ANNUAL REPORT OF
Valley Telecommunications
TELEPHONE UTILITY
TO THE
PUBLIC SERVICE COMMISSION
STATE OF MONTANA
1701 PROSPECT AVENUE
P.O. BOX 202601
HELENA, MT 59620-2601

REVISED JULY 29, 1998
Telephone Annual Report

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Telephone Annual Report

Instructions

General

1. A Microsoft EXCEL 97 workbook of the annual report is being provided on computer disk for your convenience. The workbook contains the schedules of the annual report. Each schedule is on the worksheet named that schedule. For example, Schedule 1 is on the sheet titled “Schedule 1”. By entering your company name in the cell named “Company” of the first worksheet, the spreadsheet will put your company name on all the worksheets in the workbook. The same is true for inputting the year of the report in the cell named “YEAR”. You can “GOTO” the proper cell by using the F5 key and selecting the name of the cell.

2. The workbook contains input sections that are unprotected, and non-input sections that are protected. Cell protection can be disabled or enabled through “TOOLS – PROTECTION – UNPROTECT SHEET” on your toolbar. Formulas and checks are built into most of the templates.

3. Use of the disk is optional. The disk and the report cover shall be returned when the report is filed. There are macros built into the workbook to assist you with the report. An explanation of the macros is on the “Control” worksheet at the front of the workbook. The explanations start at cell A1.

4. All forms must be filled out in permanent ink and be legible. Note: Even if the computer disk is used, a printed version of the report shall be filed. The orientation and margins are set up on each individual worksheet and should print on one page. If you elect not to use the disk, please format your reports to fit on one 8.5” by 11” page with the left binding edge (top if landscaped) set at .85”, the right edge (bottom if landscaped) set at .4”, and the remaining two margins at .5”. You may select specific schedules to print – See the worksheet “CONTROL”.

5. Unless otherwise indicated, all information required in these schedules shall be from the accounts prescribed in 47 C.F.R. Part 32 and the definitions and instructions therein will apply to this report wherever applicable.

6. Information on financial schedules may be rounded to thousands of dollars for companies with over 5,000 access lines. Companies submitting schedules rounded to thousands should so indicate at the top of the schedule.

7. Where more space is needed or more than one schedule is needed additional schedules may be attached and should be included directly behind the original schedule to which it pertains and be labeled accordingly (for example, Schedule 1A).

8. The information required with respect to any statement shall be furnished as a minimum requirement to which shall be added such further information as is necessary to make the required schedules not misleading.
9. The following schedules should be filled out with information on a total company basis:

- Schedules 1 - 4
- Schedule 10
- Schedules 13 - 17
- Schedule 19
- Schedule 20, Page 1 of 2
- Schedules 33 and 34

All other schedules should be filled out with Montana specific data. Financial schedules should include all amounts originating in Montana or allocated to Montana from other jurisdictions.

10. All companies owned by another company shall attach a corporate structure chart of the holding company.

11. The following schedules are not required to be filled out or submitted by companies with less than 5,000 access lines:

- Schedule 6
- Schedules 17 and 18
- Schedule 21

12. Schedules that have no activity during the year or are not applicable to the respondent should be marked as not applicable and submitted with the report.

13. Companies with under 5,000 lines may use summary accounts and should leave lines for subaccounts blank. Summary accounts are noted with an asterisk and subaccounts that are not required are noted with a caret.

14. Companies with over 5,000 lines must complete schedules to all required subaccount detail.

15. FCC Form M sheets may not be substituted in lieu of completing annual report schedules.

16. Common sense must be used when filling out all schedules.

**Specific Instructions**

**Schedules 3 through 9**

1. **Schedules 3, 4, and 9** should include all notes to the financial statements required by the FCC or included in the financial statements issued as audited financial statements. These notes should be included in the report directly behind the schedules and should be labeled appropriately (Schedule 3A, etc.).

2. **Schedule 5** may be omitted for companies doing business only in Montana.

3. **Schedule 6** is not required for companies with under 5,000 lines.
4. Schedule 7 must be completed by all companies. For companies under 5,000 lines, this schedule may be completed on a total state basis. Any such company completing the form on a total state basis shall indicate this fact clearly on the form.

