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12/01/25
10:26 AM
Protocol
R2208008

Purpose

The California Public Utilities Commission (Commission) on November 7, 2024 adopted Decision (D.) 24-11-003 as part of Rulemaking (R.) 22-08-008 establishing a licensing and registration framework for telephone corporations providing interconnected Voice over Internet Protocol (VoIP). The Commission, in D.24-11-003, addressed phase one of the proceeding and launched a second phase¹. On April 3, 2025, the Commission issued an amended scoping memo and ruling (Amended Scoping Memo) addressing phase two of the proceeding. The Commission's Communications Division staff (Staff) provides the following Staff Proposal addressing the proceeding's phase two scoping memo and ruling and implementation of D.24-11-003. Specifically, Staff proposes (1) to provide a mechanism for wireline providers with existing operating authority to add the Digital Voice Fixed (DVF) utility type to their operating authority (Amended Scoping Memo Issue number 2), (2) to establish a new opt-out period for nomadic-only interconnected VoIP providers, (3) to correct information related to the financial documentation submitted with applications for operating authority (Amended Scoping Memo Issue number 5), and (4) the Commission clarify certain requirements from D.24-11-003.

Staff Proposal

1) Addition of DVF Utility Type to Existing Wireline Operating Authority

Scoping Issue number 2: Some interconnected VoIP service providers held wireline operating authority prior to the issuance of D.24-11-003 and did not register informally. Since D.24-11-003 primarily addressed the status of providers with informal registrations, providers without informal registrations were not offered the option to add the DVF utility type to their existing operating authority.

Some interconnected VoIP service providers held a wireline operating authority² before the issuance of D.24-11-003 and did not previously register informally to obtain a separate Digital Voice Service (DVS) registration for providing interconnected VoIP service. The Commission, in the Phase 1 Decision, D.24-11-003, primarily addressed the status of providers with informal VoIP registrations (e.g., Digital Voice Service or "DVS" status) but did not address how those interconnected VoIP providers already providing fixed interconnected VoIP service are to add the DVF designation to their existing wireline operating authority.

On April 3, 2025, the assigned Administrative Law Judge (ALJ) issued an Amended Scoping Memo and Ruling which sought input from parties, among other things, regarding whether the carriers should be required to or given the option to add the DVF utility type to their existing operating authority, and, if so, what the appropriate process should be. On April 28, 2025, five parties filed

¹ D.24-11-003 Section 9 pp 95-97

² Local Exchange Carriers, Full Facilities-Based and/or Resold Competitive Local Exchange Carriers, Full Facilities-Based and/or Resold Interexchange Carriers

opening comments to scoping issue number 2.³ These parties generally supported using a streamlined administrative process, such as a Tier 1 advice letter, to allow carriers to add the DVF utility type to their existing operating authority. No Reply Comments were filed in response to Opening Comments.

Small Business Utility Advocates (SBUA) and Pacific Bell Telephone Company dba AT&T California and AT&T Enterprises, LLC (collectively, AT&T) indicated that adding the DVF utility type should either be mandatory for all carriers or just for those who applied for a Certificate of Public Convenience and Necessity (CPCN). Additionally, The California Broadband & Video Association (CalBroadband) and Consolidated Communications of California Company, LLC (U1015C) & Consolidated Communications Enterprise Services, LLC (U7261C)(Consolidated) stated carriers should be provided the option to add the DVF utility type AT&T supported carriers filing a Tier 1 advice letter to add the DVF utility type. CalBroadband supported using a streamlined or administrative process to add the DVF utility type. The Utility Reform Network (TURN) and Center for Accessible Technology (Joint Consumers) provided a general response to scoping issue no. 2 but did not specifically comment on whether adding the DVF utility type should be mandatory or optional and the applicable process for it. No Reply Comments were filed in response to Opening Comments.

