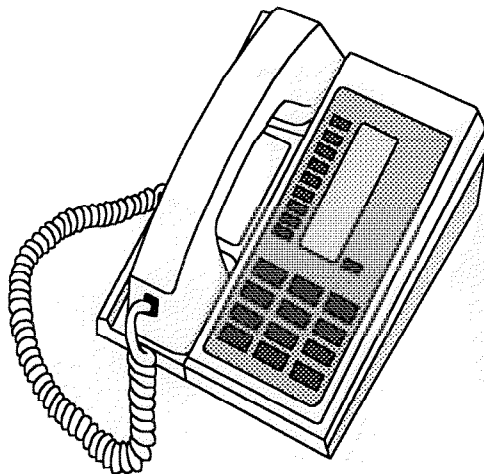


YEAR 1999

ANNUAL REPORT
OF
Valley Telecommunications

TELEPHONE UTILITY



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

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Valley Communications
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Telephone Annual Report

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Telephone Annual Report

Instructions

General

1. A Microsoft EXCEL 97 workbook of the annual report is being provided on computer disk for your convenience. The workbook contains the schedules of the annual report. Each schedule is on the worksheet named that schedule. For example, Schedule 1 is on the sheet titled "Schedule 1". By entering your company name in the cell named "Company" of the first worksheet, the spreadsheet will put your company name on all the worksheets in the workbook. The same is true for inputting the year of the report in the cell named "YEAR". You can "GOTO" the proper cell by using the F5 key and selecting the name of the cell.
2. The workbook contains input sections that are unprotected, and non-input sections that are protected. Cell protection can be disabled or enabled through "TOOLS – PROTECTION – UNPROTECT SHEET" on your toolbar. Formulas and checks are built into most of the templates.
3. Use of the disk is optional. The disk and the report cover shall be returned when the report is filed. There are macros built into the workbook to assist you with the report. An explanation of the macros is on the "Control" worksheet at the front of the workbook. The explanations start at cell A1.
4. All forms must be filled out in permanent ink and be legible. Note: Even if the computer disk is used, a printed version of the report shall be filed. The orientation and margins are set up on each individual worksheet and should print on one page. If you elect not to use the disk, please format your reports to fit on one 8.5" by 11" page with the left binding edge (top if landscaped) set at .85", the right edge (bottom if landscaped) set at .4", and the remaining two margins at .5". You may select specific schedules to print – See the worksheet "CONTROL".
5. Unless otherwise indicated, all information required in these schedules shall be from the accounts prescribed in 47 C.F.R. Part 32 and the definitions and instructions therein will apply to this report wherever applicable.
6. Information on financial schedules may be rounded to thousands of dollars for companies with over 5,000 access lines. Companies submitting schedules rounded to thousands should so indicate at the top of the schedule.
7. Where more space is needed or more than one schedule is needed additional schedules may be attached and should be included directly behind the original schedule to which it pertains and be labeled accordingly (for example, Schedule 1A).
8. The information required with respect to any statement shall be furnished as a minimum requirement to which shall be added such further information as is necessary to make the required schedules not misleading.

9. The following schedules should be filled out with information on a total company basis:

Schedules 1 - 4
Schedule 10
Schedules 13 - 17
Schedule 19
Schedule 20, Page 1 of 2
Schedules 33 and 34

All other schedules should be filled out with Montana specific data. Financial schedules should include all amounts originating in Montana or allocated to Montana from other jurisdictions.

10. All companies owned by another company shall attach a corporate structure chart of the holding company.
11. The following schedules are not required to be filled out or submitted by companies with less than 5,000 access lines:
- Schedule 6
Schedules 17 and 18
Schedule 21
12. Schedules that have no activity during the year or are not applicable to the respondent should be marked as not applicable and submitted with the report.
13. Companies with under 5,000 lines may use summary accounts and should leave lines for subaccounts blank. Summary accounts are noted with an asterisk and subaccounts that are not required are noted with a caret.
14. Companies with over 5,000 lines must complete schedules to all required subaccount detail.
15. FCC Form M sheets may not be substituted in lieu of completing annual report schedules.
16. Common sense must be used when filling out all schedules.

Specific Instructions

Schedules 3 through 9

1. **Schedules 3, 4, and 9** should include all notes to the financial statements required by the FCC or included in the financial statements issued as audited financial statements. These notes should be included in the report directly behind the schedules and should be labeled appropriately (Schedule 3A, etc.).
2. **Schedule 5** may be omitted for companies doing business only in Montana.
3. **Schedule 6** is not required for companies with under 5,000 lines.

4. **Schedule 7** must be completed by all companies. For companies under 5,000 lines, this schedule may be completed on a total state basis. Any such company completing the form on a total state basis shall indicate this fact clearly on the form.
5. **Schedule 8** - Companies with less than 5,000 lines are not required to fill out the intrastate portion. The regulated rate base must be separated from the deregulated rate base but this may be done on a total state basis. Any company so doing shall clearly indicate this on the form.
6. Only accounts designated on **Schedule 8** may be included in rate base. Only companies who have specifically been authorized in a Commission order to include cash working capital in rate base may fill out line 8 on Schedule 8. Cash working capital must be calculated using the methodology approved in the Commission order. The most recent Commission Order, and Docket, specifying cash working capital shall be noted on the schedule.
7. **Schedule 9** - Instructions to complete are similar to those used for the Statement of Cash Flows in the FCC Form M.

Schedule 10

1. For the purpose of this schedule, nonofficial companies shall include any company in which the respondent has an ownership interest which does not meet the definition of an affiliated company set out in 47 C.F.R. Section 32.9000. This schedule shall not include telecommunications accounts receivable from other customers.

Schedule 11

1. All amounts listed in Column f that represent individual items for which the higher of cost or market value was in excess of \$50,000 for companies with under 5,000 lines and in excess of \$100,000 for companies with over 5,000 lines must be fully explained in notes to this schedule. The explanation must include the plant description and location, the original cost, the net book cost, the market value, the value at which it was transferred or the price at which it was sold, and the party to which it was transferred or sold.

Schedule 12

1. Respondents shall list each item amounting individually to \$100,000 or more and report all others in the aggregate.
2. Amounts in Column f relating to individual items exceeding \$50,000 shall be fully explained.

Schedule 15

1. Line 1 must be completed by all companies for the most recent calendar year. The retention and price/earnings ratios shall be calculated on a year end basis. Enter the actual year end market price in the "Year Ended" row. If the computer disk is used, enter the year end market price in the "High" column.
2. Lines starting at 9 shall be completed for each of the twelve months of the report year for all companies with over 5,000 access lines. Earnings per share and dividends per share shall be reported on a quarterly basis and entries shall be made only to the months that end the respective quarters (for example, March, June, September, and December.)

