State**

Year: 1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	21,691,572	20,150,335
2	3100	Accumulated Depreciation	9,136,088	8,162,614
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies	21,242	20,713
6	4340	Noncurrent Deferred Operating Income Taxes	4,028,360	2,996,432
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		<b>Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)</b>	<b>8,548,366</b>	<b>9,012,002</b>

**Average Rate Base - Intrastate**

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	13,771,801	12,649,094
2	3100	Accumulated Depreciation	6,110,334	5,338,465
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies	15,798	16,373
6	4340	Noncurrent Deferred Operating Income Taxes	2,548,413	2,571,333
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		<b>Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)</b>	<b>5,128,852</b>	<b>4,755,669</b>

**Average Rate Base - Regulated Intrastate**

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	13,516,487	12,479,025
2	3100	Accumulated Depreciation	5,979,305	5,257,238
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies	12,673	10,611
6	4340	Noncurrent Deferred Operating Income Taxes	2,607,348	2,575,832
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		<b>Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)</b>	<b>4,942,507</b>	<b>4,656,566</b>

## Statement of Cash Flows

Year: 1998

Line No.	Item Description (a)	Amount (b)	Amount (c)
1	<b>Increase/(decrease) in Cash &amp; Cash Equivalents</b>		
2	<b>Cash Flows from Operating Activities:</b>		
3	Net Income		(101,672)
4	Reconciliation Adjustments:		
5	Depreciation & Amortization	1,971,437	
6	Provision for Accounts Receivable Losses		
7	Deferred Income Taxes - Net	729,326	
8	Unamortized Investment Tax Credits (ITCs) - Net		
9	Allowance for Funds Used During Construction (AFUDC)		
10	Change in Operating Receivables - Net	(42,900)	
11	Change in Materials, Supplies & Inventories - Net	2,941	
12	Change in Operating Payables & Accrued Liabilities - Net	(67,722)	
13	Change in Other Assets & Deferred Credits - Net	(77,801)	
14	Change in Other Liabilities & Deferred Credits - Net	(3,630)	
15	Other (explained on back of this page)		
16	Total Adjustments		2,511,651
17	<b>Net Cash Provided by/(Used in) Operating Activities</b>		2,409,979
18	<b>Cash Inflows/Outflows From Investing Activities:</b>		
19	Construction/Acquisition of Property, Plant & Equipment (net of	(874,494)	
20	AFUDC & Capital Lease Related Acquisitions)		
21	Proceeds from Disposals of Property, Plant & Equipment		
22	Investments In & Advances to Affiliates		
23	Proceeds from Repayment of Advances		
24	Other Investing Activities (explained on back of this page)		
25	<b>Net Cash Provided by/(Used in) Investing Activities</b>		(874,494)
26	<b>Cash Flows from Financing Activities:</b>		
27	Net Incr./(Decr.) in Short-Term Debt, Original maturity <= 3 mo.	(1,535,485)	
28	Advances from Affiliates		
29	Repayment of Advances from Affiliates		
30	Proceeds from Issuances of Long-Term Debt		
31	Repayment of Long-Term Debt		
32	Payment of Capital Lease Obligations		
33	Proceeds from Issuing Common Stock/Parent Co. Equity Investment		
34	Repurchase of Treasury Shares		
35	Dividends Paid		
36	Other Financing Activities (explained on back of this page)		
37	<b>Net Cash Provided by Financing Activities</b>		(1,535,485)
38	<b>Effect of Exchange Rate Changes on Cash</b>		
39	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		-
40	<b>Cash &amp; Cash Equivalents at Beginning of Period</b>		2,599
41	<b>Cash &amp; Cash Equivalents at End of Period</b>		2,599

**Receivables and Investments-Affiliated & Nonaffiliated Companies**      ar: 1998

Line No.	Name of Affiliate or Company (a)	Account 1160 Temporary Investments (b)	Account 1180 Telecom. Accounts Receivable (c)	Account 1181 Accts. Rec. Allowance (d)	Account 1190 Other Accounts Receivable (e)	Account 1191 Accounts Receivable Allow. - Other (f)	Account 1200 Notes Receivable (g)	Account 1201 Notes Receivable Allowance (h)	Account 1210 Interest and Dividends Receivable (i)	Account 1401 Investments in Affil. Companies (j)	Account 1402 Investments in Nonaffil. Companies (k)
1	Various		904,324	77,249	470,258	8,634					
2											
3											
4											
5											
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27											
28											
29											
30	<b>Totals</b>	-	904,324	77,249	470,258	8,634	-	-	-	-	-

## Net Plant in Service - Detail

Year:1998

Line No.	Account (a)	Description (b)	Beginning of Year Balance (c)	Additions (d)	Retirements (e)	Sales & Transfers (f)	End of Year Account 2001 Balance (g)	Year End Accumulated Depreciation (h)	End of Year Net Plant Balance (i)
1	* 2110	Land and Support Assets	2,274,068	156,776	21,276		2,409,568	889,793	1,519,775
2	^ 2111	Land	76,722				76,722		76,722
3	^ 2112	Motor Vehicles	270,968			1	270,969	35,953	235,016
4	^ 2113	Aircraft							
5	^ 2114	Special Purpose Vehicles	53,233				53,233	53,483	(250)
6	^ 2115	Garage Work Equipment							
7	^ 2116	Other Work Equipment	210,759	47,456			258,215	156,165	102,050
8	^ 2121	Buildings	1,591,704	13,243	21,276	1	1,583,672	587,215	996,457
9	^ 2122	Furniture	7,981			(1)	7,980	(3,012)	10,992
10	^ 2123	Office Equipment	26,841	78		(1)	26,918	24,980	1,938
11	^ 2124	General Purpose Computers	35,860	95,999			131,859	35,009	96,850
12		2211 Analog Electronic Switching							
13		2212 Digital Electronic Switching	2,222,678	512,198	218	(31,793)	2,702,865	411,698	2,291,167
14		2215 Electro-Mechanical Switching						(279,930)	279,930
15		2220 Operator Systems							
16		2231 Radio Systems	1,247,960		164		1,247,796	1,243,759	4,037
17		2232 Circuit Equipment	4,419,260	159,850	63,673	(12,477)	4,502,960	2,576,486	1,926,474
18	* 2310	Information Orig & Term Equip	253,051	2,607		11,880	267,538	270,264	(2,726)
19	^ 2311	Station Apparatus	66,119	2,607		(1)	68,725	65,126	3,599
20	^ 2321	Customer Premises Wiring							
21	^ 2341	Large Private Branch Exchanges							
22	^ 2351	Public Telephone Term. Equip.	52,516				52,516	62,764	(10,248)
23	^ 2362	Other Terminal Equipment	134,416			11,881	146,297	142,374	3,923
24	^ 2411	Poles	469,059	28,633	6,412	(54)	491,226	289,211	202,015
25	* 2420	Cable and Wire Facilities	9,788,471	1,090,934	92,144	(46,265)	10,740,996	4,207,072	6,533,924
26	^ 2421	Aerial Cable	1,887,473	155,002	21,908	(8,731)	2,011,836	1,435,468	576,368
27	^ 2422	Underground Cable	108,809		730		108,079	38,909	69,170
28	^ 2423	Buried Cable	7,792,189	935,932	69,506	(37,534)	8,621,081	2,732,695	5,888,386
29	^ 2424	Submarine Cable							
30	^ 2425	Deep Sea Cable							
31	^ 2426	Intrabuilding Network Cable							
32	^ 2431	Aerial Wire	912		29	46,320	47,203	45,986	1,217
33	^ 2441	Conduit Systems	148,804		76		148,728	39,743	108,985
34		Totals	20,824,263	1,950,998	183,992	(32,389)	22,558,880	9,694,082	12,864,798

