

ORDER NO.00-392

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**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 948

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

DISPOSITION: COMMUNITY OF INTEREST FOUND WITH SALEM;  
NO COMMUNITY OF INTEREST FOUND WITH  
AUMSVILLE-TURNER AND DETROIT

On October 1, 1999, the customers of the Mill City telephone exchange (petitioners) filed a petition for extended area service (EAS) to the Salem, Aumsville-Turner, and Detroit telephone exchanges. A map of the affected exchanges is attached as Attachment A. The Commission docketed the request as UM 948 for investigation.

On February 16, 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. Staff's testimony is summarized in Attachment B.

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 Mill City exchange and the Salem, Aumsville-Turner, and Detroit telephone exchanges.

On May 30, 2000, ALJ Grant held a hearing on this matter in Mill City, Oregon. Approximately 40 people appeared in support of the petition. Renee Willer, authorized representative, appeared on behalf of GTE Northwest, Inc.

Based on the record in this matter, the Commission makes the following:

### **FINDINGS OF FACT**

The Mill City, Detroit, and Aumsville-Turner telephone exchanges lie in the Santiam River valley in Western Oregon. The Salem exchange lies at the confluence of the Santiam and Willamette Rivers in the mid-Willamette Valley. Mill City, the petitioning exchange, consists of approximately 1,500 customers and currently has EAS to the Lyons and Stayton telephone exchanges. The Detroit exchange consists of about 425 access lines and has no EAS. The Aumsville-Turner exchange consists of approximately 2,250 access lines and has EAS to Stayton and Salem. The Salem exchange has over 123,000 access lines and has EAS to numerous neighboring exchanges. GTE Northwest, Inc., serves the Mill City, Aumsville-Turner, and Detroit exchanges, while U S WEST Communications, Inc., serves the Salem exchange.

#### **Professional and Business Services**

The Mill City exchange is a rural logging and recreational area that includes two incorporated cities, Mill City (pop. 1,650) and Gates (pop. 530). Both Mill City and Gates are small towns that cannot support the commercial and professional services required to meet the basic needs of area residents. Currently, the area has a bank, three small markets, a sports and liquor store, a tavern, and some restaurants. Due to this reason, the area also lacks employment opportunities.

Due to the lack of local services and employment opportunities, Mill City exchange residents depend heavily on neighboring communities to meet their basic needs. The city of Stayton, located about 15 miles west of Mill City, is the closest town that offers some commercial, professional, and retail services, as well as employment opportunities. Stayton offers several grocery stores, video rental shops, a sporting goods store, a variety of fast food restaurants, and other retail shops. The city also offers some bookkeeping, banking, legal, and other professional services. With a population of about 6,000, however, Stayton is also a relatively small city with limited offerings for area residents.

As a result, most Mill City residents seek essential goods and services in Salem, located about 35 miles west of Mill City and directly accessed via State Route 22. With a population of over 120,000, Salem is a relatively large metropolitan area that offers a wide variety of professional, commercial, and retail services. Given its size, Salem also offers numerous employment activities. Consequently, many Mill City exchange residents commute to work in Salem.

## **Schools**

The children of the Mill City exchange customers attend schools in Mill City or Gates. The Mill City schools also serve middle-school and high-school students that live in the Detroit exchange.

## **Governmental Services**

Because the Santiam River equally divides the Mill City exchange, half of the exchange residents live in Marion County, and half live in Linn County. Most residents, however, obtain governmental services in Salem, the county seat of Marion County. Given its larger size and easier accessibility, residents look to Salem for a variety of county government offices including County Sheriff, Circuit Court, District Attorney, Planning and Building Departments, County Tax Department, and County Clerk. Because Salem is also the state capital, Mill City residents can also access the numerous state agencies located there, such as Adult and Family Services, Employment Division, Transportation Department, State Forestry, State Police, and Fish and Wildlife.

## **Emergency Services**

Mill City exchange residents are served by a volunteer fire department. The area's dispatch center is located in Salem, and medical emergencies are transported to either the Stayton or Salem Hospital, depending upon severity.

