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Decision 88-06-047 June 17, 1988

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Newberry Community Services)
 District (NCSD), a Government)
 Agency, and the Newberry Springs)
 Citizen Committee (NSCC),)

Complainants,)

vs.)

Continental Telephone Company)
 of California (Contel) (U1003C),)

Defendant.)

Case 87-06-003
 (Filed June 2, 1987)

Elizabeth L. Hanna, Attorney at Law, for
 Newberry Community Services District,
 and Robert G. Ring, for Newberry Springs
 Citizen Committee, complainants.
Orrick, Herrington & Sutcliffe, by Robert J.
Gloistein, Attorney at Law, for defendant.

OPINION

Complainants Newberry Community Services District and the Newberry Springs Citizen Committee (hereinafter Newberry) allege that defendant Continental Telephone Company of California (Contel) refuses to grant toll-free telephone calls to/from Newberry Springs and the rest of the Barstow area exchange prefixes. Newberry alleges that as of January 1987, there are 14,193 subscribers (94.93%) in the greater Barstow area who have toll free telephone service while Newberry's 857 (5.07%) subscribers must pay toll charges. Newberry alleges this is rank discrimination and an abrogation of equal civil rights.

Newberry requests the Commission order Contel to extend toll-free residential and business telephone service from Newberry Springs (257 prefix) to Barstow (256 prefix), South Barstow (252 prefix), Lenwood (253 prefix), and to Yermo (254 prefix) so this discrimination is removed.

In its answer, Contel avers that by Advice Letter No. 762 dated October 1, 1986, it revised Schedule No. A-38, effective November 6, 1986, to provide Optional Residence Telephone Service (ORTS) from the Newberry Springs (257) Exchange to the Barstow (256) Exchange. Contel further avers that ORTS is the appropriate service offering for the approximately 890 customers in the Newberry Springs Exchange, given its size, distance from Barstow, and level of community of interest. Contel further states that ORTS was implemented in 1986 in the nearby Lucerne Valley Exchange (1,765 customers), which is comparable demographically to the Newberry Springs Exchange. Contel does not believe that ORTS for the Newberry Springs Exchange is discriminatory. To the contrary, it puts the Newberry Springs Exchange on an equal footing with those customers to whom extended calling was most recently offered.

With respect to exchanges with calling patterns such as those of Newberry Springs, Contel believes that, from its experience, current regulatory policy in California and elsewhere is to provide usage sensitive calling (such as ORTS or ZUM [zone unit measured service]), rather than flat-rate extended calling such as EAS [extended area service]).

Following notice, the matter came on regularly for hearing in Newberry Springs on August 27, 1987 and February 5, 1988, and the matter was submitted on the latter date.

Nine witnesses testified on behalf of Newberry and statements were made by eight members of the public on behalf of Newberry. Contel called one witness to testify on its behalf.

Background

Newberry Springs is a sparsely populated unincorporated area located approximately 20 miles southeast of the City of Barstow (population 20,500) along Highway 40. It is surrounded on the north, east, and south by mountain ranges. Lying between Barstow and Newberry Springs are the sparsely populated communities of Yermo and Daggett. Lying to the west of Barstow is the Lenwood Exchange which includes the sparsely populated communities of Hinkley and Lenwood. The area surrounding the City of Barstow is divided into four telephone exchanges. The Lenwood Exchange, contiguous to and lying directly west of the Barstow Exchange, has been assigned the prefix 253. The Barstow Exchange has been assigned the prefix 256. South Barstow has been assigned a 252 prefix. East of and contiguous to the Barstow Exchange is the Yermo Exchange, which has been assigned the prefix 254. The Newberry Springs Exchange, which lies east of the Yermo Exchange, has been assigned the prefix 257. The Newberry Springs Exchange is approximately 21 airline miles east of the Barstow rate center. The separate exchange boundaries have existed for many years. The rate centers between each contiguous exchange are approximately 11 miles apart.

During the last 10 years the number of homes in the Newberry Springs Exchange has grown from somewhere less than 300 to more than 1,200. As of February 1987, Contel had 748 residential customers and 86 business customers in the Newberry Springs Exchange. The community consists of farmers, self-employed business people, those employed in Barstow and surrounding areas, absent or part-time second home owners, vacationers, and retired senior citizens.