^ Subaccount of the account marked with a \*.

Analysis of Plant Held for Future Use  
Year: 1998

Line No.	Location and Description of Property (a)	Date Included in Account 2002 (b)	Book Cost of Property at Beginning of Year (c)	Additions During the Year (d)	Retirements During the Year (e)	Transfers and Adjustments Charges and (Credits) (f)	Book Cost of Property at End of Year (g)
1	None						
2							
3							
4							
5							
6							
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26							
27							
28							
29							
30	Totals (Sum L.1 to L.29)						

## Average Cost of Long Term Debt

Year: 1998

Line No.	Description (a)	Issue Date (b)	Maturity Date (c)	Principal Amount (d)	Gross Proceeds (e)	Net Proceeds (f)	Net Per \$100 (g)	Outstanding Per Balance Sheet (h)	Yield to Maturity (i)	Annual Net Cost (j)	Amortization of Premium or Discount (k)	Total Cost (%) (l)
1	None											
2												
3												
4												
5												
6												
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28												
29												
30	<b>Total</b>											





## Analysis of Common Stock

Year: 1998

Line No.	(a)	Avg. Number of Shares Outstanding (b)	Book Value (per share) (c)	Earnings (per share) (d)	Dividends (per share) (e)	Retention Ratio (f)	Market Price High (g) Low (h)	Price/Earnings Ratio (i)
1	Year Ended December 31:	None						
2								
3								
4								
5								
6								
7								
8	Month by Month Data:							
9	January							
10	February							
11	March							
12	April							
13	May							
14	June							
15	July							
16	August							
17	September							
18	October							
19	November							
20	December							
21								
22								
23								

**Capital Stock and Funded Debt Recquired or Retired During the Year** **Year: 1998**

Line No.	Description of Security (a)	Call or Retirement Date (b)	Number of Shares (c)	Principal Amount (d)	Reacquisition or Retirement Cost (e)	Gain or (Loss) (f)	Retirement or Reacquisition (g)
1	Not Applicable						
2							
3							
4							
5							
6							
7							
8							
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22							
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24							
25							
26							
27							
28							
29							
30	Totals (Sum L. 1 to L. 29)						

## Total Company Expense Matrix

Year:1998

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
1	*	6110 Network Support Expense						
2	^	6112 Motor Vehicle Expense						
3	^	6113 Aircraft Expense						
4	^	6114 Special Purpose Vehicles Expense						
5	^	6115 Garage Work Equipment Expense						
6	^	6116 Other Work Equipment Expense						
7	*	6120 General Support Expense	21,225	3,056	19,741	383,330		427,352
8	^	6121 Land and Building Expense	3,353	600	15,644	150,837		170,434
9	^	6122 Furniture and Artworks Expense			80	15,643		15,723
10	^	6123 Office Equipment Expense			3,704	28,252		31,956
11	^	6124 General Purpose Computers Expense	17,872	2,456	313	188,598		209,239
12	*	6210 Central Office Switching Expense	79,125	25,089	1,011	23,639		128,864
13	^	6211 Analog Electronic Expense						
14	^	6212 Digital Electronic Expense	78,650	24,960	1,016	23,519		128,145
15	^	6215 Electro-Mechanical Expense	475	129	(5)	120		719
16		6220 Operator Systems Expense				22		22
17	*	6230 Central Office Transmission Expense	27,258	8,974	651	30,489		67,372
18	^	6231 Radio Systems Expense	2,783	1,140	24	11,283		15,230
19	^	6232 Circuit Equipment Expense	24,475	7,834	627	19,206		52,142
20	*	6310 Information Origination/Termination Expense	77,398	25,003	829	103,219		206,449
21	^	6311 Station Apparatus Expense	27,109	8,957	411	72,807		109,284
22	^	6341 Large Private Branch Exchange Expense	4,391	1,410	34	100		5,935
23	^	6351 Public Telephone Terminal Equipment Exp.	3,434	1,323	35	30,517		35,309
24	^	6362 Other Terminal Equipment Expense	42,464	13,313	349	(205)		55,921
25	*	6410 Cable and Wire Facilities Expense	168,459	53,046	46,208	124,596		392,309
26	^	6411 Poles Expense	2,633	718	39,679	221		43,251
27	^	6421 Aerial Cable Expense	81,478	25,393	1,479	28,821		137,171
28	^	6422 Underground Cable Expense	4,983	1,533	22	(89)		6,449
29	^	6423 Buried Cable Expense	77,544	24,799	5,030	95,062		202,435
30	^	6424 Submarine Cable Expense						
31	^	6425 Deep Sea Cable Expense						
32	^	6426 Intrabuilding Network Cable Expense	1,002	317	6	(124)		1,201
33	^	6431 Aerial Wire Expense	818	286	(8)	113		1,209
34		Subtotals	373,464	115,168	68,440	664,703		1221775

^ Subaccount of the account marked with a \*.

