

YEAR 1998

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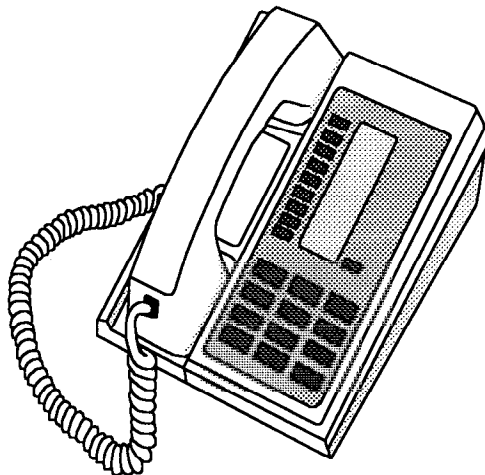
MAY 10 1999

MONT. P. & COMMISSION

ANNUAL REPORT  
OF

# Lincoln Telephone Company

## TELEPHONE UTILITY



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

Check No. 6634  
Lincoln Telephone Company

## General Information

1998

1. Legal Name of Respondent: Lincoln Telephone Company, Inc.

2. Name Under Which Respondent Does Business: SAME

3. Date of Incorporation: 1,921

4. Address to send Correspondence Concerning Report: HC-30, Box 1  
Lincoln, MT 59639

5. Person Responsible for This Report: Kenneth W Lumpkin, Secretary/Treasurer

5a. Telephone Number: 406-362-4216

## 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:

1b. Means by which control was held:

1c. Percent Ownership:

Board of Directors		
Line No.	Name of Director and Address (City, State) (a)	Fees Paid During Year (b)
1	Edward Grady HCR 30 Canyon Creek, MT 59633	1,200
2	E.S. Haines 3620 American Way Missoula, MT 59802	959
3	George D. Didriksen 2585 York Road Helena, MT 59601	1,250
4	J.P. Mulcare P.O. Box 69 Lincoln, MT 59639	850
5	Robert G. Orr P.O. Box 1 Lincoln, MT 59639	0
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18	Chairman of the Board: J.P. Mulcare	
19		
20		

## Officers

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	Not active in business	John P. Mulcare P.O. Box 69 Lincoln, MT 59639
2			
3			
4			
5			
6	Vice-President	General Manager	Robert G. Orr P.O. Box 1 Lincoln, MT 59639
7			
8			
9			
10			
11	Secretary/Treasurer	Office Manager/Controller	Kenneth W. Lumpkin P.O. Box 1074 Lincoln, MT 59639
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## Total Company Balance Sheet

1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>CURRENT ASSETS:</b>		
2	1120	Cash and Equivalents	638,798.00	390,345.00
3	1180	Telecommunications Accounts Receivable - Net	73,217.00	80,386.00
4	1190	Other Accounts Receivable - Net	85,779.00	130,453.00
5	1200	Notes Receivable - Net		
6	1210	Interest and Dividends Receivable	13,115.00	20,973.00
7	1220	Materials and Supplies	23,819.00	24,112.00
8	* 1280	Prepayments	3,027.00	3,110.00
9	^ 1290	Prepaid Rents		
10	^ 1300	Prepaid Taxes		
11	^ 1310	Prepaid Insurance	3,027.00	3,110.00
12	^ 1320	Prepaid Directory Expenses		
13	^ 1330	Other Prepayments		
14	1350	Other Current Assets		
15		<b>Total Current Assets</b>	837,755.00	649,379.00
16		<b>NONCURRENT ASSETS:</b>		
17	1401	Investments in Affiliated Companies		
18	1402	Investments in Nonaffiliated Companies		685,771.00
19	1406	Nonregulated Investments	785,508.00	37,842.00
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		
25	1500	Other Jurisdictional Assets - Net		
26		<b>Total Noncurrent Assets</b>	785,508.00	723,613.00
27		<b>PROPERTY, PLANT, &amp; EQUIPMENT:</b>		
28	2001	Telecommunications Plant in Service	4,023,856.00	3,737,140.00
29	2002	Property Held for Future Telecommunications Use		
30	2003	Plant Under Construction - Short Term		
31	2004	Plant Under Construction - Long Term		
32	2005	Telecommunications Plant Adjustment		
33	2006	Nonoperating Plant		
34	2007	Goodwill		
35	3100	Accumulated Depreciation	(2,033,950.00)	(1,816,952.00)
36	3200	Accumulated Depreciation - Held for Future Use		
37	3300	Accumulated Depreciation - Nonoperating		
38	3400	Accumulated Amortization		
39		<b>Net Property, Plant, &amp; Equipment</b>	1,989,906.00	1,920,188.00
40		<b>TOTAL ASSETS</b>	3,613,169.00	3,293,180.00