Telephone calls from the Newberry Springs Exchange (257 prefix) to the Barstow Exchanges (252 and 256 prefixes), to the Yermo Exchange (254 prefix), and to the Lenwood Exchange (253 prefix) are toll calls. Subscribers in the Yermo 254 exchange and

the Lenwood 253 Exchange are able to call the 256 and 252 Barstow exchanges as local calls. Likewise, subscribers in the Barstow 256 and 252 prefixes can call the 253 Lenwood Exchange and the 254 Yermo Exchange as local calls. This complaint seeks to have the present toll calling to the Barstow Exchange (252 and 256 prefixes) and to the Lenwood Exchange (253 prefix) and Yermo Exchanges (254 prefix) converted to local calling at no increase in monthly rates.

Unsworn statements were made by Beverly Lowery, field representative for County Supervisor John Joyner, Barnie Keller, mayor of the City of Barstow; Robert G. Ring, chairman of the Newberry Citizens Committee; Wayne Soppeland, president of the Barstow Chamber of Commerce; and by Newberry Springs residents Jay Spiegel, Bob Woodford, Cherie Schroeder, and Marie Huson.

Beverly Lowery, who maintains an office in the City of Barstow for County Supervisor John Joyner, stated that she receives numerous calls from citizens of Newberry Springs regarding health department problems, road maintenance, senior citizens' support systems, and other matters, and that it is a toll call for those calling her office. She and the supervisor were concerned that many of these citizens may go without services because they cannot afford to make toll calls to her office. Both she and the supervisor feel that the county services could be better utilized and the citizens better served if Newberry Springs had access to the Barstow community through toll-free telephone service.

Barnie Keller, mayor of Barstow, stated that the people of Newberry Springs help the people in Barstow pay their bills since the only place they have to conduct much of their business is in the City of Barstow and many phone calls are made to Barstow by the residents of Newberry Springs. In some cases, it is a hardship on the people who live in Newberry Springs because of the toll charges. Because of the tremendous amount of telephone calls to various businesses in Barstow by residents of Newberry Springs, he believes it would be an advantage to the business people of Barstow

as well as to the residents of Newberry Springs to have toll-free calling to Barstow.

Wayne Soppeland, president of the Barstow area Chamber of Commerce, stated that the desert area surrounding Barstow is composed of a number of small communities isolated physically from one another in some instances while, in other cases, there are groups of these small communities clustered together. However, all of the small communities are socially and economically interrelated to one another and they are all equal parts of the larger community of Barstow. All of the other communities in the Barstow area have toll-free calling to Barstow except Newberry Springs, which is grossly unfair to Newberry Springs residents. These residents are at disadvantage in having to pay toll charges to call Barstow and the Chamber of Commerce strongly supports their efforts to have toll calls to Barstow changed to local calling.

Robert G. Ring, chairman of the Newberry Citizens Committee, stated that the Barstow area is an oasis in the Mojave Desert. It is at the intersection of two major freeways and is confined by the Calico Mountains on the north, the Cady Mountains on the east, and the Newberry-Rodman Mountains on the south. Most of the outlying perimeter land is under the control of the Bureau of Land Management. Almost half of the area of the Newberry Springs (257 prefix) Exchange is uninhabitable area in the Cady Mountains. There are more than 1,200 homes in the Newberry Springs Exchange. There are approximately 900 telephones which gives it a density of 12.58 telephones per square mile in the inhabited area.

The remainder of Mr. Ring's statement consisted of the efforts which had been made by the Citizens Committee to obtain toll-free calls from Newberry Springs to Barstow. Mr. Ring also contended that it was discriminatory for residents of Newberry Springs to have to pay toll charges for calling the other communities when there was a relationship between all of these

communities and where the other communities may call one another toll-free.

The statements made by the remaining four Newberry Springs residents centered on the high cost of toll calls from one exchange area to another, and its burden upon retirees with fixed incomes and upon parents with school-aged children who want to call classmates in adjacent exchanges regarding school work.

Vicky Morris, chairman of the board of the Newberry Community Services District, called as a witness by Newberry, testified essentially as follows:

1. A number of citizens came to meetings of the District complaining about 257 prefix telephone calls to Barstow being charged as toll calls. While a committee was looking into the matter, Contel came back with an optional residential telephone service (ORTS) offering, but the citizens were not happy with it at all and refused to accept it.
2. She does all her shopping for groceries and clothing in Barstow, receives dental and medical services in Barstow, utilizes recreational facilities and restaurants in Barstow, and goes to Barstow for various personal services.
3. As president of the community services district responsible for providing services within this area, she stated that there is a link between this community and the community of Barstow. As an example, Newberry Springs senior citizens are required to be able to contact their doctors and drug stores for prescriptions and calling them requires making toll calls. In addition to the senior citizens, there are many school-aged children in Newberry Springs who are part of the Silver Valley School District (located in the Yermo 254 prefix) and to call every school except the one in Newberry Springs is a toll call.

