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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 979

In the Matter of the Petition for Extended Area)	
Service by the NEWPORT TELEPHONE)	ORDER
EXCHANGE.)	

DISPOSITION: (1) COMMUNITY OF INTEREST FOUND BETWEEN
 THE NEWPORT AND LINCOLN CITY EXCHANGES;
 (2) NEWPORT/LINCOLN CITY EAS ROUTE NECESSARY
 TO MEET CRITICAL NEEDS

SUMMARY

In this order, the Commission finds that a community of interest exists between the Newport and Lincoln City telephone exchanges, and that the interLATA extended area service (EAS) route is necessary to meet the critical needs of customers in the Newport exchange. Based on these findings, the Commission concludes that this petition should proceed with Phase II, the rate and cost phase of an EAS investigation.

Procedural History

On June 22, 2001, the customers of the Newport telephone exchange petitioned the Commission for extended area service (EAS) to the Lincoln City telephone exchange. A map of the affected exchanges is attached as Appendix A. The petition is unique, in that it seeks EAS across a LATA boundary.¹ The Newport exchange is located in the Eugene LATA, while the Lincoln City exchange is located in the Portland LATA.

¹ LATAs, or Local Access Transport Areas, are long distance calling regions created pursuant to the divestiture of the Bell system. Under federal law, former Bell Operating Companies, such as Qwest Corporation, are prohibited from carrying traffic across LATA boundaries.

The Commission docketed the request as UM 979 for investigation. On February 13, 2001, Michael Grant, an Administrative Law Judge for the Commission, held a hearing on this matter in Newport, Oregon. Approximately 40 people appeared in support of the petition.

Based on a preponderance of the evidence in this matter, the Commission makes the following:

FINDINGS

Geography and Demography

The Newport and Lincoln City telephone exchanges lie on the central Oregon coast in Lincoln County. The county is geographically isolated by the Coast Range Mountains to the east, the Pacific Ocean to the west, and large prominent headlands to the north and south. The Newport and Lincoln City exchanges both serve linear communities that lie along and are connected by U S Route 101. The petitioning exchange, Newport is served by Qwest Corporation and consists of approximately 8,653 access lines. The target exchange, Lincoln City is served by Sprint/United and has about 11,271 access lines.

The cities of Newport (pop. 10,290) and Lincoln City (pop. 7,045) are located approximately 22 miles apart and have distinct characteristics. Lincoln City's economy is very dependent on tourism, and has the most hotel and motel rooms on the west coast between Seattle and San Francisco with over 2,000 rooms. It is also home to one of the county's largest employers, the Chinook Winds Casino. While Newport also relies on tourism, its economy is more diversified. Newport has the largest commercial fishing fleet in Oregon. As the seat of Lincoln County, it also has numerous county and governmental offices that offer a variety of employment opportunities for area residents. In fact, government is the second largest employer in the county, employing over 4,000 workers.

Schools

Lincoln County has a countywide school district with elementary, junior high, and high schools located in both Newport and Lincoln City. The district's offices are located in Newport, which causes increased telephone costs for school staff and parents/students that live in both areas.

The Oregon Coast Community College also serves Lincoln County with education centers in both Newport and Lincoln City. Currently, the school has an enrollment of over 5,000 students. Due to the school's limited budget, it is necessary for OCCC's centers to specialize in services and curriculum. For example, the Small Business Development Center is located in Lincoln City, while the College Student Success Center is in Newport. OCCC's administrative offices, student

services, and bookstore are located in Newport. As far as curriculum available, chemistry and oceanography classes are offered in Newport, while biology and history are offered in Lincoln City. Under these circumstances, OCCC employees and students typically commute back and forth between Newport and Lincoln City.

Government and Jurisdictional Issues

The Newport and Lincoln City exchanges are located in Lincoln County and served by county governmental offices located in Newport. These include offices for Planning, Circuit Court, District Attorney, Commission on Children and Families, Juvenile Department, Taxation, and Sheriff. Some county agencies also maintain offices in Lincoln City, such as the Department of Health and Human Services. Many state agencies have offices in Newport, including the Adult and Family Services, Employment Department, Services to Children and Families, State Police, and Department of Motor Vehicles.

Medical and Dental Services

There are a fair number of medical and dental providers available locally to Newport and Lincoln City residents. Each community also has a hospital. However, despite this appearance of self-sufficiency, both communities rely on each other in order to obtain a full range of medical services. Of the two communities, Lincoln City has more medical specialists. For example, the only cardiologist, oncologist, and midwife in the county practice in Lincoln City. Lincoln City also offers the only dialysis center, and North Lincoln hospital in Lincoln City provides the only breast-feeding support services in the county.

In addition, most health care providers in Lincoln County conduct a countywide practice. It is common for doctors with offices in Newport to have medical privileges at the hospital in Lincoln City. Consequently, many residents of both Lincoln City and Newport have primary care doctors located outside the local calling area.

