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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 983

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

DISPOSITION: (1) COMMUNITY OF INTEREST FOUND BETWEEN
THE DETROIT AND THE MILL CITY, LYONS,
STAYTON, AND SALEM TELEPHONE EXCHANGES;

(2) NO COMMUNITY OF INTEREST FOUND BETWEEN THE
DETROIT AND AUMSVILLE-TURNER EXCHANGE

On August 2, 2000, the customers of the Detroit telephone exchange petitioned the Commission for extended area service (EAS) to the Mill City, Lyons, Stayton, Aumsville-Turner, and Salem telephone exchanges. A map of the affected exchanges is attached as Appendix A.

The Commission docketed the request as docket number UM 983 for investigation. On April 25, 2001, Michael Grant, an Administrative Law Judge for the Commission, held a hearing on this matter in Detroit, Oregon. Approximately 45 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 Detroit, Mill City, Lyons, Stayton, Aumsville-Turner, and Salem telephone exchanges are located in the Santiam River Canyon and are connected by State Route 22. The petitioning exchange, Detroit, consists of approximately 415 access lines and is served by Verizon Northwest, Inc. The exchange is comprised of two incorporated cities: Detroit and Idanha. The Detroit exchange currently has no EAS to any other telephone exchange.

The Mill City, Lyons, Stayton, Aumsville-Turner and Salem telephone exchanges lie west of Detroit. The Mill City exchange, located about 20 miles away, consists of about 1,640 access lines and is also served by Verizon. Peoples Telephone serves the Lyons exchange, comprised of about 2,120 lines and located about 29 miles from Detroit. The Stayton exchange, located some 37 miles away, consists of 9,360 lines and is served by the Stayton Cooperative Telephone. The Aumsville-Turner exchange consists of about 4,362 access lines and, like the Detroit exchange, is served by Verizon. Finally, the Salem exchange, located 50 miles from Detroit, consists of over 125,000 access lines and is served by Qwest Corporation.

The Detroit exchange has little centralized businesses to serve its local residents. The area is known by most for the Detroit Reservoir and the area's recreational opportunities. Accordingly, the area's businesses cater to the seasonal visitors by offering camping and fishing supplies, groceries, fuel, and overnight accommodations. Outside these few markets, gasoline stations, restaurants, and marinas, however, there are few local businesses to meet the basic needs of Detroit exchange residents. Consequently, Detroit exchange customers rely on neighboring communities located "down the mountain" for essential goods and services.

The cities of Mill City and Lyons are the closest towns to offer some basic services. Combined, the two cities offer a bank, general stores, a real estate office, some restaurants and a sporting good store. For a wider variety of goods and services, Detroit exchange residents look to the cities of Stayton and Salem. Stayton offers some commercial and business services, including grocery, hardware, and other retail stores. With a population of just 6,000, however, Stayton is a relatively small city with limited offerings.

In contrast, the Salem exchange serves a population of over 150,000 and offers a large variety of professional, commercial, and retail services. These include banking, insurance, bookkeeping, legal, and other services, as well as building supplies, hardware, automobile parts, and shopping malls. Salem also serves as the county seat to Marion County and, consequently, offers a variety of essential governmental services to Detroit exchange customers.

Residents of Detroit also rely on the Salem exchange for employment opportunities. Traditionally, most local residents worked in the timber industry. The decline of the timber industry, and the closure of five mills in recent years, has impacted the local economy. Today, the local tourist-based economy offers few jobs for the approximately 300 full-time residents. Consequently, most residents who are not retired drive down the mountain to Salem and surrounding areas for employment.

Schools

Some children that live in the Detroit exchange attend a new local charter school, which offers educational classes from Kindergarten through the Sixth grade. Most children attend K-12 classes at the elementary, middle, and high schools in Mill City.

Government and Jurisdictional Issues

The Detroit exchange is located in Marion County and is served by county governmental offices located in Salem. These include offices for County Sheriff, Circuit Court, District Attorney, Planning and Building Departments, County Tax Department, and County Clerk. Because Salem is also the state capital, Detroit exchange customers also access the numerous state agencies located there, such as Adult and Family Services, Department of Motor Vehicles, Employment Division, Transportation Department, State Forestry, State Police, and Fish and Wildlife.

Emergency Services

A volunteer fire and ambulance department serves the Detroit exchange residents. Marion County Sheriff has a substation located in Detroit. Area residents must call the Lyons exchange to contact the State Police.

Medical and Dental Services

The Detroit calling area has no medical and dental providers. Some exchange residents seek primary medical and dental care in Stayton, where a handful of providers practice. A small hospital is also located there. Most residents, however, seek primary, as well as specialized care in Salem, where a greater number of physicians and dentists practice. Salem also offers a full service hospital that provides a variety of specialized medical and emergency care.

