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file: Pacific Telecom, Inc

Telephone  
Utilities, Inc.

Annual  
Report 1973

## Financial Highlights

	1973	1972 <sup>(1)</sup>
Property, Plant and Equipment—Net	\$74,141,541	\$70,320,814
Expenditures for Property, Plant and Equipment	\$ 8,175,040	\$11,584,131
Operating Revenues	\$22,991,322	\$18,705,114
Net Income Applicable to Common Stock	\$ 3,287,379	\$ 2,138,327
Net Income per Average Common Share	\$ .75	\$ .49 <sup>(2)</sup>
Common Stock Dividend	3%	5%
Common Shares Outstanding	4,374,492	4,299,506
Telephones End of Year	107,384	99,728

(1) As restated to include the accounts of Northwestern Telephone Systems, Inc.—see Note 2 of Notes to Consolidated Financial Statements.

(2) As restated for 1973 stock dividend.

*The Annual Meeting of Shareholders of Telephone Utilities, Inc. will be held at 2:00 p.m. on Monday, April 22, 1974, at the American Legion Hall, Ilwaco, Washington.*



## To Our Shareholders:

The year 1973 was one of growth both internally and through the acquisition of Northwestern Telephone Systems, Inc. from Pacific Power & Light Company on November 30, 1973 in exchange for 1,800,000 shares of the Company's common stock.

Net earnings per share of common stock grew to 75 cents, an increase of 53% over the prior year on a consolidated basis. Earnings would have been 2 cents less, or 73 cents per share, without the Northwestern acquisition.

Our revenues increased 23% to a total of \$22,991,322 through a combination of improved toll settlements with the Bell System, rate increases and additional subscribers served. Although we were able to hold the line on operation and maintenance expenses, there was a significant increase in depreciation expense because of large plant additions completed in 1972 and in income taxes because of higher net income. Interest expense increased by 42% because of additional debt outstanding and as a result of the upward spiral in the prime rate, which affected the cost of our short-term borrowings.

We experienced a station gain of 7,656, or 8%, and ended the year with a total of 107,384 stations.

The year 1974 should see a continued improvement in revenues as the full year impact of rate increases is realized and as a result of continued increases in both toll and exchange billings. Our 1974 operation and maintenance expenses are expected to be greater than last year because of inflation; however, depreciation expense should not grow significantly because of the relatively smaller amount of plant additions in 1973. Interest expense should decline in 1974 because we expect less debt to

be outstanding at the end of 1974 than was outstanding at the end of 1973 and because we privately placed \$8,500,000 of long-term debt at 8% in December, 1973 to replace higher-cost short-term borrowings.

Our year-end cash position was strong and should allow us to conclude our 1974 capital budget program without any outside financing.

We currently are completing a reorganization aimed at providing a decentralized operation consisting of four divisions with each being responsible for the group of operating companies within its geographic area. These four divisions will replace the prior method of operating each subsidiary as a separate company. We also expect to consolidate the individual companies into larger units as the year progresses to achieve certain administrative economies.

In the past four months we have organized a supply subsidiary to serve principally our own operating units and have effected considerable savings in material costs; we also have been able to reduce operating company inventories. Much time will be devoted during 1974 to realizing the savings inherent in the consolidation of the Northwestern Telephone Systems, Inc. properties and in further developing

our total system revenues through rate increases and active marketing activities.

Although further acquisitions will remain a high priority item, there are none currently pending.

Effective in March of 1974 our Executive, Engineering, Operations, Purchasing and Supply Company offices will be located in Portland, Oregon. This move to a location convenient to public transportation will allow us to devote more time and attention to our operating properties and reduce the size of the management staff which would otherwise be required.

It is with pleasure that this report is submitted to you; if you have questions about the matters contained herein or about other items concerning the Company, please do not hesitate to write.

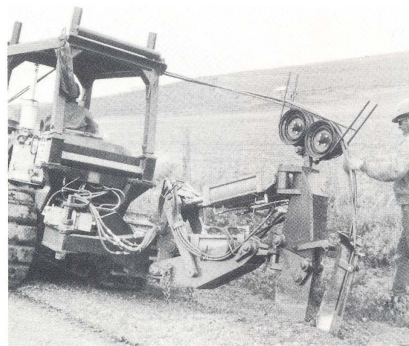
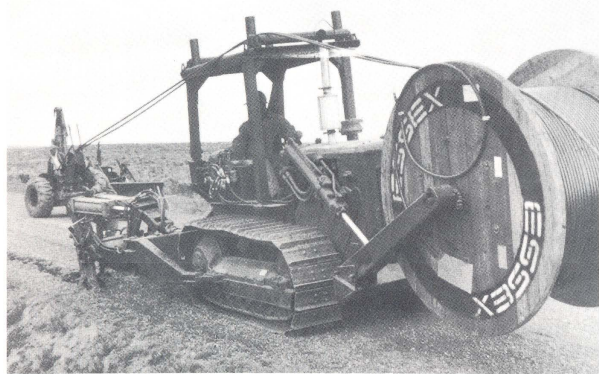
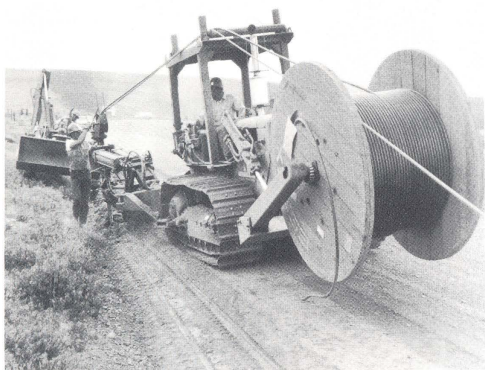
Sincerely,



