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JOINT NEWS RELEASE FROM PSC AND U S WEST

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PSC, U S WEST SIGN SERVICE QUALITY SETTLEMENT AGREEMENT

Montana telephone customers of U S WEST Communications should see improved and expanded service as a result of the agreement signed today between the company and the Public Service Commission that settles the PSC's service quality lawsuit against U S WEST.

PSC members Nancy McCaffree and Bob Anderson, on behalf of the full commission, directly negotiated the terms of the agreement with company representatives led by George Ruff, Montana vice president of U S WEST, and regulatory director Jim Hayhurst. The agreement is the result of several months of negotiations to settle the lawsuit that was filed against the company in November 1994. The commission voted 4-1 in favor of the agreement, with PSC member Bob Rowe dissenting.

"The objective of the settlement is to improve service for US West customers," said McCaffree. "At times it was difficult to keep that in mind, when it seemed the best solution was to drop negotiations and continue with the lawsuit, especially when this agreement came six months after our actual target date. That would not have best served the customer. I believe we have met our objective and then some. The cellular loaner program is excellent and there are tough incentives in place for U S WEST to meet the service targets. We intend to monitor the company's performance very closely while they work to meet those goals."

"We're pleased with the agreement and with the understanding we all gained as we discussed the issues and solutions," Hayhurst said. "We've made some solid improvements in our service since these discussions began and view this agreement as a service contract with our customers as we enter a new era in telecommunications."

"This agreement is a bold attempt at a new approach to regulation," according to PSC member Anderson. "Instead of trying to enforce service standards through litigation, it provides U S WEST with a set of strong incentives. If service improves, the company will be rewarded; if it doesn't, the company will automatically pay penalties. At the same time, the commission will encourage competition. In the end, it is competition that will provide customers with good service at reasonable prices."

The components of the agreement include a cellular loaner program to provide service when land line installation is delayed, a service improvement plan for out-of-service repair and installation intervals, and expands CLASS features to more towns in the company's service area.

For about 45 Montana communities, CLASS services, including caller ID, will be offered years earlier than U S WEST's original schedule.

"The agreement will require us to continue our investment in improved service and work harder than ever to meet growing service demands," Hayhurst said. "But it continues the work we have been doing to meet our own and our customers' expectations of service."

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SIDEBAR U S WEST/PSC

The components of the settlement agreement are:

- Cellular loaner program for customers whose landline phone installation is delayed because the company lacks facilities to serve them. Under this program, which will be in effect for two years, 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. The cost will be $15 per month for residential customers and $40 per month for business customers. These customers using their loaned cellular phones 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. The loaned cellular phone must be returned to the cellular provider when the customer's U S WEST landline phone is hooked up.

  Customers for whom cellular service is unavailable or undesirable may opt to take a $100 billing credit and voice messaging service (if available).

  Customers who 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 will not be eligible for the cellular loaner program, unless U S WEST fails to provide them with landline service within 30 days after the company receives the customer's payment of the construction charge or unless U S WEST fails to determine whether a construction charge is applicable within 7 days of the customer's service order.

- Service guarantees - If U S WEST does not install service on the day promised to the customer, the company will automatically credit residential customers $10 and business customers $40. If the company misses a morning installation appointment but installs service in the afternoon of that day, no credit will be issued unless the customer calls the company to complain.

  For missed repair appointments, the company will give a $10 credit to residential customers and $40 to business customers, but only if the customer calls U S WEST to report the missed repair appointment.

- Phased-in improvements to U S WEST's installation and out-of-service repair performance. The plan gives U S WEST until March 1998 to improve service from present levels to the PSC installation and repair standards. The company will be required to meet quarterly 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 $37,500 per quarter to $100,000, while failure to meet individual wire center

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objectives could cost the company from $5,000 to $15,000 per wire center if service objectives continue to be missed.

The 27 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 service 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.

- Caller ID and related services will be expanded to 20 more wire centers in 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 $1.56 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 service improvement plan, then the company
would be entitled to the full revenue recovery when the plan ends in March 1998.
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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