

YEAR 1998

ANNUAL REPORT
OF

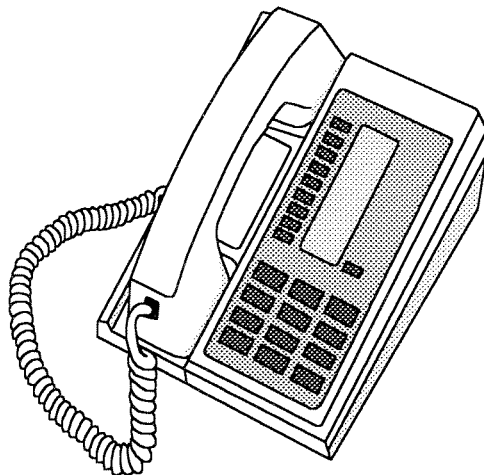
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MONT. P. S. COMMISSION

Project 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. 23591
Project Telephone Co.

General Information

Year: 1998

1.	Legal Name of Respondent:	PROJECT TELEPHONE COMPANY
2.	Name Under Which Respondent Does Business:	PROJECT TELEPHONE COMPANY
3.	Date of Incorporation:	1978
4.	Address to send Correspondence Concerning Report:	PROJECT TELEPHONE COMPANY P.O. BOX 600 SCOBEEY, MT 59263
5.	Person Responsible for This Report:	KATHY GREENWOOD
5a.	Telephone Number:	406-783-5654
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 P.O. BOX 600 SCOBEEY, MT 59263
1b.	Means by which control was held:	STOCK
1c.	Percent Ownership:	100%

Board of Directors		
Line No.	Name of Director and Address (City, State) (a)	Fees Paid During Year (b)
1	Kenneth Lauridsen Brockton, MT	600
2	James Mosser Fortuna, ND	600
3	Orvis Nelson Homestead, MT	300
4	Roy Neufeld Larslan, MT	500
5	Gregory Miller Reserve, MT	550
6	Dayton Cherney Nashua, MT	150
7	James Shipstead Scobey, MT	150
8	Vernon Stoner Outlook, MT	500
9	Charles McVee Glasgow, MT	200
10	Ben Boreson Opheim, MT	600
11	Gary Klind Hinsdale, MT	550
12	Robert Heikens Nashua, MT	150
13	Duane Broadbent Ballantine, MT	2000
14	Vernon Whiteman Lodge Grass, MT	2100
15		
16		
17		
18	Chairman of the Board: ROY D NEUFELD	
19		
20		

Officers

Year: 1998

Line No.	Title of Officer (a)	Department Over Which Jurisdiction is Exercised (b)	Name and Address of Person Holding Office at Year End (c)
1	President		Roy Neufeld--Larlan, MT
2	Vice-President		Gregory Miller--Reserve, MT
3	Secretary-Treasurer		Vernon Stoner--Outlook, MT
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Total Company Balance Sheet

Year: 1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		CURRENT ASSETS:		
2	1120	Cash and Equivalents	7,667,957	6,581,932
3	1180	Telecommunications Accounts Receivable - Net	397,793	442,421
4	1190	Other Accounts Receivable - Net	719,762	771,422
5	1200	Notes Receivable - Net		
6	1210	Interest and Dividends Receivable	44,002	73,149
7	1220	Materials and Supplies	443,093	353,824
8	* 1280	Prepayments	12,327	36,242
9	^ 1290	Prepaid Rents		
10	^ 1300	Prepaid Taxes		
11	^ 1310	Prepaid Insurance		
12	^ 1320	Prepaid Directory Expenses		
13	^ 1330	Other Prepayments	12,327	36,242
14	1350	Other Current Assets		
15		Total Current Assets	9,284,934	8,258,990
16		NONCURRENT ASSETS:		
17	1401	Investments in Affiliated Companies	9,494,105	5,668,648
18	1402	Investments in Nonaffiliated Companies	849,812	891,206
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	10,343,917	6,559,854
27		PROPERTY, PLANT, & EQUIPMENT:		
28	2001	Telecommunications Plant in Service	21,962,871	20,529,842
29	2002	Property Held for Future Telecommunications Use		
30	2003	Plant Under Construction - Short Term	94,787	387,523
31	2004	Plant Under Construction - Long Term		
32	2005	Telecommunications Plant Adjustment	4,395,210	4,395,210
33	2006	Nonoperating Plant		
34	2007	Goodwill		
35	3100	Accumulated Depreciation	(9,002,614)	(7,970,605)
36	3200	Accumulated Depreciation - Held for Future Use		
37	3300	Accumulated Depreciation - Nonoperating		
38	3400	Accumulated Amortization	(1,554,218)	(1,283,647)
39		Net Property, Plant, & Equipment	15,896,036	16,058,323
40		TOTAL ASSETS	35,524,887	30,877,167

^ Subaccount of account marked with a *.

