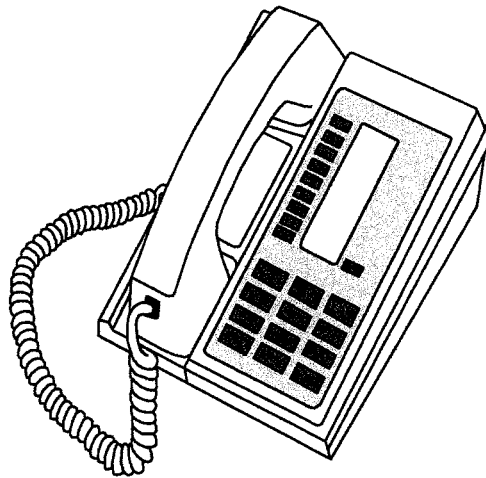


YEAR ENDING 2007

ANNUAL REPORT  
OF  
HOT SPRINGS TELEPHONE  
COMPANY  
TELEPHONE UTILITY



RECEIVED BY  
MONTANA PUBLIC SERVICE  
COMMISSION  
MAY 30 P 2:30

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

# Telephone Annual Report

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**General Information**

Year: 2007

1	Legal Name of Respondent:	Hot Springs Telephone Co.
2	Name Under Which Respondent Does Business:	Same as above
3	Date of Incorporation:	1/1/1955
4	Address to send Correspondence Concerning Report:	P.O. Box 7850 Kalispell, MT. 59904-0850
5	Person Responsible for This Report:	Phyllis O. Ekblad
5a.	Telephone Number:	(406) 755-7231
<b>Control Over Respondent</b>		
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:	N A
	1b. Means by which control was held:	N A
	1c. Percent Ownership:	N A

<b>Board of Directors</b>		
Line No.	Name of Director and Address (City, State) (a)	Fees Paid During Year (b)
1	Jay W. Preston Sr. 312 Main St. SW, Ronan, MT. 59864	None
2	Robert B. Ekblad, P.O. Box 161, Dayton, MT. 59914	6,000
3	Phyllis O. Ekblad, 319 Commons Way, Kalispell, MT. 59901	None
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18	<b>Chairman of the Board:</b>	
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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	President	General Manager	Jay W. Preston Sr. Ronan, MT.
2	Secretary-Treasurer	Financial & Accounting	Phyllis O. Ekblad, Kalispell, MT.
3	Vice-President	Engineering Studies, Technology	Robert B. Ekblad, Dayton, MT.
4		Forcasting & Advance Planning	
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## Total Company Balance Sheet

Year: 2007

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>CURRENT ASSETS:</b>		
2	1120	Cash and Equivalents	882,725	806,187
3	1180	Telecommunications Accounts Receivable - Net	2,035	2,465
4	1190	Other Accounts Receivable - Net		
5	1200	Notes Receivable - Net		
6	1210	Interest and Dividends Receivable		
7	1220	Materials and Supplies		
8	* 1280	Prepayments	15,395	27,961
9	^ 1290	Prepaid Rents		
10	^ 1300	Prepaid Taxes		
11	^ 1310	Prepaid Insurance		
12	^ 1320	Prepaid Directory Expenses		
13	^ 1330	Other Prepayments		
14	1350	Other Current Assets		
15		<b>Total Current Assets</b>	<b>900,155</b>	<b>836,613</b>
16		<b>NONCURRENT ASSETS:</b>		
17	1401	Investments in Affiliated Companies		
18	1402	Investments in Nonaffiliated Companies		
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		<b>Total Noncurrent Assets</b>		
27		<b>PROPERTY, PLANT, &amp; EQUIPMENT:</b>		
28	2001	Telecommunications Plant in Service	3,345,244	3,217,141
29	2002	Property Held for Future Telecommunications Use	50,000	50,000
30	2003	Plant Under Construction - Short Term		
31	2004	Plant Under Construction - Long Term		
32	2005	Telecommunications Plant Adjustment		
33	2006	Nonoperating Plant		
34	2007	Goodwill		
35	3100	Accumulated Depreciation	(2,471,565)	(2,315,579)
36	3200	Accumulated Depreciation - Held for Future Use		
37	3300	Accumulated Depreciation - Nonoperating		
38	3400	Accumulated Amortization		
39		<b>Net Property, Plant, &amp; Equipment</b>	<b>923,679</b>	<b>951,562</b>
40		<b>TOTAL ASSETS</b>	<b>1,823,834</b>	<b>1,788,175</b>

