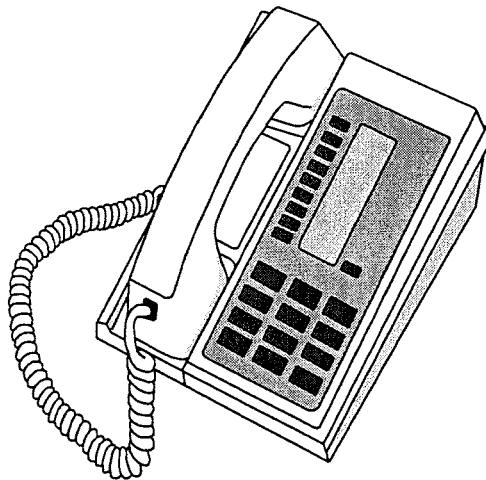


YEAR ENDING 2004

ANNUAL REPORT
OF
Project Telephone Company

TELEPHONE UTILITY



RECEIVED BY
PUBLIC SERVICE
COMMISSION
JUL 28 2005 10:01

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

General Information

Year : 2004

1.	Legal Name of Respondent:	PROJECT TELEPHONE COMPANY
2.	Name Under Which Respondent Does Business:	
3.	Date of Incorporation:	1978
4.	Address to send Correspondence Concerning Report:	PO Box 600 Scobey, MT 59263
5.	Person Responsible for This Report:	
5a.	Telephone Number:	406-783-5659
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	
	1c. Percent Ownership: 100%	

Board of Directors			
Line No.	Name of Director and Address (City, State)		Fees Paid During Year
	(a)		(b)
1	Roy D Neufeld	Larslan, MT	550
2	Greg Miller	Reserve, MT	350
3	Larry Mahler	Scobey, MT	600
4	Ben Boreson	Opheim, MT	350
5	Gary Klind	Hindsdale, MT	600
6	Linda Nelson	Medicine Lake, MT	350
7	Orvis Nelson	Homestead, MT	350
8	Duane Broadbent	Ballantine, MT	3000
9	Vernon Whiteman	Lodge Grass, MT	5350
10	Pearl Hopkins	Poplar, MT	100
11	Charles McVee	Glasgow, MT	200
12	Robert Heikens	Nashua, MT	250
13			
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17			
18	Chairman of the Board:	ROY D NEUFELD	
19			
20			

Officers

Year : 2004

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 D. Neufeld - Larslan, MT
2	Vice-President		Gary Klind - Hinsdale, MT
3	Sec.-Treasurer		Larry Mahler - Scobey, MT
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Total Company Balance Sheet

Year : 2004

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		CURRENT ASSETS:		
2	1120	Cash and Equivalents	3,603,796	3,163,738
3	1180	Telecommunications Accounts Receivable - Net	395,064	457,399
4	1190	Other Accounts Receivable - Net	733,135	814,694
5	1200	Notes Receivable - Net		
6	1210	Interest and Dividends Receivable	4,172	1,666
7	1220	Materials and Supplies	1,002,471	1,000,991
8	* 1280	Prepayments	5,384	7,825
9	^ 1290	Prepaid Rents		
10	^ 1300	Prepaid Taxes		
11	^ 1310	Prepaid Insurance		
12	^ 1320	Prepaid Directory Expenses		
13	^ 1330	Other Prepayments	5,384	7,825
14	1350	Other Current Assets		
15		Total Current Assets	5,744,022	5,446,313
16		NONCURRENT ASSETS:		
17	1401	Investments in Affiliated Companies	23,330,934	20,346,006
18	1402	Investments in Nonaffiliated Companies	848,231	842,971
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	24,179,165	21,188,977
27		PROPERTY, PLANT, & EQUIPMENT:		
28	2001	Telecommunications Plant in Service	27,416,106	26,473,871
29	2002	Property Held for Future Telecommunications Use		
30	2003	Plant Under Construction - Short Term	276,694	372,098
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	(14,098,210)	(13,144,095)
36	3200	Accumulated Depreciation - Held for Future Use		
37	3300	Accumulated Depreciation - Nonoperating		
38	3400	Accumulated Amortization	(3,177,642)	(2,907,071)
39		Net Property, Plant, & Equipment	14,812,158	15,190,013
40		TOTAL ASSETS	44,735,345	41,825,303

