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**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UM 936 and UM 938

In the Matter of the Petitions for Extended Area	)	
Service filed by the RIDGEVIEW (UM 936) and	)	
ADRIAN (UM 938) TELEPHONE	)	ORDER
EXCHANGES.	)	

DISPOSITION: (1) PETITIONS FOR EAS TO THE NYSSA EXCHANGE DISMISSED;

(2) EAS ROUTE BETWEEN THE ADRIAN AND RIDGEVIEW EXCHANGES APPROVED

**SUMMARY**

In this order, we conclude that the proposed extended area service (EAS) routes from the Adrian and Ridgeview exchanges to the Nyssa exchange are not in the public interest. We make this conclusion based on customer input at hearing and from the results of an advisory ballot. We further conclude, however, that EAS should be implemented between the Adrian and Ridgeview exchanges at no charge to customers.

**Procedural Background**

In two separate petitions, the customers of the Ridgeview and Adrian telephone exchanges seek extended area service (EAS) to neighboring exchanges. In docket UM 936, the Ridgeview exchange customers seek EAS to the Adrian and Nyssa telephone exchanges. In UM 938, the Adrian exchange customers seek EAS to the Nyssa telephone exchange.<sup>1</sup>

Pursuant to the procedural schedule adopted in these cases, Oregon-Idaho Utilities, Inc., (Oregon-Idaho), which serves the Ridgeview and Adrian exchanges, evaluated the costs of

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<sup>1</sup> Both petitions also originally sought EAS to the Ontario and Vale exchanges. The Commission concluded, however, that the Ridgeview and Adrian exchanges did not share a community of interest with those target exchanges and dismissed those requests in Order Nos. 00-239 and 00-337, respectively.

deploying the proposed EAS. In discussions between the company and the Commission Staff, both parties determined that the proposed rate levels, even after Staff adjustments, are significant. To recover the lost access charge revenues and other EAS costs, Oregon-Idaho would be required to increase its local residential rates for the Ridgeview and Adrian customers from \$18.65 to \$25.95, and to add a flat EAS rate of \$25.95 for unlimited calling to the Nyssa exchange.

Based on these cost projections, the Commission decided to seek additional customer input before continuing the investigation. In January 2001, the Commission mailed informational surveys to all customers of the Adrian and Ridgeview exchanges to determine continued support for the EAS petition at the projected rates. To help further explain the EAS costs and customer choices, Michael Grant, an Administrative Law Judge, held an evening public comment hearing in Adrian, Oregon on January 17, 2001. Lance Ball and Dave Sloan of the Commission Staff appeared and provided additional information and answered customer questions. Jeff Beck appeared on behalf of Oregon-Idaho.

### **Hearing and Survey Results**

Approximately 25 customers appeared at the hearing to discuss the proposed local rate increases and EAS additives. The customers testified that the proposed rates were simply too high to justify EAS expansion to the Nyssa exchange. Many testified that, with the local rate increases and high EAS charges, it would be more economical for them to use a cellular telephone or toll packages. Others expressed concern that the substantial increase to local rates would force many low-income customers to cancel telephone service.

These comments were similar to the results of the customer balloting. Of the 70 valid ballots that were returned, only seven (7) customers indicated continued support for the EAS to the Nyssa exchange at projected rates. The other 63 customers asked that the Commission close the investigation for EAS from the Adrian and Ridgeview exchanges to the Nyssa exchange.

### **Alternative Request and Stipulation**

At the January 17 hearing, the customers asked the Commission for a limited investigation to study the feasibility of EAS between the Adrian and Ridgeview exchanges alone. After discussions, Staff and Oregon-Idaho signed a stipulation on March 7, 2001 that the parties believe represents a fair compromise for Adrian and Ridgeview customers. The stipulation is attached as Appendix A.

Staff and Oregon-Idaho agree that EAS should be implemented between the Adrian and Ridgeview exchanges at no charge to company customers. The amount of cost recovery for the interexchange route is only \$2,214. Because the company out-sources its cost and tariff administration to external consultants, Oregon-Idaho believes that the additional administrative cost associated with collecting that amount from its customers would outweigh the benefit derived by simply not assessing the

Adrian and Ridgeview customers for EAS between their respective exchanges. Staff and Oregon-Idaho believe that the company's proposal helps balance the customer's desire for EAS expansion with interests of economy, financial efficiency, and equity.

### **Commission Resolution**

Based upon the testimony at hearing and results of the customer survey, the Commission concludes that it would not be in the public interest to implement EAS from the Adrian and Ridgeview exchanges to the Nyssa exchange. The Commission has long recognized that, while many customers desire expanded toll-free calling, the implementation of new EAS routes may create new problems as telephone companies try to recover lost toll revenues. In this case, Oregon-Idaho has proposed raising its basic exchange rates significantly. As some customers at the hearing noted, such an increase would threaten the goal of universal service. Perhaps due to this fact, those testifying at hearing and an overwhelming majority of Adrian and Ridgeview customers returning advisory ballots asked the Commission to close the investigation for EAS to the Nyssa exchange. Accordingly, the portion of the Adrian and Ridgeview petitions seeking EAS to the Nyssa exchange should be dismissed.

We further conclude, however, that the EAS route between the Adrian and Ridgeview exchanges should be implemented as proposed by Staff and Oregon-Idaho. The stipulated rates for the service meet or substantially comply with the rate design criteria set forth in Order No. 89-815.<sup>2</sup> Accordingly, the Commission adopts the rates and other provisions included in the stipulation between Staff and Oregon-Idaho.

### **ORDER**

IT IS ORDERED that:

1. Petitioners' request for EAS from the Adrian and Ridgeview exchanges to the Nyssa exchange is dismissed.
2. Petitioners' request for EAS between the Adrian and Ridgeview exchanges is granted.
3. The stipulation between Staff and Oregon-Idaho Utilities, Inc., set forth in Appendix A, is granted.

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<sup>2</sup> The stipulated rates are unique in that Oregon-Idaho offers no measured rate option for any of its existing EAS routes. Currently, all Oregon-Idaho routes are interstate, the rates for which were approved by the Idaho Public Utility Commission. The company does not offer a measured EAS rate option in this case, because it would have no effect. As Staff notes, it would make no sense to offer a measured EAS rate if the company is offering free EAS between the Adrian and Ridgeview exchanges.

4. Oregon-Idaho Utilities, Inc., shall implement the EAS route no later than by August 4, 2001.

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

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**Roy Hemmingway**  
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 ORS 756.580.