

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1180(4)

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

DISPOSITION: SURCHARGE INCREASED

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 since February 2007 reduced the ending balance to match the estimated six-month operating costs. However, RSPF cannot sustain the cost of delivering services at the \$0.05 rate. For instance, the ending balance for December 2009 at \$0.05 per line is projected to be \$533,464, while the six-month operating expense is estimated to be \$2.4 million. Therefore, RSPF staff recommends increasing the surcharge to \$0.09 to maintain the appropriate ending balance based on projected expenditures and revenue. At the \$0.09 rate, the ending balance for December 2009 is projected to be \$2.7 million, while the six-month operating expense is estimated to be \$2.4 million.

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

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.

ORDER

IT IS ORDERED that the Residential Service Protection Fund surcharge amount be increased to \$0.09 per line, effective January 1, 2009.

Made, entered, and effective DEC 16 2008.



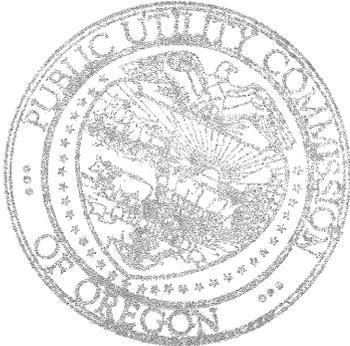
Lee Beyer *JB*
Chairman



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.

ITEM NO. 1

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 9, 2008**

REGULAR CONSENT EFFECTIVE DATE January 1, 2009

DATE: December 3, 2008

TO: Public Utility Commission

FROM: Jon Cray

THROUGH: Rick Willis  and David Poston 

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

STAFF RECOMMENDATION:

Staff recommends the monthly surcharge for the Residential Service Protection Fund (RSPF) be increased from the current \$0.05 per subscriber line to \$0.09 per line effective January 1, 2009.

DISCUSSION:

RSPF staff annually reviews the revenue and expenditures of the previous fiscal year 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 surcharge provides revenue for three telephone assistance programs:

Telecommunication Devices Access Program (TDAP), Oregon Telephone Assistance Program (OTAP), and Oregon Telecommunications Relay Service (OTRS). By law, the RSPF balance may 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. 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.

RSPF has consistently exceeded the six-month reserve balance despite decreasing the surcharge for three consecutive years since 2005. The reason for the growth in the ending balance during this period is primarily attributed to an increase in wireless phones. Concurrently, landlines are decreasing, but at a much smaller rate.

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 December 3, 2008
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Additionally, OTRS minutes, for which the State compensates, continued to decline due to a consumer shift towards Internet and Video based Relay Services, which is currently compensated by the National Exchange Carrier Association.

Maintaining the surcharge at \$0.05 per line since February 2007 reduced the ending balance to match the estimated 6 month operating costs. However, RSPF cannot sustain the cost of delivering services at the \$0.05 rate. For instance, the ending balance for December 2009 at \$0.05 per line is projected to be \$533,464 while the six-month operating expense is estimated to be \$2.4 million. Therefore, RSPF staff recommends increasing the surcharge to \$0.09 to maintain the appropriate ending balance based on projected expenditures and revenue. At the \$0.09 rate, the ending balance for December 2009 is projected to be \$2.7 million while the six-month operating expense is estimated to be \$2.4 million. In addition to a declining ending balance, other factors influencing an increase in the surcharge rate include population growth and outreach efforts to increase public awareness of program services.

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

Advice was sought from the OTRS Industry Advisory Committee and the Telecommunication Devices Access Program Advisory Committee. Neither committee had any concerns regarding the proposed rate.

PROPOSED COMMISSION MOTION:

The RSPF surcharge rate increase to \$0.09 per subscriber line effective January 1, 2009.