^ 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		<b>CURRENT LIABILITIES:</b>		
42	4010	Accounts Payable	185,845	189,746
43	4020	Notes Payable		
44	4030	Advance Billing and Payments		
45	4040	Customer Deposits	16,700	14,648
46	4050	Current Maturities - Long Term Debt		
47	4060	Current Maturities - Capital Leases		
48	4070	Income Taxes - Accrued		
49	4080	Other Taxes - Accrued		
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		
54		<b>Total Current Liabilities</b>	202,545	204,394
55		<b>LONG-TERM DEBT:</b>		
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	4,117	4,117
63		<b>Total Long-Term Debt</b>	4,117	4,117
64		<b>OTHER LIABILITIES AND DEFERRED CREDITS:</b>		
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		
69	4350	Net Noncurrent Deferred Nonoper. Income Taxes		
70	4360	Other Deferred Credits		
71	4370	Other Jurisdictional Liab. and Def. Credits		
72		<b>Total Other Liabilities and Deferred Credits</b>		
73		<b>STOCKHOLDERS' EQUITY:</b>		
74	4510	Capital Stock	80,000	80,000
75	4520	Additional Paid-In Capital	10,832	10,832
76	4530	Treasury Stock	(125,000)	(125,000)
77	4540	Other Capital		
78	4550	Retained Earnings	1,651,340	1,613,832
79		<b>Total Stockholders' Equity</b>	1,617,172	1,579,664
80		<b>TOTAL LIAB. AND STOCKHOLDERS' EQUITY</b>	1,823,834	1,788,175

## Total Company Income Statement

Year: 2007

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues	368,881	358,547
3	5080	Network Access Revenues	1,005,008	991,559
4	* 5100	Long Distance Message Revenue	19,344	14,987
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	48,675	43,832
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	13,748	10,244
16	5300	Uncollectible Revenue	(4,167)	(135)
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>	<b>1,451,490</b>	<b>1,419,034</b>
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense	258,249	207,157
20	6120	General Support Expense	25,974	27,596
21	6210	Central Office Switching Expense	32,578	45,316
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense		
24	6310	Information Origination/Termination Expense		
25	* 6410	Cable and Wire Facilities Expense	81,113	74,754
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense	177,340	205,156
29	6530	Network Operations Expense	67,325	82,313
30	6540	Access Expense	85,135	81,081
31	6560	Depreciation and Amortization Expense	155,893	177,871
32	6610	Marketing		
33	6620	Services	86,115	87,579
34	6710	Executive and Planning	28,147	31,331
35	6720	General and Administrative	370,245	353,856
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>	<b>1,368,115</b>	<b>1,374,010</b>
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	33,332	32,137
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>	<b>50,043</b>	<b>12,887</b>
41	7300	Nonoperating Income and Expense		
42	7400	Nonoperating Taxes		
43	7500	Interest and Related Items	1,034	4,928
44	7600	Extraordinary Items		
45	7910	Effects of Juris. Ratemaking Diff. - Net		
46	7990	Nonregulated Net Income	6,301	1,103
47		<b>NET INCOME (L.40+L.41-L.42-L.43-L.44+L.45-L.46)</b>	<b>42,708</b>	<b>6,856</b>

^ Subaccount of the account marked with a \*.



**Montana Total State Income Statement**

Year: 2007

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
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		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>		
18		<b>OPERATING EXPENSES:</b>		
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		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>		
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes		
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>		

^ Subaccount of the account marked with a \*.

Not Required-- We have less than 5,000 Access Lines

## Montana Intrastate Income Statement

Year: 2007

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
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		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>		
18		<b>OPERATING EXPENSES:</b>		
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		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>		
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes		
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>		

^ Subaccount of the account marked with a \*.