4. Most of the citizens living in Newberry Springs work in Barstow.
5. The administration office for the school district is located in the Yermo 254 exchange and in order to call that office concerning school activities, residents of Newberry Springs have to make a toll call.

The testimony of Stephanie Van Diest was essentially as follows:

1. She and her husband have a family alfalfa farming operation, on 520 acres in Newberry Springs. She has lived here since 1981. She is presently vice president of the San Bernardino County Farm Bureau and chairman of the Silver Valley Farm Bureau Center.
2. The Silver Valley Farm Bureau, with approximately 300 members, encompasses the communities of Hinkley, Barstow, Daggett, Yermo, Newberry Springs, and Harvard. The Farm Bureau's position is that the entire area is a farming area. The members use all the services of Barstow for repairs and parts for equipment, and for picking up parts being shipped in from other areas. For the small percentage of farmers in the 257 exchange area, it is unfair that they have to pay the toll charges to call Barstow which farmers in the other areas do not have to pay. Although all farmers in the area are competing with one another by selling the same type of product, the farmers in the 257 exchange prefix have the added cost of toll charges for their telephone calls. Farmers in the 252, 253, 254, and 256 exchange areas can call Barstow as local toll-free calls.
3. From January 1987 until August 1987, she has had to make 154 telephone calls to Barstow.
4. She does all her grocery shopping and banking in Barstow. She also handles her insurance matters, veterinary services, recreational activities, and personal services in Barstow. She also has farming

business with the agricultural commissioner in Barstow and must pay toll charges to call him.

Terry Carter was called as a witness and testified essentially as follows:

1. She and her family have lived in Newberry Springs for the past seven years and they are engaged in alfalfa farming on approximately 500 acres.
2. She has to make frequent calls to an irrigation repair service as well as calls to her bank and to the Southern California Edison Company, all of whom are located in the 252 exchange area. She also makes calls to farmers in the 253 exchange area who own dairy farms.
3. From January 1987 to July 1987, she has made 167 calls, with toll charge billing of \$84.85 to the 252 exchange area. She made 38 calls during that same period to the 253 exchange area, with toll charge billings of \$24.69. She also made 173 calls to the 254 exchange area with toll charges of \$138.90. She made 188 calls to the 256 exchange area, with toll charge billings of \$93.60. Calls made to the 254 exchange area are where her children's school, the school district office, and her son's friends are located. In the 256 exchange area, she has had to place calls to auto parts stores, industrial supply places, welding shops, doctors, pharmacies, insurance companies, beauty shops, etc. She does all her grocery shopping in Barstow, purchases all clothing for the family in Barstow, participates in recreation and social activities in Barstow, does her banking in Barstow, seeks medical care in Barstow, and conducts her insurance business in Barstow.

William E. Hogan called as a witness by Newberry, testified essentially as follows:

1. He is chief of the Newberry Springs fire department and in the course of his duties, he is required to make telephone calls to

Daggett, Yermo, Hinkley, and Barstow on a regular basis.

2. The fact that most calls are toll calls causes him to wait until he gets to Barstow to make many of his telephone calls from there.

Donna J. Brown, a trustee of the Silver Valley Unified School District in Yermo, called as a witness by Newberry, testified essentially as follows:

1. She has been a resident of Newberry Springs for 14 years.
2. The Silver Valley Unified School District is located on Yermo-Daggett Road in Yermo and has a 254 calling prefix. There are seven schools located within the 254 prefix. Students attend the Silver Valley Unified School District from the communities of Daggett, Yermo, Ft. Irwin, and Newberry Springs.
3. Because it is a toll call for Newberry students and their parents to call the school district and for the school district to call the parents, students, parents, and teachers are reluctant to make phone calls of long duration because of the toll charges and thus many things are left out of the conversations that would be imperative to the education of the children.
4. The school district views the various townships such as Yermo, Daggett, Newberry Springs, and Ft. Irwin as one community with different names.

Gerald S. Noble, a director of the senior citizens association and resident of Newberry Springs, called as a witness by Newberry, testified essentially as follows:

1. The senior citizens association has approximately 250 members. Toll calls for many members are a severe burden because of their low incomes and because approximately 90% of all the services they need are

located in the Barstow area. When one member of the senior citizens family has to go into a convalescent home, he/she has to be placed in Barstow since none exist in Newberry Springs. Because some seniors cannot necessarily get to see their loved ones in the hospital, they would like at least to make phone calls. However, to do so incurs high toll charges. When you are operating on a relatively small income, you are almost afraid to make toll calls. Thus, this can affect the quality of your living.

