

EVILSIZER LAW OFFICE

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April 25, 2017

Mr. Will Rosquist
Montana Public Service Commission, Regulatory Division
1701 Prospect Avenue
P.O. Box 202601
Helena, MT 59620-2601

Re: Hot Springs Telephone Company - 2016 Annual Report, PSC Docket N2017.2.12

Dear Will:

Enclosed is the 2016 Annual Report for Hot Springs Telephone Company, pursuant to Section 69-3-203, MCA and ARM 38.5.2602. Two copies are enclosed. Please note that HSTC's Report shows a loss of \$769,723 for 2016 for regulated intrastate services. Obviously, the company is in a serious financial crisis, which must be addressed to assure the continued provision of quality service at reasonable rates. However, HSTC now faces wireless competition, which makes it impractical to raise local rates.

Schedule 5 does not contain any employee compensation information, since HSTC does not have any employees which qualify under the PSC's criteria.

Please contact the undersigned if there are any questions.

Sincerely,

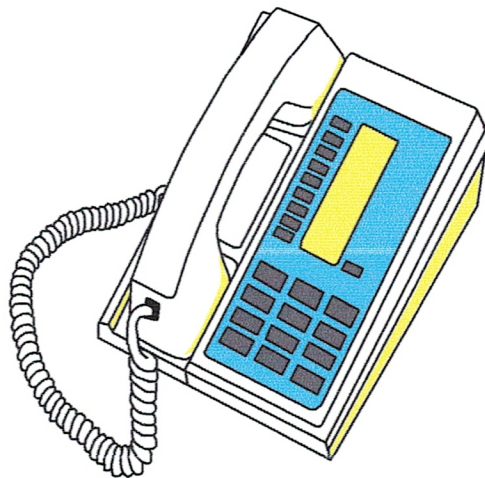


Ivan (Chuck) Evilsizer
Attorney for Hot Springs Telephone Company

Enclosures

YEAR ENDING 2016

ANNUAL REPORT
OF
HOT SPRINGS TELEPHONE
COMPANY
TELEPHONE UTILITY



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

General Information

Year: 2016

1	Legal Name of Respondent:	Hot Springs Telephone Co.
2	Name Under Which Respondent Does Business:	same as above
3	Date of Incorporation:	1/1/1955
4	Address to send Correspondence Concerning Report:	P.O. Box 17740 Missoula, MT. 59808
5	Person Responsible for This Report:	Kathe A. Johnson
5a.	Telephone Number:	406-721-0846
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:	N/A
	1c. Percent Ownership:	N/A

Montana Total State Income Statement

Year: 2016

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	478,682	469,438
3	5080	Network Access Revenues	737,922	930,098
4	* 5100	Long Distance Message Revenue	16,043	31,377
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	83,662	61,365
10	^ 5230	Directory Revenue		
11	^ 5240	Rent Revenue	24,000	14,047
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue		
14	^ 5270	Carrier Billing and Collection Revenue		
15	^ 5280	Nonregulated Revenue	110,707	124,226
16	5300	Uncollectible Revenue	(3,358)	(4,972)
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	1,447,658	1,625,579
18		OPERATING EXPENSES:		
19	6110	Network Support Expense	70,307	215,410
20	6120	General Support Expense	22,200	17,735
21	6210	Central Office Switching Expense	47,051	34,337
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense		
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense	128,944	120,484
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense	392,639	315,322
29	6530	Network Operations Expense	53,445	64,412
30	6540	Access Expense	61,367	93,561
31	6560	Depreciation and Amortization Expense	125,858	156,812
32	6610	Marketing		
33	6620	Services	180,740	313,965
34	6710	Executive and Planning	48,849	59,449
35	6720	General and Administrative	265,864	239,931
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.20)	1,397,264	1,631,418
38	7100	Other Operating Income and Expense	(19,915)	25,366
39	7200	Operating Taxes	12,285	21,033
40		Net Operating Income (L.17-L.37+L.38-L.39)	18,194	(1,506)

^ Subaccount of the account marked with a *.

Company Name: Hot Springs Telephone Co.

SCHEDULE 2

See Schedule 1, HSTC only does business in Montana

Montana Intrastate Income Statement

Year: 2015

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues		
3	5080	Network Access Revenues		
4	* 5100	Long Distance Message Revenue	0	0
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	0	0
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)	0	0
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	0	0
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-I)	0	0
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes		
40		Net Operating Income (L.17-L.37+L.38-L.39)	0	0

^ Subaccount of the account marked with a *

Montana Intrastate Regulated Income Statement

Year 2016

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	152,736	153,072
3	5080	Network Access Revenues	31,408	50,600
4	* 5100	Long Distance Message Revenue	0	0
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	61,914	80,142
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	3,358	4,972
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	242,700	278,842
18		OPERATING EXPENSES:		
19	6110	Network Support Expense	13,867	17,357
20	6120	General Support Expense	13,060	17,735
21	6210	Central Office Switching Expense	47,051	34,337
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense		
24	6310	Information Origination/Termination Expense	128,944	120,484
25	* 6410	Cable and Wire Facilities Expense	0	0
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense	214,541	188,710
29	6530	Network Operations Expense	53,445	64,412
30	6540	Access Expense		
31	6560	Depreciation and Amortization Expense	124,276	150,204
32	6610	Marketing		
33	6620	Services	138,208	148,278
34	6710	Executive and Planning	48,849	59,449
35	6720	General and Administrative	217,897	162,430
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27-L.28-L.29-L.30-L.31-L.32-L.33-L.34-L.35-L.36)	1,000,138	963,396
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	12,285	21,033
40		Net Operating Income (L.17-L.37+L.38-L.39)	(769,723)	(705,586)

^ Subaccount of the account marked with a *.

Average Rate Base - Total State

Year: 2016

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	4483370	4420685
2	3100	Accumulated Depreciation	3672603	3507962
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-	810767	912723

HSTC only does business in Montana with less than 5000 access lines

Average Rate Base - Intrastate

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service		
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-	0	0

HSTC only does business in Montana

Average Rate Base - Regulated Intrastate

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service		
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-	0	0

Executive Compensation - Montana-Based Employees

Name/Title (a)	Base Salary (b)	Bonuses (c)	Other Compensation (d)	Total Compensation (e)
N/A				0
				0
				0
				0
				0
				0
				0
				0

INSTRUCTIONS: Complete this schedule for each executive or manager based in Montana whose total annual compensation exceeded \$100,000. Executives and managers include company presidents, chief executive officers, chief financial officers, vice presidents, and other upper-level managers.