^ Subaccount of account marked with a *

Total Company Balance Sheet

Year : 2004

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
41		CURRENT LIABILITIES:		
42	4010	Accounts Payable	896,870	784,131
43	4020	Notes Payable		
44	4030	Advance Billing and Payments	269,038	269,053
45	4040	Customer Deposits	65,444	66,864
46	4050	Current Maturities - Long Term Debt	36,778	50,391
47	4060	Current Maturities - Capital Leases		
48	4070	Income Taxes - Accrued		
49	4080	Other Taxes - Accrued	105,995	126,147
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	239,586	197,445
54		Total Current Liabilities	1,613,711	1,494,031
55		LONG-TERM DEBT:		
56	4210	Funded Debt	5,161,876	5,465,697
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	5,104,427	5,940,539
63		Total Long-Term Debt	10,266,303	11,406,236
64		OTHER LIABILITIES AND DEFERRED CREDITS:		
65	4310	Other Long-Term Liabilities		
66	4320	Unamort. Oper. Invest. Tax Credits - Net	3,442	24,030
67	4330	Unamort. Nonoper. Invest. Tax Credits - Net		
68	4340	Net Noncurrent Deferred Oper. Income Taxes	2,477,726	2,383,587
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	2,481,168	2,407,617
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	30,366,213	26,509,469
79		Total Stockholders' Equity	30,374,163	26,517,419
80		TOTAL LIAB. AND STOCKHOLDERS' EQUITY	44,735,345	41,825,303

Total Company Income Statement

Year : 2004

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	2,441,414	2,448,844
3	5080	Network Access Revenues	5,393,734	5,213,949
4	* 5100	Long Distance Message Revenue	92	65
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	92	65
9	* 5200	Miscellaneous Revenue	63,289	75,519
10	^ 5230	Directory Revenue	17,572	15,770
11	^ 5240	Rent Revenue	4,673	4,344
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	5,605	5,174
14	^ 5270	Carrier Billing and Collection Revenue	35,439	50,231
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	6,615	6,635
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	7,891,914	7,731,742
18		OPERATING EXPENSES:		
19	6110	Network Support Expense	26,687	28,472
20	6120	General Support Expense	521,929	445,636
21	6210	Central Office Switching Expense	310,307	370,971
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	443,606	401,625
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense	1,404,997	1,436,183
26	^ 6431	Aerial Wire Expense	1,403,141	1,435,960
27	^ 6441	Conduit Systems Expense	1,856	223
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense	278,705	251,768
30	6540	Access Expense	47,265	36,508
31	6560	Depreciation and Amortization Expense	1,631,234	1,602,192
32	6610	Marketing	20,345	16,968
33	6620	Services	434,085	452,333
34	6710	Executive and Planning	202,588	155,837
35	6720	General and Administrative	717,982	675,284
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)	6,039,730	5,873,777
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	299,109	566,525
40		Net Operating Income (L.17-L.37+L.38-L.39)	1,553,075	1,291,440
41	7300	Nonoperating Income and Expense	3,091,596	2,577,501
42	7400	Nonoperating Taxes	505	2,458
43	7500	Interest and Related Items	601,735	691,767
44	7600	Extraordinary Items	185,687	(28,615)
45	7910	Effects of Juris. Ratemaking Diff. - Net		
46	7990	Nonregulated Net Income		
47		NET INCOME (L.40+L.41-L.42-L.43-L.44+L.45-L.46)	3,856,744	3,203,331

^ Subaccount of the account marked with a *.

Montana Total State Income Statement

Year : 2004

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	2,386,184	2,397,123
3	5080	Network Access Revenues	5,347,139	5,153,334
4	* 5100	Long Distance Message Revenue	92	65
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	92	65
9	* 5200	Miscellaneous Revenue	60,176	72,521
10	^ 5230	Directory Revenue	17,165	15,398
11	^ 5240	Rent Revenue	4,673	4,344
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	5,605	5,174
14	^ 5270	Carrier Billing and Collection Revenue	32,733	47,605
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	6,615	6,636
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	7,786,976	7,616,407
18		OPERATING EXPENSES:		
19	6110	Network Support Expense	26,687	28,472
20	6120	General Support Expense	515,097	440,256
21	6210	Central Office Switching Expense	307,003	363,885
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	439,730	389,085
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense	1,376,368	1,414,044
26	^ 6431	Aerial Wire Expense	1,374,512	1,413,821
27	^ 6441	Conduit Systems Expense	1,856	223
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense	267,683	242,137
30	6540	Access Expense	45,276	35,030
31	6560	Depreciation and Amortization Expense	1,576,581	1,550,483
32	6610	Marketing	19,490	16,281
33	6620	Services	421,794	439,689
34	6710	Executive and Planning	194,066	149,531
35	6720	General and Administrative	687,779	647,955
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)	5,877,554	5,716,848
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	291,228	558,237
40		Net Operating Income (L.17-L.37+L.38-L.39)	1,618,194	1,341,322

^ Subaccount of the account marked with a *.