2. He is not familiar with universal telephone service which may be available to seniors on low fixed income.

Hilda Mae Voght, a resident of Newberry Springs, called as a witness by Newberry, testified essentially as follows:

1. Speaking on behalf of the Newberry Springs-Harvard Property Owners Association (Association), she would like the same toll-free telephone service to Barstow that the several other nearby communities enjoy. The members of the Association depend upon Barstow for all services, such as groceries, doctors, banking, insurance, and all health and safety needs.
2. In 1986, some of the residents living west of Condor Road on the western edge of Newberry Springs were notified by Contel that their exchange would be changed to the 254 exchange. As the result of this change, neighbors living on one side of Condor Road cannot call their neighbors on the other side of Condor Road as a local call and must incur toll charges to call one another.
3. The 400 members of the Association are in total support of Newberry's efforts to obtain toll free calling to Barstow. The members look upon Newberry Springs as a suburb of Barstow. They are linked to Barstow for economic, health, safety, and welfare purposes and they believe they should not be treated any differently than

those living in the Yermo/Daggett communities.

Kristine Watson, a resident of Newberry Springs, called as a witness by Newberry, testified as follows:

1. She and her husband are engaged in the construction business, serving the entire greater Barstow area from their home in Newberry Springs.
2. On behalf of the business, she and her husband have to make calls to the 253, 254, 256, as well as 257 prefixes in order to order supplies, check with customers, bid on jobs, or call her daughter's school in Barstow. Barstow supplies the family with almost all of their needs.
3. As president of the Newberry Springs Business Association, which has approximately 25 members, she is aware that all members of the association have relationships with the Barstow area. Because her daughter attends school in Barstow, she has to make toll calls to call her classmates for homework assignments or just to talk socially. The toll charges have an effect on her social development because there are times that she is not allowed to call because of the toll charges. At times, when her daughter does call, she is limited as to the amount of time she can talk on the phone.

Pamalla Barber, an employee of the Newberry Springs Community Services District, called as a witness by Newberry, testified as follows:

1. She and her family have lived in Newberry Springs for approximately 15 years. Her husband is employed by a utility company in the community of Daggett and she has children who attend Silver Valley High School in the Yermo 254 prefix area.
2. She makes as many as two calls each week to the Silver Valley High School and she could make a lot more calls than she does, but

because it is being a toll call, she tries to limit the number of calls she makes to the school. Sometimes she drives to the school because it appears cheaper to drive there than to make a telephone call to the school.

3. Her son has many friends who live in prefix areas other than the 257 prefix of Newberry Springs, but he is not allowed to make calls to his friends because of the high toll costs. Her toll charges to the 252, 253, 254, and 256 prefixes average from \$40 to \$60 per month.
4. She believes that her family would make a greater number of calls throughout the local area if they had toll free calling privileges to Barstow. In her opinion, if they cannot obtain local free calling to Barstow and Yermo, EAS with the Salinas increment added will benefit the vast majority of people in that area.
5. She has made an informal telephone survey of 42 people in the area and, although all preferred to have local telephone calling throughout the Barstow area, at least 90% of those polled indicated that if they could not obtain that option, they would select to have the EAS option with the Salinas increment added.
6. She is of the opinion that the low calling patterns from the Newberry Exchange as indicated in the toll charge surveys stem from the fact that the Newberry Springs residents have had to change their calling habits because they cannot afford the high toll charges.
7. It is a toll call for her son, who is involved with 4-H projects, to call his project leader who lives in the Daggett area or to call another student for joint science projects. It is also a toll call for her son to get homework assignments when he is ill and has to phone his teacher or another student for the assignment and

it is a toll call when she or her husband must call a doctor.

Donald L. Butts, director of customer services for the western division of Contel, called as a witness by Contel, testified as follows:

1. In addition to the basic local telephone and toll services offered to the residents of Newberry Springs, Contel offers an optional residence telephone service (ORTS) which is a discounted method of long distance calling. ORTS is the same service as is presently offered by Contel in the Lucerne Valley.
2. Contel does not have any zone usage measurement service (ZUM) at the present time. ZUM service is a distance sensitive measured service which includes the length of the call and time of day in determining the rate. Under a ZUM arrangement, the telephone company goes into a large exchange area and breaks it into smaller exchanges. ZUM then allows each exchange to call its contiguous exchange as a local call. Calls to exchanges further than the contiguous exchanges would fall into a Zone 2 or Zone 3 area and the rate would vary for each zone. However, ZUM is not a service that can be placed in operation overnight or into isolated areas very readily. Instead, it is a building-block type of service which lends itself primarily or initially within metropolitan areas and then working outward from these urban areas into suburban and rural areas.
3. If Contel were to implement ZUM in the high desert area, it would probably start with the largest exchange, which is Victorville, and work outward from that exchange and eventually include the Barstow, Lenwood, Yermo-Daggett, and Newberry Springs area.
4. Contel looks upon ORTS as a temporary offering which offers a partial solution to toll calling or to non-EAS applications, but Contel does not consider it to be the

final appropriate type of service. It would be temporary only until some form of ZUM or distance and time sensitive usage pricing service could be implemented.

5. An estimate of the time within which ZUM service would be available in the high desert area would be two to three years.
6. Under a nonoptional EAS with the Salinas increment, which is currently accepted by the Commission in some areas, the EAS increment for Newberry Springs service to exchanges 252, 254, and 256 would be an additional \$10.90 per month for business subscribers and \$3.60 per month for residential subscribers. Extending such EAS service to the Lenwood-Hinkley 253 exchange area would be yet an additional \$7.30 for business and an additional \$2.45 for residence subscribers. Two-way EAS service, whereby Barstow callers would be able to call Newberry Springs, would cost business subscribers in Barstow an additional \$1.05 per month.
7. Contel does not favor expansion of EAS as a local call because it does not know of any telephone company in California today that is initiating any filing to expand such EAS.
8. EAS with the Salinas increment would be a nonoptional service and Contel does not feel it is to the benefit of the majority of its subscribers to have a mandatory or nonoptional EAS. Contel is of the opinion that ORTS is preferable to EAS with the Salinas increment until such time as ZUM can be implemented and that ORTS would be a partial relief from the high cost of toll calling.
9. Contel favors a measured service over flat-rate service and has implemented measured service in a number of its exchanges since measured service is a part of ZUM and is geared to meeting the cost of providing such service. The effect is that the people who use the service are the ones who

pay for the service. With nonoptional EAS a large number of people in Newberry Springs who make no calls whatsoever to Barstow, would have to pay the additional \$3.60 incremental charge every month whether they made any calls or not. This type of telephone service is not usage-sensitive pricing.

10. If the school district, government offices, and county offices were to install foreign exchange (FX) lines to Newberry Springs, charges for the FX lines, being a flat monthly charge, would be considerably less than the present toll charges being experienced by those organizations. Calls to those entities from Newberry Springs callers would then be toll free.
11. If the Commission were to approve granting the residents of Newberry Springs local calling to the 252, 253, 254, and 256 areas, the decreased revenue for Contel would be approximately \$38,000 per year.
12. In keeping with the Commission's policy, the communications industry has been moving towards a more cost-based pricing approach. Under that concept, Contel favors moving towards such cost-based service because then those who use the service pay proportionately, according to distance called and the length of such calls.
13. Based on a December 1987 toll charge study (Exhibit 9), a comparison of estimated ZUM charges versus present toll rates follows:

For calls from Newberry Springs to Barstow, the average toll call was of three-minute duration. Under toll charges, such call costs 49 cents. Under the ZUM approach, it would cost 20 cents. Between Newberry Springs and South Barstow, the average call in December 1987 was five minutes and the toll cost was 63 cents for such call. Under ZUM, such call would have cost 30 cents. Calls made between Newberry Springs to Yermo averaged four minutes in December 1987. The cost for such toll call was 54 cents while under the ZUM approach, it

would have been 17 cents. Based on the December study and the above comparison of billings, the annualized December toll bill would have been \$88,700. Under ZUM the estimated revenue would have been \$31,700, which is an estimated savings of approximately 65%.

14. In all Contel exchanges in the Barstow area, other than Newberry Springs and South Barstow, Contel could put ZUM service in at the present time. In Newberry Springs, Contel has a plan to change out the central office and put a new one in by July 1990 so that it could accommodate ZUM. Contel would also have to change out the South Barstow central office to handle ZUM implementation. Those plans are currently in the company's budget. However, the changeout planned for South Barstow in 1991 is not necessary to implement ZUM service outward from Newberry Springs to Barstow, South Barstow, and Yermo. This proceeding could have an effect on Contel accelerating those central office change outs in order to implement ZUM a lot sooner than 1990 or 1991.
15. Another alternative to alleviate the high toll costs to the Newberry Springs residents and one which Contel recommends as a interim step to ZUM implementation would be to enlarge its current offering of ORTS by including two additional exchange areas to the one ORTS exchange service offering to Newberry Springs subscribers. This could be offered at the same proposed rates which is presently being offered to Newberry Springs subscribers. The effect would be that two additional prefixes, perhaps South Barstow and Yermo, would be added to the Newberry Springs-Barstow ORTS service. If this alternative ORTS offering is selected as an interim service until ZUM is implemented, it would then allow an orderly expansion in the area. Finally, when ZUM is implemented, it would amount to a rate reduction for all or a portion of the customers versus the present toll and ORTS configuration. The Silver