Schedule 19

1. All companies are required to submit this form. Companies with more than one plan (for example, both a retirement plan and a deferred savings plan) shall complete a schedule for each plan.
2. Companies with defined benefit plans must complete the entire form using FASB 87 and 132 guidelines.
3. Interest rate percentages shall be listed to two decimal places.

Schedule 20

1. All changes to the employee benefit plans shall be explained in a narrative on lines 15 and 16. All cost containment measures implemented in the reporting year shall be explained and quantified in a narrative on lines 15 & 16. All assumptions used in quantifying cost containment results shall be disclosed.
2. The schedule shall be filled out using FASB 106 and 132 guidelines.

Schedule 21

1. Respondents shall disclose all payments made during the year where the aggregate payment to the recipient was \$25,000 or more. Payments must include fees, retainers, commissions, gifts, contributions, assessments, bonuses, subscriptions, allowances for expenses or any other form of payment for services or as a donation.

Schedule 23

1. Respondents shall provide an attached sheet detailing the type and corresponding number of access lines for all entries in Column L (Other).

Schedule 24

1. Column (b). For each wire center that has a configuration of "Remote", Column (b) shall also reflect the respective "Host".
2. Column (c). Examples of Types of Switches are: Digital, Step by Step, and Crossbar.

Schedule 25

1. This schedule must be completed by all companies for the year following the reporting year.

Schedule 26

1. Respondents shall either report construction technicians and splicers as separate categories or footnote the appropriate categories and indicate the number of (1) construction technicians; and (2) splicers.

Schedule 27

1. Include in column (d) ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.
2. The above compensation items shall be listed separately. Where more space is needed additional schedules may be attached and shall be included directly behind the original schedule to which it pertains.
3. If respondent is claiming protected status of salary information both a proprietary and non-proprietary copy of this schedule shall be filed. On the non-proprietary copy respondent shall indicate which columns respondent maintains are proprietary. A note stating that such information is being provided separately shall be included on the schedule. In no case shall either Column (a) - Name/Position, or Column (g) - Percent Increase Total Compensation, be considered proprietary. Respondent shall provide all requested information on the proprietary copy.

Schedule 28

1. Respondents shall provide all executive compensation information in conformance with that required by the Securities and Exchange Commission (SEC) (Regulation S-K Item 402, Executive Compensation).
2. Include in column (d) ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.
3. All items included in Column (d) - Other Compensation shall be listed separately. Where more space is needed additional schedules may be attached and shall be included directly behind the original schedule.
4. In addition, respondents shall attach a copy of the executive compensation information provided to the SEC.

Schedule 29

1. Information from this schedule is consolidated with information from other Utilities and reported to the National Association of Regulatory Utility Commissioners (NARUC). Your assistance in completing this schedule, even though information may be located in other areas of the annual report, expedites reporting to the NARUC and is appreciated.

Schedules 33 and 34

1. Respondents shall report all transactions with affiliated companies.
2. Column (c). Respondents shall indicate in column (c) the method used to determine the price. Respondents shall indicate if a contract is in place between the Affiliate and the Utility. If a contract is in place, respondents shall indicate the year the contract was initiated, the term of the contract and the method used to determine the contract price.
3. Column (c). If the method used to determine the price is different than the previous year, respondents shall provide an explanation, including the reason for the change.

Schedule 35

1. Respondents shall provide an attached sheet detailing the account and the amount for all entries made to Lines 9 and 16.
2. Only companies who have specifically been authorized in a Commission Order to include cash working capital in rate base may include cash working capital in lines 9 or 16. Cash working capital must be calculated using the methodology approved in the Commission Order. The Commission Order specifying cash working capital shall be noted on the attached sheet.
3. Respondents shall indicate, for each adjustment on lines 30 through 42, if the amount is updated or if it is from the last rate case. All adjustments shall be calculated using Commission methodology.

Schedule 36

1. Respondents shall list the amount of tax accrued or paid for the fiscal year attributable to Montana sources for each of the listed taxes

Schedule 37

1. Respondents shall list the amount of Universal Service Funds received from Montana and from the federal government.

General Information

Year: 1999

- | | | |
|-------------------------|--|---------------------------------|
| 1. | Legal Name of Respondent: | Valley Telecommunications, Inc. |
| 2. | Name Under Which Respondent Does Business: | Valley Telecommunications, Inc. |
| 3. | Date of Incorporation: | May 21, 1993 |
| 4. | Address to send Correspondence Concerning Report: | PO Box 600, Scobey MT 59263 |
| 5. | Person Responsible for This Report: | Ross Fladager |
| 5a. | Telephone Number: | (406) 783-5625 |
| 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:
Nemont Telephone Cooperative, Inc.
PO Box 600, Scobey MT 59263 | |
| 1b. | Means by which control was held: Stock Ownership | |
| 1c. | Percent Ownership: 100% | |

Board of Directors		
Line No.	Name of Director and Address (City, State) (a)	Fees Paid During Year (b)
1	Robert H. Heikens, HC 81 Box 275, Nashua MT 59248	550
2	Orvis Nelson, 534 Biglake Rd., Homestead MT 59242	550
3	Dayton Cherney, #90 Cherney Rd., Nashua MT 59248	350
4	Charle McVee, 182 McVee Rd., Glasgow MT 59230	550
5	Roy Neufeld, HC 67 Box 138, Larslan MT 59244	450
6	James A. Shipstead, Box 538, Scobey MT 59263	550
7	Pearl Hopkins, Box 803, Poplar MT 59255	500
8	Colette Custer, 115 Broadmore St., Plentywood MT 59254	
9		
10		
11		
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16		
17		
18	Chairman of the Board:	
19	Ben Boreson, Box 224, Opheim MT 59250	550
20		

Officers

Year: 1999

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		Ben Boreson, Opheim MT 59250
2	Vice President		Robert Heikens, Nashua MT 59248
3	Secretary/Treasurer		Orvis Nelson, Homestead MT 59242
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Total Company Balance Sheet