## Total Company Expense Matrix

Year:1998

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
35	^ 6441	Conduit Systems Expense	1			592		593
36	6510	Other Property Expenses	89	(2)		506		593
37	* 6530	Network Operations Expense	67,820	12,739	7,690	92,514		180,763
38	^ 6531	Power Expense				28,579		28,579
39	^ 6532	Network Administration Expense	28,201	4,796	53	42,172		75,222
40	^ 6533	Testing Expense	1,615	426	1	115		2,157
41	^ 6534	Plant Operations Expense	37,946	7,518		28,244		73,708
42	^ 6535	Engineering Expense	58	(1)	7,636	(6,596)		1,097
43	6540	Access Expense				26,553		26,553
44	6561	Depreciation - Telecomm. Plant in Service				1,409,251		1,409,251
45	6562	Depreciation-Prop. for Future Telecom. Use						
46	6563	Amortization Expense - Tangible				12,594		12,594
47	6564	Amortization Expense - Intangible						
48	6565	Amortization - Other				880,503		880,503
49	* 6610	Marketing	87,137	14,969	254	21,347		123,707
50	^ 6611	Product Management	25,187	4,140	8	7,456		36,791
51	^ 6612	Sales	60,664	10,542	246	13,190		84,642
52	^ 6613	Product Advertising	1,286	287		701		2,274
53	6621	Call Completion Services	260	67		78,722		79,049
54	6622	Number Services	438	109	1	822		1,370
55	6623	Customer Services	135,230	30,943	488	163,415		330,076
56	6711	Executive	25,205	7,654	1	19,598		52,458
57	6712	Planning	14,307	895	5	5,054		20,261
58	6721	Accounting and Finance	224,196	40,723	4	135,644		400,567
59	6722	External Relations	71,301	11,311	5	85,254		167,871
60	6723	Human Relations	168,826	28,626	2	82,716		280,170
61	6724	Information Management	60,879	11,649	40	530,856		603,424
62	6725	Legal	10,483	2,769	124	11,326		24,702
63	6726	Procurement	12,448	1,578		8,735		22,761
64	6727	Research and Development						
65	6728	Other General and Administrative	2,779	1,082	2	220,356		224,219
66	6790	Provision for Uncollectible Notes Receivable						
67		Totals	1,254,863	280,280	77,056	4,451,061	-	6,063,260

^ Subaccount of the account marked with a \*.

Company Name: Citizens Telecommunications Company of Montana

SCHEDULE 18

Page 1 of 2

Total State Expense Matrix

Year:1998

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
1	*	6110 Network Support Expense	Same as Schedule 17					
2	^	6112 Motor Vehicle Expense						
3	^	6113 Aircraft Expense						
4	^	6114 Special Purpose Vehicles Expense						
5	^	6115 Garage Work Equipment Expense						
6	^	6116 Other Work Equipment Expense						
7	*	6120 General Support Expense						
8	^	6121 Land and Building Expense						
9	^	6122 Furniture and Artworks Expense						
10	^	6123 Office Equipment Expense						
11	^	6124 General Purpose Computers Expense						
12	*	6210 Central Office Switching Expense						
13	^	6211 Analog Electronic Expense						
14	^	6212 Digital Electronic Expense						
15	^	6215 Electro-Mechanical Expense						
16		6220 Operator Systems Expense						
17	*	6230 Central Office Transmission Expense						
18	^	6231 Radio Systems Expense						
19	^	6232 Circuit Equipment Expense						
20	*	6310 Information Origination/Termination Expense						
21	^	6311 Station Apparatus Expense						
22	^	6341 Large Private Branch Exchange Expense						
23	^	6351 Public Telephone Terminal Equipment Exp.						
24	^	6362 Other Terminal Equipment Expense						
25	*	6410 Cable and Wire Facilities Expense						
26	^	6411 Poles Expense						
27	^	6421 Aerial Cable Expense						
28	^	6422 Underground Cable Expense						
29	^	6423 Buried Cable Expense						
30	^	6424 Submarine Cable Expense						
31	^	6425 Deep Sea Cable Expense						
32	^	6426 Intrabuilding Network Cable Expense						
33	^	6431 Aerial Wire Expense						
34		Subtotals						

^ Subaccount of the account marked with a \*.

PAGE 20

## Total State Expense Matrix

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
35	^	6441	Conduit Systems Expense					
36		6510	Other Property Expenses					
37	*	6530	Network Operations Expense					
38	^	6531	Power Expense					
39	^	6532	Network Administration Expense					
40	^	6533	Testing Expense					
41	^	6534	Plant Operations Expense					
42	^	6535	Engineering Expense					
43		6540	Access Expense					
44		6561	Depreciation - Telecomm. Plant in Service					
45		6562	Depreciation-Prop. for Future Telecom. Use					
46		6563	Amortization Expense - Tangible					
47		6564	Amortization Expense - Intangible					
48		6565	Amortization - Other					
49	*	6610	Marketing					
50	^	6611	Product Management					
51	^	6612	Sales					
52	^	6613	Product Advertising					
53		6621	Call Completion Services					
54		6622	Number Services					
55		6623	Customer Services					
56		6711	Executive					
57		6712	Planning					
58		6721	Accounting and Finance					
59		6722	External Relations					
60		6723	Human Relations					
61		6724	Information Management					
62		6725	Legal					
63		6726	Procurement					
64		6727	Research and Development					
65		6728	Other General and Administrative					
66		6790	Provision for Uncollectible Notes Receivable					
67			Totals					

^ Subaccount of the account marked with a \*.

**Pension Costs**

Year: 1998

1	Plan Name	Citizens Pension Plan		
2	Defined Benefit Plan? <u>      Yes      </u>	Defined Contribution Plan? <u>      No      </u>		
3	Actuarial Cost Method? <u>      Projected Unit Credit      </u>	IRS Code: <u>                                </u>		
4	Annual Contribution by Employer: <u>      \$10,545,223      </u>	Is the Plan Over Funded? <u>                                </u>		
5				
	Item	Current Year	Last Year	% Change
6	<b>Change in Benefit Obligation</b>			
7	Benefit obligation at beginning of year	208,520,000	156,442,000	33.29%
8	Service cost	10,747,000	8,815,000	21.92%
9	Interest Cost	15,703,000	12,978,000	21.00%
10	Plan participants' contributions			
11	Amendments	(1,487,000)	55,000	-2803.64%
12	Actuarial Gain	27,941,000	22,194,000	25.89%
13	Acquisition	8,344,000	15,095,000	-44.72%
14	Benefits paid	(16,854,000)	(7,059,000)	-138.76%
15	Benefit obligation at end of year	252,914,000	208,520,000	21.29%
16	<b>Change in Plan Assets</b>			
17	Fair value of plan assets at beginning of year	201,834,000	154,151,000	30.93%
18	Actual return on plan assets	24,749,000	25,402,000	-2.57%
19	Acquisition	10,875,000	21,298,000	-48.94%
20	Employer contribution	11,932,000	8,042,000	48.37%
21	Plan participants' contributions			
22	Benefits paid	(16,854,000)	(7,059,000)	-138.76%
23	Fair value of plan assets at end of year	232,536,000	201,834,000	15.21%
24	<b>Funded Status</b>	(20,378,000)	(6,686,000)	-204.79%
25	Unrecognized net actuarial loss	21,807,000	1,389,000	1469.98%
26	Unrecognized prior service cost	3,871,000	5,744,000	-32.61%
27	Prepaid (accrued) benefit cost	5,300,000	447,000	1085.68%
28				
29	<b>Weighted-average Assumptions as of Year End</b>			
30	Discount rate	7.00%	7.50%	-6.67%
31	Expected return on plan assets	8.25%	8.00%	3.13%
32	Rate of compensation increase	4.00%	4.00%	
33				
34	<b>Components of Net Periodic Benefit Costs</b>			
35	Service cost	10,747,000	8,815,000	21.92%
36	Interest cost	15,703,000	12,978,000	21.00%
37	Expected return on plan assets	(17,241,000)	(13,764,000)	-25.26%
38	Amortization of prior service cost	387,000	771,000	-49.81%
39	Recognized net actuarial loss	13,000	94,000	-86.17%
40	Net periodic benefit cost	9,609,000	8,894,000	8.04%
41				
42	<b>Montana Intrastate Costs:</b>			
43	Pension Costs			
44	Pension Costs Capitalized			
45	Accumulated Pension Asset (Liability) at Year End			
46	<b>Number of Company Employees:</b>			
47	Covered by the Plan	11	11	
48	Not Covered by the Plan			
49	Active	11	11	
50	Retired			
51	Deferred Vested Terminated			