Business and Commercial Dependence

The small business community in Detroit relies heavily on the Salem exchange for supplies and services. These include banking, insurance, and legal services, as well as building supplies.

Calling Pattern Data

At the Commission's request, the local exchange companies serving the Detroit, Mill City, Lyons, Stayton, Aumsville-Turner, and Salem exchanges provided monthly telephone usage data

for a six-month period.¹ This data does not fully capture all toll activity between the exchanges, due to the lack of available information from inter-exchange and wireless carriers. Moreover, the calling pattern data is deceptive, as almost half of the homes in the Detroit exchange are seasonal homes.

The toll data is summarized in Appendix B. Of the requested EAS routes, the data showed that Detroit exchange customers make the most calls to the Salem exchange, with an average of 2.22 calls per line per month placed between exchanges, and an average of almost 22 percent of Detroit exchange customers making at least two toll calls per month to the Salem 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

¹ Verizon and Qwest provided data for the period of January 2000 to June 2000, while Peoples and Stayton Co-op filed calling data for March 2000 to August 2000.

heavy dependence by one area on 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 Detroit exchange is an isolated area that serves the needs of visitors to the Detroit Lake recreational area, but provides little else to meet the basic needs of the local residents. For this reason, exchange customers rely heavily on neighboring communities, especially Salem, for essential goods and services. However, because the exchange currently lacks any EAS, local residents are required to pay long distance charges for non-discretionary calls to areas of need.

The Detroit exchange customers filed this petition in an attempt to eliminate toll charges to the Salem exchange and communities in-between. At hearing, the local residents testified that they rely heavily on the Salem exchange for medical, dental, professional, business, and governmental services. The Salem exchange, however, is not contiguous to the Detroit exchange. Accordingly, in order for the Commission to find that a community of interest exists, the Detroit petitioners must show that the proposed EAS route to the Salem exchange is 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.

The Commission concludes that the Detroit petitioners have met that burden. As noted above, the Detroit exchange serves an isolated community with insufficient resources to support the needs of local residents. The only neighboring exchange, Mill City, similarly serves a small community with little centralized businesses.² The other intervening exchanges, Lyons and Stayton, also serve relatively small communities with few professional and commercial facilities. Consequently, Detroit exchange residents look to the Salem exchange for essential goods and services. This reliance is reflected in the calling pattern data, which showed that Detroit exchange residents placed a significant number of calls to the Salem exchange, especially considering that number of seasonal homes that presumably placed few calls during the January to June measuring period.

The city of Salem is a large community that offers Detroit exchange residents reasonable access to a variety of professional, medical, dental, and business services, as well as retail and other commercial activities. In addition, Salem is the county seat of Marion County and the state capitol. As such, Salem provides essential county and state governmental services to residents of the Detroit exchange. It also provides numerous employment opportunities to Detroit exchange customers.

Accordingly, the Commission concludes that the Detroit exchange petitioners have established that a community of interest exists with the Salem exchange. The evidence presented at hearing establishes a sufficient degree of dependence by the Detroit petitioners on the Salem area to justify EAS conversion. The Commission further concludes that the Detroit petitioners have established

²Children in the Detroit exchange attend schools in Mill City. However, the Mill City exchange has little centralized business to serve the needs of its own residents, let alone those that live in the Detroit exchange. The Commission notes that the Mill City exchange recently asked for and received EAS to the Salem exchange in docket UM 948. *See* Order No. 00-392.

that the proposed EAS route to the Salem exchange 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 Detroit and the intervening Mill City, Lyons, and Stayton 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 Aumsville-Turner exchange. While the Aumsville-Turner exchange technically lies between the Detroit and Salem exchanges, the petitioners offered little to no evidence relating to the Aumsville-Turner exchange. Due to these reasons, the Commission declines to find that a community of interest also exists between the Detroit and Aumsville-Turner exchanges.

ORDER

IT IS ORDERED that:

1. The petitioners served by the Detroit telephone exchange have established a community of interest with the Salem exchange, and that the Detroit/Salem 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 Detroit and the Mill City, Lyons, and Stayton telephone exchanges.
3. The petitioners have failed to establish that a community of interest exists between the Detroit and the Aumsville-Turner telephone exchanges. That portion of the EAS petition is denied.

4. This completes Phase I for the Detroit/Mill City, Detroit/Lyons, Detroit/Stayton and Detroit/Salem 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 Detroit, Mill City, Lyons, Stayton, and Salem 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.