

ITEM NO. CA1

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 10, 2013

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2014

DATE: December 4, 2013

TO: Public Utility Commission

FROM: Jon Cray

THROUGH: Michael Dougherty and David Poston *MD by DP*

SUBJECT: RESIDENTIAL SERVICE PROTECTION FUND: (Docket No. UM 1180(8))
Surcharge Rate Review and Recommendation for Decrease.

STAFF RECOMMENDATION:

Staff recommends the monthly surcharge for the Residential Service Protection Fund (RSPF) be decreased from the current \$0.12 per subscriber line to \$0.11 per line, effective January 1, 2014.

DISCUSSION:

RSPF 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. Chapter 290, Oregon Laws 1987, §7(1) allows a monthly surcharge to be assessed on each landline or wireless 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), also known as Lifeline, and 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.

On December 20, 2011, the Commission adopted Staff's recommendation to maintain the RSPF surcharge at \$0.12, effective January 1, 2012, to sustain the appropriate ending balance based on projected expenditures and revenue (See Order No. 11-515). The RSPF surcharge has remained \$0.12 since January 1, 2010. However, the fund

currently and will continue to exceed six months of projected expenses by approximately one million if the RSPF surcharge remains at \$0.12. In an effort to reduce the ending balance to match the estimated six month operating costs, Staff recommends the surcharge rate be reduced by one cent. For instance, the ending balance for June 2015 is estimated to be \$2,772,959 with an estimated six month operating cost of \$2,748,682 as opposed to \$1,987,966 and \$2,748,682, respectively, if the surcharge rate was reduced to \$0.10. Staff makes this recommendation primarily because OTRS calls, for which the Commission compensates for intrastate minutes, continues to decline due to an ongoing consumer shift towards Internet Protocol and Video based Relay Services.

The surcharge rate of \$0.11 is anticipated to reflect current RSPF operational costs, but does not take into account possible additional direct and indirect program administration expenses (e.g. staffing, professional services, etc.) that may be incurred if the FCC reconsiders its prior decision to treat Internet Protocol Captioned Telephone Service (IP CTS) as an entirely interstate service. These services, including Internet Protocol and Video based Relay Services are currently compensated by Rolka Loube Saltzer Associates, LLC, a contractor authorized by the Federal Communications Commission (FCC) to administer the interstate Telecommunications Relay Service Fund. For reference, the FCC is proposing that IP CTS be treated like traditional (landline) Captioned Telephone Service, where state relay programs, like OTRS, are required to compensate providers for intrastate IP CTS minutes.¹ Additionally, the trend of increased growth in the number of OTAP (Lifeline) customers and Eligible Telecommunications Carrier applicants may warrant the need for the Commission to acquire additional resources to maintain the overall prevention of waste, fraud, and abuse in the program.

Therefore, the surcharge rate of \$0.11 is expected to bring RSPF into gradual compliance with the law while minimizing the potential for volatile changes to the RSPF surcharge rate.

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

October 1987 – June 1990	\$0.25
July 1990 – June 1993	\$0.15
July 1993 – August 1994	\$0.16
September 1994 – December 1996	\$0.25

¹ See Paragraph 137 and 138, Report and Order and Further Notice of Proposed Rulemaking in the Matter of Misuse of Internet Protocol Captioned Telephone Service and Telecommunications Relay Service and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities, CG Dkt. No. 13-24 and CG Dkt. No. 03-123, Rel. August 26, 2013.

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
January 2010 – December 2010	\$0.12
January 2011 – December 2011	\$0.12
January 2012 – December 2013	\$0.12

PROPOSED COMMISSION MOTION:

The Commission decrease the RSPF surcharge rate to \$0.11, effective January 1, 2014.