Total Company Balance Sheet

Year: 1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
41		CURRENT LIABILITIES:		
42	4010	Accounts Payable	584,017	384,879
43	4020	Notes Payable		
44	4030	Advance Billing and Payments	125,292	108,696
45	4040	Customer Deposits	54,348	48,363
46	4050	Current Maturities - Long Term Debt	85,984	90,037
47	4060	Current Maturities - Capital Leases		
48	4070	Income Taxes - Accrued	(44,821)	(222,276)
49	4080	Other Taxes - Accrued	216,166	222,166
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	110,431	128,946
54		Total Current Liabilities	1,131,417	760,811
55		LONG-TERM DEBT:		
56	4210	Funded Debt	6,783,775	7,011,597
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	9,552,107	10,176,972
63		Total Long-Term Debt	16,335,882	17,188,569
64		OTHER LIABILITIES AND DEFERRED CREDITS:		
65	4310	Other Long-Term Liabilities	1,701,481	1,377,652
66	4320	Unamort. Oper. Invest. Tax Credits - Net	188,850	221,814
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		Total Other Liabilities and Deferred Credits	1,890,331	1,599,466
73		STOCKHOLDERS' EQUITY:		
74	4510	Capital Stock	7,950	7,950
75	4520	Additional Paid-In Capital		
76	4530	Treasury Stock		
77	4540	Other Capital		
78	4550	Retained Earnings	16,159,307	11,320,371
79		Total Stockholders' Equity	16,167,257	11,328,321
80		TOTAL LIAB. AND STOCKHOLDERS' EQUITY	35,524,887	30,877,167

Total Company Income Statement

Year: 1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	1,061,841	987,832
3	5080	Network Access Revenues	5,121,262	4,923,838
4	* 5100	Long Distance Message Revenue	37,445	117,515
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	37,445	117,515
9	* 5200	Miscellaneous Revenue	279,591	334,755
10	^ 5230	Directory Revenue	25,873	26,710
11	^ 5240	Rent Revenue		
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	6,184	5,620
14	^ 5270	Carrier Billing and Collection Revenue	247,534	302,425
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	17,963	16,220
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	6,482,176	6,347,720
18		OPERATING EXPENSES:		
19	6110	Network Support Expense	12,841	20,116
20	6120	General Support Expense	241,226	225,224
21	6210	Central Office Switching Expense	209,353	190,129
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	81,893	89,795
24	6310	Information Origination/Termination Expense	253	3,794
25	* 6410	Cable and Wire Facilities Expense	590,887	556,176
26	^ 6431	Aerial Wire Expense	590,887	556,176
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense	206,317	225,875
30	6540	Access Expense	16,496	
31	6560	Depreciation and Amortization Expense	1,345,026	1,316,927
32	6610	Marketing	36,491	18,263
33	6620	Services	453,459	370,092
34	6710	Executive and Planning	102,272	171,260
35	6720	General and Administrative	721,010	684,455
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)	4,017,524	3,872,106
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	839,352	992,779
40		Net Operating Income (L.17-L.37+L.38-L.39)	1,625,300	1,482,835
41	7300	Nonoperating Income and Expense	4,333,259	277,138
42	7400	Nonoperating Taxes	189,700	49,371
43	7500	Interest and Related Items	1,005,432	1,025,593
44	7600	Extraordinary Items	(75,419)	(742,016)
45	7910	Effects of Juris. Ratemaking Diff. - Net		
46	7990	Nonregulated Net Income	(90)	
47		NET INCOME (L.40+L.41-L.42-L.43-L.44+L.45-L.46)	4,838,936	1,427,025

^ Subaccount of the account marked with a *.

Montana Total State Income Statement

Year: 1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	1,026,085	954,525
3	5080	Network Access Revenues	5,054,209	4,848,332
4	* 5100	Long Distance Message Revenue	37,445	117,515
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	37,445	117,515
9	* 5200	Miscellaneous Revenue	268,163	323,260
10	^ 5230	Directory Revenue	25,224	26,092
11	^ 5240	Rent Revenue		
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	6,183	5,620
14	^ 5270	Carrier Billing and Collection Revenue	236,756	291,548
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	17,963	16,220
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	6,367,939	6,227,412
18		OPERATING EXPENSES:		
19	6110	Network Support Expense	12,841	20,117
20	6120	General Support Expense	238,069	222,521
21	6210	Central Office Switching Expense	206,830	187,354
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	81,893	89,794
24	6310	Information Origination/Termination Expense	253	3,794
25	* 6410	Cable and Wire Facilities Expense	577,400	539,519
26	^ 6431	Aerial Wire Expense	577,400	539,519
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense	201,241	219,988
30	6540	Access Expense	15,951	
31	6560	Depreciation and Amortization Expense	1,312,412	1,285,041
32	6610	Marketing	35,286	17,650
33	6620	Services	442,691	361,200
34	6710	Executive and Planning	98,895	165,504
35	6720	General and Administrative	697,201	661,449
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)	3,920,963	3,773,931
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	834,399	988,409
40		Net Operating Income (L.17-L.37+L.38-L.39)	1,612,577	1,465,072

^ Subaccount of the account marked with a *.