^ Subaccount of account marked with a \*.

## Total Company Balance Sheet

1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
41		<b>CURRENT LIABILITIES:</b>		
42	4010	Accounts Payable	211,093.00	74,790.00
43	4020	Notes Payable		
44	4030	Advance Billing and Payments		
45	4040	Customer Deposits	2,550.00	2,150.00
46	4050	Current Maturities - Long Term Debt		
47	4060	Current Maturities - Capital Leases		
48	4070	Income Taxes - Accrued		224.00
49	4080	Other Taxes - Accrued	29,439.00	48,952.00
50	4100	Net Current Deferred Operating Income Taxes		
51	4110	Net Current Deferred Nonoperating Income Taxes		
52	4120	Other Accrued Liabilities		
53	4130	Other Current Liabilities		
54		<b>Total Current Liabilities</b>	243,082.00	126,116.00
55		<b>LONG-TERM DEBT:</b>		
56	4210	Funded Debt	749,325.00	797,796.00
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		
62	4270	Other Long-Term Debt	416,001.00	202,888.00
63		<b>Total Long-Term Debt</b>	1,165,326.00	1,000,684.00
64		<b>OTHER LIABILITIES AND DEFERRED CREDITS:</b>		
65	4310	Other Long-Term Liabilities	414,323.00	371,563.00
66	4320	Unamort. Oper. Invest. Tax Credits - Net		
67	4330	Unamort. Nonoper. Invest. Tax Credits - Net		
68	4340	Net Noncurrent Deferred Oper. Income Taxes		
69	4350	Net Noncurrent Deferred Nonoper. Income Taxes		
70	4360	Other Deferred Credits		
71	4370	Other Jurisdictional Liab. and Def. Credits		
72		<b>Total Other Liabilities and Deferred Credits</b>	414,323.00	371,563.00
73		<b>STOCKHOLDERS' EQUITY:</b>		
74	4510	Capital Stock	2,450.00	2,450.00
75	4520	Additional Paid-In Capital		
76	4530	Treasury Stock	(2,240.00)	(2,240.00)
77	4540	Other Capital		
78	4550	Retained Earnings	1,790,228.00	1,794,607.00
79		<b>Total Stockholders' Equity</b>	1,790,438.00	1,794,817.00
80		<b>TOTAL LIAB. AND STOCKHOLDERS' EQUITY</b>	3,613,169.00	3,293,180.00

## Total Company Income Statement

1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues	172,283.00	165,751.00
3	5080	Network Access Revenues	647,758.00	470,836.00
4	* 5100	Long Distance Message Revenue	12,080.00	2,901.00
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue	12,080.00	2,901.00
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	74,635.00	111,061.00
10	^ 5230	Directory Revenue	582.00	530.00
11	^ 5240	Rent Revenue		
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	31,255.00	18,806.00
14	^ 5270	Carrier Billing and Collection Revenue	42,798.00	91,725.00
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	210.00	6,083.00
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>	906,546.00	744,466.00
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense		
20	6120	General Support Expense	14,408.00	11,739.00
21	6210	Central Office Switching Expense	59,215.00	49,776.00
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	1,020.00	124.00
24	6310	Information Origination/Termination Expense	69.00	452.00
25	* 6410	Cable and Wire Facilities Expense	72,464.00	26,808.00
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense	72,464.00	26,808.00
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense	8,284.00	7,479.00
30	6540	Access Expense		
31	6560	Depreciation and Amortization Expense	219,498.00	198,964.00
32	6610	Marketing		
33	6620	Services	108,685.00	97,028.00
34	6710	Executive and Planning	76,647.00	63,356.00
35	6720	General and Administrative	146,177.00	149,662.00
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>	706,467.00	605,388.00
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	129,391.00	236,113.00
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>	70,688.00	(97,035.00)
41	7300	Nonoperating Income and Expense	67,951.00	476,285.00
42	7400	Nonoperating Taxes		
43	7500	Interest and Related Items	57,163.00	36,169.00
44	7600	Extraordinary Items		
45	7910	Effects of Juris. Ratemaking Diff. - Net	(8,525.00)	(74,859.00)
46	7990	Nonregulated Net Income	(64,928.00)	(201,088.00)
47		<b>NET INCOME (L.40+L.41-L.42-L.43-L.44+L.45-L.46)</b>	137,879.00	469,310.00

