

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Telecommunications Branch

RESOLUTION NO. T-14015
November 22, 1989

R E S O L U T I O N

Pacific Bell. Order authorizing provision of one-way local calling from the Edwards Exchange to the Lancaster Exchange, provided that Pacific Bell obtains a waiver from the United States District Court to carry traffic across the LATA boundary.

SUMMARY

This resolution authorizes the provision of one-way Extended Area Service (EAS) from the Edwards Exchange in LATA 7 to the Lancaster Exchange of GTE California (GTEC) in LATA 5. This authorization is contingent upon approval of the United States District Court of the District of Columbia for Pacific Bell (Pacific) to carry traffic across the LATA boundary.

A community of interest exists between Edwards Air Force Base and the city of Lancaster. Edwards Air Force Base has insufficient housing, services, and employment opportunities for military spouses to meet the requirements of the residents of the base. Since a LATA boundary separates the Edwards Exchange from the Lancaster Exchange, telephone calls are interLATA toll calls between these two exchanges and must be carried by interexchange carriers.

By Advice Letter No. 15612, filed October 3, 1989, Pacific requests authority to provide one-way EAS from Edwards to Lancaster, contingent upon federal approval. The proposed Extended Area Service will provide local calling from Edwards to Lancaster. Telephone calls from Lancaster to Edwards will remain toll calls. Edwards' customers will pay an additional monthly rate increment for this expanded service.

On October 18, 1989 Pacific filed Advice Letter 15612A to withdraw all tariff sheets filed with Advice Letter 15612 because the basic exchange rates are subject to change prior to the implementation of the one-way EAS service estimated to be within a year after federal approval.

A survey of Edwards' residence and business customers conducted by the Commission staff indicated that 81% of Edwards customers preferred Pacific's proposed plan to the present calling arrangement. GTEC has made a tentative agreement with Pacific to

allow provision of EAS, pending Commission authorization and federal approval. AT&T Communications (AT&T) does not oppose the plan.

The estimated annual revenue effect for Pacific Bell is -\$16,385.

No protests to this Advice Letter have been filed.

BACKGROUND

Edwards Air Force Base is located in southern California on the western edge of the Mojave Desert. About 11,000 military personnel and their families live on base, and due to a lack of housing on base, 800 live in surrounding communities and work on base. Likewise, many military spouses (over half of whom are employed outside the home) work off-base. Civil service and contractor employees must live in the civilian communities. Lancaster, the nearest city and major community of interest is 30 miles away; the nearest community is Rosamond, (population 3,400) about 20 miles away. The Edwards Community is unique in that all residents are Air Force personnel, and all businesses are Air Force related.

Edwards Air Force Base has essential services for those who live on the base, but the services are devoid of competition and limited in scope. There's only one of each services (gas station, grocery, etc.) and when these establishments are closed or don't have what the person may have in mind, then a 30 mile drive to the nearest city, Lancaster, is necessary. Likewise, many religious affiliations are not represented on base. For employment, housing, shopping and religious observances, Edwards is not a self-sustaining community.

Currently, all telephone calls off the base are toll calls. Calls to Lancaster, the major community of interest, are interLATA (long distance) toll. The boundary between LATAs 5 and 7 separates Edwards Exchange from the Lancaster Exchange. AT&T the major long distance carrier does not offer any discount calling plans between Edwards and Lancaster. Added costs of third party charges and credit card use are incurred by those who need to make personal calls to Lancaster while at work in Edwards. The Air Force reports that all these factors create problems and frustration for its personnel.

DISCUSSION

Pacific's analysis of calling patterns showed that 75% of the residence and 35% of the business lines called Lancaster at least once a month. The average number of calls to Lancaster per line was 5.6 for residences and 14.4 for businesses. A present option to the toll call is Foreign Exchange (FEX) which is too expensive due to mileage charges (the basic rate alone is about \$50.00 per

month); there are 10 business FEX customers. There may be considerable repression in the residential calling patterns because approximately 22% of the residence subscribers are lifeline customers (605 residential customers of approximately 2700) and therefore probably make fewer calls to Lancaster.

To meet the need of the Edwards Exchange customers, Pacific proposes a one-way EAS offering from Edwards to Lancaster. This will provide local calling from Edwards to Lancaster (one-way only, not Lancaster to Edwards). To offset extra costs and revenue loss, each subscriber in the Edwards Exchange will pay a monthly increment of \$2.10 for residence and \$6.35 for business.