Montana Intrastate Income Statement

Year: 1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	N/A	
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 Regulated Income Statement

Year: 1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	NOT AVAILABLE	
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 *.

Average Rate Base - Total State

Year: 1998

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	21107466	19697127
2	3100	Accumulated Depreciation	10222951	8952802
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies	428462	341931
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)	11312977	11086256

Average Rate Base - Intrastate

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	N/A	
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)	#VALUE!	

Average Rate Base - Regulated Intrastate

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	N/A	
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)	#VALUE!	

Statement of Cash Flows

Year: 1998

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:	See 98 Audit Report	
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	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		11320371
41	Cash & Cash Equivalents at End of Period		16159307

Receivables and Investments-Affiliated & Nonaffiliated Companies

at: 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	Nemont Comm, Inc.				35080					9494105	
2	Valley Tele Comm. Inc.				353						
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30	Totals				35433					9494105	

Company Name: PROJECT TELEPHONE COMPANY

SCHEDULE 11

Net Plant in Service - Detail

Year: 1998

Line No.	Account (a)	Description (b)	Beginning of Year Balance (c)	Additions (d)	Retirements (e)	Sales & Transfers (f)	End of Year Account 2001 Balance (g)	Year End Accumulated Depreciation (h)	End of Year Net Plant Balance (i)
1	* 2110	Land and Support Assets	2121402	419612	63237	500	2477277	967941	1509336
2	^ 2111	Land	87882				87882		87882
3	^ 2112	Motor Vehicles	440534	29728	63237	500	406525	245090	161435
4	^ 2113	Aircraft							
5	^ 2114	Special Purpose Vehicles		2113			2113	127	1986
6	^ 2115	Garage Work Equipment	449320	6640			455960	249506	206454
7	^ 2116	Other Work Equipment	1117806	381131			1498937	459093	1039844
8	^ 2121	Buildings	4356				4356	4086	270
9	^ 2122	Furniture	21504				21504	10039	11465
10	^ 2123	Office Equipment							
11	^ 2124	General Purpose Computers							
12	2211	Analog Electronic Switching							
13	2212	Digital Electronic Switching	4146834	150717	4685	-826	4292040	1952272	2339768
14	2215	Electro-Mechanical Switching							
15	2220	Operator Systems							
16	2231	Radio Systems							
17	2232	Circuit Equipment	2884883	321598	29634	826	3177673	1199207	1978466
18	* 2310	Information Orig & Term Equip	12487				12487	11280	1207
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	12487				12487	11280	1207
24	2411	Poles	73126				71950	71950	
25	* 2420	Cable and Wire Facilities	11078839	635387	15163	-1176	11700239	4780701	6919538
26	^ 2421	Aerial Cable	171920	13329	11	1176	185238	119512	65726
27	^ 2422	Underground Cable	23364	3325			26689	3452	23237
28	^ 2423	Buried Cable	10843352	618733	15152	1176	11448109	4630241	6817868
29	^ 2424	Submarine Cable							
30	^ 2425	Deep Sea Cable	40203				40203	27496	12707
31	^ 2426	Intrabuilding Network Cable	3748				3748	3748	
32	2431	Aerial Wire	208523	18934			227457	15516	211941
33	2441	Conduit Systems							
34		Totals	20529842	1546248	112719	500	21962871	9002615	12960256

^ Subaccount of the account marked with a *

Analysis of Plant Held for Future Use

Year: 1998

Line No.	Location and Description of Property (a)	Date Included in Account 2002 (b)	Book Cost of Property at Beginning of Year (c)	Additions During the Year (d)	Retirements During the Year (e)	Transfers and Adjustments Charges and (Credits) (f)	Book Cost of Property at End of Year (g)
1	NONE						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
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21							
22							
23							
24							
25							
26							
27							
28							
29							
30	Totals	(Sum L. 1 to L. 29)					