^ Subaccount of the account marked with a \*.

## Montana Total State Income Statement

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

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 Exp. (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 an \*.



## Montana Intrastate Regulated Income Statement

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 \*.

**Average Rate Base - Total State****1998**

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	4,023,856	3,737,139
2	3100	Accumulated Depreciation	2,033,950	1,816,952
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies	23,819	24,112
6	4340	Noncurrent Deferred Operating Income Taxes	170,213	150,301
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)	1,843,512	1,793,998

**Average Rate Base - Intrastate**

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	SAME AS TOTAL STATE	
2	3100	Accumulated Depreciation		
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes		
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)		

**Average Rate Base - Regulated Intrastate**

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	SAME AS TOTAL STATE	
2	3100	Accumulated Depreciation		
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes		
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)		

## Statement of Cash Flows

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		
4	Reconciliation Adjustments:		
5	Depreciation & Amortization		
6	Provision for Accounts Receivable Losses		
7	Deferred Income Taxes - Net		
8	Unamortized Investment Tax Credits (ITCs) - Net		
9	Allowance for Funds Used During Construction (AFUDC)		
10	Change in Operating Receivables - Net		
11	Change in Materials, Supplies & Inventories - Net		
12	Change in Operating Payables & Accrued Liabilities - Net		
13	Change in Other Assets & Deferred Credits - Net		
14	Change in Other Liabilities & Deferred Credits - Net		
15	Other (explained on back of this page)		
16	Total Adjustments		
17	<b>Net Cash Provided by/(Used in) Operating Activities</b>		
18	<b>Cash Inflows/Outflows From Investing Activities:</b>		
19	Construction/Acquisition of Property, Plant & Equipment (net of		
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>		
26	<b>Cash Flows from Financing Activities:</b>		
27	Net Incr./(Decr.) in Short-Term Debt, Original maturity < = 3 mo.		
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>		
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>		
41	<b>Cash &amp; Cash Equivalents at End of Period</b>		

## Receivables and Investments-Affiliated &amp; Nonaffiliated Companies

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	DAIN BOSWORTH	186,188									
2			73,217								
3											
4											
5											
6	NECA				3,440						
7	TECOM				48,899						
8	ATT COMMUNICATIONS				6,699						
9	EQUIPMENT SALES				350						
10	OTHER CARRIERS-ACCESS				23,825						
11	INTERNAL REVENUE				2,566						
12											
13											
14	RURAL TELEPHONE BANK										12,333
15	MTA-HEADQUARTERS BLD.										1,640
16	NCDC-STOCK/CAP. CREDITS										4,017
17	MT. ADVANCED INFO.NETWORKS										415,000
18	JEFFERSON PILOT KEY MAN										353,683
19											
20											
21											
22											
23											
24											
25											
26											
27											
28											
29											
30	<b>Totals</b>	186,188	73,217		85,779						786,673

