

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1180(3)

| | | |
|---|---|-------|
| In the Matter of |) | |
| |) | |
| THE PUBLIC UTILITY COMMISSION OF |) | ORDER |
| OREGON |) | |
| |) | |
| Residential Service Protection Fund Surcharge |) | |
| rate review and recommendation for |) | |
| maintaining current rate. |) | |

DISPOSITION: SURCHARGE UNCHANGED

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 \$.05 per line, and has been at this rate since February 1, 2007. Staff completed an annual review of the surcharge revenues, expenditures, and ending balances, and prepared a recommendation.

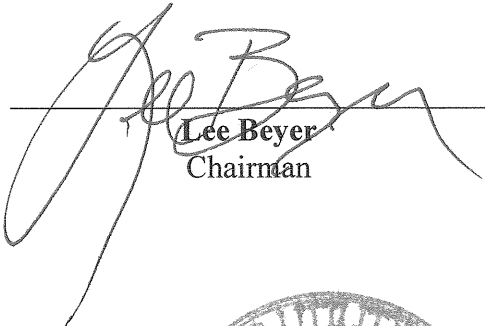
RSPF is restricted by statute to maintaining a maximum six-month balance of projected expenses.¹ Maintaining the surcharge at \$0.05 per line will reduce the ending balance to match the estimated six-month operating costs. The Commission adopted Staff's recommendation. A full description of the filing, its procedural history and Staff's recommendation are contained in the Staff Report, attached as Appendix A and incorporated by reference.

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

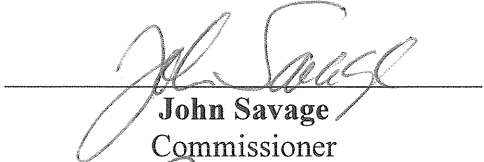
ORDER

IT IS ORDERED that the Residential Service Protection Fund surcharge amount remains at \$.05 cents per line, effective January 1, 2008.

Made, entered, and effective MAY 28 2008 .



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 by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 20, 2008

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2008

DATE: April 29, 2008

TO: Public Utility Commission

FROM: Jon Cray, RSPF Manager

THROUGH: Rick Willis, PUC Executive Director
DP David Poston, Central Services Administrator

SUBJECT: RESIDENTIAL SERVICE PROTECTION FUND: Surcharge rate review and recommendation for maintaining current rate.

STAFF RECOMMENDATION:

Staff recommends the monthly surcharge for the Residential Service Protection Fund (RSPF) remain \$0.05 per subscriber line effective January 1, 2008.

DISCUSSION:

RSPF staff reviews the revenue and expenditures of the previous fiscal year annually and calculates projections for the next biennium to determine whether the current surcharge rate is sufficient to sustain expenditures and maintain a minimum six-month reserve balance. 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 telephone assistance programs: Telecommunication Devices Access Program (TDAP), Oregon Telephone Assistance Program (OTAP), and Oregon Telecommunications Relay Service (OTRS). Oregon statute mandates the RSPF balance not exceed six months of projected expenses. The current RSPF surcharge is \$.05 per line and has been at this rate since February 1, 2007. Oregon Law requires an annual review of the surcharge rate to determine its sufficiency. Proposed rate change or review is submitted to the Commission for approval.

Historically, RSPF has consistently exceeded the six-month reserve balance. This continues to be attributed to the increase in the number of wireless phones. Landline services are projected to decline by 7% whereas cellular/wireless services are projected

RSPF Surcharge 2007
April 29, 2008
Page 2

to grow by 10%. In addition, traditional relay (accessible by TTY) minutes, for which the State compensates, continue a decline due to a consumer shift towards Video Relay Service (VRS), which is currently compensated by the National Exchange Carrier Association (NECA) at a much higher rate than traditional relay. VRS (accessible by video equipment) allows a deaf or hard of hearing person who primarily uses American Sign Language (ASL) to communicate via a qualified interpreter with their hearing counterparts through the telephone system. When the FCC delegates the responsibility of VRS provision to all states in the near future, the impact on RSPF operating expenditures and reserve balance will be significant.

Maintaining the surcharge at \$0.05 per line will reduce the ending balance to match the estimated 6 month operating costs. For instance, the ending balance for December 2008 at \$0.05 per line is projected to be \$2.7 million while the estimated six-month operating expense is currently \$2.1 million. This brings the program closer to compliance with statute 759.690 §7(3) before arriving at the required six-month reserve balance. In October 2008, staff will review and anticipates a rate increase to take effect January 1, 2009, in an effort to maintain the appropriate ending balance based on projected expenditures and revenue.

Advice was sought from the OTRS Industry Advisory Council and the Telecommunication Devices Access Program Advisory Committee. Neither committee had any concerns regarding the rate review. Finally, RSPF staff recommends that the monthly surcharge remain at the current rate of \$0.05 per subscriber line effective January 1, 2008.

PROPOSED COMMISSION MOTION:

Staff recommends that the Commissioners order that the RSPF surcharge rate remain at \$.05 per subscriber line effective January 1, 2008.