ANNUAL REPORT
OF
Central Montana Communications
TELEPHONE UTILITY

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

REVISED JULY 26, 1998
**General Information**

1. **Legal Name of Respondent:**
   Central Montana Communications, Incorporated
2. **Name Under Which Respondent Does Business:**
   Central Montana Communications, Incorporated
3. **Date of Incorporation:**
   7/1/1993
4. **Address to send Correspondence Concerning Report:**
   PO Box 751
   Havre, MT 59501
5. **Person Responsible for This Report:**
   Mark Majeres
5a. **Telephone Number:**  (406) 394-2000

**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:**
       Triangle Telephone Cooperative Association, Inc., PO Box 1220, Havre, MT 59501-1220
   1b. **Means by which control was held:** Stock Ownership
   1c. **Percent Ownership:** 100%

**Board of Directors**

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Name of Director and Address (City, State)</th>
<th>Fees Paid During Year</th>
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<tbody>
<tr>
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<td>Verlin Reichelt, Big Sandy, MT 59520</td>
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<td>2</td>
<td>Richard Stuker, Chinook, MT 59523</td>
<td>3270</td>
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<td>Tom Bangs, Inverness, MT 59530</td>
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<td>Richard Pokorny, Big Sandy, MT 59520</td>
<td>3183</td>
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<td>Paul VanCleve, Big Timber, MT 59011</td>
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<td><strong>Chairman of the Board:</strong></td>
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<tr>
<td>19</td>
<td>Richard Stuker</td>
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<tr>
<td>Line No.</td>
<td>Title of Officer</td>
<td>Department Over Which Jurisdiction is Exercised</td>
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<tr>
<td>1</td>
<td>President</td>
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</tr>
<tr>
<td>2</td>
<td>Vice President</td>
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<tr>
<td>3</td>
<td>Secretary/Treasurer</td>
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## Total Company Balance Sheet

**Company Name:** Central Montana Communications, Inc.

**Year:** 2003

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Acct. No. (a)</th>
<th>Description (b)</th>
<th>This Year (c)</th>
<th>Last Year (d)</th>
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<td>Prepaid Directory Expenses</td>
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<td>42,046,137</td>
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^ Subaccount of account marked with a *. 
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<thead>
<tr>
<th>Line No.</th>
<th>Acct. No. (a)</th>
<th>Description</th>
<th>This Year (c)</th>
<th>Last Year (d)</th>
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<td>Obligations Under Capital leases</td>
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<td>Advances From Affiliated Companies</td>
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## Total Company Income Statement

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<td><strong>Total Revenues</strong> (L.1+L.2+L.3+L.4+L.9-L.16)</td>
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<td>(122)</td>
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<td>3,081,187</td>
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<tr>
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<td>Nonoperating Taxes</td>
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<td>(187,477)</td>
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<tr>
<td>46</td>
<td>7990</td>
<td>Nonregulated Net Income</td>
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<td>(44,492)</td>
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<td></td>
<td><strong>NET INCOME</strong> (L.40+L.41-L.42-L.43-L.44+L.45-L.46)</td>
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^ Subaccount of the account marked with a *.
### Montana Total State Income Statement

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<th>Last Year (d)</th>
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<td>5100</td>
<td>Long Distance Message Revenue</td>
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<td>5</td>
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<td>Unidirectional Long Distance Revenue</td>
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<td>6</td>
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<td>Long Distance Private Network Revenue</td>
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<tr>
<td>7</td>
<td>5160</td>
<td>Other Long Distance Revenue</td>
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<td>Other Long Distance Revenue Settlements</td>
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<td>9</td>
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<td>Miscellaneous Revenue</td>
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<td>Directory Revenue</td>
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<td>Rent Revenue</td>
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<td>Miscellaneous Revenue</td>
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<td>15</td>
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<td>Nonregulated Revenue</td>
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<td>16</td>
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#### Total Revenues  \( (L.2+L.3+L.4+L.9-L.16) \)

