

NEWS RELEASE

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PSC, U S WEST MAY BE CLOSE TO SERVICE QUALITY SETTLEMENT

The state Public Service Commission and U S WEST Communications have edged nearer to an agreement that would settle the PSC's lawsuit against the company over alleged service quality violations.

PSC members Nancy McCaffree and Bob Anderson, on behalf of the full commission, have been negotiating directly with company representatives led by George Ruff, Montana vice president of U S WEST. They announced today in a joint press conference that they have reached agreement on the elements of a settlement proposal that they will recommend to the commission and to U S WEST headquarters in Denver for approval. If approved, the agreement would settle the pending service quality lawsuit.

"This agreement is the best possible outcome," said Nancy McCaffree, chair of the PSC.

"Both sides started with a common goal of improved phone service for Montanans, and we believe that's what this agreement will deliver."

Jim Hayhurst, regulatory director for U S WEST and one of the company's representatives in the negotiations, agreed. "We're very pleased with the agreement and with the understanding we all gained as we discussed the issues and solutions," he said. "We've entered a new era in telecommunications and the communications established by these discussions will be of great value going forward."

According to Anderson, the two sides first identified common principles each party wanted included in the settlement. A shared goal has always been to improve the level of telephone service for Montanans, he said.

"This agreement is a better approach than litigation. It has both carrots and sticks as incentives," Anderson said. "It also recognizes fundamental changes in the telecommunications industry."

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The main components of the settlement proposal are:

- Cellular loaner program for customers whose landline phone installation is delayed because the company lacks facilities to serve them. Under this program, U S WEST will contract with cellular companies in the state to provide cellular phones and service to residential and small business customers who have waited more than seven days for phone installation of a first line. Customers will pay the basic monthly charge for U S WEST service and, in return, will have their regular U S WEST phone number and directory listing and unlimited local calling. Long-distance calls will have to be billed to a calling card. Customers will not be eligible

for the cellular loaner program if they live outside an exchange's base rate area and are required to pay construction charges because of their location's distance from the nearest phone facilities -- unless U S WEST fails to meet the commitment date for service installation.

- Service guarantees - If U S WEST misses an installation commitment, the company will automatically credit residential customers \$10 and business customers \$40. If a customer calls U S WEST to report a missed repair commitment, the company will give a \$10 credit to residential customers and \$40 to business customers.
- Phased-in improvements to U S WEST's installation and out-of-service repair performance. The plan gives U S WEST two years to improve service from present levels to the PSC installation and repair standards. The company will be required to meet increasing service objectives, both on a statewide and individual wire center basis. If U S WEST does not meet the service objectives, the company will pay penalties into a fund administered by the PSC for the purpose of enhancing telecommunications in the company's service territory. Failure to meet quarterly statewide service objectives carries penalties ranging from \$37,250 per quarter to \$100,000, while failure to meet individual wire center objectives more than 6 months out of each 12-month period of the plan could cost the company from \$5,000 to \$15,000 per wire center if service objectives continue to be missed.

The 25 wire centers (out of a total of 72) to which U S WEST currently provides just twice-a-week or three-days-a-week installation and repair service will be excluded from the performance measures. However, customers in those towns will receive an automatic credit in the amount of one month's local service if U S WEST does not clear their out-of-service trouble reports in 48 hours.

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- Caller ID and related services will be expanded to 20 more wire centers in early 1996. The wire centers are: Anaconda, Boulder, Canyon Ferry, Clancy, Deer Lodge, Dillon, Opportunity, Townsend, Warm Springs, Whitehall, Wolf Creek, Bridger, Columbus, Fromberg, Hardin, Joliet, Laurel, Park City, Red Lodge, and Roberts.
- Capital recovery program. The PSC agrees to consider within 6 months of its filing a single-issue rate case from U S WEST in which the company

will ask the commission for an increase in residential rates of \$1.15 per month, thereby improving the company's cash flow by about \$4.4 million annually to assist in financing its Montana capital program. U S WEST will propose to offset this revenue increase by using the same depreciation schedules for the company's intrastate Montana operations as the Federal Communications Commission has currently authorized for the company's interstate operations. According to U S WEST, no earnings improvement would result from these actions. Under the proposed settlement agreement, U S WEST would have the right to withdraw the filing at any time.

If the PSC approved the increased depreciation and accompanying residential rate increase, one-half of the revenue recovery would take effect right away. In return, U S WEST would deploy Caller ID and related services in Lewistown, Havre, Miles City, Terry and Forsyth. If U S WEST meets the service performance objectives in each quarter of the 2-year plan, then the company would be entitled to the full revenue recovery when the two years are up. In return, U S WEST would deploy Caller ID and the related services in the 20 remaining towns in its service territory. If the company fails to qualify for the second half of the recovery, the first half would remain in effect.

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