A. M. Gleason  
President





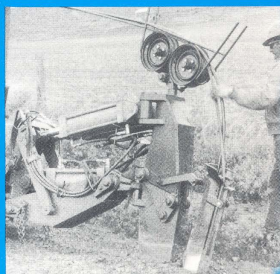


### Commitment to a continuing environmental enhancing program

Where feasible, Telephone Utilities, Inc. and its 23 subsidiary companies make every effort to place telephone cables underground. The system now includes many miles of buried cables throughout our operating areas in Montana, Idaho, Oregon and Washington.

In fact, approximately 21 percent of the Company's present telephone lines now are buried, and nearly 40 percent of new lines go underground. The photos here demonstrate the placing of our underground facilities. These are not only investments in the growth of the enterprise, but also investments in maintaining our enviable environment.

In terms of customer service, public and employee safety and environmental enhancing qualities, underground cable offers tangible advantages over conventional aerial lines. It is less subject to the ravages of weather and represents a highly important step toward achieving better land use planning for the future.



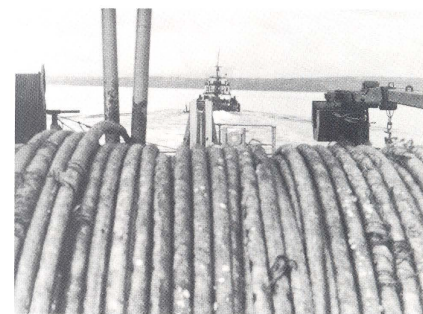
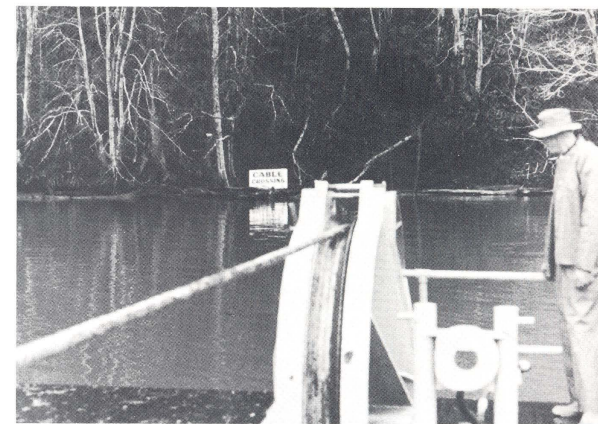
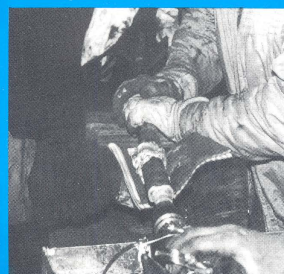
### Innovation to answer uncommon communication needs

Anderson Island. Surrounded by the waters of Puget Sound south-west of Tacoma. Approximately 150 residents inhabit its seven mile length, but numbers alone are not important when it comes to vital needs for reliable, instant communication with the outside world. That people-to-people link is the telephone.

Several years ago, telephone facilities serving the island were limited to a single toll station. Since then, Sound Telephone Company, a subsidiary of Telephone Utilities, Inc., has linked the Island to the outside world by modern electronic equipment and underwater cable.

Skilled telephone crews are shown here in action, picking up damaged cable, making repairs and carefully re-laying over a mile of cable on the floor of Puget Sound—connecting underground telephone lines on the island with the Company's system on the mainland.

Today, Anderson Island subscribers enjoy efficient responsive suburban telephone service, and no longer experience communication isolation from the outside world.



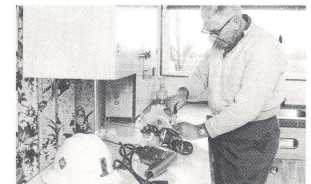
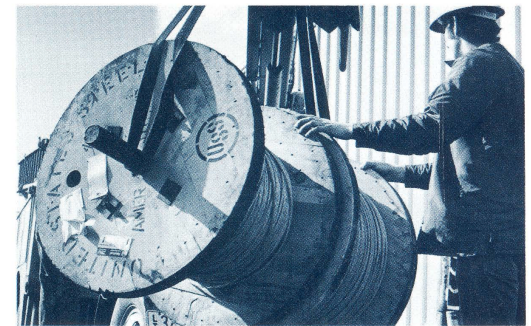
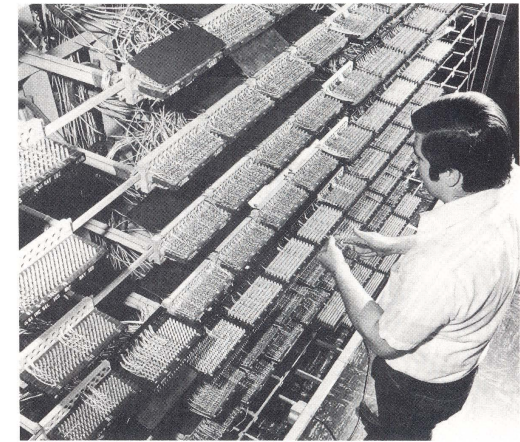




