

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Petition of)
Donald Payne and numerous other)
subscribers of the London Exchange)
of The Ohio Bell Telephone Company,)

Complainants,)

v.)

Case No. 35-140-TP-PEX

The Ohio Bell Telephone Company,)

Respondent,)

Relative to a request for two-way,)
nonoptional extended area telephone)
service between the London and)
Columbus Metropolitan Area Ex-)
changes of The Ohio Bell Telephone)
Company.)

OPINION AND ORDER

The Commission, coming now to consider the above-entitled matter, the petition filed February 1, 1985, the public hearing held June 25, 1985, the Attorney Examiner's Report filed September 26, 1985, the Exceptions to the Attorney Examiner's Report filed October 16, 1985 by the complainant, and being otherwise fully advised in the premises and in conformity with the provisions of Section 4903.09, Revised Code, hereby issues its Opinion and Order.

APPEARANCES:

Mr. Donald Payne, 6419 Kiousville-Georgesville Road, London, Ohio 43140, on behalf of the complainants.

Mr. Allen R. Sedory, 45 Erieview Plaza, Room 1446, Cleveland, Ohio 44114, on behalf of the respondent, The Ohio Bell Telephone Company.

OPINION

On February 1, 1985, Donald Payne and numerous other subscribers of the London Exchange filed a petition with this Commission seeking two-way, nonoptional extended area service (EAS) between the London Exchange and the twelve Columbus Metropolitan Area Exchanges (Columbus, Canal Winchester, Dublin, Gahanna, Groveport, Grove City, Hilliard, Lockbourne, New Albany, Reynoldsburg, Westerville, and Worthington) of The Ohio Bell Telephone Company (Ohio Bell). By Entry issued February 8, 1985, the Commission ordered the respondent to file a response to this petition and to provide certain calling information. Ohio Bell submitted the requested filings on March 8 and 26, 1985. Subsequently, by Entry dated April 15, 1985, the company was ordered to provide the marginal costs for instituting the requested service. Ohio Bell filed this cost data with the Commission on June 18, 1985.

Also by the April 15, 1985 Entry, a public hearing was scheduled for June 25, 1985 in London, Ohio. Publication of the requisite legal notice was made in the Springfield News-Sun, The Advocate, The Columbus Dispatch, the Delaware Gazette, The Madison Press, the Eagle-Gazette, and The Circleville Herald, newspapers of general circulation in Clark, Licking, Franklin, Delaware, Madison, Fairfield and Pickaway Counties, respectively. The public hearing was held as scheduled.

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2. The distribution of calling among the involved exchange subscribers.
3. The location of various services, products, and activities, including but not limited to the following:
 - a. Population movement,
 - b. School activities,
 - c. Police and fire services,
 - d. Other governmental services,
 - e. Medical, dental and veterinarian services,
 - f. Churches,
 - g. Agricultural organizations,
 - h. Shopping and service centers,
 - i. Employment centers, and
 - j. Social interest.

B. Other pertinent factors

1. The investment and cost to the concerned telephone utilities in providing the service.
2. The willingness of a substantial majority of the subscribers to pay the appropriate rates for extended area telephone service.

This section also indicates that extended area service is not a substitute for message toll telephone service, but a service designed to meet the day-to-day calling requirements of subscribers which cannot properly be met with local calling confined to a single exchange area.

The London Exchange is not contiguous to any of the requested Columbus Metropolitan Area Exchanges. While it is clear that this Commission is empowered to order extended area service between non-contiguous, as well as contiguous exchanges, or any other service specifically found necessary to remedy inadequate or insufficient telephone service between either contiguous or non-contiguous exchanges pursuant to Sections 4905.32 and 4905.381, Revised Code, neither Chapter 4901:1-7, O.A.C., nor any other chapter of the Ohio Administrative Code, specifically enumerates general guidelines by which to evaluate the propriety of a request for non-contiguous extended area service. The Commission has, however, on occasions too numerous to mention, applied the factors set forth in Chapter 4901:1-7, O.A.C., by analogy to requests for extended area service between non-contiguous exchanges, and in its June 27, 1979, Entry in Case No. 77-1-TP-GRN, declared its intention to continue to weigh the relative merits of such a request by reference to those standards. Therefore, the provisions of Chapter 4901:1-7, O.A.C., will be applied in this case.