Emergency Services

The cities of Newport and Lincoln City each have their own fire and police department. Both, however, cooperate with each other in providing services to county residents. Residents of both towns rely on the Lincoln County Sheriff Department and State Police, whose offices are both located in Newport. Both cities also are served by the Pacific West ambulance service, which is dispatched from Newport. The county jail is located in Newport, which is used by the police in both cities to detain the arrested.

Social Services

Lincoln County has several social service providers that serve residents of both Newport and Lincoln City. For example, the Women's Violence Intervention Program has a shelter in Lincoln City and a court advocacy program in Newport. The Lincoln County Development Corporation, aimed at providing low-income housing, is based in Newport but owns a large apartment complex in Lincoln City. CONTACT Information and Referral Service, the county's only 24-hour assistance agency, is located in Newport, but last year took over 2,600 calls from Lincoln City residents.

Transportation Patterns

Newport and Lincoln City lie along the Pacific Ocean and are directly linked by the Coast Highway, U S Route 101. This highway, however, is also the only reasonable transportation link between the two cities—a weakness that was demonstrated last winter when a slide at Cape Foulweather closed the highway for several days. Commuters who were used to a fairly easy drive of 20 miles suddenly faced a three-hour detour through the Willamette Valley. Luckily, the phone lines remained open, providing some link between the communities as employers struggled to stay open while employees were blocked from going to work.

Employment and Commuting Patterns

A large number of persons living in Newport or Lincoln City commute and work in the neighboring city. The largest employer in Lincoln City, Chinook Winds, has established shuttle service to Newport to pick up and drop off employees. Similarly, many Lincoln City residents commute to Newport to work in the governmental offices located there. The business links between the two communities is demonstrated by the fact that the Greater Newport Chamber of Commerce has several Lincoln City businesses as members.

In the past, businesses in both communities have also worked out sharing arrangements with employees when U S Route 101 is inaccessible. For example, during the Cape Foulweather landslide, the two hospitals worked out an arrangement so that nurses employed in Newport but living in Lincoln City could work at the Lincoln City hospital, while nurses employed in Lincoln City but living in Newport could work at the Newport hospital.

Recreation

Residents of Lincoln County rely on services available in both Lincoln and Newport to meet their recreational needs. The county's only public swimming pool is located in Lincoln City, along

with the new cinema. Lincoln County's performing art and music center, however, is located in Newport.

Community Support

Many organizations in both Newport and Lincoln City support the proposed EAS linking the two communities. Those who officially indicated their support include: Lincoln County School District; Lincoln County Board of Commissioners, City Council of Lincoln City, Newport City Council, News-Times Newspaper of Newport, Lincoln County Chapter – American Red Cross, the News Guard of Lincoln City, and the Board of the Oregon Coast Community College.

Calling Pattern Data

At the Commission's request, Qwest Corporation and Sprint/United Telephone Company of the Northwest provided monthly telephone usage data for the Newport and Lincoln City exchanges. Although this data does not capture all toll activity between the exchanges, and is imprecise due to the toll avoidance habits of Lincoln County residents, it revealed a substantial amount of calling between the exchanges. On average, 4.33 toll calls per access line per month were placed from the Newport exchange to the Lincoln City exchange, while 3.17 toll calls per access line per month were placed from the Lincoln City exchange to the Newport exchange. Furthermore, over a six-month period, the 31.6 percent of customers in the Newport exchange made at least two toll calls per month to the Lincoln City exchange.

DISCUSSION

Commission Policy

The Commission has long recognized the problem with out-dated telephone exchange boundaries. In many parts of the state, original exchange territories no longer relate to community boundaries. Improved roads and highways, changes in local economies, and the growth or decline of cities and towns have greatly modified what local residents view as their community.

To address this problem, the Commission allows telephone customers to request EAS to other nearby exchanges to increase their toll-free calling area. EAS is important to many customers, because it allows them toll-free access to family, friends, neighbors, and businesses, as well as emergency, medical, educational, and governmental services, not located in their local calling area.

EAS is not a cost-free service, however. EAS merely changes the way telephone companies are compensated for interexchange telephone service. Per-minute toll charges are replaced with a flat or measured EAS rate. Large toll charges faced by a relatively small number of customers

are replaced with smaller charges to many customers. The implementation of new EAS routes, therefore, may create new problems as telephone companies try to recover lost toll revenues.

Community of Interest

Due to these competing concerns, the Commission has established a review process designed to balance the need to avoid rate increases on low volume users with the benefits customers may desire from toll-free rates. In an EAS investigation, the Commission first requires that a community of interest exist between the petitioning exchange and target exchange(s). A community of interest exists where there is a “social, economic, or political interdependence between two areas, or where there is a heavy dependence by one area or another area for services and facilities necessary to meet many of its basic needs.” *See Forest Grove EAS Investigation*, Order No. 87-309, at 8.

