

Touch America Says Qwest Selling Prohibited Long-Distance Services In Its Monopoly Region, Violating Section 271 of Telecom Act

A Local Telephone Utility Must Open Its Monopoly System to Competitors,
Comply With Section 271 of the Telecom Act of 1996,
And Receive Federal Approval Before it Can Enter the Competitive
Long-Distance Market in Its Regulated Region

WASHINGTON, Feb. 5 /PRNewswire/ -- Touch America, the national fiber-optic network and high-speed broadband products and services subsidiary of the Montana Power Company (NYSE: MTP), filed a complaint late yesterday with the Federal Communications Commission (FCC), asking the federal agency to stop Qwest Communications from selling long-distance services in its 14-state regulated monopoly region in violation of the Telecommunications Act of 1996.

Under Section 271 of the Telecom Act, a local phone company, like Qwest, is barred from selling long-distance voice or data telecommunications services across its monopoly region (in-region) until it has satisfactorily opened its local utility system to competition and has received approval from the FCC.

"Qwest is marketing and selling voice and data long-distance services under 'Capacity IRU' agreements," said Cort Freeman, Touch America's vice president, Corporate Communication. "When you strip away the rhetoric, we think capacity agreements in the form of Lit Capacity IRUs are just plain old private line, long-distance leased circuits."

Private line circuits are customarily used by large commercial customers and telecommunications carriers between major cities such as Seattle to Denver or Denver to Los Angeles. "The whole Lit Capacity IRU concept is admittedly clever," Freeman said. "But the bottom line is that Qwest is selling private line or dedicated long-distance services when it lacks FCC approval to do so."

FCC regulations permit regional telecom utilities, like Qwest, to sell network facilities -- hardware such as poles, wires, fiber-optic cable, and the optical equipment used to transmit telecommunications signals that provide the long-distance services. But a company like Qwest cannot sell long-distance services until it receives the necessary approvals.

Qwest has maintained publicly that a "Lit Capacity IRU," marketed as Qwest's 'wavelength' service, Q Wave, and perhaps other names, is a "network facility." Touch America contends Qwest's Lit Capacity IRUs are not facilities but, instead, are long-distance services.

"Under the terms of a Qwest Capacity IRU agreement, Qwest doesn't sell any network facilities," Freeman said. "Qwest keeps title to all the network infrastructure and operates and maintains it, something that wouldn't happen if the capacity sale represented a network facility. Capacity is a service that exists because of the facilities; it isn't a facility. Any way you look at it, with the retention of ownership, this really is providing services, not selling facilities."

According to Freeman, the ultimate user also has no say in the operation of the Lit Capacity IRU except to pick up the phone and make telephone calls or, on the wholesale side, route customer traffic. "Further, we have researched the FCC record regarding Qwest's merger, divestiture, and acquisition activities and have not found anything to support Qwest's assertions that the FCC knowingly approved Qwest provisioning Lit Capacity IRU's in its service territory."

During the first three quarters of 2001, Qwest recorded approximately \$990 million in capacity sales. "We wonder how much of those sales took place inside Qwest's 14 state service territory in violation of Section 271," Freeman said. "One thing is certain: If the FCC rules in our favor, Touch America expects to be compensated for the lost revenues it has suffered

because of Qwest activities during this time."

The complaint filed with the FCC lists seven customers and 14 circuits as examples of Qwest providing Capacity IRUs in-region. "We hope other telecommunications carriers will take a good look at Touch America's complaint," Freeman said. "We're sure they'll recognize Qwest's practice for what it is and identify other examples of Qwest marketing and selling in-region long-distance services, whether Capacity IRUs, Q Wave or otherwise, that we believe are in violation of Section 271 of the Telecommunications Act," he continued.

On June 30, 2000, Touch America acquired for \$200 million Qwest Communications' regional long-distance business in order for Qwest to comply with federal laws and regulations associated with its merger with U S WEST. In its FCC filing, Touch America claims that Qwest also violates Section 271 by using Capacity IRU's to reclaim customer accounts properly divested to Touch America.

Touch America has other complaints with Qwest and will file them with the FCC later this week.

About Touch America

Touch America is a national broadband fiber-optic and regional wireless telecommunications company, providing customized voice, data and video transport, as well as Internet services, to wholesale and business customers. Branded TOUCHAMERICA, the company's fiber-optic network spans 26,000 miles, making it one of the largest and highest capacity long haul networks in the U.S. The company provides the latest in IP, ATM and Frame Relay protocols and private line services to transport data with speed, privacy and convenience. Touch America will transition from a wholly owned telecommunications subsidiary of the Montana Power Company (NYSE: MTP) to a stand-alone telecom corporation, Touch America Holdings, Inc., this year. Touch America's focus and growth strategies are broadband fiber-optic and wireless spectrum services backed by 24 x 7 customer support. More information can be found at <http://www.tamerica.com/> .

Forward-looking information is subject to risk and uncertainty. Portions of this document may constitute "forward-looking statements" as defined by federal law. Although the companies believe any such statements are based on reasonable assumptions, there is no assurance that actual outcomes will not be materially different. Any such statements are made in reliance on the "safe harbor" protections provided under the Private Securities Litigation Reform Act of 1995. Additional information about issues that could lead to material changes in performance are contained in the companies' Annual Reports on Form 10-K filed with the Securities and Exchange Commission.

MAKE YOUR OPINION COUNT - Click Here
<http://tbutton.prnewswire.com/prn/11690X07684992>

SOURCE Touch America

Web site: <http://www.tamerica.com/>

CONTACT: Media Relations, Cort Freeman, +1-406-497-5464, or
Investor Relations, Linda McGillen, +1-406-497-5211, both of
Touch America