

**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
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

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.