5. Schedule 8 - Companies with less than 5,000 lines are not required to fill out the intrastate portion. The regulated rate base must be separated from the deregulated rate base but this may be done on a total state basis. Any company so doing shall clearly indicate this on the form.

6. Only accounts designated on Schedule 8 may be included in rate base. Only companies who have specifically been authorized in a Commission order to include cash working capital in rate base may fill out line 8 on Schedule 8. Cash working capital must be calculated using the methodology approved in the Commission order. The most recent Commission Order, and Docket, specifying cash working capital shall be noted on the schedule.

7. Schedule 9 - Instructions to complete are similar to those used for the Statement of Cash Flows in the FCC Form M.

Schedule 10
1. For the purpose of this schedule, nonofficial companies shall include any company in which the respondent has an ownership interest which does not meet the definition of an affiliated company set out in 47 C.F.R. Section 32.9000. This schedule shall not include telecommunications accounts receivable from other customers.

Schedule 11
1. All amounts listed in Column f that represent individual items for which the higher of cost or market value was in excess of $50,000 for companies with under 5,000 lines and in excess of $100,000 for companies with over 5,000 lines must be fully explained in notes to this schedule. The explanation must include the plant description and location, the original cost, the net book cost, the market value, the value at which it was transferred or the price at which it was sold, and the party to which it was transferred or sold.

Schedule 12
1. Respondents shall list each item amounting individually to $100,000 or more and report all others in the aggregate.

2. Amounts in Column f relating to individual items exceeding $50,000 shall be fully explained.

Schedule 15
1. Line 1 must be completed by all companies for the most recent calendar year. The retention and price/earnings ratios shall be calculated on a year end basis. Enter the actual year end market price in the "Year Ended" row. If the computer disk is used, enter the year end market price in the "High" column.

2. Lines starting at 9 shall be completed for each of the twelve months of the report year for all companies with over 5,000 access lines. Earnings per share and dividends per share shall be reported on a quarterly basis and entries shall be made only to the months that end the respective quarters (for example, March, June, September, and December.)
Schedule 19
1. All companies are required to submit this form. Companies with more than one plan (for example, both a retirement plan and a deferred savings plan) shall complete a schedule for each plan.

2. Companies with defined benefit plans must complete the entire form using FASB 87 and 132 guidelines.

3. Interest rate percentages shall be listed to two decimal places.

Schedule 20
1. All changes to the employee benefit plans shall be explained in a narrative on lines 15 and 16. All cost containment measures implemented in the reporting year shall be explained and quantified in a narrative on lines 15 & 16. All assumptions used in quantifying cost containment results shall be disclosed.

2. The schedule shall be filled out using FASB 106 and 132 guidelines.

Schedule 21
1. Respondents shall disclose all payments made during the year where the aggregate payment to the recipient was $25,000 or more. Payments must include fees, retainers, commissions, gifts, contributions, assessments, bonuses, subscriptions, allowances for expenses or any other form of payment for services or as a donation.

Schedule 23
1. Respondents shall provide an attached sheet detailing the type and corresponding number of access lines for all entries in Column L (Other).

Schedule 24
1. Column (b). For each wire center that has a configuration of "Remote", Column (b) shall also reflect the respective "Host".

2. Column (c). Examples of Types of Switches are: Digital, Step by Step, and Crossbar.

Schedule 25
1. This schedule must be completed by all companies for the year following the reporting year.

Schedule 26
1. Respondents shall either report construction technicians and splicers as separate categories or footnote the appropriate categories and indicate the number of (1) construction technicians; and (2) splicers.
Schedule 27
1. Include in column (d) ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.

2. The above compensation items shall be listed separately. Where more space is needed additional schedules may be attached and shall be included directly behind the original schedule to which it pertains.

3. If respondent is claiming protected status of salary information both a proprietary and non-proprietary copy of this schedule shall be filed. On the non-proprietary copy respondent shall indicate which columns respondent maintains are proprietary. A note stating that such information is being provided separately shall be included on the schedule. In no case shall either Column (a) - Name/Position, or Column (g) - Percent Increase Total Compensation, be considered proprietary. Respondent shall provide all requested information on the proprietary copy.