Valley School District, by initiating FX service, would in effect have the Newberry Springs dial tone in its office, and as it calls people in the Newberry Springs area it would not be a toll call. FX service is a flat rate service, allowing unlimited number of calls. At the same time, subscribers in Newberry Springs could call that same number and it would be a Newberry Springs number so that there would be no toll charge to those callers. Therefore, the businesses and residences that are real high users of telephone service would find FX service a very viable offering.

16. The telecommunications industry has been moving towards a shift in the cost of service, from the subsidized portion of the toll part of the telephone business to local telephone rates. The shift is a move towards lower toll rates and increased local rates. In most areas, current and future rate designs are predicted on actual usage so that the customer only pays for what he uses. Customers who do not use services would then not have to pay for them. ZUM is a move away from subsidized flat rate service toward a pricing structure which matches the actual cost of providing the service.
17. If it is decided to have a reconfiguration of the boundaries so that the entire 257 prefix area was to become a part of the Barstow Exchange, it would not necessarily require a change in the prefix. It would, however, require some software applications as well as possible change in some physical facilities. The cost to accomplish this would not be substantial.
18. ORTS would be the equivalent of providing optional EAS except that the cost would be slightly higher since the service would be optional. The nonoptional EAS with Salinas increment is less costly than ORTS simply because it is nonoptional and the cost of providing the service is apportioned among all of the subscribers, whereas ORTS cost is higher because it is optional and has to

recover the cost of providing the service from among fewer subscribers using the service.

Discussion

The community of Newberry Springs lies on the eastern edge of a narrow corridor flanking Highway 40 and the National Trails Highway. Approximately 21 miles northwest of Newberry Springs is the City of Barstow, a city of 20,500 population, which provides the major business, recreation, commercial, and cultural facilities to the residents of this sparsely populated high desert area. The area between Newberry Springs and Barstow is industrial land in which a U.S. Marine Base, Southern California Edison Company facilities, and the Daggett Airport are located.

There is no doubt but that there is a community of interest between the residents of Newberry Springs and Barstow as well as between the residents of Yermo, Daggett, Hinkley, Lenwood and Barstow. These residents rely upon the facilities located in Barstow to provide them with the major economic necessities of life including health services.

Notwithstanding the fact that there is a community of interest between Newberry Springs and Barstow, the toll usage studies placed into evidence for the months of February 1986, February 1987, December 1987, and January 1988 indicate that the community of interest factor for residents calling between Newberry Springs and Barstow averages only 7.72. This community of interest factor, derived by dividing the number of residential customers into the total number of toll calls, indicates that the average customer made 7.72 calls to Barstow in each of the four sample months. The community of interest factor during the four study months for business customers calling between Newberry Springs and Barstow is 12.96. The community of interest factor for residential calls between Newberry Springs and Yermo averages 3.73, and for residential calls between Newberry Springs and Lenwood averages

1.07. The community of interest factor for residential calls between Newberry Springs and South Barstow for the four-month period averages 2.58.

While the bulk of the testimony indicates a strong community of interest between Newberry Springs and Barstow, the statistics as measured through the community of interest factor for the four study months does not correlate with a corresponding high amount of calling between Newberry Springs and Barstow. However, it is also possible that the toll charges act as a restraint on calls that would otherwise be made had the cost of making such calls been free and included as a local call.

In a long line of cases going back several years, the Commission has directed telecommunications corporations to utilize a form of usage-sensitive pricing known as Zone Usage Measurement (ZUM) where there exists a strong local community of interest and such usage pricing is compatible with the basic service objectives of universal service. Pending the development of more effective economic pricing methodologies, and in keeping with economic pricing objectives, ZUM pricing has been encouraged in heavy traffic areas at the local level where higher priced Message Toll Service (MTS) would otherwise be applicable for comparable mileage bands. We believe the high desert area surrounding Barstow is amenable to ZUM service and is a goal that Contel should strive to implement as expeditiously as possible.