Year: 1999

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		CURRENT ASSETS:		
2	1120	Cash and Equivalents	1,440,444	1,071,682
3	1180	Telecommunications Accounts Receivable - Net	288,563	271,907
4	1190	Other Accounts Receivable - Net	967,075	811,365
5	1200	Notes Receivable - Net		
6	1210	Interest and Dividends Receivable	7,382	3,337
7	1220	Materials and Supplies		
8	* 1280	Prepayments	59,353	10,167
9	^ 1290	Prepaid Rents		
10	^ 1300	Prepaid Taxes		
11	^ 1310	Prepaid Insurance		
12	^ 1320	Prepaid Directory Expenses		
13	^ 1330	Other Prepayments	59,353	10,167
14	1350	Other Current Assets		
15		Total Current Assets	2,762,817	2,168,458
16		NONCURRENT ASSETS:		
17	1401	Investments in Affiliated Companies		
18	1402	Investments in Nonaffiliated Companies	881,125	901,081
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		
25	1500	Other Jurisdictional Assets - Net		
26		Total Noncurrent Assets	881,125	901,081
27		PROPERTY, PLANT, & EQUIPMENT:		
28	2001	Telecommunications Plant in Service	16,376,512	15,541,875
29	2002	Property Held for Future Telecommunications Use		
30	2003	Plant Under Construction - Short Term	7,116	118,747
31	2004	Plant Under Construction - Long Term		
32	2005	Telecommunications Plant Adjustment	5,233,454	5,233,454
33	2006	Nonoperating Plant		
34	2007	Goodwill		
35	3100	Accumulated Depreciation	(2,732,130)	(1,954,276)
36	3200	Accumulated Depreciation - Held for Future Use		
37	3300	Accumulated Depreciation - Nonoperating		
38	3400	Accumulated Amortization	(1,918,934)	(1,570,036)
39		Net Property, Plant, & Equipment	16,966,018	17,369,764
40		TOTAL ASSETS	20,609,960	20,439,303

^ Subaccount of account marked with a *.

Total Company Balance Sheet

Year: 1999

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
41		CURRENT LIABILITIES:		
42	4010	Accounts Payable	916,165	966,792
43	4020	Notes Payable		
44	4030	Advance Billing and Payments		
45	4040	Customer Deposits	63,558	54,674
46	4050	Current Maturities - Long Term Debt	112,366	122,007
47	4060	Current Maturities - Capital Leases		
48	4070	Income Taxes - Accrued		68,812
49	4080	Other Taxes - Accrued	411,875	352,433
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	139,151	126,402
54		Total Current Liabilities	1,643,115	1,691,120
55		LONG-TERM DEBT:		
56	4210	Funded Debt	10,016,306	10,875,812
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		
63		Total Long-Term Debt	10,016,306	10,875,812
64		OTHER LIABILITIES AND DEFERRED CREDITS:		
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	1,211,028	1,030,486
69	4350	Net Noncurrent Deferred Nonoper. Income Taxes		
70	4360	Other Deferred Credits		
71	4370	Other Jurisdictional Liab. and Def. Credits		
72		Total Other Liabilities and Deferred Credits	1,211,028	1,030,486
73		STOCKHOLDERS' EQUITY:		
74	4510	Capital Stock	3,500,000	3,500,000
75	4520	Additional Paid-In Capital		
76	4530	Treasury Stock		
77	4540	Other Capital		
78	4550	Retained Earnings	4,239,511	3,341,884
79		Total Stockholders' Equity	7,739,511	6,841,884
80		TOTAL LIAB. AND STOCKHOLDERS' EQUITY	20,609,960	20,439,302

Total Company Income Statement

Year: 1999

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	2,038,442	1,955,606
3	5080	Network Access Revenues	5,567,295	5,391,599
4	* 5100	Long Distance Message Revenue	(3,128)	287,841
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue	(3,128)	287,841
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	686,939	598,627
10	^ 5230	Directory Revenue	46,471	43,086
11	^ 5240	Rent Revenue	428,301	424,920
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	6,054	4,484
14	^ 5270	Carrier Billing and Collection Revenue	206,113	126,137
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	11,904	11,762
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	8,277,644	8,221,911
18		OPERATING EXPENSES:		
19	6110	Network Support Expense	24,332	14,067
20	6120	General Support Expense	459,465	410,752
21	6210	Central Office Switching Expense	375,492	443,514
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	403,319	414,370
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense	1,005,053	933,202
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense	200,517	167,738
30	6540	Access Expense	33,866	41,775
31	6560	Depreciation and Amortization Expense	1,426,663	1,429,273
32	6610	Marketing	41,052	15,369
33	6620	Services	590,182	528,530
34	6710	Executive and Planning	198,008	128,704
35	6720	General and Administrative	815,935	743,262
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)	5,573,884	5,270,556
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	1,163,912	1,198,650
40		Net Operating Income (L.17-L.37+L.38-L.39)	1,539,848	1,752,705
41	7300	Nonoperating Income and Expense	174,078	189,660
42	7400	Nonoperating Taxes	180,542	
43	7500	Interest and Related Items	703,836	727,311
44	7600	Extraordinary Items	(67,586)	203,945
45	7910	Effects of Juris. Ratemaking Diff. - Net		
46	7990	Nonregulated Net Income	(492)	(58)
47		NET INCOME (L.40+L.41-L.42-L.43-L.44+L.45-L.46)	897,626	1,011,167

^ Subaccount of the account marked with a *.

Montana Total State Income Statement

Year: 1999

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	NOT APPLICABLE ALL BUSINESS DONE IN MT	
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		Total Revenues (L.2+L.3+L.4+L.9-L.16)	#VALUE!	
18		OPERATING EXPENSES:		
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		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)		
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes		
40		Net Operating Income (L.17-L.37+L.38-L.39)	#VALUE!	

^ Subaccount of the account marked with a *.

Montana Intrastate Income Statement

Year: 1999

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	2,038,442	1,955,606
3	5080	Network Access Revenues	1,790,667	1,471,812
4	* 5100	Long Distance Message Revenue	(3,127)	287,841
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue	(3,127)	287,841
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	613,797	598,627
10	^ 5230	Directory Revenue	46,471	43,086
11	^ 5240	Rent Revenue	428,301	424,920
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	6,054	4,484
14	^ 5270	Carrier Billing and Collection Revenue	132,971	126,137
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	11,904	11,762
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	4,427,875	4,302,124
18		OPERATING EXPENSES:		
19	6110	Network Support Expense	24,332	14,067
20	6120	General Support Expense	459,465	410,752
21	6210	Central Office Switching Expense	375,492	443,514
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	403,319	414,370
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense	1,005,053	933,202
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense	200,517	167,738
30	6540	Access Expense	33,866	41,775
31	6560	Depreciation and Amortization Expense	1,426,663	1,429,273
32	6610	Marketing	41,052	15,369
33	6620	Services	590,182	528,530
34	6710	Executive and Planning	198,008	128,704
35	6720	General and Administrative	815,935	743,262
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)	5,573,884	5,270,556
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	900,302	1,198,650
40		Net Operating Income (L.17-L.37+L.38-L.39)	(2,046,311)	(2,167,082)

^ Subaccount of the account marked with a *.