## Other Post Employment Benefits (OPEBS)

Year: 1998

	Item	Current Year	Last Year	% Change
1	<b>Regulatory Treatment:</b>			
2	Commission authorized - most recent			
3	Docket number: _____			
4	Order number: _____			
5	Amount recovered through rates			
6	<b>Weighted-average Assumptions as of Year End</b>			
7	Discount rate	7.00%	7.50%	7.14%
8	Expected return on plan assets			
9	Medical Cost Inflation Rate	7.00%	7.00%	
10	Actuarial Cost Method			
11	Rate of compensation increase	N/A	N/A	
12	<b>List each method used to fund OPEBs (ie: VEBA, 401(h)) and if tax advantaged:</b>			
13	VEBA - Tax Advantaged			
14				
15	<b>Describe any Changes to the Benefit Plan:</b>			
16				
17	<b>TOTAL COMPANY</b>			
18	<b>Change in Benefit Obligation</b>			
19	Benefit obligation at beginning of year	49,110,000	49,915,000	1.64%
20	Service cost	980,000	1,513,000	54.39%
21	Interest Cost	3,523,000	3,878,000	10.08%
22	Plan participants' contributions	596,000	335,000	-43.79%
23	Amendments	(4,734,000)	(8,024,000)	-69.50%
24	Actuarial Gain	4,503,000	2,645,000	-41.26%
25	Acquisition	651,000	259,000	-60.22%
26	Benefits paid	(2,646,000)	(1,411,000)	46.67%
27	Benefit obligation at end of year	51,983,000	49,110,000	-5.53%
28	<b>Change in Plan Assets</b>			
29	Fair value of plan assets at beginning of year	6,661,000	3,156,000	-52.62%
30	Actual return on plan assets	677,000	155,000	-77.10%
31	Acquisition	-	-	
32	Employer contribution	11,372,000	3,350,000	-70.54%
33	Plan participants' contributions	-	-	
34	Benefits paid	-	-	
35	Fair value of plan assets at end of year	18,710,000	6,661,000	-64.40%
36	<b>Funded Status</b>	(33,273,000)	(42,449,000)	-27.58%
37	Unrecognized net actuarial loss	(7,562,000)	(12,913,000)	-70.76%
38	Unrecognized prior service cost	386,000	2,494,000	546.11%
39	Prepaid (accrued) benefit cost	(40,449,000)	(52,868,000)	-30.70%
40	<b>Components of Net Periodic Benefit Costs</b>			
41	Service cost	980,000	1,513,000	54.39%
42	Interest cost	3,523,000	3,878,000	10.08%
43	Expected return on plan assets	(549,000)	(268,000)	51.18%
44	Amortization of prior service cost	28,000	1,538,000	5392.86%
45	Recognized net actuarial loss	(975,000)	(1,295,000)	-32.82%
46	Net periodic benefit cost	3,007,000	5,366,000	78.45%
47	<b>Accumulated Post Retirement Benefit Obligation</b>			
48	Amount Funded through VEBA	18,710,000	6,661,000	-64.40%
49	Amount Funded through 401(h)			
50	Amount Funded through Other _____			
51	TOTAL	18,710,000	6,661,000	-64.40%
52	Amount that was tax deductible - VEBA	11,372,000	3,350,000	-70.54%
53	Amount that was tax deductible - 401(h)			
54	Amount that was tax deductible - Other _____			
55	TOTAL	11,372,000	3,350,000	-70.54%



## Other Post Employment Benefits (OPEBS) Continued

Year: 1998

	Item	Current Year	Last Year	% Change
1	<b>Number of Company Employees:</b>			
2	Covered by the Plan	1,808	4,325	139.21%
3	Not Covered by the Plan			
4	Active	1,808	4,325	139.21%
5	Retired	541	445	-17.74%
6	Spouses/Dependants covered by the Plan			
7	<b>Montana</b>			
8	<b>Change in Benefit Obligation</b>			
9	Benefit obligation at beginning of year	15,744	*	
10	Service cost	823	*	
11	Interest Cost	1,147	*	
12	Plan participants' contributions	103	*	
13	Amendments	-	*	
14	Actuarial Gain	1,054	*	
15	Acquisition	-	*	
16	Benefits paid	(247)	*	
17	Benefit obligation at end of year	18,624		
18	<b>Change in Plan Assets</b>			
19	Fair value of plan assets at beginning of year	27,239	*	
20	Actual return on plan assets	2,278	*	
21	Acquisition	-	*	
22	Employer contribution	6,752	*	
23	Plan participants' contributions	-	*	
24	Benefits paid	-	*	
25	Fair value of plan assets at end of year	36,269		
26	<b>Funded Status</b>	17,645	*	
27	Unrecognized net actuarial loss	(137,876)	*	
28	Unrecognized prior service cost	-	*	
29	Prepaid (accrued) benefit cost	(120,231)		
30	<b>Components of Net Periodic Benefit Costs</b>			
31	Service cost	823	3,472	321.87%
32	Interest cost	1,147	3,488	204.10%
33	Expected return on plan assets	(2,247)		
34	Amortization of prior service cost	-		
35	Recognized net actuarial loss	(12,380)	(11,814)	4.57%
36	Net periodic benefit cost	(12,657)	(4,854)	61.65%
37	<b>Accumulated Post Retirement Benefit Obligation</b>			
38	Amount Funded through VEBA	36,269	27,239	-24.90%
39	Amount Funded through 401(h)			
40	Amount Funded through other _____			
41	TOTAL	36,269	27,239	-24.90%
42	Amount that was tax deductible - VEBA	6,752	26,996	299.82%
43	Amount that was tax deductible - 401(h)			
44	Amount that was tax deductible - Other			
45	TOTAL	6,752	26,996	299.82%
46	<b>Montana Intrastate Costs:</b>			
47	Pension Costs			
48	Pension Costs Capitalized			
49	Accumulated Pension Asset (Liability) at Year End			
50	<b>Number of Montana Employees:</b>			
51	Covered by the Plan	11	11	
52	Not Covered by the Plan			
53	Active	11	11	
54	Retired			
55	Spouses/Dependants covered by the Plan			

\* Detailed information for prior year not readily available.