Given the extensive area in which Newberry Springs is located, we believe ZUM service is in keeping with our established policy. We will therefore order Contel to expedite the

installation of ZUM service in the Lenwood/ Barstow/Yermo/Newberry Springs area and to report back to the Commission within 90 days with a timetable and plan to accomplish installing ZUM service on an expedited basis.

In the interim, until ZUM service is installed in the area, we believe that a modified ORTS service is in keeping with our policy of usage sensitive pricing and we recommend this optional service to the residents of Newberry Springs who have high toll bills. Although an overwhelming number of residents indicated that, in lieu of local calling to Yermo and Barstow, they would prefer to have EAS with the Salinas increment to Yermo, Barstow, South Barstow, and Lenwood (instead of ORTS or the toll charges they now pay), we do not consider this an equitable solution for the area.

EAS with the Salinas increment amounts to a subsidized service since it is a nonoptional service and the Commission has been moving away from this very type of subsidized service. We note that 80% of the residents of Newberry Springs make 11.8 or less calls per month to Barstow. Approximately 176 residential subscribers of Newberry Springs, which accounts for approximately 25% of the total residential subscribers, make no calls to Barstow. Thus, if we were to implement nonoptional EAS with the Salinas increment, one-quarter of the residents of Barstow would be paying an additional \$3.60 for calls they never make. On the other hand, in keeping with our policy of cost-based pricing, an optional ORTS would shift the cost of calls to Barstow as well as to Yermo, South Barstow or Lenwood, to those who are actually making the calls. Since the largest community of interest factor is between Newberry Springs and Barstow and between Newberry Springs and Yermo, we will direct Contel to offer ORTS to the Barstow and Yermo exchanges as one ORTS community. This will permit 80% of the residents in Newberry Springs to make calls to Barstow and Yermo for less than the charges they are now paying in toll charges to call those

communities. We believe this is the best of the alternatives presented in that it will permit an easier transition to ZUM service when that service is implemented in the area.

Findings of Fact

1. There is a community of interest between Newberry Springs and Barstow.

2. The distance between the Barstow and Newberry Springs exchanges is 21 miles.

3. The Yermo Exchange lies between the Barstow and Newberry Springs exchanges.

4. The Lenwood Exchange area lies adjacent and west of the Barstow Exchange. The distance between the Lenwood Exchange and the Newberry Springs Exchange is approximately 32 miles.

5. A toll usage study of four different months of calls originating in Newberry Springs and terminating in Barstow establishes a community of interest factor of approximately 7.74. The community of interest factor between Newberry Springs and Yermo is 3.73. Between Newberry Springs and South Barstow the community of interest factor is 2.58 and between Newberry Springs and Lenwood the community of interest factor is 1.07. The community of interest factor reflects the number of calls to the various communities per month, made by the average Newberry Springs resident.

6. Approximately 25% of the residents of Newberry Springs make no calls to Barstow. Approximately 50% of the residents of Newberry Springs made no calls to South Barstow in the four-month study. Approximately 78% of the residential subscribers in Newberry Springs made no calls to the Lenwood Exchange during the four-month study. Approximately 48% of the residential subscribers in Newberry Springs made no calls to the Yermo Exchange during those same four months.

7. Granting local free calling to the Lenwood, Yermo, and South Barstow exchanges by residents and businesses of the Newberry

ORDER

IT IS ORDERED that:

1. Continental Telephone Company of California (Contel) shall prepare and submit a report to the director of the Commission's Compliance and Advisory Division within 90 days from today, indicating an expedited time schedule in which it can install zone unit message (ZUM) service within the Barstow, Yermo, Newberry Springs, South Barstow, and Lenwood exchanges.

2. Until such time as ZUM service is put into effect in the area, Contel shall make available to the residents of Newberry Springs an ORTS or community call bonus service which offers the residents calling to both the Barstow Exchange and the Yermo Exchange as one community offering.

3. The request by the Newberry Community Services District and the Newberry Springs Citizen Committee for free local calling from Newberry Springs to the Lenwood, Barstow, South Barstow, and Yermo exchanges is denied.

This order becomes effective 30 days from today.

Dated JUN 17 1988, at San Francisco, California.

STANLEY W. HULETT
President

DONALD VIAL
FREDERICK R. DUDA
C. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY

Victor Weiss
Victor Weiss, Executive Director

Decision 88 06 047 JUN 17 1988**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Newberry Community Services)
 District (NCSD), a Government)
 Agency, and the Newberry Springs)
 Citizen Committee (NSCC),)

Complainants,

vs.

Continental Telephone Company)
 of California (Contel) (U1003C))

Defendant.