## Report of Operations

The Company and its subsidiaries provide telephone communications service through the operation of 23 telephone companies serving an aggregate of 107,384 telephone stations primarily in the states of Washington, Oregon and Montana and to a lesser extent in California, Idaho and Nevada. The Company provides or arranges financing and provides general management, accounting, engineering, central billing, purchasing and other operating services for its operating telephone subsidiaries. The Company's subsidiaries provide both local and long distance toll service for customers in their respective service areas without competition. Long distance toll service is provided over toll lines partially owned by the subsidiary companies interconnected with the long lines of the Bell System.

Toll service furnished jointly with other telephone systems is governed by settlement agreements with Bell System companies and various independent telephone companies. Prior to July 1, 1972, the majority of these settlement agreements were based upon nationwide average cost schedules developed by the United States Independent Telephone Association and the Bell System. Under these agreements, the Company retained a portion of the tolls collected by each exchange, based upon the number of messages generated and the average revenue per message. Beginning on July 1, 1972, the Company changed its method of settling for toll revenues by going from the nationwide average cost





schedules to an individual cost basis of settlement. This cost basis of settlement is established by a cost study conducted jointly by the Company and the connecting telephone company to establish the actual direct and allocated cost of furnishing toll service. From this study the Company receives its cost of furnishing toll service plus a rate of return on the portion of plant furnishing such toll service.

In addition to conventional telephone service, the Company's Cascade Autovon Company subsidiary has a contract with the Department of Defense to operate an Automatic Voice Network (AUTOVON) switching center at North Bend, Washington. These facilities were placed into service November 8, 1970, and are a part of a worldwide transmission system for voice, typewriter and computer data for the Armed Forces and certain other Government agencies. The contract is for a term of ten years; however, it is subject to cancellation or termination for the convenience of the Government in which event Cascade Autovon Company would be reimbursed its actual nonrecoverable costs.





## Telephone Utilities, Inc. and Subsidiaries

### Statement of Consolidated Income

For the years ended December 31, 1973 and 1972	1973	1972
Operating revenues:		
Local service . . . . .	\$ 6,843,131	\$ 6,016,957
Toll service . . . . .	13,907,976	10,323,135
Government communication service . . . . .	1,421,186	1,677,853
Miscellaneous . . . . .	819,029	687,169
Total operating revenues . . . . .	<u>22,991,322</u>	<u>18,705,114</u>
Operating expenses:		
Maintenance . . . . .	2,701,700	2,732,924
Depreciation . . . . .	4,084,918	3,514,847
Traffic . . . . .	856,858	905,615
Commercial . . . . .	1,209,023	1,267,672
General office salaries and expense . . . . .	1,692,368	1,718,333
Other operating expenses . . . . .	812,899	545,857
Operating taxes . . . . .	1,932,161	1,862,517
Federal income taxes (Notes 1 and 6):		
Current . . . . .	1,568,075	686,251
Deferred . . . . .	1,092,234	494,274
Total operating expenses . . . . .	<u>15,950,236</u>	<u>13,728,290</u>
Operating income . . . . .	7,041,086	4,976,824
Other income . . . . .	257,230	3,079
Interest expense . . . . .	(3,921,275)	(2,764,861)
Income before minority interest . . . . .	3,377,041	2,215,042
Minority interest in net income and preferred stock dividends . . . . .	58,446	45,425
Net income . . . . .	<u>\$ 3,318,595</u>	<u>\$ 2,169,617</u>
Net income per common share (Note 1) . . . . .	<u>\$ .75</u>	<u>\$ .49</u>

See Notes to Financial Statements.