Montana Intrastate Income Statement

Year : 2004

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	2,386,184	2,397,123
3	5080	Network Access Revenues	5,347,139	5,153,334
4	* 5100	Long Distance Message Revenue	92	65
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	92	65
9	* 5200	Miscellaneous Revenue	60,176	72,521
10	^ 5230	Directory Revenue	17,165	15,398
11	^ 5240	Rent Revenue	4,673	4,344
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	5,605	5,174
14	^ 5270	Carrier Billing and Collection Revenue	32,733	47,605
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	6,615	6,636
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	7,786,976	7,616,407
18		OPERATING EXPENSES:		
19	6110	Network Support Expense	26,687	28,472
20	6120	General Support Expense	515,097	440,256
21	6210	Central Office Switching Expense	307,003	363,885
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	439,730	389,085
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense	1,376,368	1,414,044
26	^ 6431	Aerial Wire Expense	1,374,512	1,413,821
27	^ 6441	Conduit Systems Expense	1,856	223
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense	267,683	242,137
30	6540	Access Expense	45,276	35,030
31	6560	Depreciation and Amortization Expense	1,576,581	1,550,483
32	6610	Marketing	19,490	16,281
33	6620	Services	421,794	439,689
34	6710	Executive and Planning	194,066	149,531
35	6720	General and Administrative	687,779	647,955
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)	5,877,554	5,716,848
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	291,228	558,237
40		Net Operating Income (L.17-L.37+L.38-L.39)	1,618,194	1,341,322

^ Subaccount of the account marked with a *.

Montana Intrastate Regulated Income Statement

Year : 2004

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		REVENUES:		
2	5000	Basic Local Service Revenues	2,386,184	2,397,123
3	5080	Network Access Revenues	5,347,139	5,153,334
4	* 5100	Long Distance Message Revenue	92	65
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	92	65
9	* 5200	Miscellaneous Revenue	60,176	72,521
10	^ 5230	Directory Revenue	17,165	15,398
11	^ 5240	Rent Revenue	4,673	4,344
12	^ 5250	Corporate Operations Revenue		
13	^ 5260	Miscellaneous Revenue	5,605	5,174
14	^ 5270	Carrier Billing and Collection Revenue	32,733	47,605
15	^ 5280	Nonregulated Revenue		
16	5300	Uncollectible Revenue	6,615	6,636
17		Total Revenues (L.2+L.3+L.4+L.9-L.16)	7,786,976	7,616,407
18		OPERATING EXPENSES:		
19	6110	Network Support Expense	26,687	28,472
20	6120	General Support Expense	515,097	440,256
21	6210	Central Office Switching Expense	307,003	363,885
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense	439,730	389,085
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense	1,376,368	1,414,044
26	^ 6431	Aerial Wire Expense	1,374,512	1,413,821
27	^ 6441	Conduit Systems Expense	1,856	223
28	6510	Other Property, Plant & Equipment Expense		
29	6530	Network Operations Expense	267,683	242,137
30	6540	Access Expense	45,276	35,030
31	6560	Depreciation and Amortization Expense	1,576,581	1,550,483
32	6610	Marketing	19,490	16,281
33	6620	Services	421,794	439,689
34	6710	Executive and Planning	194,066	149,531
35	6720	General and Administrative	687,779	647,955
36	6790	Provision for Uncollectible Notes Receivable		
37		Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)	5,877,554	5,716,848
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	291,228	558,237
40		Net Operating Income (L.17-L.37+L.38-L.39)	1,618,194	1,341,322

^ Subaccount of the account marked with a *.

Average Rate Base - Total State

Year : 2004

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	26084344	25227624
2	3100	Accumulated Depreciation	16709893	15537352
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies	960300	960481
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)	10334751	10650753

Average Rate Base - Intrastate

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	26084344	25227624
2	3100	Accumulated Depreciation	16709893	15537352
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies	960300	960481
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)	10334751	10650753

Average Rate Base - Regulated Intrastate

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	26084344	25227624
2	3100	Accumulated Depreciation	16709893	15537352
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies	960300	960481
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)	10334751	10650753

Statement of Cash Flows

Year : 2004

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		
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		26509469
41	Cash & Cash Equivalents at End of Period		30366213

Receivables and Investments-Affiliated & Nonaffiliated Companies

2004

Line No.	Name of Affiliate or Company (a)	Account 1160 Temporary Investments (b)	Account 1180 Telecom. Accounts Receivable (c)	Account 1181 Accts. Rec. Telecom. 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 Communication				8088					23330934	
2	Nemont Telephone				10804						
3	MVC				4373						
4	Sagebrush				127				4172		
5	NRUCFC	2244113									
6	AT&T				17134						
7	Qwest				746						
8	NCRPC				2063						
9	NECA				329616						
10	Misc LD Carriers				78011						
11	RTFC										192400
12	RUS Stock										311425
13	Capital Credits										292484
14	MISC Memberships										1074
15	NCRPC Stock										10000
16	Raymond James Security										40847
17											
18											
19											
20											
21											
22											
23											
24											
25											
26											
27											
28											
29											
30	Totals	2244113			450962				4172	23330934	848230

