

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1175

In the Matter of)
)
 EXTENDED AREA SERVICE)
)
 Petition by the Chitwood Exchange for)
 EAS to the Blodgett, Corvallis, Harlan,)
 Philomath, Siletz, and Summit Exchanges.)

ORDER

DISPOSITION: COMMUNITY OF INTEREST FOUND BETWEEN THE CHITWOOD EXCHANGE AND THE BLODGETT, CORVALLIS, HARLAN, PHILOMATH, SILETZ AND SUMMIT EXCHANGES.

On October 18, 2004, customers in the Chitwood telephone exchange submitted a petition for Extended Area Service (EAS) with the Blodgett, Corvallis, Harlan, Philomath, Siletz, and Summit exchanges. A map of the affected exchanges is attached at Appendix A.

On January 24, 2005, a public comment open house (open house) was held in Eddyville to take public comment regarding the proposed EAS. Approximately two dozen people attended the gathering and provided oral and written comments.

Based on the evidence in the record, the Public Utility Commission of Oregon (Commission) finds that a community of interest exists between the Chitwood exchange and the Blodgett, Corvallis, Harlan, Philomath, Siletz, and Summit exchanges. Therefore, the Commission concludes that the petition should proceed with Phase II, the rate and cost phase of the EAS investigation.

APPLICABLE LAW

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, professional, 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.” *See* 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) calling patterns between telephone exchanges; and (11) other factors deemed relevant by the Commission. *See* 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 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 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.

We consider these principles in evaluating the Chitwood EAS petition at issue in this docket.

ANALYSIS

Chitwood, the petitioning exchange, is a small community in the Coastal Range along Highway 20. It includes Eddyville, Chitwood, and Elk City. Eddyville has a post office, school, and church that serve neighboring exchanges. However, the exchange has few commercial and employment opportunities and also lacks medical and other services. The small exchanges in the area are interdependent for basic services, such as the local store and post office, but residents must travel to larger communities for employment, medical care, professional services, and specialty stores.

Chitwood currently has EAS to the Newport and Toledo exchanges. Petitioners seek EAS to the following six target exchanges: Blodgett, Corvallis, Harlan, Philomath, Siletz, and Summit. Pioneer Telephone Cooperative (Pioneer) which serves Chitwood, calculated monthly telephone usage data and calling patterns for Chitwood based on 272 customers and 299 lines. We discuss the merits of EAS to the target exchanges, using the criteria set forth above.

Blodgett, Harlan, and Summit Exchanges

The Chitwood and Blodgett exchanges are located along Highway 20, while Harlan is located at the end of a road that heads south from Highway 20 between Eddyville and Blodgett. Summit is also located just off of Highway 20, north of Blodgett.

Customers in the Chitwood exchange described Harlan, Blodgett, and Eddyville as one community. Eddyville is home to the church, school, and post office which are used by residents in the Blodgett, Harlan, and Summit exchanges. Consequently, many in Chitwood have friends and family in the Blodgett, Harlan, and Summit exchanges. Many Chitwood exchange customers also frequent the Burnt Woods store and café, which are located in Blodgett.

Blodgett, Harlan, and Summit are also served by Pioneer. Pioneer calculated that Blodgett had an average of 226 lines for the test period of April through September 2004. The average number of toll calls per line per month from Chitwood to Blodgett was 1.96, and from Blodgett to Chitwood was 2.27. As to Harlan, Pioneer found an average of 71 lines; the average number of toll calls per line per month from Chitwood to Harlan was 0.68, and from Harlan to Chitwood were 3.57. Summit had an average of 196 lines; the average number of toll calls per line per month from Chitwood to Summit was 0.77, and from Summit to Chitwood was 1.20.

While the calling data does not necessarily support EAS expansion, the Commission in the past has recognized a community of interest among exchanges that are interdependent for basic services. *See* Order No. 93-1547 at 4. Based on the evidence, a community of interest is found between the Chitwood, Blodgett, Harlan, and Summit exchanges.

Philomath and Corvallis

Petitioners also sought EAS to Philomath and Corvallis. Corvallis is not contiguous with Chitwood, but would be part of a larger contiguous area if EAS is granted between Chitwood and Philomath. In cases in which petitioners establish a community of interest with a non-contiguous target exchange -- in this case, Corvallis -- 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 -- in this case, Philomath. 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 at 5.

Philomath is a larger city, also located along Highway 20, which Chitwood residents reach before Corvallis. Customers attending the open house stated that they worked in the Philomath exchange and that their primary bank was located in Philomath. Other customers stated that they have doctors in Philomath. In addition, residents in Chitwood stated that toll-free calling to Philomath and Corvallis provided access to additional internet service providers other than those available in Newport.

Customers expressed the strongest interest in toll-free calling to Corvallis. While customers receive many centralized services from Newport, for which they already have EAS, this Commission has previously noted that Newport does not provide every necessary service, and EAS may be extended to another more populated area to supplement services not available in Newport. *See* Order No. 01-244.

