DECISION MEMORANDUM

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WORKING FILE

FROM:DON HOWELL

DATE:MARCH 12, 1999

RE:TRS FUNDING LEVELS, CASE NO. GNR-T-99-3

At its March 1 decision meeting, the Commission considered a Staff decision memorandum concerning the 1998 annual report for the Telecommunications Relay Services (TRS).  At the decision meeting, the Commission accepted the Administrator’s recommendation that the 1999 operating budget is projected to be $480,220.

The Staff prepared three funding recom­men­da­tions to meet the operating budget.  The Commission decided to increase funding levels attributed to long distance (MTS/WATS) from its present level.  The Commission also indicated that it desired to keep about a two-month operating reserve in the TRS fund.

What the Commission may have overlooked in its selection of funding levels was the fact that the fund had a current balance of $99,724.  Consequently, increasing the MTS/WATS contribution level, the Commission may have set funding levels above the desired target.(footnote: 1)

Set out below are three calculations.  The first one is the existing TRS contribution levels; second is the Commission adopted contribution levels; and the third is an additional alternative for your consideration.  Staff recommends that the Commission adopt the third option or that the current rates be maintained.

As the Commission may remember, TRS contribution levels are not separate and distinct rate elements added as a “surcharge” on a customer’s bill.  Instead, TRS contribution levels are embedded in local rates and MTS/WATS rates.  What this means is that reducing the contribution level from local service from $0.04 per month to $0.038 does not require any billing changes or tariff changes.  In calculating the monthly cost of TRS, local exchange carriers simply multiply the TRS contribution level for local service times the number of lines in service, and then remit that amount to the TRS Administrator.

Another advantage of the third option is that it does slightly rebalance the percentage or ratio of contributions from local service.  The Commission’s last TRS Order indicated that the Commission desired to maintain a ratio between the local service contribution and the MTS/WATS contribution within a 60%-40% range.  In other words, the Commission indicated its desire to maintain the relative level of contribution from local access or MTS/WATS within 10% of 50%-50% split.  As noted in the existing TRS contributions, 67% of the TRS funding comes from local service with 33% coming from long distance.  Staff’s proposed option results in a ratio of 66% local and 34% long distance.

COMMISSION DECISION

Which funding option or other alternative does the Commission wish to select to meet the 1999 TRS operating budget?

Don Howell

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**FOOTNOTES**

1:

The Hamilton Communications contract expires at the end of calendar year 2000.  Consequently, any increased administrative expense in preparation for the new contract for the relay service will not occur until calendar year 2000.