Schedule 28
1. Respondents shall provide all executive compensation information in conformance with that required by the Securities and Exchange Commission (SEC) (Regulation S-K Item 402, Executive Compensation).

2. Include in column (d) ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.

3. All items included in Column (d) - Other Compensation shall be listed separately. Where more space is needed additional schedules may be attached and shall be included directly behind the original schedule.

4. In addition, respondents shall attach a copy of the executive compensation information provided to the SEC.

Schedule 29
1. Information from this schedule is consolidated with information from other Utilities and reported to the National Association of Regulatory Utility Commissioners (NARUC). Your assistance in completing this schedule, even though information may be located in other areas of the annual report, expedites reporting to the NARUC and is appreciated.
Schedules 33 and 34

1. Respondents shall report all transactions with affiliated companies.

2. Column (c). Respondents shall indicate in column (c) the method used to determine the price. Respondents shall indicate if a contract is in place between the Affiliate and the Utility. If a contract is in place, respondents shall indicate the year the contract was initiated, the term of the contract and the method used to determine the contract price.

3. Column (c). If the method used to determine the price is different than the previous year, respondents shall provide an explanation, including the reason for the change.

Schedule 35

1. Respondents shall provide an attached sheet detailing the account and the amount for all entries made to Lines 9 and 16.

2. Only companies who have specifically been authorized in a Commission Order to include cash working capital in rate base may include cash working capital in lines 9 or 16. Cash working capital must be calculated using the methodology approved in the Commission Order. The Commission Order specifying cash working capital shall be noted on the attached sheet.

3. Respondents shall indicate, for each adjustment on lines 30 through 42, if the amount is updated or if it is from the last rate case. All adjustments shall be calculated using Commission methodology.

Schedule 36

1. Respondents shall list the amount of tax accrued or paid for the fiscal year attributable to Montana sources for each of the listed taxes.

Schedule 37

1. Respondents shall list the amount of Universal Service Funds received from Montana and from the federal government.
General Information

Year: 1999

1. Legal Name of Respondent: Valley Telecommunications, Inc.


3. Date of Incorporation: May 21, 1993

4. Address to send Correspondence Concerning Report: PO Box 600, Scobey MT 59263

5. Person Responsible for This Report: Ross Fladager

5a. Telephone Number: (406) 783-5625

Control Over Respondent

1. If direct control over the respondent was held by another entity at the end of year provide the following:

1a. Name and address of the controlling organization or person:

   Nemont Telephone Cooperative, Inc.
   PO Box 600, Scobey MT 59263

1b. Means by which control was held: Stock Ownership

1c. Percent Ownership: 100%

Board of Directors

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<tr>
<th>Line No.</th>
<th>Name of Director and Address (City, State)</th>
<th>Fees Paid During Year</th>
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<tr>
<td>1</td>
<td>Robert H. Heikens, HC 81 Box 275, Nashua MT 59248</td>
<td>550</td>
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<td>2</td>
<td>Orvis Nelson, 534 Biglake Rd., Homestead MT 59242</td>
<td>550</td>
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<tr>
<td>3</td>
<td>Dayton Cherney, #90 Cherney Rd., Nashua MT 59248</td>
<td>550</td>
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<tr>
<td>4</td>
<td>Charle McVee, 182 McVee Rd., Glasgow MT 59230</td>
<td>550</td>
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<td>5</td>
<td>Roy Neufeld, HC 67 Box 138, Larslan MT 59244</td>
<td>450</td>
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<tr>
<td>6</td>
<td>James A. Shipstead, Box 538, Scobey MT 59263</td>
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<td>7</td>
<td>Pearl Hopkins, Box 803, Poplar MT 59255</td>
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<tr>
<td>8</td>
<td>Colette Custer, 115 Broadmore St., Plentywood MT 59254</td>
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<td>Chairman of the Board:</td>
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<td>19</td>
<td>Ben Boreson, Box 224, Opheim MT 59250</td>
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# Officers