# Telephone Utilities, Inc. and Subsidiaries

## Consolidated Balance Sheet

December 31, 1973 and 1972	1973	1972
<b>Assets</b>		
Property, plant, and equipment (Notes 1 and 5):		
Telephone . . . . .	\$88,895,663	\$82,995,307
Other . . . . .	827,632	874,326
	<u>89,723,295</u>	<u>83,869,633</u>
Less accumulated depreciation . . . . .	15,581,754	13,548,819
Property, plant, and equipment—net . . . . .	<u>74,141,541</u>	<u>70,320,814</u>
Cost of acquisitions in excess of equity in net assets of subsidiaries (Note 1) . . . . .	<u>9,238,835</u>	<u>9,261,835</u>
<b>Current assets:</b>		
Cash . . . . .	882,697	2,156,053
Temporary cash investments (Note 3) . . . . .	3,970,215	425,000
Accounts receivable . . . . .	4,669,890	3,472,887
Materials and supplies . . . . .	1,353,980	1,343,213
Claim for refund of Federal income taxes . . . . .	371,429	175,867
Prepayments . . . . .	110,940	160,509
Total current assets . . . . .	<u>11,359,151</u>	<u>7,733,529</u>
Unamortized debt expense and other deferred charges . . . . .	601,754	275,997
<b>Total . . . . .</b>	<u><b>\$95,341,281</b></u>	<u><b>\$87,592,175</b></u>

See Notes to Financial Statements.

	1973	1972
<b>Capitalization and Liabilities</b>		
Shareholders' equity (Note 4):		
Common stock—authorized 12,000,000 shares of \$1.00 par value; 4,374,492 shares outstanding (4,299,506 shares in 1972) . . . . .	\$ 4,374,492	\$ 4,299,506
Preferred stock, 6% cumulative—authorized 152,000 shares of \$25.00 par value; 23,628 shares outstanding less 3,313 shares of treasury stock at par value (2,947 treasury shares in 1972) . . . . .	507,875	517,025
Capital in excess of par value . . . . .	24,545,531	23,847,263
Retained earnings (Note 5) . . . . .	<u>8,214,655</u>	<u>6,200,532</u>
Total shareholders' equity . . . . .	<u>37,642,553</u>	<u>34,864,326</u>
Minority interest in subsidiaries:		
Common stock and retained earnings . . . . .	161,022	139,158
Preferred stock . . . . .	<u>353,800</u>	<u>393,950</u>
Total minority interest in subsidiaries . . . . .	<u>514,822</u>	<u>533,108</u>
Long-term debt (Note 5) . . . . .	<u>46,807,883</u>	<u>43,711,436</u>
<b>Current liabilities:</b>		
Notes payable . . . . .	473,271	1,875,834
Accounts payable . . . . .	2,732,179	2,345,552
Income taxes payable . . . . .	1,138,257	263,633
Accrued liabilities . . . . .	1,570,525	1,017,241
Advance billings . . . . .	455,111	408,905
Current maturities on long-term debt (Note 5) . . . . .	<u>1,290,165</u>	<u>1,168,935</u>
Total current liabilities . . . . .	<u>7,659,508</u>	<u>7,080,100</u>
Deferred income taxes (Note 1) . . . . .	1,506,032	699,302
Deferred investment tax credit (Note 1) . . . . .	774,530	370,017
Other deferred credits . . . . .	<u>435,953</u>	<u>333,886</u>
Total . . . . .	<u><b>\$95,341,281</b></u>	<u><b>\$87,592,175</b></u>

See Notes to Financial Statements.



## Telephone Utilities, Inc. and Subsidiaries

### Statement of Consolidated Retained Earnings

For the years ended December 31, 1973 and 1972	1973	1972
Balance at beginning of year . . . . .	\$ 6,200,532	\$ 5,602,508
Net income . . . . .	3,318,595	2,169,617
	<u>9,519,127</u>	<u>7,772,125</u>
Deduct:		
3% common stock dividend (74,986 shares) in 1973 and 5% common stock dividend (116,511 shares) in 1972 at market value at date of issue . . .	773,256	1,150,546
Cash dividends on preferred stock of Telephone Utilities, Inc. . . . .	31,216	31,290
Distributions to Pacific Power & Light Company by Northwestern Telephone Systems, Inc. and Montana Telephone System prior to reorganization (Note 2) . .	500,000	389,757
	<u>1,304,472</u>	<u>1,571,593</u>
Balance at end of year . . . . .	<u>\$ 8,214,655</u>	<u>\$ 6,200,532</u>

See Notes to Financial Statements.



## Telephone Utilities, Inc. and Subsidiaries

### Statement of Changes in Consolidated Financial Position

For the years ended December 31, 1973 and 1972

1973

1972

#### Source of working capital:

##### From operations:

Net income . . . . .	\$ 3,318,595	\$ 2,169,617
Items not involving working capital:		
Depreciation and amortization . . . . .	4,099,676	3,558,656
Minority interest . . . . .	28,464	13,664
Allowance for funds used during construction . . . . .	(237,703)	(435,150)
Deferred income tax and investment tax credit . . . . .	1,331,785	627,672

Total from operations . . . . .	8,540,817	5,934,459
Additions to long-term debt . . . . .	4,360,455	7,778,830
Salvage from plant and equipment retired . . . . .	479,263	1,091,895
Common stock issued under stock purchase plans . . . . .		312,576
Net funds contributed to Montana Telephone System . . . . .		791,463
Other—net . . . . .	(247,301)	448,743
Total . . . . .	<u>\$13,133,234</u>	<u>\$16,357,966</u>

