

YEAR 1998

**RECEIVED**

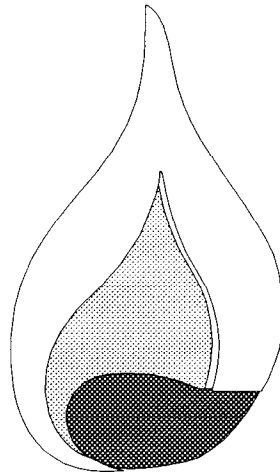
MAY 03 1999

MONT. P. S. COMMISSION

ANNUAL REPORT  
OF

# Havre Pipeline Company

## GAS UTILITY



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

Check No. 0900010883  
Havre Pipeline Co

# Gas Annual Report

## Table of Contents

Description	Schedule	Page
Instructions		i - v
Identification	1	1
Board of Directors	2	1
Officers	3	2
Corporate Structure	4	3
Corporate Allocations	5	4
Affiliate Transactions - To the Utility	6	5
Affiliate Transactions - By the Utility	7	6
Montana Utility Income Statement	8	7
Montana Revenues	9	7
Montana Operation and Maintenance Expenses	10	8
Montana Taxes Other Than Income	11	13
Payments for Services	12	14
Political Action Committees/Political Contrib.	13	15
Pension Costs	14	16
Other Post Employment Benefits	15	17
Top Ten Montana Compensated Employees	16	19
Top Five Corporate Compensated Employees	17	20
Balance Sheet	18	21

continued on next page

<b>Description</b>	<b>Schedule</b>	<b>Page</b>
Montana Plant in Service	19	24
Montana Depreciation Summary	20	27
Montana Materials and Supplies	21	27
Montana Regulatory Capital Structure	22	27
Statement of Cash Flows	23	28
Long Term Debt	24	29
Preferred Stock	25	30
Common Stock	26	31
Montana Earned Rate of Return	27	32
Montana Composite Statistics	28	33
Montana Customer Information	29	34
Montana Employee Counts	30	35
Montana Construction Budget	31	36
Transmission, Distribution and Storage Systems	32	37
Sources of Gas Supply	33	40
MT Conservation and Demand Side Mgmt. Programs	34	41
Montana Consumption and Revenues	35	42

# Gas 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. Indicate negative amounts (such as decreases) by enclosing the figures in parentheses ( ).
6. Where space is a consideration, information on financial schedules may be rounded to thousands of dollars. Companies submitting schedules rounded to thousands shall 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 shall 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. All companies owned by another company shall attach a corporate structure chart of the holding company.
10. Schedules that have no activity during the year or are not applicable to the respondent shall be marked as not applicable and submitted with the report.
11. The following schedules shall be filled out with information on a total company basis:

Schedules 1 through 5  
Schedules 6 and 7  
Schedule 14  
Schedule 17 and 18  
Schedules 23 through 26  
Schedule 33

All other schedules shall be filled out with either Montana specific data, or both total company and Montana specific data, as indicated in the schedule titles and headings.

Financial schedules shall include all amounts originating in Montana or allocated to Montana from other jurisdictions.

12. For schedules where information may be provided using Mcf or Dkt, circle Mcf or Dkt to indicate which measurement is being reported. (For example, schedules 28, 32, 33 and 34).
13. FERC Form-2 sheets may not be substituted in lieu of completing annual report schedules.
14. Common sense must be used when filling out all schedules.

### **Specific Instructions**

#### **Schedules 6 and 7**

1. All transactions with affiliated companies shall be reported. The definition of affiliated companies as set out in 18 C.F.R. Part 201 shall be used.
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.

**Schedules 8, 18, and 23**

1. Include all notes to the financial statements required by the FERC or included in the financial statements issued as audited financial statements. These notes shall be included in the report directly behind the schedules and shall be labeled appropriately (Schedule 8A, etc.).

**Schedule 12**

1. Respondents shall disclose all payments made during the year for services where the aggregate payment to the recipient was \$5,000 or more. Utilities having jurisdictional revenue equal to or in excess of \$1,000,000 shall report aggregate payments of \$25,000 or more. Utilities having jurisdictional revenue equal to or in excess of \$10,000,000 shall report aggregate payments of \$75,000 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 14**

1. 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 15**

1. All changes in 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 and 16. All assumptions used in quantifying cost containment results shall be disclosed.
2. Schedule 15 shall be filled out using FASB 106 and 132 guidelines.

**Schedule 16**

1. Include in the "other" column 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 directly behind the original schedule.

**Schedule 17**

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 the "other" column 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 the "other" compensation column shall be listed separately. Where more space is needed additional schedules may be attached directly behind the original schedule.
4. In addition, respondents shall attach a copy of the executive compensation information provided to the SEC.

**Schedule 24**

1. Interest expense and debt issuance expense shall be included in the annual net cost column.

**Schedule 26**

1. 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.)
2. The retention and price/earnings ratios shall be calculated on a year end basis. Enter the actual year end market price in the "TOTAL Year End" row. If the computer disk is used, enter the year end market price in the "High" column.

**Schedule 27**

1. All entries to lines 9 or 16 must be detailed separately on an attached sheet.
2. Only companies who have specifically been authorized in a Commission Order to include cash working capital in ratebase 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.
2. Indicate, for each adjustment on lines 28 through 46, if the amount is updated or is from the last rate case. All adjustments shall be calculated using Commission methodology.

**Schedule 28**

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.

**Schedule 31**

1. This schedule shall be completed for the year following the reporting year.
2. Respondents shall itemize projects of \$50,000 or more. Utilities having jurisdictional revenue equal to or in excess of \$1,000,000 shall itemize projects of \$100,000 or more. Utilities having jurisdictional revenue equal to or in excess of \$10,000,000 shall itemize projects of \$1,000,000 or more. All projects that are not itemized shall be reported in aggregate and labeled as Other.

**Schedule 34**

1. In addition to a description, the year the program was initiated and the projected life of the program shall be included in the program description column.
2. On an attached sheet, define program "participant" and program conservation "unit" for each program. Also, provide the number of program participants and the number of units acquired or processed during this reporting year.



## **HAVRE PIPELINE COMPANY, LLC**

### **Notes to 1998 Annual Report to the Montana Public Service Commission**

- 1) Havre Pipeline Company, LLC ("Havre"), a Texas Limited Liability Company organized on January 17, 1995, owns and operates a natural gas pipeline system located in Blaine, Hill, and Chouteau Counties in Montana. Havre began operations on October 1, 1995. Ocean Energy Resources, Inc. ("Ocean") owns 55.89% of the LLC units and is the manager. Ocean is successor-by-merger to UMC Petroleum Corporation effective March 27, 1998.
- 2) Only Havre's transmission and farm tap activities are regulated by the Public Service Commission. Therefore, this report includes information only on those activities.
- 3) Havre utilizes the Federal Energy Regulatory Commission's uniform system of accounts to account for its activities. Several of these accounts are allocated between gathering and transmission activities, with only the transmission portion included in this report.
- 4) Havre does not have any employees. Havre has a management services agreement with the Managing Member. Havre is charged the actual costs of salaries and benefits for the employees who work on the pipeline system.
- 5) All volumes are in Mcf's.
- 6) Havre's notes to its audited financial statements are attached as Schedule 8a.
- 7) On line 26 of page 22, account 218 was added. This account is used to record the LLC Member contributions.
- 8) Similar to the approved rate filing in Docket Number D95.9.136, UMC's "% capital structure" and Havre's "% Cost Rate" were used on Schedule 22, page 27.
- 9) The customer information on line 38 of page 33 is related to the transmission operations only.

**IDENTIFICATION**

Year: 1998

1.	Legal Name of Respondent:	Havre Pipeline Company, LLC
2.	Name Under Which Respondent Does Business:	Havre Pipeline Company, LLC
3.	Date Utility Service First Offered in Montana	October 1, 1995
4.	Address to send Correspondence Concerning Report:	1670 Broadway, Suite 2800 Denver, CO 80202
5.	Person Responsible for This Report:	Greg Layman
5a.	Telephone Number:	(303) 308-8500
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:	Ocean Energy, Inc. same as above
	1b. Means by which control was held:	Managing member
	1c. Percent Ownership:	58%

**SCHEDULE 2**

Board of Directors		
Line No.	Name of Director and Address (City, State) (a)	Remuneration (b)
1	NONE	
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		

**Officers**

Year: 1998

Line No.	Title of Officer (a)	Department Supervised (b)	Name (c)
1	See note 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			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41			
42			
43			
44			
45			
46			
47			
48			
49			
50			

**CORPORATE STRUCTURE**

Year: 1998

	Subsidiary/Company Name	Line of Business	Earnings	Percent of Total
1	NONE			
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45				
46				
47				
48				
49				
50	<b>TOTAL</b>			

**CORPORATE ALLOCATIONS**

Year: 1998

	Items Allocated	Classification	Allocation Method	\$ to MT Utility	MT %	\$ to Other
1	NONE					
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34	<b>TOTAL</b>					

**AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED TO UTILITY**

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Utility	(e) % Total Affil. Revs.	(f) Charges to MT Utility
1	Ocean Energy Resources	Management services	Per management agreement	129,600	0.02%	129,600
2	Ocean Energy Resources	Labor costs	Actual payroll and benefits	810,164	0.15%	810,164
3	Ocean Energy Resources	Gas control software	One-half of actual costs	3,900	0.00%	3,900
4	Big Sky Gas Marketing	Farm tap cost of gas	Actual cost of gas	33,313	0.09%	33,313
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
<b>32</b>	<b>TOTAL</b>			<b>976,977</b>		<b>976,977</b>

**AFFILIATE TRANSACTIONS - PRODUCTS & SERVICES PROVIDED BY UTILITY**

Year: 1998

Line No.	(a) Affiliate Name	(b) Products & Services	(c) Method to Determine Price	(d) Charges to Affiliate	(e) % Total Affil. Exp.	(f) Revenues to MT Utility
1	Ocean Energy Resources	Farm tap gas	Regulated	3,136	0.00%	3,136
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						
31						
32	<b>TOTAL</b>			3,136		3,136

## MONTANA UTILITY INCOME STATEMENT

Year: 1998

	Account Number & Title	Last Year	This Year	% Change
1	400 Operating Revenues	2,295,622	2,589,058	12.78%
2				
3	Operating Expenses			
4	401 Operation Expenses	1,300,855	1,344,789	3.38%
5	402 Maintenance Expense	1,256,285	1,569,767	24.95%
6	403 Depreciation Expense	878,172	971,275	10.60%
7	404-405 Amort. & Depl. of Gas Plant	11,517	33,204	188.30%
8	406 Amort. of Gas Plant Acquisition Adjustments			
9	407.1 Amort. of Property Losses, Unrecovered Plant			
10	& Regulatory Study Costs			
11	407.2 Amort. of Conversion Expense			
12	408.1 Taxes Other Than Income Taxes	483,359	430,948	-10.84%
13	409.1 Income Taxes - Federal			
14	- Other			
15	410.1 Provision for Deferred Income Taxes			
16	411.1 (Less) Provision for Def. Inc. Taxes - Cr.			
17	411.4 Investment Tax Credit Adjustments			
18	411.6 (Less) Gains from Disposition of Utility Plant			
19	411.7 Losses from Disposition of Utility Plant			
20	<b>TOTAL Utility Operating Expenses</b>	<b>3,930,188</b>	<b>4,349,983</b>	<b>10.68%</b>
21	<b>NET UTILITY OPERATING INCOME</b>	<b>(1,634,566)</b>	<b>(1,760,925)</b>	<b>-7.73%</b>

## MONTANA REVENUES

SCHEDULE 9

	Account Number & Title	Last Year	This Year	% Change
1	Sales of Gas			
2	480 Residential			
3	481 Commercial & Industrial - Small	29,096	34,568	18.81%
4	Commercial & Industrial - Large			
5	482 Other Sales to Public Authorities	2,577	2,533	-1.71%
6	484 Interdepartmental Sales			
7	485 Intracompany Transfers			
8	<b>TOTAL Sales to Ultimate Consumers</b>	<b>31,673</b>	<b>37,101</b>	<b>17.14%</b>
9	483 Sales for Resale			
10	<b>TOTAL Sales of Gas</b>	<b>31,673</b>	<b>37,101</b>	<b>17.14%</b>
11	Other Operating Revenues			
12	487 Forfeited Discounts & Late Payment Revenues			
13	488 Miscellaneous Service Revenues			
14	489 Revenues from Transp. of Gas for Others	2,263,649	2,551,957	12.74%
15	490 Sales of Products Extracted from Natural Gas			
16	491 Revenues from Nat. Gas Processed by Others			
17	492 Incidental Gasoline & Oil Sales			
18	493 Rent From Gas Property			
19	494 Interdepartmental Rents			
20	495 Other Gas Revenues			
21	<b>TOTAL Other Operating Revenues</b>	<b>2,263,649</b>	<b>2,551,957</b>	<b>12.74%</b>
22	<b>Total Gas Operating Revenues</b>	<b>2,295,322</b>	<b>2,589,058</b>	<b>12.80%</b>
23				
24	496 (Less) Provision for Rate Refunds			
25				
26	<b>TOTAL Oper. Revs. Net of Pro. for Refunds</b>	<b>2,295,322</b>	<b>2,589,058</b>	<b>12.80%</b>
27				



HAVRE PIPELINE COMPANY, L.L.C.

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 1998 AND 1997

(1) DESCRIPTION OF BUSINESS

Havre Pipeline Company, L.L.C. (the "Company"), a Texas limited liability company, owns and operates a natural gas pipeline system located in Montana. The Company was organized on January 17, 1995 and began operations on October 1, 1995. The Company is an intra-state pipeline under the jurisdiction of the Montana Public Service Commission ("MPSC"). The Company also provides inter-state transportation services pursuant to the Natural Gas Policy Act Section 311 filing approved by the Federal Energy Regulatory Commission ("FERC"). The life of the Company is limited to the ultimate depletion of the reserves in the producing fields serviced by the Company's pipeline system.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles.

Gas Gathering and Transmission Operations

The Company's revenues are derived from gathering and transmission of natural gas. Gathering revenues are recognized based on volumes received at the wellhead, while transmission revenues are recognized based upon delivered volumes. Related costs are expensed as incurred. Effective January 1, 1997, the Company's gas gathering agreements allow for upward rate adjustments. The Managing Member of the Company is in the process of filing for a rate adjustment.

Farm Tap Revenue

The Company records revenue from farm tap customers which is included in other revenue in the accompanying statements of income. The sales rate charged to the Company's farm tap customers is regulated by the MPSC. In May 1997, the Company applied for a change in the sales rate to \$1.1566 from \$0.9006, which was effective February 1998.

### Inventory

Inventory consists of parts and supplies used to repair and install compressors, farm taps and well connects.

### Property, Equipment and Other Related Assets

Purchased property, equipment and other related assets are stated at cost less accumulated depreciation and amortization. The provision for depreciation and amortization has been calculated using the straight-line method over the estimated useful lives, as approved in the Company's rate filing with the MPSC. The lives of the assets range from 3 to 15 years. Major renewals and betterments are capitalized to the property accounts while maintenance and repairs are expensed currently. Included in property, equipment and other related assets is the System Acquisition Right contributed by one of the Company's members (Note 3).

The Company reviews its long-lived assets and certain identifiable intangibles held and used by the Company for impairment whenever events or changes in circumstances indicate their carrying amounts may not be recoverable. In so doing, the Company estimates the future net cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future net cash flows from operations (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized to reduce the asset to its estimated fair value. Otherwise, an impairment loss is not recognized. Long-lived assets and certain identifiable intangibles to be disposed of, if any, are reported at the lower of carrying amount or fair value less cost to sell.

### Income Taxes

The Company is considered a flow-through entity for federal and state income tax purposes. Any taxable income or loss is reported by the members on their individual tax returns in accordance with the Company's Operating Agreement.

### Members' Capital Accounts

Company profits and losses are allocated to each member in proportion to their member units. Each member's liability is limited to their respective capital contributions. Distributions are permitted by the operating agreement, but are currently restricted by the Credit Agreement.

### Change in Accounting Principle

The AICPA issued its Statement of Position No. 98-5, "Reporting on the Costs of Start-Up Activities," effective for fiscal years beginning after December 15, 1998, with earlier application encouraged. SOP 98-5 broadly defines start-up activities and requires costs of start-up activities and organizational costs to be expensed. The Company elected to adopt SOP 98-5 early. Accordingly, \$55,959 of cumulative organization costs net of accumulated amortization have been expensed in fiscal 1998.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Reclassifications

Certain prior years' balances were reclassified to conform to current year presentation.

### (3) ACQUISITION OF PIPELINE SYSTEM

On December 16, 1994, the Managing Member entered into an agreement to purchase a natural gas pipeline system in Montana for \$15,700,000. On January 17, 1995, the Managing Member assigned the pipeline purchase agreement to the Company contingent to terms of the "System Acquisition Right." The System Acquisition Right entitled the Managing Member to a capital contribution ranging from \$755,500 to \$1,505,000 based on the actual results of a predetermined formula. The value as of December 31, 1995, was estimated to be \$1,130,500 and has been included in members' equity and property, equipment and other related assets. In fiscal year 1996, the System Acquisition Right was increased by \$169,348 based on actual results and such increase has also been included in members' equity and property, equipment and other related assets. No further adjustments to the System Acquisition Right will be made.

### (4) LONG-TERM DEBT AND CAPITAL LEASE

On September 29, 1995, the Company entered into a Prior Credit Agreement with a bank which provided a Term Loan of \$14,300,000 due September 30, 2005, of which \$9,961,805 and \$10,632,500 was outstanding at December 31, 1998 and 1997, respectively. The Prior Credit Agreement required the Company to fund a Liquidity Reserve Account of \$250,000 to be used as collateral for the loan. During 1998, the entire balance of the Liquidity Reserve Account was paid against the term loan.