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<th>Name and Address of Person Holding Office at Year End (b)</th>
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<tr>
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<td>President</td>
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<td>Ben Boreson, Opheim MT 59250</td>
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<td>Vice President</td>
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<td>Robert Heikens, Nashua MT 59248</td>
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<td>3</td>
<td>Secretary/Treasurer</td>
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<td>Orvis Nelson, Homestead MT 59242</td>
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## Total Company Balance Sheet

**Year:** 1999

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<th>Acct. No.</th>
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<th>This Year</th>
<th>Last Year</th>
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<td><strong>CURRENT ASSETS:</strong></td>
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<td>Cash and Equivalents</td>
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* Subaccount of account marked with an *.
## Total Company Balance Sheet

### Year: 1999

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<th>Line No.</th>
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## Total Company Income Statement

### Year: 1999

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<th>Last Year (d)</th>
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^ Subaccount of the account marked with a *. 
## Montana Total State Income Statement

### Year: 1999

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<th>Last Year (d)</th>
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* Subaccount of the account marked with a *.  

#PAGE 6
# Montana Intrastate Income Statement

**Year:** 1999

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PAGE 7
# Montana Intrastate Regulated Income Statement

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PAGE 8
### Average Rate Base - Total State

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### Average Rate Base - Regulated Intrastate

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## Statement of Cash Flows

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<th>Account 1190 Other Accounts Receivable (e)</th>
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<th>Account 1201 Notes Receivable Allowance (h)</th>
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### Analysis of Plant Held for Future Use

#### Year: 1999

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Company Name: Valley Telecommunications, Inc.

**Total Company Expense Matrix**

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## Total Company Expense Matrix

**Data for Year: 1999**

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^ Subaccount of the account marked with a *. 
# Pension Costs

**Year:** 1999

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### Other Post Employment Benefits (OPEBS)

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Company Name: Valley Telecommunications, Inc.

Other Post Employment Benefits (OPEBS) Continued

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<td>42 Amount that was tax deductible - VEBA</td>
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<td>46 Montana Intrastate Costs:</td>
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<td>47 Pension Costs</td>
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<td>55 Spouses/Dependants covered by the Plan</td>
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## Payments for Services to Persons Other Than Employees

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<tr>
<th>Line No.</th>
<th>Name of Recipient</th>
<th>Nature of Service</th>
<th>Total Company Cost (c)</th>
<th>Total State Cost (d)</th>
<th>Total Intrastate Cost (e)</th>
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<tr>
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49 Total
### Subscriber Line Usage Data

**Year:** 1999

<table>
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<th>Line No.</th>
<th>Description</th>
<th>This Year (b)</th>
<th>% of Total (c)</th>
<th>Last Year (d)</th>
<th>% of Total (e)</th>
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### Central Office and Access Line Statistics

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<th>Line No.</th>
<th>Wire Center</th>
<th>Type of Office (b)</th>
<th>Residential (c)</th>
<th>ISDN (d)</th>
<th>ADSL (e)</th>
<th>Lifeline Customers (f)</th>
<th>Residential LMS Customers (g)</th>
<th>Single Line Business (h)</th>
<th>Multi-Line Business (i)</th>
<th>Customer Owned Coin (j)</th>
<th>Company Owned Coin (k)</th>
<th>Other (l)</th>
<th>% of Lines w/ T. Tone (m)</th>
<th>Total Access Lines (n)</th>
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NOTE: Additional blank schedules are being provided for your convenience.
## Central Office and Switch Information