<table>
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<tr>
<th>Line No.</th>
<th>Acct. No. (a)</th>
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<th>Last Year (d)</th>
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<td>OPERATING EXPENSES:</td>
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<td>20</td>
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<td>General Support Expense</td>
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<tr>
<td>21</td>
<td>6210</td>
<td>Central Office Switching Expense</td>
<td></td>
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<tr>
<td>22</td>
<td>6220</td>
<td>Operator Systems Expense</td>
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<td>23</td>
<td>6230</td>
<td>Central Office Transmission Expense</td>
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<td></td>
</tr>
<tr>
<td>24</td>
<td>6310</td>
<td>Information Origination/Termination Expense</td>
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<tr>
<td>25</td>
<td>6410</td>
<td>Cable and Wire Facilities Expense</td>
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<td></td>
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<td>6431</td>
<td>Aerial Wire Expense</td>
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<tr>
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<td>Access Expense</td>
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<tr>
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<td>6560</td>
<td>Depreciation and Amortization Expense</td>
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<td>Executive and Planning</td>
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<td>6720</td>
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<td>36</td>
<td>6790</td>
<td>Provision for Uncollectible Notes Receivable</td>
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#### Total Operating Expenses  \( (\text{Sum } L.19 \text{ to } L.36-L.26-L.27) \)

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Acct. No. (a)</th>
<th>Description (b)</th>
<th>This Year (c)</th>
<th>Last Year (d)</th>
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<tbody>
<tr>
<td>37</td>
<td></td>
<td>Net Operating Income  ( (L.17-L.37+L.38-L.39) )</td>
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\(^{\text{Subaccount of the account marked with a } *}\)
# Montana Intrastate Income Statement

**Year:** 2003

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<th>Line No.</th>
<th>Acct. No.</th>
<th>Description</th>
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<th>Last Year (d)</th>
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<td>7</td>
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</tr>
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<td>8</td>
<td>5169</td>
<td>Other Long Distance Revenue Settlements</td>
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<td><strong>Total Operating Expenses</strong> (Sum L.19 to L.36-L.26-L.27)</td>
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<td>(58)</td>
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^ Subaccount of the account marked with a *.
## Montana Intrastate Regulated Income Statement

**Year: 2003**

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<th>Last Year (d)</th>
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<tbody>
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<td>1</td>
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<td>3,033,923</td>
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<td>15</td>
<td>5300</td>
<td>Uncollectible Revenue</td>
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<tr>
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<td><strong>Total Revenues (L.2+L.3+L.4+L.9-L.16)</strong></td>
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### OPERATING EXPENSES:

<table>
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<th>Acct. No. (a)</th>
<th>Description (b)</th>
<th>This Year (c)</th>
<th>Last Year (d)</th>
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<td>Central Office Transmission Expense</td>
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<td>200,442</td>
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^ Subaccount of the account marked with a *.
### Average Rate Base - Total State

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<th>Last Year (d)</th>
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### Average Rate Base - Intrastate

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### Average Rate Base - Regulated Intrastate

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# Statement of Cash Flows

**Year: 2003**

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**Investments in Affil. Companies:** 8597587
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# Total Company Expense Matrix

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**Year:** 2003

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Subtotals

^ Subaccount of the account marked with a *.
## Total State Expense Matrix

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

**Year:** 2003

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## Change in Benefit Obligation

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<th>Last Year</th>
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<tbody>
<tr>
<td>Benefit obligation at beginning of year</td>
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</tr>
<tr>
<td>Service cost</td>
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<tr>
<td>Interest Cost</td>
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<tr>
<td>Plan participants' contributions</td>
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<td>Amendments</td>
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<td>Acquisition</td>
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<td>Benefits paid</td>
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<tr>
<td>Benefit obligation at end of year</td>
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## Change in Plan Assets

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<tr>
<td>Actual return on plan assets</td>
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<td>Fair value of plan assets at end of year</td>
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## Funded Status

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<td>Prepaid (accrued) benefit cost</td>
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## Weighted-average Assumptions as of Year End

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## Components of Net Periodic Benefit Costs

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<td>Interest cost</td>
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<td>Expected return on plan assets</td>
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<td>Amortization of prior service cost</td>
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## Montana Intrastate Costs:

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## Number of Company Employees:

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### Pension Costs

**Year:** 2003

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<td>Benefit obligation at beginning of year</td>
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## Subscriber Line Usage Data

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## Central Office and Access Line Statistics

**Year:** 2003

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<th>Line No.</th>
<th>Wire Center</th>
<th>Type of Office</th>
<th>Residential Customers (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