Volume of Message Toll Telephone Traffic

The initial factor for consideration in determining whether the requested two-way, nonoptional extended area service is in the public interest is the calling rate (the volume of message toll telephone traffic) between the involved exchanges. Rule 4901:1-7-C4, O.A.C., provides that when the number of main stations of the smaller of the involved exchanges is less than forty percent of the total of the main stations in both exchanges, only the calling rate and distribution of calling from the smaller to the larger exchange shall be considered. As of January 31, 1984, the number of pertinent main stations were (Ohio Bell Ex. 1):

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<u>Exchange</u>	<u>Main Stations</u>
London	5,031
Columbus	271,950
Canal Winchester	9,331
Dublin	15,621
Gahanna	22,739
Grove City	12,484
Groveport	2,671
Hilliard	8,699
Lockbourne	17,892
New Albany	3,058
Reynoldsburg	42,199
Westerville	29,324
Worthington	38,455

Therefore, in accordance with the above-cited rule, the calling rates relevant to this proceeding are (Ohio Bell Ex. 1):

	<u>Monthly calls per main station during January 1985</u>
London to Columbus	5.98
London to Canal Winchester	0.06
London to Dublin	0.13
London to Gahanna	0.25
London to Grove City	0.42
London to Groveport	0.04
London to Hilliard	0.39
London to Lockbourne	0.20
London to New Albany	0.02
London to Reynoldsburg	0.24
London to Westerville	0. .
London to Worthington	0.41
Groveport to London	0.67
New Albany to London	0.04

Distribution of Calling

The second factor to be considered in this proceeding is the distribution of calling, the purpose of which is to determine whether the calling traffic between the exchanges is originated by the subscribers generally or by only a relatively few subscribers. The distributions of calling reflecting the percentage of subscribers making one or more calls during the January 1985 study are:

	<u>Percent making one or more calls during January 1985</u>
London to Columbus	66.0
London to Canal Winchester	7.1
London to Dublin	9.0
London to Gahanna	7.6
London to Grove City	13.0
London to Groveport	2.0
London to Hilliard	12.6
London to Lockbourne	6.0
London to New Albany	1.1
London to Reynoldsburg	7.0
London to Westerville	10.0
London to Worthington	16.0
Groveport to London	2.0
New Albany to London	2.6

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Location of Various Services, Products, and Activities

The third factor used by the Commission in determining the propriety of establishing extended area service is the location of various services, products, and activities. The London Exchange is situated within and contains the county seat of Madison County, the city of London. The Columbus Metropolitan Area Exchanges lie in Franklin, Delaware, Licking, Fairfield, and Pickaway Counties. Currently the London Exchange has toll-free calling to the West Jefferson, Alton, Harrisburg, Sedalia, South Solon, South Charleston, South Vienna, and Resaca Exchanges.

At the public hearing in this matter, twenty-five public witnesses testified in favor of the proposed EAS, and no public witnesses testified in opposition thereto.

There was some indication of population movement from the Columbus area to the London Exchange. A builder at Lake Choctow, a housing development just north of the city of London, testified that in the last five years the majority of people moving into the area were from Columbus (Tr. 13). He estimated that over fifty percent of the present population maintain jobs in the Columbus area (Tr. 16).

Employment seemed to be a major concern for many of those testifying at the hearing. A number of the witnesses stated that they either worked in the Columbus area or depended on it for customers and supplies (Tr. 15, 16, 21, 62, 67, 133, 140, 144, 152, 157, 162). There are, of course, several employers in the London Exchange itself. Some of the larger of these include the London prison farm, CEI, Advanced Drainage System, Stanley Electric, Purex, and the Madison County Hospital (Tr. 25, 103, 104, 105). According to a representative of the London Chamber of Commerce, a number of these larger businesses have their corporate offices in Columbus and, therefore, it would be beneficial for them to be able to make calls to the requested area toll-free. In addition, the witness stated that most of the commercial and industrial developers in the area are based in Columbus (Tr. 102). In order to draw their attention and persuade them to locate businesses in London, the witness believed toll-free calling to Columbus to be of the utmost importance.