#### Application of working capital:

Expenditures for property, plant, and equipment . . . . .	\$ 8,175,040	\$11,584,131
Less allowance for funds used during construction . . . . .	237,703	435,150
Net expenditures . . . . .	7,937,337	11,148,981
Payments on long-term debt . . . . .	1,264,008	2,386,495
Cost of removal of plant and equipment . . . . .	354,459	501,175
Dividends paid (including \$500,000 distribution by Northwestern prior to reorganization) . . . . .	531,216	31,290
Increase in working capital . . . . .	3,046,214	2,290,025
Total . . . . .	<u>\$13,133,234</u>	<u>\$16,357,966</u>

#### Increases (decreases) in the elements of working capital:

Cash and temporary cash investments . . . . .	\$ 2,271,859	\$ 504,102
Accounts receivable . . . . .	1,197,003	926,242
Materials and supplies . . . . .	10,767	(582,357)
Other current assets . . . . .	145,993	106,477
Notes payable and current debt maturities . . . . .	1,281,333	1,949,826
Accounts payable . . . . .	(386,627)	(185,835)
Income taxes payable . . . . .	(874,624)	(134,992)
Other current liabilities . . . . .	(599,490)	(293,438)
Total . . . . .	<u>\$ 3,046,214</u>	<u>\$ 2,290,025</u>

See Notes to Financial Statements.



# Telephone Utilities, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

December 31, 1973

### 1. Summary of Significant Accounting Policies:

#### *Regulatory Authorities*

The accounting policies of the Company and its subsidiaries are in conformity with the requirements and authorizations of the public regulatory agencies of the various states in which the companies operate.

#### *Basis of Presentation*

The consolidated financial statements include the accounts of the parent company, Telephone Utilities, Inc., and its subsidiaries, all majority-owned. All significant intercompany transactions have been eliminated.

As a result of the acquisition of all the outstanding common stock of Northwestern Telephone Systems, Inc., the consolidated financial statements for 1973 include the accounts of Northwestern for the entire year and the statements for 1972 have been restated to include the accounts of Northwestern (see Note 2).

#### *Property, Plant, and Equipment*

Property, plant, and equipment is stated at cost. Additions to such accounts represent the original cost of contracted services, direct labor and material, indirect charges for engineering, supervision and similar overhead items, and an allowance for funds used during construction which represents the cost of funds used for such purposes.

Depreciation is provided using the straight-line method over the estimated service lives of the various classes of depreciable assets. Maintenance and repairs are charged to expense as incurred. Betterments and renewals of items considered to be identifiable units of property are charged to plant accounts. Accumulated depreciation is charged for ordinary retirements and credited for proceeds from sales and salvage.

#### *Cost of Acquisitions in Excess of Equity in Net Assets of Subsidiaries*

The cost in excess of the carrying value of net assets of purchased subsidiaries (\$9,238,835) applicable to acquisitions entered into prior to November 1, 1970, is not being amortized since in the opinion

of management there has been no diminution in its value.

#### *Pension Plans*

Substantially all employees are covered under the pension plans of the Company and its subsidiaries. Pension costs were \$270,106 in 1973 and \$295,711 in 1972, including applicable provisions for unfunded past service costs. Current service cost is funded as the liability accrues. Past service costs have been amortized generally over a 25-year period. As a result of a recent change in the actuarial cost method used under the Company's major pension plan, the unfunded past service liability at December 31, 1973 was insignificant.

#### *Income Taxes*

Deferred income taxes are provided for the reduction in current income taxes resulting from the use of accelerated depreciation methods for tax purposes.

Federal income tax reductions resulting from the job development investment tax credit are deferred and amortized to income over the lives of the related assets.

Deferred income taxes are not provided for tax reductions resulting from the deduction of certain taxes, payroll costs, and interest which are applicable to plant construction and are capitalized for financial reporting purposes.

#### *Net Income Per Common Share*

Net income per common share, after preferred dividend requirements of \$31,216 in 1973 and \$31,290 in 1972, is based on the weighted average number of common shares outstanding during each year after giving retroactive effect to the 3% stock dividend in 1973 and the shares issued in exchange for the stock of Northwestern Telephone Systems, Inc.

### 2. Northwestern Telephone Systems, Inc.:

On November 30, 1973, the Company issued 1,800,000 shares of its previously unissued common stock in exchange for all of the outstanding common stock of Northwestern Telephone Systems, Inc., which was a subsidiary of Pacific Power & Light Company. Northwestern operates telephone properties in Oregon and Montana.



Because the Company and Northwestern were under the common control of Pacific Power & Light Company at the time of the exchange, the transaction was treated for accounting purposes similar to the pooling of interests method; accordingly, the accounts of Northwestern are included in the 1973 consolidated financial statements for the entire year and the consolidated financial statements for 1972 have been restated to include the accounts of Northwestern.

