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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 980

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

DISPOSITION: (1) COMMUNITY OF INTEREST FOUND BETWEEN THE CRATER LAKE AND THE FORT KLAMATH, CHILOQUIN, AND KLAMATH FALLS EXCHANGES;

(2) NO COMMUNITY OF INTEREST FOUND BETWEEN THE CRATER LAKE AND ROCKY POINT, PROSPECT, BUTTE FALLS, SHADY COVE, WHITE CITY, AND MEDFORD EXCHANGES

SUMMARY

In this order, the Commission finds that a community of interest exists between the Crater Lake and the Fort Klamath, Chiloquin, and Klamath Falls exchanges, and that the extended area service (EAS) routes are necessary to meet the critical needs of customers in the Crater Lake exchange. Based on these findings, the Commission concludes that these portions of the petition should proceed with Phase II, the rate and cost phase of an EAS investigation. The Commission further concludes that a community of interest does not exist between the Crater Lake and the Rocky Point, Prospect, Butte Falls, Shady Cove, White City, and Medford exchanges. The Commission concludes that those portions of the petition should be dismissed.

Procedural History

On June 28, 2000, the customers of the Crater Lake telephone exchange petitioned the Commission for extended area service (EAS) to the Fort Klamath, Chiloquin, Klamath Falls, Rocky

Point, Prospect, Butte Falls, Shady Cove, White City, and Medford telephone exchanges. A map of the affected exchanges is attached as Appendix A.

The Commission docketed the request as UM 980 for investigation. On March 26, 2001, Michael Grant, an Administrative Law Judge for the Commission, held a hearing on this matter in Crater Lake, Oregon. Approximately 20 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 Crater Lake telephone exchange is located in the Cascade Mountains in north Klamath County. It serves a small year-round population that lives within and works at the Crater Lake National Park. This permanent population consists of approximately 24 households. The local population swells considerably during the summer, due to the number of seasonal employees and volunteers that work for the National Park Service, the Crater Lake Lodge Company, the campground, and the gift shop. The Crater Lake exchange consists of 61 access lines and is served by the United Telephone Company of the Northwest (Sprint).

The Prospect, Butte Falls, Shady Cove, White City, and Medford telephone exchanges lie to the southwest of Crater Lake and serve communities that lie in the Rogue River Canyon. All five exchanges lie in Jackson County and, with the exception of Medford, are also served by Sprint. The Medford exchange, located about 80 miles from the Crater Lake exchange, is served by Qwest Corporation (Qwest).

The Forth Klamath, Rocky Point, Chiloquin, and Klamath Falls exchanges lie to the south east of Crater Lake and serve communities located within the Klamath Basin. All four exchanges lie in Klamath County and, with the exception of Klamath Falls, are served by Century Tel. The Klamath Falls exchange, located about 60 miles from Crater Lake, is served by Qwest.

There are no community-based institutions, social services, or commercial services provided by the National Park Service. Consequently, Crater Lake exchange customers rely on neighboring communities for essential goods and services. The cities of Klamath Falls and Medford are the closest communities that offer a wide range of professional and retail services. Both cities are relatively large urban areas that offer facilities necessary to meet the basic needs of Crater Lake exchange residents. These include banking, accounting, insurance and medical services, as well as groceries, hardware supplies, auto maintenance, and consumer goods.

Schools

Children that live in the Crater Lake exchange attend schools in Chiloquin. The area residents also have an informal arrangement with the Klamath County Library to provide books on a monthly basis for a small library located within park boundaries.

Government and Jurisdictional Issues

The Crater Lake exchange is located in Klamath County and served by county governmental offices located in Klamath Falls. These include offices for Planning, Circuit Court, District Attorney, Juvenile Department, Taxation, and Sheriff. Many state agencies, such as Department of Motor Vehicles, also have offices in Klamath Falls and Medford.

Medical and Dental Services

There are no medical or dental providers within the Crater Lake exchange. Consequently, area residents rely on Klamath Falls or Medford to obtain medical and dental services. A survey showed that a slight majority of residents seek these services in Medford, while others obtain medical and dental care in Chiloquin or Klamath Falls. Both Klamath Falls and Medford also have a hospital and numerous pharmacies.