## Montana Intrastate Regulated Income Statement

Year: 2007

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1		<b>REVENUES:</b>		
2	5000	Basic Local Service Revenues	203,501	206,808
3	5080	Network Access Revenues	95,291	160,116
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	59,455	51,659
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	(4,167)	(135)
17		<b>Total Revenues (L.2+L.3+L.4+L.9-L.16)</b>	362,413	418,718
18		<b>OPERATING EXPENSES:</b>		
19	6110	Network Support Expense	19,994	15,148
20	6120	General Support Expense	25,974	27,596
21	6210	Central Office Switching Expense	32,578	45,316
22	6220	Operator Systems Expense		
23	6230	Central Office Transmission Expense		
24	6310	Information Origination/Termination Expense	81,113	74,754
25	* 6410	Cable and Wire Facilities Expense		
26	^ 6431	Aerial Wire Expense		
27	^ 6441	Conduit Systems Expense		
28	6510	Other Property, Plant & Equipment Expense	92,291	114,936
29	6530	Network Operations Expense	67,325	82,313
30	6540	Access Expense	3,900	3,600
31	6560	Depreciation and Amortization Expense	155,893	177,871
32	6610	Marketing		
33	6620	Services	137,167	124,837
34	6710	Executive and Planning	28,147	31,331
35	6720	General and Administrative	303,504	292,146
36	6790	Provision for Uncollectible Notes Receivable		
37		<b>Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)</b>	947,887	989,848
38	7100	Other Operating Income and Expense		
39	7200	Operating Taxes	34,367	37,065
40		<b>Net Operating Income (L.17-L.37+L.38-L.39)</b>	(619,840)	(608,195)

^ 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	3306414	3179137
2	3100	Accumulated Depreciation	2433811	2277918
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2006		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes		
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		<b>Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)</b>	872603	901219

Not Required-- We have less than 5,000 access lines

**Average Rate Base - Intrastate**

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service		
2	3100	Accumulated Depreciation		
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2006		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes		
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		<b>Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)</b>		

Not Required-- We have less than 5,000 access lines

**Average Rate Base - Regulated Intrastate**

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service		
2	3100	Accumulated Depreciation		
3	2002	Property Held for Future Telecommunications Use		
4	3200	Accumulated Depreciation - 2002		
5	1220	Materials and Supplies		
6	4340	Noncurrent Deferred Operating Income Taxes		
7		Pre-1971 Unamortized Investment Tax Credits		
8		Cash Working Capital (if allowed by Commission)		
9		<b>Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)</b>		

## Statement of Cash Flows

Year: 2007

Line No.	Item Description (a)	Amount (b)	Amount (c)
1	<b>Increase/(decrease) in Cash &amp; Cash Equivalents</b>		70,167.81
2	<b>Cash Flows from Operating Activities:</b>		
3	Net Income		49,008.26
4	Reconciliation Adjustments:		
5	Depreciation & Amortization		155,986.00
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		430.29
11	Change in Materials, Supplies & Inventories - Net		(175.03)
12	Change in Operating Payables & Accrued Liabilities - Net		(3,901.46)
13	* Change in Other Assets & Deferred Credits - Net		12,566.00
14	^ Change in Other Liabilities & Deferred Credits - Net		2,052.00
15	Other (explained on back of this page)		
16	Total Adjustments		166,957.80
17	<b>Net Cash Provided by/(Used in) Operating Activities</b>		215,966.06
18	<b>Cash Inflows/Outflows From Investing Activities:</b>		
19	Construction/Acquisition of Property, Plant & Equipment (net of		(128,102.29)
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)		(6,195.96)
25	<b>Net Cash Provided by/(Used in) Investing Activities</b>		(134,298.25)
26	<b>Cash Flows from Financing Activities:</b>		
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		(11,500.00)
36	Other Financing Activities (explained on back of this page)		
37	<b>Net Cash Provided by Financing Activities</b>		(11,500.00)
38	<b>Effect of Exchange Rate Changes on Cash</b>		
39	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		70,167.81
40	<b>Cash &amp; Cash Equivalents at Beginning of Period</b>		665,943.64
41	<b>Cash &amp; Cash Equivalents at End of Period</b>		736,111.45

\* Prepaid Federal and State Income Taxes (Decrease \$12,566)

^ Subscriber Deposits (Increase \$2,052)

# Net Increase in Investments \$6,195.96

Does Not Apply

Year: 2007

Receivables and Investments-Affiliated & Nonaffiliated Companies

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)
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30	<b>Totals</b>										