Operating revenues and net income of Northwestern included in the consolidated financial statements are as follows:

	<u>1973</u>	<u>1972</u>
Operating revenues . . . . .	\$8,208,972	\$6,551,230
Net income . . . . .	1,422,091	799,877

The accounts of Northwestern for 1972 have been retroactively restated to include the results of operations of the Montana Telephone System, a division of Pacific Power & Light Company, the assets of which were transferred to Northwestern by Pacific on January 1, 1973. The results of operations of the division for 1972 include allocations of corporate and administrative expenses by Pacific.

### 3. Temporary Cash Investments:

At December 31, 1973, temporary cash investments included \$3,300,000 of short-term advances to Pacific Power & Light Company under an agreement providing for the temporary investment of excess cash at the prime commercial rate of interest.

### 4. Shareholders' Equity:

The fair market value of 74,986 shares of the Company's common stock issued in connection with the 3% stock dividend in 1973 was \$773,256, of which \$74,986 was credited to the common stock account and the balance, \$698,270, to capital in excess of par value.

Capital in excess of par value at December 31, 1972 has been retroactively increased by \$4,650,000 which represents the difference between the par value of the Company's common stock issued and the stated value of the Northwestern common stock received in the exchange transaction described in Note 2.

In 1973, the Company's shareholders

approved a new qualified stock option plan which permits options to acquire an aggregate of 100,000 shares of the Company's common stock to be granted to certain employees of the Company and its subsidiaries at prices not less than the fair market value on the dates of grant. No options have been granted under the plan.

At December 31, 1973, approximately 80% of the Company's outstanding common stock was owned by Pacific Power & Light Company.

### 5. Long-Term Debt:

Long-term debt at December 31, 1973 and 1972 consisted of the following:

	<u>1973</u>	<u>1972</u>
2% First Mortgage notes payable to Rural Electrification Administration—maturities 1990-1999	\$ 991,700	\$ 1,032,052
4½% - 10¼% First Mortgage notes and bonds payable—maturities 1974-1998	22,695,120	18,203,546
7¾% Second Mortgage note payable—due 1980	11,000,000	
5¾% - 9½% Unsecured notes—maturities 1978-1998	13,411,228	3,354,672
Interim construction loans and unsecured notes under refinancing commitments		22,290,101
	<u>48,098,048</u>	<u>44,880,371</u>
Less current maturities	<u>1,290,165</u>	<u>1,168,935</u>
Total	<u>\$46,807,883</u>	<u>\$43,711,436</u>



Substantially all of the property, plant, and equipment is pledged as collateral securing portions of the long-term debt. Certain of the loan agreements contain provisions, among others, restricting the payment of cash dividends and one loan agreement, in addition to restricting cash dividends, contains limitations on purchases or redemptions of the Company's stock. Accordingly, \$4,667,517 of retained earnings at December 31, 1973 was not available for these purposes.

**6. Income Taxes:**

The relationship of Federal income tax expense (including deferred income taxes) to pre-tax income was 44% in 1973 and 35% in 1972. The variance from the normal Federal income tax rate results primarily from the tax deductions claimed for certain capitalized items (see Note 1) and from amortization of deferred investment tax credits.

**7. Commitments:**

The Company and its subsidiaries are committed under various contracts and purchase orders in connection with their normal maintenance and construction programs.

The companies are also committed under several minor leases; aggregate annual rentals under the leases approximate \$70,000.

**Accountants' Opinion**

To the Directors and Shareholders  
of Telephone Utilities, Inc.:

We have examined the consolidated balance sheet of Telephone Utilities, Inc. and subsidiaries as of December 31, 1973 and the related statements of consolidated income, retained earnings, and changes in consolidated financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned consolidated financial statements present fairly the financial position of Telephone Utilities, Inc. and subsidiaries at December 31, 1973 and the results of their operations and the changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

