

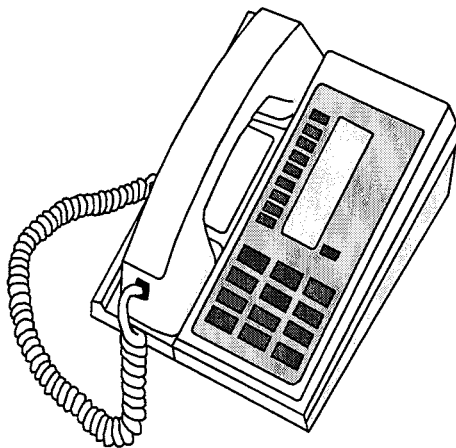
YEAR ENDING December 31, 2007

ANNUAL REPORT
OF

CenturyTel of Montana, Inc.

RECEIVED BY
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PUBLIC SERVICE
COMMISSION

TELEPHONE UTILITY



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

General Information

Year: 2007

| | | |
|--------------------------------|--|---|
| 1 | Legal Name of Respondent: | CenturyTel of Montana, Inc. |
| 2 | Name Under Which Respondent Does Business: | CenturyTel of Montana, Inc. |
| 3 | Date of Incorporation: | October 23, 1946 |
| 4 | Address to send Correspondence Concerning Report: | P. O. Box 4065 Monroe, La. 71211-4065 |
| 5 | Person Responsible for This Report: | Ted M. Hankins Director of Economic Analysis |
| 5a. | Telephone Number: | (318) 388-9416 |
| 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: Pacific Corp. Holding, Inc. owned 100% of the voting securities of Pacific Telecom, Inc. until 12/1/97 when these securities were sold to CenturyTel, Inc, P. O. Box 4065, Monroe, La. 71211-4065. | |
| | 1b. Means by which control was held: Ownership of voting securities. | |
| | 1c. Percent Ownership: 99%. | |

| Board of Directors | | |
|---------------------------|---|------------------------------|
| Line No. | Name of Director and Address (City, State) (a) | Fees Paid During Year (b) |
| 1 | Glen F. Post, III Chairman & CEO | None |
| 2 | Stacey W. Goff Senior V.P., General Counsel, & Assistant Secretary | None |
| 3 | R. Stewart Ewing, Jr. Executive V.P. and CFO | None |
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| 18 | Chairman of the Board: Glen F. Post, III | |
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Officers

Year: 2007

| 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 | Chairman & C.E.O. | Company Wide | Glen F. Post, III |
| 2 | President & C.O.O. | " | Karen A. Puckett |
| 3 | Executive V. P. & C.F.O. | " | R. Stewart Ewing, Jr. |
| 4 | Senior Vice President | " | David D. Cole |
| 5 | Senior Vice President | " | Michael E. Maslowski |
| 6 | Senior V.P., General Council, | " | Stacey W. Goff |
| 7 | & Assistant Secretary | " | |
| 8 | Vice President & Controller | " | Neil A. Sweasy |
| 9 | Vice President & Treasurer | " | G. Clay Bailey |
| 10 | Vice President | " | Tim Walden |
| 11 | Vice President | " | Ivan Hughes |
| 12 | Vice President | " | Jeff Glover |
| 13 | Secretary | " | Kay Buchart |
| 14 | Region Vice President | Mid-West Region | Duane Ring |
| 15 | General Manager | CenturyTel of Montana, Inc. | Jeremy Ferkin |
| 16 | | | |
| 17 | | | |
| 18 | | | All officers are based in Monroe, La., |
| 19 | | | except Duane Ring who is based in |
| 20 | | | LaCrosse, Wisconsin and Jeremy Ferkin |
| 21 | | | who is based in Kalispell, Montana. |
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Total Company Balance Sheet

Year: 2007

| Line No. | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|----------|---------------|---|-------------------|-------------------|
| 1 | | CURRENT ASSETS: | | |
| 2 | 1120 | Cash and Equivalents | 17,167,647 | 11,681,427 |
| 3 | 1180 | Telecommunications Accounts Receivable - Net | 3,388,501 | 3,524,885 |
| 4 | 1190 | Other Accounts Receivable - Net | 2,000,933 | 1,828,296 |
| 5 | 1200 | Notes Receivable - Net | | |
| 6 | 1210 | Interest and Dividends Receivable | | |
| 7 | 1220 | Materials and Supplies | 15,682 | 45,115 |
| 8 | * 1280 | Prepayments | 80,102 | 105,868 |
| 9 | ^ 1290 | Prepaid Rents | | |
| 10 | ^ 1300 | Prepaid Taxes | | |
| 11 | ^ 1310 | Prepaid Insurance | | |
| 12 | ^ 1320 | Prepaid Directory Expenses | | |
| 13 | ^ 1330 | Other Prepayments | 80,102 | 105,868 |
| 14 | 1350 | Other Current Assets | | |
| 15 | | Total Current Assets | 22,652,865 | 17,185,591 |
| 16 | | NONCURRENT ASSETS: | | |
| 17 | 1401 | Investments in Affiliated Companies | | |
| 18 | 1402 | Investments in Nonaffiliated Companies | | |
| 19 | 1406 | Nonregulated Investments | 1,214,531 | 637,860 |
| 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 | 94,573 | 152,101 |
| 25 | 1500 | Other Jurisdictional Assets - Net | | |
| 26 | | Total Noncurrent Assets | 1,309,104 | 789,961 |
| 27 | | PROPERTY, PLANT, & EQUIPMENT: | | |
| 28 | 2001 | Telecommunications Plant in Service | 162,599,038 | 159,094,695 |
| 29 | 2002 | Property Held for Future Telecommunications Use | | |
| 30 | 2003 | Plant Under Construction - Short Term | 1,834,957 | 818,789 |
| 31 | 2004 | Plant Under Construction - Long Term | | |
| 32 | 2005 | Telecommunications Plant Adjustment | | |
| 33 | 2006 | Nonoperating Plant | 2,582 | 2,582 |
| 34 | 2007 | Goodwill | | |
| 35 | 3100 | Accumulated Depreciation | (104,477,310) | (97,704,617) |
| 36 | 3200 | Accumulated Depreciation - Held for Future Use | | |
| 37 | 3300 | Accumulated Depreciation - Nonoperating | | |
| 38 | 3400 | Accumulated Amortization | | |
| 39 | | Net Property, Plant, & Equipment | 59,959,267 | 62,211,449 |
| 40 | | TOTAL ASSETS | 83,921,236 | 80,187,001 |

^ Subaccount of account marked with a *.

Total Company Balance Sheet

Year: 2007

| Line No. | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|----------|---------------|---|-------------------|-------------------|
| 41 | | CURRENT LIABILITIES: | | |
| 42 | 4010 | Accounts Payable | 523,476 | 1,692,793 |
| 43 | 4020 | Notes Payable | | |
| 44 | 4030 | Advance Billing and Payments | 842,182 | 700,287 |
| 45 | 4040 | Customer Deposits | 61,562 | 76,998 |
| 46 | 4050 | Current Maturities - Long Term Debt | | |
| 47 | 4060 | Current Maturities - Capital Leases | | |
| 48 | 4070 | Income Taxes - Accrued | | |
| 49 | 4080 | Other Taxes - Accrued | 2,378,807 | 2,382,813 |
| 50 | 4100 | Net Current Deferred Operating Income Taxes | | |
| 51 | 4110 | Net Current Deferred Nonoperating Income Taxes | | |
| 52 | 4120 | Other Accrued Liabilities | 568,436 | 572,873 |
| 53 | 4130 | Other Current Liabilities | | |
| 54 | | Total Current Liabilities | 4,374,463 | 5,425,764 |
| 55 | | LONG-TERM DEBT: | | |
| 56 | 4210 | Funded Debt | | |
| 57 | 4220 | Premium on Long-Term Debt | | |
| 58 | 4230 | Discount on Long-Term Debt | | |
| 59 | 4240 | Reacquired Debt | | |
| 60 | 4250 | Obligations Under Capital leases | | |
| 61 | 4260 | Advances From Affiliated Companies | | |
| 62 | 4270 | Other Long-Term Debt | | |
| 63 | | Total Long-Term Debt | | |
| 64 | | OTHER LIABILITIES AND DEFERRED CREDITS: | | |
| 65 | 4310 | Other Long-Term Liabilities | | |
| 66 | 4320 | Unamort. Oper. Invest. Tax Credits - Net | | |
| 67 | 4330 | Unamort. Nonoper. Invest. Tax Credits - Net | | |
| 68 | 4340 | Net Noncurrent Deferred Oper. Income Taxes | 9,434,719 | 8,974,982 |
| 69 | 4350 | Net Noncurrent Deferred Nonoper. Income Taxes | | |
| 70 | 4360 | Other Deferred Credits | 6,649,283 | 7,091,448 |
| 71 | 4370 | Other Jurisdictional Liab. and Def. Credits | | |
| 72 | | Total Other Liabilities and Deferred Credits | 16,084,002 | 16,066,430 |
| 73 | | STOCKHOLDERS' EQUITY: | | |
| 74 | 4510 | Capital Stock | 6,680,000 | 6,680,000 |
| 75 | 4520 | Additional Paid-In Capital | 141,016 | 141,016 |
| 76 | 4530 | Treasury Stock | (130,500) | (130,500) |
| 77 | 4540 | Other Capital | | |
| 78 | 4550 | Retained Earnings | 56,772,255 | 52,004,291 |
| 79 | | Total Stockholders' Equity | 63,462,771 | 58,694,807 |
| 80 | | TOTAL LIAB. AND STOCKHOLDERS' EQUITY | 83,921,236 | 80,187,001 |

