

ORDER NO. 99-528

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 935

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

**DISPOSITION: COMMUNITY OF INTEREST FOUND;
EAS ROUTE NECESSARY TO MEET CRITICAL
NEEDS OF CUSTOMERS**

SUMMARY

In this order, the Commission finds that a community of interest exists between the Azalea and Roseburg telephone exchanges. The Commission further finds that extended area service (EAS) between the exchanges is necessary to meet the critical needs of the Azalea petitioners due to the lack of basic and essential services in their own exchanges or a neighboring exchange. Accordingly, the Commission concludes that the petition for EAS should proceed to Phase II, the rate and cost phase.

Based on these findings, the Commission also finds that a community of interest exists between the Azalea and Myrtle Creek exchanges. The Myrtle Creek exchange lies between the Azalea and Roseburg exchanges. Because petitioners have qualified for EAS to the Roseburg exchange, the Commission concludes that an additional EAS route should also be implemented to the intervening exchange to avoid customer confusion as to toll-free calling areas.

PROCEDURAL HISTORY

On April 21, 1999, the customers of the Azalea telephone exchange (petitioners) petitioned the Commission for extended area service (EAS) to the Roseburg and Myrtle Creek telephone exchanges. The Commission docketed the request as UM 935 for investigation.

On July 7, 1999, the Commission Staff (Staff) filed testimony in this proceeding for the Phase I, Community of Interest Determination. Based on a review of geographic and telephone usage information, Staff concluded that the requested interexchange routes did not satisfy the objective community of interest criteria set forth in Order Nos. 89-815 and 92-1136. Staff's testimony is summarized in Appendix B, attached to this order and incorporated by reference.

On July 8, 1999, Michael Grant, an Administrative Law Judge (ALJ), issued a Proposed Order adopting Staff's findings and recommending that the Azalea petition for EAS to the Roseburg and Myrtle Creek exchanges be dismissed. Petitioners subsequently requested an

opportunity to establish, through demographic, economic, financial, or other evidence that a community of interest exists between the three exchanges.

On August 4, 1999, ALJ Grant held a hearing on this matter in Azalea, Oregon. Notice of the hearing was served to all parties, and was published twice in the *Umpqua Free Press* newspaper. Approximately 35 people attended the hearing in support of the petition. Based on the evidence submitted in this matter, the Commission makes the following:

FINDINGS OF FACT

Geography and Demography

The Azalea, Roseburg and Myrtle Creek telephone exchanges lie along the Interstate 5 corridor in southern Oregon. The petitioning exchange, Azalea, consists of approximately 419 access lines. The Myrtle Creek exchange, located north of Azalea, consists of approximately 4,724 access lines. Both the Azalea and Myrtle Creek exchanges are served by Citizens Communications (Citizens). The Roseburg exchange consists of more than 28,000 access lines and is served by U S WEST Communications, Inc. (U S WEST).

The Azalea exchange serves a rural logging and agricultural area with little or no centralized businesses. It currently has a small general store, post office, gas station, bookkeeping business, and restaurant. Due to the lack of local services, Azalea exchange customers depend heavily on neighboring communities to meet their basic needs.

The city of Myrtle Creek, located about 14 miles north of Azalea, offers some commercial and retail services to Azalea exchange residents. Myrtle Creek offers a couple of small grocery stores, video rental shops, a few restaurants, and other retail shops. With a population of just 3,410, it also is a relatively small community with limited offerings for area residents.

As a result, most Azalea exchange residents rely on larger surrounding communities to meet their basic needs. Due to their location, local residents have two options along the Interstate 5 corridor: to the south lies Grants Pass (pop. 20,225); to the north Roseburg (pop. 19,720). Both cities are approximately the same size and located about 30 miles from Azalea. Each is a relatively large metropolitan area that offers a wide variety of professional, commercial, and retail services.

Due to these similarities, the residents of Azalea often look to both Grants Pass and Roseburg for basic goods and services. Depending on personal preferences, Azalea exchange customers travel to one or both cities to obtain commercial goods, including groceries, clothing, and building and hardware supplies. They also seek a variety of professional services, such as banking or insurance, in either Grants Pass or Roseburg.