On January 11, 1999, the Company refinanced the Prior Credit Agreement. Under the new Credit Agreement, the Company is able to borrow up to \$19,000,000 due December 31, 2008. The Credit Agreement also made available a Revolving Loan and Line of Credit aggregating \$999,999. The Revolving Loan and Line of Credit require an annual period of 30 days where the loan balance is to be paid down to zero.

Under the Credit Agreements the Company has the option of having all or any portion of the debt be the subject of a reference Rate Tranche or a one, two, three, or six month LIBOR Tranche. Interest on amounts advanced under referenced Rate Tranches is calculated at the lender's prime rate and paid at the end of each quarter. Interest on amounts advanced under LIBOR Tranches is calculated at the adjusted LIBOR rate, as defined, and paid at the end of the Tranche period. A commitment fee of 0.25% per annum is charged to the Company on the average daily amount of the Unused Revolver Availability, as defined. The Company's assets are collateral for the loan.

Principal installments are due at the end of each quarter and calculated on the outstanding principal balance at the end of the quarter, divided by the remaining quarters until maturity. Additional principal payments may be required under the Credit Agreement if operating cash flows exceed predetermined levels.

In June 1998, the Company signed a Subordinated Promissory Note payable to the Managing Member. The note bears interest at the base rate applicable to the Prior Credit Agreement (7.75% as of December 31, 1998) and was due March 31, 2006. The Note is subordinate to the Prior Credit Agreement. Under the Note, up to \$2,500,000 may be borrowed and as of December 31, 1998, \$2,370,000 was outstanding and subsequently paid off in 1999 as discussed below.

On November 2, 1996, the Company entered into a five-year capital lease obligation of \$267,849 to finance the purchase of a compressor unit. Monthly payments of \$5,858 including principal and interest at 11.50% are due commencing on July 1, 1997. As of December 31, 1998, \$189,894 was outstanding under this capital lease. This capital lease obligation was paid subsequent to yearend and therefore has been included as a current liability in the accompanying balance sheet.

Scheduled minimum principal payments under the terms of the Credit Agreement for long-term debt and the capital lease obligation are as follows:

1999	\$ 1,588,143
2000	1,398,249
2001	1,398,249
2002	1,398,249
2003	1,398,249
Thereafter	6,991,249
	<hr/>
	<u>\$14,172,388</u>

As discussed above, in January 1999, the Company refinanced the Prior Credit Agreement. Proceeds from the new Credit Agreement were used to pay the following outstanding balances as of December 31, 1998: 1) principal from the Prior Credit Agreement of \$9,961,805, 2) the Subordinated Promissory Note payable of \$2,370,000, 3) accrued capital expenditures of \$1,101,000, 4) accrued expenses due to the Managing Member under the management service agreement and cost incurred by the Managing Member on behalf of the Company of \$454,179 and 5) a related party payable for gas purchases for resale to the farm tap customers and other of \$95,510. Accordingly, these balances have been classified as long-term debt in the accompanying balance sheet as of December 31, 1998. In connection with the debt refinancing, the Company expensed \$145,616 of deferred loan costs in fiscal 1999.

(5) PROPERTY, EQUIPMENT AND OTHER RELATED ASSETS

A summary of property, equipment and other related assets follows:

	December 31,	
	1998	1997
Gathering system	\$10,661,869	\$10,288,876
Transmission system	13,896,120	13,452,618
General plant	405,388	266,044
Construction work-in progress	1,324,429	30,446
	<u>26,287,806</u>	<u>24,037,984</u>
Accumulated depreciation	(4,904,088)	(3,228,343)
	<u>\$21,383,718</u>	<u>\$20,809,641</u>

(6) RELATED PARTY TRANSACTIONS

In November 1996, one member sold its interest in the Company. The Managing Member acquired an additional 5.17% of the Company's units from that member's interest. In January 1997, the Managing Member acquired an additional 0.72% of the Company's units from that same member's interest, which represents a pro-rata share of unexercised preferential rights. In June 1998, the Managing Member acquired an additional 2.43% of the Company's units when another member sold its interest in the Company. As of December 31, 1998 and 1997, the Managing Member held 58.32% and 55.89% of the Company's units, respectively.

The Company entered into a management service agreement with the Managing Member. The management service agreement provides for reimbursement for financial and operational services provided to the Company. Expenses under the management service agreement totaled \$129,600 for the years ended December 31, 1998 and 1997, and are included in general and administrative expenses in the accompanying statement of operations.

The Company also purchases gas from a related party for resale to its farm tap customers. Gas purchased totaled \$33,313 and \$38,193 for the years ended December 31, 1998 and 1997, respectively. These expenses are included in operations and maintenance expenses in the accompanying statement of operations.

Accounts receivable-related parties of \$22,792 as of December 31, 1998, consists of: (1) \$86,299 receivable from an affiliate of the Managing Member for costs incurred by the Company on behalf of the affiliate, (2) \$56,304 payable to the Managing Member for expenses under the management service agreement and cost incurred by the Managing Member on behalf of the Company, and (3) \$7,203 payable to a related party for gas purchased for resale to the farm tap customers and other. Amounts have been netted in the accompanying balance sheet as right of offset exists between these related parties.

Accounts payable - related parties of \$400,821 as of December 31, 1997, consists of: (1) \$331,421 to the Managing Member for expenses under the management service agreement and costs incurred by the Managing Member on behalf of the Company, and (2) \$69,400 to a related party for gas purchased for resale to the farm tap customers and other.

During 1998, the Company had four shippers of natural gas on the system. One of the shippers is a subsidiary of the Managing Member and accounted for 70.6% of the revenues of the Company. The other three shippers were members of the Company and accounted for 14.2%, 8.7% and 6.5% of the revenues.

During 1997, the Company had three shippers of natural gas on the system. One of the shippers is a subsidiary of the Managing Member and accounted for 76.3% of the revenues of the Company. The other two shippers were members of the Company and accounted for 16.4% and 7.3% of the revenues.

**MONTANA OPERATION & MAINTENANCE EXPENSES**

Year: 1998

Account Number & Title		Last Year	This Year	% Change
1	<b>Production Expenses</b>			
2	Production & Gathering - Operation			
3	750 Operation Supervision & Engineering			
4	751 Production Maps & Records			
5	752 Gas Wells Expenses			
6	753 Field Lines Expenses			
7	754 Field Compressor Station Expenses			
8	755 Field Compressor Station Fuel & Power			
9	756 Field Measuring & Regulating Station Expense			
10	757 Purification Expenses			
11	758 Gas Well Royalties			
12	759 Other Expenses			
13	760 Rents			
14	<b>Total Operation - Natural Gas Production</b>			
15	Production & Gathering - Maintenance			
16	761 Maintenance Supervision & Engineering			
17	762 Maintenance of Structures & Improvements			
18	763 Maintenance of Producing Gas Wells			
19	764 Maintenance of Field Lines			
20	765 Maintenance of Field Compressor Sta. Equip.			
21	766 Maintenance of Field Meas. & Reg. Sta. Equip.			
22	767 Maintenance of Purification Equipment			
23	768 Maintenance of Drilling & Cleaning Equip.			
24	769 Maintenance of Other Equipment			
25	<b>Total Maintenance- Natural Gas Prod.</b>			
26	<b>TOTAL Natural Gas Production &amp; Gathering</b>			
27	Products Extraction - Operation			
28	770 Operation Supervision & Engineering			
29	771 Operation Labor			
30	772 Gas Shrinkage			
31	773 Fuel			
32	774 Power			
33	775 Materials			
34	776 Operation Supplies & Expenses			
35	777 Gas Processed by Others			
36	778 Royalties on Products Extracted			
37	779 Marketing Expenses			
38	780 Products Purchased for Resale			
39	781 Variation in Products Inventory			
40	782 (Less) Extracted Products Used by Utility - Cr.			
41	783 Rents			
42	<b>Total Operation - Products Extraction</b>			
43	Products Extraction - Maintenance			
44	784 Maintenance Supervision & Engineering			
45	785 Maintenance of Structures & Improvements			
46	786 Maintenance of Extraction & Refining Equip.			
47	787 Maintenance of Pipe Lines			
48	788 Maintenance of Extracted Prod. Storage Equip.			
49	789 Maintenance of Compressor Equipment			
50	790 Maintenance of Gas Meas. & Reg. Equip.			
51	791 Maintenance of Other Equipment			
52	<b>Total Maintenance - Products Extraction</b>			
53	<b>TOTAL Products Extraction</b>			

