

**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298**FILED**

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May 27, 2026

Agenda ID #24249
Ratesetting

TO PARTIES OF RECORD IN RULEMAKING 21-03-002:

This is the proposed decision of Administrative Law Judge Hazlyn Fortune. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's July 2, 2026 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties to the proceeding may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure (Rules).

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE

Michelle Cooke

Chief Administrative Law Judge

MLC:nd3

Attachment

Decision PROPOSED DECISION OF ALJ FORTUNE (Mailed 5/27/2026)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Update Surcharge Mechanisms to Ensure Equity and Transparency of Fees, Taxes and Surcharges Assessed on Customers of Telecommunications Services in California.

Rulemaking 21-03-002

DECISION CLOSING RULEMAKING 21-03-002

Summary

This decision closes Rulemaking 21-03-002. The California Public Utilities Commission (Commission) initiated this Order Instituting Rulemaking (OIR) to address the need for a sustainable and cost-effective method to fund California's six Universal Service Public Purpose Programs (PPPs). The funding levels for some programs were dramatically low and threatened their viability. In addition, the Rulemaking sought to review the reasonableness of charges and miscellaneous fees appearing on customer bills for telecommunication services.

The OIR was to do the following:

- A. Phase 1 – Consider reforming the surcharge mechanism for the state PPPs and user fee from the existing revenue-based approach to a per access-line flat-rate end-user mechanism; and
- B. Phase 2 – Review the reasonableness of the PPP surcharges and user fees that telecommunications service

providers impose on end users, as well as additional taxes, fees and surcharges assessed by federal, state, and local governments.

Decision 22-10-021 addressed Phase 1 and introduced a new surcharge mechanism for telephone corporations based on access lines and other updates. This decision addressed the urgent and critical issues that prompted the OIR, including updating the surcharge mechanism.

At this time, we are closing the Rulemaking. We are aware that many Phase 2 issues remain unexamined and unaddressed. The Commission may open a successor proceeding to further explore Phase 2 issues.

This proceeding is closed.

1. Background

The California Public Utilities Commission (Commission) issued Decision (D.) 22-10-021, which adopted a new surcharge mechanism to fund California's Universal Service Public Purpose Programs (PPPs) based on the number of active access lines, as defined, that telephone corporations operate in California. In addition to adopting a definition for "access line" the decision provided guidance on how carriers should implement the new flat rate PPP surcharge. The flat rate surcharge consisted of all six individual PPP surcharges into a single consolidated line item. The Commission exempted two types of customers from paying surcharges: LifeLine customers and incarcerated persons. The decision left the mechanism for collecting and reporting the user fee unchanged and open for consideration in a subsequent Phase 2.

2. Issues Before the Commission

The issue before the Commission is whether to close this proceeding.

3. Discussion and Analysis

The urgent conditions that prompted the Commission to launch this proceeding no longer threaten the PPPs; therefore, it is appropriate to close this proceeding and address issues that were identified for Phase 2 in a new proceeding. The Commission's primary intent in opening this proceeding was to stabilize funding for California's Universal Service PPPs, Universal LifeLine Telephone Service (ULTS), Deaf and Disabled Telecommunications Program (DDTP), California High-Cost Fund-A (CHCF-A), California High-Cost Fund-B (CHCF-B), California Teleconnect Fund (CTF), and the California Advanced Services Fund (CASF). In D.22-10-021, the Commission updated the mechanism for calculating surcharges to support PPPs that assesses surcharges based on the number of active access lines that a telephone corporation operating in California uses to provide service to customers. The change allowed for a more accurate and transparent method for funding each PPP program through a flat rate surcharge that consolidated the individual PPP surcharges. In addition, the Commission adopted a new Telecommunications & User Fee Filing System (TUFFS) that was made available on April 1, 2023.

In D.22-10-021, we did not specifically identify the existing exemptions applicable to a telephone corporation's universal service obligation, which the decision did not change. Therefore, we clarify that those existing exemptions continue to apply to the access line-based surcharge we adopted in D.22-10-021, in addition to the exemptions for LifeLine customers and incarcerated persons identified in the decision. For ease of reference, we list the current surcharge and user fee exemptions in Attachment A.