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<th>Line No.</th>
<th>Wire Center</th>
<th>Office Configuration (Host, Remote, Stand alone)</th>
<th>Type of Switch (c)</th>
<th>Switch Vendor/Manufacturer (d)</th>
<th>Switch Model No. (e)</th>
<th>Switch Line Capacity (f)</th>
<th>Year Deployed (g)</th>
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<td>Northern Telco</td>
<td>DMS-10</td>
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NOTE: Additional blank schedules are being provided for your convenience.
### Construction Budget - Montana

**Year:** 2004

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<td>Total Switching and Central Office Projects over $500,000</td>
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## Montana Employee Counts

**Year:** 2003

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<td>Employees are provided through a Joint Use Agreement with Hill County Electric Cooperative, Inc. Areas where joint use employees are used follow:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>21</td>
<td>24</td>
</tr>
<tr>
<td>3</td>
<td>Staff</td>
<td>14</td>
<td>15</td>
</tr>
<tr>
<td>4</td>
<td>Outside Plant</td>
<td></td>
<td></td>
</tr>
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</table>

**Totals (Sum of Lines 1 through 42):**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
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<tr>
<td></td>
<td>39</td>
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<tr>
<td>Line No.</td>
<td>Name/Title</td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
</tr>
<tr>
<td>1</td>
<td>Central Montana Communications, Inc. has no employees. Employee services are provided through service agreements with Hill County Electric, Inc.</td>
</tr>
<tr>
<td>2</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
</tr>
<tr>
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<tr>
<td>9</td>
<td></td>
</tr>
<tr>
<td>10</td>
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</tr>
<tr>
<td>11</td>
<td>Totals (Sum L.1 to L.10)</td>
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# Montana Composite Statistics

**Year: 2003**

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<td>Plant in Service</td>
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<td>2003 - 2004</td>
<td>Construction Work in Progress</td>
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<td>2005</td>
<td>Plant Acquisition Adjustments</td>
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<td>5</td>
<td>2002</td>
<td>Plant Held for Future Use</td>
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<td>1220</td>
<td>Materials &amp; Supplies</td>
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<td></td>
<td>(Less):</td>
<td></td>
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<td>3100 - 3400</td>
<td>Depreciation &amp; Amortization Reserves</td>
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<td>12</td>
<td>5000 - 5300</td>
<td>Operating Revenues</td>
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<td>6560</td>
<td>Depreciation &amp; Amortization Expenses</td>
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<td>Other Operating Expenses</td>
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<td><strong>TOTAL Operating Expenses</strong></td>
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<td>Net Operating Income</td>
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<td>Other Deductions</td>
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<td><strong>NET INCOME</strong></td>
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<table>
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<td>22</td>
<td>Access Lines in Service (Intrastate Only)</td>
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<tr>
<td>23</td>
<td>Residential Access Lines</td>
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<td>Business Access Lines</td>
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<td>25</td>
<td>PBX Access Lines</td>
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<td>Other Access Lines</td>
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<td><strong>Total Number of Access Lines</strong></td>
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<table>
<thead>
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<td>Average Number of Calls Per Access Line</td>
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<tr>
<td>29</td>
<td>Local Calls</td>
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<td>30</td>
<td>Toll Calls (Intra- or Interstate)</td>
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<tr>
<td>31</td>
<td><strong>Total Number of Calls Per Access Line</strong></td>
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<tr>
<td>(Total of Line 29 &amp; Line 30)</td>
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<table>
<thead>
<tr>
<th>Line No.</th>
<th>Description (a)</th>
<th>Amount (b)</th>
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<tr>
<td>32</td>
<td>Other Statistics (Intrastate Only)</td>
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<tr>
<td>33</td>
<td>Average Residential Monthly Bill</td>
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<td>34</td>
<td>Gross Plant Investment per Access Line</td>
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## Depreciation - Montana Intrastate Regulated