**MONTANA OPERATION & MAINTENANCE EXPENSES**

Year: 1998

Account Number & Title		Last Year	This Year	% Change
1	<b>Production Expenses - continued</b>			
2				
3	Exploration & Development - Operation			
4	795 Delay Rentals			
5	796 Nonproductive Well Drilling			
6	797 Abandoned Leases			
7	798 Other Exploration			
8	<b>TOTAL Exploration &amp; Development</b>			
9				
10	Other Gas Supply Expenses - Operation			
11	800 Natural Gas Wellhead Purchases			
12	800.1 Nat. Gas Wellhead Purch., Intracomp. Trans.			
13	801 Natural Gas Field Line Purchases			
14	802 Natural Gas Gasoline Plant Outlet Purchases			
15	803 Natural Gas Transmission Line Purchases			
16	804 Natural Gas City Gate Purchases			
17	805 Other Gas Purchases	38,193	33,313	-12.78%
18	805.1 Purchased Gas Cost Adjustments			
19	805.2 Incremental Gas Cost Adjustments			
20	806 Exchange Gas			
21	807.1 Well Expenses - Purchased Gas			
22	807.2 Operation of Purch. Gas Measuring Stations			
23	807.3 Maintenance of Purch. Gas Measuring Stations			
24	807.4 Purchased Gas Calculations Expenses			
25	807.5 Other Purchased Gas Expenses			
26	808.1 Gas Withdrawn from Storage -Dr.			
27	808.2 (Less) Gas Delivered to Storage -Cr.			
28	809.2 (Less) Deliveries of Nat. Gas for Processing-Cr.			
29	810 (Less) Gas Used for Compressor Sta. Fuel-Cr.			
30	811 (Less) Gas Used for Products Extraction-Cr.			
31	812 (Less) Gas Used for Other Utility Operations-Cr.			
32	813 Other Gas Supply Expenses			
33	<b>TOTAL Other Gas Supply Expenses</b>	38,193	33,313	-12.78%
34				
35	<b>TOTAL PRODUCTION EXPENSES</b>	38,193	33,313	-12.78%



**MONTANA OPERATION & MAINTENANCE EXPENSES**

Year: 1998

Account Number & Title		Last Year	This Year	% Change
1	<b>Storage, Terminaling &amp; Processing Expenses</b>			
2				
3	Underground Storage Expenses - Operation			
4	814 Operation Supervision & Engineering			
5	815 Maps & Records			
6	816 Wells Expenses			
7	817 Lines Expenses			
8	818 Compressor Station Expenses			
9	819 Compressor Station Fuel & Power			
10	820 Measuring & Reg. Station Expenses			
11	821 Purification Expenses			
12	822 Exploration & Development			
13	823 Gas Losses			
14	824 Other Expenses			
15	825 Storage Well Royalties			
16	826 Rents			
17	<b>Total Operation - Underground Strg. Exp.</b>			
18				
19	Underground Storage Expenses - Maintenance			
20	830 Maintenance Supervision & Engineering			
21	831 Maintenance of Structures & Improvements			
22	832 Maintenance of Reservoirs & Wells			
23	833 Maintenance of Lines			
24	834 Maintenance of Compressor Station Equip.			
25	835 Maintenance of Meas. & Reg. Sta. Equip.			
26	836 Maintenance of Purification Equipment			
27	837 Maintenance of Other Equipment			
28	<b>Total Maintenance - Underground Storage</b>			
29	<b>TOTAL Underground Storage Expenses</b>			
30				
31	Other Storage Expenses - Operation			
32	840 Operation Supervision & Engineering			
33	841 Operation Labor and Expenses			
34	842 Rents			
35	842.1 Fuel			
36	842.2 Power			
37	842.3 Gas Losses			
38	<b>Total Operation - Other Storage Expenses</b>			
39				
40	Other Storage Expenses - Maintenance			
41	843.1 Maintenance Supervision & Engineering			
42	843.2 Maintenance of Structures & Improvements			
43	843.3 Maintenance of Gas Holders			
44	843.4 Maintenance of Purification Equipment			
45	843.6 Maintenance of Vaporizing Equipment			
46	843.7 Maintenance of Compressor Equipment			
47	843.8 Maintenance of Measuring & Reg. Equipment			
48	843.9 Maintenance of Other Equipment			
49	<b>Total Maintenance - Other Storage Exp.</b>			
50	<b>TOTAL - Other Storage Expenses</b>			
51				
52	<b>TOTAL - STORAGE, TERMINALING &amp; PROC.</b>			

**MONTANA OPERATION & MAINTENANCE EXPENSES**

Year: 1998

Account Number & Title		Last Year	This Year	% Change
1	<b>Transmission Expenses</b>			
2	Operation			
3	850 Operation Supervision & Engineering	451,613	530,410	17.45%
4	851 System Control & Load Dispatching			
5	852 Communications System Expenses			
6	853 Compressor Station Labor & Expenses			
7	854 Gas for Compressor Station Fuel			
8	855 Other Fuel & Power for Compressor Stations			
9	856 Mains Expenses			
10	857 Measuring & Regulating Station Expenses	551,439	487,831	-11.53%
11	858 Transmission & Compression of Gas by Others			
12	859 Other Expenses			
13	860 Rents		1,000	#DIV/0!
14	<b>Total Operation - Transmission</b>	<b>1,003,052</b>	<b>1,019,241</b>	<b>1.61%</b>
15	Maintenance			
16	861 Maintenance Supervision & Engineering			
17	862 Maintenance of Structures & Improvements			
18	863 Maintenance of Mains	1,144	368	-67.83%
19	864 Maintenance of Compressor Station Equip.	1,178,520	1,388,555	17.82%
20	865 Maintenance of Measuring & Reg. Sta. Equip.	76,621	180,844	136.02%
21	866 Maintenance of Communication Equipment			
22	867 Maintenance of Other Equipment			
23	<b>Total Maintenance - Transmission</b>	<b>1,256,285</b>	<b>1,569,767</b>	<b>24.95%</b>
24	<b>TOTAL Transmission Expenses</b>	<b>2,259,337</b>	<b>2,589,008</b>	<b>14.59%</b>
25	<b>Distribution Expenses</b>			
26	Operation			
27	870 Operation Supervision & Engineering			
28	871 Distribution Load Dispatching			
29	872 Compressor Station Labor and Expenses			
30	873 Compressor Station Fuel and Power			
31	874 Mains and Services Expenses			
32	875 Measuring & Reg. Station Exp.-General			
33	876 Measuring & Reg. Station Exp.-Industrial			
34	877 Meas. & Reg. Station Exp.-City Gate Ck. Sta.			
35	878 Meter & House Regulator Expenses			
36	879 Customer Installations Expenses			
37	880 Other Expenses			
38	881 Rents			
39	<b>Total Operation - Distribution</b>			
40	Maintenance			
41	885 Maintenance Supervision & Engineering			
42	886 Maintenance of Structures & Improvements			
43	887 Maintenance of Mains			
44	888 Maint. of Compressor Station Equipment			
45	889 Maint. of Meas. & Reg. Station Exp.-General			
46	890 Maint. of Meas. & Reg. Sta. Exp.-Industrial			
47	891 Maint. of Meas. & Reg. Sta. Equip.-City Gate			
48	892 Maintenance of Services			
49	893 Maintenance of Meters & House Regulators			
50	894 Maintenance of Other Equipment			
51	<b>Total Maintenance - Distribution</b>			
52	<b>TOTAL Distribution Expenses</b>			

**MONTANA OPERATION & MAINTENANCE EXPENSES**

Year: 1998

Account Number & Title		Last Year	This Year	% Change
1				
2	<b>Customer Accounts Expenses</b>			
3	Operation			
4	901 Supervision			
5	902 Meter Reading Expenses			
6	903 Customer Records & Collection Expenses			
7	904 Uncollectible Accounts Expenses			
8	905 Miscellaneous Customer Accounts Expenses			
9				
10	<b>TOTAL Customer Accounts Expenses</b>			
11				
12	<b>Customer Service &amp; Informational Expenses</b>			
13	Operation			
14	907 Supervision			
15	908 Customer Assistance Expenses			
16	909 Informational & Instructional Advertising Exp.			
17	910 Miscellaneous Customer Service & Info. Exp.			
18				
19	<b>TOTAL Customer Service &amp; Info. Expenses</b>			
20				
21	<b>Sales Expenses</b>			
22	Operation			
23	911 Supervision			
24	912 Demonstrating & Selling Expenses			
25	913 Advertising Expenses			
26	916 Miscellaneous Sales Expenses			
27				
28	<b>TOTAL Sales Expenses</b>			
29				
30	<b>Administrative &amp; General Expenses</b>			
31	Operation			
32	920 Administrative & General Salaries			
33	921 Office Supplies & Expenses	51,872	83,679	61.32%
34	922 (Less) Administrative Expenses Transferred - Cr.			
35	923 Outside Services Employed	144,399	137,531	-4.76%
36	924 Property Insurance	57,874	64,060	10.69%
37	925 Injuries & Damages			
38	926 Employee Pensions & Benefits			
39	927 Franchise Requirements			
40	928 Regulatory Commission Expenses		38,687	#DIV/0!
41	929 (Less) Duplicate Charges - Cr.			
42	930.1 General Advertising Expenses	4,213	4,024	-4.49%
43	930.2 Miscellaneous General Expenses	84		-100.00%
44	931 Rents	1,167	1,253	7.37%
45				
46	<b>TOTAL Operation - Admin. &amp; General</b>	<b>259,609</b>	<b>329,234</b>	<b>26.82%</b>
47	Maintenance			
48	935 Maintenance of General Plant			
49				
50	<b>TOTAL Administrative &amp; General Expenses</b>	<b>259,609</b>	<b>329,234</b>	<b>26.82%</b>
51	<b>TOTAL OPERATION &amp; MAINTENANCE EXP.</b>	<b>519,218</b>	<b>658,468</b>	<b>26.82%</b>

