

ORDER NO. 03-489

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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1075

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

DISPOSITION: (1) COMMUNITY OF INTEREST FOUND BETWEEN
THE SOUTH BEACH AND THE LINCOLN CITY
GLENEDEN BEACH, DEPOE BAY, AND TOLEDO
EXCHANGES;

(2) NO COMMUNITY OF INTEREST FOUND
BETWEEN THE SOUTH BEACH AND THE SILETZ
AND CHITWOOD EXCHANGES

SUMMARY

In this order, the Public Utility Commission of Oregon (Commission) finds that a community of interest exists between the South Beach and the Lincoln City, Gleneden Beach, Depoe Bay, and Toledo exchanges. Based on these findings, the Commission concludes that those 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 South Beach and the Siletz and Chitwood exchanges. The Commission concludes that those portions of the petition should be dismissed.

Procedural History

On March 19, 2003, the customers of the South Beach telephone exchange petitioned the Commission for extended area service (EAS) to the Lincoln City,

Gleneden Beach, Depoe Bay, Siletz, Chitwood, and Toledo telephone exchanges. A map of the affected exchanges is attached as Appendix A.¹

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

FINDINGS

All the telephone exchanges subject to this petition lie along 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 petitioning exchange, South Beach, is served by Pioneer Telephone and consists of approximately 1,350 access lines. It currently has EAS to the Newport, Tidewater, Waldport, and Yachats telephone exchanges.

The customers of the South Beach exchange seek EAS to a total of six target exchanges. Qwest Corporation serves two of those exchanges, Toledo and Siletz. The Toledo and Siletz exchanges lie northeast of South Beach and have approximately 2,700 and 1,300 access lines, respectively. CenturyTel serves the Depoe Bay and Gleneden exchanges, which lie north of South Beach. The Depoe Bay and Gleneden exchanges have approximately 1,300 and 2,300 access lines, respectively. Sprint/United serves the largest target exchange, Lincoln City, which lies the farthest north of all the affected exchanges and has about 10,500 access lines. Pioneer serves the remaining target exchange, Chitwood, which lies to the east of South Beach and has about 300 access lines.

Geography and Demography

The South Beach exchange serves a small peninsula bordered by the Pacific Ocean to the west and the Yaquina Bay to the north and east. The area is best known as the home to the Oregon Coast Aquarium and Hatfield Marine Science Center. Although the South Beach area has its own postal zip code, the majority of the exchange lies within the city limits and urban growth boundary of Newport.

The South Beach exchange offers a diverse mix of commercial activities and recreational attractions. In addition to the aquarium and marine center, the area is home to the Newport Municipal Airport, marine services, a business plaza, and retail shopping. The South Beach exchange also has several hotels and art studios.

¹ We note that this petition seeks EAS across a LATA boundary. LATAs, or Local Transport Areas, are long distance calling regions created during the break-up of the Bell Telephone system. The South Beach exchange is located in the Eugene LATA, while the Lincoln City, Gleneden, and Depoe Bay exchanges are located in the Portland LATA.

Requests for interLATA EAS generally pose additional issues, because Qwest Corporation, as a former Bell Operating Company, is currently prohibited from carrying traffic across a LATA boundary. *See, e.g.*, Order No. 95-1168. This petition, however, presents no such issues, as it does not propose any new EAS routes that would require Qwest to carry traffic across a LATA boundary.

While offering many vital services to Lincoln County residents, the South Beach exchange does not offer all the goods and services to meet the basic needs of its residents. Consequently, South Beach exchange residents rely on neighboring communities for essential items. The Newport exchange, located just north across the Yaquina Bay Bridge, is the closest area that offers a wide variety of basic services. Newport is a relatively large city that offers many essential goods and services, including banking, accounting, insurance, governmental, social, and medical services, as well as groceries, hardware supplies, automotive maintenance, and consumer goods.