Customers emphasized that most of their doctors, specialists, and the largest nearby hospital, Good Samaritan Regional Medical Center, are in Corvallis. Also, Corvallis and Newport provide the two local newspapers for Eddyville. Further, most shopping, such as large retail stores and auto repair shops, is located in Corvallis. Customers expressed an interest in shopping in Corvallis and Philomath because they perceived that prices were lower in the Willamette Valley than on the Coast.

Transportation provides another link between the Chitwood exchange and Corvallis. They are linked by Highway 20, a state highway that customers praised as a well-kept road that they use to go to the Willamette Valley. In addition, the Valley Retriever, a local bus line, replacing service recently abandoned by Greyhound Lines, makes daily round-trips from Newport to Corvallis with stops in local communities.

Philomath is served by Pioneer, and Corvallis is served by Qwest Corporation (Qwest). For the test period, Pioneer determined that Philomath had 4584 lines; there were an average number of 2.35 toll calls per line per month from Chitwood to Philomath, and 0.14 calls from Philomath to Chitwood. The customer distribution of accounts making at least two toll calls from Chitwood to Philomath per month was 31.72%. Regarding Corvallis, Qwest found 24,506 lines for the test period. The average number of toll calls per line per month from Chitwood to Corvallis was 5.93, and there were no calls being made in reverse. The distribution of customer accounts making at least two toll calls per month from Chitwood to Corvallis was 52.33%.

Because customers were able to show that toll-free calling to Philomath and Corvallis would provide access to medical, commercial, and employment opportunities not locally available, and there were a substantial number of toll calls from Chitwood to Philomath and Corvallis, the Commission finds a community of interest exists between Philomath, Corvallis, and Chitwood.

Siletz

Customers attending the open house did not express a strong interest in calling Siletz. Chitwood and Siletz share a common boundary, and Siletz is close to Newport and Toledo, to which Chitwood already has EAS. Qwest serves the Siletz exchange and determined there were 1259 lines there during the test period. Qwest found the average number of toll calls per line per month from Chitwood to Siletz was 2.57, and from Siletz to Chitwood was 0.09. The average percentage of customer accounts that made at least two toll calls per month from Chitwood to Siletz was 24.05%.

While the customers present at the open house did not articulate an interest in toll-free calling to Siletz, the calling pattern and customer distribution reveal that more Chitwood customers call Siletz, and make more toll calls to Siletz, than Chitwood customers make to neighboring rural exchanges such as Blodgett, Harlan, and Summit. This calling pattern indicates a broad interest in toll-free calling between the Siletz and Chitwood exchanges, and is particularly telling because it does not capture all calls being made between Siletz and Chitwood, as many calls may be made by cell phone or other means not found by the telephone companies' data collection. *See* Order No. 03-313 at 6. For this reason, the Commission finds a community of interest between Siletz and Chitwood.

COMMISSION RESOLUTION

The boundaries of the Chitwood telephone exchange bear little physical relationship to the surrounding community. The circumstantial and historical placement of exchange and jurisdictional boundaries has created a complex and confusing maze, where city residents live in different exchanges, and neighbors live in different cities. The growth of the area and the decline of local economies have complicated matters, as rural communities merge and become increasingly dependent upon larger urban areas for basic goods and services.

Due to these facts, petitioners were able to present a significant amount of evidence to establish that the exchanges of Chitwood, Blodgett, Harlan, and Summit, are strongly linked through schools and social activities. Residents living within the boundaries of Blodgett and Harlan are served by the post office and church in the Chitwood exchange. Children living in portions of these exchanges attend schools in the Chitwood exchange. These exchanges also lie within the same legislative districts.

Petitioners also presented ample evidence that the Chitwood exchange customers rely heavily on the Corvallis exchange. Because the city of Eddyville offers little business or commercial services, exchange residents must travel elsewhere to obtain professional services, commercial supplies, and retail goods. Some residents seek these goods and services in Newport. Many more, however, rely on Corvallis, which is larger than Newport and offers a greater variety of professional, medical and business services, as well as retail and other commercial goods. Chitwood exchange customers also rely on the Philomath exchange for employment and for medical and business services.

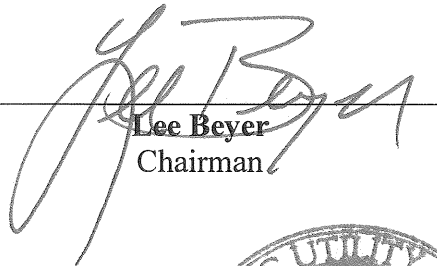
With this evidence, the Commission finds that that a strong social, economic, and political interdependence exists between the Chitwood, Blodgett, Harlan and Summit telephone exchanges. Further, the Chitwood exchange depends heavily on the Philomath and Corvallis exchanges for services and facilities necessary to meet many of its basic needs. Finally, calling patterns and customer distribution numbers also indicate a community of interest between Chitwood and Siletz. Based on these findings, the Commission concludes that the petitioners have established that a community of interest exists between the Chitwood and target exchanges. This petition should proceed to Phase II, the rate and cost phase of an EAS investigation.