Another large industry in the London Exchange is agriculture (Tr. 106). Farmers testifying at the hearing stated that the majority of a farmer's needs can be met from within the London local calling area; however, witnesses also felt that EAS was needed so that farmers in the Columbus area could telephone London. A representative of the Farm Credit Bureau in London testified that he regularly worked with Franklin County farmers concerning loans (Tr. 27). He explained that farm loans differ from regular home loans in that the money is disbursed in increments, necessitating a number of calls back and forth between farmers and the credit office (Tr. 28). A farm equipment dealer in London testified that as Columbus has become more metropolitan, many of the farm equipment dealerships located in Columbus have closed. Farmers in the London area must look to surrounding communities for their equipment and repairs (Tr. 122). London has its own county extension agent to provide educational services for the farmers. As a part of the Department of Agriculture at the Ohio State University, both agents and farmers find it necessary to call OSC in Columbus regularly (Tr. 124).

The city of London provides its citizens with police and fire protection, as well as water, sanitation, and recreational services (Tr. 8). The mayor of London testified that the city itself has reason to call the Columbus area daily for administrative purposes or to purchase supplies (Tr. 7). The mayor believed that EAS is imperative if London is to continue to grow (Tr. 6). Madison County officials also testified in favor of the proposed

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The Attorney Examiner assigned to this case issued a report on September 26, 1985. The Examiner recommended a denial of the requested two-way, nonoptional flat-rate EAS from the London Exchange to any of the requested exchanges, but recommended the institution of measured EAS between the London Exchange and the Columbus Exchange. The complainants filed their Exceptions to the Attorney Examiner's Report on October 16, 1985, stating their belief that the evidence of record justified a grant of flat-rate EAS to all of the requested exchanges. Ohio Bell did not file a reply to the complainants' Exceptions.

Section 4905.26, Revised Code provides that upon the filing of a complaint by 100 subscribers, or five percent of the subscribers in any telephone exchange, whichever number is smaller, seeking, as in this case, the institution of extended area service, the Commission shall schedule a hearing on such complaint. The respondent is a telephone company as defined by Section 4905.33(A)(2), Revised Code, and a public utility by reason of Section 4905.02, Revised Code. Thus, the respondent is subject to the jurisdiction of this Commission under authority of Sections 4905.04 and 4905.05, Revised Code. Sections 4905.26, 4905.22, and 4905.381, Revised Code authorize this Commission to order telephone companies under its jurisdiction to establish extended area telephone service. This authority has been recognized by the Supreme Court of Ohio in General Telephone Co. v. Public Utilities Commission, 45 Ohio St. 2d 154, 341 N.E.2d 832 (1976), and Ohio Central Telephone Corp. v. Public Utilities Commission, 166 Ohio St. 180, 140 N.E.2d 762 (1957).

Chapter 4901:1-7, Ohio Administrative Code (O.A.C.) governs the establishment of extended area telephone service. Rule 4901:1-7-01(H), O.A.C. defines EAS as follows:

"Extended area service" (EAS) means a type of telephone service furnished at monthly flat or measured rates, permitting subscribers of a given exchange, to place calls to and receive calls from one or more other exchange areas without being assessed message toll telephone charges for each message. Institution of "extended area service" enlarges the "local calling area" of subscribers beyond the geographical limits of the subscriber's exchange area, to include in the subscriber's "local calling area", other exchange areas.

Rule 4901:1-7-01(H), O.A.C., describes EAS as a service using monthly flat rates or measured rates for local service. Recently Ohio Bell has proposed a new service, Local Calling Plus, which employs a measured rate scheme for each EAS call made. For clarification and distinction, the term "flat-rate EAS" will refer to extended area service at monthly flat local service rates, the term "measured EAS" will be used to describe extended area service on a per-call pricing basis, and the term "EAS" will include both kinds of service.

Rule 4901:1-7-04, O.A.C. sets forth a number of general factors to be considered in determining whether the establishment of extended area telephone service is warranted, without limiting the consideration of other factors. The listed factors are:

A. Community of interest factors

1. The volume of message toll telephone traffic, or the calling rate per main station between the involved exchanges.

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service. They believe that ELS would benefit the entire county. The county auditor and engineer both stated that they call Columbus on a regular basis to contact state and federal government offices, and to obtain supplies and services (Tr. 127, 139).