Total Company Income Statement

Year: 2007

| Line No. | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|----------|---------------|--|-------------------|-------------------|
| 1 | | REVENUES: | | |
| 2 | 5000 | Basic Local Service Revenues | 19,541,140 | 20,223,509 |
| 3 | 5080 | Network Access Revenues | 21,799,232 | 19,464,686 |
| 4 | * 5100 | Long Distance Message Revenue | 207,345 | 251,028 |
| 5 | ^ 5110 | Unidirectional Long Distance Revenue | | |
| 6 | ^ 5120 | Long Distance Private Network Revenue | 207,368 | 251,013 |
| 7 | ^ 5160 | Other Long Distance Revenue | (23) | 15 |
| 8 | ^ 5169 | Other Long Distance Revenue Settlements | | |
| 9 | * 5200 | Miscellaneous Revenue | 6,095,933 | 5,255,252 |
| 10 | ^ 5230 | Directory Revenue | 3,860,802 | 4,002,544 |
| 11 | ^ 5240 | Rent Revenue | 108,621 | 92,003 |
| 12 | ^ 5250 | Corporate Operations Revenue | | |
| 13 | ^ 5260 | Miscellaneous Revenue | 1,329,242 | 353,851 |
| 14 | ^ 5270 | Carrier Billing and Collection Revenue | 797,268 | 806,854 |
| 15 | ^ 5280 | Nonregulated Revenue | | |
| 16 | 5300 | Uncollectible Revenue | 103,354 | 568,872 |
| 17 | | Total Revenues (L.2+L.3+L.4+L.9-L.16) | 47,540,296 | 44,625,603 |
| 18 | | OPERATING EXPENSES: | | |
| 19 | 6110 | Network Support Expense | 67,557 | 62,863 |
| 20 | 6120 | General Support Expense | 825,315 | 1,011,358 |
| 21 | 6210 | Central Office Switching Expense | 1,841,803 | 1,605,864 |
| 22 | 6220 | Operator Systems Expense | | |
| 23 | 6230 | Central Office Transmission Expense | 699,552 | 713,871 |
| 24 | 6310 | Information Origination/Termination Expense | 113 | 9,322 |
| 25 | * 6410 | Cable and Wire Facilities Expense | 4,858,724 | 4,878,852 |
| 26 | ^ 6431 | Aerial Wire Expense | | |
| 27 | ^ 6441 | Conduit Systems Expense | | |
| 28 | 6510 | Other Property, Plant & Equipment Expense | (14,495) | (10,747) |
| 29 | 6530 | Network Operations Expense | 1,935,911 | 1,165,521 |
| 30 | 6540 | Access Expense | 1,502,817 | 2,355,799 |
| 31 | 6560 | Depreciation and Amortization Expense | 7,746,796 | 7,479,519 |
| 32 | 6610 | Marketing | 1,359,221 | 1,347,242 |
| 33 | 6620 | Services | 3,264,342 | 3,407,930 |
| 34 | 6710 | Executive and Planning | 730,987 | 570,815 |
| 35 | 6720 | General and Administrative | 3,235,635 | 3,173,804 |
| 36 | 6790 | Provision for Uncollectible Notes Receivable | | |
| 37 | | Total Operating Expenses (Sum L.19 to L.36-L.26-L.27) | 28,054,278 | 27,772,013 |
| 38 | 7100 | Other Operating Income and Expense | 517 | 269 |
| 39 | 7200 | Operating Taxes | 9,480,812 | 8,216,100 |
| 40 | | Net Operating Income (L.17-L.37+L.38-L.39) | 10,005,723 | 8,637,759 |
| 41 | 7300 | Nonoperating Income and Expense | 1,096,324 | 852,079 |
| 42 | 7400 | Nonoperating Taxes | | |
| 43 | 7500 | Interest and Related Items | 36,595 | 4,284 |
| 44 | 7600 | Extraordinary Items | | |
| 45 | 7910 | Effects of Juris. Ratemaking Diff. - Net | | |
| 46 | 7990 | Nonregulated Net Income | (705,487) | (611,616) |
| 47 | | NET INCOME (L.40+L.41-L.42-L.43-L.44+L.45-L.46) | 11,770,939 | 10,097,170 |

^ Subaccount of the account marked with a *.

(1) Includes Interstate Prior Period Adjustments of \$1,900,095 in 2007 and (\$279) in 2006.

Includes Intrastate Prior Period Adjustments of \$251,562 in 2007 and \$139,752 in 2006.

(2) Includes Miscellaneous Prior Period Adjustments of \$100,549 in 2007 and \$10,511 in 2006.

Montana Total State Income Statement

Year: 2007

| Line No. | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|----------|---------------|--|---------------|---------------|
| 1 | | REVENUES: | | |
| 2 | 5000 | Basic Local Service Revenues | | |
| 3 | 5080 | Network Access Revenues | | |
| 4 | * 5100 | Long Distance Message Revenue | | |
| 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) | | |
| 18 | | OPERATING EXPENSES: (1) | | |
| 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) | | |

^ Subaccount of the account marked with a *.

Montana Intrastate Income Statement

Year: 2007

| Line No. | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|----------|---------------|--|---------------|---------------|
| 1 | | REVENUES: | | |
| 2 | 5000 | Basic Local Service Revenues | 19,541,140 | 20,223,509 |
| 3 | 5080 | Network Access Revenues | 4,432,516 | 5,221,075 |
| 4 | * 5100 | Long Distance Message Revenue | 207,378 | 251,026 |
| 5 | ^ 5110 | Unidirectional Long Distance Revenue | | (4,610) |
| 6 | ^ 5120 | Long Distance Private Network Revenue | 207,368 | 255,623 |
| 7 | ^ 5160 | Other Long Distance Revenue | 10 | 13 |
| 8 | ^ 5169 | Other Long Distance Revenue Settlements | | |
| 9 | * 5200 | Miscellaneous Revenue | 5,393,649 | 4,585,476 |
| 10 | ^ 5230 | Directory Revenue | 3,860,802 | 4,002,544 |
| 11 | ^ 5240 | Rent Revenue | 74,448 | 62,602 |
| 12 | ^ 5250 | Corporate Operations Revenue | | |
| 13 | ^ 5260 | Miscellaneous Revenue | 1,259,089 | 306,570 |
| 14 | ^ 5270 | Carrier Billing and Collection Revenue | 199,310 | 213,760 |
| 15 | ^ 5280 | Nonregulated Revenue | | |
| 16 | 5300 | Uncollectible Revenue | 103,354 | 568,872 |
| 17 | | Total Revenues (L.2+L.3+L.4+L.9-L.16) | 29,471,329 | 29,712,214 |
| 18 | | OPERATING EXPENSES: (1) | | |
| 19 | 6110 | Network Support Expense | 46,223 | 43,606 |
| 20 | 6120 | General Support Expense | 564,687 | 701,547 |
| 21 | 6210 | Central Office Switching Expense | 1,109,473 | 990,950 |
| 22 | 6220 | Operator Systems Expense | | |
| 23 | 6230 | Central Office Transmission Expense | 435,926 | 463,797 |
| 24 | 6310 | Information Origination/Termination Expense | | |
| 25 | * 6410 | Cable and Wire Facilities Expense | 3,550,391 | 3,576,438 |
| 26 | ^ 6431 | Aerial Wire Expense | | |
| 27 | ^ 6441 | Conduit Systems Expense | | |
| 28 | 6510 | Other Property, Plant & Equipment Expense | (9,918) | (7,455) |
| 29 | 6530 | Network Operations Expense | 1,321,042 | 1,440,503 |
| 30 | 6540 | Access Expense | 494,213 | 526,582 |
| 31 | 6560 | Depreciation and Amortization Expense | 4,978,811 | 5,072,268 |
| 32 | 6610 | Marketing | 1,036,405 | 1,027,270 |
| 33 | 6620 | Services | 2,613,506 | 2,759,156 |
| 34 | 6710 | Executive and Planning | 532,656 | 421,687 |
| 35 | 6720 | General and Administrative | 2,319,175 | 2,312,673 |
| 36 | 6790 | Provision for Uncollectible Notes Receivable | | |
| 37 | | Total Operating Expenses (Sum L.19 to L.36-L.26-L.27) | 18,992,590 | 19,329,022 |
| 38 | 7100 | Other Operating Income and Expense | | |
| 39 | 7200 | Operating Taxes | 6,340,780 | 5,601,094 |
| 40 | | Net Operating Income (L.17-L.37+L.38-L.39) | 4,137,959 | 4,782,098 |

^ Subaccount of the account marked with a *.

(1) Intrastate expenses include a portion of LNP expense. In any future ratemaking process, the LNP expenses will be removed to determine expenses solely on an intrastate basis. LNP investment and expenses are being recovered through a charge to the enduser as approved by the FCC.

Montana Intrastate Regulated Income Statement

Year: 2007

| Line No. | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|----------|---------------|--|---------------|---------------|
| 1 | | REVENUES: | | |
| 2 | 5000 | Basic Local Service Revenues | 18,805,325 | 19,360,977 |
| 3 | 5080 | Network Access Revenues | 4,118,350 | 4,683,449 |
| 4 | * 5100 | Long Distance Message Revenue | 187,200 | 226,728 |
| 5 | ^ 5110 | Unidirectional Long Distance Revenue | | |
| 6 | ^ 5120 | Long Distance Private Network Revenue | 187,223 | 226,713 |
| 7 | ^ 5160 | Other Long Distance Revenue | (23) | 15 |
| 8 | ^ 5169 | Other Long Distance Revenue Settlements | | |
| 9 | * 5200 | Miscellaneous Revenue | 172,938 | 142,567 |
| 10 | ^ 5230 | Directory Revenue | 76,146 | 82,302 |
| 11 | ^ 5240 | Rent Revenue | | |
| 12 | ^ 5250 | Corporate Operations Revenue | | |
| 13 | ^ 5260 | Miscellaneous Revenue | 96,792 | 60,265 |
| 14 | ^ 5270 | Carrier Billing and Collection Revenue | | |
| 15 | ^ 5280 | Nonregulated Revenue | | |
| 16 | 5300 | Uncollectible Revenue | 151,002 | 285,274 |
| 17 | | Total Revenues (L.2+L.3+L.4+L.9-L.16) | 23,132,811 | 24,128,447 |
| 18 | | OPERATING EXPENSES: | | |
| 19 | 6110 | Network Support Expense | 45,274 | 42,797 |
| 20 | 6120 | General Support Expense | 553,083 | 688,521 |
| 21 | 6210 | Central Office Switching Expense | 1,085,545 | 974,545 |
| 22 | 6220 | Operator Systems Expense | | |
| 23 | 6230 | Central Office Transmission Expense | 426,524 | 456,118 |
| 24 | 6310 | Information Origination/Termination Expense | | |
| 25 | * 6410 | Cable and Wire Facilities Expense | 3,479,784 | 3,505,307 |
| 26 | ^ 6431 | Aerial Wire Expense | | |
| 27 | ^ 6441 | Conduit Systems Expense | | |
| 28 | 6510 | Other Property, Plant & Equipment Expense | (9,714) | (7,317) |
| 29 | 6530 | Network Operations Expense | 1,293,897 | 1,413,758 |
| 30 | 6540 | Access Expense | 494,213 | 526,582 |
| 31 | 6560 | Depreciation and Amortization Expense | 4,842,913 | 4,982,472 |
| 32 | 6610 | Marketing | 999,688 | 990,876 |
| 33 | 6620 | Services | 2,370,022 | 2,537,194 |
| 34 | 6710 | Executive and Planning | 499,343 | 390,965 |
| 35 | 6720 | General and Administrative | 2,124,678 | 2,094,317 |
| 36 | 6790 | Provision for Uncollectible Notes Receivable | | |
| 37 | | Total Operating Expenses (Sum L.19 to L.36-L.26-L.27) | 18,205,250 | 18,596,135 |
| 38 | 7100 | Other Operating Income and Expense | | |
| 39 | 7200 | Operating Taxes | 6,186,732 | 5,478,284 |
| 40 | | Net Operating Income (L.17-L.37+L.38-L.39) | (1,259,171) | 54,028 |

^ Subaccount of the account marked with a *.