The Azalea exchange residents, however, do not have the option of traveling to either Roseburg or Grants Pass for all essential goods and services. The Azalea exchange is located in Douglas County and served by governmental offices located in Roseburg. These offices include the County Sheriff, Circuit Courts, District Attorney, Tax Assessor, Health Department, Juvenile Department, and Public Works. While some governmental services are available in Grants Pass through mutual arrangements between Douglas and Josephine Counties, these are limited to a few

agencies and available only on a part-time basis.

Many Azalea residents also tend to rely on Roseburg for goods and services during the winter-months. Although Grants Pass is located a few miles closer to the Azalea exchange, residents must travel over three mountain passes along Interstate 5 (Stage Road Pass, Smith Hill Summit, and Sexton Mt. Pass) to reach the city. In contrast, only one mountain pass lies between Azalea and Roseburg on Interstate 5, and area residents can avoid it altogether by taking roads that follow the Umpqua River.

Schools

The Azalea exchange is served by schools located in the Glendale exchange, which lies to the west.

Government and Jurisdictional Issues

As stated above, the Azalea exchange lies just inside the southern boundary of Douglas County and is served by county offices in Roseburg.

Medical, Dental, and Emergency Services

No medical or dental provider is located within the Azalea calling area. As a result, Azalea exchange residents primarily rely on Roseburg or Grants Pass for such services. Some local residents must obtain medical services in Roseburg only due to “same county” restrictions imposed by their health insurance policies. Local veterans must also seek medical services in Roseburg, as Grants Pass does not have a Veteran’s Hospital.

Employment

There are few employment opportunities within the Azalea exchange. Some Azalea exchange residents work at a lumber mill in Glendale but most, however, commute to work in Roseburg or Grants Pass.

Toll Avoidance

Most Azalea exchange residents engage in a variety of toll avoidance practices. Almost all of the 35 residents who attended the hearing try to reduce their long distance charges by using alternative toll carriers. In addition, many often avoid toll calls by combining a trip to Roseburg with their telephone activities.

Results of the Objective Criteria Test

U S WEST and Citizens provided telephone usage information for the Azalea, Myrtle Creek, and Roseburg telephone exchanges. That data is summarized in Appendix B and adopted as fact. With regard to the proposed Azalea/Myrtle Creek interexchange route, the usage information shows that an average of 2.99 toll calls per month were placed between the exchanges and 33.17 percent of the Azalea exchange residents made at least two or more toll calls to the Myrtle Creek exchange. With regard to the proposed Azalea/Roseburg interexchange route, the calling data shows that an average of 4.96 toll calls per month were placed between the exchanges and 44.64 percent of the Azalea exchange residents made at least two or more toll calls to the Roseburg exchange.

OPINION

Applicable Law

In order for the Azalea petitions to establish a community of interest with the Roseburg telephone exchange, petitioners must meet two primary criteria:

1. Community of Interest. Petitioners must first establish that a community of interest exists with that exchange. The Commission has established two methods by which a petitioning exchange can establish a community of interest. The first is an objective test based on telephone usage information. This test requires that an average of 4 or more toll calls per line per month be placed between the petitioning and target exchange, and that at least 50 percent of customers in the petitioning exchange make at least 2 toll calls per month to the target exchange. *See* Order Nos. 89-815 and 92-1136.¹

The second method, available to those exchanges that fail the calling pattern requirements of the objective criteria test, is the demographic showing test. Under this test, a hearing is held to give the petitioning exchange the opportunity to demonstrate a community of interest by reference to demographic, social, economic, and other factors. *See* Order No. 89-815.

2. Critical Needs. Petitioners seeking EAS to a non-contiguous exchange must also make a showing of “critical needs.” Under this showing, petitioners must demonstrate that the proposed EAS is necessary to meet the critical needs of customers because of the lack of essential goods and services in their own exchange or in a contiguous exchange. In evaluating the critical needs of customers, the Commission will consider the customers’ access to emergency, dental, medical, professional, business, educational, and governmental services. *See* Order No. 99-038.

Community of Interest Determination

¹ Traditionally, the objective criteria test for establishing a community of interest also required that the petitioning exchange share a common boundary with the target exchange. This “contiguity” requirement, obviously, is not applicable in establishing a community of interest under modified standards for non-contiguous EAS investigations.

The Commission concludes that a community of interest exists between the Azalea and Roseburg telephone exchanges. Although petitioners failed to meet the Commission's objective criteria, they successfully established that a community of interest exists with the Roseburg exchange through demographic information.