Staff proposes that carriers who received either a CPCN or Section 1013 Registration prior to the issuance of the Phase 2 Decision and who did not have a separate DVS registration, inform the Commission via a Tier 1 Advice Letter whether they are currently offering fixed interconnected VoIP service in California. In addition, Staff proposes a streamlined process as detailed further down in Section 1 of this Proposal to grant operating authority for fixed interconnected VoIP service and add a “DVF” utility type to their existing wireline authority along with their other utility type designations [e.g., Local Exchange Carrier (LEC), Competitive Local Carrier (CLC), Competitive Local Reseller (CLR), Interexchange Reseller (IER), Interexchange Carrier(IEC)].

Granting operating authority for fixed interconnected VoIP service is consistent with existing Commission practice of allowing carriers to expand their operating authority as their business needs change and ensures that the Commission has adequate information regarding the type(s) of services offered under a carrier’s designated utility ID.⁴ A streamlined approach is reasonable because these carriers have already demonstrated fitness in their underlying wireline application or registration. Moreover, requiring carriers to report whether they offer fixed interconnected VoIP service will help protect consumers and ensure safety by providing more transparency on the types of services carriers offer customers. Additionally, the Commission will be able to better track and monitor service quality and consumer complaint metrics, and in turn respond with the

³ Small Business Utility Advocates (SBUA); Pacific Bell Telephone Company dba AT&T California and AT&T Enterprises, LLC (collectively, AT&T); The California Broadband & Video Association (CalBroadband); Consolidated Communications of California Company, LLC (U1015C) & Consolidated Communications Enterprise Services, LLC (U7261C)(Consolidated); The Utility Reform Network (TURN) and Center For Accessible Technology (Joint Consumers)

⁴ Public Utilities Code Section 1001

necessary regulatory and policy changes. Staff estimates approximately 300 carriers may seek to add the DVF utility type to their existing operating authority.⁵

Staff proposes that as part of the streamlined process all licensed wireline carriers holding a CPCN or Section 1013 registration who are offering fixed interconnected VoIP under their current wireline operating authority be required to file a Tier 1 advice letter to add the DVF designation within 12 months from the issuance of the Phase 2 Decision. At a minimum, these carriers would be required to include the following information in their advice letter: (1) confirmation that they are already providing fixed interconnected VoIP services in California, and if so, if fixed interconnected VoIP services are being offered in all or part of the area the carrier is authorized to provide service in the state. If services are only offered in part of the area the carrier is authorized to provide service in the state, the carrier must indicate where, (2) status of their wireline facilities (e.g. full/limited facilities-based, reseller wireline authority) and whether they offer full or limited facilities-based or non-facilities-based interconnected VoIP services, (3) start date the carrier began providing fixed interconnected VoIP services in California, and (4) the current number of fixed interconnected VoIP customers and access lines in California.

If carriers are offering full or limited facilities-based fixed interconnected VoIP services, they should have already been granted a full or limited facilities-based designation as a wireline carrier. If the carrier does not already have a facilities-based designation and the carrier wishes to provide facilities-based service, it must then request to expand its operating authority using the CPCN application process. Additionally, carriers that do not timely comply within the allotted period of 12 months from issuance of the Phase 2 Decision will be required to file a CPCN application to expand their existing operating authority.

Lastly, Staff proposes that all wireline telephone carriers offering interconnected VoIP services in addition to other wireline services be required to provide information on the monthly total number of access lines for their interconnected VoIP service, separate from the other services they offer under the corresponding utility ID. Access line information will be submitted as part of the Telecommunications and User Fee Filing System (TUFFS) reporting. The information would provide the Commission with a granular level of transparency to understand the different services offered by telephone corporations.

2) Licensing Reforms

Establish another opt out period for any carriers that are providing Nomadic-only interconnected VoIP service, who either did not submit their request during the initial 45-day opt out period established in D.24-11-003 or who have not already submitted both an Advice Letter to surrender existing DVF authority and a new Nomadic-only Registration.

⁵ As of August 2025, there were 339 carriers with an active wireline operating authority. Of those, 40 have a separate DVF or DVN registration and five have consolidated their DVF utility type into their existing wireline authority. This leaves approximately 300 carriers who may seek to add the DVF utility type to their existing wireline operating authority.