Although Newport is a relatively large city, it alone cannot provide South Beach residents with all the goods and services to meet their basic needs. As we found in a prior EAS investigation, Newport is not a self-sufficient community. Residents of Newport rely on services only available in Lincoln City, and vice versa. Working together, the cities of Newport and Lincoln City provide the necessary goods and services to meet all the basic needs of Lincoln County residents. Accordingly, like other Lincoln County residents, those living in the South Beach exchange rely on Lincoln City for many goods and services not available in Newport.²

Employment and Commuting Patterns

Lincoln County has several large employers located throughout the region. The county's largest employer is the Confederated Tribes of the Siletz Indians, which employs over 700 county residents at their casino and convention center in the Lincoln City exchange. The second largest employer is Georgia-Pacific, which employs about 500 county residents at its mill located just six linear miles from South Beach in the Toledo exchange. The State of Oregon is also a large employer with various agency offices in the Newport exchange.

In the South Beach exchange, the largest employers are various federal and state agencies, which employ approximately 250 workers. Other large employers are the Hatfield Marine Science Center and the Coast Aquarium.

Employees that work at these large employers live in all the exchanges affected by this petition. For example, a large number of South Beach exchange residents commute to Toledo to work at the mill. In turn, many Toledo exchange residents commute to the South Beach area to work. The casino employs so many workers who live outside of Lincoln City that the Confederated Tribes offers an employee shuttle from Newport, South Beach, and other areas within the county.

² The Commission previously discussed this relationship in an investigation by the Newport exchange to obtain EAS to the Lincoln City exchange. *See* Order No. 01-244. The Commission takes official notice of the facts contained in the order. Any party may explain or rebut a noticed fact within 15 days of this order. *See* OAR 860-014-0050(2).

Schools

Lincoln County has a countywide school district with its facilities and maintenance operations located in South Beach. Children living in the South Beach exchange attend schools in the Newport exchange.

The Oregon Coast Community College (OCCC) serves Lincoln County with education centers in both Newport and Lincoln City. Currently, the school has an enrollment of over 5,500 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. As far as curriculum availability, chemistry and oceanography classes are offered in Newport, while biology and history are offered in Lincoln City. OCCC will soon move its main campus and administrative headquarters to the South Beach exchange.

Government and Jurisdictional Issues

All the exchanges affected by this petition lie in Lincoln County and are served by county governmental offices located in Newport. These include the Planning, Circuit Court, District Attorney, Commission on Children and Families, Juvenile Department, Taxation, and Sheriff offices. Some county agencies also maintain offices in South Beach, 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. The Department of Fish and Wildlife has an office located in South Beach.

Many federal agencies have offices in South Beach. These include the National Oceanic and Atmospheric Administration, the Environmental Protection Agency, and the U.S. Department of Fish and Wildlife.

Medical and Dental Services

There are no medical providers and just one dental provider in the South Beach exchange. Consequently, most residents receive medical and dental care in either Newport or Lincoln City. Each community has a hospital and, working together, the hospitals provide a full range of medical services for county residents. 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 county's only dialysis center, breast-feeding support service, and chronic wound treatment care facility.

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, and vice versa.

Social Services

South Beach exchange residents obtain social services primarily in Newport. Some services, however, are available only in Lincoln City. For example, My Sister's Place, a nonprofit organization to serve victims of domestic violence, has its only shelter in Lincoln City.

Transportation Patterns

The exchanges affected by this petition are primarily connected via Lincoln County's two main highways. U.S. Route 101, running north and south, links the South Beach, Newport, Depoe Bay, Gleneden Beach, and Lincoln City exchanges. U.S. Route 20, running east and west, links the Newport, Toledo, and Chitwood exchanges. The Siletz exchange is accessed via State Route 229, which connects U.S. Route 101 and U.S. Route 20.

Calling Pattern Data

As part of this investigation, the Commission Staff requested calling pattern data from local telephone companies serving the affected telephone exchanges. This data does not capture all toll activity between the exchanges, and is imprecise due to the use of alternate long distance carriers, cellular telephones, and toll avoidance habits of South Beach residents.

While the data does not accurately reflect telephone usage due to these reasons, it did reveal some reliable information. The data showed a relatively significant amount of calling between the Toledo and South Beach telephone exchanges. Specifically, the data showed an average of 4.19 toll calls per line per month placed from the Toledo to the South Beach 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 all EAS investigations, the Commission first determines whether a community of interest exists between the telephone exchanges to warrant the elimination of toll calling. The Commission has stated that 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 on another area for services and facilities necessary to meet many of its basic needs."