<table>
<thead>
<tr>
<th>Line No</th>
<th>Wire Center</th>
<th>Office Configuration (Host, Remote, Stand alone)</th>
<th>Type of Switch</th>
<th>Switch Vendor/Manufacturer</th>
<th>Switch Model No.</th>
<th>Switch Line Capacity</th>
<th>Year Deployed</th>
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<tbody>
<tr>
<td>1</td>
<td>GLASGOW</td>
<td>HOST</td>
<td>DIGITAL</td>
<td>NORTEL</td>
<td>DMS-10</td>
<td>2,890</td>
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<td>WOLF POINT</td>
<td>HOST</td>
<td>DIGITAL</td>
<td>NORTEL</td>
<td>DMS-10</td>
<td>2,041</td>
<td>1995</td>
</tr>
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<td>HOST</td>
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**NOTE:** Additional blank schedules are being provided for your convenience.
<table>
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<th>Line No.</th>
<th>Description (a)</th>
<th>2000 (b)</th>
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<tr>
<td>1-2</td>
<td>Central Office Assets: NONE</td>
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</tr>
<tr>
<td>27-28</td>
<td>Total Switching and Central Office Projects over $500,000 Miscellaneous Central Office Projects not over $500,000</td>
<td>125000</td>
</tr>
<tr>
<td>29</td>
<td>Total Central Office Budget (Total of Line 27 &amp; Line 28)</td>
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</tr>
<tr>
<td>30-31</td>
<td>Other Projects over $500,000: NONE</td>
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<tr>
<td>41-42</td>
<td>Total Other Projects over $500,000 Miscellaneous projects not over $500,000</td>
<td>125000</td>
</tr>
<tr>
<td>43</td>
<td>Total Construction Budget (Total of Lines 29, 41 &amp; 42)</td>
<td>250000</td>
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# Montana Employee Counts

<table>
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<tr>
<th>Line No.</th>
<th>Category</th>
<th>Beginning of Year</th>
<th>End of Year</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>CENTRAL OFFICE TECHNICIANS</td>
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<td>COMBINATION SERVICEMEN</td>
<td>6</td>
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<td>SPECIAL SERVICES</td>
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<td>2</td>
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<tr>
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<td>CUSTODIAL (PART TIME)</td>
<td>3</td>
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<td><strong>Totals</strong></td>
<td><strong>13</strong></td>
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Year: 1999
## Compensation of Top 10 Montana Based Employees

**Year:** 1999

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Name/Title</th>
<th>Base Salary (b)</th>
<th>Bonuses (c)</th>
<th>Other Compensation (d)</th>
<th>Total Compensation (e)</th>
<th>Total Compensation Last Year (f)</th>
<th>Total Compensation (g) % Increase</th>
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<tbody>
<tr>
<td>1</td>
<td>Manager/CEO</td>
<td>143000</td>
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<td>6402</td>
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<td>91489</td>
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<td>COE/Network Supervisor</td>
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<td>4.50%</td>
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<td>Office Manager</td>
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<td>Cellular Operation Mgr.</td>
<td>66675</td>
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<td>80419</td>
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<td>District Supervisor</td>
<td>66641</td>
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<td>Public Affairs Mgr.</td>
<td>63860</td>
<td></td>
<td>2629</td>
<td>73276</td>
<td>71553</td>
<td>2.41%</td>
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<td>Plant Manager</td>
<td>64375</td>
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<td>Human Resource Mgr.</td>
<td>53850</td>
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<td>63276</td>
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<td>10</td>
<td>Safety/Loss Supervisor</td>
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<td>55750</td>
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<td><strong>Totals (Sum L.1 to L.10)</strong></td>
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<td></td>
<td><strong>114606</strong></td>
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<td><strong>775008</strong></td>
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35% of salary paid by Nemont Telephone, 40% is paid by VTI, and 25% is paid by Project Telephone as duties are shared by all 3 companies.
### Compensation of Top 5 Corporate Employees - SEC Information

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<th>Line No.</th>
<th>Name/Title (a)</th>
<th>Base Salary (b)</th>
<th>Bonuses (c)</th>
<th>Other Compensation (d)</th>
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<th>Total Compensation Last Year (f)</th>
<th>% Increase Total Compensation (g)</th>
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<td>Totals (Sum L.1 to L.5)</td>
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# Montana Composite Statistics

**Year:** 1999

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<td>2001</td>
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<td>2003 - 2004</td>
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<td>2005</td>
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<td>2002</td>
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<td>6</td>
<td>1220</td>
<td>Materials &amp; Supplies</td>
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<td>7</td>
<td></td>
<td>(Less):</td>
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<tr>
<td>8</td>
<td>3100 - 3400</td>
<td>Depreciation &amp; Amortization Reserves</td>
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<td>(Total of Line 29 &amp; Line 30)</td>
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<td>Average Residential Monthly Bill</td>
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<td>Gross Plant Investment per Access Line</td>
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## Depreciation - Montana Intrastate Regulated