Average Rate Base - Total State

Year: 2007

| Line No. | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|----------|---------------|--|-------------------|-------------------|
| 1 | 2001 | Telecommunications Plant in Service | 160,846,866 | 156,535,729 |
| 2 | 3100 | Accumulated Depreciation | 101,094,947 | 96,051,719 |
| 3 | 2002 | Property Held for Future Telecommunications Use | | |
| 4 | 3200 | Accumulated Depreciation - 2002 | | |
| 5 | 1220 | Materials and Supplies | 30,398 | 33,581 |
| 6 | 4340 | Noncurrent Deferred Operating Income Taxes | 9,204,850 | 8,761,200 |
| 7 | | Pre-1971 Unamortized Investment Tax Credits | | |
| 8 | | Cash Working Capital (if allowed by Commission) | 829,878 | 829,631 |
| 9 | | Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8) | 51,407,345 | 52,586,022 |

Average Rate Base - Intrastate

| Line No. | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|----------|---------------|--|-------------------|-------------------|
| 1 | 2001 | Telecommunications Plant in Service | 110,052,713 | 108,583,826 |
| 2 | 3100 | Accumulated Depreciation | 69,835,299 | 67,095,226 |
| 3 | 2002 | Property Held for Future Telecommunications Use | | |
| 4 | 3200 | Accumulated Depreciation - 2002 | | |
| 5 | 1220 | Materials and Supplies | 22,212 | 24,617 |
| 6 | 4340 | Noncurrent Deferred Operating Income Taxes | 6,298,043 | 6,077,360 |
| 7 | | Pre-1971 Unamortized Investment Tax Credits | | |
| 8 | | Cash Working Capital (if allowed by Commission) | 575,909 | 585,894 |
| 9 | | Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8) | 34,517,492 | 36,021,751 |

Average Rate Base - Regulated Intrastate

| Line No. | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|----------|---------------|--|-------------------|-------------------|
| 1 | 2001 | Telecommunications Plant in Service | 107,536,746 | 107,185,375 |
| 2 | 3100 | Accumulated Depreciation | 68,596,082 | 66,348,686 |
| 3 | 2002 | Property Held for Future Telecommunications Use | | |
| 4 | 3200 | Accumulated Depreciation - 2002 | | |
| 5 | 1220 | Materials and Supplies | 21,771 | 24,257 |
| 6 | 4340 | Noncurrent Deferred Operating Income Taxes | 6,168,633 | 5,999,094 |
| 7 | | Pre-1971 Unamortized Investment Tax Credits | | |
| 8 | | Cash Working Capital (if allowed by Commission) | 549,137 | 559,466 |
| 9 | | Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8) | 33,342,939 | 35,421,318 |

Notes to Schedule 8

(A) Revenues and expenses were allocated using FCC Part 36 separation rules. Allocation factors are based on 2000 traffic measurements per Separations Freeze Order (i.e. allocations for 2007 are based on the 2000 traffic measurement) which are the most current factors available.

(B) Authorized by Montana Public Commission, Docket 6522, Order Number 4409.

Note: Rate Base Components are calculated using an average of beginning and end of year balances.

Statement of Cash Flows

Year: 2007

| 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 | | 11,770,939 |
| 4 | Reconciliation Adjustments: | | |
| 5 | Depreciation & Amortization | 7,746,796 | |
| 6 | Provision for Accounts Receivable Losses | | |
| 7 | Deferred Income Taxes - Net | (502,352) | |
| 8 | Unamortized Investment Tax Credits (ITCs) - Net | | |
| 9 | Allowance for Funds Used During Construction (AFUDC) | | |
| 10 | Change in Operating Receivables - Net | (36,253) | |
| 11 | Change in Materials, Supplies & Inventories - Net | 29,433 | |
| 12 | Change in Operating Payables & Accrued Liabilities - Net | (1,169,317) | |
| 13 | Change in Other Assets & Deferred Credits - Net | 25,766 | |
| 14 | Change in Other Liabilities & Deferred Credits - Net | 118,016 | |
| 15 | Other (explained on back of this page) | 519,924 | |
| 16 | Total Adjustments | | 6,732,013 |
| 17 | Net Cash Provided by/(Used in) Operating Activities | | 18,502,952 |
| 18 | Cash Inflows/Outflows From Investing Activities: | | |
| 19 | Construction/Acquisition of Property, Plant & Equipment (net of | (5,494,614) | |
| 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) | (519,143) | |
| 25 | Net Cash Provided by/(Used in) Investing Activities | | (6,013,757) |
| 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 | (7,002,975) | |
| 36 | Other Financing Activities (explained on back of this page) | | |
| 37 | Net Cash Provided by Financing Activities | | (7,002,975) |
| 38 | Effect of Exchange Rate Changes on Cash | | |
| 39 | Net Increase/(Decrease) in Cash & Cash Equivalents | | 5,486,220 |
| 40 | Cash & Cash Equivalents at Beginning of Period | | 11,681,427 |
| 41 | Cash & Cash Equivalents at End of Period | | 17,167,647 |

Receivables and Investments-Affiliated & Nonaffiliated Companies Year: 2007

| 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 | NECA | | | | 168,220 | | | | | | |
| 2 | AT&T | | | | 83,056 | | | | | | |
| 3 | All Other Connecting Companies | | | | 1,486,673 | | | | | | |
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| 28 | | | | | | | | | | | |
| 29 | Aggregate of all balances | | 3,724,725 | (323,289) | 250,049 | | | | | | |
| 30 | Totals | | 3,724,725 | (323,289) | 1,987,998 | | | | | | |

Net Plant in Service - Detail

Year:2007

| 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 | 7,434,180 | 347,023 | 225,316 | (82,200) | 7,473,687 | 5,242,166 | 2,231,521 |
| 2 | ^ | 2111 Land | 467,745 | | | | 467,745 | | 467,745 |
| 3 | ^ | 2112 Motor Vehicles | 1,514,175 | 194,985 | 60,672 | | 1,648,488 | 1,580,266 | 68,222 |
| 4 | ^ | 2113 Aircraft | | | | | | | |
| 5 | ^ | 2114 Special Purpose Vehicles | | | | | | | |
| 6 | ^ | 2115 Garage Work Equipment | | | | | | | |
| 7 | ^ | 2116 Other Work Equipment | 631,585 | 93,971 | 21,591 | | 703,965 | 555,332 | 148,633 |
| 8 | ^ | 2121 Buildings | 3,634,717 | | | | 3,634,717 | 2,391,637 | 1,243,080 |
| 9 | ^ | 2122 Furniture | 26,963 | | | | 26,963 | 18,913 | 8,050 |
| 10 | ^ | 2123 Office Equipment | 231,089 | 58,067 | 13,517 | | 217,572 | 217,572 | |
| 11 | ^ | 2124 General Purpose Computers | 927,906 | | 129,536 | (82,200) | 774,237 | 478,446 | 295,791 |
| 12 | | 2211 Analog Electronic Switching | | 142,691 | 68,391 | (184,210) | 31,194,877 | 26,958,874 | 4,236,003 |
| 13 | | 2212 Digital Electronic Switching | | | | | | | |
| 14 | | 2215 Electro-Mechanical Switching | | | | | | | |
| 15 | | 2220 Operator Systems | | | | | | | |
| 16 | | 2231 Radio Systems | 6,258 | | | | 6,258 | (34,135) | 40,393 |
| 17 | | 2232 Circuit Equipment | 34,675,576 | 1,232,773 | 127,861 | 184,647 | 35,965,135 | 24,591,747 | 11,373,388 |
| 18 | * | 2310 Information Orig & Term Equip | | | | | | | |
| 19 | ^ | 2311 Station Apparatus | | | | | | | |
| 20 | ^ | 2321 Customer Premises Wiring | | | | | | | |
| 21 | ^ | 2341 Large Private Branch Exchanges | | | | | | | |
| 22 | ^ | 2351 Public Telephone Term. Equip. | | | | | | | |
| 23 | ^ | 2362 Other Terminal Equipment | | | | | | | |
| 24 | | 2411 Poles | 1,398,996 | 7,971 | 8,564 | (92) | 1,398,311 | 1,380,572 | 17,739 |
| 25 | * | 2420 Cable and Wire Facilities | 82,496,313 | 2,734,393 | 448,886 | (8,220) | 84,773,600 | 45,384,909 | 39,388,691 |
| 26 | ^ | 2421 Aerial Cable | 10,735,982 | 70,072 | 104,010 | (3,431) | 10,698,613 | 10,464,462 | 234,151 |
| 27 | ^ | 2422 Underground Cable | 1,723,805 | 7,294 | 7,030 | (1,862) | 1,722,207 | 804,403 | 917,804 |
| 28 | ^ | 2423 Buried Cable | 69,997,515 | 2,651,285 | 337,846 | (3,579) | 72,307,375 | 34,079,104 | 38,228,271 |
| 29 | ^ | 2424 Submarine Cable | 5,831 | | | | 5,831 | 3,654 | 2,177 |
| 30 | ^ | 2425 Deep Sea Cable | | | | | | | |
| 31 | ^ | 2426 Intra Building Network Cable | 33,180 | 5,742 | | 652 | 39,574 | 33,286 | 6,288 |
| 32 | | 2431 Aerial Wire | 404,456 | | | | 404,456 | 404,456 | |
| 33 | | 2441 Conduit Systems | 1,374,129 | 13,194 | | (4,609) | 1,382,714 | 548,721 | 833,993 |
| 34 | | Totals | 159,094,695 | 4,478,045 | 879,018 | (94,684) | 162,599,038 | 104,477,310 | 58,121,728 |

^ Subaccount of the account marked with a *

Analysis of Plant Held for Future Use

Year: 2007

| 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 | N/A | | | | | | |
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| 29 | | | | | | | |
| 30 | Totals (Sum L.1 to L.29) | | | | | | |

Average Cost of Long Term Debt

Year: 2007

| 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 | N/A | | | | | | | | | | | |
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| 30 | Total | | | | | | | | | | | |

Year: 2007

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 | Preferred Stock 5% cumulative | 12/50 | Private | None | \$100 | (A) | (A) | (A) | (A) | 50,000 | 1,125 | 0 |
| 2 | authorized & outstanding, 500 | | | | | | | | | | | |
| 3 | shares of \$100 par value. | | | | | | | | | | | |
| 4 | (includes 390 held in treasury) | | | | | | | | | | | |
| 5 | | | | | | | | | | | | |
| 6 | Serial Preferred 10% cumulative | 12/71 | Private | None | \$100 | (A) | (A) | (A) | (A) | 180,000 | 6,000 | 0 |
| 7 | authorized 100,000 shares of | | | | | | | | | | | |
| 8 | \$100 par value; 1,800 shares | | | | | | | | | | | |
| 9 | issued. | | | | | | | | | | | |
| 10 | (includes 1200 held in treasury) | | | | | | | | | | | |
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| 29 | | | | | | | | | | | | |
| 30 | Totals (Sum L.1 to L.29) | | | | | | | | | 230000 | 7125 | |

(A) No Preferred Stock transactions took place in the reporting year.