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.³

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 may obtain EAS to a non-contiguous exchange by demonstrating that the proposed EAS route is necessary to meet the critical needs of local customers due to the lack of essential goods and services

³ See Order No. 93-1045 at 12.

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

In a prior investigation, we previously concluded that a community of interest exists between the Newport and Lincoln City exchanges.⁴ We based that conclusion on findings that the cities of Newport and Lincoln City rely heavily on each other and share common interests, concerns, and pursuits. Those findings apply similarly here. Although served by a different telephone company and identified as a separate telephone exchange, the South Beach exchange is actually part of the city of Newport. Almost all of the exchange lies within the city limits or urban growth boundary. Consequently, the needs of Newport exchange residents are identical to those served by the South Beach exchange. The outdated telephone exchange boundary merely serves as an artificial barrier dividing the community in half.

The Commission further concludes that the South Beach petitioners have established that the proposed non-contiguous EAS route is necessary to meet the critical needs of customers. South Beach offers limited professional and commercial services for its local residents. Consequently, South Beach exchange residents depend on neighboring exchanges to meet their basic needs. The Newport exchange, located just over the Yaquina Bay Bridge, provides many basic services. As we found in Order No. 01-244, however, Newport relies on Lincoln City, and vice versa. Businesses in Newport and Lincoln City rely on suppliers, customers, and employees located in both cities. Professional and social service providers offer a full range of services to Lincoln County residents by maintaining complimentary facilities in both cities. For example, social service agencies make the most of tight budgets by splitting their facilities and offering some services in Newport, and others in Lincoln City. Therefore, like other Newport residents, those living in the South Beach exchange rely on Lincoln City for many goods and services not available in Newport.

The Commission also concludes that a community of interest exists between the South Beach and the Toledo telephone exchanges. As noted above, Toledo lies just six linear miles from South Beach. Many South Beach residents commute to Toledo to work at the Georgia-Pacific mill. In turn, many Toledo exchange residents commute to South Beach to work at the Coast Aquarium, the Hatfield Marine Science Center, and the various governmental agencies located there. This relationship was reflected in the objective calling data, which—despite its failure to capture all the calls—

⁴ See Order No. 01-244.

showed an average of over 4 calls per line per month placed between the Toledo and South Beach exchanges.

Based on these conclusions, the Commission further finds that a community of interest exists between the South Beach exchange and the intervening Depoe Bay and Gleneden Beach 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 Siletz exchange, which lies south of the Lincoln City exchange. While the Siletz exchange technically lies between the South Beach and Lincoln City exchanges, it does not provide as direct a link as does the Depoe Bay and Gleneden Beach exchanges. Like the South Beach and Lincoln City exchanges, the Depoe Bay and Gleneden exchanges lie along the coast and are connected directly via U.S. Route 101. In contrast, the Siletz exchange lies inland, and is accessed indirectly via State Route 229, which connects U.S. Route 20 to U.S. Route 101. Moreover, petitioners provided little evidence showing a community of interest with the Siletz 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 South Beach and Siletz exchanges.

Finally, the Commission concludes that the petitioners have failed to establish a community of interest with the Chitwood exchange. Petitioners offered little to no evidence to warrant the elimination of toll calling between these exchanges.

ORDER

IT IS ORDERED that:

1. The petitioners have established that a community of interest exists between the South Beach and Lincoln City and Toledo telephone exchanges.
2. The petitioners have established that the proposed EAS route between South Beach and Lincoln City is necessary to meet the critical needs of South Beach residents.
3. The Commission further finds that a community of interest exists between the South Beach exchange and the Depoe Bay and Gleneden Beach exchanges.

4. The petitioners have failed to establish that a community of interest exists between the South Beach and the Siletz and Chitwood exchanges. Those portions of the EAS petition are denied.
5. This completes Phase I for the South Beach/Toledo, South Beach/Lincoln City, South Beach/Gleneden Beach, South Beach/Depoe Bay portions of the petition. For Phase II, these proposed interexchange routes will be grouped with all other EAS dockets that complete Phase I by August 2003. The telephone companies serving these exchanges shall file proposed rates and supporting cost information by October 15, 2003.

Made, entered, and effective _____.

Roy Hemmingway
Chairman

Lee Beyer
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.