Located within the London Exchange are the London City School District, the Madison Plains Local School District, the Madison County Office of Education, one parochial elementary school, and the Farhaven School for the Mentally Retarded (Tr. 46, 60). There are no vocational schools, universities, or parochial high schools within the local calling area (Tr. 47, 60). A number of witnesses stated that they or members of their families need to call OSU in Columbus (Tr. 29, 61, 63, 124, 138). The superintendent of the London City School District testified that the school needs to call the requested exchange area for a variety of reasons. First, approximately twenty percent of the staff lives in the Columbus area (Tr. 47). Second, the school does a significant amount of business with vendors in and around Columbus, especially with the Metropolitan Education Council, a large purchasing cooperative (Tr. 48-49). Third, the witness stated that he often must call the state office of education in Columbus and the special education department in Worthington (Tr. 49-50). Calls must also be made to other schools concerning extracurricular activities (Tr. 52). Finally, the school system uses a computer which is connected to a computer in Columbus. Presently, the school pays \$2,250.00 a year for a foreign exchange line to Columbus for this computer use (Tr. 30).

Witnesses frequently cited the need to call the Columbus area for medical care. Several subscribers stated that they travel to the requested exchanges to visit dentists, hospitals, and medical specialists (Tr. 10, 33, 37, 62, 70, 112, 135, 140, 159, 165). There is a hospital (Madison County Hospital) and there are general practitioners, optometrists, dentists, and two specialists (heart and internal medicine) within the London local calling area (Tr. 43, 44). However, the administrator of the Madison County Hospital stated that his local hospital works with and depends greatly upon doctors and hospitals from the Columbus area. According to the witness, ninety percent of the staff specialists and thirty percent of the remaining staff are from requested exchange areas (Tr. 39, 44). Patients are transferred to Columbus whenever they require special treatment (Tr. 40). In addition, even when surgery involving a Columbus specialist can be done at the county hospital, it may, according to the witness, take up to twelve calls to the doctor in Columbus to make the arrangements (Tr. 40, 43). The hospital also obtains much of its equipment and maintenance services from the Columbus area (Tr. 40, 42). The administrator of the Madison Elms, a nursing facility located in London, stated that all of the services for that facility come from the requested exchange areas, and do all of the medical specialists and approximately twenty percent of the patients who reside there (Tr. 112). The witness testified that she is in close contact with all of the hospitals throughout the Columbus area, because her patients come from all of them (Tr. 112). Also, neither the county hospital nor Madison Elms has its own ambulance service. The witness stated that when an ambulance is needed, she uses whatever service the patient prefers, and many times it is a service from Columbus (Tr. 112, 114). There are approximately eight veterinarians in the London Exchange area (Tr. 96). One veterinarian practicing in London explained that he relies heavily on the school of veterinary medicine at OSU and the state veterinary laboratory in the Reynoldsburg Exchange, and calls them between twenty and fifty times a month (Tr. 94, 95).

The reason repeated most often for calling the Columbus Area Exchanges involved shopping. Virtually every witness, whether for personal or business purposes, said that they called the requested exchanges for shopping and service needs (Tr. 23, 29,

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71, 88, 111, 107, 110, 118, 120, 124, 132, 134, 140, 141, 146, 155). There was little testimony offered concerning the products and services available in the London local calling area. However, the following local services were mentioned: banks, grocery stores, K-Mart, one ladies' dress shop, one men's shop, car dealerships, florists, pharmacies, attorneys, accountants, insurance agents, farm equipment and supplies, churches, library, photographers, and a daily newspaper (Tr. 24, 31, 32, 74, 91, 92, 117, 159, 163). Even with these services available, the witnesses stated that: the Madison County newspaper is not in print on Sundays nor does it carry such advertising from Columbus so many people read the Columbus newspapers; luxury and foreign cars must be purchased in Columbus; while prescriptions can be filled in London, one must call one's doctor in Columbus for its renewal; all of the available banks are based in Columbus; men's suits cannot be purchased in London; children's clothes must be purchased outside of London; waterbeds are not available locally; and the requested exchanges offer more variety and more competitive prices than businesses in the local calling area (Tr. 15, 23, 24, 36, 69, 82, 91, 92, 107, 120, 146).

The entertainment and social events that Columbus offers are very attractive to London Exchange subscribers. According to the witnesses, they look to the Columbus area for live theater, concerts, golf, racquetball, tennis, cultural events, drive-ins, movie theaters, museums, and restaurants (Tr. 10, 16, 24, 25, 31, 45, 62, 86, 90, 107, 109, 120, 121, 130, 143, 158). A number of people also stated that they call the Columbus exchanges to contact family and friends (Tr. 10, 19, 62, 116, 144, 156, 167).