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 2007 Balance (g)	Year End Accumulated Depreciation (h)	End of Year Net Plant Balance (i)
1	* 2110	Land and Support Assets	884293	11609			895902	589480	306422
2	^ 2111	Land							
3	^ 2112	Motor Vehicles							
4	^ 2113	Aircraft							
5	^ 2114	Special Purpose Vehicles							
6	^ 2115	Garage Work Equipment							
7	^ 2116	Other Work Equipment							
8	^ 2121	Buildings							
9	^ 2122	Furniture							
10	^ 2123	Office Equipment							
11	^ 2124	General Purpose Computers							
12	2211	Analog Electronic Switching	484390	45831			530221	421571	108650
13	2212	Digital Electronic Switching							
14	2215	Electro-Mechanical Switching							
15	2220	Operator Systems							
16	2231	Radio Systems	384024	45999			430023	250812	179211
17	2232	Circuit Equipment	16238				16238	16320	-82
18	* 2310	Information Orig & Term Equip	100706	6584			107290	87421	19869
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	16627				16627	8614	8013
25	* 2420	Cable and Wire Facilities	1289109	17254			1306363	1058063	248300
26	^ 2421	Aerial Cable							
27	^ 2422	Underground Cable							
28	^ 2423	Buried Cable							
29	^ 2424	Submarine Cable							
30	^ 2425	Deep Sea Cable							
31	^ 2426	Intrabuilding Network Cable							
32	2431	Aerial Wire							
33	2441	Conduit Systems	3750				3750	1530	2220
34		<b>Totals</b>	3179137	127277			3306414	2433811	872603

^ 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							
2	None						
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	<b>Totals (Sum L.1 to L.29)</b>						



Year: 2007

Average Cost of Long Term Debt

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												
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	<b>Total</b>											

DOES NOT APPLY

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												
2												
3												
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
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18												
19												
20												
21												
22												
23												
24												
25												
26												
27												
28												
29												
30	<b>Totals (Sum L.1 to L.29)</b>											

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)	Market Price Low (h)	Price/Earnings Ratio (i)
1	Year Ended December 31:								
2									
3									
4									
5									
6									
7									
8	Month by Month Data:								
9	January								
10	February								
11	March								
12	April								
13	May								
14	June								
15	July								
16	August								
17	September								
18	October								
19	November								
20	December								
21									
22									
23									

NOT REQUIRED- WE HAVE LESS THAN 5,000 ACCESS LINES

Capital Stock and Funded Debt Reacquired 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)	Requisition or Retirement Cost (e)	Gain or (Loss) (f)	Retirement or Requisition (g)
1	NONE						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
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20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30	<b>Totals (Sum L.1 to L.29)</b>						

Company Name: Hot Springs Telephone Co.  
NOT REQUIRED- WE HAVE LESS THAN 5,000 ACCESS LINES

**Total Company Expense Matrix**

Line No.	Acct. No. (a)	Description (b)	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
1	*	Network Support Expense						
2	^	Motor Vehicle Expense						
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		<b>Subtotals</b>						

**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						
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		<b>Totals</b>						

^ Subaccount of the account marked with a \*

**Company Name: Hot Springs Telephone Co.**  
NOT REQUIRED- WE HAVE LESS THAN 5,000 ACCESS LINES

**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						
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		<b>Subtotals</b>						

Total State Expense Matrix

Line No.	Acct. No.	Description	Salaries and Wages (c)	Benefits (d)	Rents (e)	Other Expenses (f)	Clearances (g)	Total (h)
35	^	Conduit Systems Expense						
36	6510	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	6540	Access Expense						
44	6561	Depreciation - Telecomm. Plant in Service						
45	6562	Depreciation-Prop. for Future Telecom. Use						
46	6563	Amortization Expense - Tangible						
47	6564	Amortization Expense - Intangible						
48	6565	Amortization - Other						
49	*	Marketing						
50	^	Product Management						
51	^	Sales						
52	^	Product Advertising						
53	6621	Call Completion Services						
54	6622	Number Services						
55	6623	Customer Services						
56	6711	Executive						
57	6712	Planning						
58	6721	Accounting and Finance						
59	6722	External Relations						
60	6723	Human Relations						
61	6724	Information Management						
62	6725	Legal						
63	6726	Procurement						
64	6727	Research and Development						
65	6728	Other General and Administrative						
66	6790	Provision for Uncollectible Notes Receivable						
67		<b>Totals</b>						

