

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 22, 2001**

REGULAR AGENDA X CONSENT AGENDA ___ EFFECTIVE DATE May 23, 2001

DATE: May 14, 2001

TO: Phil Nyegaard

FROM: Tom Turner through Dave Booth

SUBJECT: Qwest Corporation—Request for Temporary One-Month Reduction in the OUS Surcharge Billing Rate from 3.24 Percent to 1.16 Percent (Docket UM 731)

SUMMARY RECOMMENDATION:

Staff recommends approval of a temporary reduction of the Oregon Universal Service (OUS) surcharge from the current authorized rate of 3.24 percent to 1.16 percent. The temporary reduction applies to Qwest only and is effective for one month from May 23, 2001, through June 22, 2001.

DISCUSSION:

On April 16, 2001, I received an e-mail from the PUC's Consumer Services Division regarding a consumer question on the application of the OUS surcharge on a Qwest telephone bill. In subsequent discussions with Qwest, we discovered that the company was incorrectly billing the OUS surcharge. Qwest had added back the temporary bill credit authorized by the Commission in the UT 125 rate case. See Order 00-190, Exhibit B, page 1. This resulted in over billing end users for the OUS Fund. The temporary bill credits and the over billing OUS surcharges are summarized as follows:

Class of Service	UT 125 Temporary Bill Credit per Month	OUS Surcharge 2.35% Effective Sep. 1, 2000	OUS Surcharge 3.24% Effective Jan. 1, 2001
Residential	\$2.47	\$0.058	\$0.080
Business Simple	\$5.93	\$0.139	\$0.192
Business Complex	\$6.68	\$0.157	\$0.216
Centrex	\$2.47	\$0.058	\$0.080
Private Line	\$1.85	\$0.435	\$0.060

Effective April 19, 2001, Qwest corrected its tax application billing system. However, there remains the issue of refunds. The UT 125 temporary bill credits were effective beginning September 22, 2000. The accumulated OUS over billing from September 22, 2000, through April 18, 2001, amounted to \$1,093,440.85. On a per line basis, this amounts to about \$0.45 for residential customers, \$1.09 for simple business, and \$1.23 for complex business.

The quickest and most effective way to refund the OUS over collection is to temporarily reduce the OUS surcharge rate. Staff and the company agree that the temporary rate should be 1.16

percent, based on Qwest's average monthly retail revenue base. The company can implement the temporary rate on one day's notice through the company's tax application program. It would be effective on May 23 and continue through June 22, 2001. The other options to modify the company's customer billing system or to mail out direct refunds would take longer and be more expensive.

While I recommend the temporary OUS surcharge reduction, it is not perfect. Customers may have moved or changed service in the intervening months. In addition, the temporary surcharge method is approximate because the retail revenues of any particular customer during the one-month refund period may vary. However, given the per line refund amount of between \$0.45 and \$1.23 as noted above, I do not consider these shortcomings severe enough to warrant any further delay in the refund.

Because the OUS Fund collection is based on current retail revenues that included the UT 125 temporary bill credits, the OUS Fund is only indirectly affected. The OUS surcharge refund of \$1.1 million will reduce Fund collections by about \$34,000.

STAFF RECOMMENDATIONS:

Staff recommends approval of a temporary reduction of the OUS end user surcharge rate from 3.24 percent to 1.16 percent. The temporary reduction applies to Qwest only, and is effective for one month from May 23, 2001, through June 22, 2001.