In D.24-11-003, the Commission granted carriers a 45-day opt-out period if they wanted to be classified as a nomadic-only interconnected VoIP provider or surrender their utility ID in a streamlined process. After the 45-day opt-out period, any service provider who has not opted-out of the automatic migration process and seeks to offer nomadic-only interconnected VoIP service at a later time must simultaneously apply for a Nomadic Registration and voluntarily surrender their existing DVF operating authority (obtained through the automatic migration under decision D.24-11-003) via a Tier 2 advice letter. From January to August 2025, there were six carriers who filed a nomadic registration along with a voluntary surrender of their existing DVF operating authority. On average, for every five nomadic registrations received during this time period, there was one associated voluntary surrender request.

Staff proposes establishing a new opt-out process for a period of 12 months after issuance of the Phase 2 decision. Staff notes that it took carriers time to learn about the new Digital Voice Nomadic (DVN) requirements and believe that the new opt-out process would allow existing carriers that were automatically migrated to a fixed interconnected VoIP designation to convert to a nomadic-only interconnected VoIP designation in a streamlined process. This process would reduce the amount of new nomadic registrations with simultaneous voluntary surrenders by 20%. Establishing this process would be an important component of allowing all interconnected VoIP providers to transition to the appropriate utility type and allowing staff to continue to manage the ongoing and increasing workload across all telco licensing and registration processes.

The new opt-out period would apply to carriers who did not opt-out during the initial timeframe established in D.24-11-003 and who did not convert to a DVN registration after the conclusion of the initial opt-out period. There would be no impact on the licensing status of carriers who either already opted-out or followed the process established in D.24-11-003 for surrendering their DVF operating authority and submitting a DVN registration. Carriers who wish to surrender their DVF operating authority after the conclusion of the *new* opt-out period and obtain a DVN registration would be required to submit a Tier 2 advice letter to surrender their DVF operating authority and submit a DVN registration.

Staff proposes to require carriers following this process to submit a nomadic attestation during the new opt-out period, confirming that each carrier provides voice services that meet the Commission's definition of nomadic-only interconnected VoIP. The nomadic attestation must include the provider's legal name as registered with the Commission and its assigned Utility ID Number. The attestation must be signed under penalty of perjury by a company officer. The information must be submitted via email to CDCompliance@cpuc.ca.gov within 12 months from issuance of the Phase 2 Decision. For any carriers wishing to surrender their DVF operating authority, they must submit a Tier 2 advice letter stating their request and adhere to the process outlined in Resolution T-17723.

Additionally, if the new opt out period is adopted, staff proposes that any carrier who missed the opt-out period established in D.24-11-003 and subsequently submitted both an advice letter to

surrender their DVF operating authority and a new nomadic registration, be refunded the nomadic registration fee they paid. As of August 31, 2025, there are six carriers that have undergone this process. Staff suggests that the Commission authorize the Communications Division (CD) to work with the carriers and the Commission's Fiscal Office to facilitate the refund process. Further, staff suggests that the Phase 2 Decision include a list of carriers who will be granted a refund.

3) Corrections/Clarifications

a) Surcharge reporting and remittance requirements for nomadic-only interconnected VoIP providers previously operating without first obtaining a Nomadic Registration approval.

Staff recommend that the Phase 2 Decision reiterate and clarify that all nomadic-only interconnected VoIP providers must pay all surcharges owed starting from when the carrier first began operating in California. As stated in Section 8.1.1.1 of D.24-11-003, "any currently operating telephone corporation will be required to remit any past-due Public Purpose Program surcharges owed for its prior operation and to pay the annual interest rate of 10 percent on past due surcharges." Prior to the formal registration process established in D.24-11-003, CD implemented an informal registration process for interconnected VoIP service providers to facilitate reporting and remitting universal service (Public Purpose Program) surcharges that they were required to collect from their customers pursuant to Public Utilities Code Section 285⁶. The surcharge obligation existed, irrespective of any informal or formal licensing or registration process applicable to interconnected VoIP providers. Thus, when nomadic-only interconnected VoIP providers began operating as telephone corporations in California by selling voice service to California customers, their state universal service surcharge obligation to the Commission commenced.

b) Citations issued to nomadic-only interconnected VoIP providers for failure to register pursuant to Decision D.24-11-003.