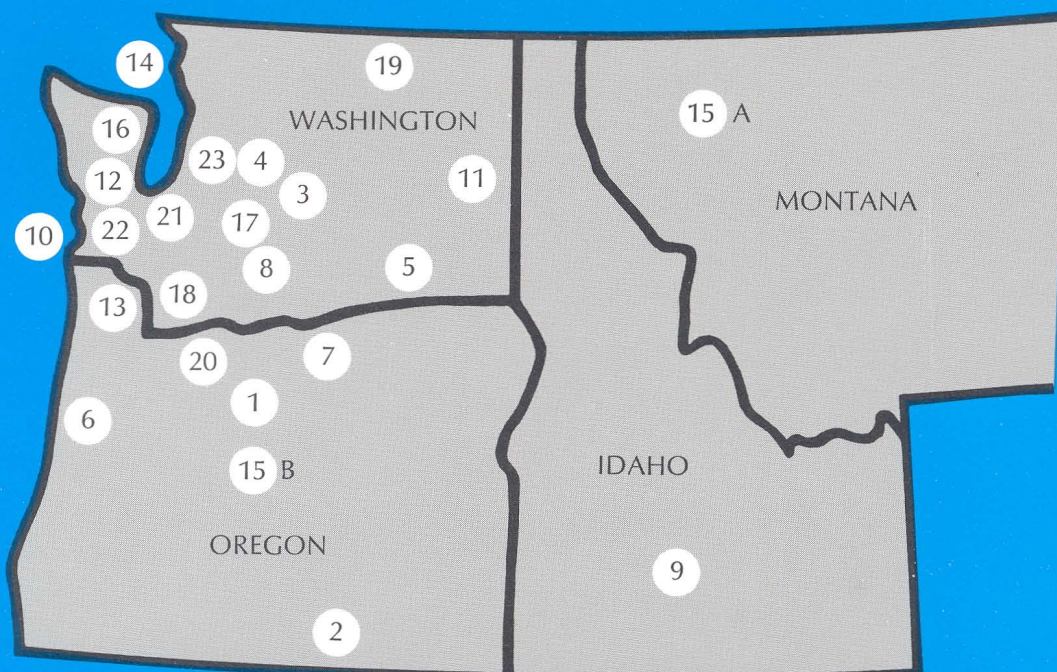
Portland, Oregon  
March 4, 1974

*Haskins & Sells*



## Subsidiaries

1. Aurora Telephone Company  
Aurora, Oregon
2. Beaver State Telephone Company  
Lakeview, Oregon
3. Cascade Autovon Company  
North Bend, Washington
4. Cascade Telephone Company  
North Bend, Washington
5. Columbia Basin Telephone Company  
Connell, Washington
6. Depoe Bay Telephone Company  
Depoe Bay, Oregon
7. Deschutes Telephone Company  
Maupin, Oregon
8. Evergreen Telephone Company  
Morton, Washington
9. Gem State Utilities Corporation  
Grand View, Idaho
10. Ilwaco Telephone Company  
Ilwaco, Washington
11. Inland Empire Telephone Company  
Medical Lake, Washington
12. Island Empire Telephone Company  
Gig Harbor, Washington
13. Knappa Telephone Company  
Knappa, Oregon
14. Lopez Telephone Company  
Lopez Island, Washington
15. Northwestern Telephone Systems, Inc.  
A. Kalispell, Montana  
B. Lebanon, Oregon
16. Olympic Telephone Company  
Kingston, Washington
17. Orting Telephone Company  
Orting, Washington
18. Puget Island Telephone Company  
Puget Island, Washington
19. Rainier Telephone Company  
Twisp, Washington
20. Rose Valley Telephone Company  
Scappoose, Oregon
21. Sound Telephone Company  
Lakebay, Washington
22. Timberland Telephone Company  
Montesano, Washington
23. Vashon Telephone Company  
Vashon Island, Washington





## Officers and Management

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A. M. GLEASON  
*President and Chief Executive Officer*

LEWIS C. NEACE, M.D.  
*Senior Vice President*

VERN K. DUNHAM  
*Vice President for Revenue Requirements and Controller*

ROBERT E. UNRUH  
*Vice President for Corporate Planning*

JOHN H. GEIGER  
*Vice President*

BRIAN M. WIRKKALA  
*Secretary-Treasurer*

JAMES E. AYDELOTT  
*Chief Engineer*

RICHARD H. HAYDEN  
*General Plant Manager*

DIANE T. TIMSON  
*Assistant Secretary*

GERARD K. DRUMMOND  
*Assistant Secretary*

MARVA J. WIRKKALA  
*Assistant Treasurer*

## Directors

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A. M. GLEASON  
*President of the Company*

HARRY L. CLARK  
*Controller and Assistant Treasurer  
Portland General Electric Company*

B. LAMAR GAINES  
*Manager  
Cascade Autovon Company*

A. R. GATELY  
*Retired Manager  
Island Empire Telephone Company*

HARRY E. MORGAN, JR.  
*Senior Vice President  
Weyerhaeuser Company*

LEWIS C. NEACE, M.D.  
*Senior Vice President  
of the Company*

R. C. REEVES  
*President  
Reeves Clothing Co.*

CARL J. RONNING  
*Director of Internal Audit  
The TI Corporation (of California)*

SIDNEY R. SNYDER  
*President  
Sid's Super Market, Inc.*

HUBERT A. TONDREAU  
*Assistant Vice President  
Standard Insurance Company*

NORMAN A. HOWERTON  
*Director Emeritus*

**Telephone Utilities, Inc.**  
Ilwaco, Washington 98624

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### Transfer Agents and Registrars