**MONTANA TAXES OTHER THAN INCOME**

Year: 1998

	Description of Tax	Last Year	This Year	% Change
1	Payroll Taxes			
2	Superfund			
3	Secretary of State			
4	Montana Consumer Counsel	1,836	2,014	9.69%
5	Montana PSC	4,132	6,277	51.91%
6	Franchise Taxes			
7	Property Taxes	477,217	422,665	-11.43%
8	Tribal Taxes			
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45				
46				
47				
48				
49				
50				
51	<b>TOTAL MT Taxes other than Income</b>	483,185	430,956	-10.81%

**PAYMENTS FOR SERVICES TO PERSONS OTHER THAN EMPLOYEES**

Year: 1998

	Name of Recipient	Nature of Service	Total Company	Montana	% Montana
1	D. Antley	Construction supervisio	52,729	52,729	100.00%
2	H. Kessner	Welding services	50,418	50,418	100.00%
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					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45					
46					
47					
48					
49					
50	<b>TOTAL Payments for Services</b>		103,147	103,147	100.00%

**POLITICAL ACTION COMMITTEES / POLITICAL CONTRIBUTIONS** Year: 1998

	Description	Total Company	Montana	% Montana
1	NONE			
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45				
46				
47				
48				
49				
50	<b>TOTAL Contributions</b>			

**Pension Costs**

Year: 1998

1	Plan Name NONE			
2	Defined Benefit Plan? _____	Defined Contribution Plan? _____		
3	Actuarial Cost Method? _____	IRS Code: _____		
4	Annual Contribution by Employer: _____	Is the Plan Over Funded? _____		
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			
8	Service cost			
9	Interest Cost			
10	Plan participants' contributions			
11	Amendments			
12	Actuarial Gain			
13	Acquisition			
14	Benefits paid			
15	Benefit obligation at end of year			
16	<b>Change in Plan Assets</b>			
17	Fair value of plan assets at beginning of year			
18	Actual return on plan assets			
19	Acquisition			
20	Employer contribution			
21	Plan participants' contributions			
22	Benefits paid			
23	Fair value of plan assets at end of year			
24	<b>Funded Status</b>			
25	Unrecognized net actuarial loss			
26	Unrecognized prior service cost			
27	Prepaid (accrued) benefit cost			
28				
29	<b>Weighted-average Assumptions as of Year End</b>			
30	Discount rate			
31	Expected return on plan assets			
32	Rate of compensation increase			
33				
34	<b>Components of Net Periodic Benefit Costs</b>			
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>			
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			
48	Not Covered by the Plan			
49	Active			
50	Retired			
51	Deferred Vested Terminated			

**Other Post Employment Benefits (OPEBS)**

Item	Current Year	Last Year	% Change
<b>1 Regulatory Treatment:</b>			
2 Commission authorized - most recent			
3 Docket number: _____			
4 Order number: _____			
5 Amount recovered through rates			
<b>6 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			
<b>12 List each method used to fund OPEBs (ie: VEBA, 401(h)) and if tax advantaged:</b>			
13			
14			
<b>15 Describe any Changes to the Benefit Plan:</b>			
16			
<b>17 TOTAL COMPANY</b>			
<b>18 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			
<b>28 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			
<b>36 Funded Status</b>			
37 Unrecognized net actuarial loss			
38 Unrecognized prior service cost			
39 Prepaid (accrued) benefit cost			
<b>40 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			
<b>47 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**

Year: 1998

	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 Costs</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			

**TOP TEN MONTANA COMPENSATED EMPLOYEES (ASSIGNED OR ALLOCATED)**

Line No.	Name/Title	Base Salary	Bonuses	Other	Total Compensation	Total Compensation Last Year	% Increase Total Compensation
1	NONE						
2							
3							
4							
5							
6							
7							
8							
9							
10							

**COMPENSATION OF TOP 5 CORPORATE EMPLOYEES - SEC INFORMATION**

Line No.	Name/Title	Base Salary	Bonuses	Other	Total Compensation	Total Compensation Last Year	% Increase Total Compensation
1	NONE						
2							
3							
4							
5							

## BALANCE SHEET

Year: 1998

	Account Number & Title	Last Year	This Year	% Change
1	<b>Assets and Other Debits</b>			
2	Utility Plant			
3	101 Gas Plant in Service	13,780,678	14,279,294	-3%
4	101.1 Property Under Capital Leases			
5	102 Gas Plant Purchased or Sold			
6	104 Gas Plant Leased to Others			
7	105 Gas Plant Held for Future Use			
8	105.1 Production Properties Held for Future Use			
9	106 Completed Constr. Not Classified - Gas			
10	107 Construction Work in Progress - Gas	30,446	1,109,811	-97%
11	108 (Less) Accumulated Depreciation	(1,624,982)	(2,577,729)	37%
12	111 (Less) Accumulated Amortization & Depletion	(25,697)	(31,260)	18%
13	114 Gas Plant Acquisition Adjustments			
14	115 (Less) Accum. Amort. Gas Plant Acq. Adj.			
15	116 Other Gas Plant Adjustments			
16	117 Gas Stored Underground - Noncurrent			
17	118 Other Utility Plant			
18	119 Accum. Depr. and Amort. - Other Util. Plant			
19	<b>TOTAL Utility Plant</b>	<b>12,160,445</b>	<b>12,780,116</b>	<b>-5%</b>
20	<b>Other Property &amp; Investments</b>			
21	121 Nonutility Property			
22	122 (Less) Accum. Depr. & Amort. of Nonutil. Prop.	(18,597)	(26,979)	31%
23	123 Investments in Associated Companies			
24	123.1 Investments in Subsidiary Companies			
25	124 Other Investments			
26	125 Sinking Funds			
27	<b>TOTAL Other Property &amp; Investments</b>	<b>(18,597)</b>	<b>(26,979)</b>	<b>31%</b>
28	<b>Current &amp; Accrued Assets</b>			
29	131 Cash	(2,910,289)	(5,882,453)	51%
30	132-134 Special Deposits			
31	135 Working Funds	2,404	3,710	-35%
32	136 Temporary Cash Investments			
33	141 Notes Receivable			
34	142 Customer Accounts Receivable	215,475	330,387	-35%
35	143 Other Accounts Receivable	39,755		#DIV/0!
36	144 (Less) Accum. Provision for Uncollectible Accts.			
37	145 Notes Receivable - Associated Companies			
38	146 Accounts Receivable - Associated Companies	5,307	66,451	-92%
39	151 Fuel Stock			
40	152 Fuel Stock Expenses Undistributed			
41	153 Residuals and Extracted Products			
42	154 Plant Materials and Operating Supplies	167,776	544,588	-69%
43	155 Merchandise			
44	156 Other Material & Supplies			
45	163 Stores Expense Undistributed			
46	164.1 Gas Stored Underground - Current			
47	165 Prepayments	43,636	35,592	23%
48	166 Advances for Gas Explor., Devl. & Production			
49	171 Interest & Dividends Receivable			
50	172 Rents Receivable			
51	173 Accrued Utility Revenues			
52	174 Miscellaneous Current & Accrued Assets			
53	<b>TOTAL Current &amp; Accrued Assets</b>	<b>(2,435,936)</b>	<b>(4,901,725)</b>	<b>50%</b>

**BALANCE SHEET**

Year: 1998

	Account Number & Title	Last Year	This Year	% Change
1	<b>Assets and Other Debits (cont.)</b>			
2				
3	<b>Deferred Debits</b>			
4				
5	181 Unamortized Debt Expense	83,813	83,813	
6	182.1 Extraordinary Property Losses			
7	182.2 Unrecovered Plant & Regulatory Study Costs			
8	183.1 Prelim. Nat. Gas Survey & Investigation Chrg.			
9	183.2 Other Prelim. Nat. Gas Survey & Invtg. Chrgs.			
10	184 Clearing Accounts			
11	185 Temporary Facilities			
12	186 Miscellaneous Deferred Debits			
13	187 Deferred Losses from Disposition of Util. Plant			
14	188 Research, Devel. & Demonstration Expend.			
15	189 Unamortized Loss on Reacquired Debt			
16	190 Accumulated Deferred Income Taxes			
17	191 Unrecovered Purchased Gas Costs			
18	192.1 Unrecovered Incremental Gas Costs			
19	192.2 Unrecovered Incremental Surcharges			
20	<b>TOTAL Deferred Debits</b>	<b>83,813</b>	<b>83,813</b>	
21				
22	<b>TOTAL ASSETS &amp; OTHER DEBITS</b>	<b>9,789,725</b>	<b>7,935,225</b>	<b>23%</b>
	Account Number & Title	Last Year	This Year	% Change
23	<b>Liabilities and Other Credits</b>			
24				
25	<b>Proprietary Capital</b>			
26	218 Noncorp. Proprietorship (LLC member contr)	5,106,422	5,106,422	
27	201 Common Stock Issued			
28	202 Common Stock Subscribed			
29	204 Preferred Stock Issued			
30	205 Preferred Stock Subscribed			
31	207 Premium on Capital Stock			
32	211 Miscellaneous Paid-In Capital			
33	213 (Less) Discount on Capital Stock			
34	214 (Less) Capital Stock Expense			
35	215 Appropriated Retained Earnings			
36	216 Unappropriated Retained Earnings	(2,542,706)	(4,912,373)	48%
37	217 (Less) Reacquired Capital Stock			
38	<b>TOTAL Proprietary Capital</b>	<b>2,563,716</b>	<b>194,049</b>	<b>1221%</b>
39				
40	<b>Long Term Debt</b>			
41				
42	221 Bonds			
43	222 (Less) Reacquired Bonds			
44	223 Advances from Associated Companies		1,146,132	-100%
45	224 Other Long Term Debt	5,320,809	4,922,880	8%
46	225 Unamortized Premium on Long Term Debt			
47	226 (Less) Unamort. Discount on L-Term Debt-Dr.			
48	<b>TOTAL Long Term Debt</b>	<b>5,320,809</b>	<b>6,069,012</b>	<b>-12%</b>