Average Cost of Long Term Debt

Year: 1998

Line No.	Description (a)	Issue Date (b)	Maturity Date (c)	Principal Amount (d)	Gross Proceeds (e)	Net Proceeds (f)	Net Per \$100 (g)	Outstanding Per Balance Sheet (h)	Yield to Maturity (i)	Annual Net Cost (j)	Amortization of Premium or Discount (k)	Total Cost (%) (l)
1	TELEPHONE PLANT RUS											
2	NOTE NO	20 1957	Feb-92	50000	50000	50000						
3		2020 1958	Mar-93	175000	175000	175000						
4		2030 1958	Jul-93	55000	55000	55000						
5		2040 1959	Nov-94	25660	25660	25660						
6		2041 1959	Nov-94	12849	12849	12849						
7		2042 1959	Nov-94	10491	10491	10491		863		21		2.43%
8		12050 1974	Nov-09	1085000	1085000	1085000		574007		29582		5.15%
9		12060 1976	Jul-11	320000	320000	320000		149592		3088		2.06%
10		12062 1976	Jul-11	85000	85000	85000		57420		1171		2.04%
11		12071 1978	Nov-13	571000	571000	571000		392802		20037		5.10%
12		12080 1983	Oct-18	2170000	2170000	2170000		1652733		83942		5.08%
13		12090 1983	Oct-18	3019000	3019000	3019000		2369997		120366		5.08%
14		12091 1983	Oct-18	1376000	1376000	1376000		1127546		57261		5.08%
15		12092 1983	Oct-18	511000	511000	511000		465463		23503		5.05%
16												
17												
18	INTEREST ON PREPAYMENTS											
19	PREPAYMENTS-DR.											
20												
21	TELEPHONE PLANT RUS 1984			3255000	3202500	3202500		2795534		189168		6.77%
22												
23	TELE PLANT RTFC	1994		8886287	8886287	8441973		6756573		474738		7.02%
24												
25												
26												
27												
28												
29												
30	Total			21607287	21554787	21110473	97.70	16335883		1002559		6.14%

Year: 1998

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	NONE											
2												
3												
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
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19												
20												
21												
22												
23												
24												
25												
26												
27												
28												
29												
30	Totals (Sum L.1 to L.29)											

Analysis of Common Stock

Year: 1998

Line No.	(a)	Avg. Number of Shares Outstanding (b)	Book Value (per share) (c)	Earnings (per share) (d)	Dividends (per share) (e)	Retention Ratio (f)	Market Price High (g)	Market Price Low (h)	Price/Earnings Ratio (i)
1	Year Ended December 31:								
2		N/A							
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: 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							
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25							
26							
27							
28							
29							
30	Totals (Sum L.1 to L.29)						

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)
1	*	Network Support Expense						
2	^	Motor Vehicle Expense	N/A					
3	^	Aircraft Expense						
4	^	Special Purpose Vehicles Expense						
5	^	Garage Work Equipment Expense						
6	^	Other Work Equipment Expense						
7	*	General Support Expense						
8	^	Land and Building Expense						
9	^	Furniture and Artworks Expense						
10	^	Office Equipment Expense						
11	^	General Purpose Computers Expense						
12	*	Central Office Switching Expense						
13	^	Analog Electronic Expense						
14	^	Digital Electronic Expense						
15	^	Electro-Mechanical Expense						
16		Operator Systems Expense						
17	*	Central Office Transmission Expense						
18	^	Radio Systems Expense						
19	^	Circuit Equipment Expense						
20	*	Information Origination/Termination Expense						
21	^	Station Apparatus Expense						
22	^	Large Private Branch Exchange Expense						
23	^	Public Telephone Terminal Equipment Exp.						
24	^	Other Terminal Equipment Expense						
25	*	Cable and Wire Facilities Expense						
26	^	Poles Expense						
27	^	Aerial Cable Expense						
28	^	Underground Cable Expense						
29	^	Buried Cable Expense						
30	^	Submarine Cable Expense						
31	^	Deep Sea Cable Expense						
32	^	Intrabuilding Network Cable Expense						
33	^	Aerial Wire Expense						
34		Subtotals						

^ Subaccount of the account marked with a *

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	^ 6441	Conduit Systems Expense	N/A					
36	6510	Other Property Expenses						
37	* 6530	Network Operations Expense						
38	^ 6531	Power Expense						
39	^ 6532	Network Administration Expense						
40	^ 6533	Testing Expense						
41	^ 6534	Plant Operations Expense						
42	^ 6535	Engineering Expense						
43	6540	Access Expense						
44	6561	Depreciation - Telecomm. Plant in Service						
45	6562	Depreciation-Prop. for Future Telecom. Use						
46	6563	Amortization Expense - Tangible						
47	6564	Amortization Expense - Intangible						
48	6565	Amortization - Other						
49	* 6610	Marketing						
50	^ 6611	Product Management						
51	^ 6612	Sales						
52	6613	Product Advertising						
53	6621	Call Completion Services						
54	6622	Number Services						
55	6623	Customer Services						
56	6711	Executive						
57	6712	Planning						
58	6721	Accounting and Finance						
59	6722	External Relations						
60	6723	Human Relations						
61	6724	Information Management						
62	6725	Legal						
63	6726	Procurement						
64	6727	Research and Development						
65	6728	Other General and Administrative						
66	6790	Provision for Uncollectible Notes Receivable						
67		Totals						

^ Subaccount of the account marked with a *.