## LINCOLN TELEPHONE COMPANY, INC.

SCHEDULE 11  
Net Plant in Service - Detail

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	685,839	8,594	2,500		691,933	604,625	87,308
2	^	2111	Land	42,666				42,666		42,666
3	^	2112	Motor Vehicles	272,572				272,572	246,867	25,705
4	^	2113	Aircraft							
5	^	2114	Special Purpose Vehicles							
6	^	2115	Garage Work Equipment							
7	^	2116	Other Work Equipment	53,109				53,109	43,930	9,179
8	^	2121	Buildings	223,483		2,500		220,983	220,983	
9	^	2122	Furniture							
10	^	2123	Office Equipment	19,485	5,095			24,580	14,822	9,758
11	^	2124	General Purpose Computers	74,524	3,499			78,023	78,023	
12		2211	Analog Electronic Switching							
13		2212	Digital Electronic Switching	1,017,054	154,927			1,171,981	583,635	588,346
14		2215	Electro-Mechanical Switching							
15		2220	Operator Systems							
16		2231	Radio Systems	26,297				26,297	26,297	
17		2232	Circuit Equipment	71,836				71,836	27,178	44,658
18	*	2310	Information Orig & Term Equip	17,293				17,293	17,293	
19	^	2311	Station Apparatus							
20	^	2321	Customer Premises Wiring							
21	^	2341	Large Private Branch Exchanges							
22	^	2351	Public Telephone Term. Equip.	17,293				17,293	17,293	
23	^	2362	Other Terminal Equipment							
24		2411	Poles	267				267	227	40
25	*	2420	Cable and Wire Facilities	1,908,214	125,696			2,033,910	770,330	1,263,580
26	^	2421	Aerial Cable							
27	^	2422	Underground Cable							
28	^	2423	Buried Cable	1,908,214	125,696			2,033,910	770,330	1,263,580
29	^	2424	Submarine Cable							
30	^	2425	Deep Sea Cable							
31	^	2426	Intrabuilding Network Cable							
32		2431	Aerial Wire	10,338				10,338	5,448	4,890
33		2441	Conduit Systems							
34			<b>Totals</b>	<b>3,737,138</b>	<b>289,217</b>	<b>2,500</b>		<b>4,023,855</b>	<b>2,035,033</b>	<b>1,988,822</b>

^ Subaccount of the account marked with a \*.

PAGE 12

## Analysis of Plant Held for Future Use

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							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30	Totals (Sum L.1 to L.29)						

## Average Cost of Long Term Debt

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	USDA/REA	1979	2014	1,119,000				598,070		13,383		2.24%
2												
3		1986	2006	258,999				150,255		14,276		9.50%
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
14												
15												
16												
17												
18												
19												
20												
21												
22												
23												
24												
25												
26												
27												
28												
29												
30	<b>Total</b>			1,377,999				748,325		27,659		3.70%

LINCOLN TELEPHONE COMPANY, INC.

SCHEDULE 14

Cost of Preferred Stock

1998

Line No.	Description (a)	Date of Issuance (b)	Method of Offering (c)	Call Redemption Price (d)	Par Value Of Issue (e)	Gross Proceeds Amounts (f)	Net Proceeds Amounts (g)	Net Proceeds Per \$100 (h)	Cost of Money (i)	Principal Outstanding (j)	Annual Cost (k)	Embedded Cost (l)
1	NONE											
2												
3												
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
14												
15												
16												
17												
18												
19												
20												
21												
22												
23												
24												
25												
26												
27												
28												
29												
30	Totals (Sum L.1 to L.29)											



## Analysis of Common Stock

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		Price/Earnings Ratio (i)
							High (g)	Low (h)	
1	Year Ended December 31:	98	19,176	1,407	1,000	28.93%	STOCK IS NOT PUBLICALLY TRADED		
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 Reacquired or Retired During the 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	NONE						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
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18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30	Totals (Sum L.1 to L.29)						

## Total Company Expense Matrix

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	NOT APPLICABLE					
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 Expense						
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 \*.

**SCHEDULE 17**  
**Total Company Expense Matrix**

Line No.	Acct. No.	Description	Salaries and Wages	Benefits	Rents	Other Expenses	Clearances	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
35	^	6441	Conduit Systems Expense	NOT APPLICABLE				
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			<b>Totals</b>					

^ Subaccount of the account marked with a \*.

**SCHEDULE 18**  
**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)
1	*	6110 Network Support Expense		NOT APPLICABLE				
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 Expense						
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		<b>Subtotals</b>						

^ Subaccount of the account marked with a \*.