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." Order No. 87-309 at 8. The evidence presented in this docket establishes a sufficient dependence by the Azalea exchange on the Roseburg exchange to warrant EAS conversion.

The Azalea exchange offers virtually no business or professional services for its residents. Roseburg is a relatively large urban center that offers Azalea exchange residents reasonable access to a variety of professional and business services, as well as other commercial activities. The city of Roseburg also serves as the county seat for Douglas County and, as such, provides essential governmental services to Azalea exchange residents.

The Azalea petitioners also established that an overwhelming majority of customers engage in a variety of toll avoidance activities. Many residents simply save calls and make them in Roseburg. A large number rely on the use of cellular phones, and use the services of alternative toll carriers to place calls to the Roseburg exchange.

In summary, the Azalea petitioners' demographic evidence showed a strong degree of reliance on the Roseburg exchange. That reliance, demonstrated in part in the results of the objective criteria test, persuades the Commission that a community of interest exists between the Azalea and Roseburg exchanges.

Critical Needs Determination

The Commission further concludes that the EAS route between Azalea and Roseburg is necessary to meet the critical needs of the Azalea customers because of the lack of essential goods and services in their own exchange or a neighboring exchange. As stated above, Azalea is a relatively small community with insufficient resources to support the needs of the local residents. As a result, local residents look to other areas for basic goods and services.

The neighboring exchanges of Myrtle Creek, Days Creek, Canyonville, Riddle, Glendale, and Wolf Creek cannot reasonably meet the needs of Azalea residents. Most serve smaller areas that have few, if any, business or commercial services. Like Azalea, the residents of all of these exchanges rely on larger areas to meet their basic needs.

Many needs of Azalea residents are met by the Grants Pass exchange. In fact, the Commission previously concluded that a community of interest exists between the Azalea and Grants Pass exchange. *See* Order No. 98-319. In making that decision, the Commission relied on a survey showing that most residents purchased groceries, clothing, and household supplies in Grants Pass, and sought medical, legal, insurance, and other professional services from that city as well.

We conclude, however, that Grants Pass cannot meet all the needs of Azalea residents.

In fact, despite the possibly inflated results of the Grants Pass survey, the evidence presented at this hearing demonstrates that Azalea exchange residents can obtain many essential services only in Roseburg. As noted above, the city of Roseburg serves as the county seat for Douglas County and, as such, provides essential governmental services to Azalea exchange residents. These services include social and welfare programs, building permits, county inspectors, court offices, property tax, law enforcement, and county health. Furthermore, many Azalea residents are required to seek medical care and related services in Roseburg due to restrictions imposed by their insurance policies. Local veterans must also seek services in Roseburg, as Grants Pass has no veterans' facilities.

For these reasons, the Commission concludes that the proposed EAS route between Azalea and Roseburg is necessary to meet the critical needs of the Azalea residents. While many Azalea residents obviously obtain many goods and services from the Grants Pass exchange, only the Roseburg exchange can satisfy all the critical needs of the Azalea residents.

CONCLUSION

The Commission concludes that a community of interest exists between the Azalea and Roseburg telephone exchanges. The Commission further concludes that the EAS route is necessary to meet the critical needs of the customers of the Azalea exchange.

Based on these conclusions, the Commission further finds that a community of interest exists among the Azalea and the intervening Myrtle Creek exchange. 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. Otherwise, a call to a neighboring exchange would be more expensive than a call to a distant one. *See* Order No. 99-038 at 5 and 11.

ORDER

IT IS ORDERED that:

1. A community of interest exists between the Azalea and Roseburg telephone exchanges.
2. The extended area service route between the Azalea and Roseburg exchanges is necessary to meet the critical need of the Azalea petitioners because of the lack of essential goods and services located in their own exchange or an intervening exchange.
3. A community of interest exists between the Azalea and Myrtle Creek telephone exchanges.
4. This completes Phase I of this docket. It is now ready to enter Phase II, the rate and cost phase. For Phase II, the Azalea petition will be grouped with all other EAS dockets that complete Phase I by August 1999. The telephone

ORDER NO. 99-528

companies serving the Azalea, Myrtle Creek, and Roseburg telephone exchanges shall file proposed rates and supporting cost information by October 15, 1999.

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 ORS 756.580.