## Payments for Services to Persons Other Than Employees

Year: 1998

Line No.	Name of Recipient (a)	Nature of Service (b)	Total Company Cost (c)	Total State Cost (d)	Intrastate Cost (e)
1	Advanced Fibre Communication	Plant Specific	37,766	37,766	28,343
2	AT & T Wire Transfers	Plant Specific	1,088,754	1,088,754	761,910
3	ATCO Communication	Plant Specific	36,478	36,478	27,377
4	Cascade Cab	Cable & Wire Facilities	258,443	258,443	192,230
5	Chase Manhattan Bank	General Administration	61,790	61,790	46,373
6	Excel Tele	General Administration	106,767	106,767	80,129
7	GTE Supply	Material Purchased	316,235	316,235	235,215
8	GTE Wire Transfers	Public Telephone Collection	38,557	38,557	28,918
9	Income and Misc. Tax Division	Taxing Authority	39,214	39,214	26,254
10	Internal Revenue Service	Taxing Authority	53,511	53,511	35,826
11	MCI Wire Transfers	General Administration	89,832	89,832	67,419
12	OAN Wire Transfers	General Administration	48,909	48,909	36,706
13	Zero Plus Dialing	General Administration	104,522	104,522	78,444
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48					
49	<b>Total</b>		<b>2,280,778</b>	<b>2,280,778</b>	<b>1,645,144</b>

## Subscriber Line Usage Data

ear: 1998

Line No.	Description (a)	This Year (b)	% of Total (c)	Last Year (d)	% of Total (e)
1	Toll Usage:				
2	Interstate, InterLATA	24,427,314	72.82%	25,977,268	71.38%
3	Interstate, IntraLATA	645,378	1.92%	237,152	0.65%
4	<b>Total Interstate Usage</b>	25,072,692	74.74%	26,214,420	72.03%
5	Intrastate, InterLATA	8,089,864	24.12%	10,094,211	27.74%
6	Intrastate, IntraLATA	381,638	1.14%	82,121	0.23%
7	<b>Total Intrastate Usage</b>	8,471,502	25.26%	10,176,332	27.97%
8	<b>Total Toll Usage</b>	33,544,194	100.00%	36,390,752	100.00%
9	Centrex				
10	Local	Not Available		Not Available	
11	<b>Total Minutes</b>	33,544,194	100.00%	36,390,752	100.00%

## Central Office and Access Line Statistics

Year: 1998

Line No.	Wire Center (a)	Type of Office (b)	Residential (c)	ISDN (d)	ADSL (e)	Lifeline Customers (f)	Residential LMS Customers (g)	Single Line Business (h)	Multi-Line Business (i)	Customer Owned Coin (j)	Company Owned Coin (k)	Other (l)	% of Lines w/ T. Tone (m)	Total Access Lines (n)
1	Eureka	Digital	848					88	292	8	7		100.0%	1243
2	Libby	Digital	4156					182	1192	12	39		100.0%	5581
3	Troy	Digital	1414					99	160	3	15		100.0%	1691
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32														
33	Total		6418					369	1644	23	61			8515

NOTE: Additional blank schedules are being provided for your convenience.

## Central Office and Switch Information

Year: 1998

Line No.	Wire Center (a)	Office Configuration (Host, Remote, Stand alone) (b)	Type of Switch (c)	Switch Vendor/ Manufacturer (d)	Switch Model No. (e)	Switch Line Capacity (f)	Year Deployed (g)
1	Eureka	Remote	Digital	Nortel	RSC	1,920	1996
2	Libby	Host	Digital	Nortel	DMS-10	8,320	1996
3	Troy	Stand Alone	Digital	Nortel	DMS-10	2,560	1992
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NOTE: Additional blank schedules are being provided for your convenience.

PAGE 28

**Construction Budget - Montana**

Year: 1999

Line No.	Description (a)	1,999 (b)
1	<b>Central Office Assets:</b>	
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27	Total Switching and Central Office Projects over \$500,000	
28	Miscellaneous Central Office Projects not over \$500,000	234,362
29	<b>Total Central Office Budget (Total of Line 27 &amp; Line 28)</b>	234,362
30	<b>Other Projects over \$500,000:</b>	
31		
32		
33		
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35		
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40		
41	Total Other Projects over \$500,000	
42	Miscellaneous projects not over \$500,000	1,222,801
43	<b>Total Construction Budget (Total of Lines 29, 41 &amp; 42)</b>	1,457,163

## Montana Employee Counts

Year: 1998

Line No.	Category (a)	Beginning of Year (b)	End of Year (c)
1	Hourly	10	10
2	Management (Moved to CTC of Nevada)	1	
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43	Totals (Sum of Lines 1 through 42)	11	10

## Compensation of Top 10 Montana Based Employees

Year: 1998

Line No.	Name/Title (a)	Base Salary (b)	Bonuses (c)	Other Compensation (d)	Total Compensation (e)	Total Compensation Last Year (f)	% Increase Total Compensation (g)
1	Network Maintainer	50,180		3,978	54,158	49,363	9.71%
2	Equipment Technician	48,486		2,206	50,692	47,891	5.85%
3	Network Maintainer	46,756		2,638	49,394	46,571	6.06%
4	Equipment Technician	46,912		1,705	48,617	46,302	5.00%
5	System Technician	46,818		1,584	48,402	41,985	15.28%
6	Network Maintainer	46,025		2,321	48,346	47,324	2.16%
7	Network Maintainer	45,514		2,040	47,554	43,441	9.47%
8	Network Maintainer	44,594		1,762	46,356	42,122	10.05%
9	Service Assistant	33,384		1,339	34,723	30,918	12.31%
10	Service Assistant	33,310		1,155	34,465	29,646	16.26%
11	Totals (Sum L.1 to L.10)	441,979		20,728	462,707	425,563	8.73%



Year: 1998

**Compensation of Top 5 Corporate Employees - SEC Information**

Line No.	Name/Title (a)	Base Salary (b)	Bonuses (c)	Other Compensation (d)	Total Compensation (e)	Total Compensation Last Year (f)	% Increase Total Compensation (g)
1	See Attached List						
2							
3							
4							
5							
6	Totals (Sum L.1 to L.5)						

## SUMMARY COMPENSATION TABLE

The following table sets forth the compensation awarded to, earned by or paid to the Company's Chief Executive Officer and the four other most highly compensated executive officers for services rendered to the Company and its subsidiaries for each of the fiscal years ended December 31, 1998, 1997 and 1996.