^ Subaccount of the account marked with a \*



**Pension Costs**

Year: 2007

1	Plan Name Hot Springs Telephone Co. Profit Sharing Plan			
2	Defined Benefit Plan? <u>    N/A    </u>	Defined Contribution Plan? Yes <u>    </u>		
3	Actuarial Cost Method? <u>    N/A    </u>	IRS Code: <u>    401    </u>		
4	Annual Contribution by Employer: Based on Profits <u>    </u>	Is the Plan Over Funded? <u>    No    </u>		
5				
	<b>Item</b>	<b>Current Year</b>	<b>Last Year</b>	<b>% Change</b>
6	<b>Change in Benefit Obligation</b>			
7	Benefit obligation at beginning of year	1,036,839.01	1,001,676.45	-3.39%
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	1,036,839.01	1,001,676.45	-3.39%
16	<b>Change in Plan Assets</b>			
17	Fair value of plan assets at beginning of year	1,001,676.45	803,138.33	-19.82%
18	Actual return on plan assets	67,709.25	116,402.32	71.91%
19	Acquisition			
20	Employer contribution	65,417.31	82,135.80	25.56%
21	Plan participants' contributions		-	
22	Benefits paid	(97,964.00)		
23	Fair value of plan assets at end of year	1,036,839.01	1,001,676.45	-3.39%
24	<b>Funded Status</b>			
25	Unrecognized net actuarial loss	N/A	N/A	
26	Unrecognized prior service cost			
27	Prepaid (accrued) benefit cost			
28				
29	<b>Weighted-average Assumptions as of Year End</b>	N/A	N/A	
30	Discount rate			
31	Expected return on plan assets			
32	Rate of compensation increase			
33				
34	<b>Components of Net Periodic Benefit Costs</b>	N/A	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	<b>Montana Intrastate Costs:</b>	N/A	N/A	
43	Pension Costs			
44	Pension Costs Capitalized			
45	Accumulated Pension Asset (Liability) at Year End			
46	<b>Number of Company Employees:</b>			
47	Covered by the Plan	10	12	20.00%
48	Not Covered by the Plan	2	2	
49	Active	10	11	10.00%
50	Retired			
51	Deferred Vested Terminated			

**Other Post Employment Benefits (OPEBS)**

	Item	Current Year	Last Year	% Change
1	<b>Regulatory Treatment:</b>			
2	Commission authorized - most recent			
3	Docket number: _____			
4	Order number: _____			
5	Amount recovered through rates			
6	<b>Weighted-average Assumptions as of Year End</b>			
7	Discount rate			
8	Expected return on plan assets			
9	Medical Cost Inflation Rate			
10	Actuarial Cost Method			
11	Rate of compensation increase			
12	<b>List each method used to fund OPEBs (ie: VEBA, 401(h)) and if tax advantaged:</b>			
13				
14				
15	<b>Describe any Changes to the Benefit Plan:</b>			
16				
17	<b>TOTAL COMPANY</b>			
18	<b>Change in Benefit Obligation</b>			
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	<b>Change in Plan Assets</b>			
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	<b>Funded Status</b>			
37	Unrecognized net actuarial loss			
38	Unrecognized prior service cost			
39	Prepaid (accrued) benefit cost			
40	<b>Components of Net Periodic Benefit Costs</b>			
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	<b>Accumulated Post Retirement Benefit Obligation</b>			
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	<b>Number of Company Employees:</b>			
2	Covered by the Plan			
3	Not Covered by the Plan			
4	Active			
5	Retired			
6	Spouses/Dependants covered by the Plan			
7	<b>Montana</b>			
8	<b>Change in Benefit Obligation</b>			
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	<b>Change in Plan Assets</b>			
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	<b>Funded Status</b>			
27	Unrecognized net actuarial loss			
28	Unrecognized prior service cost			
29	Prepaid (accrued) benefit cost			
30	<b>Components of Net Periodic Benefit Cccosts</b>			
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	<b>Accumulated Post Retirement Benefit Obligation</b>			
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	<b>Montana Intrastate Costs:</b>			
47	Pension Costs			
48	Pension Costs Capitalized			
49	Accumulated Pension Asset (Liability) at Year End			
50	<b>Number of Montana Employees:</b>			
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: 2007

Line No.	Name of Recipient (a)	Nature of Service (b)	Total Company Cost (c)	Total State Cost (d)	Intrastate Cost (e)
1	NONE				
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
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42					
43					
44					
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46					
47					
48					
49	<b>Total</b>				

**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	3,052,138	23%	3,476,237	26%
3	Interstate, IntraLATA	-			
4	<b>Total Interstate Usage</b>	3,052,138	23%	3,476,237	26%
5	Intrastate, InterLATA	201,588	2%	203,287	2%
6	Intrastate, IntraLATA	3,053,778	23%	2,681,153	20%
7	<b>Total Intrastate Usage</b>	3,255,366	24%	2,884,440	21%
8	<b>Total Toll Usage</b>	6,307,504	47%	6,360,677	47%
9	Centrex	-			
10	Local	7,060,724	53%	7,066,977	53%
11	<b>Total Minutes</b>	13,368,228	100%	13,427,654	100%