Analysis of Common Stock

Year: 2007

| Line No. | (a) | Avg. Number of Shares Outstanding (b) | Book Value (per share) (c) | Earnings (per share) (d) | Dividends (per share) (e) | Retention Ratio (f) | Market Price High (g) Low (h) | Price/Earnings Ratio (i) (A) |
|----------|-------------------------|---------------------------------------|----------------------------|--------------------------|---------------------------|---------------------|-------------------------------|------------------------------|
| 1 | Year Ended December 31: | 96,000 | | 122.62 | | (A) | (A) | (A) |
| 2 | | | | | | | | |
| 3 | | | | | | | | |
| 4 | | | | | | | | |
| 5 | | | | | | | | |
| 6 | | | | | | | | |
| 7 | | | | | | | | |
| 8 | Month by Month Data: | | | | | | | |
| 9 | January | | 620.44 | | | | | |
| 10 | February | | 619.53 | | | | | |
| 11 | March | | 622.65 | 28.41 | | | | |
| 12 | April | | 619.39 | | | | | |
| 13 | May | | 622.34 | | | | | |
| 14 | June | | 621.37 | 28.91 | | | | |
| 15 | July | | 620.52 | | | | | |
| 16 | August | | 620.09 | | | | | |
| 17 | September | | 630.39 | 36.86 | | | | |
| 18 | October | | 620.81 | | | | | |
| 19 | November | | 620.68 | | | | | |
| 20 | December | | 629.10 | 28.44 | | | | |
| 21 | | | | | | | | |
| 22 | | | | | | | | |
| 23 | | | | | | | | |

(A) Not Applicable, Common Stock not publicly traded.

Capital Stock and Funded Debt Recquired or Retired During the Year

Year: 2007

| 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 | N/A | | | | | | | |
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| 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 | 17,231 | 6,340 | 222 | 43,764 | | 67,557 |
| 2 | ^ | Motor Vehicle Expense | | | | | | |
| 3 | ^ | Aircraft Expense | 17,231 | 6,340 | 222 | 43,764 | | 67,557 |
| 4 | ^ | Special Purpose Vehicles Expense | | | | | | |
| 5 | ^ | Garage Work Equipment Expense | | | | | | |
| 6 | ^ | Other Work Equipment Expense | | | | | | |
| 7 | * | General Support Expense | 142,791 | 54,162 | 124,738 | 503,624 | | 825,315 |
| 8 | ^ | Land and Building Expense | | | 53,165 | 241,603 | | 294,768 |
| 9 | ^ | Furniture and Artworks Expense | | | | | | |
| 10 | ^ | Office Equipment Expense | 1,396 | 524 | 3 | 291 | | 2,214 |
| 11 | ^ | General Purpose Computers Expense | 141,395 | 53,638 | 71,570 | 261,730 | | 528,333 |
| 12 | * | Central Office Switching Expense | 578,628 | 224,820 | 1,759 | 1,036,596 | | 1,841,803 |
| 13 | ^ | Analog Electronic Expense | | | | | | |
| 14 | ^ | Digital Electronic Expense | | | | | | |
| 15 | ^ | Electro-Mechanical Expense | 578,628 | 224,820 | 1,759 | 1,036,596 | | 1,841,803 |
| 16 | ^ | Operator Systems Expense | | | | | | |
| 17 | * | Central Office Transmission Expense | 332,180 | 129,932 | 471 | 236,969 | | 699,552 |
| 18 | ^ | Radio Systems Expense | 114 | 40 | | 1,808 | | 1,962 |
| 19 | ^ | Circuit Equipment Expense | 332,066 | 129,892 | 471 | 235,161 | | 697,590 |
| 20 | * | Information Origination/Termination Expense | 70 | 30 | | 13 | | 113 |
| 21 | ^ | Station Apparatus Expense | | | | | | |
| 22 | ^ | Large Private Branch Exchange Expense | | | | | | |
| 23 | ^ | Public Telephone Terminal Equipment Exp. | | | | | | |
| 24 | ^ | Other Terminal Equipment Expense | 70 | 30 | | 13 | | 113 |
| 25 | * | Cable and Wire Facilities Expense | 2,026,227 | 787,841 | 476,809 | 1,567,847 | | 4,858,724 |
| 26 | ^ | Poles Expense | 12,254 | 4,359 | 3 | 216,975 | | 233,591 |
| 27 | ^ | Aerial Cable Expense | 319,348 | 125,637 | 90 | 171,486 | | 616,561 |
| 28 | ^ | Underground Cable Expense | 245 | 91 | | 42 | | 378 |
| 29 | ^ | Buried Cable Expense | 1,693,867 | 657,581 | 476,716 | 1,177,238 | | 4,005,402 |
| 30 | ^ | Submarine Cable Expense | 368 | 128 | | 100 | | 596 |
| 31 | ^ | Deep Sea Cable Expense | | | | | | |
| 32 | ^ | Intrabuilding Network Cable Expense | | | | | | |
| 33 | ^ | Aerial Wire Expense | 145 | 45 | | 26 | | 216 |
| 34 | | Subtotals | 3,097,127 | 1,203,125 | 603,999 | 3,386,833 | | 8,291,084 |

^ Subaccount of the account marked with a *

Total Company Expense Matrix

Year: 2007

| 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 | | | | 1,980 | | 1,980 |
| 36 | 6510 | Other Property Expenses | 26,507 | 11,596 | 2,280 | (54,878) | | (14,495) |
| 37 | * 6530 | Network Operations Expense | 904,931 | 362,847 | 5,119 | 663,014 | | 1,935,911 |
| 38 | ^ 6531 | Power Expense | | | | 245,591 | | 245,591 |
| 39 | ^ 6532 | Network Administration Expense | 290,393 | 106,620 | 1,323 | 103,270 | | 501,606 |
| 40 | ^ 6533 | Testing Expense | 159,207 | 69,745 | 940 | 73,641 | | 303,533 |
| 41 | ^ 6534 | Plant Operations Expense | 183,434 | 78,097 | 927 | 90,188 | | 352,646 |
| 42 | ^ 6535 | Engineering Expense | | | 1,929 | 150,324 | | 532,535 |
| 43 | 6540 | Access Expense | 271,897 | 108,385 | | 1,502,817 | | 1,502,817 |
| 44 | 6561 | Depreciation - Telecomm. Plant in Service | | | | 7,746,796 | | 7,746,796 |
| 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 | 644,472 | 257,884 | 3,516 | 453,349 | | 1,359,221 |
| 50 | ^ 6611 | Product Management | 148,202 | 58,191 | 282 | 89,394 | | 296,069 |
| 51 | ^ 6612 | Sales | 496,270 | 199,693 | 3,234 | 181,373 | | 880,570 |
| 52 | ^ 6613 | Product Advertising | | | | 182,582 | | 182,582 |
| 53 | 6621 | Call Completion Services | | | | 4,667 | | 4,667 |
| 54 | 6622 | Number Services | | | | 252,812 | | 252,812 |
| 55 | 6623 | Customer Services | 1,171,105 | 562,975 | 17,780 | 1,255,003 | | 3,006,863 |
| 56 | 6711 | Executive | 198,260 | 357,396 | 162 | 175,169 | | 730,987 |
| 57 | 6712 | Planning | | | | | | |
| 58 | 6721 | Accounting and Finance | 250,673 | 118,017 | 729 | 279,389 | | 648,808 |
| 59 | 6722 | External Relations | 114,518 | 44,952 | 4,062 | 87,599 | | 251,131 |
| 60 | 6723 | Human Relations | 148,047 | 65,085 | 5,361 | 131,651 | | 350,144 |
| 61 | 6724 | Information Management | 420,946 | 175,785 | 17,421 | 807,904 | | 1,422,056 |
| 62 | 6725 | Legal | 52,705 | 44,280 | 2,930 | 171,570 | | 271,485 |
| 63 | 6726 | Procurement | 9,442 | 4,115 | 15 | 3,372 | | 16,944 |
| 64 | 6727 | Research and Development | 2,975 | 29,590 | 3 | 242,499 | | 275,067 |
| 65 | 6728 | Other General and Administrative | | | | | | |
| 66 | 6790 | Provision for Uncollectible Notes Receivable | | | | | | |
| 67 | | Totals | 7,041,708 | 3,237,647 | 663,377 | 17,111,546 | | 28,054,278 |

^ 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) |
|----------|---------------|---|------------------------|--------------|-----------|--------------------|----------------|-----------|
| | | | NOT APPLICABLE | | | | | |
| 1 | * | Network Support Expense | | | | | | |
| 2 | ^ | Motor Vehicle Expense | | | | | | |
| 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 | | | | | | |
| 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: 2007

| | | | | |
|----|--|----------------------------------|------------------|-----------------|
| 1 | Plan Name | | | |
| 2 | Defined Benefit Plan? _____ X _____ | Defined Contribution Plan? _____ | | |
| 3 | Actuarial Cost Method? _____ | IRS Code: _____ | | |
| 4 | Annual Contribution by Employer: _____ | Is the Plan Over Funded? _____ | | |
| 5 | | | | |
| | Item | Current Year | Last Year | % Change |
| 6 | Change in Benefit Obligation | See Note (A) Below | | |
| 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 | | | |
| 18 | Actual return on plan assets | | | |
| 19 | Acquisition | | | |
| 20 | Employer contribution | | | |
| 21 | Plan participants' contributions | | | |
| 22 | Benefits paid | | | |
| 23 | Fair value of plan assets at end of year | | | |
| 24 | Funded Status | | | |
| 25 | Unrecognized net actuarial loss | | | |
| 26 | Unrecognized prior service cost | | | |
| 27 | Prepaid (accrued) benefit cost | | | |
| 28 | | | | |
| 29 | Weighted-average Assumptions as of Year End | | | |
| 30 | Discount rate | | | |
| 31 | Expected return on plan assets | | | |
| 32 | Rate of compensation increase | | | |
| 33 | | | | |
| 34 | Components of Net Periodic Benefit Costs | | | |
| 35 | Service cost | | | |
| 36 | Interest cost | | | |
| 37 | Expected return on plan assets | | | |
| 38 | Amortization of prior service cost | | | |
| 39 | Recognized net actuarial loss | | | |
| 40 | Net periodic benefit cost | | | |
| 41 | | | | |
| 42 | Montana Intrastate Costs: | | | |
| 43 | Pension Costs | 529,199 | 530,604 | 0.27% |
| 44 | Pension Costs Capitalized | (21,168) | (21,224) | -0.26% |
| 45 | Accumulated Pension Asset (Liability) at Year End | | | |
| 46 | Number of Company Employees: | | | |
| 47 | Covered by the Plan | 103 | 135 | 31.07% |
| 48 | Not Covered by the Plan | | | |
| 49 | Active | 103 | 135 | 31.07% |
| 50 | Retired | 103 | 87 | -15.53% |
| 51 | Deferred Vested Terminated | | | |

(A) This information is not available on an individual basis. Information regarding the pension plan is summarized in the attached copy of Footnote 11 of CenturyTel, Inc. 2007 Form 10-K.