**BALANCE SHEET**

Year: 1998

	Account Number & Title	Last Year	This Year	% Change
1				
2	<b>Total Liabilities and Other Credits (cont.)</b>			
3				
4	<b>Other Noncurrent Liabilities</b>			
5				
6	227 Obligations Under Cap. Leases - Noncurrent	189,235	138,780	36%
7	228.1 Accumulated Provision for Property Insurance			
8	228.2 Accumulated Provision for Injuries & Damages			
9	228.3 Accumulated Provision for Pensions & Benefits			
10	228.4 Accumulated Misc. Operating Provisions			
11	229 Accumulated Provision for Rate Refunds			
12	<b>TOTAL Other Noncurrent Liabilities</b>	<b>189,235</b>	<b>138,780</b>	<b>36%</b>
13				
14	<b>Current &amp; Accrued Liabilities</b>			
15				
16	231 Notes Payable	788,268	692,922	14%
17	232 Accounts Payable	303,683	304,615	0%
18	233 Notes Payable to Associated Companies			
19	234 Accounts Payable to Associated Companies	335,653	270,038	24%
20	235 Customer Deposits			
21	236 Taxes Accrued	240,416	213,659	13%
22	237 Interest Accrued	1,331	1,037	28%
23	238 Dividends Declared			
24	239 Matured Long Term Debt			
25	240 Matured Interest			
26	241 Tax Collections Payable			
27	242 Miscellaneous Current & Accrued Liabilities			
28	243 Obligations Under Capital Leases - Current	46,614	51,114	-9%
29	<b>TOTAL Current &amp; Accrued Liabilities</b>	<b>1,715,965</b>	<b>1,533,385</b>	<b>12%</b>
30				
31	<b>Deferred Credits</b>			
32				
33	252 Customer Advances for Construction			
34	253 Other Deferred Credits			
35	255 Accumulated Deferred Investment Tax Credits			
36	256 Deferred Gains from Disposition Of Util. Plant			
37	257 Unamortized Gain on Reacquired Debt			
38	281-283 Accumulated Deferred Income Taxes			
39	<b>TOTAL Deferred Credits</b>			
40				
41	<b>TOTAL LIABILITIES &amp; OTHER CREDITS</b>	<b>9,789,725</b>	<b>7,935,226</b>	<b>23%</b>

**MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED)**

Year: 1998

	Account Number & Title	Last Year	This Year	% Change
1	<b>Intangible Plant</b>			
2				
3	301 Organization	172,759	145,117	19%
4	302 Franchises & Consents			
5	303 Miscellaneous Intangible Plant			
6				
7	<b>TOTAL Intangible Plant</b>	<b>172,759</b>	<b>145,117</b>	<b>19%</b>
8				
9	<b>Production Plant</b>			
10				
11	Production & Gathering Plant			
12				
13	325.1 Producing Lands			
14	325.2 Producing Leaseholds			
15	325.3 Gas Rights			
16	325.4 Rights-of-Way			
17	325.5 Other Land & Land Rights			
18	326 Gas Well Structures			
19	327 Field Compressor Station Structures			
20	328 Field Meas. & Reg. Station Structures			
21	329 Other Structures			
22	330 Producing Gas Wells-Well Construction			
23	331 Producing Gas Wells-Well Equipment			
24	332 Field Lines			
25	333 Field Compressor Station Equipment			
26	334 Field Meas. & Reg. Station Equipment			
27	335 Drilling & Cleaning Equipment			
28	336 Purification Equipment			
29	337 Other Equipment			
30	338 Unsuccessful Exploration & Dev. Costs			
31				
32	<b>Total Production &amp; Gathering Plant</b>			
33				
34	Products Extraction Plant			
35				
36	340 Land & Land Rights			
37	341 Structures & Improvements			
38	342 Extraction & Refining Equipment			
39	343 Pipe Lines			
40	344 Extracted Products Storage Equipment			
41	345 Compressor Equipment			
42	346 Gas Measuring & Regulating Equipment			
43	347 Other Equipment			
44				
45	<b>Total Products Extraction Plant</b>			
46				
47	<b>TOTAL Production Plant</b>			

## MONTANA PLANT IN SERVICE (ASSIGNED &amp; ALLOCATED)

Year: 1998

	Account Number & Title	Last Year	This Year	% Change
1				
2	<b>Natural Gas Storage and Processing Plant</b>			
3				
4	Underground Storage Plant			
5				
6	350.1 Land			
7	350.2 Rights-of-Way			
8	351 Structures & Improvements			
9	352 Wells			
10	352.1 Storage Leaseholds & Rights			
11	352.2 Reservoirs			
12	352.3 Non-Recoverable Natural Gas			
13	353 Lines			
14	354 Compressor Station Equipment			
15	355 Measuring & Regulating Equipment			
16	356 Purification Equipment			
17	357 Other Equipment			
18				
19	<b>Total Underground Storage Plant</b>			
20				
21	Other Storage Plant			
22				
23	360 Land & Land Rights			
24	361 Structures & Improvements			
25	362 Gas Holders			
26	363 Purification Equipment			
27	363.1 Liquification Equipment			
28	363.2 Vaporizing Equipment			
29	363.3 Compressor Equipment			
30	363.4 Measuring & Regulating Equipment			
31	363.5 Other Equipment			
32				
33	<b>Total Other Storage Plant</b>			
34				
35	<b>TOTAL Natural Gas Storage and Processing Plant</b>			
36				
37	<b>Transmission Plant</b>			
38				
39	365.1 Land & Land Rights	44,019	44,019	
40	365.2 Rights-of-Way	75,036	77,536	-3%
41	366 Structures & Improvements	1,152,080	1,236,273	-7%
42	367 Mains	3,921,928	3,921,928	
43	368 Compressor Station Equipment	7,877,618	8,007,985	-2%
44	369 Measuring & Reg. Station Equipment	169,588	446,154	-62%
45	370 Communication Equipment	2,722	2,722	
46	371 Other Equipment	205,526	159,503	29%
47				
48	<b>TOTAL Transmission Plant</b>	<b>13,448,517</b>	<b>13,896,120</b>	<b>-3%</b>

Page 25



**MONTANA PLANT IN SERVICE (ASSIGNED & ALLOCATED)**

Year: 1998

	Account Number & Title	Last Year	This Year	% Change
1				
2	<b>Distribution Plant</b>			
3				
4	374 Land & Land Rights			
5	375 Structures & Improvements			
6	376 Mains			
7	377 Compressor Station Equipment			
8	378 Meas. & Reg. Station Equipment-General			
9	379 Meas. & Reg. Station Equipment-City Gate			
10	380 Services			
11	381 Meters			
12	382 Meter Installations			
13	383 House Regulators			
14	384 House Regulator Installations			
15	385 Industrial Meas. & Reg. Station Equipment			
16	386 Other Prop. on Customers' Premises			
17	387 Other Equipment			
18				
19	<b>TOTAL Distribution Plant</b>			
20				
21	<b>General Plant</b>			
22				
23	389 Land & Land Rights			
24	390 Structures & Improvements			
25	391 Office Furniture & Equipment	36,680	45,948	-20%
26	392 Transportation Equipment	101,026	156,670	-36%
27	393 Stores Equipment			
28	394 Tools, Shop & Garage Equipment	1,218	4,359	-72%
29	395 Laboratory Equipment			
30	396 Power Operated Equipment	11,486	11,472	0%
31	397 Communication Equipment	304	8,921	-97%
32	398 Miscellaneous Equipment		1,999	-100%
33	399 Other Tangible Property	8,688	8,688	
34				
35	<b>TOTAL General Plant</b>	159,402	238,057	-33%
36				
37	<b>TOTAL Gas Plant in Service</b>	13,780,678	14,279,294	-3%