**Company Name: Hot Springs Telephone Co.**

**Year: 2007**

**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	Urban		117		69	108		19	81		10			404
2	Rural		225		87	71		16	24		3			426
3														
4														
5														
6														
7														
8														
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28														
29														
30														
31														
32														
33	<b>Total</b>		342		156	179		35	105		13			830

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	HOT SPRINGS	(Stand alone)	DIGITAL	SIEMENS	DCO-RNS-SE	1,080	1999
2							
3							
4							
5							
6							
7							
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**Construction Budget - Montana**

Year: 2008

Line No.	Description (a)	2008 (b)
1	<b>Central Office Assets:</b>	
2		
3		
4	Digital Switch & Digital Software	10,000
5	Toll Circuit Software & Equipment	25,000
6	Carrier Equipment	15,000
7	Building Addition	75,000
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27	Total Switching and Central Office Projects over \$500,000	
28	Miscellaneous Central Office Projects not over \$500,000	125,000
29	<b>Total Central Office Budget (Total of Line 27 &amp; Line 28)</b>	125,000
30	<b>Other Projects over \$500,000:—</b>	
31		
32	Fiber Design	5,000
33	Urban Cable Addition	10,000
34	Computers	5,000
35	Trucks	40000
36	Carrier Equipment	12000
37		
38		
39		
40		
41	Total Other Projects over \$500,000	72,000
42	Miscellaneous projects not over \$500,000	
43	<b>Total Construction Budget (Total of Lines 29, 41 &amp; 42)</b>	197,000



**Montana Total State Construction Expenditures**

0

<b>Line No.</b>	<b>FCC Part 32 Account No. (a)</b>	<b>Description (b)</b>	<b>This Year (c)</b>	<b>Last Year (d)</b>	<b>Percent Change (e)</b>
1	2110	General Support Assets	1,820	21,065	-91.36%
2	2210	Central Office Assets	33,154		
3	2220	Operator Systems			
4	2230	Central Office Transmission	65,262	87,121	-25.09%
5	2310	Information/Termination Assets	9,789	6,498	50.65%
6	2410	Cable and Wire Facilities Assets	17,253	103,101	-83.27%
7	2680	Amortizable Tangible Assets			
8	2690	Intangibles			
9		<b>Total Construction Expenditures</b>	<b>127,277</b>	<b>217,784</b>	<b>-41.56%</b>

Montana Employee Counts

Year: 2007

Line No.	Category (a)	Beginning of Year (b)	End of Year (c)
1	GENERAL MANAGER	1	1
2	OFFICE MANAGER	1	1
3	COE MAINTENANCE MANAGER & LINEMAN	1	1
4	PART TIME OFFICE CLERK	1	1
5	ACCOUNTANT & FINANCIAL MANAGER	1	1
6	ASSISTANT ACCOUNTANT & PAYROLL CLERK	1	1
7	INSTALLATIONS, LINEMEN & CONSTRUCTION WORKERS	2	2
8	INTERNET CONSULTANT	2	2
9	FULL TIME OFFICE CLERK	1	1
10			
11			
12			
13			
14			
15			
16			
17			
18			
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42			
43	<b>Totals (Sum of Lines 1 through 42)</b>	<b>11</b>	<b>11</b>

CONFIDENTIAL

Compensation of Top 10 Montana Based Employees

Year: 2007

Line No.	Name/Title (a)	Base Salary (b)	Bonuses (c)	Pension Plan Other Compensation (d)	Total Compensation (e)	Total Compensation Last Year (f)	% Increase Total Compensation (g)
1	JAY W. PRESTON, SR. GENERAL MANAGER						
2	SANDRA M. PRONGUA OFFICE MANAGER						
3	PHYLLIS O. EKBLAD ACCOUNTANT & FINANCIAL MGR.						
4	KATHE A. JOHNSON ASSIST. ACCOUNT. & PAYROLL MGR.						
5	LAURENCE S. WALCHUCK COE MANAGER & LINEMAN						
6	VICTOR J. STOBIE INSTALLER, LINEMAN & CONSTRUCTION						
7	JANET L. BRAS OFFICE CLERK						
8	TINA B. MILAT OFFICE CLERK						
9	RICHARD A. ESTERLING INTERNET WORKER						
10	JON L. ANDERSON INTERNET WORKER						
11	<b>Totals (Sum L.1 to L.10)</b>	-	-	-	-	-	