On May 10, 1988, a survey was mailed to 810 randomly selected residence and business telephone customers in the Edwards Exchange. The survey asked whether the respondent preferred one-way extended area calling to Lancaster at a monthly increment or preferred the present calling arrangement. The response was 81% in support of extended area service. GTE California has made an agreement with Pacific to establish an EAS between Edwards and Lancaster upon receipt of proper authorizations. AT&T has indicated by letter that it does not oppose the plan. Air Force officials have also expressed strong support for the plan.

EAS has been established in areas where there is a demonstrated community of interest between communities, and where there is sufficient customer support. The proposed one-way EAS would have an annual effect of -\$16,000, mostly due to loss in access revenues from AT&T. This amount includes loss of access revenues and the revenue requirement associated with the new investment in telephone facilities to transport Edwards Exchange traffic to Lancaster. As access rates decrease, the annual effect will also be less.

No protests to this Advice Letter have been filed. Pacific will notify customers by bill inserts and articles in local newspapers.

FINDINGS

1. Lancaster is a community of interest to Edwards Air Force Base.
2. Telephone calls from Edwards Exchange to Lancaster are interLATA toll calls.
3. Edwards customers and the Air Force strongly support local calling to Edwards.
4. Based on a customer survey conducted by Commission staff, 81% of the telephone customers in the Edwards Exchange favor EAS as proposed by Pacific Bell over the present calling arrangement.

5. Approval by the U. S. District Court of Washington, D.C. is required before EAS can be established across a LATA boundary.

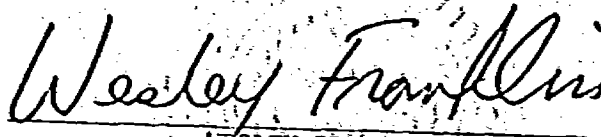
6. The annual revenue effect is -\$16,000, which will be mitigated by future reductions in access rates.

IT IS ORDERED that:

1. Extended area service is authorized from Edwards Exchange to the Lancaster Exchange, contingent upon approval by the U. S. District Court of Washington, D.C. for the EAS to cross the LATA boundary.
2. Within 90 days, Pacific shall seek appropriate federal approval to provide a one-way EAS from Edwards Exchange to the Lancaster Exchange.
3. Pacific shall notify the Commission Advisory and Compliance Division by letter when said waiver is received.
4. Within one year of the receipt of federal approval, Pacific shall file tariffs with this Commission to implement one-way EAS from Edwards Exchange to Lancaster Exchange.
5. The effective date of this resolution is today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on November 22, 1989. The following Commissioners approved it:

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners


Wesley Franklin
Acting Executive Director

MEMORANDUM

Date : September 28, 1989
To : The Commissioners
From : *K. Henderson*
Kenneth K. Henderson, Director
Commission Advisory and Compliance Division
File No.: Resolution T-14015
Subject : Extended Area Service for Edwards Air Force Base

Summary

This resolution authorizes a one-way Extended Area Service (EAS) from Edwards Air Force Base in the Edwards exchange of Pacific Bell (Pacific) across a LATA Boundary to the Lancaster exchange of GTE California (GTEC). This authorization is contingent upon approval by the U.S. District Court for Washington, D. C. for Pacific to carry traffic across the LATA boundary. CACD recommends approval of this resolution.

Description of the Problem

1. Geography

Edwards Air Force Base is located in southern California on the western edge of the Mojave Desert. About 11,000 military members and their families live on base, and due to a lack of housing on base, 800 live in surrounding communities and work on base. Likewise, many military spouses (over half of whom are employed outside the home) work off base. Civil service and contractor employees must live in the civilian communities. Lancaster, the nearest city is 30 miles away; the nearest community is Rosamond, (population 3,400) about 20 miles away. Another factor which sets the Edwards Community apart from other California Communities is its homogeneous nature. All residents and most businesses are Air Force personnel or Air Force related. Very few exchanges exhibit such complete homogeneity.

2. Lack of services

Edwards Air Force Base has essential services for those who live on the base, but they are devoid of competition and are limited in scope. There's only one of each services and when these establishments are closed or don't have what the person may have in mind the closest city offering these services is 30 mile away. Likewise, many religious affiliations are not represented on base. For employment, housing, shopping and religious observances, Edwards is not a self-sustaining community.

3. All Telephone Calls Off-Base are Toll Calls

Currently, all calls off the base are toll. Calls to the major community of interest, which is the city of Lancaster 30 miles away, are interLATA (long distance) toll. The boundary between LATAs 5 and 7 separates Edwards exchange from the Lancaster exchange. Added costs of third party charges and credit card use are incurred by those who need to make personal calls while at work on work phones.