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	*	Network Support Expense	N/A					
2	^	Motor Vehicle Expense	As per General Instr. #8					
3	^	Aircraft Expense						
4	^	Special Purpose Vehicles Expense						
5	^	Garage Work Equipment Expense						
6	^	Other Work Equipment Expense						
7	*	General Support Expense						
8	^	Land and Building Expense						
9	^	Furniture and Artworks Expense						
10	^	Office Equipment Expense						
11	^	General Purpose Computers Expense						
12	*	Central Office Switching Expense						
13	^	Analog Electronic Expense						
14	^	Digital Electronic Expense						
15	^	Electro-Mechanical Expense						
16		Operator Systems Expense						
17	*	Central Office Transmission Expense						
18	^	Radio Systems Expense						
19	^	Circuit Equipment Expense						
20	*	Information Origination/Termination Expense						
21	^	Station Apparatus Expense						
22	^	Large Private Branch Exchange Expense						
23	^	Public Telephone Terminal Equipment Exp.						
24	^	Other Terminal Equipment Expense						
25	*	Cable and Wire Facilities Expense						
26	^	Poles Expense						
27	^	Aerial Cable Expense						
28	^	Underground Cable Expense						
29	^	Buried Cable Expense						
30	^	Submarine Cable Expense						
31	^	Deep Sea Cable Expense						
32	^	Intrabuilding Network Cable Expense						
33	^	Aerial Wire Expense						
34		Subtotals						

^ 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)
35	^	Conduit Systems Expense	N/A					
36		Other Property Expenses						
37	*	Network Operations Expense						
38	^	Power Expense						
39	^	Network Administration Expense						
40	^	Testing Expense						
41	^	Plant Operations Expense						
42	^	Engineering Expense						
43		Access Expense						
44		Depreciation - Telecomm. Plant in Service						
45		Depreciation-Prop. for Future Telecom. Use						
46		Amortization Expense - Tangible						
47		Amortization Expense - Intangible						
48		Amortization - Other						
49	*	Marketing						
50	^	Product Management						
51	^	Sales						
52	^	Product Advertising						
53		Call Completion Services						
54		Number Services						
55		Customer Services						
56		Executive						
57		Planning						
58		Accounting and Finance						
59		External Relations						
60		Human Relations						
61		Information Management						
62		Legal						
63		Procurement						
64		Research and Development						
65		Other General and Administrative						
66		Provision for Uncollectible Notes Receivable						
67		Totals						

^ Subaccount of the account marked with a *.

Pension Costs

Year: 1998

1	Plan Name NTCA Savings Plan			
2	Defined Benefit Plan? _____	Defined Contribution Plan? <u>yes</u> _____		
3	Actuarial Cost Method? <u>12% of W-2 Wages</u>	IRS Code: _____		
4	Annual Contribution by Employer: <u>\$65,676</u>	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	N/A		#VALUE!
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	N/A		#VALUE!
18	Actual return on plan assets			
19	Acquisition			
20	Employer contribution	65676	75174	14.46%
21	Plan participants' contributions	50299	44526	-11.48%
22	Benefits paid			
23	Fair value of plan assets at end of year	115975	119700	3.21%
24	Funded Status	115975	119700	3.21%
25	Unrecognized net actuarial loss			
26	Unrecognized prior service cost			
27	Prepaid (accrued) benefit cost	115975	119700	3.21%
28				
29	Weighted-average Assumptions as of Year End			
30	Discount rate	N/A		#VALUE!
31	Expected return on plan assets			
32	Rate of compensation increase			
33				
34	Components of Net Periodic Benefit Costs			
35	Service cost	N/A		#VALUE!
36	Interest cost			
37	Expected return on plan assets	#VALUE!		#VALUE!
38	Amortization of prior service cost			
39	Recognized net actuarial loss			
40	Net periodic benefit cost	#VALUE!		#VALUE!
41				
42	Montana Intrastate Costs:			
43	Pension Costs	N/A		#VALUE!
44	Pension Costs Capitalized			
45	Accumulated Pension Asset (Liability) at Year End			
46	Number of Company Employees:			
47	Covered by the Plan	14	14	
48	Not Covered by the Plan	4	4	
49	Active	11	13	18.18%
50	Retired	2		-100.00%
51	Deferred Vested Terminated	1		-100.00%