Staff proposes clarifying that nomadic-only interconnected VoIP service providers that filed their nomadic registration on or after May 13, 2025 and were operating prior to registering should be assessed a \$1,000 per month penalty pursuant to Resolution T-17601 for failure to register pursuant to D.24-11-003 for the period starting in May 2025 until the registration is approved. D.24-11-003 did not include language regarding the timeframe which would be used to calculate the penalty for operating prior to registering. Also, Staff proposes that the Phase 2 Decision include language directing staff to update Resolution T-17601 to clarify that carriers may be issued a citation for failure to obtain either an operating authority or a registration. The resolution currently states "failure to obtain authority to operate in California" is a citable offense

⁶ The informal registration process was in effect from around November 2011-April 2021.

and staff believes that the language should be updated to clarify that carriers may be issued a citation for failure to obtain either an operating authority or a registration.

c) Scoping Issue number 5: Corrections to qualifying financial documentation required of applicants for operating authority (Appendix F of D.24-11-003).

On April 28, 2025, Consolidated, SBUA, AT&T, and CalBroadband filed opening comments related to scoping issue number 5 of the R.22-08-008 Amended Scoping Memo and Ruling issued on April 3, 2025. Consolidated contends that the qualifying financial documentation required of interconnected VoIP providers seeking an operating authority should be the same as that for any telephone corporation that is seeking an operating authority. Small Business Utility Advocates (SBUA) stated that corrections to the financial requirements must continue to ensure that new providers can deliver affordable, reliable, and resilient VoIP services, and that accurate and meaningful financial documentation remains essential to protect the public. SBUA also adds that every technical decision made in Phase 2 of this proceeding should continue to reflect the Commission's commitment to preserving and strengthening access, reliability, affordability, and consumer protection for small businesses and ESJ communities. AT&T and CalBroadband stated either that they take no position on the issue or that they had no comments to offer.

After consideration of party input, Staff proposes only minor corrections and changes to the financial requirements contained in Appendix F of D.24-11-003 to make the requirements consistent with D.14-11-004 and D.95-12-056⁷, and to streamline the licensing process. These minor corrections and changes will apply to the financial requirements of all telephone corporations seeking operating authority in California and will not create separate financial requirements for Interconnected VoIP providers.

Specifically, Staff proposes that the Phase 2 Decision make minor corrections to the following financial requirements contained in Appendix F of D.24-11-003 which are discussed in Attachment 1 to this Staff Proposal:

- Correct financial requirements for financially profitable entities to make consistent with D.14-11-004.
- Correct financial guarantee language for all applicants to make consistent with financial guarantee language in D.95-12-056.
- Correct language of item number 4 contained in Appendix F of D.24-11-003, to make consistent with D.95-12-056 and to clarify that all applicants, regardless of whether they have existing profitable operations or not, are permitted to use any of the acceptable financial instruments identified in Appendix F, 4. (a)-(h), to satisfy the applicable unencumbered cash equivalent requirements.

⁷ D.14-11-004 revised the instructions for the financial requirements established in D.10-09-017; D.95-12-056 established a list of financial instruments that could be used to satisfy the applicable unencumbered cash equivalent requirements.

Staff also proposes removing the requirement to provide a bank statement at the 6 and 12-month marks after approval for applicants that provided an unaudited bank statement as their financial instrument, to streamline the licensing process and compliance requirements.

d) Performance bond language in D.24-11-003 should be clarified in the Phase 2 decision.

Staff proposes that the Phase 2 decision clarify the performance bond requirement from the Phase 1 decision. Proposed clarifications are contained in Attachment 1 to this Staff Proposal.