To determine whether a community of interest exists between the communities, the Commission relies on an analysis of demographic, economic, financial, or other evidence submitted by petitioners in support of the petition. In this examination, the Commission has identified several factors for consideration:

(1) geographic and demographic information; (2) location of schools; (3) governmental and jurisdictional issues; (4) emergency services; (5) social services; (6) medical and dental providers; (7) employment and commuting patterns; (8) business and commercial dependence or interdependence; (9) transportation patterns; (10) the calling patterns between telephone exchanges; and (11) other factors deemed relevant by the Commission. *See In the Matter of the Consolidated Applications for Expansion of the Portland Extended Area Service Region*, Order No. 93-1045, at 12.

Critical Needs

As noted above, this petition is unique because it seeks EAS across a LATA boundary. The Newport exchange is located in the Eugene LATA, while the Lincoln City exchange is located in the Portland LATA. This fact is important, because Qwest is currently prohibited under federal law from providing telecommunication services across LATA boundaries. Consequently, to allow this interLATA EAS route, Qwest must obtain a waiver of the LATA restriction from the Federal Communications Commission (FCC).

Because of this fact, the petitioners must also show that the proposed interLATA EAS route is necessary to meet the critical needs of residents due to the lack of essential services in their own exchange, or neighboring exchange located within the same LATA. In evaluating critical needs, the Commission considers the customers’ access to emergency, medical, dental, professional, business, educational, and governmental services. *See Order No. 95-1168*.

COMMISSION RESOLUTION

The Commission concludes that the Newport exchange petitioners have established that a community of interest exists between the Newport and Lincoln City exchanges. The evidence presented at hearing establishes a sufficient degree of interdependence between the two areas to justify EAS conversion.

As discussed above, Lincoln County is isolated geographically by the Coast Range and Pacific Ocean and to the west and east, and by two prominent headlands to the north and south. Due to this defining geography, the two largest cities in the county, Newport and Lincoln City, rely heavily on each other and share common interests, concerns, and pursuits. Many citizens of Newport and Lincoln City commute to the other community on a regular basis for employment. The two communities share a school district and are served by the Oregon Coast Community College. Numerous businesses and professional service providers have a presence in both cities.

The Commission further concludes that the Newport petitioners have established that the proposed interLATA EAS route is necessary to meet the critical needs of customers. While Newport and Lincoln City are located some 20 miles apart and unique in their own right, local residents view both towns as one unified community. They contend that neither city is self-sufficient, and view the telephone exchange boundaries—and the LATA boundary—as an artificial barrier separating them from each other and essential services.

The petitioners' arguments are well founded. The evidence shows an undeniable economic and social area of interest throughout Lincoln County. Businesses in Newport and Lincoln City rely on suppliers, customers, and employees located in both cities. Indeed, some employers have daily shuttles between cities to transport employees. Other employers in both cities cooperate with each other to help staff their facilities when the Coast Highway is inaccessible. Professional service providers and social service providers have recognized this integration and offer a full range of services to Lincoln County residents by maintaining facilities in both cities. For example, the local community college offers a full compliment of classes to county residents by locating some programs and services in Lincoln City, with others in Newport. Similarly, doctors have an office in one city, but see patients at the hospital located in the other city. Social service agencies make the most of tight budgets by splitting their facilities and offering some services in Newport, and others in Lincoln City.

In this unified community, local residents in both Newport and Lincoln City rely on both cities to obtain all the essential goods and services to meet their basic needs. County residents look to Lincoln City for specialized medical care, employment opportunities, recreational activities, and small business assistance, while relying on Newport for county and state governmental services, as well as retail and commerce activities. This critical interdependence is reflected in the objective calling pattern data. Although the calling pattern data does not capture all toll data between the exchanges, and is

imprecise due to the toll avoidance habits of Lincoln County residents, the calling data showed a significant number of toll calls being placed between the Newport and Lincoln City exchanges. In short, the record in this matter persuasively demonstrates that Lincoln County is a single community, bound by numerous political and socioeconomic factors.

Finally, the Commission finds that the critical needs of Newport residents are not reasonably met by intraLATA EAS alternatives. Lincoln City and Newport are, by far, the largest cities in Lincoln County. Corvallis is the nearest exchange within the Eugene LATA that could provide essential goods and services to Newport residents. That exchange, however, is located more than 50 miles away from Newport and accessed via a winding road across the Coast Range. More importantly, as demonstrated by petitioners at hearing, the Newport exchange residents are unified with their fellow county residents in Lincoln City. Under the circumstances, Corvallis could not readily satisfy the needs of Newport exchange customers.

ORDER

IT IS ORDERED that:

1. The petitioners have established that a community of interest exists between the Newport and Lincoln City telephone exchanges.
2. The petitioners have also established that the proposed interLATA EAS route is necessary to meet the critical needs of Newport residents.
3. This completes Phase I for that portion of the petition. For Phase II, the proposed Newport/Lincoln City interexchange route will be grouped with all other EAS dockets that complete Phase I by August 2001. The telephone companies serving these exchanges shall file proposed rates and supporting cost information by October 15, 2001.

Made, entered, and effective _____.

Ron Eachus
Chairman

Roger Hamilton
Commissioner

Joan H. Smith

Commissioner

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable law.