		Net Plant in Service - Detail							Year : 2004	
Line No.	Account No.	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	3073419	95135	125357		3043197	1619605	1423592	
2	^ 2111	Land	94882				94882		94882	
3	^ 2112	Motor Vehicles	699124	69027	60718		707433	400261	307172	
4	^ 2113	Aircraft								
5	^ 2114	Special Purpose Vehicles	2054				2054	548	1506	
6	^ 2115	Garage Work Equipment	2113				2113	1141	972	
7	^ 2116	Other Work Equipment	568318	5448			573766	421947	151819	
8	^ 2121	Buildings	1608692	2700			1611392	746336	865056	
9	^ 2122	Furniture	6116	1826	637		7305	6130	1175	
10	^ 2123	Office Equipment	92120	16134	64002		44252	43242	1010	
11	^ 2124	General Purpose Computers								
12	2211	Analog Electronic Switching								
13	2212	Digital Electronic Switching								
14	2215	Electro-Mechanical Switching	4771101	160316	46668		4884749	3768226	1116523	
15	2220	Operator Systems								
16	2231	Radio Systems	268084		4186		263898	51777	212121	
17	2232	Circuit Equipment	4206275	239967	278833		4167409	1565114	2602295	
18	* 2310	Information Orig & Term Equip	12487				12487	12487		
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	12487		
24	2411	Poles	116722		433		116289	88120	28169	
25	* 2420	Cable and Wire Facilities	13666851	901083	85249		14482685	6906224	7576461	
26	^ 2421	Aerial Cable	164644		1978		162666	128460	34206	
27	^ 2422	Underground Cable	72985	67465			140450	30130	110320	
28	^ 2423	Buried Cable	13389019	833618	83271		14139366	6712178	7427188	
29	^ 2424	Submarine Cable								
30	^ 2425	Deep Sea Cable								
31	^ 2426	Intrabuilding Network Cable	40203				40203	35456	4747	
32	2431	Aerial Wire	3748				3748	3748		
33	2441	Conduit Systems	355186	89454	2995		441645	82908	358737	
34		Totals	26473873	1485955	543721		27416107	14098209	13317898	

^ Subaccount of the account marked with a *.

Analysis of Plant Held for Future Use

Year : 2004

Line No.	Location and Description of Property (a)	Date Included in Account 2002 (b)	Book Cost of Property at Beginning of Year (c)	Additions During the Year (d)	Retirements During the Year (e)	Transfers and Adjustments Charges and (Credits) (f)	Book Cost of Property at End of Year (g)
1	NONE						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30	Totals (Sum L.1 to L.29)						

Cost of Preferred Stock

Year : 2004

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

Analysis of Common Stock

Year : 2004

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									
3	N/A								
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 : 2004

Line No.	Description of Security (a)	Call or Retirement Date (b)	Number of Shares (c)	Principal Amount (d)	Reacquisition or Retirement Cost (e)	Gain or (Loss) (f)	Retirement or Reacquisition (g)
1	NONE						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
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. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
1	*	Network Support Expense	14636	8047		148985	-144981	26687
2	^	Motor Vehicle Expense	11681	6438		120870	-125611	13378
3	^	Aircraft Expense				4	-4	
4	^	Special Purpose Vehicles Expense						
5	^	Garage Work Equipment Expense						
6	^	Other Work Equipment Expense	2955	1609	276931	28111	-19366	13309
7	*	General Support Expense	75468	46682	213109	122847		521928
8	^	Land and Building Expense	52083	30997		66741		362930
9	^	Furniture and Artworks Expense				15948		15948
10	^	Office Equipment Expense	82	44		28862		28988
11	^	General Purpose Computers Expense	23303	15641	63822	11296		114062
12	*	Central Office Switching Expense	144780	80971		84556		310307
13	^	Analog Electronic Expense						
14	^	Digital Electronic Expense						
15	^	Electro-Mechanical Expense	144780	80971		84556		310307
16	^	Operator Systems Expense						
17	*	Central Office Transmission Expense	69173	40222	149886	184324		443605
18	^	Radio Systems Expense	886	524	900	3815		6125
19	^	Circuit Equipment Expense	68287	39698	148986	180509		437480
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	422026	256654	579191	147126		1404997
26	^	Poles Expense			3599			3599
27	^	Aerial Cable Expense	21502	13292		9768		44562
28	^	Underground Cable Expense						
29	^	Buried Cable Expense						
30	^	Submarine Cable Expense	400340	243259	575592	135789		1354980
31	^	Deep Sea Cable Expense						
32	^	Intrabuilding Network Cable Expense						
33	^	Aerial Wire Expense						
34		Subtotals	725,899	432,473	1,006,008	686,269	(144,981)	2,705,668

