

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 21, 2008**

REGULAR CONSENT EFFECTIVE DATE November 15, 2008

DATE: October 8, 2008

TO: Public Utility Commission

FROM: Roger White

THROUGH: Lee Sparling, Bryan Conway, and Cynthia Van Landuyt

SUBJECT: OREGON UNIVERSAL SERVICE ADVISORY BOARD: Extends contract for administration of the Oregon Universal Service Fund (OUSF).

STAFF RECOMMENDATION:

The Commission should adopt the Oregon Universal Service (OUS) Advisory Board's recommendation to extend for a third time the contract with Solix, Inc. (Solix) to administer the OUSF. The extension is for a one-year period, November 15, 2008, through November 14, 2009.

DISCUSSION:

The Commission in Order No. 99-197, Docket No. UM 731, Phase III adopted procedures for the collection, disbursement, and monitoring of OUS funds. These procedures created the need for an external OUS Administrator and the OUS Advisory Board (the Board). Order No. 99-197 also established that the Board should consist of ten members, seven from the industry, two representing consumer groups, and one Commission staff member.

At the July 10, 2000, Public Meeting, the Commission approved the first contribution and surcharge rates, effective September 1, 2000, and implemented the OUSF as directed by ORS 759.425. At the same Public Meeting, the Commission approved the members of the first Board. In that same month, the Board selected the first OUSF Administrator and made their recommendation to the Commission. Since that time there have been two different Administrators.

On October 10, 2004, the Commission awarded Solix¹, the current Administrator, a two-year contract, from November 15, 2004, through November 14, 2006. The contract also contained a provision for three one-year extensions. Three conditions had to be met for the contract to be extended: the Commission had to offer and Solix had to agree to the extension, a majority of the Board members had to recommend approval of the extension, and the Commission had to adopt the recommendation and approve the extension. Since the end of its two-year contract period two years ago, Solix requested and was subsequently granted two, one-year extensions. For the first two extensions, Solix has been granted two price increases: one increase of 3 percent and one increase of 2 percent. The second extension ends November 14, 2008.

Staff is very satisfied with Solix's administration of the OUSF. Solix has responded timely to Staff's requests for information, and has been proactive in making changes and corrections to OUSF records when needed. An independent managerial review of Solix's management of the OUSF was conducted for the 2007 calendar year by Merina & Company, LLP. Overall, the report was very favorable, and, where suggested improvements were noted, Solix has made procedural changes to implement the suggested improvements.

The alternative to extending the contract with Solix is to issue a Request for Proposal (RFP) seeking a new OUSF Administrator. Solix submitted the lowest bid in the last RFP process. Other bids received were at least twice the amount proposed by Solix. Aside from the additional costs in time and money to the Commission, issuing a new RFP at this time would likely result in an even higher contract amount.

On August 13, 2008, Roger White, Commission staff member of the OUS Advisory Board, presented a motion to the Board recommending that the Commission approve a one-year contract extension with a maximum price increase of 3.7 percent. A majority of the Board members voted on the motion, and passed it unanimously. On September 9, 2008, in response to an inquiry by the Board, Solix submitted a letter indicating interest in a one-year extension and requesting a 3 percent increase.² Staff

¹ Solix is an independent stock corporation, originally founded in 2000 as NECA Services, Inc. The company changed its name to Solix in November 2005. The company grew out of the National Exchange Carrier Association (NECA) created in 1983 at the direction of the Federal Communications Commission (FCC).

² The terms of the original contract define a payment increase limit which cannot be exceeded if the contract is extended. That limit is established as follows: "...the rate of increase shall not exceed the Producer Price Index for North American Industry Classification Systems ("NAICS") code #541211 reported by the United States Department of Labor, Bureau of Labor and Statistics, the month prior to the price increase request." The Producer Price Index (PPI) change for the period from June 2007 to June 2008 is an increase of 3.7 percent. The 3 percent increase requested by Solix is less than the PPI increase.

recommends extending the contract for the period from November 15, 2008, through November 14, 2009, for the fixed amount of \$73,699.59.

PROPOSED COMMISSION MOTION:

The current contract with Solix to administer the OUSF be extended for an additional one-year period, November 15, 2008, through November 14, 2009, for the fixed amount of \$73,699.59.