Name and Position	Year	Annual Compensation			Long-term Compensation				All Other Compensation
		Salary	Bonus(1)	Other Annual Compensation	Awards	Payouts			
					Restricted Stock Awards	Securities Underlying Options/SARs (#)(2)	Long-term Incentive Plan Payouts		
L. Tow . . . . .	1998	\$ 900,000	\$ —	\$ 0	\$ (3)	\$ —	\$0	\$333,377(4)(5)	
C.E.O. and	1997	900,000	0	140,837(6)	(7)	202,000	0	27,000(8)	
Chairman	1996	1,325,416(9)	1,000,000	50,000(6)	(10)	434,215(11)	0	662,003(12)(13)	
D. A. Ferguson . . . .	1998	439,583	—(14)	0	(3)	—	0	91,250(4)	
C.O.O. and	1997	414,585	0	11,683	(7)	136,350	0	85,879(8)	
President,	1996	391,678	550,000	8,333		112,185	0	81,813(13)	
D. S. Sharkey(15). . .	1998	229,167	—	0		—	0	33,759(4)	
C.O.O. and	1997	183,333	100,000(16)	0	(7)	40,400	0	30,036(8)	
President,	1996	155,833	80,000	0		17,950	0	27,790(13)	
Electric Lightwave, Inc.									
R.J. DeSantis. . . . .	1998	195,833	—(14)	0	(3)	40,906	0	59,491(4)	
Chief Financial	1997	167,083	33,000	0		40,000	0	56,212(8)	
Officer,	1996	159,375	98,017	0		39,750	0	48,006(13)	
Vice President and Treasurer									
O. Lee Jobe. . . . .	1998	269,765	—(14)	0	(3)(17)	51,133	0	60,892(4)	
Vice President-Communications Sector	1997	162,930	55,000	0		45,000	0	39706(18)	

- (1) All amounts in the column, unless otherwise indicated, were paid under the Incentive Deferred Compensation Plan ("IDCP") for 1996 and the CIP for 1997. Amounts granted under each of these plans are for performance for the stated Salary Year, but are determined and awarded in the subsequent year. Awards for 1998 will be considered by the Compensation Committee in the spring of 1999.
- (2) Number of shares underlying options adjusted to reflect subsequent stock dividends. All awards shown are options; the Company has not awarded any SARs.
- (3) On October 19, 1998, Drs. Tow and Ferguson were granted 141,655 and 70,828 performance shares, respectively, and Messrs. DeSantis and Jobe were granted 31,535 and 43,323 performance shares, respectively. As of December 31, 1998, the total number of restricted or performance shares held by each of Drs. Tow and Ferguson and Messrs. DeSantis and Jobe were 701,629, 70,828, 31,535 and 55,935, respectively, with a market value as of December 31, 1998 of \$5,613,032, \$566,624, \$252,280 and \$447,480, respectively. Performance shares granted on October 19, 1998 (except those granted to Dr. Tow) will vest if a specified Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) goal for the period of October 1, 1998 through December 31, 1999 is achieved. The goal consists of EBITDA targets for the Communications and Public Services sectors and does not include ELI. Performance shares granted to Dr. Tow on July 11, 1996 will vest on January 1, 2001 if a specified EBITDA goal is attained. Recipients of performance shares have the right to vote and receive dividends, if paid, on such shares.
- (4) Represents the Company's matching contribution to each named executive officer's 401(k) plan and for Dr. Tow, Dr. Ferguson and Mr. DeSantis also represents the matching contribution to the Company's executive Deferred Savings Plan of \$22,500, \$5,958 and \$250, respectively. Additionally, \$80,292, \$55,892, \$28,759 and \$54,241, respectively, represent the 1998 economic benefit of split-dollar life insurance for Dr. Ferguson and Messrs. Jobe, Sharkey and DeSantis. There was no economic benefit of split-dollar life insurance for Dr. Tow in 1998.