Montana Intrastate Regulated Income Statement

Year: 1999

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	2,038,442	1,955,606
3	5080	Network Access Revenues	1,790,667	1,471,812
4	* 5100	Long Distance Message Revenue	(3,127)	287,841
5	^ 5110	Unidirectional Long Distance Revenue		
6	^ 5120	Long Distance Private Network Revenue		
7	^ 5160	Other Long Distance Revenue	(3,127)	287,841
8	^ 5169	Other Long Distance Revenue Settlements		
9	* 5200	Miscellaneous Revenue	613,797	598,627
10	^ 5230	Directory Revenue	46,471	43,086
11	^ 5240	Rent Revenue	428,301	424,920
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	6,054	4,484
14	^ 5270	Carrier Billing and Collection Revenue	132,971	126,137
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	11,904	11,762
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	4,427,875	4,302,124
18		OPERATING EXPENSES:		
19	6110	Network Support Expense	24,332	14,067
20	6120	General Support Expense	459,465	410,752
21	6210	Central Office Switching Expense	375,492	443,514
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	403,319	414,370
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense	1,005,053	933,202
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense	200,517	167,738
30	6540	Access Expense	33,866	41,775
31	6560	Depreciation and Amortization Expense	1,426,663	1,429,273
32	6610	Marketing	41,052	15,369
33	6620	Services	590,182	528,530
34	6710	Executive and Planning	198,008	128,704
35	6720	General and Administrative	815,935	743,262
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)	5,573,884	5,270,556
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	900,302	1,198,650
40		Net Operating Income (L.17-L.37+L.38-L.39)	(2,046,311)	(2,167,082)

^ Subaccount of the account marked with a *.

Average Rate Base - Total State

Year: 1999

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	16376512	15541875
2	3100	Accumulated Depreciation	2732131	1954276
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	1211028	1030486
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)	12433353	12557113

Average Rate Base - Intrastate

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	16376512	15541875
2	3100	Accumulated Depreciation	2732131	1954276
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	1211028	1030486
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)	12433353	12557113

Average Rate Base - Regulated Intrastate

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	16376512	15541875
2	3100	Accumulated Depreciation	2732131	1954276
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	1211028	1030486
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)	12433353	12557113

Statement of Cash Flows

Year: 1999

Line No.	Item Description (a)	Amount (b)	Amount (c)
1	Increase/(decrease) in Cash & Cash Equivalents		
2	Cash Flows from Operating Activities:		
3	Net Income		
4	Reconciliation Adjustments:		
5	Depreciation & Amortization	AVAILABLE IN 1999 AUDIT RPRT	
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	Net Cash Provided by/(Used in) Operating Activities		
18	Cash Inflows/Outflows From Investing Activities:		
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	Net Cash Provided by/(Used in) Investing Activities		
26	Cash Flows from Financing Activities:		
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	Net Cash Provided by Financing Activities		
38	Effect of Exchange Rate Changes on Cash		
39	Net Increase/(Decrease) in Cash & Cash Equivalents		
40	Cash & Cash Equivalents at Beginning of Period		
41	Cash & Cash Equivalents at End of Period		

Company Name: Valley Telecommunications, Inc.

SCHEDULE 10

Receivables and Investments-Affiliated & Nonaffiliated Companies

Year: 1999

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	NRUCFC	858264							7382		
2	AT&T				231586						
3	US WEST				28793						
4	PROJECT TELEPHONE				4404						
5	NEMONT COMM INC				31097						
6	NCRPC				10307						
7	NECA				228431						
8	SAGEBRUSH CELL				6954						
9	MISC LD CARRIERS				352446						
10	NEMONT TELEPHONE				73058						
11	CAPITAL CREDITS										237285
12	RTFC										543791
13	NCDC										100050
14											
15											
16											
17											
18											
19											
20											
21											
22											
23											
24											
25											
26											
27											
28											
29											
30	Totals	858264			967076				7382		881126

Net Plant in Service - Detail

Year:1999

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	2052209	279371	49292	6662	2288950		2288950
2	^ 2111	Land	76432	10000			86432		86432
3	^ 2112	Motor Vehicles	309063	41406	31120	4081	323430	275760	47670
4	^ 2113	Aircraft							
5	^ 2114	Special Purpose Vehicles	2820				2820	2820	
6	^ 2115	Garage Work Equipment							
7	^ 2116	Other Work Equipment	98614	45221			143835	51258	92577
8	^ 2121	Buildings	1473309	163581		4673	1641563	171389	1470174
9	^ 2122	Furniture	250		250				
10	^ 2123	Office Equipment	91721	19163	17922	-2092	90870		90870
11	^ 2124	General Purpose Computers							
12	2211	Analog Electronic Switching	465123				465123	465123	
13	2212	Digital Electronic Switching	3914452	45464	87650	-47199	3825067	786351	3038716
14	2215	Electro-Mechanical Switching							
15	2220	Operator Systems							
16	2231	Radio Systems							
17	2232	Circuit Equipment	1120025	677246	23948		1773323	225654	1547669
18	* 2310	Information Orig & Term Equip							
19	^ 2311	Station Apparatus							
20	^ 2321	Customer Premises Wiring							
21	^ 2341	Large Private Branch Exchanges							
22	^ 2351	Public Telephone Term. Equip.							
23	^ 2362	Other Terminal Equipment							
24	2411	Poles	168912	16647	2576		182983	61073	121910
25	* 2420	Cable and Wire Facilities	5344964	195440	177112		5363292		5363292
26	^ 2421	Aerial Cable	1088055	56603	91512		1053146	28041	1025105
27	^ 2422	Underground Cable	999485	87666	70995		1016156	93795	922361
28	^ 2423	Buried Cable	3176403	51171	14605		3212969	373503	2839466
29	^ 2424	Submarine Cable							
30	^ 2425	Deep Sea Cable							
31	^ 2426	Intrabuilding Network Cable	81021				81021	10722	70299
32	2431	Aerial Wire	3586				3586	1467	2119
33	2441	Conduit Systems	2472604	1586			2474190	185175	2289015
34		Totals	15541875	1215754	340578	-40537	16376514	2732131	13644383

^ Subaccount of the account marked with a *.

Company Name: Valley Telecommunications, Inc.

SCHEDULE 12

Analysis of Plant Held for Future Use

Year:1999

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	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	Totals (Sum L.1 to L.29)						

Company Name: Valley Telecommunications, Inc.

SCHEDULE 13

Average Cost of Long Term Debt

Year: 1999

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 Sheet (h)	Yield to Maturity (i)	Annual Net Cost (j)	Amortization of Premium or Discount (k)	Total Cost (%) (l)
1	RTFC - ACQUISITION	Apr-94	Apr-09	12572871				8872231				
2	RTFC - CONSTRUCT	Aug-94	Aug-09	1349000				1144074				
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			13921871				10016305				

Company Name: Valley Telecommunications, Inc.