**SCHEDULE 18**  
**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		<b>Totals</b>						

^ Subaccount of the account marked with a \*.

## Pension Costs

1998

Defined Benefit Plan XXXX

Defined Contribution Plan? \_\_\_\_\_

Annual Contributions by Employer 19,265

Is the plan overfunded NO

NTCA Retirement &amp; Security Plan

IRS CODE 001

Actuarial Cost Method \_\_\_\_\_

Line No.	Item (a)	This Year (b)	Last Year (c)
1	Accumulated Benefit Obligation		
2	Projected Benefit Obligation		
3	Fair Value of Plan Assets		
4	Discount Rate for Settlement of Liabilities		
5	Expected Long-Term Return on Assets		
6	<b>Net Periodic Pension Cost:</b>		
7	Service Cost		
8	Interest Cost		
9	Return on Plan Assets		
10	Amortization of Transition Amount		
11	Amortization of Gains or Losses		
12	<b>Total</b>		
13	Minimum Required Contribution		
14	Actual Contribution		
15	Maximum Amount Deductible		
16	Benefit Payments		
17	<b>Montana Intrastate Costs:</b>		
18	Pension Cost		
19	Pension Cost Capitalized		
20	Accumulated Pension Asset/Liability at Close of Year		
21	<b>Number of Company Employees:</b>		
22	Covered by the Plan	6	6
23	Not Covered by the Plan		
24	Active	6	6
25	Retired		
26	Deferred Vested Terminated		

**Other Post Employment Benefits (OPEBs)**

1998

Line No.	Description (a)	Last Year (b)	This Year (c)
1	<b>General Information</b>		
2	Assumptions:		
3	Discount Rate for Benefit Obligations		
4	Expected Long-Term Return on Assets		
5	Medical Cost Inflation Rate		
6	Actuarial Cost Method		
7	List each method used to fund OPEBs (ic: VEBA, 401(h)):		
8	Method - Tax Advantaged (Yes or No)		
9			
10			
11			
12	Describe Changes to the Benefit Plan:		
13			
14			
15			
16			
17	<b>Total Company</b>		
18	Accumulated Post Retirement Benefit Obligation (APBO)		
19	Fair Value of Plan Assets		
20	List the amount funded through each funding method:		
21	VEBA		
22	401(h)		
23	Other _____		
24	Total amount funded		
25	List amount that was tax deductible for each type of funding:		
26	VEBA		
27	401(h)		
28	Other _____		
29	Total amount that was tax deductible		
30	Net Periodic Post Retirement Benefit Cost:		
31	Service Cost		
32	Interest Cost		
33	Return on Plan Assets		
34	Amortization of Transition Obligation		
35	Amortization of Gains or Losses		
36	Total Net Periodic Post Retirement Benefit Cost		
37	Benefit Cost Expensed		
38	Benefit Cost Capitalized		
39	Benefit Payments		
40	Number of Company Employees:		
41	Covered by the Plan		
42	Not Covered by the Plan		
43	Active		
44	Retired		
45	Spouse/Dependants covered by the Plan		



**Other Post Employment Benefits (OPEBs)**

1998

Line No.	Description (a)	Last Year (b)	This Year (c)
	<b>Montana</b>		
46	Accumulated Post Retirement Benefit Obligation (APBO)		
47	Fair Value of Plan Assets		
48	List the amount funded through each funding method:		
49	VEBA		
50	401(h)		
51	Other _____		
52	Total amount funded		
53	List amount that was tax deductible for each type of funding:		
54	VEBA		
55	401(h)		
56	Other _____		
57	Total amount that was tax deductible		
58	Net Periodic Post Retirement Benefit Cost:		
59	Service Cost		
60	Interest Cost		
61	Return on Plan Assets		
62	Amortization of Transition Obligation		
63	Amortization of Gains or Losses		
64	Total Net Periodic Post Retirement Benefit Cost		
65	Benefit Cost Expensed		
66	Benefit Cost Capitalized		
67	Benefit Payments		
68	Number of Company Employees:		
69	Covered by the Plan		
70	Not Covered by the Plan		
71	Active		
72	Retired		
73	Spouse/Dependants covered by the Plan		
74	Regulatory Treatment		
75	Commission authorized - most recent		
76	Docket number:		
77	Order number:		
78	Amount recovered through rates		