First National City Bank  
New York, New York

First National Bank of Oregon  
Portland, Oregon

### General Counsel

Rives, Bonyhadi & Drummond  
Portland, Oregon

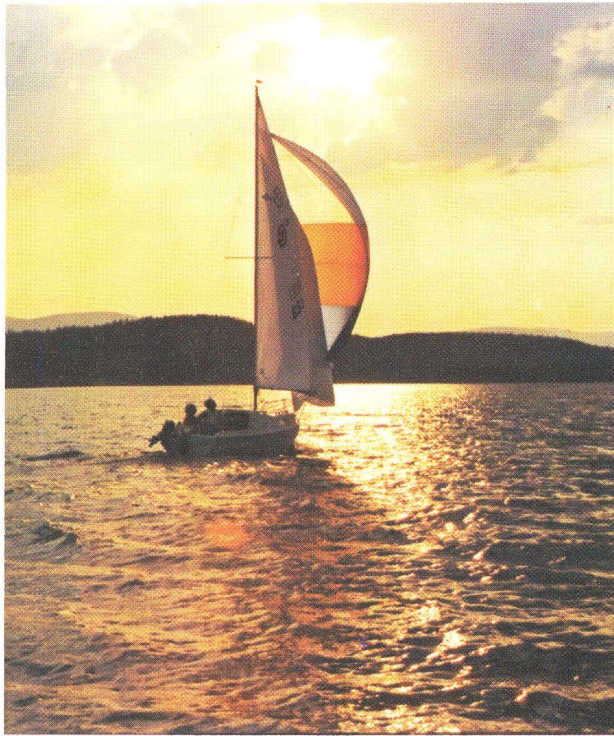
### Special Counsel

Bogle, Gates, Dobrin, Wakefield  
& Long  
Seattle, Washington

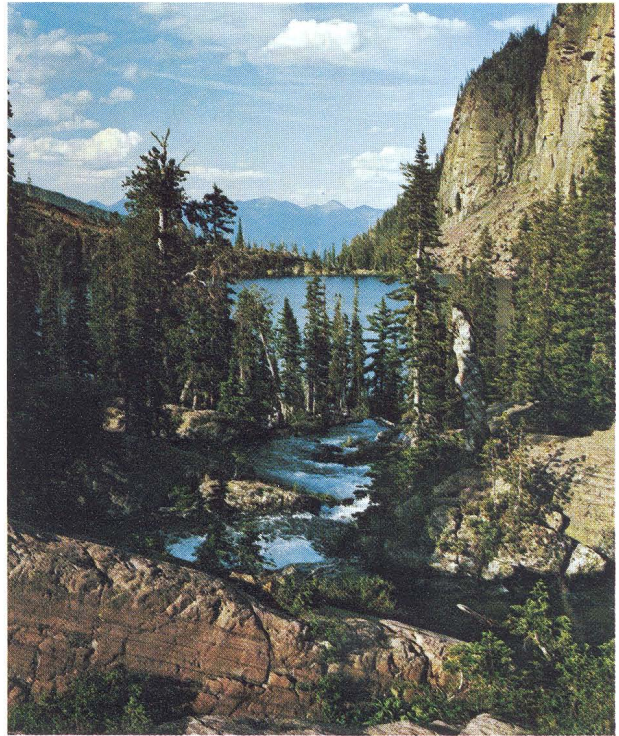
### Auditors

Haskins & Sells  
Portland, Oregon





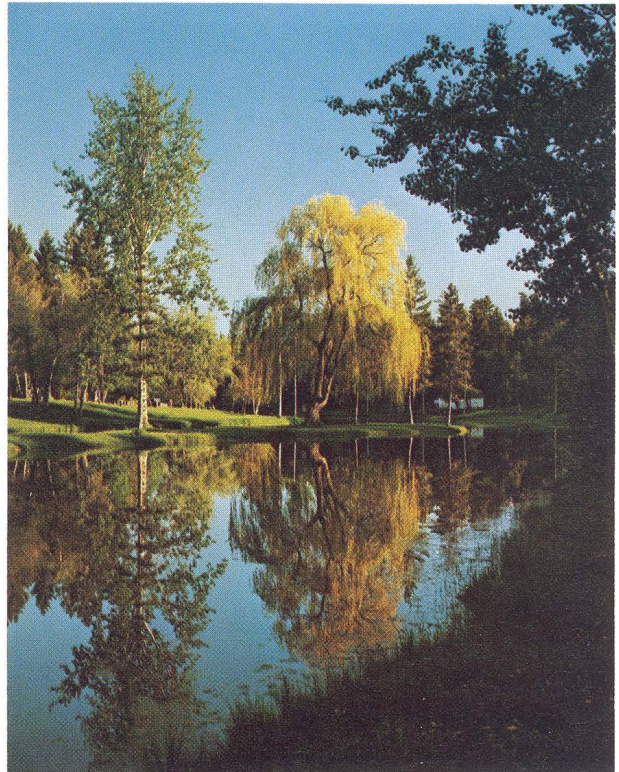
Montana's Flathead Valley is dotted with picturesque lakes well suited for sailboating. A red, white and blue spinnaker sail billows in the summer breeze on Flathead Lake, one of the more popular rendezvous for sailboat enthusiasts.



Tall timber and a nearly perpendicular cliff of Lindy Peak frame the serene beauty of Lace Lake, hidden away in the rugged southern reaches of the Mission Range southeast of Kalispell, Montana.



The Big Mountain ski resort near Whitefish, Montana, is among the premier ski areas in North America. Tall "snow ghost" trees flank skier on one of Big Mountain's runs.



Photographer's camera captures autumn colors in Woodland Park, a favorite for picnics and leisurely strolls in Kalispell, Montana.





Telephone  
Utilities, Inc.