

ORDER NO.

ORDER NO: 00-399

ENTERED JUL 21 2000

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**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UM 966

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

**DISPOSITION: NO COMMUNITY OF INTEREST FOUND WITH BEND  
OR REDMOND; PETITION DENIED**

On January 18, 2000, the customers of the Mitchell telephone exchange (petitioners) petitioned the Commission for extended area service (EAS) to the Redmond and Bend telephone exchanges. A map of the affected exchanges is attached as Appendix A.

On March 20, 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 Appendix B.

On April 4, 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 Mitchell and the Redmond and Bend telephone exchanges.

On June 7, 2000, ALJ Grant held a hearing on this matter in Mitchell, Oregon. Elizabeth Carroll, lead petitioner for the Mitchell customers, appeared in support of the petition.

ORDER NO.00-399

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

## **FINDINGS**

### **Geography and Demography**

The Mitchell, Bend, and Redmond telephone exchanges lie east of the Cascade Mountains in Central Oregon. Mitchell, the petitioning exchange is located in Wheeler County and consists of about 270 customers. It currently has EAS to the Prineville exchange and is served by CenturyTel of Oregon, Inc. (CenturyTel). The target exchanges, Bend and Redmond, lie approximately 60 to 80 miles east of Mitchell. The Bend exchange consists of about 55,000 access lines, while the Redmond exchange has about 17,000 access lines. Both target exchanges are served by U S WEST Communications, Inc. (U S WEST).

The Mitchell exchange is a rural farming and ranching area with little centralized business to support its local population. Currently, the exchange has two small markets, two gas stations, two restaurants, and a post office. Due to the limited number of goods and services available locally, Mitchell exchange residents rely heavily on neighboring communities to meet their basic needs.

Some Mitchell residents seek certain services in the city of Fossil, located some 35 miles north of Mitchell. As the county seat for Wheeler County, Fossil offers certain county governmental services to local residents. However, with a population of just over 500, Fossil is also a small town with few business offerings.

Consequently, most Mitchell exchange customers obtain basic goods and services in the city of Prineville, located some 45 miles west of Mitchell. With a population of over 7,000, Prineville is a relatively large city that offers a wide variety of professional, commercial, and retail services. These include financial, insurance, medical and legal services, agricultural supplies, automotive repair, hardware and building supplies, and business support services. Prineville also has numerous restaurants, groceries, and retail outlets.

Some Mitchell exchange residents look to Bend for specialized services. Bend is the largest city in central Oregon and, consequently, offers a wider variety of goods and services than other communities in the area. It has a large number of retail stores, including many clothing stores and a Costco Wholesale store.

### **Government and Jurisdictional Issues**

The Mitchell exchange is located within Wheeler County and is served by some governmental offices located in Fossil. These include offices for the Circuit Court, County Clerk, District Attorney, and Sheriff. Ranchers in Mitchell also utilize the Oregon State Extension Services located in Fossil.

Mitchell residents rely on state and federal governmental offices located in Prineville, such as the Department of Motor Vehicles, Forestry Department, Bureau of Land Management, and many social service agencies.

### **Medical and Dental Services**

There are no medical and dental facilities available within the Mitchell exchange. Some residents receive part-time home health care from providers located in Prineville. Most Mitchell exchange residents seek basic and emergency medical and dental care in Prineville. Numerous medical and dental providers work in Prineville, which is home to the Pioneer Hospital.

Some Mitchell exchange residents obtain specialized medical care in Bend, home of St. Charles Hospital. Numerous specialty health clinics are located in Bend, such as cardiology. St. Charles Hospital also offers life-flight services to transport emergency patients.

### **Schools**

The children living in the Mitchell exchange attend grade school, middle school, and high school in Mitchell.

### **Emergency Services**

The City of Mitchell has its own fire department and ambulance service. Local residents rely on the State Police stationed in Prineville and Condon. The 911 dispatch is routed through Heppner.

### **Business and Commercial Dependence**

As stated above, a majority of Mitchell exchange customers are engaged in ranching or farming activities. These residents primarily rely on agricultural suppliers, such as feed stores, located in Prineville.

## **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 on 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.

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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.

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**

CenturyTel and U S WEST provided calling pattern data for the Mitchell, Redmond, and Bend telephone exchanges. A review of geographic and telephone usage information reveals that neither of the two requested interexchange routes satisfies the Commission's objective community of interest criteria.

The Mitchell exchange is contiguous with both the Redmond and Bend exchanges. The proposed Mitchell/Redmond interexchange route, however, failed the calling volume and customer distribution criteria. Under the calling volume criterion, an average of only 1.67 toll calls per line per month were placed between the Mitchell and Redmond exchange, and only 22.93 percent of the Mitchell exchange customers made at least 2 toll calls per month to the Redmond exchange.

The proposed Mitchell/Bend interexchange route satisfied the calling volume criterion, with an average of 6.12 toll calls per line per month being placed between the exchanges. That route, however, failed the customer distribution criterion, with an average of only 40.12 percent of the customers making at least two toll calls per month to Bend exchange.

## II. Demographic Evidence

This is a difficult case. It is clear that the Mitchell exchange is a rural agricultural area with virtually no centralized business to support the basic needs of its residents. Due to this fact, local residents must rely on other communities to obtain basic needs and services. The evidence presented, however, shows that the Mitchell exchange customers currently have toll-free access to virtually all essential goods and services in the Prineville exchange. As noted above, Prineville is a sizable community with a wide variety of governmental, professional, business, and retail services. Prineville offers a variety of medical and dental practitioners, as well as a hospital. It is home to numerous state and federal agencies, including the Department of Motor Vehicles, Forestry Department, State Police, and social services. The Prineville area also offers financial and legal services, automotive repair, hardware and farm supplies, grocery stores, and restaurants.

Petitioners offered no evidence to establish a community of interest to the Redmond exchange, and only a little evidence relating to the Bend exchange. In fact, petitioners could only identify three things available in Bend that are not available in Prineville: (1) certain specialized medical services; (2) a variety of clothing stores; and (3) a Costco Wholesale store. With regard to the first item, the Commission is sympathetic to the needs of area residents who require specialized medical treatment not available in their toll-free calling area. That predicament, however, is not uncommon in most parts of the state. Indeed, most Oregon residents living outside the Portland, Bend, and Eugene calling areas must travel beyond their local calling area to obtain certain types of specialized medical treatment. Accordingly, the Commission is reluctant to find that a community of interest exists between two communities based solely on that fact. With regard to the last two items, the Commission does not consider calling for convenience, rather than necessity, to be persuasive evidence supporting the implementation of EAS. *See, e.g., In the Matter of the Investigation into Extended Area Service Standards between Non-Contiguous Exchanges*, Order No. 99-038 at 10.

For these reasons, the Commission finds that there is insufficient evidence in this record to conclude that there is a social, economic, or political interdependence between the Mitchell exchange and the Bend or Redmond exchanges, or that there is a heavy dependence by the Mitchell exchange customers on the Bend or Redmond areas for services and facilities necessary to meet many of their basic needs. In short, the demographic evidence presented in this matter does not make a sufficiently strong showing to establish that a community of interest exists between the Mitchell exchange and the Bend or Redmond exchanges. Accordingly, the EAS petition should be denied.

**ORDER**

IT IS ORDERED that the petitioners have failed to establish that a community of interest exists between the Mitchell exchange and the Bend or Redmond telephone exchanges. 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.