**Payments for Services to Persons Other Than Employees****1998**

Line No.	Name of Recipient (a)	Nature of Service (b)	Total Company Cost (c)	Total State Cost (d)	Intrastate Cost (e)
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43	<b>Subtotal Page 7 of 7</b>				
44	<b>Total</b>				

## Subscriber Line Usage Data

1998

Line No.	Description (a)	This Year (b)	% of Total (c)	Last Year (d)	% of Total (e)
1	Toll Usage:				
2	Interstate, InterLATA				
3	Interstate, IntraLATA				
4	<b>Total Interstate Usage</b>				
5	Intrastate, InterLATA				
6	Intrastate, IntraLATA				
7	<b>Total Intrastate Usage</b>				
8	<b>Total Toll Usage</b>				
9	Centrex				
10	Local				
11	<b>Total Minutes</b>				

## Central Office and Access Line Statistics

Line No.	Wire Center (a)	Type of Office (b)	Resident 1-Party (c)	Resident 2-Party (d)	Resident >2-Party (e)	Lifeline Customers (f)	Resident 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)	Ye	1998	Total Access Lines (n)
1	LINCOLN	DIGITAL	657			9		189	56	16	1	24	100.0%			943
2																
3	CANYON CREEK	DIGITAL	134					10			1	1	100.0%			146
4																
5																
6																
7																
8																
9																
10																
11																
12																
13																
14																
15																
16																
17																
18																
19																
20																
21																
22																
23																
24																
25																
26																
27																
28																
29																
30																
31	Total		791			9		199	56	16	2	25				1,089

## Central Office and Switch Information

Year:

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	LINCOLN	HOST	DIGITAL	NORTHER TELECOM	DMS-10	10,000	1,985
2							
3							
4							
5	CANYON CREEK	REMOTE	DIGITAL	NORTHER TELECOM	RSLM	1,296	1,986
6							
7							
8							
9							
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36							
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39							
40							
41							

## Construction Budget - Montana

1998

Line No.	Description (a)	1997 (b)
1	<b>Central Office Assets:</b>	
2		
3	SOFTWARE UPGRADES	50,000
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27	Total Switching and Central Office Projects over \$500,000	50,000
28	Miscellaneous Central Office Projects not over \$500,000	
29	<b>Total Central Office Budget (L.27+L.28)</b>	50,000
30	<b>Other Projects over \$500,000:</b>	
31		
32	BURIED PLANT ADDITONS	50,000
33	VEHICLES	40,000
34		
35		
36		
37		
38		
39		
40		
41	Total Other Projects over \$500,000	90,000
42	Miscellaneous projects not over \$500,000	
43	<b>Total Construction Budget (L.29+L.41+L.42)</b>	140,000

## Montana Employee Counts

1,998

Line No.	Category (a)	Beginning of Year (b)	End of Year (c)
1	GENERAL MANAGER	1	1
2	OFFICE MANAGER/ACCOUNTANT	1	1
3	COMBINATIONMAN	1	1
4	COMMERCIAL SECRETARY	1	1
5	COMMERCIAL CLERK	1	1
6	COMBINATION TECHNICIAN	1	1
7			
8			
9			
10			
11			
12			
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35			
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37			
38			
39			
40			
41			
42			
43	<b>Totals (Sum L.1 to L.42)</b>	6	6

## Compensation of Top 10 Montana Based Employees

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	ROBERT G. ORR GENERAL MANAGER VICE-PRESIDENT	60,370	993	1,700	63,063	77,233	-18.35%
2	KENNETH LUMPKIN OFFICE MANAGER SECRETARY/TREASURER	41,032	1,081	106	42,219	19,483	116.70%
3	SALLY J. BOGAERT COMMERCIAL	22,663	1,081		23,744	22,949	3.46%
4	MICHAEL L. KORMAN CENTRAL OFFICE TECH	32,719	1,081	82	33,882	41,785	-18.91%
5	AARON DANIEL COMBINATION TECH	33,078	1,081	15	34,174	35,913	-4.84%
6	BRENDA QUAY CLERK	19,654	1,081		20,735	20,738	-0.01%
7	MATT BARREY LABORER	2,432			2,432		
8							
9							
10							
11	<b>Totals (Sum L.1 to L.10)</b>	211,948	6,398	1,903	220,249	218,101	0.99%