4. Calling Patterns

Pacific's analysis of calling patterns showed that 75% of the residence and 35% of the business lines called Lancaster at least once a month. The average number of calls to Lancaster per line was 5.6 for residents and 14.4 for businesses. Even though Foreign Exchange Service (FEX) is quite expensive due to mileage charges (the basic rate is about \$50.00 per month), there are 10 business FEX customers. CACD staff believe there may be considerable repression in the residential calling patterns because approximately 22% of the residence subscribers are lifeline customers (605 residential customers of approximately 2700).

5. Air Force Concern

In a letter requesting Commission assistance, the Air Force Base Commander, Major General Twinting, reported that more complaints about having to pay toll charges for calls to Lancaster are received by him than any other issue. He considers this to be his "number one people issue." As a result, he has sought relief through numerous channels: Pacific Bell, AT&T, this Commission, and State legislators.

In summary we have a telephone exchange with limited resources within and a community of interest outside the exchange in Lancaster. Calling between these two exchanges is a problem because of the expense and inconvenience of long distance calling. A solution to this problem is difficult because of the LATA boundary between the two exchanges and interLATA telecommunications are normally routed through interexchange carriers (IECs) such as AT&T. Any deviation from this requires approval of the U. S. District Court for Washington, D. C.

The Search for Solution

In search for a solution to this problem a number of alternatives were considered by Pacific, CACD and the Air Force. These included FEX, special calling plans, Zone Usage Measurement (ZUM), Extended Area Service (EAS) and moving the LATA boundary.

1. Foreign Exchange Service

Foreign exchange service was rejected because it was too expensive. The average monthly rate for residence service was approximately \$36.40 (\$10.35 monthly rate for Rosamond exchange, including EAS to Lancaster plus \$6.75 foreign exchange increment plus \$1.60 per quarter mile for 3 airline miles to Rosamond).

2. Optional Calling Plans

Optional calling plans are often employed to relieve situations similar to Edwards'. However, the presence of the LATA boundary meant that Pacific was not permitted, under the terms of the Modified Final Judgment, to set up calling plans which would cross the LATA boundary. Although AT&T is permitted to carry traffic across a LATA, it has no discount calling plan in California and is not be expected to have one in the near future.

Earlier this year, an AT&T proposal for a residential discount calling plan for California was rejected for insufficient cost recovery.

3. Move the LATA Boundary

Moving the LATA boundary so that Edwards would be included in the same LATA as Lancaster is not a viable solution by itself. The current interLATA toll calls between Edwards and Lancaster would become intraLATA toll calls, but toll calls nevertheless. Furthermore the intraLATA toll calls between Edwards and Rosamond and Edwards and Mojave would become interLATA toll, which might introduce a whole new set of problems.

4. Zone Usage Measurement

ZUM as offered by Pacific is a metropolitan service that offers a discount only up to 16 miles. Since Edwards is 19 airline miles from Lancaster and the communities are widely dispersed, ZUM could not meet the needs of Edwards exchange customers.

5. Extended Area Service

A neighboring exchange, Rosamond, has a one-way EAS across the LATA to Lancaster. Rosamond has had an EAS with Lancaster for many years. A waiver granted at the time of Divestiture of AT&T, allowed the EAS to cross the LATA boundary. At first, consideration was given to joining Rosamond and Edwards into one exchange and trying to back in on the grandfathered EAS across the LATA. The extra expense of physically tying the two exchanges together led to the consideration of EAS for the Edwards Exchange by itself.

One-way EAS as proposed by Pacific would have an annual effect of -\$16,000, including loss of access revenues and the investment in telephone plant to carry Edwards EAS traffic. As access fees are lowered, the annual effect will also be less. Each subscriber will pay an increment of \$2.10 for residence customers and \$6.35 for business customers.

This one-way EAS solution appears to be the best of the alternatives because it is the least costly and can be implemented quickly after Federal approval. The Air Force, representing the Edwards community, is very enthusiastic about it. The next step was to get the subscribers' reaction to the proposal.

Responses of Edwards Customers, GTEC and AT&T

On May 10, 1988, CACD mailed a survey to 810 randomly selected residence and business telephone customers in the Edwards exchange (a 25% sample). The survey asked whether the respondent preferred one-way extended area calling to Lancaster at a monthly increment as described above or preferred the present calling arrangement. The response was 81% in support of extended area service. General Telephone has made a tentative agreement with Pacific to establish an EAS between Edwards and Lancaster. AT&T has indicated by letter that it does not oppose the plan.

Conclusion

The existing situation at Edwards Air Force Base is not satisfactory. A one-way EAS from Edwards to Lancaster will tie the base to its community of interest and can be established at a reasonable cost to the utility as well as the Edwards Customers. According to the CACD survey, 81% of Edwards customers support EAS. There is no known opposition to this proposal. There is also considerable political support for the proposal from Assemblyman Wyman and Senator Rogers. This resolution should be approved.