

ITEM NO. RA2

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 18, 2021**

REGULAR X CONSENT EFFECTIVE DATE July 1, 2021

DATE: May 3, 2021

TO: Public Utility Commission

FROM: Nicola Peterson

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

SUBJECT: OREGON UNIVERSAL SERVICE SURCHARGE:
(Docket No. UM 1594) Increase the Oregon Universal Service surcharge rate to comply with funding requirements in ORS 759.425.

STAFF RECOMMENDATION:

Staff recommends that the Commission increase the Oregon Universal Service (OUS) surcharge rate to comply with funding requirements in ORS 759.425. Staff proposes an increase in the rate from 5.0 percent to 6.0 percent effective July 1, 2021.

DISCUSSION:

Issue

Whether the Commission should issue an order to increase the OUS Surcharge rate to comply with the funding requirements in ORS 759.425, effective July 1, 2021.

Applicable Rule or Law

Under ORS. 759.425(4)(e), 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.

There are two funding requirements within ORS 759.425.

(1)(a) (B) Transfer from the universal service fund to the Oregon Business Development Department for deposit in the Broadband Fund established under section 4 of this 2020 special session Act an amount per year that is equal to the lesser of: (i) \$5 million; or (ii) The remainder of moneys deposited in the universal service fund that are unobligated after making the designation required in paragraph (b) of this subsection.

Section 7, which is specific to 2021 states: Notwithstanding the amount provided for in ORS 759.425 (1)(b) and the percentage provided for in ORS 759.425 (4)(e), until December 31, 2021, the amount of moneys deposited annually in the universal service fund to be used to ensure basic telephone service shall be as provided for in Appendix A to Public Utility Commission Order No. 16-093, as corrected by Public Utility Commission Order No. 16-102.

Analysis

Background

Senate Bill 1603, which passed in the 2020 special session, extended the contribution base of the OUSF to include retail commercial mobile radio services and retail interconnected voice over internet protocol (VoIP) services. The bill also lowered the surcharge cap from 8.5 to 6 percent, as well as limited the size of the fund and provided for a transfer to the Broadband fund.

In Order No. 20-388 the Commission set the initial surcharge rate at 5.0 percent, which was based on estimated revenues and current projected fund inflows and expected outflows.¹ Staff forecast that a 5 percent surcharge rate would result in contributions into the fund which would meet the funding requirements set out in ORS 759.425. Staff noted that the proposed five percent was an estimated surcharge rate and additional rate changes were expected to be necessary once actual contribution data was received in 2021.

The 5 percent surcharge and extended contributions base became effective January 1, 2021, with the resulting contributions into the OUSF for Quarter 1, 2021 payable by May 28, 2021.

Funding Requirements

There are two funding requirements stated on ORS 759.425. An initial requirement to support basic telephone service up to an amount of \$28m and a transfer to the Broadband Fund of monies above the amount needed to support basic telephone

¹ See Docket No. UM1594, Order 20-388, adopted October 27, 2020.

service up to \$5m. The amount to support basic telephone service in 2021 is specified as those listed in Order No. 16-093 (approximately \$26.7m).²

Although Quarter 1 contributions are not due until May 28, 2021, many of the ‘large’ contributors have already paid into the fund. By comparing these receipts to forecasted amounts, it is apparent that the projected contribution base upon which the initial surcharge rate of 5 percent was based, was overstated.

Current forecasts put the total contributions due for 2021 to be in the region of \$25m to \$28m.

Conclusion

In order to meet the funding requirements set out in ORS 759.425, the OUSF surcharge rate needs to be increased to the cap of 6 percent.

PROPOSED COMMISSION MOTION:

Approve an increase in the OUS Surcharge rate from 5.0 percent to 6.0 percent effective July 1, 2021, to comply with funding requirements in ORS 759.425.

² See Docket No. UM1481, Order 16-093, adopted March 4, 2016, at p 2, Appendix A. Corrected by Order 16-102, adopted March 9, 2016