Compensation of Top 5 Corporate Employees - SEC Information

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	SEE SCHEDULE 27						
2							
3							
4							
5							
6	Totals (Sum L.1 to L.5)						

## Montana Composite Statistics

1998

Line No.	Account No.	Description (a)	Amount (b)
1		<b>Plant (Intrastate Only) (000 Omitted)</b>	
2	2001	Plant in Service	4,023,856
3	2003 - 2004	Construction Work in Progress	
4	2005	Plant Acquisition Adjustments	
5	2002	Plant Held for Future Use	
6	1220	Materials & Supplies	23,819
7		(Less):	
8	3100 - 3400	Depreciation & Amortization Reserves	(2,033,950)
9	4360.2	Contributions in Aid of Construction	
10		NET BOOK COSTS	2,013,725
11		<b>Revenues &amp; Expenses (Intrastate Only) (000 Omitted)</b>	
12	5000 - 5300	Operating Revenues	906,546
13	6560	Depreciation & Amortization Expenses	219,498
14		Federal & State Income Taxes	116,311
15		Other Taxes	13,080
16		Other Operating Expenses	486,969
17		TOTAL Operating Expenses	835,858
18		Net Operating Income	70,688
19		Other Income	
20		Other Deductions	
21		NET INCOME	70,688
22		<b>Access Lines in Service (Intrastate Only)</b>	
23		Residential Access Lines	791
24		Business Access Lines	255
25		PBX Access Lines	
26		Other Access Lines	43
27		Total Number of Access Lines	1,089
28		<b>Average Number of Calls Per Access Line</b>	
29		Local Calls	
30		Toll Calls (Intra- or Interstate)	
31		Total Number of Calls Per Access Line (L.29 + L.30)	
32		<b>Other Statistics (Intrastate Only)</b>	
33		Average Residential Monthly Bill	
34		Gross Plant Investment per Access Line	5,087

## Depreciation - Montana Intrastate Regulated

1998

Line No.	Acct No. (a)	Description (b)	Composite Rate % (c)	Total Expense \$ (d)
1	2112	Motor Vehicles	15.8%	
2	2114	Special Purpose Vehicles		
3	2115	Garage Work Equipment		
4	2116	Other work Equipment	15.8%	
5	2121	Buildings	7.3%	
6	2122	Furniture	7.6%	
7	2123.1	Office Support Equipment	7.6%	
8	2123.2	Company Communications Equipment		
9	2124	General Purpose Computers		
10	2211	Analog Electronic Switching Equipment		
11	2212	Digital Electronic Switching Equipment	7.6%	
12	2215	Step By Step Switching Equipment		
13	2215	Crossbar Switching Equipment		
14	2220	Operator System		
15	2231	Radio Systems		
16	2232	Circuit DDS		
17	2232	Circuit Digital		
18	2232	Circuit Analog		
19	2351	Public Telephone Terminating Equipment	6.7%	
20	2362	Other Terminal Equipment		
21	2411	Poles	5.0%	
22	2421	Aerial Cable Metallic		
23	2421	Aerial Cable Nonmetallic		
24	2422	Underground Cable Metallic		
25	2422	Underground Cable Nonmetallic		
26	2423	Buried Cable Metallic	3.5%	
27	2423	Buried Cable Nonmetallic	3.5%	
28	2424	Submarine Cable Metallic		
29	2424	Submarine Cable Nonmetallic		
30	2426	Intrabuilding Network Cable Metallic		
31	2426	Intrabuilding Network Cable Nonmetallic		
32	2431	Aerial Wire	5.0%	
33	2441	Conduit Systems		
34				
35		<b>COMPOSITE TOTAL</b>		
36				
37	Have these rates been approved by the Commission?		XXXX	YES _____ No
38				
39	If yes: _____ Docket Number		_____ Order Number	
40				