DOES NOT APPLY

Year: 2007

**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							
2							
3							
4							
5							
6	<b>Totals (Sum L.1 to L.5)</b>						

Montana Composite Statistics

Year: 2007

Line No.	Account No.	Description (a)	Amount (b)
1		<b>Plant (Intrastate Only) (000 Omitted)</b>	
2	2001	Plant in Service	3310
3	2003 - 2004	Construction Work in Progress	
4	2005	Plant Acquisition Adjustments	
5	2002	Plant Held for Future Use	
6	1220	Materials & Supplies	
7		(Less):	
8	3100 - 3400	Depreciation & Amortization Reserves	-2434
9	4360.2	Contributions in Aid of Construction	-4
10		<b>NET BOOK COSTS</b>	872
11		<b>Revenues &amp; Expenses (Intrastate Only) (000 Omitted)</b>	
12	5000 - 5300	Operating Revenues	362
13	6560	Depreciation & Amortization Expenses	155
14		Federal & State Income Taxes	12
15		Other Taxes	82
16		Other Operating Expenses	88
17		TOTAL Operating Expenses	337
18		Net Operating Income	25
19		Other Income	39
20		Other Deductions	16
21		<b>NET INCOME</b>	49
22		<b>Access Lines in Service (Intrastate Only)</b>	
23		Residential Access Lines	677
24		Business Access Lines	140
25		PBX Access Lines	
26		Other Access Lines Pay Phones	13
27		<b>Total Number of Access Lines</b>	830
28		<b>Average Number of Calls Per Access Line</b>	
29		Local Calls	1176787
30		Toll Calls (Intra- or Interstate)	1051251
31		<b>Total Number of Calls Per Access Line</b> (Total of Line 29 & Line 30 divided by Line 27)	2684
32		<b>Other Statistics (Intrastate Only)</b>	
33		Average Residential Monthly Bill	30
34		Gross Plant Investment per Access Line	3984

**Depreciation - Montana Intrastate Regulated**

Year: 2007

Line No.	Acct No. (a)	Description (b)	Composite Rate % (c)	Total Expense \$ (d)
1	2112	Motor Vehicles	20.0%	1,950
2	2114	Special Purpose Vehicles		
3	2115	Garage Work Equipment		
4	2116	Other work Equipment	20.0%	5,598
5	2121	Buildings	5.0%	7,171
6	2122	Furniture	20.0%	1,876
7	2123.1	Office Support Equipment		
8	2123.2	Company Communications Equipment		
9	2124	General Purpose Computers	20.0%	1,775
10	2211	Analog Electronic Switching Equipment		
11	2212	Digital Electronic Switching Equipment	10.0%	44,538
12	2215	Step By Step Switching Equipment		
13	2215	Crossbar Switching Equipment		
14	2220	Operator System		
15	2231	Radio Systems	10.0%	30,434
16	2232	Circuit DDS		
17	2232	Circuit Digital		
18	2232	Circuit Analog	10.0%	
19	2351	Public Telephone Terminating Equipment		
20	2362	Other Terminal Equipment	10.0%	1,293
21	2411	Poles		
22	2421	Aerial Cable Metallic	10.0%	9,450
23	2421	Aerial Cable Nonmetallic		
24	2422	Underground Cable Metallic		
25	2422	Underground Cable Nonmetallic		
26	2423	Buried Cable Metallic	5.0%	41,524
27	2423	Buried Cable Nonmetallic	5.0%	9,439
28	2424	Submarine Cable Metallic		
29	2424	Submarine Cable Nonmetallic		
30	2426	Intrabuilding Network Cable Metallic		
31	2426	Intrabuilding Network Cable Nonmetallic		
32	2431	Aerial Wire		
33	2441	Conduit Systems	10.0%	375
34				
35		<b>COMPOSITE TOTAL</b>	<b>4.8%</b>	<b>155,423</b>
36	<p><b>Please list the Montana Public Service Commission Docket Order No. approving these depreciation rates</b></p> <p>Docket Number _____ Order Number _____</p>			
37				
38				
39				
40				

**Amortization - Montana Intrastate Regulated**

Year: 2007

Line No.	Acct No. (a)	Description (b)	Composite Rate % (c)	Total Expense \$ (d)
1				
2				
3		N/A		
4				
5				
6				
7				
8				
9				
10				
11				
12				
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31				
32				
33				
34				
35		<b>COMPOSITE TOTAL</b>		
36	<b>Please list the Montana Public Service Commission Docket Order No. approving these amortization rates</b>			
37				
38				
39	Docket Number _____ Order Number _____			
40				