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	N/A		
7	Discount rate			
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			

Other Post Employment Benefits (OPEBS) Continued

	Item	Current Year	Last Year	% Change
1	Number of Company Employees:			
2	Covered by the Plan	N/A		#VALUE!
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					
2	N/A				
3	As per General Instr. #1				
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
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41					
42					
43					
44					
45					
46					
47					
48					
49	Total				

Subscriber Line Usage Data

Year: 1998

Line No.	Description (a)	This Year (b)	% of Total (c)	Last Year (d)	% of Total (e)
1	Toll Usage:				
2	Interstate, InterLATA	9263663	47.51%	9178320	50.05%
3	Interstate, IntraLATA	84318	0.43%	107318	0.59%
4	Total Interstate Usage	9347981	47.94%	9285638	50.63%
5	Intrastate, InterLATA	2318411	11.89%	2176851	11.87%
6	Intrastate, IntraLATA	7832740	40.17%	6876613	37.50%
7	Total Intrastate Usage	10151151	52.06%	9053464	49.37%
8	Total Toll Usage	19499132	100.00%	18339102	100.00%
9	Centrex				
10	Local				
11	Total Minutes	19499132	100.00%	18339102	100.00%

Central Office and Access Line Statistics

Year: 1998

Line No.	Wire Center (a)	Type of Office (b)	Residential (c)	ISDN (d)	ADSL (e)	Lifeline Customers (f)	Residential LMS Customers (g)	Single Line Business (h)	Multi-Line Business (i)	Customer Owned Coin (j)	Company Owned Coin (k)	Other (l)	% of Lines w/ T. Tone (m)	Total Access Lines (n)
1	Absarokee	UD/DIG	1251			6		296						1547
2	Belfry	UD/DIG	195			3		31						226
3	Clark	RSU	154					36						190
4	Crow Agency	UD/DIG	384			10		255						639
5	Fort Smith	RSU	193					61						254
6	Huntley	RSU	434			5		84						518
7	Lodge Grass	RSU	398			15		65						463
8	Pompeys Pillar	RSU	83					12						95
9	South Wyola	RSU	1					1						2
10	Worden	UD/DIG	802			5		143						945
11	Wyola	RSU	91			2		20						111
33	Total		3986			46		1004						4990

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

Central Office and Switch Information

Year: 1998

Line No.	Wire Center (a)	Office Configuration (Host, Remote, Stand alone) (b)	Type of Switch (c)	Switch Vendor/ Manufacturer (d)	Switch Model No. (e)	Switch Line Capacity (f)	Year Deployed (g)
1	ABSAROKEE	HOST	DIGITAL	NTI	DMS10-SS ^o	1,702	1985
2	BELFRY	HOST	DIGITAL	NTI	DMS10-SS ^o	376	1985
3	CLARK	REMOTE	DIGITAL	NTI	RSLE	202	1996
4	CROW AGENCY	HOST	DIGITAL	NTI	DMS10-SS ^o	768	1994
5	FORT SMITH	REMOTE	DIGITAL	NTI	RSLE	320	1994
6	HUNTLEY	REMOTE	DIGITAL	NTI	RSLE	561	1996
7	LODGE GRASS	REMOTE	DIGITAL	NTI	RSLE	640	1994
8	WORDEN	HOST	DIGITAL	NTI	DMS10-HS ^o	1,178	1985
9	WYOLA	REMOTE	DIGITAL	NTI	RSLE	192	1994
10	NYE	REMOTE	DIGITAL	NTI	RSLE	262	1985
11	BEEHIVE	REMOTE	DIGITAL	NTI	RSLE	122	1985
12	ROSCOE	REMOTE	DIGITAL	NTI	RSLE	208	1996
13	DEAN	REMOTE	DIGITAL	NTI	RSLE	142	1996
14							
15							
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NOTE: Additional blank schedules are being provided for your convenience.

