

ORDER NO.00-419

ENTERED JUL 31 2000

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**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UM 972

In the Matter of the Petition for Extended Area	)	
Service Filed by the HEREFORD/UNITY	)	ORDER
EXCHANGE.	)	

**DISPOSITION: COMMUNITY OF INTEREST FOUND WITH THE BAKER EXCHANGE**

On April 3, 2000, the customers of the Hereford/Unity telephone exchange (petitioners) petitioned the Commission for extended area service (EAS) to the Baker telephone exchange. The Commission docketed the request as UM 972 for investigation.

On April 24, 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 April 28, 2000, Michael Grant, an Administrative Law Judge 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 Hereford/Unity and Baker telephone exchanges.

On July 13, 2000, Administrative Law Judge Sam Petrillo held a hearing on this matter in Unity, Oregon. Approximately 25 people appeared in support of the petition. Gary Miller, appeared on behalf of Oregon Telephone Corporation (OTC).

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

## **FINDINGS**

### **Geography and Demography**

The Hereford/Unity and Baker telephone exchanges are located in Central Eastern Oregon. The petitioning exchange, Hereford/Unity, is served by OTC and consists of 247 customers and 276 access lines. The target exchange, Baker, is served by Qwest Corporation (formerly U S WEST Communications, Inc.) and consists of 6,364 access lines. Both the Hereford/Unity and Baker exchanges are located in Baker County. Hereford/Unity does not have EAS to any other exchanges.

The community of Hereford is situated along Oregon State Highway 245 approximately 38 miles southwest of Baker City. Unity is situated along Oregon State Highway 26 approximately 45 miles southwest of Baker City. Hereford and Unity are very isolated rural communities. The area is primarily ranching country and has little centralized business to support the local population. Unity, for example, includes a post office and a few small businesses, including a grocery store, gas station, a motel, cafe, a tackle/gift shop, and a lumber mill. As a result, Hereford/Unity residents seek essential goods and services in neighboring communities.

Baker City is the county seat of Baker County and provides several governmental services for Hereford/Unity residents. Most Hereford/Unity exchange customers also rely heavily on Baker City to meet most of their needs for essential services. Baker is a relatively large metropolitan area offering a wide variety of professional, commercial, and consumer services. Retail and service-oriented businesses include banking, legal, accounting, insurance, and other professional services, hardware and equipment suppliers, automobile dealers, equipment repair facilities, department stores, supermarkets, appliance dealers, restaurants and a variety of other commercial enterprises.

Aside from Baker City, other cities with significant business offerings are John Day and Vale. These towns, however, are located farther away than Baker City, and offer fewer services.

### **Schools**

Students in the Hereford/Unity exchange attend the Burnt River School in Unity. The school serves grades K through 12. It is associated with the Baker City Educational Services District, which provides counseling, special education, speech, hearing screening, and medical services for students attending the Burnt River School. Early intervention programs and the Commission on Children and Families are also coordinated from Baker City. In addition, a number of educational and training programs are offered to Hereford/Unity residents through Blue Mountain Community College in Baker City.

### **Governmental Services**

The Hereford/Unity exchange is located within Baker County and is served by county governmental offices in Baker City. In addition, Hereford/Unity residents rely on several state and federal governmental offices in Baker City. These include the Department of Motor Vehicles, Adult and Family Services, Employment Division, Building Codes, State Police, Mental Health, Fish and Wildlife, State Department of Forestry, U.S. Forest Service; and Social Security.

### **Medical and Dental Services**

There are no medical and dental facilities available in the Hereford/Unity exchange. Residents obtain basic and emergency medical and dental care in Baker City, where several medical and dental providers are located.

### **Emergency Services**

The Hereford/Unity exchange is part of the Baker Ambulance Services Area coordinated out of Baker City. Paramedic services, if needed, are also dispatched from the hospital in Baker City in most cases. Emergency fire and state police assistance is also provided from Baker City.

### **Social Services**

Hereford/Unity residents rely on Baker for virtually all social services, including churches, public libraries, senior centers, day care facilities, adult and family services, drug and pregnancy counseling, public swimming facilities, and relief agencies such as the Salvation Army and St. Vincent DePaul.

### **Employment and Commuting Patterns**

Baker City residents commute to Unity to teach school and work in jobs with federal natural resource agencies. In addition, a number of Hereford/Unity residents also commute to work in Baker City. Unlike the Hereford/Unity exchange, Baker City is home to numerous businesses offering employment opportunities.

### **Business and Commercial Dependence**

Hereford/Unity exchange residents rely on Baker for the vast majority of their business and commercial needs, including banking, legal and accounting services, supermarkets,

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department stores, appliance stores, hardware stores, equipment suppliers, repair facilities, automobile dealers, and insurance agencies.

### **Transportation Patterns**

Oregon State Highway 245 between Baker City and Unity traverses Dooley Mountain Summit and is very treacherous during the winter. As a result, many Hereford/Unity exchange residents are forced to transact business over the telephone rather than make the trip to Baker City. This increases the toll charges incurred by Hereford/Unity residents in the winter season.

### **Toll Avoidance**

Hereford/Unity residents are able to avoid toll calls by using cellular telephones, but service to the area is uneven. Residents also travel to Baker City to avoid toll charges.

## **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

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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; (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.

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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.

## **Community of Interest**

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

OTC provided calling pattern data for the Hereford/Unity telephone exchange. A review of geographic and telephone usage information revealed that the requested interexchange route did not satisfy the Commission's objective community of interest criteria.

The Hereford/Unity exchange is contiguous with Baker exchange. It also satisfies the calling volume criteria, with an average of 4.68 calls per line per month. The proposed route failed the customer distribution criterion however, with an average of 37.04 percent of the customers making at least two toll calls per month to Baker exchange.

### **II. Demographic Evidence**

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

The Hereford/Unity exchange is a very isolated rural area offering virtually no business, professional or social services for its residents. Baker City is the closest city where a significant number of these services are available. Baker City is approximately 45 miles from Hereford/Unity and provides the necessary goods and services to meet the basic needs of Hereford/Unity exchange residents. These include business, governmental, medical, dental, and other professional and retail services.

The Hereford/Unity petitioners indicated that customers use cellular phones to avoid toll charges. Had these calls been capable of measurement and been included in Staff's analysis, it is possible that the Hereford/Unity customers would have satisfied the Commission's objective criteria for a community of interest with the Baker exchange.

In summary, the Hereford/Unity petitioners showed strong ties to Baker 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 Hereford/Unity and Baker exchanges. The EAS petition should proceed to Phase II for tariff analysis.

## **ORDER**

IT IS ORDERED that the petitioners have established, through demographic and other evidence, that a community of interest exists between the Hereford/Unity and Baker

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telephone exchanges. This completes Phase I for this petition. For Phase II, the petition will be grouped with all other EAS dockets that complete Phase I by August 2000. OTC shall file proposed rates and supporting cost information by October 16, 2000.

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.

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