### Year: 1999

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<th>Total Expense $ (d)</th>
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<td>2114</td>
<td>Special Purpose Vehicles</td>
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<td>2115</td>
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<td>2116</td>
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<td>Buildings</td>
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<td>Furniture</td>
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<td>Office Support Equipment</td>
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<td>General Purpose Computers</td>
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<td>Analog Electronic Switching Equipment</td>
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<td>Circuit DDS</td>
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<td>Circuit Analog</td>
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<td>Poles</td>
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<td>22</td>
<td>2421</td>
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<td>23</td>
<td>2421</td>
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<td>24</td>
<td>2422</td>
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<td>2424</td>
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<td>29</td>
<td>2424</td>
<td>Submarine Cable Nonmetallic</td>
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<td>30</td>
<td>2426</td>
<td>Intrabuilding Network Cable Metallic</td>
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### COMPOSITE TOTAL

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<th>YES</th>
<th>X</th>
<th>NO</th>
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If yes: Docket Number Order Number

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PAGE 34
### Montana Regulatory Capital Structure & Costs

**Year: 1999**

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<th>Line No.</th>
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<th>% Cap. Str. (b)</th>
<th>% Cost Rate (c)</th>
<th>Weighted Cost (d)</th>
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### Network Access - Charges and Revenues

**Year: 1999**

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<th>Access Revenues Received (c)</th>
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## Affiliate Transactions - Products & Services Provided to Utility

**Year: 1999**

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Affiliate Name</th>
<th>Products &amp; Services</th>
<th>Method to Determine Price</th>
<th>Charges to Utility</th>
<th>% Total Affil. Revenues</th>
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<td>WAREHOUSE LEASE</td>
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<td><strong>TOTAL</strong></td>
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<td><strong>$1,157,378</strong></td>
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</table>
## Affiliate Transactions - Products & Services Provided by Utility

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Affiliate Name</th>
<th>Products &amp; Services</th>
<th>Method to Determine Price</th>
<th>Charges to Affiliate</th>
<th>% Total Affil. Revenues</th>
<th>Charges to MT Utility</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>NEMONT TELEPHONE</td>
<td>VEHICLE LEASE</td>
<td>LEASE AGREEMENT</td>
<td>2,472</td>
<td></td>
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</tr>
<tr>
<td>2</td>
<td></td>
<td>SWITCHING CHARGES</td>
<td>LEASE AGREEMENT</td>
<td>384,528</td>
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<tr>
<td>4</td>
<td>NEMONT COMMUNICATIONS</td>
<td>VEHICLE LEASE</td>
<td>LEASE AGREEMENT</td>
<td>606</td>
<td>4.6%</td>
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<tr>
<td>5</td>
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<td>OFFICE SPACE LEASE</td>
<td>LEASE AGREEMENT</td>
<td>16,536</td>
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<td>6</td>
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<td>VOICE MAIL EQUIP LEASE</td>
<td>LEASE AGREEMENT</td>
<td>900</td>
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<td>8</td>
<td>SAGEBRUSH CELLULAR</td>
<td>VEHICLE LEASE</td>
<td>LEASE AGREEMENT</td>
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<td>9</td>
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<td>BAY &amp; ANTENNA LEASE</td>
<td>LEASE AGREEMENT</td>
<td>6,000</td>
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<td>BUILDING LEASE</td>
<td>LEASE AGREEMENT</td>
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## Montana Intrastate Regulated Earned Rate of Return

