

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 5, 2020**

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2020

DATE: October 30, 2019

TO: Public Utility Commission

FROM: Jon Cray

THROUGH: Michael Dougherty **SIGNED**

SUBJECT: RESIDENTIAL SERVICE PROTECTION FUND:
(Docket No. UM 1180(14))
Surcharge Rate Review and Recommendation.

STAFF RECOMMENDATION:

Decrease the monthly surcharge rate for the Residential Service Protection Fund (RSPF) to \$0.10 for calendar year 2020.

DISCUSSION:

Issue

Whether the Commission should adjust the current RSPF surcharge rate from \$0.11 to \$0.10.

Applicable Law

Oregon Revised Statute (ORS) 759.685, as amended, allows a monthly surcharge to be assessed on each landline, wireless, or interconnected voice over protocol subscriber who has access to the Oregon Telecommunications Relay Service (OTRS) and the rate may not exceed \$0.35.

The surcharge provides revenue for three telephone assistance programs: Telecommunication Devices Access Program (TDAP), Oregon Telephone Assistance Program (OTAP)¹, also known as Oregon Lifeline, and OTRS. Under ORS 759.685(3),

¹ The OTAP is the state counterpart to the Federal Communication Commission's Lifeline program. The FCC provides \$9.25 for the qualifying low-income customer's voice telephony or broadband internet

the Commission must review the surcharge and the RSPF balance on an annual basis in order to adjust the surcharge as necessary to ensure the fund has adequate resources, yet does not exceed six months of projected expenses.

Analysis

Background

Staff annually reviews the revenue and expenditures of the previous year and calculates projections for the next year to determine whether the current surcharge rate is sufficient to sustain expenditures and maintain a six-month reserve balance.

On October 23, 2018, the Commission adopted Staff's recommendation to increase the RSPF surcharge rate to \$0.11, effective January 1, 2019, to maintain the ending balance with forecasted operating costs, yet ensure the RSPF has adequate resources. See Order No. 18-414. The increase was sufficient to accommodate program expenditures in 2019. However, the fund will exceed six months of projected expenses if the RSPF surcharge rate remains at \$0.11 for calendar year 2020.

The customer base for Virgin Mobile USA, L.P. (Virgin Mobile), doing business as Assurance Wireless, peaked in June 2019 when the company claimed reimbursement from the RSPF for providing \$3.50 of monthly OTAP support for each of 42,058 customers. After Staff identified concerns related to customer usage² of Lifeline-supported service in July 2019, the company initiated a system review and claimed reimbursement for 21,275 customers in September 2019, which represents a 48 percent decrease in OTAP disbursements. It is not clear at this time whether the company's enrollment numbers will remain at this level, but it may be some time before reimbursement claims return to the previous peak.

Also, Lifeline program enrollment and OTAP disbursements will be affected absent FCC action on two pending petitions³ before federal support amounts are scheduled to decrease and certain minimum service standards will increase on December 1, 2019. The uncertainty and the extent of the effect is unknown. Therefore, Staff estimates the ending balance will increase in 2020 due to decreased OTAP disbursements. Reducing

access service. The State of Oregon provides a supplemental \$3.50 for voice telephony service; the 2019 Oregon Legislature enacted Senate Bill 69 extending the OTAP subsidy to broadband internet access service effective January 1, 2020. The maximum combined support an eligible low-income customer can receive is \$12.75.

² See 47 C.F.R. § 54.407(2).

³ Joint Petition to Pause Implementation of December 2019 Lifeline Minimum Service Standards Pending Forthcoming Marketplace Study, filed June 27, 2019 by CTIA, et al., WC Docket Nos. 11-42, et al. Petition for Waiver, filed July 29, 2019 by NTCA – the Rural Broadband Association, WC Docket No. 11-42 et al.

the surcharge rate to \$0.10 will minimize the potential for volatile changes while keeping the RSPF ending balance within the six-month threshold of projected operating costs. Staff estimates that by the end of 2020, the six-month operating cost will be \$2 million.

Conclusion

Staff finds that decreasing the surcharge rate to \$0.10 for the calendar year 2020 is necessary to ensure the fund has adequate resources in 2020 and the ending balance does not exceed six months of forecasted operating costs.

PROPOSED COMMISSION MOTION:

Approve a decrease in the RSPF monthly surcharge rate from \$0.11 to \$0.10, effective January 1, 2020.