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<tr>
<th>Line No.</th>
<th>Acct No. (a)</th>
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<th>Composite Rate % (b)</th>
<th>Total Expense $ (c)</th>
<th>Total Expense $ (d)</th>
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<tr>
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<td>2112</td>
<td>Motor Vehicles</td>
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<td>2114</td>
<td>Special Purpose Vehicles</td>
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<tr>
<td>3</td>
<td>2115</td>
<td>Garage Work Equipment</td>
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<td>4</td>
<td>2116</td>
<td>Other work Equipment</td>
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<td>2121</td>
<td>Buildings</td>
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<td>2122</td>
<td>Furniture</td>
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<td>2123.1</td>
<td>Office Support Equipment</td>
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<td>2123.2</td>
<td>Company Communications Equipment</td>
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<td>9</td>
<td>2124</td>
<td>General Purpose Computers</td>
<td>6.5%</td>
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<td>10</td>
<td>2211</td>
<td>Analog Electronic Switching Equipment</td>
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<td>62,698</td>
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<tr>
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<td>2212</td>
<td>Digital Electronic Switching Equipment</td>
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<td>2215</td>
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<td>2220</td>
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<td>Radio Systems</td>
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<td>2232</td>
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<td>2232</td>
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<td>2232</td>
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<td>19</td>
<td>2351</td>
<td>Public Telephone Terminating Equipment</td>
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<td>2362</td>
<td>Other Terminal Equipment</td>
<td>16.0%</td>
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<td>2411</td>
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<td>2421</td>
<td>Aerial Cable Metallic</td>
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<td>23</td>
<td>2421</td>
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<td>24</td>
<td>2422</td>
<td>Underground Cable Metallic</td>
<td>4.4%</td>
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<td>2422</td>
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<td>26</td>
<td>2423</td>
<td>Buried Cable Metallic</td>
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<td>2423</td>
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<td>28</td>
<td>2424</td>
<td>Submarine Cable Metallic</td>
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<td>31</td>
<td>2426</td>
<td>Intrabuilding Network Cable Nonmetallic</td>
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<td>32</td>
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<td></td>
<td><strong>7.5%</strong></td>
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Have these rates been approved by the Commission?  _____ YES  _____ NO  X

If yes:  _______________ Docket Number  _______________ Order Number
## Montana Regulatory Capital Structure & Costs

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<th>Line No.</th>
<th>Description (a)</th>
<th>% Cap. Str. (b)</th>
<th>% Cost Rate (c)</th>
<th>Weighted Cost (d)</th>
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<tr>
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<td>Preferred Stock</td>
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<td>Long Term Debt</td>
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</tr>
<tr>
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<td><strong>Total</strong></td>
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<td>Preferred Stock</td>
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<td>Long Term Debt</td>
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<tr>
<td>14</td>
<td><strong>Total</strong></td>
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## Network Access - Charges and Revenues

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<th>Description (a)</th>
<th>Access Charges Paid (b)</th>
<th>Access Revenues Received (c)</th>
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<td>Montana - Intrastate</td>
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<td></td>
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<tr>
<td>Line No.</td>
<td>Affiliate Name</td>
<td>Products &amp; Services</td>
<td>Method to Determine Price</td>
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<td>Equipment Rent</td>
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<td>Retirement Plan Reimbursements</td>
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<td>Expense Reimbursements</td>
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<td>Triangle Communication System, Inc.</td>
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<td>Triangle Telephone Cooperative, Inc.</td>
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<td>Actual Cost</td>
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<td>TOTAL</td>
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<tr>
<td>Affiliate Name</td>
<td>Products &amp; Services Provided by Utility</td>
<td>Charges to Affiliate</td>
<td>% Total Affil. Revenues (e)</td>
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<td>----------------</td>
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<td>----------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
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<td>Triangle Telephone Cooperative, Inc.</td>
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</table>
| 2 | Triangle Communication System, Inc. | | | | | $1,313,38
### Montana Intrastate Regulated Earned Rate of Return

#### Year: 2003

<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>
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</thead>
<tbody>
<tr>
<td>1</td>
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<td>43,230,056</td>
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<td>2</td>
<td>Prop. Held for Future Telecommunications Use</td>
<td>2002</td>
<td>(23,117,710)</td>
<td>(21,334,952)</td>
<td>-8.36%</td>
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<tr>
<td>3</td>
<td>(Less) Accumulated Depreciation</td>
<td>3100-3200</td>
<td>21,513,138</td>
<td>21,895,104</td>
<td>-1.74%</td>
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<tr>
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<td>Plant in Service</td>
<td>4100</td>
<td>21,513,138</td>
<td>21,895,104</td>
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<td>Additions</td>
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<tr>
<td>13</td>
<td>Net Earnings</td>
<td>4340</td>
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<tr>
<td>14</td>
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### Other Taxes Paid

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<th>This Year (c)</th>
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<tbody>
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<td>911 Emergency Telephone Fee</td>
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<td>Montana Telecommunications Access Service (TDD)</td>
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Company Name: Central Montana Communications, Inc.

### Universal Service Funds Received

<table>
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<td>Funds received from Federal Sources</td>
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