Case 87-06-003
 (Filed June 2, 1987)

Elizabeth L. Hanna, Attorney at Law, for
 Newberry Community Services District,
 and Robert G. Ring, for Newberry Springs
 Citizen Committee, complainants.
Orrick, Herrington & Sutcliffe, by Robert J.
Glostein, Attorney at Law, for defendant.

OPINION

Complainants Newberry Community Services District and the Newberry Springs Citizen Committee (hereinafter Newberry) allege that defendant Continental Telephone Company of California (Contel) refuses to grant toll-free telephone calls to/from Newberry Springs and the rest of the Barstow area exchange prefixes. Newberry alleges that as of January 1987, there are 14,193 subscribers (94.93%) in the greater Barstow area who have toll free telephone service while Newberry's 857 (5.07%) subscribers must pay toll charges. Newberry alleges this is rank discrimination and an abrogation of equal civil rights.

Springs Exchange is contrary to the established Commission policy of moving from toward usage sensitive rates.

8. ZUM service would make the rates for Newberry Springs customers equitable with those areas within the State of California where ZUM has been implemented.

9. The Commission has previously endorsed implementation of the ZUM system throughout California.

10. ORTS, which is a measured service, is available for those subscribers who do the most calling to the communities of Yermo and Barstow, and distributes the cost of providing such service among those utilizing such service.

11. Nonoptional EAS with the Salinas increment added is a subsidized service and would subsidize those who make calls to Yermo, Barstow, South Barstow, and Lenwood by those subscribers who make no calls to those exchanges.

Conclusion of Law

ZUM service, which is usage-sensitive service, is an equitable method of paying for the cost for such service, pending the development of more effective ways of doing economic pricing. It should be implemented on an expedited basis for the residents of Newberry Springs as well as for the other residents of the Barstow area. Because the community of interest is strongest between Newberry Springs and Barstow, with a lesser community of interest to the Yermo Exchange, an optional community bonus plan should be offered to the residents of Newberry Springs which includes both communities as a common community for calling purposes until such time as ZUM is implemented in this area.

Springs Exchange is contrary to the established Commission policy of moving from subsidized flat rate service to measured or usage sensitive rates.

8. ZUM service would make the rates for Newberry Springs customers equitable with those areas within the State of California where ZUM has been implemented.

9. The Commission has previously endorsed implementation of the ZUM system throughout California.

10. ORTS, which is a measured service, is available for those subscribers who do the most calling to the communities of Yermo and Barstow, and distributes the cost of providing such service among those utilizing such service.

11. Nonoptional EAS with the Salinas increment added is a subsidized service and would subsidize those who make calls to Yermo, Barstow, South Barstow, and Lenwood by those subscribers who make no calls to those exchanges.

Conclusion of Law

ZUM service, which is usage-sensitive service, is the most equitable method of paying for the cost for such service and should be implemented on an expedited basis for the residents of Newberry Springs as well as for the other residents of the Barstow area. Because the community of interest is strongest between Newberry Springs and Barstow, with a lesser community of interest to the Yermo Exchange, an optional community bonus plan should be offered to the residents of Newberry Springs which includes both communities as a common community for calling purposes until such time as ZUM is implemented in this area.

1.07. The community of interest factor for residential calls between Newberry Springs and South Barstow for the four-month period averages 2.58.

While the bulk of the testimony indicates a strong community of interest between Newberry Springs and Barstow, the statistics as measured through the community of interest factor for the four study months does not correlate with a corresponding high amount of calling between Newberry Springs and Barstow. However, it is also possible that the toll charges act as a restraint on calls that would otherwise be made had the cost of making such calls been free and included as a local call.

In a long line of cases going back several years, the Commission has directed telecommunications corporations to move from flat rate charges to a more equitable measured or usage-sensitive type of pricing. Thus, in conformity with the Commission's policy, telecommunications corporations have moved away from subsidized local calling to a cost of service type of pricing. Under such basis, the pricing of telephone service is allocated to the subscriber according to the cost of providing such service. Thus, the trend has been to usage-sensitive and distance-related pricing. In this manner, the cost of service is more equitably distributed among telephone subscribers. In moving towards usage sensitive pricing, the Commission has previously determined that ZUM service was the most equitable distribution of telephone costs to subscribers and toward that end we directed telecommunications corporations to install ZUM over a period of time throughout their service areas. We believe the high desert area surrounding Barstow is amenable to ZUM service and is a goal that Contel should strive to implement as expeditiously as possible.

Given the extensive area in which Newberry Springs is located, we believe ZUM service is in keeping with our established policy. We will therefore order Contel to expedite the