Emergency Services

The Park Service provides emergency services for local residents. The park operates an ambulance, fire engine and volunteer fire department. Local residents must call Chiloquin, Prospect, or Klamath Falls for a tow truck.

Employment and Commuting Patterns

There are only two employers within the Crater Lake exchange: the Park Service and the Crater Lake Lodge Company. The Park Service employs about 20 full time employees, and 65 seasonal employees during May through October. While many employees live with their families within the park, 23 commute from other areas in Klamath County, most notably Chiloquin and Klamath Falls. Some 11 employees commute from Jackson County, with two traveling from Ashland.

The Crater Lake Lodge Company employs five permanent employees and 200 seasonal employees. The majority of summer workers live within the park. Some employees live outside the park and commute from Chiloquin or Prospect.

Calling Pattern Data

At the Commission's request, Sprint, Qwest and Century Tel provided monthly telephone usage data for the Crater Lake and target exchanges. This data does not capture all toll activity between the exchanges, and is imprecise due to the toll avoidance habits of Crater Lake County residents. Moreover, the data does not accurately reflect telephone usage due to the unique nature of the exchange. First, the only two employers and largest customers in the exchange use toll carriers other than Sprint. Consequently, their calling is not reflected in the data. Second, while the exchange consists of some 61 access lines, there are only 27 customers in the exchange. The presence of these additional lines, presumably those belonging to the National Park Service and Crater Lake Lodge Company, distort the petitioners' actual calling habits.

The toll data did reveal some reliable information. The data showed no calling between the Crater Lake exchange and the Shady Cove and Butte Falls exchange, and only marginal calling between Crater Lake and the Prospect, White City, and Rocky Point exchanges. The only significant amount of calling occurred between Crater Lake and the Chiloquin, Klamath Falls, and Medford exchanges.

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

Generally, the Commission limits a community of interest determination to exchanges with contiguous exchange boundaries. In Order No. 99-038, however, the Commission adopted standards to allow a community of interest finding between non-contiguous exchanges if the petitioners also establish that the proposed EAS route is necessary to meet their critical needs. Under this showing, petitioners must demonstrate that the proposed EAS is necessary to meet the critical needs of local customers due to the lack of essential goods and services in their own exchange or a neighboring exchange. In evaluating critical needs, the Commission considers the customers’ access to emergency, medical, dental, professional, business, educational, and governmental services.

COMMISSION RESOLUTION

The Crater Lake exchange serves an isolated community comprised of the employees of Crater Lake National Park and their dependents. While each household is assured employment with the National Park Service or the Crater Lake Lodge Company, the area provides few basic goods and

services for the community. For this reason, exchange customers rely heavily on neighboring communities to meet their basic needs.

Because the Crater Lake exchange area straddles the crest of the Cascade Mountains, local residents have two primary options to obtain professional services, commercial supplies, and retail goods. To the southwest lies Medford, located some 80 miles from the park. To the southeast lies Klamath Falls, located some 60 miles away. Both exchanges serve relatively large communities that offer Crater Lake exchange residents access to a variety of professional and business services, as well as retail and other commercial goods.

The evidence presented would generally be sufficient to establish a community of interest between the Crater Lake exchange and the Klamath Falls and Medford exchanges. Neither the Medford nor the Klamath Falls exchanges, however, are contiguous to the Crater Lake exchange. Accordingly, in order for the Commission to find that a community of interest exists with those exchanges, the Crater Lake petitioners must show that the proposed EAS routes are necessary to meet the critical needs of area residents due to the lack of essential goods and services in their own exchange or a neighboring exchange.

This additional requirement is not a significant burden for the Crater Lake petitioners. As noted above, the Crater Lake exchange lacks any business or commercial services to meet the needs of local residents. Medford or Klamath Falls are the closest cities where Crater Lake exchange customers can obtain these essential goods and service that are not available in their own exchange or any neighboring exchange. Under these circumstances, it is easy to conclude that an EAS route to either the Klamath Falls or Medford exchange is necessary to meet their critical needs.

A problem arises, however, given the fact that petitioners seek EAS to both the Klamath Falls and Medford exchanges. Under the facts presented in this case, petitioners are essentially precluded from making a critical needs showing for both exchanges. Since each exchange offers the goods and services necessary to meet the petitioners' critical needs, a community of interest determination with one of the exchanges would preclude a similar determination for the other. It would be difficult for petitioners to first contend that a proposed EAS route to one of the exchanges is necessary to meet their critical needs, and then assert that the proposed EAS route to the other exchange is also necessary because of critical needs not met by the first.

