

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 1, 2015

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2016

DATE: November 20, 2015

TO: Public Utility Commission

FROM: Jon Cray *Jc*

THROUGH: Michael Dougherty *M* and David Poston *DP*

SUBJECT: RESIDENTIAL SERVICE PROTECTION FUND: (Docket No. UM 1180(10)) Surcharge Rate Review and Recommendation.

STAFF RECOMMENDATION:

Staff recommends the Commission decrease the monthly surcharge for the Residential Service Protection Fund (RSPF) from \$0.09 to \$0.07, effective January 1, 2016.

DISCUSSION:

RSPF staff annually reviews the revenue and expenditures of the previous year and calculates projections for the next year to determine whether the current surcharge rate is sufficient to sustain expenditures and maintain a six-month reserve balance. Chapter 290, Oregon Laws 1987, §7(1) allows a monthly surcharge to be assessed on each landline or wireless 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 telephone assistance programs: Telecommunication Devices Access Program (TDAP), Oregon Telephone Assistance Program (OTAP), also known as Lifeline, and OTRS. By law, the RSPF balance may not exceed six months of projected expenses. The law further requires an annual review of the surcharge rate to determine its sufficiency. Proposed rate changes or reviews are submitted to the Commission for approval.

On December 3, 2014, the Commission adopted Staff's recommendation to decrease the RSPF surcharge from \$0.11 to \$0.09, effective January 1, 2015, to reduce the ending balance to match the six-month operating costs. See Order No. 14-421. Despite the reduction, the fund consistently exceeded and will continue to exceed six months of projected expenses by approximately two million if the RSPF surcharge

remains at \$0.09. In an effort to reduce the ending balance to closely match the estimated six-month operating costs, Staff recommends the surcharge rate be reduced by two cents. For instance, the ending balance for December 2016 is estimated to be \$3,073,639 with an estimated six month operating cost of \$1,960,616 as opposed to a \$4,090,267 ending balance if the surcharge rate remained \$0.09.

The recommended surcharge rate of \$0.07 is expected to bring RSPF into gradual compliance with the law while minimizing the potential for volatile changes to the surcharge rate. The ending balance for June 2017 is estimated to be \$2,091,665 with an estimated six-month operating cost of \$2,221,918.

Below is an overview of the surcharge history since the program's inception:

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

PROPOSED COMMISSION MOTION:

The Commission decrease the RSPF surcharge rate at \$0.07, effective January 1, 2016.