ORDER

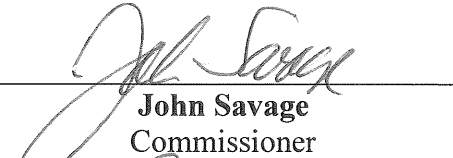
IT IS ORDERED that:

1. The petitioners served by the Chitwood telephone exchange have established a community of interest with the Blodgett, Corvallis, Harlan, Philomath, Siletz, and Summit telephone exchanges.
2. This completes Phase I for this petition. This petition is now ready to enter Phase II, the rate and cost phase.

Made, entered, and effective APR 01 2005.



Lee Beyer
Chairman



John Savage
Commissioner

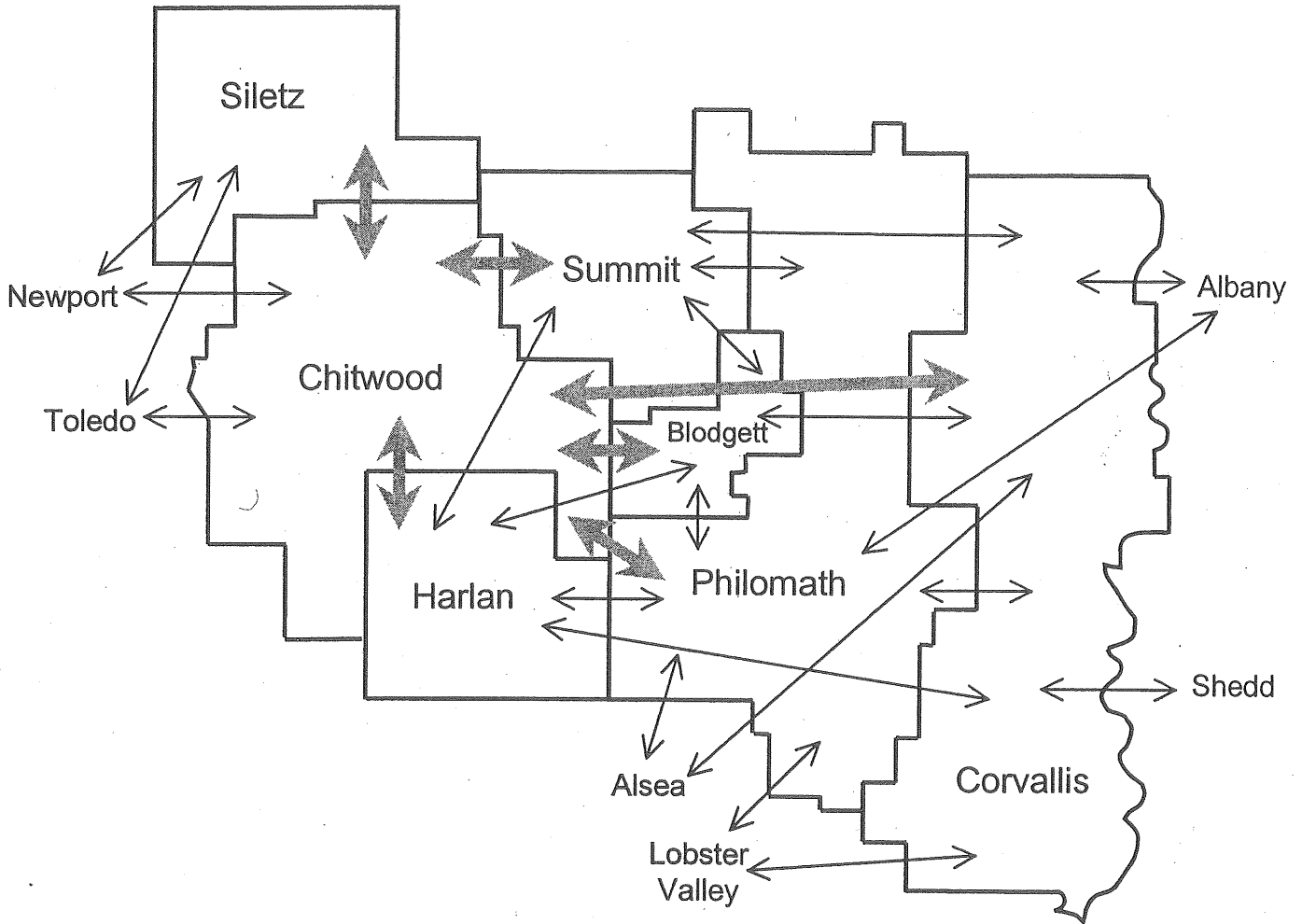


Ray Baum
Commissioner



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.

DOCKET UM 1175



Chitwood to: Summit
Blodgett
Philomath
Corvallis
Harlan
Siletz

↔ Existing EAS
↔ Proposed EAS