SCHEDULE 14

Year: 1999

Cost of Preferred Stock

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	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	Totals (Sum L.1 to L.29)											

Analysis of Common Stock

Year: 1999

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:	350	10000	2565		100.00%			3.90%
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

Year: 1999

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							
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)						

Total Company Expense Matrix

Line No.	Acct. No.	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
1	* 6110	Network Support Expense	5301	2137		65218	-48325	24331
2	^ 6112	Motor Vehicle Expense	5078	1977		42563	-46475	3143
3	^ 6113	Aircraft Expense						
4	^ 6114	Special Purpose Vehicles Expense				33	-33	
5	^ 6115	Garage Work Equipment Expense						
6	^ 6116	Other Work Equipment Expense	223	160		22622	-1817	21188
7	* 6120	General Support Expense	42390	22450	333260	61366		459466
8	^ 6121	Land and Building Expense	20801	10689	262331	39808		333629
9	^ 6122	Furniture and Artworks Expense				7028		7028
10	^ 6123	Office Equipment Expense				12562		12562
11	^ 6124	General Purpose Computers Expense	21589	11761	70929	1968		106247
12	* 6210	Central Office Switching Expense	134965	88924		151603		375492
13	^ 6211	Analog Electronic Expense						
14	^ 6212	Digital Electronic Expense						
15	^ 6215	Electro-Mechanical Expense	134965	88924		151603		375492
16	^ 6220	Operator Systems Expense						
17	* 6230	Central Office Transmission Expense	32336	21687	327312	21980		403315
18	^ 6231	Radio Systems Expense	197	138		5		340
19	^ 6232	Circuit Equipment Expense	32139	21549	327312	21975		402975
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	247412	162342	468723	126575		1005052
26	^ 6411	Poles Expense			17307	2893		20200
27	^ 6421	Aerial Cable Expense	80230	54038		56071		190339
28	^ 6422	Underground Cable Expense				7428		7428
29	^ 6423	Buried Cable Expense	167147	108281	451416	60182		787026
30	^ 6424	Submarine Cable Expense						
31	^ 6425	Deep Sea Cable Expense						
32	^ 6426	Intrabuilding Network Cable Expense						
33	^ 6431	Aerial Wire Expense						
34		Subtotals	462,369	297,517	1,129,295	426,741	(48,325)	2267597

^ Subaccount of the account marked with a *.

Company Name: Valley Telecommunications, Inc.

SCHEDULE 17

Page 2 of 2

Year: 1999**Total Company 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	^	Conduit Systems Expense	35	23		1		59
36		Other Property Expenses	19088	12326		11725	-43139	
37	*	Network Operations Expense	86581	57638		73397	-17100	200516
38	^	Power Expense				37279		37279
39	^	Network Administration Expense				1172		1172
40	^	Testing Expense	8976	6821		189		15986
41	^	Plant Operations Expense	73991	48797		26646	-15547	133887
42	^	Engineering Expense	3614	2020		8111	-1553	12192
43		Access Expense				33866		33866
44		Depreciation - Telecomm. Plant in Service				1077766		1077766
45		Depreciation-Prop. for Future Telecom. Use						
46		Amortization Expense - Tangible						
47		Amortization Expense - Intangible						
48		Amortization - Other				348897		348897
49	*	Marketing	12697	8107		20247		41051
50	^	Product Management						
51	^	Sales				5063		5063
52	^	Product Advertising	12697	8107		15184		35988
53		Call Completion Services				3951		3951
54		Number Services	5497	4200		30217		39914
55		Customer Services	121036	90575		334706		546317
56		Executive	75375	34593		88040		198008
57		Planning						
58		Accounting and Finance	86745	56344		88272		231361
59		External Relations	50062	30263		102001		182326
60		Human Relations	23758	18294		25036		67088
61		Information Management						
62		Legal				55422		55422
63		Procurement	2066	1013		10		3089
64		Research and Development						
65		Other General and Administrative				207954		276647
66		Provision for Uncollectible Notes Receivable						
67		Totals	985,801	639,094	1,129,295	2,928,249	(108,564)	5573875

^ Subaccount of the account marked with a *.

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	5301	2137		65218	-48325	24331
2	^	6112 Motor Vehicle Expense	5078	1977		42563	-46475	3143
3	^	6113 Aircraft Expense						
4	^	6114 Special Purpose Vehicles Expense				33	-33	
5	^	6115 Garage Work Equipment Expense						
6	^	6116 Other Work Equipment Expense	223	160		22622	-1817	21188
7	*	6120 General Support Expense	42390	22450	333260	61366		459466
8	^	6121 Land and Building Expense	20801	10689	262331	39808		333629
9	^	6122 Furniture and Artworks Expense				7028		7028
10	^	6123 Office Equipment Expense				12562		12562
11	^	6124 General Purpose Computers Expense	21589	11761	70929	1968		106247
12	*	6210 Central Office Switching Expense	134965	88924		151603		375492
13	^	6211 Analog Electronic Expense						
14	^	6212 Digital Electronic Expense	134965	88924		151603		375492
15	^	6215 Electro-Mechanical Expense						
16		6220 Operator Systems Expense						
17	*	6230 Central Office Transmission Expense	32336	21687	327312	21980		403315
18	^	6231 Radio Systems Expense	197	138		5		340
19	^	6232 Circuit Equipment Expense	32139	21549	327312	21975		402975
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	247412	162342	468723	126575		1005052
26	^	6411 Poles Expense				2893		20200
27	^	6421 Aerial Cable Expense	80230	54038	17307	56071		190339
28	^	6422 Underground Cable Expense				7428		7428
29	^	6423 Buried Cable Expense				60182		
30	^	6424 Submarine Cable Expense	167147	108281	451416			787026
31	^	6425 Deep Sea Cable Expense						
32	^	6426 Intrabuilding Network Cable Expense						
33	^	6431 Aerial Wire Expense						
34		Subtotals	462,369	297,517	1,129,295	426,741	(48,325)	2267597

^ Subaccount of the account marked with a *.

Company Name: Valley Telecommunications, Inc.

SCHEDULE 18

Page 2 of 2

Year: 1999**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	^	Conduit Systems Expense	35	23		1		59
36		Other Property Expenses	19088	12326		11725	-43139	
37	*	Network Operations Expense	86581	57638		73397	-17100	200516
38	^	Power Expense				37279		37279
39	^	Network Administration Expense				1172		1172
40	^	Testing Expense	8976	6821		189		15986
41	^	Plant Operations Expense	73991	48797		26646	-15547	133887
42	^	Engineering Expense	3614	2020		8111	-1553	12192
43		Access Expense				33866		33866
44		Depreciation - Telecomm. Plant in Service				1077766		1077766
45		Depreciation-Prop. for Future Telecom. Use						
46		Amortization Expense - Tangible						
47		Amortization Expense - Intangible						
48		Amortization - Other						
49	*	Marketing	12697	8107		348897		348897
50	^	Product Management				20247		41051
51	^	Sales				5063		5063
52	^	Product Advertising	12697	8107		15184		35988
53		Call Completion Services				3951		3951
54		Number Services	5497	4200		30217		39914
55		Customer Services	121036	90575		334706		546317
56		Executive	75375	34593		88040		198008
57		Planning						
58		Accounting and Finance	86745	56344		88272		231361
59		External Relations	50062	30263		102001		182326
60		Human Relations	23758	18294		25036		67088
61		Information Management						
62		Legal				55422		55422
63		Procurement	2066	1013		10		3089
64		Research and Development						
65		Other General and Administrative	40492	28201		207954		276647
66		Provision for Uncollectible Notes Receivable						
67		Totals	985,801	639,094	1,129,295	2,928,249	(108,564)	5573875

^ Subaccount of the account marked with a *.