^ 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	^	Conduit Systems Expense	184	103		1569		1856
36		Other Property Expenses	11169	6559		1240	-18968	
37	*	Network Operations Expense	153667	101449		94430	-70720	278826
38	^	Power Expense				52350		52350
39	^	Network Administration Expense				1144		1144
40	^	Testing Expense	8645	6155		454		15254
41	^	Plant Operations Expense	137416	89175		19306	-62048	183849
42	^	Engineering Expense	7606	6119		21176	-8672	26229
43		Access Expense				47265		47265
44		Depreciation - Telecomm. Plant in Service				1360663		1360663
45		Depreciation-Prop. for Future Telecom. Use						
46		Amortization Expense - Tangible						
47		Amortization Expense - Intangible						
48		Amortization - Other				270571		270571
49	*	Marketing	9253	6213		4879		20345
50	^	Product Management						
51	^	Sales				2655		2655
52	^	Product Advertising	9253	6213		2224		17690
53		Call Completion Services				1393		1393
54		Number Services	990	862		14978		16830
55		Customer Services	117070	90729		207943		415742
56		Executive	64501	43287		94801		202589
57		Planning						
58		Accounting and Finance	98495	65643		52801		216939
59		External Relations	53593	32532		77721		163846
60		Human Relations	14886	11457		19593		45936
61		Information Management						
62		Legal				16385		16385
63		Procurement						
64		Research and Development						
65		Other General and Administrative	63989	42609		168278		274876
66		Provision for Uncollectible Notes Receivable						
67		Totals	1,313,696	833,916	1,006,008	3,120,779	(234,669)	6039730

^ 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	14636	8047		148981	-144977	26687
2	^	Motor Vehicle Expense	11681	6438		120870	-125611	13378
3	^	Aircraft Expense						
4	^	Special Purpose Vehicles Expense						
5	^	Garage Work Equipment Expense						
6	^	Other Work Equipment Expense	2955	1609		28111	-19366	13309
7	*	General Support Expense	75468	46682	276931	116016		515097
8	^	Land and Building Expense	52083	30997	213109	66598		362787
9	^	Furniture and Artworks Expense				15277		15277
10	^	Office Equipment Expense	82	44		27643		27769
11	^	General Purpose Computers Expense	23303	15641	63822	6498		109264
12	*	Central Office Switching Expense	142718	80039		84246		307003
13	^	Analog Electronic Expense						
14	^	Digital Electronic Expense						
15	^	Electro-Mechanical Expense	142718	80039		84246		307003
16	^	Operator Systems Expense						
17	*	Central Office Transmission Expense	67046	39171	149886	183626		439729
18	^	Radio Systems Expense	886	524	900	3815		6125
19	^	Circuit Equipment Expense	66160	38647	148986	179811		433604
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	407246	248301	579191	141631		1376369
26	^	Poles Expense			3599			3599
27	^	Aerial Cable Expense	21502	13292		9768		44562
28	^	Underground Cable Expense						
29	^	Buried Cable Expense	385560	234906	575592	130294		1326352
30	^	Submarine Cable Expense						
31	^	Deep Sea Cable Expense						
32	^	Intrabuilding Network Cable Expense						
33	^	Aerial Wire Expense						
34		Subtotals	706,930	422,137	1,006,008	672,931	(144,977)	2663029

^ 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	6441	Conduit Systems Expense	184	103		1569		1856
36	6510	Other Property Expenses	11169	6559		1240	-18968	
37	6530	Network Operations Expense	153667	101449		83402	-70720	267798
38	6531	Power Expense				50160		50160
39	6532	Network Administration Expense				1144		1144
40	6533	Testing Expense	8645	6155		454		15254
41	6534	Plant Operations Expense	137416	89175		11572	-62048	176115
42	6535	Engineering Expense	7606	6119		20072	-8672	25125
43	6540	Access Expense				45276		45276
44	6561	Depreciation - Telecomm. Plant in Service				1306010		1306010
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	9253	6213		270571		270571
50	6611	Product Management				4023		19489
51	6612	Sales						
52	6613	Product Advertising	9253	6213		2543		2543
53	6621	Call Completion Services				1480		16946
54	6622	Number Services	990	862		1334		1334
55	6623	Customer Services	117070	90729		14270		16122
56	6711	Executive	64501	43287		196425		404224
57	6712	Planning				86279		194067
58	6721	Accounting and Finance	98495	65643		43675		207813
59	6722	External Relations	53593	32532		70828		156953
60	6723	Human Relations	14886	11457		17661		44004
61	6724	Information Management						
62	6725	Legal				15696		15696
63	6726	Procurement						
64	6727	Research and Development						
65	6728	Other General and Administrative	63989	42609		156715		263313
66	6790	Provision for Uncollectible Notes Receivable						
67		Totals	1,294,727	823,580	1,006,008	2,987,905	(234,665)	5877555

^ Subaccount of the account marked with a *.

