

ORDER NO. 00-334

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**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UM 965

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

DISPOSITION: COMMUNITY OF INTEREST FOUND WITH THE  
DALLES; NO COMMUNITY OF INTEREST FOUND  
WITH WASCO

On January 13, 2000, the customers of the Grass Valley telephone exchange (petitioners) petitioned the Commission for extended area service (EAS) to the Wasco and The Dalles telephone exchanges. The Commission docketed the request as UM 965 for investigation.

On February 23, 2000, the Commission Staff filed testimony for Phase I, Community of Interest Determination. Based on a review of geographic and telephone usage information, Staff concluded that the petition failed the Commission's objective criteria for a community of interest. *See* Order Nos. 89-815 and 92-1136.

On March 3, 2000, Michael Grant, an Administrative Law Judge (ALJ) with the Commission, issued a proposed order adopting Staff's findings and recommending that the petition be dismissed. Petitioners subsequently requested an opportunity to establish, through demographic and other evidence, that a community of interest exists between the Grass Valley and the Wasco and The Dalles telephone exchanges.

On May 16, 2000, ALJ Grant held a hearing on this matter in Grass Valley, Oregon. Approximately 30 people appeared in support of the petition. Celynn VanDeventer, authorized representative, appeared on behalf of United Telephone Company of the Northwest, d.b.a. Sprint (United).

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

## **FINDINGS**

### **Geography and Demography**

The Grass Valley, Wasco, and The Dalles telephone exchanges are located in North Central Oregon near the Columbia Gorge. The Grass Valley and Wasco exchanges are located in Sherman County, while The Dalles exchange is located in Wasco County. The petitioning exchange, Grass Valley, consists of 251 access lines and currently has EAS to the Moro exchange. The target exchanges, Wasco and The Dalles, consist of 382 and 11,805 access lines, respectively. All three exchanges are served by Sprint.

The Grass Valley exchange is a rural farming area with little centralized business to support its local population. Currently, the exchange has a market, gas station, antique store, and a post office. Exchange residents, therefore, seek essential goods and services in neighboring communities.

The cities of Moro and Wasco, located north and northeast of Grass Valley, are the closest towns that offer some additional businesses. As the county seat for Sherman County, Moro offers certain governmental services and other businesses, including a bank. Wasco is home to farm implement dealers and other agricultural support businesses. With fewer than 400 residents each, however, Moro and Wasco are also relatively small cities with limited business offerings for area residents.

As a result, Grass Valley exchange customers, like most Sherman County residents, rely heavily on The Dalles to meet many of their basic needs. The Dalles, located about 50 miles from Grass Valley, is a relatively large metropolitan area that offers a wide variety of professional, commercial, and consumer services. With a population of almost 12,000, The Dalles is the economic hub of the Columbia Gorge area with numerous retail and service-oriented businesses. These include accounting, banking, insurance, and other professional services, hardware and business suppliers, automobile dealers, clothing stores, and a variety of restaurants.

### **Government and Jurisdictional Issues**

The Grass Valley exchange is located within Sherman County and is served by some governmental offices located in Moro. These include offices for the Circuit Court, County Clerk, District Attorney, and Sheriff. Due to the small size of the county, some agencies have entered into cooperative agreements with agencies in Wasco County to more efficiently serve their citizens. For example, Circuit Court judges from The Dalles come to Moro every month to hear cases in Sherman County.

Grass Valley residents also rely on state and federal governmental offices located in The Dalles, such as the Department of Motor Vehicles, Employment Division, Building Codes, State Police, Mental Health, and other human resource agencies. Many farmers in Grass Valley also utilize the main headquarters of the Oregon State Extension Services located in The Dalles.

### **Medical and Dental Services**

There are no medical and dental facilities available within the Grass Valley exchange. One part-time medical practitioner has an office in Moro. However, most Grass Valley exchange residents obtain basic and emergency medical and dental care in The Dalles. Numerous medical and dental providers work in The Dalles, home of the region's largest hospital.

### **Schools**

The Grass Valley exchange is home to a combined grade and middle school, with older students attending the high school in Moro.

### **Toll Avoidance**

Many Grass Valley residents engage in a variety of toll avoidance practices. Residents often avoid toll calls by combining a trip with their telephone activities. Others relay calls through neighbors or friends. Some use cellular telephones or prepaid long-distance phone cards.

## **CONCLUSIONS**

### **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.

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.

The Commission first attempts to make a community of interest determination based on an analysis of calling pattern data. In this process, the Commission Staff reviews calling data to determine whether a sufficient number of calls are placed between the exchanges and whether a sufficient percentage of customers in the petitioning exchange are making those calls. This test is known as the objective criteria test and requires an EAS petition to meet the following requirements:

1. Contiguous exchange boundaries – The petitioning exchange must share a common boundary with the target exchange(s);<sup>1</sup>
2. Minimum calling volume - There must be an average of four toll calls per access line per month between the contiguous exchanges; and
3. Minimum calling distribution - More than 50 percent of the customers in the petitioning exchange must make at least two toll calls per month to the contiguous exchange(s). *See* Order Nos. 89-815 and 92-1136.