Investment and Cost Considerations:

Rule 4901:1-7-04, O.A.C., requires that consideration be given to the investment and cost factors involved in any proposed EAS request, and states, in part,

It would not be in the public interest for a telephone utility to enter into exceptionally heavy investments in facilities and incur exceptionally high costs in situations where the extended area service requirement was slight.

David Schiska, Rates and Costs Manager for Ohio Bell, sponsored the company's Exhibit 1, consisting of his profiled testimony and attachments. Mr. Schiska reviewed the calling rates and distributions of calling in this case, as well as the rate center to rate center mileage between London and the Columbus Metropolitan Area Exchanges. The witness stated that should flat-rate EAS be granted in this case, none of the Columbus Area Exchanges would experience an increase in local service rates.

Mr. Schiska provided the rates for alternative services to EAS, particularly message toll, foreign exchange, and WATS services. In addition, the witness explained a new two-way measured EAS service offering from Ohio Bell known as local calling plus (LCP). LCP is structured similarly to message toll service (MTS) and is based on four calling elements: (1) the total number of outgoing completed local messages, (2) the distance of each local message, (3) the duration of each local message, and (4) the time of day each local message is originated. The major difference between LCP and MTS is the cost per completed call. LCP uses the following per call charges, which are the same per call charges incurred by Ohio Bell's measured rate local service customers (Ohio Bell Ex. 1):

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Local Message Charge Schedule (cost of calls made)

<u>Rate Mileage</u>	<u>Initial Minute or Fraction thereof</u>	<u>Additional Minute or Fraction Thereof</u>
0-10	\$.04	\$.01
11-22	.045	.015
23 miles and over	.05	.02

Mr. Schiska cited an example of the impact of LCP on toll charges. Under traditional message toll service, a five minute direct dialed, non-discounted message toll call from the London Exchange to the Columbus Exchange would cost \$1.60 excluding tax. Under LCP, the same call would cost the subscriber \$.13 excluding tax (Ohio Bell Ex. 1). LCP effectively reduces by 90% the cost of toll calls between the subject exchanges.

According to the witness, every subscriber in both of the subject exchanges would have this service automatically available, but would only incur LCP charges if and when an LCP call is made. Under LCP, those subscribers not making calls would pay nothing for the service. Mr. Schiska explained that there would be no installation charges, no increase in local rates, and subscribers would retain their present kind of local exchange service (flat-rate, measured, or message) with LCP. The witness also stated that Ohio Bell favors the institution of LCP in lieu of flat-rate EAS in this case because, unlike EAS, LCP allows Ohio Bell to recover its costs only from those subscribers actually using the service, and not its subscribers in general (Ohio Bell Ex. 1).

Andrew Hirsch, Manager-Service Costs for Ohio Bell, sponsored Ohio Bell Exhibit 2, which sets forth the estimated investment and associated recurring annual costs to the company should EAS be granted. Mr. Hirsch submitted the costs for each individual exchange (Ohio Bell Ex. 1, Attachments 2-14). The following figures represent the cost to the company to provide flat-rate EAS and LCP from the London Exchange to just the Columbus Exchange, and to all of the Columbus Metropolitan Area Exchanges (Ohio Bell Ex. 2):

LONDON EXCHANGE/COLUMBUS EXCHANGE
FLAT-RATE NONOPTIONAL TWO-WAY EAS

	<u>Investment Costs</u>	<u>Annual Costs</u>
Transmission Equipment (circuit)	\$ 95,240	\$ 26,629
Trunk Termination Equipment (E.S.S.)	64,234	18,634
Trunk Termination Equipment (X-Bar)	5,167	1,390
Total Investment and Annual Costs	\$ 164,641	\$ 47,143

LOCAL CALLING PLUS

	<u>Investment Costs</u>	<u>Annual Costs</u>
Transmission Equipment (circuit)	\$ 78,635	\$ 21,963
Trunk Termination Equipment (E.S.S.)	42,687	12,373
Trunk Termination Equipment (X-Bar)	3,204	1,167
Total Investment and Annual Costs	\$ 124,526	\$ 35,503

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LONDON EXCHANGE/COLUMBUS METROPOLITAN AREA EXCHANGES
FLAT-RATE NONOPTIONAL TWO-WAY EAS