The issue we must decide, therefore, is whether the Klamath Falls or Medford exchange would better serve the critical needs of Crater Lake petitioners. It is a difficult choice, as both communities offer medical, dental, professional, and business services. The survey of exchange customers showed an almost equal reliance on both cities for these services. After consideration, however, we conclude that the Klamath Falls exchange is the better choice for several reasons. First, the city of Klamath Falls is located some 20 miles closer to the Crater Lake exchange than Medford.

This reduced distance is important, especially during winter driving conditions. Second, and more importantly, the Crater Lake exchange is located in Klamath County. Klamath Falls is the county seat to Klamath County and, as such, provides essential governmental services to Crater Lake exchange customers that are not available in Medford. Third, children that live in the Crater Lake exchange attend schools in Chiloquin, also located in Klamath County. Consequently, the Klamath Falls exchange offers the Crater Lake petitioners access to governmental and educational services not available in Medford.

CONCLUSION

Accordingly, the Commission concludes that the Crater Lake exchange petitioners have established that a community of interest exists between the Crater Lake and Klamath Falls exchanges. The evidence presented at hearing establishes a sufficient degree of dependence by the Crater Lake petitioners on the Klamath Falls area to justify EAS conversion. The Commission further concludes that the Crater Lake petitioners have established that the proposed EAS route to Klamath Falls is necessary to meet the critical needs of customers due to the unavailability of essential goods and services located in their own exchange or a neighboring exchange.

Based on these conclusions, the Commission further finds that a community of interest exists between the Crater Lake and the intervening Fort Klamath and Chiloquin exchanges. In cases where petitioners establish a community of interest with a non-contiguous exchange and demonstrate that the EAS route is necessary to meet their critical needs, the Commission will also declare that a community of interest exists between the petitioning and intervening exchange(s). Establishing new EAS routes to both the target and intervening exchanges will avoid customer confusion as to long distance calling areas. *See* Order No. 99-038.

In reaching this decision, the Commission notes that petitioners also sought EAS to the Rocky Point exchange, which lies south of the Fort Klamath exchange. While the Rocky Point exchange technically lies between the Crater Lake and Klamath Falls exchanges, it does not provide as direct of a link as does the Chiloquin exchange. Moreover, while the petitioners offered evidence of a community of interest with the Chiloquin exchange, they introduced little to no evidence relating to the Rocky Point exchange. Due to these reasons, and because of the lack of possible customer confusion as to long distance calling areas, the Commission declines to find that a community of interest also exists between the Crater Lake and Rocky Point exchanges.

Finally, the Commission concludes that the petitioners have failed to establish a community of interest with the Prospect, Butte Falls, Shady Cove, White City, and Medford exchanges. Of these five exchanges, petitioners offered evidence primarily with regard to the Medford exchange. While the petitioners rely on the Medford exchange for goods and services, their concurrent request for

EAS to the Klamath Falls exchange precluded, under the facts presented, a finding that the non-contiguous EAS route to the Medford exchange was necessary to meet their critical needs.

ORDER

IT IS ORDERED that:

1. The petitioners served by the Crater Lake telephone exchange have established a community of interest with the Klamath Falls exchange, and that the Crater Lake/Klamath Falls interexchange route is necessary to meet the critical needs of the petitioners because of the lack of essential goods and services located in their own exchange or a neighboring exchange.
2. The Commission further finds that a community of interest exists between the Crater Lake and the Fort Klamath and Chiloquin telephone exchanges.
3. The petitioners have failed to establish that a community of interest exists between the Crater Lake and the Rocky Point, Prospect, Butte Falls, Shady Cove, White City and Medford telephone exchanges. Those portions of the EAS petition are denied.
4. This completes Phase I for the Crater Lake/Fort Klamath, Crater Lake/Chiloquin, and Crater Lake/Klamath Falls portions of the petition. These interexchange routes are now ready to enter Phase II, the rate and cost phase. For Phase II, these routes will be grouped with all other EAS dockets that successfully complete Phase I by August 1, 2001. The telephone companies serving the Crater Lake, Fort Klamath, Chiloquin, and Klamath Falls telephone 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.