Pension Costs

Year: 1999

1	Plan Name - NTCA Savings Plan			
2	Defined Benefit Plan? _____		Defined Contribution Plan? <u> X </u>	
3	Actuarial Cost Method? <u> 12% of W-2 Wages </u>		IRS Code: _____	
4	Annual Contribution by Employer: _____		Is the Plan Over Funded? <u> NO </u>	
5				
	Item	Current Year	Last Year	% Change
6	Change in Benefit Obligation			
7	Benefit obligation at beginning of year			
8	Service cost			
9	Interest Cost			
10	Plan participants' contributions			
11	Amendments			
12	Actuarial Gain			
13	Acquisition			
14	Benefits paid			
15	Benefit obligation at end of year			
16	Change in Plan Assets			
17	Fair value of plan assets at beginning of year	112970		-100.00%
18	Actual return on plan assets			
19	Acquisition			
20	Employer contribution	58142	61101	5.09%
21	Plan participants' contributions	49812	51869	4.13%
22	Benefits paid			
23	Fair value of plan assets at end of year	220924	112970	-48.86%
24	Funded Status	220924	112970	-48.86%
25	Unrecognized net actuarial loss			
26	Unrecognized prior service cost			
27	Prepaid (accrued) benefit cost	220924	112970	-48.86%
28				
29	Weighted-average Assumptions as of Year End			
30	Discount rate			
31	Expected return on plan assets			
32	Rate of compensation increase			
33				
34	Components of Net Periodic Benefit Costs			
35	Service cost			
36	Interest cost			
37	Expected return on plan assets			
38	Amortization of prior service cost			
39	Recognized net actuarial loss			
40	Net periodic benefit cost			
41				
42	Montana Intrastate Costs:			
43	Pension Costs			
44	Pension Costs Capitalized			
45	Accumulated Pension Asset (Liability) at Year End			
46	Number of Company Employees:			
47	Covered by the Plan	10	10	
48	Not Covered by the Plan	3	3	
49	Active	10	10	
50	Retired			
51	Deferred Vested Terminated			

Other Post Employment Benefits (OPEBS)

Item	Current Year	Last Year	% Change
1 Regulatory Treatment:			
2 Commission authorized - most recent			
3 Docket number: _____			
4 Order number: _____			
5 Amount recovered through rates			
6 Weighted-average Assumptions as of Year End			
7 Discount rate	NOT APPLICABLE		#VALUE!
8 Expected return on plan assets			
9 Medical Cost Inflation Rate			
10 Actuarial Cost Method			
11 Rate of compensation increase			
12 List each method used to fund OPEBs (ie: VEBA, 401(h)) and if tax advantaged:			
13			
14			
15 Describe any Changes to the Benefit Plan:			
16			
17 TOTAL COMPANY			
18 Change in Benefit Obligation			
19 Benefit obligation at beginning of year			
20 Service cost			
21 Interest Cost			
22 Plan participants' contributions			
23 Amendments			
24 Actuarial Gain			
25 Acquisition			
26 Benefits paid			
27 Benefit obligation at end of year			
28 Change in Plan Assets			
29 Fair value of plan assets at beginning of year			
30 Actual return on plan assets			
31 Acquisition			
32 Employer contribution			
33 Plan participants' contributions			
34 Benefits paid			
35 Fair value of plan assets at end of year			
36 Funded Status			
37 Unrecognized net actuarial loss			
38 Unrecognized prior service cost			
39 Prepaid (accrued) benefit cost			
40 Components of Net Periodic Benefit Costs			
41 Service cost			
42 Interest cost			
43 Expected return on plan assets			
44 Amortization of prior service cost			
45 Recognized net actuarial loss			
46 Net periodic benefit cost			
47 Accumulated Post Retirement Benefit Obligation			
48 Amount Funded through VEBA			
49 Amount Funded through 401(h)			
50 Amount Funded through Other _____			
51 TOTAL			
52 Amount that was tax deductible - VEBA			
53 Amount that was tax deductible - 401(h)			
54 Amount that was tax deductible - Other _____			
55 TOTAL			

	Item	Current Year	Last Year	% Change
1	Number of Company Employees:			
2	Covered by the Plan			
3	Not Covered by the Plan			
4	Active			
5	Retired			
6	Spouses/Dependants covered by the Plan			
7	Montana			
8	Change in Benefit Obligation			
9	Benefit obligation at beginning of year			
10	Service cost			
11	Interest Cost			
12	Plan participants' contributions			
13	Amendments			
14	Actuarial Gain			
15	Acquisition			
16	Benefits paid			
17	Benefit obligation at end of year			
18	Change in Plan Assets			
19	Fair value of plan assets at beginning of year			
20	Actual return on plan assets			
21	Acquisition			
22	Employer contribution			
23	Plan participants' contributions			
24	Benefits paid			
25	Fair value of plan assets at end of year			
26	Funded Status			
27	Unrecognized net actuarial loss			
28	Unrecognized prior service cost			
29	Prepaid (accrued) benefit cost			
30	Components of Net Periodic Benefit Cccosts			
31	Service cost			
32	Interest cost			
33	Expected return on plan assets			
34	Amortization of prior service cost			
35	Recognized net actuarial loss			
36	Net periodic benefit cost			
37	Accumulated Post Retirement Benefit Obligation			
38	Amount Funded through VEBA			
39	Amount Funded through 401(h)			
40	Amount Funded through other _____			
41	TOTAL			
42	Amount that was tax deductible - VEBA			
43	Amount that was tax deductible - 401(h)			
44	Amount that was tax deductible - Other			
45	TOTAL			
46	Montana Intrastate Costs:			
47	Pension Costs			
48	Pension Costs Capitalized			
49	Accumulated Pension Asset (Liability) at Year End			
50	Number of Montana Employees:			
51	Covered by the Plan			
52	Not Covered by the Plan			
53	Active			
54	Retired			
55	Spouses/Dependants covered by the Plan			

Payments for Services to Persons Other Than Employees

Line No.	Name of Recipient (a)	Nature of Service (b)	Total Company Cost (c)	Total State Cost (d)	Intrastate Cost (e)
1	DORSEY & WHITNEY, LLP	LEGAL SERVICES	30268	30268	30268
2	HEBERLY & ASSOCIATES	ENGINEERING SERVICES	92525	92525	92525
3	MONT. IND. TELE. SERVICES	LEGAL SERVICES	39254	39254	39254
4	NCDC	DATA SERVICES	273623	273623	273623
5					
6					
7					
8					
9					
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12					
13					
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45					
46					
47					
48					
49	Total				

