

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1180(1)

In the Matter of)	
)	
PUBLIC UTILITY COMMISSION OF)	ORDER
OREGON)	
)	
Residential Service Protection Fund (RSPF))	
Surcharge Rate Review and Recommendation)	
for Decrease.)	

DISPOSITION: SURCHARGE DECREASED

Under Oregon law, the Commission must review the Residential Service Protection Fund (RSPF) surcharge amount once each year and ensure that the fund balance does not exceed six months' worth of projected expenses. Chapter 290, Oregon Laws 1987, Section 7(1) allows for a monthly surcharge to be assessed on each subscriber line, not to exceed \$.35 per line. The purpose of the surcharge is to provide revenue for three programs: Telecommunications Devices Access Program (TDAP), Oregon Telephone Assistance Program (OTAP), and Oregon Telecommunications Relay Service (OTRS). The current RSPF surcharge is \$.10 per line, and has been at this rate since January 1, 2005. Staff completed an annual review of the surcharge revenues, expenditures, and ending balances, and prepared a recommendation.

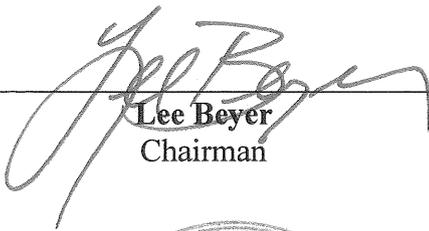
RSPF is restricted by statute to maintaining a maximum six-month balance of projected expenses.¹ Over the past few years, the balance has been consistently larger than the amount allowed by law. At the October 25, 2005 public meeting, Staff recommended that the Commission adopt a new surcharge amount of \$.08 cents per line for the next calendar year, to be effective January 1, 2006. The Commission adopted Staff's recommendation. Staff's recommendation report is attached as Appendix A, and is incorporated by reference.

¹ See Chapter 290, Oregon Laws 1987, Section 7(3).

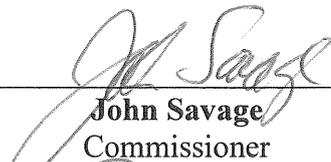
ORDER

IT IS ORDERED that the Residential Service Protection Fund surcharge amount is decreased to \$.08 cents per line for 2006, effective January 1, 2006.

Made, entered, and effective NOV 07 2005.



Lee Beyer
Chairman



John Savage
Commissioner



Ray Baum
Commissioner



A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable law.

ITEM NO. CA2

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 25, 2005**

REGULAR CONSENT X EFFECTIVE DATE January 1, 2006

DATE: October 7, 2005

TO: Public Utility Commission

THROUGH: Rick Willis, PUC Executive Director
Victoria McLean, Central Services Administrator

FROM: Damara Paris, RSPF Manager

SUBJECT: RESIDENTIAL SERVICE PROTECTION FUND: Surcharge Rate Review and Recommendation for Decrease.

STAFF RECOMMENDATION:

Staff recommends the monthly surcharge for the Residential Service Protection Fund (RSPF) be decreased from the current \$.10 per subscriber line to \$.08 per line effective January 1, 2006.

DISCUSSION:

Under Oregon law, the Commission must review the RSPF surcharge amount once each year to ensure the fund is adequate. Chapter 290, Oregon Laws 1987, Section 7 (1) allows a monthly surcharge to be assessed on each subscriber line, not to exceed \$.35 per line. The purpose of the surcharge is to provide revenue for three telecommunication assistance programs: Telecommunication Devices Access Program (TDAP), Oregon Telephone Assistance Program (OTAP) and Oregon Telecommunications Relay Service (OTRS). The current RSPF surcharge is \$.10 per line, and has been at this rate since January 1, 2004.

RSPF is restricted by statute to maintaining a maximum six-month balance of projected expenses.¹ Over the past few years, the balance has been consistently larger than the amount allowed by law. There are several factors that contributed to the balance remaining over the allocated amount for this period of time.

¹ Chapter 290, Oregon Laws 1987, Section 7 (3).

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October 7, 2005
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One reason is the continued decrease in traditional relay minutes. With the advent of web based relay over the past five years, in addition to free videophones given out by various relay providers to video relay service (VRS) users, the usage of the traditional relay service (accessible by use of a TTY) has steadily declined. One of the services provided by OTRS, CapTel (Captioned Telephone) Relay, has a higher rate per minute than traditional TRS. However, because the technology continually upgrades and now allows the calls to be processed more than 50% faster than traditional relay calls, the actual cost of this service is less than projected.

Another factor in the increased amount of RSPF surplus has to do with the slower growth in OTAP recipients. In 2004, the number of OTAP recipients increased by 13%. In 2005, the increase has been 4.5%.² The growth is expected to be 7% by the end of the calendar year. OTAP staff expected to have a growth rate closer to 10-13%, and therefore projected higher expenditures than what has actually been reimbursed to telephone companies.

Staff also looked at the growth of telecommunication services. While landline services seem to decline at approximately 2% per year, cellular/wireless phones continue to grow at a steady rate. We continue to receive more revenue than anticipated from phone lines each year.

In determining the specific rate for the RSPF surcharge, staff considered projections over the next two years, beginning with July 2005. Staff anticipates that the spend down to a six month reserve balance will take 3 years if the rate is decreased to \$.09 cents per line, and two years if it is decreased to \$.08 per line. The OTRS Industry Advisory Group and the Telecommunication Devices Access Program Advisory Committee met with RSPF staff recently and recommend that the surcharge rate be reduced to \$.08 cents per line to spend down the surplus and arrive at the required six-month balance of projected expenditures as soon as possible.

PROPOSED COMMISSION MOTION:

Staff recommends that the Commissioners adopt the new RSPF surcharge rate of \$.08 per subscriber line, to begin on January 1, 2005.

RSPF Surcharge 2005.doc

² As of September 2005.