(11) DEFINED BENEFIT AND OTHER RETIREMENT PLANS

We sponsor defined benefit pension plans for substantially all employees. At December 31, 2007, we also sponsored a Supplemental Executive Retirement Plan to provide certain officers with supplemental retirement, death and disability benefits. We use a December 31 measurement date for all our plans.

The following is a reconciliation of the beginning and ending balances for the aggregate benefit obligation and the plan assets for our above-referenced defined benefit plans.

| December 31, | 2007 | 2006 | 2005 |
|---|------------------------|----------------|----------------|
| | (Dollars in thousands) | | |
| Change in benefit obligation | | | |
| Benefit obligation at beginning of year | \$ 474,302 | 460,599 | 418,630 |
| Service cost | 16,431 | 17,679 | 15,332 |
| Interest cost | 28,180 | 25,935 | 23,992 |
| Plan amendments | 61 | (3,827) | 31 |
| Acquisition | 15,266 | - | - |
| Actuarial (gain) loss | (16,153) | 6,789 | 28,016 |
| Settlements | (410) | (13,232) | - |
| Benefits paid | (48,240) | (19,641) | (25,402) |
| Benefit obligation at end of year | \$ 469,437 | 474,302 | 460,599 |
| Change in plan assets | | | |
| Fair value of plan assets at beginning of year | \$ 452,293 | 407,367 | 363,981 |
| Return on plan assets | 41,537 | 46,297 | 25,453 |
| Acquisition | 12,502 | - | - |
| Employer contributions | 1,516 | 31,502 | 43,335 |
| Benefits paid | (48,650) | (32,873) | (25,402) |
| Fair value of plan assets at end of year | \$ 459,198 | 452,293 | 407,367 |

Net periodic pension expense for 2007, 2006 and 2005 included the following components:

| Year ended December 31, | 2007 | 2006 | 2005 |
|-------------------------------------|------------------------|---------------|---------------|
| | (Dollars in thousands) | | |
| Service cost | \$ 16,431 | 17,679 | 15,332 |
| Interest cost | 28,180 | 25,935 | 23,992 |
| Expected return on plan assets | (36,780) | (32,706) | (29,225) |
| Settlements | 410 | 3,344 | - |
| Recognized net losses | 7,367 | 9,670 | 6,328 |
| Net amortization and deferral | (131) | 19 | 289 |
| Net periodic pension expense | \$ 15,477 | 23,941 | 16,716 |

The following table sets forth the combined plans' funded status and amounts recognized in our consolidated balance sheet at December 31, 2007, 2006 and 2005.

| December 31, | 2007 | 2006 | 2005 |
|---------------------------------|------------------------|-----------------|---------------|
| | (Dollars in thousands) | | |
| Benefit obligation | \$ (469,437) | (474,302) | (460,599) |
| Fair value of plan assets | 459,198 | 452,293 | 407,367 |
| Unrecognized transition asset | - | - | (396) |
| Unamortized prior service cost | - | - | 3,109 |
| Unrecognized net actuarial loss | - | - | 123,879 |
| Net amount recognized | \$ (10,239) | (22,009) | 73,360 |

In accordance with SFAS 158, the unamortized prior service credit (\$941,000 as of December 31, 2007) and unrecognized net actuarial loss (\$75.4 million as of December 31, 2007) components have been reflected as a \$74.4 million net reduction (\$45.9 million after-tax) to accumulated other comprehensive loss within stockholders' equity. The estimated amount of amortization expense (income) of the above unrecognized amounts that will be amortized from accumulated other comprehensive loss and reflected as a component of net periodic pension cost for 2008 are (i) \$65,000 for the prior service cost and (ii) \$3.3 million for the net actuarial loss.

Amounts recognized on the balance sheet consist of:

| December 31, | 2007 | 2006 |
|---|------------------------|-----------------|
| | (Dollars in thousands) | |
| Pension asset (reflected in Other Assets)* | \$ 28,536 | 16,187 |
| Accrued expenses and other current liabilities* | (1,479) | (1,412) |
| Other deferred credits* | (37,296) | (36,784) |
| Net amount recognized | <u>\$ (10,239)</u> | <u>(22,009)</u> |

* In accordance with SFAS 158, those plans that are overfunded are reflected as assets; those plans that are underfunded are reflected as liabilities.

Our aggregate accumulated benefit obligation as of December 31, 2007 and 2006 was \$410.6 million and \$407.2 million, respectively.

Assumptions used in accounting for pension plans as of December 31, 2007 and 2006 were:

| | 2007 | 2006 |
|--|--------------|-------------|
| Determination of benefit obligation | | |
| Discount rate | 6.30% | 5.80 |
| Weighted average rate of compensation increase | 4.0% | 4.0 |
| Determination of benefit cost | | |
| Discount rate | 5.80% | 5.50 |
| Weighted average rate of compensation increase | 4.0% | 4.0 |
| Expected return on plan assets | <u>8.25%</u> | <u>8.25</u> |

We employ a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long term. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. We measure and monitor investment risk on an ongoing basis through annual liability measurements, periodic asset studies and periodic portfolio reviews.

Our pension plans weighted-average asset allocations at December 31, 2007 and 2006 by asset category are as follows:

| | 2007 | 2006 |
|-------------------|---------------|--------------|
| Equity securities | 70.8% | 72.2 |
| Debt securities | 27.2 | 25.8 |
| Other | 2.0 | 2.0 |
| Total | <u>100.0%</u> | <u>100.0</u> |

In determining the expected return on plan assets, we study historical markets and apply the widely-accepted capital market principle that assets with higher volatility and risk generate a greater return over the long term. We evaluate current market factors such as inflation and interest rates before determining long-term capital market assumptions. We also review peer data and historical returns to check for reasonableness.

The amount of the 2008 contribution will be determined based on a number of factors, including the results of the 2008 actuarial valuation report. At this time, the amount of the 2008 contribution is not known.

Our estimated future projected benefit payments under our defined benefit pension plans are as follows: 2008 - \$32.5 million; 2009 - \$33.4 million; 2010 - \$34.9 million; 2011 - \$36.0 million; 2012 - \$37.7 million; and 2013-2017 - \$207.8 million.

Through December 31, 2006, we also sponsored an Employee Stock Ownership Plan ("ESOP") which covers most employees

with one year of service and is funded by our contributions determined annually by the Board of Directors. Our expense related to the ESOP during 2006 and 2005 was \$7.9 million and \$7.3 million, respectively. Our contribution to the ESOP was discontinued after 2006.

We also sponsor qualified profit sharing plans pursuant to Section 401(k) of the Internal Revenue Code (the "401(k) Plans") which are available to substantially all employees. Our matching contributions to the 401(k) Plans were \$10.6 million in 2007, \$8.6 million in 2006 and \$8.5 million in 2005.

Other Post Employment Benefits (OPEBS)

| Item | Current Year | Last Year | % Change |
|---|--------------------|-----------|----------|
| 1 Regulatory Treatment: | | | |
| 2 Commission authorized - most recent | | | |
| 3 Docket number: _____ | | | |
| 4 Order number: _____ | | | |
| 5 Amount recovered through rates | | | |
| 6 Weighted-average Assumptions as of Year End | | | |
| 7 Discount rate | See Note (A) Below | | |
| 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 | 734,999 | 726,855 | -1.11% |
| 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 | | | |

(A) The actuary provides information on a total plan basis only. Information regarding the OPEB plan is included in the attached copy of Footnote 10 of the CenturyTel, Inc. 2007 Form 10-K.

Other Post Employment Benefits (OPEBS) Continued

Year: 2007

| | Item | Current Year | Last Year | % Change |
|----|---|--------------|-----------|----------|
| 1 | Number of Company Employees: | | | |
| 2 | Covered by the Plan | 103 | 135 | 31.07% |
| 3 | Not Covered by the Plan | | | |
| 4 | Active | 103 | 135 | 31.07% |
| 5 | Retired | 99 | 85 | -14.14% |
| 6 | Spouses/Dependants covered by the Plan | 14 | 15 | 7.14% |
| 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 Costs | | | |
| 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 | | | |

(10) POSTRETIREMENT BENEFITS

We sponsor health care plans (which use a December 31 measurement date) that provide postretirement benefits to all qualified retired employees. Over the past few years, in connection with negotiating certain union contracts, we amended certain retiree contribution and retirement eligibility provisions of our plan.