	<u>Investment Costs</u>	<u>Annual Costs</u>
Transmission Equipment (circuit)	\$ 158,764	\$ 44,390
Trunk Termination Equipment (E.S.S.)	105,776	30,685
Trunk Termination Equipment (X-Bar)	15,538	5,654
Total Investment and Annual Costs	\$ 280,078	\$ 80,729

LOCAL CALLING PLUS

	<u>Investment Costs</u>	<u>Annual Costs</u>
Transmission Equipment (circuit)	\$ 105,721	\$ 29,560
Trunk Termination Equipment (E.S.S.)	67,655	19,627
Trunk Termination Equipment (X-Bar)	9,611	3,499
Total Investment and Annual Costs	\$ 182,987	\$ 52,686

Mr. Hirsch explained that the annual costs for transmission and trunk termination equipment include estimates for depreciation, cost of money, federal income tax, personal property tax, and maintenance. There has, however, been no attempt to estimate the future effects of inflation on these costs.

Among the cost information submitted by Mr. Hirsch was an estimate of the revenue effect of LCP. In determining this effect, Mr. Hirsch looked at a recent toll study conducted by Ohio Bell, and multiplied the total number of toll minutes used by London subscribers by the appropriate LCP message charge. Because it was not known at what time of day the calls in the study were made, the witness computed the LCP revenues as if 100% of the calls were made during the day and 100% were made at night, using a stimulation factor of 2.44 for day revenues and 3.06 for night, and then determined the average. Using these factors, Mr. Hirsch estimates that Ohio Bell would realize additional revenues from LCP usage charges of \$251,358 if local calling plus is instituted between the London Exchange and the Columbus Metropolitan Area Exchanges, and \$171,217 if the service is established between just the London and Columbus Exchanges. Ohio Bell will not be entitled to any increase in local service revenues if flat-rate extended area service is instituted.

Finally, Mr. Hirsch stated that Ohio Bell could institute either flat or measured rate EAS by January 30, 1987 provided that a Commission order is issued no later than December 31, 1985. This is because there are several growth projects scheduled for the Columbus area later this year into which this EAS project could be incorporated, thereby saving considerable engineering time and expenses. If an order is not issued by that date, he said, the company would require a full two years to implement EAS.

Willingness of Subscribers to Pay Appropriate Rates

Rule 4901:1-7-04, O.A.C., prescribes that a further factor for consideration in EAS cases is the willingness of a substantial majority of affected subscribers to pay appropriate rates in exchange for the institution of the requested extended area service. In the instant case, no canvass has been conducted.

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CONCLUSION

After examining the record in this case, in conjunction with the various factors enumerated in Chapter 4901:1-7, O.A.C., the Commission concludes that the request for the establishment of two-way, nonoptional flat-rate EAS from the London Exchange to the Columbus Metropolitan Area Exchanges of The Ohio Bell Telephone Company should be denied. However, the combination of calling statistics, relative communities of interest, and revenue/cost comparisons leads the Commission to conclude that the institution of local calling plus between the London Exchange and Columbus Exchange would be appropriate in this case.

In reaching this conclusion, the Commission considered the calling rates among the subject exchanges. The Commission has stated in prior cases involving requests for flat-rate EAS that, "under normal circumstances, and in the absence of other compelling considerations, the Commission believes that an average calling rate of less than three (3) calls per main station per month between two exchanges is insufficient to support the approval of extended area telephone service." See Krueze et al. v. United Telephone Company, Case No. 78-889-TP-PEX, Opinion and Order of March 5, 1980. The calling rates for eleven of the twelve requested exchanges (excluding the Columbus Exchange) range from .02 to .42 average calls per main station per month. All of these calling rates are well below the Krueze benchmark. In addition, the distribution of calling statistics for these eleven exchanges, ranging from only 2.0 to 16.0 percent, suggest that calling from the London Exchange to the pertinent exchanges is not widespread among London Exchange subscribers. While the public testimony indicated some reliance by London subscribers for certain products, services, and activities in the Columbus Area Exchanges (excluding the Columbus Exchange), the Commission cannot find that such reliance constitutes the "compelling considerations" necessary to overcome the low calling statistics among these exchanges.