**Montana Regulatory Capital Structure & Costs**

Year: 2007

Line No.	Description (a)	% Cap. Str. (b)	% Cost Rate (c)	Weighted Cost (d)
<b>Commission Accepted - Most Recent</b>				
1	Docket Number _____			
2	Order Number _____			
3				
4	Common Equity	N/A		
5	Preferred Stock			
6	Long Term Debt			
7	Other			
8	<b>Total</b>			
<b>Actual at Year End</b>				
10				
11				
12	Common Equity	99.75%	12.500%	12.468%
13	Preferred Stock			
14	Long Term Debt	0.25%	9.000%	0.023%
15	Other			
16	<b>Total</b>	100.00%		12.491%

**Network Access - Charges and Revenues**

Year: 2007

Line No.	Description (a)	Access Charges Paid (b)	Access Revenues Received (c)
1	Montana - Total State		100,702
2			
3	Montana - Intrastate		5,411
4			
5	Montana - Intrastate Regulated		95291
6			-
7			
8			
9			
10			
11			
12			
13			



Year: 2007  
Affiliate Transactions - Products & Services Provided to Utility

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						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
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25						
26						
27						
28						
29						
30	<b>TOTAL</b>					

Company Name: Hot Springs Telephone Co.  
DOES NOT APPLY

Year: 2007  
Affiliate Transactions - Products & Services Provided by Utility

Line No.	Affiliate Name (a)	Products & Services (b)	Method to Determine Price (c)	Charges to Affiliate (d)	% Total Affil. Revenues (e)	Charges to MT Utility (f)	
1							
2							
3							
4							
5							
6							
7							
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10							
11							
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26							
27							
28							
29							
30	<b>TOTAL</b>						

**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	3,306,414	3,179,137	4.00%
3	2002 Prop. Held for Future Telecommunications Use			
4	3100-3200 (Less) Accumulated Depreciation	(2,433,811)	(2,277,918)	-6.84%
5	<b>Plant in Service</b>	<b>872,603</b>	<b>901,219</b>	<b>-3.18%</b>
6				
7	<b>Additions</b>			
8	1220 Materials & Supplies			
9	1280 Prepayments			
10	Other Additions			
11	<b>TOTAL Additions</b>			
12				
13	<b>Deductions</b>			
14	4100 Current Deferred Operating Income Taxes			
15	4320 Unamortized Operating Investment Tax Credits			
16	4340 Noncurrent Deferred Operating Income Taxes			
17	Customer Advances for Construction			
18	Other Deductions			
19	<b>TOTAL Deductions</b>			
20	<b>TOTAL Rate Base</b>	<b>872,603</b>	<b>901,219</b>	<b>-3.18%</b>
21				
22	<b>Net Earnings</b>	<b>42,708</b>	<b>6,856</b>	<b>522.93%</b>
23				
24	<b>Rate of Return on Average Rate Base</b>	<b>4.894%</b>	<b>0.761%</b>	<b>543.36%</b>
25				
26	<b>Rate of Return on Average Equity</b>	<b>2.641%</b>	<b>0.434%</b>	<b>508.48%</b>
27				
28	Major Normalizing Adjustments & Commission			
29	Rate-making adjustments to Utility Operations			
30				
31	N/A			
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43	<b>Adjusted Rate of Return on Average Rate Base</b>			
44				
45	<b>Adjusted Rate of Return on Average Equity</b>			

**Other Taxes Paid**

Year: 2007

Line No.	Description (a)	Last Year (b)	This Year (c)
1	Montana Telephone Company License Tax		
2	Montana Public Service Commission Tax	898	722
3	Montana Consumer Counsel Tax	250	254
4	911 Emergency Telephone Fee	4685	7109
5	Montana Telecommunications Access Service (TDD)	930	940
6	Montana Corporate License Tax	3707	3944
7	Personal Property Tax	2925	2911
8	Real Property Tax	16573	16498
9	Montana State Excise Tax	13426	13733
10			
11			
12	<b>Total</b>	<b>43,394</b>	<b>46111</b>

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**Universal Service Funds Received**

Year: 2007

Line No.	Description (a)	Last Year (b)	This Year (c)
13	Funds received from Montana Sources		
14	Funds received from Federal Sources	272,374	283,211
15			
16			
17			
18			
19			
20			
21			
22			
23			
24	<b>Total</b>	<b>272,374</b>	<b>283,211</b>