## Montana Regulatory Capital Structure &amp; Costs

1998

Line No.	Description (a)	% Cap. Str. (b)	% Cost Rate (c)	Weighted Cost (d)
	<b><u>Commission Accepted - Most Recent</u></b>			
1	Docket Number _____			
2	Order Number _____			
3				
4	Common Equity			
5	Preferred Stock			
6	Long Term Debt			
7	Other			
8	Total			
9				
10	<b><u>Actual at Year End</u></b>			
11				
12	Common Equity	55.00%		
13	Preferred Stock			
14	Long Term Debt	29.00%		
15	Other	16.00%		
16	Total	100.00%		

## SCHEDULE 32

## Network Access - Charges and Revenues

Year:

Line No.	Description (a)	Access Charges Paid (b)	Access Revenues Received (c)
1	Montana - Total State		227,825
2			
3	Montana - Intrastate		
4			
5	Montana - Intrastate Regulated		227,825
6			
7			
8			
9			
10			
11			
12			
13			

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

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	NOT APPLICABLE					
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30	TOTAL					

Affiliate Transactions - Products & Services Provided By Utility

1998

Line No.	Affiliate Name (a)	Products & Services (b)	Method to Determine Price (c)	Charges to Affiliate to Affiliate (d)	% Total Affil. Expenses (e)	Revenues to MT Utility (f)
1	NOT APPLICABLE					
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30	TOTAL					

## Montana Intrastate Regulated Earned Rate of Return

1998

Line No.	Description Rate Base (a)	This Year (b)	Last Year (c)	Percent Change (d)
1				
2	2001 Plant in Service	4,023,856	3,737,140	7.67%
3	2002 Prop. Held for Future Telecommunications Use			
4	3100-3200 (Less) Accumulated Depreciation	(2,033,950)	(1,816,952)	-11.94%
5	<b>NET Plant in Service</b>	1,989,906	1,920,188	3.63%
6				
7	<u>Additions</u>			
8	1220 Materials & Supplies	23,819	24,112	-1.22%
9	1280 Prepayments	3,027	3,109	-2.64%
10	Other Additions			
11	<b>TOTAL Additions</b>	26,846	27,221	-1.38%
12				
13	<u>Deductions</u>			
14	4100 Current Deferred Operating Income Taxes			
15	4320 Unamortized Operating Investment Tax Credits	11,385	18,217	-37.50%
16	4340 Noncurrent Deferred Operating Income Taxes	170,213	150,301	13.25%
17	Customer Advances for Construction			
18	Other Deductions			
19	<b>TOTAL Deductions</b>	181,598	168,518	7.76%
20	<b>TOTAL Rate Base</b>	1,835,154	1,778,891	3.16%
21				
22	<b>Net Earnings</b>	137,879	469,310	-70.62%
23				
24	<b>Rate of Return on Average Rate Base</b>	7.513%	26.382%	-71.52%
25				
26	<b>Rate of Return on Average Equity</b>	7.701%	26.148%	-70.55%
27				
28	Major Normalizing Adjustments & Commission			
29	Ratemaking adjustments to Utility Operations			
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43	Adjusted Rate of Return on Average Rate Base			
44				
45	Adjusted Rate of Return on Average Equity			

**Other Taxes Paid**

Year:

Line No.	Description (a)	Last Year (b)	This Year (c)
1	Montana Telephone Company License Tax	2446	3608
2	Montana Public Service Commission Tax	627	1034
3	Montana Consumer Counsel Tax	255	330
4	911 Emergency Telephone Fee	4621	6342
5	Montana Telecommunications Access Service (TDD)	1225	1268
6	Montana Corporate License Tax	10	10
7	Personal Property Tax	51164	52163
8	Real Property Tax		
9			
10			
11			
12	<b>Total</b>	60348	64755

Company Name:

SCHEDULE 37

**Universal Service Funds Received**

Year:

Line No.	Description (a)	Last Year (b)	This Year (c)
13	Funds received from Montana Sources	16586	9968
14	Funds received from Federal Sources		
15			
16			
17			
18			
19			
20			
21			
22			
23			
24	<b>Total</b>	16586	9968