If a petition fails to meet these objective criteria, petitioners may request the opportunity to make an alternative showing of a community of interest through demographic, economic, financial, or other evidence. In this alternative showing, the Commission relies on an analysis of the following factors:

- (1) geographic and demographic information; (2) location of schools;
- (3) governmental and jurisdictional issues; (4) emergency services;

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<sup>1</sup> In Order No. 99-038, the Commission adopted standards to allow a community of interest finding between non-contiguous exchanges if the petition satisfies the calling volume and calling distribution criteria and petitioners establish that the proposed EAS route is necessary to meet their critical needs.

(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 results of the objective criteria test; 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.

## **Community of Interest**

### **I. Objective Criteria Findings**

United provided calling pattern data for the Grass Valley, Wasco, and The Dalles telephone exchanges. A review of geographic and telephone usage information reveals that neither of the requested interexchange routes satisfies the Commission's objective community of interest criteria.

The Grass Valley exchange is contiguous with both the Wasco and The Dalles exchanges. The proposed Grass Valley/Wasco interexchange route, however, failed the calling volume and customer distribution criteria. Under the calling volume criterion, an average of only 1.3 toll calls per line per month were placed between Grass Valley and The Dalles, and only 17.89 percent of the Grass Valley customers made at least 2 toll calls per month to the Wasco exchange.

The proposed Grass Valley/The Dalles interexchange route satisfied the calling volume criterion, with an average of 8.16 toll calls per line per month being placed between the exchanges. That route, however, narrowly failed the customer distribution criterion, with an average of 45.23 percent of the customers making at least two toll calls per month to The Dalles exchange.

### **II. Demographic Evidence**

The Commission concludes that the Grass Valley petitioners have established, through demographic and other evidence, that a community of interest exists with The Dalles exchange. The evidence presented at hearing establishes a sufficient degree of dependence by the Grass Valley exchange residents on The Dalles exchange.

The Grass Valley exchange is a rural agricultural area that offers virtually no business or professional services for its residents. The Dalles is the closest city where a sizable number of businesses and professional services are available. The city lies approximately 50 miles from the city of Grass Valley, and it provides the necessary goods and services to meet the basic needs of Grass Valley exchange residents. These include business, governmental, medical, dental, and other professional and retail services.

The Grass Valley petitioners also established that many customers engage in a variety of toll avoidance activities. Many residents simply save calls and make them in the Moro or The Dalles exchanges. A large number rely on the use of cellular phones. Had these calls been capable of measurement and been included in Staff's analysis, it is possible that the Grass Valley customers would have satisfied the Commission's objective criteria for a community of interest with the The Dalles exchange. Indeed, the petitioners narrowly failed the customer distribution criterion, with more than 45 percent of the customers making at least two toll calls per month to The Dalles exchange. The inclusion of this uncounted calling activity may have been sufficient to exceed the Commission's objective standards.

The Commission further concludes, however, that the Grass Valley petitioners have failed to establish a sufficient community of interest with the Wasco exchange. Like Grass Valley, the Wasco exchange is a rural agricultural community with little or no centralized businesses. As a result, most Grass Valley residents have little reason to call the Wasco exchange. While some petitioners offered evidence of ties to Wasco—most significantly with reference to the agricultural support businesses located there—all testified to stronger ties to The Dalles. This decreased reliance is also reflected in the objective criteria test. The calling pattern data showed that an average of only 1.3 calls were placed per line per month from the Grass Valley exchange to the Wasco exchange, and that less than 20 percent of the Grass Valley customers made at least two toll calls per month to the Wasco exchange. Both figures were considerably lower than those for The Dalles exchange.

In summary, the Grass Valley petitioners showed strong ties to The Dalles exchange. The Commission concludes that such evidence, when viewed with the results of the objective community of interest findings, establishes that a community of interest exists between the Grass Valley and The Dalles exchanges. That portion of the EAS petition should proceed to Phase II for tariff analysis. The Commission further concludes that the petitioners have failed to establish a community of interest with the Wasco exchange. That portion of the EAS petition should be dismissed.

## **ORDER**

IT IS ORDERED that:

1. The petitioners have established, through demographic and other evidence, that a community of interest exists between the Grass Valley and The Dalles telephone exchanges. This completes Phase I for that portion of the petition. For Phase II, the proposed Grass Valley/The Dalles interexchange route will be grouped with all other EAS dockets that complete Phase I by August 2000.

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United shall file proposed rates and supporting cost information by October 16, 2000.

2. The petitioners have failed to establish that a community of interest exists between the Grass Valley and the Wasco exchanges. That portion of the petition is denied.

Made, entered, and effective \_\_\_\_\_.

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**Ron Eachus**  
Chairman

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**Roger Hamilton**  
Commissioner

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**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.