### Year: 1999

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Description</th>
<th>Rate Base (a)</th>
<th>This Year (b)</th>
<th>Last Year (c)</th>
<th>Percent Change (d)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2001 Plant in Service</td>
<td>16,376,512</td>
<td>15,541,875</td>
<td>5.37%</td>
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<tr>
<td>2</td>
<td>2002 Prop. Held for Future Telecommunications Use</td>
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<tr>
<td>3</td>
<td>3100-3200 (Less) Accumulated Depreciation</td>
<td>(2,732,131)</td>
<td>(1,954,276)</td>
<td>-39.80%</td>
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<tr>
<td>4</td>
<td>Plant in Service</td>
<td>13,644,381</td>
<td>13,587,599</td>
<td>0.42%</td>
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<td>5</td>
<td><strong>Additions</strong></td>
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<td></td>
</tr>
<tr>
<td>6</td>
<td>1220 Materials &amp; Supplies</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>7</td>
<td>1280 Prepayments</td>
<td>59,353</td>
<td>10,167</td>
<td>483.78%</td>
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</tr>
<tr>
<td>8</td>
<td>Other Additions</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>9</td>
<td><strong>TOTAL Additions</strong></td>
<td>59,353</td>
<td>10,167</td>
<td>483.78%</td>
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</tr>
<tr>
<td>10</td>
<td><strong>Deductions</strong></td>
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<tr>
<td>11</td>
<td>4100 Current Deferred Operating Income Taxes</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>4320 Unamortized Operating Investment Tax Credits</td>
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</tr>
<tr>
<td>13</td>
<td>4340 Noncurrent Deferred Operating Income Taxes</td>
<td>1,211,028</td>
<td>1,030,486</td>
<td>17.52%</td>
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</tr>
<tr>
<td>14</td>
<td>Customer Advances for Construction</td>
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<tr>
<td>15</td>
<td>Other Deductions</td>
<td></td>
<td></td>
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<tr>
<td>16</td>
<td><strong>TOTAL Deductions</strong></td>
<td>1,211,028</td>
<td>1,030,486</td>
<td>17.52%</td>
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<tr>
<td>17</td>
<td><strong>TOTAL Rate Base</strong></td>
<td>12,492,706</td>
<td>12,567,280</td>
<td>-0.59%</td>
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</tr>
<tr>
<td>18</td>
<td><strong>Net Earnings</strong></td>
<td>897,627</td>
<td>1,011,166</td>
<td>-11.23%</td>
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<tr>
<td>19</td>
<td>Rate of Return on Average Rate Base</td>
<td></td>
<td>5.230%</td>
<td>8.046%</td>
<td>-35.00%</td>
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<tr>
<td>20</td>
<td>Rate of Return on Average Equity</td>
<td>12.310%</td>
<td>14.779%</td>
<td>-16.71%</td>
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<tr>
<td>21</td>
<td>Major Normalizing Adjustments &amp; Commission</td>
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<tr>
<td>22</td>
<td>Ratemaking adjustments to Utility Operations</td>
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<tr>
<td>23</td>
<td><strong>Adjusted Rate of Return on Average Rate Base</strong></td>
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<tr>
<td>24</td>
<td><strong>Adjusted Rate of Return on Average Equity</strong></td>
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PAGE 38
### Other Taxes Paid

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Description</th>
<th>Last Year (b)</th>
<th>This Year (c)</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Montana Telephone Company License Tax</td>
<td>38718</td>
<td>35416</td>
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<td>2</td>
<td>Montana Public Service Commission Tax</td>
<td>9127</td>
<td>9920</td>
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<tr>
<td>3</td>
<td>Montana Consumer Counsel Tax</td>
<td>2911</td>
<td>3762</td>
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<td>4</td>
<td>911 Emergency Telephone Fee</td>
<td>40422</td>
<td>41227</td>
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<tr>
<td>5</td>
<td>Montana Telecommunications Access Service (TDD)</td>
<td>8091</td>
<td>8256</td>
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<tr>
<td>6</td>
<td>Montana Corporate License Tax</td>
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<td>7</td>
<td>Personal Property Tax</td>
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<td>Real Property Tax</td>
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<td><strong>Total</strong></td>
<td><strong>736785</strong></td>
<td><strong>812956</strong></td>
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</table>

Company Name: Valley Telecommunications, Inc.

### Universal Service Funds Received

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<th>Line No.</th>
<th>Description</th>
<th>Last Year (b)</th>
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<tbody>
<tr>
<td>13</td>
<td>Funds received from Montana Sources</td>
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<td>14</td>
<td>Funds received from Federal Sources</td>
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<td>360921</td>
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<td><strong>Total</strong></td>
<td><strong>858914</strong></td>
<td><strong>360921</strong></td>
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</tbody>
</table>