- (5) \$305,877 of this amount represents the pretax cost to the Company pursuant to Dr. Tow's employment agreements of the term portion of split-dollar insurance arrangements. See footnote 12 to the Summary Compensation Table and "Employment Agreement."
- (6) \$50,000 of the amount shown in this column for 1996 and 1997 represents payment for expenses pursuant to Dr. Tow's employment agreement; \$90,837 for 1997 represents reimbursement pursuant to his employment agreement of legal and accounting fees incurred by Dr. Tow in 1994-1996.
- (7) In connection with the ELI IPO, on November 24, 1997 each of Drs. Tow and Ferguson and Mr. Sharkey was granted 125,000 restricted performance shares of Class A Common Stock of ELI. As of December 31, 1998, the total number of performance shares of Common Stock of ELI held by each of Drs. Tow and Ferguson and Mr. Sharkey was 125,000, with a market value as of December 31, 1998 of \$1,023,750. One third of the shares granted to Dr. Ferguson and Mr. Sharkey will vest on the later of November 24 of each year following the date of grant or the achievement of a specified twelve-month revenue goal. The restrictions on Dr. Tow's 125,000 shares will lapse only if ELI attains revenues of at least \$170 million for the thirteen months ended June 30, 2001 or for any thirteen month period thereafter until January 2005. Recipients of restricted shares have the right to vote and to receive dividends, if paid, on such shares.
- (8) Represents the Company's matching contribution to each named executive officer's 401(k) plan and in the instance of Dr. Tow and Dr. Ferguson also represents the matching contribution to the Company's executive Deferred Savings Plan of \$22,250 and \$4,958, respectively. Additionally, \$76,179, \$27,286 and \$51,462, respectively, represent the 1997 economic benefit of split-dollar life insurance for Dr. Ferguson, Mr. Sharkey and Mr. DeSantis. There was no economic benefit of split-dollar life insurance for Dr. Tow in 1997.
- (9) Includes salary of \$1,288,416 and director's fees of \$37,000 for 1996.
- (10) Covers restricted shares of Common Stock of the Company. As of December 31, 1998 the number of restricted or performance shares held by Dr. Tow pursuant to such grant was 559,974 shares, with a market value as of December 31, 1998 of \$4,479,792. Recipients of restricted stock have the right to receive dividends. See "Employment Agreement."
- (11) Includes an option for 220,193 shares of Common Stock granted in 1996 for 1994 performance.
- (12) \$536,653 of this amount represents the pretax cost to the Company pursuant to Dr. Tow's employment agreements of the term portion of split-dollar insurance arrangements for the three year period commencing with 1995. The split-dollar insurance arrangements are required under the Memorandum of Understanding entered into on June 21, 1996 that led to the settlement of certain stockholder litigation as a substitution for supplemental retirement benefits which resulted in a reversal of accruals as previously reported. The insurance arrangements purchased by the Company have been structured so that all of the Company's costs, including the time value of funds, in providing such benefits should be recovered from insurance proceeds.
- (13) Represents the Company's matching contribution to each executive's 401(k) plan and in the instance of Drs. Tow and Ferguson also represents the matching contribution of the Company Executive Deferred Savings Plan. Additionally \$71,063, \$25,453 and \$48,006, respectively, represent the 1996 economic benefit of split-dollar life insurance for Dr. Ferguson, Mr. Sharkey and Mr. DeSantis. There was no economic benefit of split-dollar life insurance for Dr. Tow in 1996.
- (14) In the event that the proposed separation of the Company's telecommunications businesses and public services businesses into two stand alone, publicly traded companies is completed, a Cash Retention Incentive of \$250,000, \$125,000 and \$162,500 is required to be paid to Dr. Ferguson and Messrs. DeSantis and Jobe, respectively. See "Compensation Committee Report on Executive Compensation-Compensation Strategy-1998 Annual Cash Incentive Award and other Cash Incentives."
- (15) The full amount of Mr. Sharkey's compensation is attributable to services rendered to ELI and is paid by or charged to ELI.
- (16) Reflects amount paid by ELI in 1998 for 1997 performance.
- (17) Mr. Jobe was granted restricted shares of Common Stock of the Company on June 30, 1997. As of December 31, 1998, the number of restricted shares held by Mr. Jobe pursuant to such grant was 12,612 shares,

with a market value as of December 31, 1998 of \$100,896. The first half of these shares will vest on June 30, 1999, and the second half will vest on June 30, 2000. Mr. Jobe has the right to vote and to receive dividends, if paid, on such shares. For the aggregate market value of restricted and performance shares held by Mr. Jobe as of December 31, 1998, see footnote 3 to the Summary Compensation Table.

(18) Represents moving expenses paid to Mr. Jobe in 1997.

## Montana Composite Statistics

Year: 1998

Line No.	Account No.	Description (a)	Amount (b)
1		<b>Plant (Intrastate Only) (000 Omitted)</b>	
2	2001	Plant in Service	14,296
3	2003 - 2004	Construction Work in Progress	313
4	2005	Plant Acquisition Adjustments	8,618
5	2002	Plant Held for Future Use	
6	1220	Materials & Supplies	15
7		(Less):	
8	3100 - 3400	Depreciation & Amortization Reserves	(8,594)
9	4360.2	Contributions in Aid of Construction	
10		<b>NET BOOK COSTS</b>	14,648
11		<b>Revenues &amp; Expenses (Intrastate Only) (000 Omitted)</b>	
12	5000 - 5300	Operating Revenues	4,271
13	6560	Depreciation & Amortization Expenses	883
14		Federal & State Income Taxes	(63)
15		Other Taxes	484
16		Other Operating Expenses	2,620
17		TOTAL Operating Expenses	3,924
18		Net Operating Income	347
19		Other Income	14
20		Other Deductions	
21		<b>NET INCOME</b>	361
22		<b>Access Lines in Service (Intrastate Only)</b>	
23		Residential Access Lines	6,418
24		Business Access Lines	1,994
25		PBX Access Lines	103
26		Other Access Lines	
27		<b>Total Number of Access Lines</b>	8,515
28		<b>Average Number of Calls Per Access Line</b>	
29		Local Calls	N/A
30		Toll Calls (Intra- or Interstate)	N/A
31		<b>Total Number of Calls Per Access Line (Total of Line 29 &amp; Line 30)</b>	-
32		<b>Other Statistics (Intrastate Only)</b>	
33		Average Residential Monthly Bill	14
34		Gross Plant Investment per Access Line	2

## Depreciation - Montana Intrastate Regulated

Year: 1998

Line No.	Acct No. (a)	Description (b)	Composite Rate % (c)	Total Expense \$ (d)
1	2112	Motor Vehicles	7.7%	20,880
	2112.31	Motor Vehicles Under \$2,000	3.8%	
2	2114	Special Purpose Vehicles	7.7%	
3	2115	Garage Work Equipment	0.0%	
4	2116	Other Work Equipment	5.6%	10,164
	2116.31	Other Work Equipment Under \$2,000	6.4%	3,314
5	2121	Buildings	2.9%	45,863
6	2122	Furniture	3.9%	166
	2123.31	Furniture Under \$2,000	5.5%	394
7	2123.1	Office Support Equipment	6.9%	61
8	2123.2	Company Communications Equipment	8.3%	92
	2123.31	Company Communications Equipment Under \$2,000	9.1%	1,163
9	2124	General Purpose Computers	13.4%	9,121
	2124.31	General Purpose Computers Under \$2,000	2.6%	184
10	2211	Analog Electronic Switching Equipment	0.0%	
11	2212	Digital Electronic Switching Equipment	6.5%	162,004
12	2215	Step By Step Switching Equipment	0.0%	
13	2215	Crossbar Switching Equipment	0.0%	
14	2220	Operator System	0.0%	
15	2231	Radio Systems	6.9%	51,338
16	2232	Circuit DDS	0.0%	
17	2232	Circuit Digital	8.0%	4,661
18	2232	Circuit Analog	8.0%	350,830
19	2351	Public Telephone Terminating Equipment	8.8%	
20	2362	Other Terminal Equipment	7.2%	5,866
21	2411	Poles	6.3%	30,705
22	2421	Aerial Cable Metallic	6.9%	135,209
23	2421	Aerial Cable Nonmetallic	0.0%	
24	2422	Underground Cable Metallic	4.7%	5,087
25	2422	Underground Cable Nonmetallic	0.0%	
26	2423	Buried Cable Metallic	4.8%	371,566
27	2423	Buried Cable Nonmetallic	4.8%	23,796
28	2424	Submarine Cable Metallic	0.0%	
29	2424	Submarine Cable Nonmetallic	0.0%	
30	2426	Intrabuilding Network Cable Metallic	7.9%	
31	2426	Intrabuilding Network Cable Nonmetallic	0.0%	
32	2431	Aerial Wire	20.9%	8,301
33	2441	Conduit Systems	2.2%	3,264
34				
35		<b>COMPOSITE TOTAL</b>	6.5%	
36				
37	Have these rates been approved by the Commission? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO			
38				
39	If yes: <u>93.7.30</u> Docket Number <u>                    </u> Order Number			
40				