Subscriber Line Usage Data

Year: 1999

Line No.	Description (a)	This Year (b)	% of Total (c)	Last Year (d)	% of Total (e)
1	Toll Usage:				
2	Interstate, InterLATA	23680769	54.09%	22536979	59.36%
3	Interstate, IntraLATA	10361	0.02%	10319	0.03%
4	Total Interstate Usage	23691130	54.12%	22547298	59.39%
5	Intrastate, InterLATA	9046866	20.67%	9127906	24.04%
6	Intrastate, IntraLATA	11040210	25.22%	6290228	16.57%
7	Total Intrastate Usage	20087076	45.88%	15418134	40.61%
8	Total Toll Usage	43778206	100.00%	37965432	100.00%
9	Centrex				
10	Local				
11	Total Minutes	43778206	100.00%	37965432	100.00%

Central Office and Access Line Statistics

Year: 1999

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	GLASGOW CDO		1896			85		921				31		2848
2	WOLF POINT CDO		1421			118		632				18		2071
3	PLENTYWOOD CDO		1006			38		396				11		1413
4	POPLAR CDO		764			75		489				11		1264
5														
6														
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31														
32														
33	Total		5087			316		2438				71		7596

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

Central Office and Switch Information

Year: 1999

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	GLASGOW	HOST	DIGITAL	NORTEL	DMS-10	2,890	1995
2	WOLF POINT	HOST	DIGITAL	NORTEL	DMS-10	2,041	1995
3	PLENTYWOOD	HOST	DIGITAL	NORTEL	DMS-10	1,456	1994
4	POPLAR	HOST	DIGITAL	NORTEL	DMS-10	1,312	1995
5	WOLF POINT	REMOTE	DIGITAL	NORTEL	RSC-S		1997
6							
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NOTE: Additional blank schedules are being provided for your convenience.

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Construction Budget - Montana

Year: 2000

Line No.	Description (a)	2000 (b)
1	Central Office Assets:	
2		
3	NONE	
4		
5		
6		
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8		
9		
10		
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24		
25		
26		
27	Total Switching and Central Office Projects over \$500,000	
28	Miscellaneous Central Office Projects not over \$500,000	125000
29	Total Central Office Budget (Total of Line 27 & Line 28)	125000
30	Other Projects over \$500,000:	
31	NONE	
32		
33		
34		
35		
36		
37		
38		
39		
40		
41	Total Other Projects over \$500,000	
42	Miscellaneous projects not over \$500,000	125000
43	Total Construction Budget (Total of Lines 29, 41 & 42)	250000

Montana Employee Counts

Year: 1999

Line No.	Category (a)	Beginning of Year (b)	End of Year (c)
1	CENTRAL OFFICE TECHNICIANS	3	2
2	COMBINATION SERVICEMEN	6	6
3	SPECIAL SERVICES	1	2
4	CUSTODIAL (PART TIME)	3	3
5			
6			
7			
8			
9			
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42			
43	Totals (Sum of Lines 1 through 42)	13	13

Compensation of Top 10 Montana Based Employees

Year: 1999

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	Manager/CEO	143000		6402 12004 17050	178456	162232	10.00%
2	Operations Manager	81900		6006 3583	91489	78000	17.29%
3	COE/Network Supervisor	53600		2144 4020	59764	57193	4.50%
4	Office Manager	72000		2880 5400	80280	76377	5.11%
5	Cellular Operation Mgr.	66675		2885 5409 5450	80419	71866	11.90%
6	District Supervisor	66641		2727 5113 1538	76019	73388	3.59%
7	Public Affairs Mgr.	63860		2629 4929 1858	73276	71553	2.41%
8	Plant Manager	64375		2575 4828	71778	68613	4.61%
9	Human Rersource Mgr.	53850		2270 4256 2900	63276	61252	3.30%
10	Safety/Loss Supervisor	50000		2000 3750	55750	54534	2.23%
35% of salary paid by Nemont Telephone, 40% is paid by VTI, and 25% is paid by Project Telephone as duties are shared by all 3 companies.							
11	Totals (Sum L.1 to L.10)	715901		114606	830507	775008	7.16%

Year: 1999

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	NOT APPLICABLE						
2							
3							
4							
5							
6	Totals (Sum L.1 to L.5)						

Montana Composite Statistics

Year: 1999

Line No.	Account No.	Description (a)	Amount (b)
1		Plant (Intrastate Only) (000 Omitted)	
2	2001	Plant in Service	16376512
3	2003 - 2004	Construction Work in Progress	7116
4	2005	Plant Acquisition Adjustments	5233454
5	2002	Plant Held for Future Use	
6	1220	Materials & Supplies	
7		(Less):	
8	3100 - 3400	Depreciation & Amortization Reserves	-4651064
9	4360.2	Contributions in Aid of Construction	
10		NET BOOK COSTS	16966018
11		Revenues & Expenses (Intrastate Only) (000 Omitted)	
12	5000 - 5300	Operating Revenues	8277644
13	6560	Depreciation & Amortization Expenses	1426663
14		Federal & State Income Taxes	313912
15		Other Taxes	850000
16		Other Operating Expenses	4147221
17		TOTAL Operating Expenses	6737796
18		Net Operating Income	1539848
19		Other Income	242157
20		Other Deductions	884378
21		NET INCOME	897627
22		Access Lines in Service (Intrastate Only)	
23		Residential Access Lines	5087
24		Business Access Lines	2438
25		PBX Access Lines	
26		Other Access Lines	71
27		Total Number of Access Lines	7596
28		Average Number of Calls Per Access Line	
29		Local Calls	3098
30		Toll Calls (Intra- or Interstate)	412
31		Total Number of Calls Per Access Line (Total of Line 29 & Line 30)	3510
32		Other Statistics (Intrastate Only)	
33		Average Residential Monthly Bill	45
34		Gross Plant Investment per Access Line	2846