Additionally, D.24-11-003 did not explicitly include language to address performance bond requirements for interconnected VoIP as set forth in D.13-05-035 and D.10-09-017/D.11-09-026. Staff proposes that the Commission make the following clarifications: (1) clarify that carriers who are more than 120 days late in providing the Communications Division with a copy of their executed performance bond and have not been granted an extension of time by the Communications Division are subject to revocation of operating authority, (2) clarify that failure to comply with the annual performance bond filing requirement may subject carriers to a citation carrying a monetary penalty according to the rules set forth in Resolution T-17601 and failure to comply with an issued citation may result in revocation of the company's operating authority. VoIP providers who are affiliates of Incumbent Local Exchange Carriers (ILECs) and providers of last resort are exempt from performance bond requirements.⁸

Staff propose that the Phase 2 Decision reiterate and remind carriers that all initial performance bond advice letter filings should include an attestation, if there is no original hard copy provided by the surety company, that the electronic bond is the same legal instrument as a paper bond. The Commission should also clarify that if there is an original hard copy of the bond, carriers should indicate so in their cover letter and mail the original to the Commission's Communications Division-Telco Licensing Registration Oversight Section (or its successor).

⁸ D.13-05-035 at OP 5

Attachment 1

Communications Division staff (Staff) proposes the following clarifications to D.24-11-003 to align with the relevant discussions contained in the Staff Proposal

Reason for Proposed Change	Item or Page Number	Current Language	Proposed Language
To correct incorrect information in Appendix F- Financial Requirements regarding applicants with profitable interstate operations and make language consistent with Decision 14-11-004	Paragraph 3 (page 1)	“Applicants for operating authority who have profitable interstate operations may meet the minimum financial requirement by submitting all of the three items: (1) an audited balance sheet; (2) an audited balance sheet for the previous quarter; and (3) a bank statement as of the month prior to the date of filing the application or a third-party undertaking to provide the required amounts on behalf of applicant. If the balance sheet shows current liabilities in excess of current assets or negative equity, explain how applicant will be able to maintain sufficient liquidity for its first year of operations, as authorized in Decision D.91-10-041 and modified by D.14-11-004 for NDIECs.”	“Applicants for operating authority who have profitable interstate operations may meet the minimum financial requirement by submitting all of the three items: 1) an audited balance sheet for the previous year; 2) an unaudited balance sheet for the previous quarter; 3) and a bank statement as of the month prior to the date of filing the application, in order to demonstrate sufficient cash to satisfy the requirements.”
To make language in Appendix F – Financial Requirements consistent with D.95-12-056 and delete	Item 4	“Applicants for operating authority without profitable interstate operations are permitted to use any of the following financial instruments to satisfy the applicable unencumbered cash equivalent requirements:”	“Applicants for operating authority are permitted to use any of the following financial instruments to satisfy the applicable unencumbered cash equivalent requirements:”

erroneous extra language	Item 4.g.	“Guarantee, issued by a corporation, copartnership, or other person or association, irrevocable for a period of at least twelve (12) months beyond certification of the applicant by the Commission; including cashier’s check, sight draft, performance bond proceeds, or traveler’s checks.”	“Guarantee, issued by a corporation, copartnership, or other person or association, irrevocable for a period of at least twelve (12) months beyond certification of the applicant by the Commission.”
Correcting language to make it consistent with language on Page 80 of D.24-11-003 regarding Original Hard Copy of Performance Bond	Portions of Ordering Paragraphs 12 and 37	“If no hard copy exists (the performance bond is only in electronic version), the service provider must submit to the Direction of Communications via email to cdcompliance@cpuc.ca.gov an attestation with its Tier 1 advice letter filing stating that there is no original hard copy provided by the surety company and that the electronic bond is the same legal instrument as a paper bond.”	“If no hard copy exists, meaning the performance bond is only provided in an electronic version, the service provider must submit an attestation with its initial performance bond advice letter filing. The attestation must state that no original hard copy was provided by the surety company and that the electronic bond is the same legal instrument as a paper bond.”