

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 28, 2022**

REGULAR **CONSENT** **EFFECTIVE DATE** July 1, 2022

DATE: June 17, 2022

TO: Public Utility Commission

FROM: Jon Cray

THROUGH: Michael Dougherty and Melissa Nottingham **SIGNED**

SUBJECT: RESIDENTIAL SERVICE PROTECTION FUND:
(Docket No. UM 1180(17))
Surcharge Rate Review and Recommendation.

STAFF RECOMMENDATION:

Decrease the monthly surcharge rate for the Residential Service Protection Fund (RSPF) to \$0.03, effective July 1, 2022.

DISCUSSION:

Issue

Whether the Commission should adjust the current RSPF surcharge rate from \$0.09 to \$0.03.

Applicable Law

Oregon Revised Statute (ORS) 759.685, as amended, allows a monthly surcharge to be assessed on each landline, wireless, or interconnected voice over protocol subscriber who has access to the Oregon Telecommunications Relay Service (OTRS) and the rate may not exceed \$0.35.

The surcharge provides revenue for three (3) RSPF programs: Telecommunication Devices Access Program (TDAP), Oregon Telephone Assistance Program (OTAP), also known as Oregon Lifeline, and OTRS. Pursuant to ORS 759.685(3), the Commission must review the surcharge and the RSPF balance on an annual basis and may adjust

the surcharge as necessary to ensure the fund has adequate resources, yet does not exceed six (6) months of projected expenses.

Analysis

Background

Generally, Staff annually reviews the revenue and expenditures of the previous year and calculates projections for the forthcoming calendar year to determine whether the current surcharge rate is sufficient to sustain expenditures and maintain a six-month reserve balance.

For calendar year 2022, the Commission adopted Staff's recommendation to decrease the RSPF surcharge rate from \$0.14 to \$0.09. The reduction was based on the settlement agreement payment and two (2) companies' petitions to forego provision of OTAP support to all eligible low-income customers. These circumstances resulted in an unexpected surplus exceeding the six-month threshold of projected operating expenditures by approximately two million. See Order No. 21-390.

Despite the recent reduction and the 2021 Oregon Legislature's enactment of House Bill (HB) 5032 that culminated in a Commission adjustment of the OTAP support amount from \$7.00 to \$10.00 in Docket Nos. AR 645 and AR 646, the fund continues to grow and consistently exceed six months of projected expenses. All three (3) programs are currently experiencing a decline in expenditures. In addition, implementation and estimated operational costs for the forthcoming Communication Facilitator program, a subset of TDAP, will not have a material effect on the ending balance, which has currently swelled to \$6 million.

If the RSPF surcharge rate remains at \$0.09 through calendar year 2022, the ending balance is projected to increase further to approximately \$6.5 million with an estimated six-month operating cost of nearly \$1.7 million dollars. Therefore, Staff calculated projections over an eighteen (18) month period, i.e., July 2022 through December 2023, and determined that an adjustment to the RSPF surcharge rate at \$0.03 is necessary to reduce the ending balance.

Based on current projections and barring unforeseen circumstances, the recommended surcharge rate of \$0.03 is expected to accelerate a reduction of the fund balance and minimize potential volatile changes to the surcharge rate. The ending balance for December 2023 is estimated to be \$1,921,383 with an estimated six-month operating cost of \$1,760,107. Staff will present the Commission with a review of the surcharge and any recommendation for changing the rate in 2023 before the end of this year.

Below is an overview of the surcharge rate history since the inception of the RSPF.

October 1987 – June 1990	\$0.25
July 1990 – June 1993	\$0.15
July 1993 – August 1994	\$0.16
September 1994 – December 1996	\$0.25
January 1997 – December 1997	\$0.13
January 1998 – December 2001	\$0.10
January 2002 – December 2004	\$0.13
January 2005 – December 2005	\$0.10
January 2006 – January 2007	\$0.08
February 2007 – December 2008	\$0.05
January 2009 – December 2009	\$0.09
January 2010 – December 2013	\$0.12
January 2014 – December 2014	\$0.11
January 2015 – December 2015	\$0.09
January 2016 – December 2017	\$0.07
January 2018 – December 2018	\$0.06
January 2019 – December 2019	\$0.11
January 2020 – December 2020	\$0.10
January 2021 – December 2021	\$0.14
January 2022 – June 2022	\$0.09

Conclusion

Staff finds that decreasing the surcharge rate to \$0.03, effective July 1, 2022, is necessary to reduce the ending balance while ensuring the fund has adequate resources to sustain forecasted operating costs.

PROPOSED COMMISSION MOTION:

Approve a decrease in the RSPF monthly surcharge rate from \$0.09 to \$0.03, effective July 1, 2022.