The calling rate from the London to the Columbus Exchange is 5.98 calls per main station per month with 66.0 percent of the London subscribers making one or more calls to that exchange. While it might be argued that these calling figures are sufficiently strong and widespread to warrant consideration of the requested flat-rate EAS service, it must be emphasized that the calling rate and distribution are only two of the factors taken into consideration in determining whether the establishment of EAS is warranted. The Commission rules require that the calling figures be considered in conjunction with the location of products, services, and activities, and in relation to the investment and annual costs to the telephone companies.

In the case at hand, testimony established that London is a community with its own schools, police and fire departments, city and county governments, medical services, churches, and shopping centers. While there was evidence that a number of London residents work in the Columbus area, that fact alone does not create a community of interest. Testimony elicited at the hearing clearly demonstrates that the calling needs testified to by many of the London residents are generally not to meet their day-to-day calling requirements, but rather are the result of a population movement from a large metropolitan area to a neighboring small town, with many people maintaining medical, shopping, employment, family, and other ties in the Columbus Exchange. The Commission has noted that as metropolitan areas continue to grow outward to encompass increasing tiers of exchanges, it is crucial for the Commission to review the basis upon which flat-rate EAS should be considered as appropriate remedy. See King v. Ohio Bell Telephone Company, Case No. 76-1002-TP-PEX, Opinion and Order of February 11, 1981. The Commission understands the natural attractions of a large

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metropolitan area to residents of a smaller community. However, Rule 4901:1-7-04 requires that the grant of flat-rate EAS must be based on a genuine day-to-day reliance by the petitioning subscribers upon the requested exchange. Such is not the case here; therefore, flat-rate EAS from the London Exchange to the Columbus Exchange is not an appropriate remedy.

Instituting either flat-rate or measured EAS requires that Ohio Bell make new investments in plant and equipment, and incur the resulting associated annual costs. With flat-rate EAS, however, all of Ohio Bell's subscribers contribute to those costs because Ohio Bell averages all of its costs among all of its subscribers, even those not directly benefiting from the new investment. The fiscal pressure from increased expenses eventually leads to local service rate increases for all subscribers, including those that are not in the subject exchanges.

In the instant case, the costs to Ohio Bell to provide flat-rate EAS are not excessive, but the Commission does not believe that the existing community of interest between the London Exchange and the Columbus Exchange justifies the cost of implementing flat-rate EAS, especially when Ohio Bell has shown that LCP can be made available between those exchanges. LCP is paid for by only those subscribers actually making calls, the so-called cost-causers, and not Ohio Bell's entire subscriber population. Unlike flat-rate EAS, those subscribers not making LCP calls will not be subsidizing those that do. LCP has the additional benefit, in this particular case, of generating more revenue from its users than its associated marginal costs. The Commission believes that the combination of the calling statistics, relative community of interest, and revenue/cost comparisons justifies the institution of local calling plus between the London Exchange and the Columbus Exchange.

The last issue for consideration is the timing of the implementation of the service. Testimony indicated that Ohio Bell could install LCP by January 30, 1987, if the Commission ordered such by December 31, 1985. The Commission finds this time period to be reasonable. Because there is no rate increase associated with local calling plus, there need not be a canvass of the London Exchange subscribers. Finally, to the extent that the Exceptions filed to the Examiner's Report in this matter are inconsistent with the Commission's order, they shall be and hereby are denied.

FINDINGS OF FACT AND CONCLUSIONS OF LAW:

- 1) On February 1, 1985, Mr. Donald Payne and numerous other subscribers of the London Exchange filed a petition with this Commission seeking the establishment of two-way, nonoptional extended area service between the London and the Columbus Metropolitan Area Exchanges of The Ohio Bell Telephone Company.
- 2) The London Exchange presently has toll-free calling to the West Jefferson, Alton, Harrisburg, Sedalia, South Scio, South Charleston, South Vienna, and Resaca Exchanges.
- 3) The London Exchange is not contiguous to any of the requested Columbus Area Exchanges.
- 4) Notice of the public hearing was published in newspapers of general circulation in Clark, Jackson, Franklin, Delaware, Madison, Pickaway and Fairfield Counties.