**MONTANA DEPRECIATION SUMMARY**

Year: 1998

	Functional Plant Classification	Plant Cost	Accumulated Depreciation		Current Avg. Rate
			Last Year Bal.	This Year Bal.	
1	Production & Gathering				
2	Products Extraction				
3	Underground Storage				
4	Other Storage				
5	Transmission	13,896,120	1,555,168	2,464,256	6.70%
6	Distribution				
7	General	238,057	69,815	113,473	25.3%
8	<b>TOTAL</b>	<b>14,134,177</b>	<b>1,624,983</b>	<b>2,577,729</b>	<b>6.9%</b>

**MONTANA MATERIALS & SUPPLIES (ASSIGNED & ALLOCATED)**

SCHEDULE 21

	Account	Last Year Bal.	This Year Bal.	%Change
1				
2	151 Fuel Stock			
3	152 Fuel Stock Expenses - Undistributed			
4	153 Residuals & Extracted Products			
5	154 Plant Materials & Operating Supplies:			
6	Assigned to Construction (Estimated)		28,850	-100%
7	Assigned to Operations & Maintenance			
8	Production Plant (Estimated)			
9	Transmission Plant (Estimated)	167,776	515,737	-67%
10	Distribution Plant (Estimated)			
11	Assigned to Other			
12	155 Merchandise			
13	156 Other Materials & Supplies			
14	163 Stores Expense Undistributed			
15				
16	<b>TOTAL Materials &amp; Supplies</b>	<b>167,776</b>	<b>544,587</b>	<b>-69%</b>

**MONTANA REGULATORY CAPITAL STRUCTURE & COSTS**

SCHEDULE 22

	Commission Accepted - Most Recent	% Cap. Str.	% Cost Rate	Weighted Cost
1	Docket Number			
2	Order Number	D95.9.136		
3				
4	Common Equity			
5	Preferred Stock			
6	Long Term Debt	50.00%	9.00%	4.50%
7	Other	50.00%	12.00%	6.00%
8	<b>TOTAL</b>	<b>100.00%</b>		<b>10.50%</b>
9				
10	Actual at Year End			
11				
12	Common Equity			
13	Preferred Stock			
14	Long Term Debt	78.50%	8.20%	6.44%
15	Other	21.50%	15.00%	3.23%
16	<b>TOTAL</b>	<b>100.00%</b>		<b>9.66%</b>

## STATEMENT OF CASH FLOWS

Year: 1998

	Description	Last Year	This Year	% Change
1				
2	Increase/(decrease) in Cash & Cash Equivalents:	(2,046,737)	(2,972,165)	
3				
4	<b>Cash Flows from Operating Activities:</b>			
5	Net Income	(2,154,577)	(2,369,667)	9%
6	Depreciation	877,043	952,747	-8%
7	Amortization	19,898	13,944	43%
8	Deferred Income Taxes - Net			
9	Investment Tax Credit Adjustments - Net			
10	Change in Operating Receivables - Net	176,701	(136,300)	230%
11	Change in Materials, Supplies & Inventories - Net	6,249	(376,812)	102%
12	Change in Operating Payables & Accrued Liabilities - Net	106,543	(91,734)	216%
13	Allowance for Funds Used During Construction (AFUDC)			
14	Change in Other Assets & Liabilities - Net	114,923	6,737	1606%
15	Other Operating Activities (explained on attached page)			
16	<b>Net Cash Provided by/(Used in) Operating Activities</b>	<b>(853,220)</b>	<b>(2,001,085)</b>	<b>57%</b>
17				
18	<b>Cash Inflows/Outflows From Investment Activities:</b>			
19	Construction/Acquisition of Property, Plant and Equipment	(1,072,544)	(1,577,981)	32%
20	(net of AFUDC & Capital Lease Related Acquisitions)			
21	Acquisition of Other Noncurrent Assets			
22	Proceeds from Disposal of Noncurrent Assets			
23	Investments In and Advances to Affiliates			
24	Contributions and Advances from Affiliates			
25	Disposition of Investments in and Advances to Affiliates			
26	Other Investing Activities (explained on attached page)			
27	<b>Net Cash Provided by/(Used in) Investing Activities</b>	<b>(1,072,544)</b>	<b>(1,577,981)</b>	<b>32%</b>
28				
29	<b>Cash Flows from Financing Activities:</b>			
30	Proceeds from Issuance of:			
31	Long-Term Debt	249,700	1,146,132	-78%
32	Preferred Stock			
33	Common Stock			
34	Other:	390,238		#DIV/0!
35	Net Increase in Short-Term Debt			
36	Other:			
37	Payment for Retirement of:			
38	Long-Term Debt	(702,851)	(493,275)	-42%
39	Preferred Stock			
40	Common Stock			
41	Other:			
42	Net Decrease in Short-Term Debt			
43	Dividends on Preferred Stock			
44	Dividends on Common Stock			
45	Other Financing Activities (explained on attached page)	(58,061)	(45,955)	-26%
46	<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(120,974)</b>	<b>606,902</b>	<b>-120%</b>
47				
48	<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(2,046,738)</b>	<b>(2,972,164)</b>	<b>31%</b>
49	<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>(863,551)</b>	<b>(2,910,289)</b>	<b>70%</b>
50	<b>Cash and Cash Equivalents at End of Year</b>	<b>(2,910,289)</b>	<b>(5,882,453)</b>	<b>51%</b>

**NOTES TO STATEMENT OF CASH FLOWS**

Line No.	Notes
45	Compressor capital leases contract activity

**LONG TERM DEBT**

Year: 1998

	Description	Issue Date Mo./Yr.	Maturity Date Mo./Yr.	Principal Amount	Net Proceeds	Outstanding Per Balance Sheet	Yield to Maturity	Annual Net Cost Inc. Prem/Disc.	Total Cost %
1	Term loan	Sep-95	Sep-00	7,578,890	7,540,719	5,615,802	variable	469,523	8.36%
2	Subordinated debt	Jun-98	Mar-06	1,209,000	1,209,000	1,146,132	variable	94,556	8.25%
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									
31									
32	<b>TOTAL</b>			8,787,890	8,749,719	6,761,934		564,079	8.34%

Year: 1998

**PREFERRED STOCK**

	Series	Issue Date Mo./Yr.	Shares Issued	Par Value	Call Price	Net Proceeds	Cost of Money	Principal Outstanding	Annual Cost	Embed. Cost %
1	NONE									
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										
32	<b>TOTAL</b>									

**COMMON STOCK**

Year: 1998

		Avg. Number of Shares Outstanding	Book Value Per Share	Earnings Per Share	Dividends Per Share	Retention Ratio	Market Price		Price/ Earnings Ratio
							High	Low	
1		NONE							
2									
3									
4	January								
5									
6	February								
7									
8	March								
9									
10	April								
11									
12	May								
13									
14	June								
15									
16	July								
17									
18	August								
19									
20	September								
21									
22	October								
23									
24	November								
25									
26	December								
27									
28									
29									
30									
31									
32	TOTAL Year End								

**MONTANA EARNED RATE OF RETURN**

Year: 1998

	Description	Last Year	This Year	% Change
1	Rate Base			
2	101 Plant in Service	13,780,678	14,279,295	3.62%
3	108 (Less) Accumulated Depreciation	(1,650,680)	(2,608,989)	-58.06%
4	<b>NET Plant in Service</b>	<b>12,129,998</b>	<b>11,670,306</b>	<b>-3.79%</b>
5				
6	Additions			
7	154, 156 Materials & Supplies	167,776	544,588	224.59%
8	165 Prepayments	43,636	35,593	-18.43%
9	Other Additions			
10	<b>TOTAL Additions</b>	<b>211,412</b>	<b>580,181</b>	<b>174.43%</b>
11				
12	Deductions			
13	190 Accumulated Deferred Income Taxes			
14	252 Customer Advances for Construction			
15	255 Accumulated Def. Investment Tax Credits			
16	Other Deductions			
17	<b>TOTAL Deductions</b>			
18	<b>TOTAL Rate Base</b>	<b>12,341,410</b>	<b>12,250,487</b>	<b>-0.74%</b>
19				
20	<b>Net Earnings</b>	<b>(1,634,566)</b>	<b>(1,796,925)</b>	<b>-9.93%</b>
21				
22	<b>Rate of Return on Average Rate Base</b>	<b>-13.5%</b>	<b>-14.6%</b>	<b>-8.40%</b>
23				
24	<b>Rate of Return on Average Equity</b>	<b>-33.3%</b>	<b>-35.2%</b>	<b>-5.73%</b>
25				
26	Major Normalizing Adjustments & Commission			
27	Ratemaking adjustments to Utility Operations			
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45				
46				
47	<b>Adjusted Rate of Return on Average Rate Base</b>			
48				
49	<b>Adjusted Rate of Return on Average Equity</b>			