Carriers' implementation of the access line surcharge mechanism in D.22-10-021 and the reasonableness of the current User Fee funding mechanism are items that could be addressed in a successor proceeding.

A key component of the transition to use access lines as the basis for assessing surcharges to support PPP programs are the definitions and guidance that were included in D.22-10-021. We remind telephone corporations that they must apply these definitions and guidance when assessing, collecting, and reporting the PPP surcharge. We made clear in D.22-10-021, Ordering Paragraph 2, that "All telephone corporations, including traditional wireline, wireless and Voice Over Internet Protocol carriers or providers, shall report their access lines used to provide two-way communication, as defined in this decision. This reporting may be subject to Commission audit."

For ease of reference, we repeat those key definitions, clarifications and guidance below to ensure the continued success of the new surcharge mechanism:

1. "Access Line" means a wire or wireless connection that provides a real-time two-way voice telecommunications service or VoIP service to or from any device utilized by an end user, regardless of technology, which is associated with a 10-digit NPA-NXX number or other unique identifier and a service address or Place of Primary Use in California.¹
2. "Telecommunications" has the same meaning as in 47 U.S.C. Section 153(50): "The term 'telecommunications' means the transmission, between or among points specified by the user, of information of the user's choosing,

¹ See page 52 in D.22-10-021.

- without change in the form or content of the information as sent and received.”²
3. “VoIP service” means service as defined in Public Utilities (Pub. Util.) Code Section 239.³
 4. “Service address” means the physical address in California where fixed telecommunication service is provided.⁴
 5. “Place of primary use” is defined (a) for mobile telecommunications service in Pub. Util. Code Section 247.1(c)(6); and (b) for interconnected VoIP service providers in Pub. Util. Code Section 285(d).⁵
 6. Additional Guidelines: For purposes of this definition, private branch exchange (PBX) lines and Centrex lines are “access lines.” The number of access lines a carrier provides to an end user shall be deemed equal to the number of inbound or outbound two-way communications by any technology that the end user can maintain at the same time as provisioned by the carrier’s service.⁶

4. Administrative Program Guidance

Communications Division (CD) staff is tasked with the management of the surcharge remittances for all PPPs. A core part of their work uses the data collected for telephone corporations to inform the Commission about their activities so that program modifications can be implemented as needed. CD has in place an existing citation program and should explore expanding that program to create tools that support the new access line surcharge mechanism. The Commission recently issued a ruling⁷ to address non-responses to data

² *Id.* at 53.

³ *Ibid.*

⁴ *Ibid.*

⁵ *Ibid.*

⁶ *Ibid.*

⁷ January 5, 2026 Ruling.

requests that were sent to carriers. It is important that telephone corporations report timely and accurate information to CD staff.

5. Summary of Public Comment

Rule 1.18 of the Commission's Rules of Practice and Procedure (Rules) allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding. There are no relevant public comments on the Docket Card for this proceeding.

6. Comments on Proposed Decision

The proposed decision of Hazlyn Fortune in this matter was mailed to the parties in accordance with Pub. Util. Code Section 311 and comments were allowed under Rule 14.3. Comments were filed on _____, and reply comments were filed on _____ by _____.

7. Assignment of Proceeding

Karen Douglas is the assigned Commissioner and Hazlyn Fortune is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The Commission opened Rulemaking (R.) 21-03-002 to address funding issues for universal service PPPs.
2. D.22-10-021 adopted a funding mechanism to stabilize PPP funding.
3. Phase 2 issues in R.21-03-002 remain open and unaddressed.

Conclusions of Law

1. The Commission should close R.21-03-002.
2. The Commission should address the Phase 2 issues in R.21-03-002 in a subsequent proceeding.

3. CD staff at the Commission should explore expanding its existing citation program to support the access line surcharge mechanism transition.

O R D E R

IT IS ORDERED that:

1. All telephone corporations must apply the definitions, clarifications and guidance in Section 3 of this decision to comply with their Public Purpose Program surcharge obligations.
2. Rulemaking 21-03-002 is closed.

This order is effective today.

Dated _____, at Fort Bragg, California.

ATTACHMENT A