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- 5) A public hearing was held in London, Ohio, on June 25, 1985.
- 6) At the public hearing, 25 public witnesses testified in favor of the requested service, with no public witnesses testifying in opposition thereto.
- 7) The calling rates indicate that London subscribers place an average of 5.98 calls per main station per month to the Columbus Exchange and between .02 and .42 calls per main station per month to the remaining eleven exchanges.
- 8) The distributions of calling indicate that an average of 66% of London subscribers generate one or more calls monthly to the Columbus Exchange and between 2.0 and 13.0% make one or more calls monthly to the remaining eleven exchanges.
- 9) The reliance of the London subscribers on the services, products, and activities available in the Columbus Metropolitan Area Exchanges other than the Columbus Exchange is quite limited and is not sufficient to justify the institution of the requested two-way, nonoptional flat-rate extended area service.
- 10) The record indicates that some of the London subscribers do rely on some of the services, products and activities available in the Columbus Exchange. The reliance is not sufficiently strong to justify the institution of flat-rate extended area service, but it is sufficiently strong to warrant the establishment of local calling plus service.
- 11) Ohio Bell estimated that it would incur the following costs and realize the following revenues if ordered to provide extended area service.

Local calling plus	Investment Costs	Annual Costs	Increased Revenues
London/Columbus	\$124,496	\$35,528	\$171,217
London/Columbus Metro	182,987	52,686	251,358

Flat-rate EAS

London/Columbus	164,543	47,143	-
London/Columbus Metro	280,678	80,729	-

- 12) There would be no general increase in the local exchange rates of London subscribers with the institution of local calling plus, but subscribers would be required to pay usage charges.
- 13) Section 4905.26, Revised Code, requires the Commission to schedule for hearing a complaint filed by 100 subscribers or 5% of the subscribers in any telephone exchange, whichever number is smaller, against a telephone company public utility regarding various aspects of its service.

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- 14) The respondent is a telephone company as defined in 4905.03(A)(2), Revised Code, and a public utility as defined in Section 4905.02, Revised Code, and is therefore subject to the jurisdiction of this Commission under authority of Sections 4905.04 and 4905.05, Revised Code.
- 15) Sections 4905.26, 4905.22 and 4905.381, Revised Code, authorize the Commission to order telephone companies under its jurisdiction to establish extended area service. This authority was recognized in General Telephone Co. v. Public Utilities Commission, 45 Ohio St. 2d 154, 341 N.E. 2d 832 (1976), and Ohio Central Telephone Corp. v. Public Utilities Commission, 166 Ohio St. 140, 140 N.E.2d 782 (1957).
- 16) The complainants have failed to show that a sufficient community of interest exists between the London Exchange and the Columbus Metropolitan Area Exchanges to justify the establishment of flat-rate extended area service.
- 17) The existing community of interest between the London Exchange and the Columbus Exchange is sufficient to warrant the institution of local calling plus service and the need for the service outweighs the cost of Ohio Bell to provide it.
- 18) As the institution of local calling plus does not entail a rate increase, no canvass of the London Exchange subscribers is necessary.

ORDER:

It is, therefore,

ORDERED, That the request for two-way, nonoptional flat-rate extended area service from the London Exchange to all of the Columbus Metropolitan Area Exchanges is hereby denied in full. It is, further,

ORDERED, That two-way local calling plus service be instituted between the London Exchange and the Columbus Exchange by January 10, 1987. It is, further,

ORDERED, That the respondent establish an in-service date within twelve months of the date of this Opinion and Order, inform the Commission of the date, and advise the Commission not later than sixty days prior to the in-service date in the event it cannot be met, together with the reason. It is, further,

ORDERED, That the respondent is authorized to file revised tariff sheets reflecting the establishment of the two-way local calling plus service, said tariff sheets to become effective upon the institution of the service. It is, further,

ORDERED, That the Exceptions filed to the Attorney Examiner's Report in this matter, to the extent they are inconsistent with this Opinion and Order, are denied. It is, further,

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ORDERED, That copies of this Opinion and Order be served upon all parties of record in this proceeding.

THE PUBLIC UTILITIES COMMISSION OF OHIO

<u>Thomas V. Chyna</u> Thomas V. Chyna, Chairman	<u>Gloria L. Gaylord</u> Gloria L. Gaylord
<u>William W. Brooks</u> William W. Brooks	<u>Alan R. Schriber</u> Alan R. Schriber
<u>Ashley C. Brown</u> Ashley C. Brown	

RS/vla;geb

Entered in the Journal

DEC 10 1985

A True Copy

Mary Ann Orlinski
Mary Ann Orlinski
Secretary

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