MONTANA COMPOSITE STATISTICS

Year: 1998

	Description	Amount
1		
2	Plant (Intrastate Only) (000 Omitted)	
3		
4	101 Plant in Service	14,279
5	107 Construction Work in Progress	1,110
6	114 Plant Acquisition Adjustments	
7	105 Plant Held for Future Use	
8	154, 156 Materials & Supplies	545
9	(Less):	
10	108, 111 Depreciation & Amortization Reserves	(2,609)
11	252 Contributions in Aid of Construction	
12		
13	<b>NET BOOK COSTS</b>	<b>13,325</b>
14	Revenues & Expenses (000 Omitted)	
15		
16		
17	400 Operating Revenues	2,589
18		
19	403 - 407 Depreciation & Amortization Expenses	1,004
20	Federal & State Income Taxes	
21	Other Taxes	431
22	Other Operating Expenses	2,951
23	TOTAL Operating Expenses	4,386
24		
25	Net Operating Income	(1,797)
26		
27	415 - 421.1 Other Income	
28	421.2 - 426.5 Other Deductions	76
29		
30	<b>NET INCOME</b>	<b>(1,873)</b>
31	Customers (Intrastate Only)	
32		
33		
34	Year End Average:	
35	Residential	
36	Commercial	
37	Industrial	
38	Other	4
39		
40	<b>TOTAL NUMBER OF CUSTOMERS</b>	<b>4</b>
41	Other Statistics (Intrastate Only)	
42		
43		
44	Average Annual Residential Use (Mcf or Dkt)	
45	Average Annual Residential Cost per (Mcf or Dkt) (\$) *	
46	* Avg annual cost = [(cost per Mcf or Dkt x annual use) + ( mo. svc chrg x 12)]/annual use	
47	Average Residential Monthly Bill	
48	Gross Plant per Customer	

MONTANA CUSTOMER INFORMATION

Year: 1998

	City/Town	Population (Include Rural)	Residential Customers	Commercial Customers	Industrial & Other Customers	Total Customers
1	Blaine County - farm tap customers	7,032		41		41
2	Chouteau County - farm tap customers	5,492		1		1
3	Hill County - farm tap customers	17,668		72	4	76
4	Blaine, Chouteau, Hill Counties -- gas transportation customers	30,192			4	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						
31						
32	<b>TOTAL Montana Customers</b>	60,384		114	8	122

**MONTANA EMPLOYEE COUNTS**

Year: 1998

	Department	Year Beginning	Year End	Average
1	NONE			
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
37				
38				
39				
40				
41				
42				
43				
44				
45				
46				
47				
48				
49				
50	<b>TOTAL Montana Employees</b>			

**MONTANA CONSTRUCTION BUDGET (ASSIGNED & ALLOCATED)**

Year: 1999

	Project Description	Total Company	Total Montana
1	Lube system-KVR compressors-Blaine County #1	142,000	142,000
2	Other	340,425	340,425
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			
31			
32			
33			
34			
35			
36			
37			
38			
39			
40			
41			
42			
43			
44			
45			
46			
47			
48			
49			
50	<b>TOTAL</b>	<b>482,425</b>	<b>482,425</b>

TRANSMISSION SYSTEM - TOTAL COMPANY & MONTANA

Year: 1998

Total Company				
		Peak Day of Month	Peak Day Volumes Mcf or Dkt	Total Monthly Volumes Mcf or Dkt
1	January	15	59,111	1,660,832
2	February	14	60,229	1,622,768
3	March	2	58,326	1,682,590
4	April	30	58,422	1,562,586
5	May	7	56,971	1,667,233
6	June	20	57,005	1,502,397
7	July	6	56,385	1,612,118
8	August	29	58,079	1,718,826
9	September	25	57,391	1,647,705
10	October	10	60,466	1,681,254
11	November	27	59,778	1,709,366
12	December	4	59,157	1,730,583
13	<b>TOTAL</b>			<b>19,798,258</b>

Montana				
		Peak Day of Month	Peak Day Volumes Mcf or Dkt	Total Monthly Volumes Mcf or Dkt
14	January	15	59,111	1,660,832
15	February	14	60,229	1,622,768
16	March	2	58,326	1,682,590
17	April	30	58,422	1,562,586
18	May	7	56,971	1,667,233
19	June	20	57,005	1,502,397
20	July	6	56,385	1,612,118
21	August	29	58,079	1,718,826
22	September	25	57,391	1,647,705
23	October	10	60,466	1,681,254
24	November	27	59,778	1,709,366
25	December	4	59,157	1,730,583
26	<b>TOTAL</b>			<b>19,798,258</b>

**DISTRIBUTION SYSTEM - TOTAL COMPANY & MONTANA**

Year: 1998

<b>Total Company</b>				
		Peak Day of Month	Peak Day Volumes Mcf or Dkt	Total Monthly Volumes Mcf or Dkt
1	January			
2	February			
3	March			
4	April			
5	May			
6	June			
7	July			
8	August			
9	September			
10	October			
11	November			
12	December			
13	<b>TOTAL</b>			

<b>Montana</b>				
		Peak Day of Month	Peak Day Volumes Mcf or Dkt	Total Monthly Volumes Mcf or Dkt
14	January			
15	February			
16	March			
17	April			
18	May			
19	June			
20	July			
21	August			
22	September			
23	October			
24	November			
25	December			
26	<b>TOTAL</b>			

STORAGE SYSTEM - TOTAL COMPANY & MONTANA

Year: 1998

		Total Company						
		Peak Day of Month		Peak Day Volumes (Mcf or Dkt)		Total Monthly Volumes (Mcf or Dkt)		
		Injection	Withdrawal	Injection	Withdrawal	Injection	Withdrawal	Losses
1	January							
2	February							
3	March							
4	April							
5	May							
6	June							
7	July							
8	August							
9	September							
10	October							
11	November							
12	December							
13	<b>TOTAL</b>							

		Montana						
		Peak Day of Month		Peak Day Volumes (Mcf or Dkt)		Total Monthly Volumes (Mcf or Dkt)		
		Injection	Withdrawal	Injection	Withdrawal	Injection	Withdrawal	Losses
14	January							
15	February							
16	March							
17	April							
18	May							
19	June							
20	July							
21	August							
22	September							
23	October							
24	November							
25	December							
26	<b>TOTAL</b>							

SOURCES OF GAS SUPPLY

Year: 1998

	Name of Supplier	Last Year Volumes Mcf or Dkt	This Year Volumes Mcf or Dkt	Last Year Avg. Commodity Cost	This Year Avg. Commodity Cost
1	Big Sky Gas Marketing	36,788	33,633	\$1.0356	\$0.9036
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					
31					
32					
33	<b>Total Gas Supply Volumes</b>	36,788	33,633	\$1.0356	\$0.9036



**MONTANA CONSERVATION & DEMAND SIDE MANAGEMENT PROGRAMS**

	Program Description	Current Year Expenditures	Last Year Expenditures	% Change	Planned Savings (Mcf or Dkt)	Achieved Savings (Mcf or Dkt)	Difference
1	NONE						
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32	<b>TOTAL</b>						

**MONTANA CONSUMPTION AND REVENUES**

Year: 1998

	Sales of Gas	Operating Revenues		MCF Sold		Avg. No. of Customers	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
1	Residential						
2	Commercial - Small	34,568	29,096	24,747	32,307	114	113
3	Commercial - Large						
4	Industrial - Small						
5	Industrial - Large						
6	Interruptible Industrial						
7	Other Sales to Public Authorities	2533	2577	1927	2862	4	4
8	Sales to Other Utilities						
9	Interdepartmental						
10							
11	<b>TOTAL</b>	\$37,101	\$31,673	26674	35169	118	117
12							
13							
14							
15		Operating Revenues		BCF Transported		Avg. No. of Customers	
16							
17		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
18	<b>Transportation of Gas</b>						
19	Utilities						
20	Industrial						
21	Other	2551957	2263649	19.8	17.5	4	3
22							
23							
24	<b>TOTAL</b>	\$2,551,957	\$2,263,649	19.8	17.5	4	3

# **Havre Pipeline Company, LLC**

Managed by Ocean Energy Resources, Inc.

RECEIVED BY

APR 30 1999 57

PUBLIC SERVICE  
COMMISSION

April 30, 1999

Public Service Commission  
State of Montana  
1701 Prospect Avenue  
P.O. Box 202601  
Helena, MT 59620-2601

Dear Sir or Madam:

Enclosed please find the original computer disk relating to Havre Pipeline Company's 1998 Gas Utility Annual Report to the Public Service Commission. The disk was inadvertently left out of the package that was mailed to the Commission yesterday.

Do not hesitate to contact me at (303) 308-8774 if you have any questions or require additional information.

Sincerely,



Greg S. Layman  
Pipeline Coordinator

enclosures

# **Havre Pipeline Company, LLC**

Managed by Ocean Energy Resources, Inc.

RECEIVED BY  
APR 29 1999  
PUBLIC SERVICE  
COMMISSION

April 29, 1999

Public Service Commission  
State of Montana  
1701 Prospect Avenue  
P.O. Box 202601  
Helena, MT 59620-2601

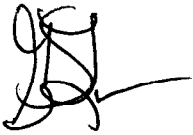
Dear Sir or Madam:

Enclosed please find Havre Pipeline Company, LLC's 1998 Annual Report to the Public Service Commission. Also enclosed is the original computer disk and a check in the amount of \$25 for the filing fee.

Please note Havre's new address that is indicated on the bottom of this page.

Do not hesitate to contact me at (303) 308-8774 if you have any questions or require additional information.

Sincerely,



Greg S. Layman  
Pipeline Coordinator

enclosures