## **Medical and Dental Services**

The Mill City 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. Most residents, however, seek primary, as well as specialized care in either Salem, where a greater number of physicians and dentists practice.

## **Toll Avoidance**

Many Mill City residents engage in a variety of toll avoidance practices. Residents often avoid toll calls by combining a trip to Salem with their telephone activities. Others relay calls through neighbors or friends. Some use cellular telephones or prepaid long-distance phone cards. In addition, a large number of exchange customers use alternative long distance carriers when placing toll calls from the Mill City exchange.

## CONCLUSIONS

### Commission Policy

The Commission has long recognized the problem with outdated 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);

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; (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**

Pursuant to the Commission's request, GTE Northwest, Inc., and US WEST Communications, Inc., provided calling pattern data for the Mill City, Salem, Detroit, and Aumsville-Turner telephone exchanges. A review of geographic and telephone usage information reveals that none of the requested interexchange routes satisfies the Commission's objective community of interest criteria.

The Mill City exchange is contiguous with all three target exchanges. The calling pattern data, however, showed little calling activity from the Mill City exchange to the Detroit or Aumsville-Turner exchanges. Less than one toll call per month was placed between Mill City and the two exchanges, and less than 8 percent of the Mill City exchange customers made at least two toll calls per month to either the Detroit or Aumsville-Turner exchanges.

The data showed more calling to the Salem exchange. In fact, the proposed Mill City/Salem interexchange route satisfied the calling volume criterion, with over six toll calls

per line per month placed between the exchanges. The route, however, failed the customer distribution criterion, with only 35.73 percent of the Mill City exchange customers making at least two toll calls per month to the Salem exchange.

## **II. Demographic Evidence**

The Commission concludes that the Mill City petitioners have established, through demographic and other evidence, that a community of interest exists with the Salem exchange. Petitioners established a sufficient degree of dependence by the Mill City exchange residents on the Salem exchange. As noted above, the Mill City exchange is comprised of a rural logging and recreational area with few local businesses to serve its residents. Salem is the closest city where a sizable number of businesses are located. Located just 35 miles from Mill City, Salem is a relatively large urban center that offers Mill City exchange residents reasonable access to a variety of professional and business services, as well as retail and other commercial activities.

The city of Salem is also the county seat of Marion County. Although the Mill City exchange covers portions of both Marion and Linn counties, most exchange residents find it more convenient to obtain needed services in Salem due to the geographic proximity and direct road access. Numerous social service agencies run by state agencies are also located in Salem.

Many Mill City customers also engage in a variety of toll avoidance activities. Many residents simply save calls and make them in the Lyons, Stayton, or Salem exchange. A large number rely on the use of cellular phones and other toll carriers. Had these calls been capable of measurement and been included in Staff's analysis, it is possible that the Mill City customers would have satisfied the Commission's calling pattern criteria for a community of interest with the Salem exchange. Indeed, the petitioners passed the calling volume requirement and narrowly failed the customer distribution criterion with over 35 percent of the customers making at least two toll calls per month to the Salem 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 Mill City petitioners have failed to establish a sufficient community of interest with the Aumsville-Turner and Detroit exchanges. While some petitioners offered evidence of ties to Detroit—most significantly with reference to the local schools—all testified to stronger ties to Salem. This decreased reliance is also reflected in the objective criteria test, where the calling pattern data showed considerably lower numbers than those for the Salem exchange.

In summary, the Mill City petitioners showed strong ties to the Salem 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 Mill City and the Salem exchange. 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 Detroit and Aumsville-Turner exchanges. Those portions 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 Mill City and the Salem telephone exchange. This completes Phase I for that portion of the petition. For Phase II, the proposed Mill City/Salem interexchange route will be grouped with all other EAS dockets that complete Phase I by August 2000. The telephone companies serving these exchanges 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 Mill City and the Aumsville-Turner and Detroit 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.