Pension Costs

Year : 2004

1	Plan Name	NTCA SAVINGS PLAN		
2	Defined Benefit Plan? _____	Defined Contribution Plan? <input checked="" type="checkbox"/> _____		
3	Actuarial Cost Method? 12% OF W-2 WAGES _____	IRS Code: _____		
4	Annual Contribution by Employer: <u>144,784</u> _____	Is the Plan Over Funded? <u>NO</u> _____		
5				
	Item	Current Year	Last Year	% Change
6	Change in Benefit Obligation	N/A		
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	1071124	832902	-22.24%
18	Actual return on plan assets			
19	Acquisition			
20	Employer contribution	144784	135244	-6.59%
21	Plan participants' contributions	139328	102978	-26.09%
22	Benefits paid			
23	Fair value of plan assets at end of year	1355236	1071124	-20.96%
24	Funded Status			
25	Unrecognized net actuarial loss	1355236	1071124	-20.96%
26	Unrecognized prior service cost			
27	Prepaid (accrued) benefit cost	1355236	1071124	-20.96%
28				
29	Weighted-average Assumptions as of Year End		N/A	
30	Discount rate			
31	Expected return on plan assets			
32	Rate of compensation increase			
33				
34	Components of Net Periodic Benefit Costs	N/A		
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:		N/A	
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	20	20	
48	Not Covered by the Plan	4	2	-50.00%
49	Active	20	20	
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		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	N/A		
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	N/A		
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	N/A		
37	Unrecognized net actuarial loss			
38	Unrecognized prior service cost			
39	Prepaid (accrued) benefit cost			
40	Components of Net Periodic Benefit Costs	N/A		
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	N/A		
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:	N/A	N/A	
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	N/A	N/A	#VALUE!
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	N/A		
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	N/A		#VALUE!
27	Unrecognized net actuarial loss			
28	Unrecognized prior service cost			
29	Prepaid (accrued) benefit cost			
30	Components of Net Periodic Benefit Cccosts	N/A		
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	N/A		
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:	N/A		
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

Year : 2004

Line No.	Name of Recipient (a)	Nature of Service (b)	Total Company Cost (c)	Total State Cost (d)	Intrastate Cost (e)
1					
2	NISC	DATA SERVICES	190629	190629	190629
3	MITTS (MT INDP TELE SERVICES)	LEGAL SERVICES	60680	60680	60680
4	ASSOC. LEGAL GROUP	LEGAL SERVICES	9112	9112	9112
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45					
46					
47					
48					
49	Total		260421	260421	260421

Subscriber Line Usage Data

ar : 2004

Line No.	Description (a)	This Year (b)	% of Total (c)	Last Year (d)	% of Total (e)
1	Toll Usage:				
2	Interstate, InterLATA	8518147	79.48%	9471081	79.94%
3	Interstate, IntraLATA	73884	0.69%	71058	0.60%
4	Total Interstate Usage	8592031	80.17%	9542139	80.54%
5	Intrastate, InterLATA	1257201	11.73%	1337771	11.29%
6	Intrastate, IntraLATA	867567	8.10%	967333	8.17%
7	Total Intrastate Usage	2124768	19.83%	2305104	19.46%
8	Total Toll Usage	10716799	100.00%	11847243	100.00%
9	Centrex				
10	Local				
11	Total Minutes	10716799	100.00%	11847243	100.00%

Central Office and Access Line Statistics

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	1293			7		337				18		1648
2	BELFRY	UD/DIG	199			6		54				3		256
3	CLARK	RSU	232					48				1		281
4	CROW AGENCY	US/DIG	544			355		441				7		992
5	FORT SMITH	RSU	221			37		83				2		306
6	HUNTLEY	RSU	511			4		94				2		607
7	LODGE GRASS	RSU	521			276		72				2		595
8	POMEYS PILLAR	RSU	91			1		17				2		110
9	SOUTH WYOLA	RSU	1					1						2
10	WORDEN	UD/DIG	820			18		205				16		1041
11	WYOLA	RSU	116			53		18				1		135
33	Total		4549			757		1370				54		5973

Central Office and Switch Information

Year : 2004

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	1,534	1985
2	BELFRY	HOST	DIGITAL	NTI	DMS10-SS	402	1985
3	CLARK	REMOTE	DIGITAL	NTI	RSLE	326	1996
4	CROW AGENCY	HOST	DIGITAL	NTI	DMS10-SS	1,054	1994
5	FORT SMITH	REMOTE	DIGITAL	NTI	RSLE	387	1994
6	HUNTLEY	REMOTE	DIGITAL	NTI	RSLE	596	1996
7	LODGE GRASS	REMOTE	DIGITAL	NTI	RSLE	669	1994
8	WORDEN	HOST	DIGITAL	NTI	DMS10-SS	1,547	1985
9	WYOLA	REMOTE	DIGITAL	NTI	RSLE	171	1994
10	NYE	REMOTE	DIGITAL	NTI	RSLE	335	1985
11	BEEHIVE	REMOTE	DIGITAL	NTI	RSLE	153	1985
12	ROSCOE	REMOTE	DIGITAL	NTI	RSLE	252	1996
13	DEAN	REMOTE	DIGITAL	NTI	RSLE	160	1996
14							
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NOTE: Additional blank schedules are being provided for your convenience.