Depreciation - Montana Intrastate Regulated

Year: 1999

Line No.	Acct No. (a)	Description (b)	Composite Rate % (c)	Total Expense \$ (d)
1	2112	Motor Vehicles	25.0%	41,304
2	2114	Special Purpose Vehicles	25.0%	488
3	2115	Garage Work Equipment		
4	2116	Other work Equipment	8.0%	16,146
5	2121	Buildings	3.1%	47,201
6	2122	Furniture	7.5%	63
7	2123.1	Office Support Equipment		
8	2123.2	Company Communications Equipment	7.5%	10,634
9	2124	General Purpose Computers		
10	2211	Analog Electronic Switching Equipment		100,074
11	2212	Digital Electronic Switching Equipment	8.2%	312,905
12	2215	Step By Step Switching Equipment		
13	2215	Crossbar Switching Equipment		
14	2220	Operator System		
15	2231	Radio Systems		
16	2232	Circuit DDS	8.2%	96,729
17	2232	Circuit Digital		
18	2232	Circuit Analog		
19	2351	Public Telephone Terminating Equipment		
20	2362	Other Terminal Equipment		
21	2411	Poles	9.2%	17,030
22	2421	Aerial Cable Metallic	9.2%	106,065
23	2421	Aerial Cable Nonmetallic	9.2%	1,892
24	2422	Underground Cable Metallic	9.2%	91,938
25	2422	Underground Cable Nonmetallic	9.2%	5,400
26	2423	Buried Cable Metallic	4.0%	126,434
27	2423	Buried Cable Nonmetallic	4.0%	1,047
28	2424	Submarine Cable Metallic		
29	2424	Submarine Cable Nonmetallic		
30	2426	Intrabuilding Network Cable Metallic	3.3%	2,682
31	2426	Intrabuilding Network Cable Nonmetallic	3.3%	19
32	2431	Aerial Wire	10.3%	359
33	2441	Conduit Systems	4.0%	98,927
34				
35		COMPOSITE TOTAL		
36				
37	Have these rates been approved by the Commission? ____YES ____X__ NO			
38				
39	If yes: _____ Docket Number _____ Order Number			
40				

Montana Regulatory Capital Structure & Costs

Year: 1999

Line No.	Description (a)	% Cap. Str. (b)	% Cost Rate (c)	Weighted Cost (d)
	Commission Accepted - Most Recent			
1	Docket Number			
2	Order Number			
3				
4	Common Equity			
5	Preferred Stock			
6	Long Term Debt			
7	Other			
8	Total			
9				
10	Actual at Year End			
11				
12	Common Equity	37.55%	45.620%	17.130%
13	Preferred Stock			
14	Long Term Debt	48.59%	59.040%	28.688%
15	Other	13.86%		
16	Total	100.00%		45.818%

Network Access - Charges and Revenues

Year: 1999

Line No.	Description (a)	Access Charges Paid (b)	Access Revenues Received (c)
1	Montana - Total State		1790667
2			
3	Montana - Intrastate		1790667
4			
5	Montana - Intrastate Regulated		1790667
6			
7			
8			
9			
10			
11			
12			
13			

Affiliate Transactions - Products & Services Provided to Utility

Year: 1999

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	NEMONT TELEPHONE	HEADQUARTERS LEASE	LEASE AGREEMENT	112,547	1.3%	
2		WAREHOUSE LEASE	LEASE AGREEMENT	49,566	0.5%	
3		TANDEM SWITCHING	LEASE AGREEMENT	60,312	0.6%	
4		MISCELLANEOUS EQUIPMENT	LEASE AGREEMENT	19,398	0.2%	
5						
6	NEMONT COMMUNICATIONS	HEADQUARTERS LEASE	LEASE AGREEMENT	46,890	0.6%	
7		WAREHOUSE LEASE	LEASE AGREEMENT	19,128	0.2%	
8		COMPUTER LEASE	LEASE AGREEMENT	70,929	1.1%	
9		FIBER LEASE	LEASE AGREEMENT	778,608	11.5%	
10						
11						
12						
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22						
23						
24						
25						
26						
27						
28						
29						
30	TOTAL			\$1,157,378		

Affiliate Transactions - Products & Services Provided by Utility

Year: 1999

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	NEMONT TELEPHONE	VEHICLE LEASE	LEASE AGREEMENT	2,472		
2		SWITCHING CHARGES	LEASE AGREEMENT	384,528	4.6%	
3						
4	NEMONT COMMUNICATIONS	VEHICLE LEASE	LEASE AGREEMENT	606		
5		OFFICE SPACE LEASE	LEASE AGREEMENT	16,536	0.2%	
6		VOICE MAIL EQUIP LEASE	LEASE AGREEMENT	900		
7						
8	SAGEBRUSH CELLULAR	VEHICLE LEASE	LEASE AGREEMENT	303		
9		BAY & ANTENNA LEASE	LEASE AGREEMENT	6,000		
10		BUILDING LEASE	LEASE AGREEMENT	7,216		
11						
12						
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17						
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21						
22						
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24						
25						
26						
27						
28						
29						
30	TOTAL			\$418,561		

Montana Intrastate Regulated Earned Rate of Return

Year: 1999

Line No.	Description Rate Base (a)	This Year (b)	Last Year (c)	Percent Change (d)
1				
2	2001 Plant in Service	16,376,512	15,541,875	5.37%
3	2002 Prop. Held for Future Telecommunications Use			
4	3100-3200 (Less) Accumulated Depreciation	(2,732,131)	(1,954,276)	-39.80%
5	Plant in Service	13,644,381	13,587,599	0.42%
6				
7	Additions			
8	1220 Materials & Supplies			
9	1280 Prepayments	59,353	10,167	483.78%
10	Other Additions			
11	TOTAL Additions	59,353	10,167	483.78%
12				
13	Deductions			
14	4100 Current Deferred Operating Income Taxes			
15	4320 Unamortized Operating Investment Tax Credits			
16	4340 Noncurrent Deferred Operating Income Taxes	1,211,028	1,030,486	17.52%
17	Customer Advances for Construction			
18	Other Deductions			
19	TOTAL Deductions	1,211,028	1,030,486	17.52%
20	TOTAL Rate Base	12,492,706	12,567,280	-0.59%
21				
22	Net Earnings	897,627	1,011,166	-11.23%
23				
24	Rate of Return on Average Rate Base	5.230%	8.046%	-35.00%
25				
26	Rate of Return on Average Equity	12.310%	14.779%	-16.71%
27				
28	Major Normalizing Adjustments & Commission			
29	<u>Ratemaking adjustments to Utility Operations</u>			
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: 1999

Line No.	Description (a)	Last Year (b)	This Year (c)
1	Montana Telephone Company License Tax	38718	35416
2	Montana Public Service Commission Tax	9127	9920
3	Montana Consumer Counsel Tax	2911	3762
4	911 Emergency Telephone Fee	40422	41227
5	Montana Telecommunications Access Service (TDD)	8091	8256
6	Montana Corporate License Tax		
7	Personal Property Tax	637516	714375
8	Real Property Tax		
9			
10			
11			
12	Total	736785	812956

Company Name: Valley Telecommunications, Inc.

Universal Service Funds Received

Year: 1999

Line No.	Description (a)	Last Year (b)	This Year (c)
13	Funds received from Montana Sources		
14	Funds received from Federal Sources	858914	360921
15			
16			
17			
18			
19			
20			
21			
22			
23			
24	Total	858914	360921