Construction Budget - Montana

Year: 1999

Line No.	Description (a)	1999 (b)
1	Central Office Assets:	
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
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19		
20		
21		
22		
23		
24		
25		
26		
27	Total Switching and Central Office Projects over \$500,000	
28	Miscellaneous Central Office Projects not over \$500,000	378600
29	Total Central Office Budget (Total of Line 27 & Line 28)	378600
30	Other Projects over \$500,000:	
31		
32	CABLE & WIRE UPGRADE	700000
33		
34		
35		
36		
37		
38		
39		
40		
41	Total Other Projects over \$500,000	700000
42	Miscellaneous projects not over \$500,000	378600
43	Total Construction Budget (Total of Lines 29, 41 & 42)	1457200

Montana Employee Counts

Year: 1998

Line No.	Category (a)	Beginning of Year (b)	End of Year (c)
1	Central Office Technician	1	
2	Combinationman	9	9
3	Custodial (Partime)	2	2
4	District Manager	1	
5	Customer Service Rep	1	1
6	Right of Way Clerk	1	1
7	Plant Supervisor	1	1
8			
9			
10			
11			
12			
13			
14			
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41			
42			
43	Totals (Sum of Lines 1 through 42)	16	14

Compensation of Top 10 Montana Based Employees

Year: 1998

Line No.	Name/Title (a)	Base Salary (b)	Bonuses (c)	Other Compensation (d)	Total Compensation (e)	Total Compensation Last Year (f)	% Increase Total Compensation (g)
1	Manager/CEO	130000		5820 10912 15500	162232	150859	7.54%
2	Operations Mgr. (Hired Oct. 98)	78000			17500		
3	COE/Network Supervisor	51294		2052 3847	57193	56084	1.98%
4	Office Manager	67500	1000	2740 5137	76377	73032	4.58%
5	Cellular Operation Mgr.	63000	500	2578 4834 954	71866	68893	4.32%
6	District Supervisor	64700		2632 4936 1120	73388	71237	3.02%
7	Public Affairs Mgr.	62000		2567 4813 2173	71553	69085	3.57%
8	Plant Manager	61037	500	2461 4615	68613	61883	10.88%
9	Human Resource Mgr.	51750		2197 4120 3185	61252	63163	-3.03%
10	Safety/Loss Supervisor	48410	500	1956 3668	54534	52962	2.97%
11	Totals (Sum L.1 to L.10)	677691	2500	94817	714508	667198	7.09%

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

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	N/A						
2							
3							
4							
5							
6	Totals (Sum L.1 to L.5)						

Montana Composite Statistics

Year: 1998

Line No.	Account No.	Description (a)	Amount (b)
1		Plant (Intrastate Only) (000 Omitted)	
2	2001	Plant in Service	21107466
3	2003 - 2004	Construction Work in Progress	94787
4	2005	Plant Acquisition Adjustments	4377116
5	2002	Plant Held for Future Use	
6	1220	Materials & Supplies	428462
7		(Less):	
8	3100 - 3400	Depreciation & Amortization Reserves	-10222951
9	4360.2	Contributions in Aid of Construction	
10		NET BOOK COSTS	15784880
11		Revenues & Expenses (Intrastate Only) (000 Omitted)	
12	5000 - 5300	Operating Revenues	6367939
13	6560	Depreciation & Amortization Expenses	1312412
14		Federal & State Income Taxes	62901
15		Other Taxes	771498
16		Other Operating Expenses	2608551
17		TOTAL Operating Expenses	4755362
18		Net Operating Income	1612577
19		Other Income	4190663
20		Other Deductions	960598
21		NET INCOME	4842642
22		Access Lines in Service (Intrastate Only)	
23		Residential Access Lines	3986
24		Business Access Lines	1004
25		PBX Access Lines	
26		Other Access Lines	
27		Total Number of Access Lines	4990
28		Average Number of Calls Per Access Line	
29		Local Calls	2118
30		Toll Calls (Intra- or Interstate)	2460
31		Total Number of Calls Per Access Line (Total of Line 29 & Line 30)	4578
32		Other Statistics (Intrastate Only)	
33		Average Residential Monthly Bill	37
34		Gross Plant Investment per Access Line	5331

Depreciation - Montana Intrastate Regulated

Year: 1998

Line No.	Acct No. (a)	Description (b)	Composite Rate % (c)	Total Expense \$ (d)
1	2112	Motor Vehicles	25.0%	45,442
2	2114	Special Purpose Vehicles		
3	2115	Garage Work Equipment	8.0%	127
4	2116	Other work Equipment	20.0%	45,252
5	2121	Buildings	3.1%	35,719
6	2122	Furniture	7.5%	327
7	2123.1	Office Support Equipment	7.5%	602
8	2123.2	Company Communications Equipment	7.5%	1,011
9	2124	General Purpose Computers		
10	2211	Analog Electronic Switching Equipment		
11	2212	Digital Electronic Switching Equipment	8.2%	333,016
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	6.5%	199,212
18	2232	Circuit Analog		
19	2351	Public Telephone Terminating Equipment		
20	2362	Other Terminal Equipment	9.2%	1,149
21	2411	Poles	9.2%	41
22	2421	Aerial Cable Metallic	9.2%	16,703
23	2421	Aerial Cable Nonmetallic		
24	2422	Underground Cable Metallic	9.2%	2,175
25	2422	Underground Cable Nonmetallic		
26	2423	Buried Cable Metallic	3.3%	276,447
27	2423	Buried Cable Nonmetallic	4.0%	74,846
28	2424	Submarine Cable Metallic		
29	2424	Submarine Cable Nonmetallic		
30	2426	Intrabuilding Network Cable Metallic		
31	2426	Intrabuilding Network Cable Nonmetallic	3.3%	1,327
32	2431	Aerial Wire		
33	2441	Conduit Systems	4.0%	8,445
34				
35		COMPOSITE TOTAL		
36				
37	Have these rates been approved by the Commission? _____ YES <input checked="" type="checkbox"/> NO			
38				
39	If yes: _____ Docket Number _____ Order Number			
40				