Construction Budget - Montana

Year : 2005

Line No.	Description (a)	2005 (b)
1	Central Office Assets:	
2		
3	DIGITAL SWITCHING	650000
4	CIRCUIT EQUIPMENT	216900
5		
6		
7		
8		
9		
10		
11		
12		
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15		
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21		
22		
23		
24		
25		
26		
27	Total Switching and Central Office Projects over \$500,000	650000
28	Miscellaneous Central Office Projects not over \$500,000	216900
29	Total Central Office Budget (Total of Line 27 & Line 28)	866900
30	Other Projects over \$500,000:	
31		
32	UNDERGROUND CABLE & CONDUIT SYSTEMS	421000
33		
34		
35		
36		
37		
38		
39		
40		
41	Total Other Projects over \$500,000	
42	Miscellaneous projects not over \$500,000	421000
43	Total Construction Budget (Total of Lines 29, 41 & 42)	1287900

Montana Employee Counts

Year : 2004

Line No.	Category (a)	Beginning of Year (b)	End of Year (c)
1			
2	Central Office Technician	3	3
3	Combination Technician	6	7
4	Construction Tech	4	4
5	Custodian	2	3
6	Customer Service Rep	1	2
7	Right of Way Clerk	1	1
8	Plant Supervisor	1	1
9	Engineer	1	1
10	Dist. Supervisor	1	1
11			
12			
13			
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42			
43	Totals (Sum of Lines 1 through 42)	20	23

Compensation of Top 10 Montana Based Employees

Year : 2004

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	Project Telephone has no employees of management status or highly paid supervisors status. Employee services are provided through service agreements with Nemont Telephone Cooperative, Inc.						
3							
4							
5							
6							
7							
8							
9							
10							
11	Totals (Sum L.1 to L.10)						

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 : 2004

Line No.	Account No.	Description (a)	Amount (b)
1		Plant (Intrastate Only) (000 Omitted)	
2	2001	Plant in Service	26084344
3	2003 - 2004	Construction Work in Progress	276694
4	2005	Plant Acquisition Adjustments	4377116
5	2002	Plant Held for Future Use	
6	1220	Materials & Supplies	960300
7		(Less):	
8	3100 - 3400	Depreciation & Amortization Reserves	-16709893
9	4360.2	Contributions in Aid of Construction	
10		NET BOOK COSTS	14988561
11		Revenues & Expenses (Intrastate Only) (000 Omitted)	
12	5000 - 5300	Operating Revenues	7786976
13	6560	Depreciation & Amortization Expenses	1576581
14		Federal & State Income Taxes	-17961
15		Other Taxes	309189
16		Other Operating Expenses	4300973
17		TOTAL Operating Expenses	6168782
18		Net Operating Income	1618194
19		Other Income	2775347
20		Other Deductions	576421
21		NET INCOME	3817120
22		Access Lines in Service (Intrastate Only)	
23		Residential Access Lines	4316
24		Business Access Lines	1321
25		PBX Access Lines	
26		Other Access Lines	53
27		Total Number of Access Lines	5690
28		Average Number of Calls Per Access Line	
29		Local Calls	984
30		Toll Calls (Intra- or Interstate)	1214
31		Total Number of Calls Per Access Line (Total of Line 29 & Line 30)	2198
32		Other Statistics (Intrastate Only)	
33		Average Residential Monthly Bill	44
34		Gross Plant Investment per Access Line	5402

Depreciation - Montana Intrastate Regulated

Year : 2004

Line No.	Acct No. (a)	Description (b)	Composite Rate % (c)	Total Expense \$ (d)
1	2112	Motor Vehicles	25.0%	60,427
2	2114	Special Purpose Vehicles	8.0%	164
3	2115	Garage Work Equipment	8.0%	169
4	2116	Other work Equipment	8.0%	47,875
5	2121	Buildings	3.1%	49,119
6	2122	Furniture	7.5%	515
7	2123.1	Office Support Equipment	7.5%	664
8	2123.2	Company Communications Equipment	7.5%	6,936
9	2124	General Purpose Computers		
10	2211	Analog Electronic Switching Equipment		
11	2212	Digital Electronic Switching Equipment	8.2%	385,348
12	2215	Step By Step Switching Equipment		
13	2215	Crossbar Switching Equipment		
14	2220	Operator System		
15	2231	Radio Systems	8.2%	20,954
16	2232	Circuit DDS	6.5%	260,089
17	2232	Circuit Digital		
18	2232	Circuit Analog		
19	2351	Public Telephone Terminating Equipment		
20	2362	Other Terminal Equipment		
21	2411	Poles	9.2%	4,650
22	2421	Aerial Cable Metallic	9.2%	14,575
23	2421	Aerial Cable Nonmetallic	9.2%	526
24	2422	Underground Cable Metallic	9.2%	3,741
25	2422	Underground Cable Nonmetallic	9.2%	3,291
26	2423	Buried Cable Metallic	3.3%	339,109
27	2423	Buried Cable Nonmetallic	4.0%	91,988
28	2424	Submarine Cable Metallic		
29	2424	Submarine Cable Nonmetallic		
30	2426	Intrabuilding Network Cable Metallic	3.3%	1,327
31	2426	Intrabuilding Network Cable Nonmetallic		
32	2431	Aerial Wire		
33	2441	Conduit Systems	4.0%	14,543
34				
35		COMPOSITE TOTAL		1,306,010
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 : 2004