The following is a reconciliation of the beginning and ending balances for the benefit obligation and the plan assets.

| December 31, | 2007 | 2006 | 2005 |
|---|------------------------|----------------|----------------|
| | (Dollars in thousands) | | |
| Change in benefit obligation | | | |
| Benefit obligation at beginning of year | \$ 357,417 | 353,942 | 305,720 |
| Service cost | 6,923 | 6,982 | 6,289 |
| Interest cost | 20,133 | 18,980 | 16,718 |
| Participant contributions | 2,016 | 1,583 | 1,637 |
| Plan amendments | (4,552) | (7,978) | 23,289 |
| Acquisition | 2,277 | - | - |
| Direct subsidy receipts | 1,299 | 717 | - |
| Actuarial (gain) loss | (60,312) | 319 | 16,391 |
| Benefits paid | (18,568) | (17,128) | (16,102) |
| Benefit obligation at end of year | \$ 306,633 | 357,417 | 353,942 |
| Change in plan assets | | | |
| Fair value of plan assets at beginning of year | \$ 30,080 | 29,545 | 29,570 |
| Return on plan assets | 1,916 | 3,280 | 1,440 |
| Employer contributions | 12,880 | 12,800 | 13,000 |
| Participant contributions | 2,016 | 1,583 | 1,637 |
| Benefits paid | (18,568) | (17,128) | (16,102) |
| Fair value of plan assets at end of year | \$ 28,324 | 30,080 | 29,545 |

Net periodic postretirement benefit cost for 2007, 2006 and 2005 included the following components:

| Year ended December 31, | 2007 | 2006 | 2005 |
|---|------------------------|---------------|---------------|
| | (Dollars in thousands) | | |
| Service cost | \$ 6,923 | 6,982 | 6,289 |
| Interest cost | 20,133 | 18,980 | 16,718 |
| Expected return on plan assets | (2,482) | (2,437) | (2,440) |
| Amortization of unrecognized actuarial loss | 3,595 | 3,719 | 2,916 |
| Amortization of unrecognized prior service credit | (2,020) | (855) | (1,876) |
| Net periodic postretirement benefit cost | \$ 26,149 | 26,389 | 21,607 |

The following table sets forth the amounts recognized as liabilities for postretirement benefits at December 31, 2007, 2006 and 2005.

| December 31, | 2007 | 2006 | 2005 |
|----------------------------------|------------------------|------------------|------------------|
| | (Dollars in thousands) | | |
| Benefit obligation | \$ (306,633) | (357,417) | (353,942) |
| Fair value of plan assets | 28,324 | 30,080 | 29,545 |
| Unamortized prior service credit | - | - | (1,726) |
| Unrecognized net actuarial loss | - | - | 82,660 |
| Accrued benefit cost | \$ (278,309) | (327,337) | (243,463) |

In accordance with SFAS 158, the unamortized prior service credit (\$11.4 million as of December 31, 2007) and unrecognized net actuarial loss (\$15.1 million as of December 31, 2007) components have been reflected as a \$2.8 million after-tax increase to accumulated other comprehensive loss within stockholders' equity. The estimated amount of amortization expense (income) of the above unrecognized items that will be amortized from accumulated other comprehensive loss and reflected as a component of net periodic pension cost during 2008 is (\$2.6 million) for the prior service credit.

Assumptions used in accounting for postretirement benefits as of December 31, 2007 and 2006 were:

| | <u>2007</u> | <u>2006</u> |
|--|-------------|-------------|
| Determination of benefit obligation | | |
| Discount rate | 6.50% | 5.75 |
| Healthcare cost increase trend rates (Medical/Prescription Drug) | | |
| Following year | 7.0%/10.0% | 8.0/11.0 |
| Rate to which the cost trend rate is assumed to decline (the ultimate cost trend rate) | 5.0%/5.0% | 5.0/5.0 |
| Year that the rate reaches the ultimate cost trend rate | 2010/2013 | 2010/2013 |
| Determination of benefit cost | | |
| Discount rate | 5.75% | 5.50 |
| Expected return on plan assets | 8.25% | 8.25 |

We employ a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long term. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. We measure and monitor investment risk on an ongoing basis through annual liability measurements, periodic asset studies and periodic portfolio reviews.

Our postretirement benefit plan weighted-average asset allocations at December 31, 2007 and 2006 by asset category are as follows:

| | <u>2007</u> | <u>2006</u> |
|-------------------|---------------|--------------|
| Equity securities | 55.8% | 60.1 |
| Debt securities | 26.8 | 27.9 |
| Other | 17.4 | 12.0 |
| Total | <u>100.0%</u> | <u>100.0</u> |

In determining the expected return on plan assets, we study historical markets and apply the widely-accepted capital market principle that assets with higher volatility and risk generate a greater return over the long term. We evaluate current market factors such as inflation and interest rates before determining long-term capital market assumptions. We also review peer data and historical returns to check for reasonableness.

Assumed health care cost trends have a significant effect on the amounts reported for postretirement benefit plans. A one-percentage-point change in assumed health care cost rates would have the following effects:

| | 1-Percentage Point Increase | 1-Percentage Point Decrease |
|--|-----------------------------------|--------------------------------|
| | (Dollars in thousands) | |
| Effect on annual total of service and interest cost components | \$ 279 | (339) |
| Effect on postretirement benefit obligation | \$ 3,943 | (4,791) |

We expect to contribute approximately \$16.7 million to our postretirement benefit plan in 2008.

Our estimated future projected benefit payments under our postretirement benefit plan are as follows:

| Year | Before Medicare Subsidy | Medicare Subsidy | Net of Medicare Subsidy |
|------|-------------------------------|---------------------|-------------------------------|
| | (Dollars in thousands) | | |
| | | | |

| | | | | |
|-----------|----|----------------|--------------|----------------|
| 2008 | \$ | 18,163 | 1,419 | 16,744 |
| 2009 | \$ | 19,973 | 1,624 | 18,349 |
| 2010 | \$ | 22,043 | 1,833 | 20,210 |
| 2011 | \$ | 23,916 | 2,059 | 21,857 |
| 2012 | \$ | 24,968 | 2,300 | 22,668 |
| 2013-2017 | \$ | <u>136,357</u> | <u>8,236</u> | <u>128,121</u> |

Payments for Services to Persons Other Than Employees

Year: 2007

| Line No. | Name of Recipient (a) | Nature of Service (b) | Total Company Cost (c) | Total State Cost (d) | Intrastate Cost (e) |
|----------|---------------------------|------------------------------|------------------------|----------------------|---------------------|
| 1 | Automotive Rentals | Vehicle Maintenance & Rental | 241,713 | 241,713 | 173,647 |
| 2 | Flathead Janitorial, Inc. | Janitorial Services | 118,594 | 118,594 | 81,143 |
| 3 | Montana Dept. of Revenue | Public Service Reg. Fee and | 57,462 | 57,462 | 57,462 |
| 4 | | Consumer Council Fee | | | |
| 5 | Montana Telecomm. Assoc. | Dues & Fees | 55,605 | 55,605 | 39,947 |
| 6 | One Call Locators, Ltd. | Locating & Utility Services | 245,064 | 245,064 | 179,074 |
| 7 | The Berry Company | Advertising | 160,453 | 160,453 | 122,345 |
| 8 | Jones Walker | Legal | 63,163 | 63,163 | 45,376 |
| 9 | KPMG, LLC | Auditing | 58,077 | 58,077 | 41,723 |
| 10 | | | | | |
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| 47 | | | | | |
| 48 | | | | | |
| 49 | Total | | 1,000,131 | 1,000,131 | 740,717 |

Subscriber Line Usage Data

Year: 2007

| Line No. | Description (a) | This Year (b) | % of Total (c) | Last Year (d) | % of Total (e) |
|----------|-------------------------------|---------------|----------------|---------------|----------------|
| 1 | Toll Usage: | | | | |
| 2 | Interstate, InterLATA | 192,663,193 | 82.51% | 217,652,131 | 80.47% |
| 3 | Interstate, IntraLATA | 2,001 | 0.00% | 14,680 | 0.01% |
| 4 | Total Interstate Usage | 192,665,194 | 82.52% | 217,666,811 | 80.48% |
| 5 | Intrastate, InterLATA | 12,680,425 | 5.43% | 16,113,072 | 5.96% |
| 6 | Intrastate, IntraLATA | 28,145,414 | 12.05% | 36,683,187 | 13.56% |
| 7 | Total Intrastate Usage | 40,825,839 | 17.48% | 52,796,259 | 19.52% |
| 8 | Total Toll Usage | 233,491,033 | 100.00% | 270,463,070 | 100.00% |
| 9 | Centrex | | | | |
| 10 | Local | | | | |
| 11 | Total Minutes | 233,491,033 | 100.00% | 270,463,070 | 100.00% |

Central Office and Access Line Statistics

Year: 2007

| 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 | Big Fork | Digital | 2,992 | | 1,940 | 449 | | 261 | 348 | | 4 | 381 | | 3,986 |
| 2 | Columbia Falls | Digital | 3,400 | | 2,105 | 1,274 | | 274 | 408 | | 11 | 1,033 | | 5,126 |
| 3 | Elmo | Digital | 695 | | 381 | 299 | | 25 | 18 | | | 5 | | 743 |
| 4 | Finley Point | Digital | 379 | | 176 | 115 | | 16 | 9 | | 1 | 1 | | 406 |
| 5 | Hungry Horse | Digital | 912 | | 540 | 499 | | 69 | 61 | | 7 | 42 | | 1,091 |
| 6 | Kalispell | Digital | 15,544 | | 9,457 | 7,481 | | 1,533 | 3,293 | | 49 | 5,101 | | 25,520 |
| 7 | Lakeside | Digital | 1,036 | | 585 | 123 | | 70 | 104 | | 1 | 128 | | 1,339 |
| 8 | Marion | Digital | 345 | | 231 | 38 | | 22 | 12 | | | 9 | | 388 |
| 9 | McGregor Lake | Digital | 125 | | 66 | 17 | | 6 | 18 | | | 14 | | 163 |
| 10 | Olney | Digital | 125 | | | 54 | | 17 | 7 | | | 10 | | 159 |
| 11 | Polson | Digital | 3,009 | | 1,727 | 1,930 | | 285 | 539 | | 7 | 879 | | 4,719 |
| 12 | Somers | Digital | 649 | | 427 | 92 | | 45 | 54 | | 1 | 39 | | 788 |
| 13 | Swan Lake | Digital | 186 | | 82 | 12 | | 7 | 8 | | 1 | 1 | | 202 |
| 14 | Whitefish | Digital | 5,139 | | 2,759 | 1,272 | | 424 | 832 | | 15 | 1,524 | | 7,934 |
| 15 | Yellow Bay | Digital | 272 | | 152 | 41 | | 7 | 6 | | 1 | 8 | | 294 |
| 33 | Total | | 34,808 | | 20,628 | 13,696 | | 3,061 | 5,717 | | 98 | 9,174 | | 52,858 |

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

Central Office and Switch Information

Year: 2007

| 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 | <i>Big Fork</i> | Remote | Digital | NORTEL | DUAL RSC | 11,320 | 1985 |
| 2 | <i>Columbia Falls</i> | Remote | Digital | NORTEL | DUAL RSC | 12,832 | 1988 |
| 3 | <i>Elmo</i> | Remote | Digital | NORTEL | RLCM | 1,856 | 1990 |
| 4 | <i>Finley Point</i> | Remote | Digital | NORTEL | RLCM | 1,216 | 1990 |
| 5 | <i>Hungry Horse</i> | Remote | Digital | NORTEL | RSC | 2,660 | 1989 |
| 6 | <i>Kalispell</i> | Host | Digital | NORTEL | DMS100 | 58,600 | 1981 |
| 7 | <i>Lakeside</i> | Remote | Digital | NORTEL | RSC | 4,316 | 1990 |
| 8 | <i>Marion</i> | Remote | Digital | ALCATEL | LITESPAN 2000 | 600 | 1999 |
| 9 | <i>McGregor Lake</i> | Remote | Digital | NORTEL | RLCM | 640 | 1995 |
| 10 | <i>Olney</i> | Remote | Digital | ALCATEL | LITESPAN 2000 | 764 | 1999 |
| 11 | <i>Polson</i> | Remote | Digital | NORTEL | DUAL RSCS | 9,212 | 1993 |
| 12 | <i>Somers</i> | Remote | Digital | NORTEL | RSC | 2,780 | 1995 |
| 13 | <i>Swan Lake</i> | Remote | Digital | ALCATEL | LITESPAN 2000 | 1,300 | 1999 |
| 14 | <i>Whitefish</i> | Remote | Digital | NORTEL | DUAL RSCS | 22,984 | 1994 |
| 15 | <i>Yellow Bay</i> | Remote | Digital | NORTEL | RLCM | 640 | 1989 |
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NOTE: Additional blank schedules are being provided for your convenience.

