

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1180(5)

In the Matter of

THE PUBLIC UTILITY COMMISSION
OF OREGON

ORDER

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 \$.09 per line, and has been at this rate since January 1, 2009. 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 \$0.09 per line since January 2009 reduced the ending balance to match the estimated six-month operating costs. However, RSPF cannot sustain the cost of delivering services at the \$0.09 rate, and requires a two-cent increase. However, RSPF cannot sustain the cost of delivering services at a \$0.11 rate. For instance, the ending balance for December 2010 at \$0.11 per line is projected to be \$987,891, while the six-month operating expense is estimated to be \$2.9 million. Therefore, RSPF staff recommends increasing the surcharge to \$0.12 to maintain the appropriate ending balance based on projected expenditures and revenue. At the \$0.12 rate, the ending balance for December 2010 is projected to be \$1.5 million, while the six-month operating expense is estimated to be \$2.9 million.

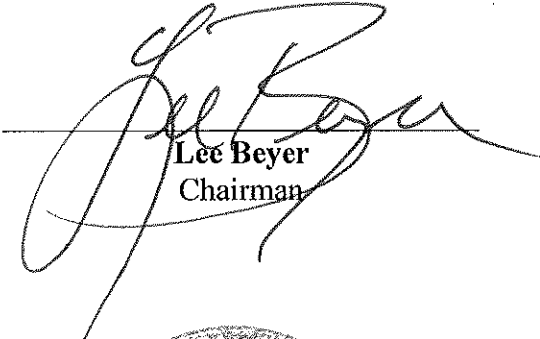
¹ See Chapter 290, Oregon Laws 1987, Section 7(3).

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.

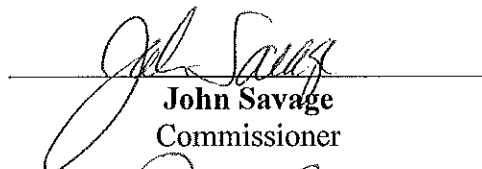
ORDER

IT IS ORDERED that the Residential Service Protection Fund surcharge amount be increased to \$0.12 per line, effective January 1, 2010.


Made, entered, and effective NOV 30 2009.



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.

ITEM NO. 1

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 24, 2009**

REGULAR CONSENT EFFECTIVE DATE January 1, 2010

DATE: November 24, 2009

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 Commission increase the monthly surcharge for the Residential Service Protection Fund (RSPF) from the current \$0.09 per subscriber line to \$0.12 per line effective January 1, 2010.

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 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 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.

The 2009-2011 Legislature approved the following three policy option packages:

1. Speech Generating Devices: Subsequent to the recommendation of the TDAP Advisory Committee, the Department of Justice concluded that the existing RSPF statutes allows the provision of speech generating devices, as assistive

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telecommunications devices, to individuals that are certified as having a severe speech impairment. Therefore, the Commission proposed and the Legislature approved a policy option package to increase the program's expenditure limitations to support the provision of speech generating devices in the amount of \$1,000,000.

2. Compliance Specialist: On May 27, 2008, the Secretary of State published the results of an audit (Report No. 2008-17) in which they identified inconsistent revenue collections after comparing remittance reports for the RSPF surcharge and the 9-1-1 tax at the Department of Revenue. In an effort to ensure that all telecommunications providers collect, report and remit the surcharge to which the State is entitled, the Commission recommended and the Legislature approved the creation of a Compliance Specialist position. This position will compare and audit access line data with internal and external sources, including the Department of Revenue, to corroborate the accuracy of reported information, maintain a list of all telecommunications providers subject to the RSPF surcharge requirements and apply penalties when appropriate. The Legislature approved \$145,181 to create this limited duration Compliance Specialist position.
3. Database: The Legislature adopted the Commission's proposal for a one-time purchase in the amount of \$242,600 of an accounting and data system to support fiscal oversight of the RSPF program and allow the Compliance Specialist to fulfill the essential components of the position.

On December 16, 2008, the Commission adopted Staff's recommendation to increase the RSPF surcharge from \$0.05 to \$.09 per line effective January 1, 2009 to maintain the appropriate ending balance based on projected expenditures and revenue. Maintaining the \$0.09 surcharge is not sufficient to fund these approved policy option packages and consequently, requires a two-cent increase. However, RSPF cannot sustain the cost of delivering services at a \$0.11 rate. For instance, the ending balance for December 2010 at \$0.11 per line is projected to be \$987,891 while the six-month operating expense is estimated to be \$2.9 million. Therefore, RSPF staff recommends increasing the surcharge to \$0.12 to fund the three legislatively adopted policy option packages as well as maintain the appropriate ending balance based on projected expenditures and revenue. At the \$0.12 rate, the ending balance for December 2010 is projected to be \$1.5 million while the six-month operating expense is estimated to be \$2.9 million. The December 2011 ending balance at the \$0.12 rate is projected to be \$2.4 million while the six-month operating expense is estimated to be \$2.5 million. With the implementation and completion of the one-time policy option packages, Staff may recommend the Commission decrease the surcharge for 2012.

Below is an overview of the surcharge history since the program's inception:

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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
January 2009 – December 2009	\$0.09

Advice was sought from the OTRS Industry Advisory Committee and the TDAP Advisory Committee. Neither committee had any concerns regarding the proposed rate.

PROPOSED COMMISSION MOTION:

I move that the Commission increase the RSPF surcharge to \$0.12 per subscriber line effective January 1, 2010.