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			
Actual at Year End				
12	Common Equity	74.70%	12.700%	9.487%
13	Preferred Stock			
14	Long Term Debt	25.30%	33.810%	8.554%
15	Other			
16	Total	100.00%		18.041%

Network Access - Charges and Revenues

Year : 2004

Line No.	Description (a)	Access Charges Paid (b)	Access Revenues Received (c)
1	Montana - Total State		3027690
2			
3	Montana - Intrastate		3027690
4			
5	Montana - Intrastate Regulated		3027690
6			
7			
8			
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13			

Affiliate Transactions - Products & Services Provided to Utility

Year : 2004

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						
2	NEMONT COMMUNICATIONS	COMPUTER LEASE	LEASE AGREEMENT	63,822	0.5%	
3						
4	NEMONT TELEPHONE	MANAGEMENT LEASE	LEASE AGREEMENT	934,624	11.3%	
5						
6	NEMONT COMMUNICATIONS	BUILDING LEASE	LEASE AGREEMENT	213,109	1.8%	
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8						
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29						
30	TOTAL			\$1,211,555		

Affiliate Transactions - Products & Services Provided by Utility

Year: 2004

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						
2	NCI	WAGES & LABOR	COST	71,539	0.9%	
3						
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29						
30	TOTAL			\$71,539		

Montana Intrastate Regulated Earned Rate of Return

Year : 2004

Line No.	Description Rate Base (a)	This Year (b)	Last Year (c)	Percent Change (d)
1				
2	2001 Plant in Service	30,738,153	29,976,838	2.54%
3	2002 Prop. Held for Future Telecommunications Use			
4	3100-3200 (Less) Accumulated Depreciation	(16,709,893)	(15,537,352)	-7.55%
5	Plant in Service	14,028,260	14,439,486	-2.85%
6				
7	Additions			
8	1220 Materials & Supplies	960,300	960,481	-0.02%
9	1280 Prepayments			
10	Other Additions			
11	TOTAL Additions	960,300	960,481	-0.02%
12				
13	Deductions			
14	4100 Current Deferred Operating Income Taxes			
15	4320 Unamortized Operating Investment Tax Credits	3,442	24,030	-85.68%
16	4340 Noncurrent Deferred Operating Income Taxes	2,477,726	2,383,587	3.95%
17	Customer Advances for Construction			
18	Other Deductions			
19	TOTAL Deductions	2,481,168	2,407,617	3.05%
20	TOTAL Rate Base	12,507,392	12,992,350	-3.73%
21				
22	Net Earnings	3,817,120	3,176,897	20.15%
23				
24	Rate of Return on Average Rate Base	30.510%	24.450%	24.79%
25				
26	Rate of Return on Average Equity	12.570%	11.960%	5.10%
27				
28	Major Normalizing Adjustments & Commission			
29	<u>Ratemaking adjustments to Utility Operations</u>			
30				
31				
32				
33				
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35				
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37				
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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 : 2004

Line No.	Description (a)	Last Year (b)	This Year (c)
1	Montana Telephone Company License Tax		
2	Montana Public Service Commission Tax	7489	9007
3	Montana Consumer Counsel Tax	2965	3511
4	911 Emergency Telephone Fee	33074	33566
5	Montana Telecommunications Access Service (TDD)	6610	6714
6	Montana Corporate License Tax	15	15
7	Personal Property Tax		
8	Real Property Tax	188886	208778
9			
10			
11			
12	Total	239039	261591

Project Telephone Company

Universal Service Funds Received

Year : 2004

Line No.	Description (a)	Last Year (b)	This Year (c)
13	Funds received from Montana Sources	1124696	1546848
14	Funds received from Federal Sources	50461	56305
15			
16			
17			
18			
19			
20			
21			
22			
23			
24	Total	1175157	1603153

Nemont Telephone
Cooperative, Inc.

Valley Telecommunications, Inc.

Project Telephone Company

Nemont Communications, Inc.

Sagebrush Cellular, Inc.