Construction Budget - Montana

Year: 2008

| Line No. | Description (a) | 2008 (b) |
|----------|---|------------------|
| 1 | Central Office Assets: | |
| 2 | | |
| 3 | MTKLSLADD ADSL ADDITIONAL CAPACITY | 565,000 |
| 4 | | |
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| 25 | | |
| 26 | | |
| 27 | Total Switching and Central Office Projects over \$500,000 | 565,000 |
| 28 | Miscellaneous Central Office Projects not over \$500,000 | 673,011 |
| 29 | Total Central Office Budget (Total of Line 27 & Line 28) | 1,238,011 |
| 30 | Other Projects over \$500,000: | |
| 31 | | |
| 32 | | |
| 33 | | |
| 34 | | |
| 35 | | |
| 36 | | |
| 37 | | |
| 38 | | |
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| 40 | | |
| 41 | Total Other Projects over \$500,000 | |
| 42 | Miscellaneous projects not over \$500,000 | 3,400,164 |
| 43 | Total Construction Budget (Total of Lines 29, 41 & 42) | 4,638,175 |

Montana Total State Construction Expenditures

| Line No. | FCC Part 32 Account No. (a) | Description (b) | This Year (c) | Last Year (d) | Percent Change (e) |
|-----------------|------------------------------------|--|----------------------|----------------------|---------------------------|
| 1 | 2110 | General Support Assets | 347,023 | 167,353 | 107.36% |
| 2 | 2210 | Central Office Assets | 135,481 | 762,824 | -82.24% |
| 3 | 2220 | Operator Systems | 0 | 0 | |
| 4 | 2230 | Central Office Transmission | 2,521,259 | 2,623,831 | -3.91% |
| 5 | 2310 | Information/Termination Assets | 0 | 218 | -100.00% |
| 6 | 2410 | Cable and Wire Facilities Assets | 2,018,374 | 2,651,688 | -23.88% |
| 7 | 2680 | Amortizable Tangible Assets | 0 | 0 | |
| 8 | 2690 | Intangibles | 0 | 0 | |
| 9 | | Total Construction Expenditures | 5,022,137 | 6,205,914 | -19.07% |

Montana Employee Counts

Year: 2007

| Line No. | Category (a) | Beginning of Year (b) | End of Year (c) |
|----------|---|-----------------------|-----------------|
| 1 | Vice President and Managers | 4 | 4 |
| 2 | Supervisors & Superintendants | 6 | 6 |
| 3 | Comm. Technicians | 9 | 10 |
| 4 | Plant Technicians | 21 | 21 |
| 5 | Cable Technicians | 5 | 5 |
| 6 | Engineers/Drafting | 10 | 9 |
| 7 | Facility & Test Board Technicians | 3 | 1 |
| 8 | Special Apparatus Technicians | 9 | 1 |
| 9 | Commercial & General | 43 | 15 |
| 10 | Secretaries | 4 | 3 |
| 11 | LAN Administrator | 1 | 1 |
| 12 | Plant Support Technicians | 9 | 8 |
| 13 | | | |
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| 41 | | | |
| 42 | | | |
| 43 | Totals (Sum of Lines 1 through 42) | 124 | 84 |

Compensation of Top 10 Montana Based Employees

Year: 2007

| 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 | In order to protect the privacy interests of the company's employees, this schedule has historically been submitted as confidential and subject to protective order. The company is submitting the information on Schedule 27 under separate cover subject to the protective order currently in place. | | | | | | |
| 2 | | | | | | | |
| 3 | | | | | | | |
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| 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 | Note: CenturyTel of Montana, Inc. does not submit SEC information. See Schedule 27, Compensations of Top 10 Montana based employees. | | | | | | |
| 3 | | | | | | | |
| 4 | | | | | | | |
| 5 | | | | | | | |
| 6 | Totals (Sum L.1 to L.5) | | | | | | |

Montana Composite Statistics

Year: 2007

| Line No. | Account No. | Description (a) | Amount (b) |
|----------|-------------|---|---------------|
| 1 | | Plant (Intrastate Only) (000 Omitted) | |
| 2 | 2001 | Plant in Service | 110,053 |
| 3 | 2003 - 2004 | Construction Work in Progress | 911 |
| 4 | 2005 | Plant Acquisition Adjustments | |
| 5 | 2002 | Plant Held for Future Use | |
| 6 | 1220 | Materials & Supplies | 22 |
| 7 | | (Less): | |
| 8 | 3100 - 3400 | Depreciation & Amortization Reserves | (69,835) |
| 9 | 4360.2 | Contributions in Aid of Construction | |
| 10 | | NET BOOK COSTS | 41,151 |
| 11 | | Revenues & Expenses (Intrastate Only) (000 Omitted) | |
| 12 | 5000 - 5300 | Operating Revenues | 29,471 |
| 13 | 6560 | Depreciation & Amortization Expenses | 4,979 |
| 14 | | Federal & State Income Taxes | 4,783 |
| 15 | | Other Taxes | 1,558 |
| 16 | | Other Operating Expenses | 14,014 |
| 17 | | TOTAL Operating Expenses | 25,334 |
| 18 | | Net Operating Income | 4,137 |
| 19 | | Other Income | |
| 20 | | Other Deductions | |
| 21 | | NET INCOME | 4,137 |
| 22 | | Access Lines in Service (Intrastate Only) | |
| 23 | | Residential Access Lines | 34,808 |
| 24 | | Business Access Lines | 8,778 |
| 25 | | PBX Access Lines | 3,003 |
| 26 | | Other Access Lines | 6,269 |
| 27 | | Total Number of Access Lines | 52,858 |
| 28 | | Average Number of Calls Per Access Line | |
| 29 | | Local Calls | 40,825,839 |
| 30 | | Toll Calls (Intra- or Interstate) | 233,491,033 |
| 31 | | Total Number of Calls Per Access Line (Total of Line 29 & Line 30 divided by Line 27) | 5,190 |
| 32 | | Other Statistics (Intrastate Only) | |
| 33 | | Average Residential Monthly Bill | N/A |
| 34 | | Gross Plant Investment per Access Line (Line 2 divided by Line 27) | 2.08 |

Depreciation - Montana Intrastate Regulated

Year: 2007

| Line No. | Acct No. (a) | Description (b) | Composite Rate % (c) | Total Expense \$ (d) |
|----------|---|---|----------------------|----------------------|
| 1 | 2112 | Motor Vehicles | 16.20% | 234,601 |
| 2 | 2114 | Special Purpose Vehicles | | |
| 3 | 2115 | Garage Work Equipment | 9.38% | 59,778 |
| 4 | 2116 | Other work Equipment | | |
| 5 | 2121 | Buildings | 3.04% | 110,495 |
| 6 | 2122 | Furniture | 8.19% | 2,208 |
| 7 | 2123.1 | Office Support Equipment | 13.06% | 201 |
| 8 | 2123.2 | Company Communications Equipment | | |
| 9 | 2124 | General Purpose Computers | 17.26% | 144,312 |
| 10 | 2211 | Analog Electronic Switching Equipment | | |
| 11 | 2212 | Digital Electronic Switching Equipment | 9.39% | 539,361 |
| 12 | 2215 | Step By Step Switching Equipment | | |
| 13 | 2215 | Crossbar Switching Equipment | | |
| 14 | 2220 | Operator System | | |
| 15 | 2231 | Radio Systems | 9.39% | 16 |
| 16 | 2232 | Circuit DDS | | |
| 17 | 2232 | Circuit Digital | 9.39% | 3,286,237 |
| 18 | 2232 | Circuit Analog | | |
| 19 | 2351 | Public Telephone Terminating Equipment | | |
| 20 | 2362 | Other Terminal Equipment | | |
| 21 | 2411 | Poles | 11.29% | 2,515 |
| 22 | 2421 | Aerial Cable Metallic | 9.32% | 107,818 |
| 23 | 2421 | Aerial Cable Nonmetallic | 9.32% | 4,611 |
| 24 | 2422 | Underground Cable Metallic | 3.41% | 52,621 |
| 25 | 2422 | Underground Cable Nonmetallic | 3.41% | 6,174 |
| 26 | 2423 | Buried Cable Metallic | 4.43% | 2,839,660 |
| 27 | 2423 | Buried Cable Nonmetallic | 4.43% | 322,940 |
| 28 | 2424 | Submarine Cable Metallic | 3.30% | 193 |
| 29 | 2424 | Submarine Cable Nonmetallic | | |
| 30 | 2426 | Intrabuilding Network Cable Metallic | 4.43% | 106 |
| 31 | 2426 | Intrabuilding Network Cable Nonmetallic | | |
| 32 | 2431 | Aerial Wire | 9.09% | 241 |
| 33 | 2441 | Conduit Systems | 2.37% | 32,708 |
| 34 | | | | |
| 35 | | COMPOSITE TOTAL | | 7,746,796 |
| 36 | <p>Please list the Montana Public Service Commission Docket Order No. approving these depreciation rates</p> <p>Docket Number <u>83.9.88</u> Order Number <u>5052</u></p> | | | |
| 37 | | | | |
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THIS SCHEDULE IS REPORTED FOR TOTAL MONTANA AND AGREES WITH SCHEDULE 4, LINE 31.