**Montana Regulatory Capital Structure & Costs**

Year: 1998

Line No.	Description (a)	% Cap. Str. (b)	% Cost Rate (c)	Weighted Cost (d)
	<b>Commission Accepted - Most Recent</b>			
1	Docket Number _____			
2	Order Number _____			
3				
4	Common Equity	45.93%	11.763%	5.403%
5	Preferred Stock	5.16%	5.240%	0.270%
6	Long Term Debt	48.91%	6.700%	3.277%
7	Other			
8	<b>Total</b>	100.00%		8.950%
9				
10	<b>Actual at Year End</b>			
11				
12	Common Equity	45.93%	5.027%	2.309%
13	Preferred Stock	5.16%	5.240%	0.270%
14	Long Term Debt	48.91%	6.700%	3.277%
15	Other			
16	<b>Total</b>	100.00%		5.856%

**Network Access - Charges and Revenues**

Year: 1998

Line No.	Description (a)	Access Charges Paid (b)	Access Revenues Received (c)
1	Montana - Total State		2,969,930
2			
3	Montana - Intrastate		761,413
4			
5	Montana - Intrastate Regulated		761,413
6			
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# Affiliate Transactions - Products & Services Provided to Utility

Year: 1998

Line No.	Affiliate Name (a)	Products & Services (b)	Method to Determine Price (c)	Charges to Utility (d)	% Total Affil. Revenues (e)	Charges to MT Utility (f)
1	Citizens Utilities Company	Corporate Executive, Planning, I/S, H/R, Legal/Regulatory, Treasury, Accounting, & SAO Com Insr/Others	Fully Distributed Cost per FCC Part 64.901	264,090		264,090
2						
3						
4						
5						
6	Citizens Telecommunications Service Company	Executive, Employee Support Services, Business Support Services, Legal, Operations, Controller, Finance/Support, Others, I/S, Marketing/Regulatory Affairs, National Sales, & Dir Bill Mode	Fully Distributed Cost per FCC Part 64.901	2,488,833		2,488,833
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27						
28						
29						
30	TOTAL			\$2,752,923		\$2,752,923



## Affiliate Transactions - Products &amp; Services Provided by Utility

Year: 1998

Line No.	Affiliate Name (a)	Products & Services (b)	Method to Determine Price (c)	Charges to Affiliate (d)	% Total Affil. Revenues (e)	Charges to MT Utility (f)
1	Citizens Telecommunications Service Company, L.L.C	Tariffed Telephone Service and Company Official Toll Service	Tariffed	186,978		186,978
2						
3						
4		Building Space Rental	Fully Distributed Cost	6,154		6,154
5						
6	Citizens Directory Service	Directory Listings	Market Price	4,578		4,578
7	Company	Directory Billing and Collections	Market Price	1,223		1,223
8						
9						
10		Others	Tariffed	11		11
11						
12	Citizens Telecommunications	Billing and Collections Services	Market Price	37,526		37,526
13	Company, Inc.					
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30	<b>TOTAL</b>			\$236,470		\$236,470

## Montana Intrastate Regulated Earned Rate of Return

Year: 1998

Line No.	Description Rate Base (a)	This Year (b)	Last Year (c)	Percent Change (d)
1				
2	2001 Plant in Service	13,976,770	13,056,204	7.05%
3	2002 Prop. Held for Future Telecommunications Use			
4	3100-3200 (Less) Accumulated Depreciation	(6,328,130)	(5,630,480)	-12.39%
5	<b>Plant in Service</b>	<b>7,648,640</b>	<b>7,425,724</b>	<b>3.00%</b>
6				
7	<b>Additions</b>			
8	1220 Materials & Supplies	14,498	10,847	33.66%
9	1280 Prepayments			
10	Other Additions			
11	<b>TOTAL Additions</b>	<b>14,498</b>	<b>10,847</b>	<b>33.66%</b>
12				
13	<b>Deductions</b>			
14	4100 Current Deferred Operating Income Taxes			
15	4320 Unamortized Operating Investment Tax Credits			
16	4340 Noncurrent Deferred Operating Income Taxes	2,894,993	2,319,702	24.80%
17	Customer Advances for Construction			
18	Other Deductions			
19	<b>TOTAL Deductions</b>	<b>2,894,993</b>	<b>2,319,702</b>	<b>24.80%</b>
20	<b>TOTAL Rate Base</b>	<b>4,768,145</b>	<b>5,116,869</b>	<b>-6.82%</b>
21				
22	<b>Net Earnings</b>	<b>428,214</b>	<b>266,672</b>	<b>60.58%</b>
23				
24	<b>Rate of Return on Average Rate Base</b>	<b>8.981%</b>	<b>5.212%</b>	<b>72.32%</b>
25				
26	<b>Rate of Return on Average Equity</b>			
27				
28	Major Normalizing Adjustments & Commission			
29	<u>Ratemaking adjustments to Utility Operations</u>			
30	4340 Remove Deferred Income Taxes related to Telecom	(2,544,852)		
31	Plant Adjustment (TPA).			
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43	<b>Adjusted Rate of Return on Average Rate Base</b>	<b>5.856%</b>		
44				
45	<b>Adjusted Rate of Return on Average Equity</b>			

Citizens Telecommunications Company of Montana  
Year ended December 31, 1998

I have examined the foregoing report; that to the best of my knowledge, information and belief, all statements of fact in this report are true; and that this report correctly states the respondent's business and affairs in each matter set forth from January 1, 1998 through December 31, 1998.

Signature:   Huntington F. Ross    
Title: Vice President & Controller



Three NorthPark East  
8800 North Central Expressway  
Dallas, TX 75231  
(214) 365-3000



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PUBLIC SERVICE  
COMMISSION

April 29, 1999

Public Service Commission  
State of Montana  
1701 Prospect Avenue  
P.O. Box 202601  
Helena, Montana 59620-2601

To Whom It May Concern:

Enclosed is a copy of the Annual Report for Citizens Telecommunications Company of Montana for year ended December 31, 1998. Also enclosed is a diskette containing the file.

If you have any questions, please call me at 214-365-3255.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Gough".

Jeff Gough  
Manager - Revenue & Earnings

Enclosure

cc: L. Tade  
J. Shafto