

ITEM NO. RA2

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 20, 2020**

REGULAR X CONSENT EFFECTIVE DATE January 1, 2021

DATE: October 9, 2020

TO: Public Utility Commission

FROM: Nicola Peterson

THROUGH: Bryan Conway, Michael Dougherty, Roger White **SIGNED**

SUBJECT: OREGON UNIVERSAL SERVICE FUND:
(Docket No. UM 1594)
Decrease the Oregon Universal Service surcharge rate to comply with the surcharge and fund limits in ORS 759.425.

STAFF RECOMMENDATION:

Staff recommends that the Commission issue an order to decrease the Oregon Universal Service (OUS) Surcharge rate to comply with the surcharge and fund limits in amendments to ORS 759.425 that become operative January 1, 2021. Staff proposes a decrease in the rate from 8.5 percent to 5 percent effective January 1, 2021.

DISCUSSION:

Issue

Whether the Commission should issue an order to decrease the OUS Surcharge rate to comply with the surcharge and fund limits in amendments to ORS 759.425 that are operative, effective January 1, 2021.

Applicable Rule or Law

Under ORS 756.060, the Commission is authorized to "adopt and amend reasonable and proper rules and regulations relative to all statutes administered by the commission" and to "adopt and publish reasonable and proper rules to govern proceedings and to regulate the mode and manner of all investigations and hearings of public utilities and telecommunications utilities and other parties before the commission."

Senate Bill 1603, passed in the 2020 first special legislative session states in Section 11(2) that:¹

The Public Utility Commission and the Oregon Business Development Department may take any action before the operative date specified in subsection (1) of this section that is necessary to enable the commission and the department to exercise, on and after the operative date specified in subsection (1) of this section, all of the duties, functions and powers conferred on the commission and the department by sections 4 to 7 of this 2020 special session Act and the amendments to ORS 285A.160, 759.400 and 759.425 by sections 1, 2 and 8 of this 2020 special session Act.

Section 2 of Senate Bill 1603, which amends ORS 759.425, with operative changes effective January 1, 2021, provides in part that:

Unless otherwise provided by the Public Utility Commission by rule, the universal service surcharge must be a uniform percentage of the sale of services subject to the surcharge in an amount sufficient to support the purposes of the universal service fund established under subsection (1) of this section, provided that the percentage does not exceed **six percent** of the sale of services subject to the surcharge.”²

The commission shall designate the amount of moneys deposited annually in the universal service fund to be used to ensure basic telephone service. The amount designated under this paragraph may not exceed **\$28 million per year**.³

Analysis

Background

Contributions to the Oregon Universal Service Fund (OUSF) are currently a surcharge on all intrastate retail telecommunication service revenues in Oregon. The surcharge is currently 8.5 percent.

Senate Bill 1603 extends the contribution base of the OUSF to include retail commercial mobile radio services and retail interconnected voice over internet protocol (VoIP) services and lowers the surcharge cap from 8.5 to 6 percent, as well as limiting the size of the fund to \$28 million and providing for a transfer to the Broadband fund.

¹ Or Laws 2020 Ch. 17, effective September 25, 2020.

² Or Laws 2020 Ch. 17, Sections 2(4)(e), 11(1), Emphasis added.

³ Or Laws 2020 Ch. 17, Section 2((1)(b), Emphasis added.

Surcharge Calculation

Staff sent out data requests to 113 commercial mobile radio service providers and interconnected VoIP providers in order to estimate the size of the additional contribution base that would be subject to the surcharge in January 2021. Although only 48 companies replied, Staff did get replies from all major contributors and believes missing contribution data would not have had a significant effect on the results. Information from the data requests was compared to FCC data and estimates on lines and revenue.

The proposed five percent surcharge rate was calculated using the \$28 million cap and a simple model that combined the above information with current projected fund inflows and expected outflows, based on historical trends. Different surcharge rates were entered into the model and the impact on the average balance observed.

Conclusion

Staff is aware that although the missing data requests were not considered material, this, coupled with many companies providing estimates, and the lack of historical trend information regarding the additional contribution base, indicates that the proposed five percent is an estimated surcharge rate and additional rate changes are expected to be necessary once actual contribution data is received in 2021.

PROPOSED COMMISSION MOTION:

Approve a decrease in the OUS Surcharge rate from 8.5 percent to 5 percent effective January 1, 2021, to comply with surcharge and fund limits in the amendments to ORS 759.425 that become operative on that date.