Amortization - Montana Intrastate Regulated

Year: 2007

| Line No. | Acct No. (a) | Description (b) | Composite Rate % (c) | Total Expense \$ (d) |
|----------|---|------------------------|----------------------|----------------------|
| 1 | | N/A | | |
| 2 | | | | |
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| 34 | | | | |
| 35 | | COMPOSITE TOTAL | | |
| 36 | Please list the Montana Public Service Commission Docket Order No. approving these amortization rates Docket Number _____ Order Number _____ | | | |
| 37 | | | | |
| 38 | | | | |
| 39 | | | | |
| 40 | | | | |

Montana Regulatory Capital Structure & Costs

Year: 2007

| Line No. | Description (a) | % Cap. Str. (b) | % Cost Rate (c) | Weighted Cost (d) |
|--|------------------------------|-----------------|-----------------|-------------------|
| Commission Accepted - Most Recent | | | | |
| 1 | Docket Number <u>92.7.32</u> | | | |
| 2 | Order Number <u>5638C</u> | | | |
| 3 | | | | |
| 4 | Common Equity | | | |
| 5 | Preferred Stock | | | |
| 6 | Long Term Debt | | | |
| 7 | Other | | | |
| 8 | Total | | | |
| 9 | | | | |
| Actual at Year End | | | | |
| 10 | | | | |
| 11 | | | | |
| 12 | Common Equity 63,232,771 | 99.64% | 13.700% | 13.651% |
| 13 | Preferred Stock 230,000 | 0.36% | 8.913% | 0.032% |
| 14 | Long Term Debt | | | |
| 15 | Other | | | |
| 16 | Total 63,462,771 | 100.00% | | 13.683% |

Network Access - Charges and Revenues

Year: 2007

| Line No. | Description (a) | Access Charges Paid (b) | Access Revenues Received (c) |
|----------|--------------------------------|-------------------------|------------------------------|
| 1 | Montana - Total State | 494,213 | 21,799,232 |
| 2 | | | |
| 3 | Montana - Intrastate | 494,213 | 4,432,516 |
| 4 | | | |
| 5 | Montana - Intrastate Regulated | 494,213 | 4,432,516 |
| 6 | | | |
| 7 | | | |
| 8 | | | |
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| 13 | | | |

Affiliate Transactions - Products & Services Provided to Utility

Year: 2007

| 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 | CenturyTel Service Group, Inc. | Management, Accounting, Operating and Miscellaneous Services | Contract Year - 2003 | 7,194,356 | | 7,194,356 |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | CenturyTel, Inc. | " | Contract Year - 2003 | 497,228 | | 497,228 |
| 5 | CenturyTel of Washington, Inc. | " | Contract Year - 2003 | 167,513 | | 167,513 |
| 6 | CenturyTel Holdings, MO, Inc. | " | Contract Year - 2002 | 43,489 | | 43,489 |
| 7 | CenturyTel Broadband Serv., Inc. | | Contract Year - 2001 | 44,457 | | 44,457 |
| 8 | CenturyTel Supply, Inc. | Warehouse | Contract Year - 2003 | 337,588 | | 337,588 |
| 9 | | " | | 19,959 | | 19,959 |
| 10 | | | | | | |
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| 27 | | | | | | |
| 28 | | | | | | |
| 29 | | | | | | |
| 30 | TOTAL | | For all Affiliates Contract Price Determined by Fully Distributed Costs | \$8,304,590 | | \$8,304,590 |

Affiliate Transactions - Products & Services Provided by Utility

Year: 2007

| 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 | CenturyTel Broadband Services, Inc. | Management, Billing & Coll, | Contract Year - 2001 | 2,660,764 | 35.6% | 2,660,764 |
| 2 | CenturyTel Long Distance, Inc. | Operating, DSL, and | Contract Year - 2001 | 1,695,324 | 22.7% | 1,695,324 |
| 3 | CenturyTel of Midwest Michigan, Inc. | Miscellaneous Services | Contract Year - 2003 | 35,859 | 0.5% | 35,859 |
| 4 | CenturyTel of Wisconsin, Inc. | " | " | 42,334 | 0.6% | 42,334 |
| 5 | CenturyTel of Idaho, Inc. | " | " | 187,664 | 2.5% | 187,664 |
| 6 | CenturyTel of Russellville | " | " | 123,598 | 1.7% | 123,598 |
| 7 | CenturyTel of Jacksonville | " | " | 86,067 | 1.2% | 86,067 |
| 8 | Spectra | " | " | 149,767 | 2.0% | 149,767 |
| 9 | CenturyTel - Tel USA Wisconsin | " | " | 68,181 | 0.9% | 68,181 |
| 10 | CenturyTel - GTE Wisconsin | " | " | 79,435 | 1.1% | 79,435 |
| 11 | CenturyTel of Michigan, Inc. | " | " | 70,877 | 0.9% | 70,877 |
| 12 | CenturyTel of Ohio, Inc. | " | " | 89,193 | 1.2% | 89,193 |
| 13 | CenturyTel of Washington, Inc | " | " | 198,033 | 2.7% | 198,033 |
| 14 | CenturyTel of Eastern Oregon, Inc | " | " | 38,398 | 0.5% | 38,398 |
| 15 | CenturyTel of Oregon, Inc. | " | " | 47,967 | 0.6% | 47,967 |
| 16 | CenturyTel of The Gem State - Idaho | " | " | 85,560 | 1.1% | 85,560 |
| 17 | CenturyTel of Eagle, Inc | " | " | 235,376 | 3.2% | 235,376 |
| 18 | CenturyTel of Wyoming, Inc. | " | " | 121,606 | 1.6% | 121,606 |
| 19 | C.T. of The Midwest-WI, Inc.-N.West | " | " | 81,670 | 1.1% | 81,670 |
| 20 | C.T. of The Midwest-WI, Inc.-Cencom | " | " | 36,497 | 0.5% | 36,497 |
| 21 | Kendall Telephone, Inc. | " | " | 84,004 | 1.1% | 84,004 |
| 22 | CenturyTel of Minnesota, Inc. | " | " | 35,431 | 0.5% | 35,431 |
| 23 | CenturyTel of Northern Alabama | " | " | 148,663 | 2.0% | 148,663 |
| 24 | CenturyTel of Southern Alabama | " | " | 168,724 | 2.3% | 168,724 |
| 25 | CenturyTel of Southwest Missouri | " | " | 246,012 | 3.3% | 246,012 |
| 26 | CenturyTel of Central Missouri | " | " | 85,569 | 1.1% | 85,569 |
| 27 | CenturyTel of Evangeline, Inc. | " | " | 42,397 | 0.6% | 42,397 |
| 28 | CenturyTel of Colorado, Inc. | " | " | 30,346 | 0.4% | 30,346 |
| 29 | All Other | " | " | 493,055 | 6.6% | 493,055 |
| 30 | TOTAL | | | \$7,468,371 | 100.0% | \$7,468,371 |

Montana Intrastate Regulated Earned Rate of Return

Year: 2007

| Line No. | Description Rate Base (a) | This Year (b) | Last Year (c) | Percent Change (d) |
|----------|---|---------------------|---------------------|--------------------------|
| 1 | | | | |
| 2 | 2001 Plant in Service | 107,536,746 | 107,185,375 | 0.33% |
| 3 | 2002 Prop. Held for Future Telecommunications Use | | | |
| 4 | 3100-3200 (Less) Accumulated Depreciation | (68,596,082) | (66,348,686) | -3.39% |
| 5 | Plant in Service | 38,940,664 | 40,836,689 | -4.64% |
| 6 | | | | |
| 7 | Additions | | | |
| 8 | 1220 Materials & Supplies | 21,771 | 24,257 | -10.25% |
| 9 | 1280 Prepayments | | | |
| 10 | Other Additions | 549,137 | 559,466 | -1.85% |
| 11 | TOTAL Additions | 570,908 | 583,723 | -2.20% |
| 12 | | | | |
| 13 | Deductions | | | |
| 14 | 4100 Current Deferred Operating Income Taxes | | | |
| 15 | 4320 Unamortized Operating Investment Tax Credits | | | |
| 16 | 4340 Noncurrent Deferred Operating Income Taxes | 6,168,633 | 5,999,094 | 2.83% |
| 17 | Customer Advances for Construction | | | |
| 18 | Other Deductions | | | |
| 19 | TOTAL Deductions | 6,168,633 | 5,999,094 | 2.83% |
| 20 | TOTAL Rate Base | 33,342,939 | 35,421,318 | -5.87% |
| 21 | | | | |
| 22 | Net Earnings | (1,259) | 54,028 | -102.33% |
| 23 | | | | |
| 24 | Rate of Return on Average Rate Base | -0.004% | 0.153% | -102.48% |
| 25 | | | | |
| 26 | Rate of Return on Average Equity | 13.700% | 13.700% | |
| 27 | | | | |
| 28 | Major Normalizing Adjustments & Commission | | | |
| 29 | <u>Ratemaking adjustments to Utility Operations</u> | | | |
| 30 | | | | |
| 31 | | | | |
| 32 | | | | |
| 33 | | | | |
| 34 | | | | |
| 35 | | | | |
| 36 | | | | |
| 37 | | | | |
| 38 | | | | |
| 39 | | | | |
| 40 | | | | |
| 41 | | | | |
| 42 | | | | |
| 43 | Adjusted Rate of Return on Average Rate Base | | | |
| 44 | | | | |
| 45 | Adjusted Rate of Return on Average Equity | | | |

Other Taxes Paid

Year: 2007

| Line No. | Description (a) | Last Year (b) | This Year (c) |
|----------|---|------------------|------------------|
| 1 | Montana Telephone Company License Tax | 1,137,602 | 984,600 |
| 2 | Montana Public Service Commission Tax | 48,862 | 43,494 |
| 3 | Montana Consumer Counsel Tax | 17,101 | 13,967 |
| 4 | 911 Emergency Telephone Fee | 358,388 | 429,127 |
| 5 | Montana Telecommunications Access Service (TDD) | 71,887 | 69,034 |
| 6 | Montana Corporate License Tax | 716,000 | 818,000 |
| 7 | Personal Property Tax | | |
| 8 | Real Property Tax | 1,977,380 | 2,107,566 |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | Total | 4,327,220 | 4,465,788 |

SCHEDULE 37

Universal Service Funds Received

Year: 2007

| Line No. | Description (a) | Last Year (b) | This Year (c) |
|----------|-------------------------------------|----------------|------------------|
| 13 | Funds received from Montana Sources | N/A | |
| 14 | Funds received from Federal Sources | 666,300 | 1,376,310 |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |
| 21 | | | |
| 22 | | | |
| 23 | | | |
| 24 | Total | 666,300 | 1,376,310 |