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PSC ISSUES ORDER IN US WEST RATE REBALANCING CASE

Rates for US West Communications' residential telephone customers will increase while rates for the company's business customers in larger Montana cities will decrease as a result of a rate rebalancing order issued Wednesday by the Public Service Commission.

On a 3-2 vote, the PSC adopted a modified version of a stipulation that was proposed by US West and the Montana Consumer Counsel, which represents residential and small business customers in cases before the PSC. Commissioners Dave Fisher, Danny Oberg and Nancy McCaffree voted to approve the order while Commissioners Bob Anderson and Bob Rowe voted no. As a result of the PSC order:

- Flat-rated residential phone service will increase \$1.35 per month in October, and an additional \$1.60 per month on July 1, 1999, for a total increase of \$2.95 per month.
- Measured residential phone service will increase 68 cents per month in October, and an additional 80 cents per month on July 1, 1999, for a total increase of \$1.48 per month. This increase is less than what had been proposed in the stipulation.
- The two existing rate groups for business customers will be combined into a single rate group. Rates for flat-rated business service in the larger cities will decrease \$2.88 per month to \$37.06, which is the current business rate for customers in smaller towns.
- Measured business phone service will increase by \$1.36 per month and the accompanying cost per minute will increase from 1 cent to 2 cents per minute.
- US West will no longer prohibit customers from having both a flat-rated phone line and a measured service line at the same household.
- Monthly phone rates will not increase for low-income customers participating in the Montana Telephone Assistance Program. In addition, US West must submit a plan to the PSC within 90 days to implement automatic enrollment into the assistance program for customers who are also Medicaid recipients.
- Access charges that long-distance companies pay to use US West's network will decrease by approximately \$1 million, effective July 1, 1999. Long-distance companies are then required by Montana law to reduce their rates to reflect the access charge reductions.
- US West's long-distance rates will be restructured, generally reducing prices for calls of longer distances while increasing the price of short-haul calls. This will result in a \$6.3 million decrease in the company's revenue. The company's long-distance rate structure will be simplified to include just two mileage bands -- short and long -- with each mileage band having an on-peak and off-peak rate. In the short mileage band that includes calls of up to 22 miles, the rate for calls placed between 8 a.m. and 5 p.m. will be 13 cents per minute and 7 cents per minute the rest of the time. In the long-mileage band that includes calls over a distance more than 22 miles, the 8 a.m. to 5 p.m. rate will be about 28 cents per minute for a year, then will drop to about 22 cents per minute. Calls placed outside the 8-to-5 time period will cost 12 cents per minute.

- A "rate freeze" will be in effect for US West until January 1, 2000.
- The rates for payphone services that were proposed by US West were adopted.

When US West filed this case in December, 1996, the company proposed to "rebalance" its rates in what it said was an effort to better align its prices with its costs of providing service. The changes to US West's rates that result from this order are revenue neutral -- they do not change the company's Montana revenue because increases in some rates are offset by reductions in others.

"Consumers will see some increases and decreases, but US West won't get any extra money because of this decision or I would not have supported it," according to PSC Chairman Dave Fisher. "Consumers will benefit as the new price structures encourage emerging competition. I believe competition will result in lower total telecommunications bills for customers. For too long it has cost Montanans more to call another city in Montana than to call New York City. I don't believe that's fair, and I'm glad these rates will be reduced."

"This increase for residential customers is too much, too soon," said Commissioner Anderson. "Once again, the residential customer is the victim of competition."

According to Commissioner Rowe, "The increase in residential rates is more than I will accept without a careful review of US West's revenues and financial requirements. Unfortunately, the commission majority waived that review. However, the order does accomplish a number of good things that customers requested."

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