Montana Regulatory Capital Structure & Costs

Year: 1998

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	49.74%	29.900%	14.872%
13	Preferred Stock			
14	Long Term Debt	50.26%		
15	Other			
16	Total	100.00%		14.872%

Network Access - Charges and Revenues

Year: 1998

Line No.	Description (a)	Access Charges Paid (b)	Access Revenues Received (c)
1	Montana - Total State		2460052
2			
3	Montana - Intrastate		
4			
5	Montana - Intrastate Regulated		2460052
6			
7			
8			
9			
10			
11			
12			
13			

Affiliate Transactions - Products & Services Provided to Utility

Year: 1998

Line No.	Affiliate Name (a)	Products & Services (b)	Method to Determine Price (c)	Charges to Utility (d)	% Total Affil. Revenues (e)	Charges to MT Utility (f)
1	Nemont Communications, Inc.	Computer Lease	COST	65,222	1.6%	
2	Nemont Telephone Coop., Inc.	Mgmt Agreement-Labor, Wages	COST	779,337	8.8%	
3	Nemont Telephone Coop., Inc.	Rental of Headquarter Bldg, Whse	COST	85,128	1.0%	
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23						
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25						
26						
27						
28						
29						
30	TOTAL			\$929,687		

Year: 1998
 Affiliate Transactions - Products & Services Provided by Utility

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 Communications, Inc.	Wages, Labor	Cost	35,691	0.9%	
2						
3						
4						
5						
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25						
26						
27						
28						
29						
30	TOTAL			\$35,691		

Montana Intrastate Regulated Earned Rate of Return

Year: 1998

Line No.	Description Rate Base (a)	This Year (b)	Last Year (c)	Percent Change (d)
1				
2	2001 Plant in Service	25,579,369	24,461,766	4.57%
3	2002 Prop. Held for Future Telecommunications Use			
4	3100-3200 (Less) Accumulated Depreciation	(10,222,951)	(8,952,802)	-14.19%
5	Plant in Service	15,356,418	15,508,964	-0.98%
6				
7	Additions			
8	1220 Materials & Supplies	428,462	341,931	25.31%
9	1280 Prepayments			
10	Other Additions			
11	TOTAL Additions	428,462	341,931	25.31%
12				
13	Deductions			
14	4100 Current Deferred Operating Income Taxes			
15	4320 Unamortized Operating Investment Tax Credits	188,850	221,814	-14.86%
16	4340 Noncurrent Deferred Operating Income Taxes	1,701,481	1,377,652	23.51%
17	Customer Advances for Construction			
18	Other Deductions			
19	TOTAL Deductions	1,890,331	1,599,466	18.19%
20	TOTAL Rate Base	13,894,549	14,251,429	-2.50%
21				
22	Net Earnings	4,842,642	1,429,127	238.85%
23				
24	Rate of Return on Average Rate Base	34.850%	10.020%	247.80%
25				
26	Rate of Return on Average Equity	29.950%	12.610%	137.51%
27				
28	Major Normalizing Adjustments & Commission			
29	Rate-making 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: 1998

Line No.	Description (a)	Last Year (b)	This Year (c)
1	Montana Telephone Company License Tax	18311	17885
2	Montana Public Service Commission Tax	4945	6329
3	Montana Consumer Counsel Tax	2014	1980
4	911 Emergency Telephone Fee	19988	27981
5	Montana Telecommunications Access Service (TDD)	5303	5523
6	Montana Corporate License Tax	10	10
7	Personal Property Tax		
8	Real Property Tax	426820	419990
9			
10			
11			
12	Total	477391	479698

Company Name: **PROJECT TELEPHONE COMPANY**

Universal Service Funds Received

Year: 1998

Line No.	Description (a)	Last Year (b)	This Year (c)
13	Funds received from Montana Sources		
14	Funds received from Federal Sources	1121485	1054657
15			
16			
17			
18			
19			
20			
21			
22			
23			
24	Total	1121485	1054657