STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

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

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September 4, 2026

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Ratesetting

TO PARTIES OF RECORD IN APPLICATION 25-12-020:

This is the proposed decision of Administrative Law Judge Eric Fredericks. 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 October 8, 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 of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

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: vj4
Attachment

Decision **<u>PROPOSED DECISION OF ALJ FREDERICKS (Mailed 9/4/2026)</u>**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Joint Application of Ex Spa Holdings, LLC and Exiant Communications LLC for Approval Pursuant to Public Utilities Code Section 854 of the Transfer of Control of Exiant Communications LLC (Utility ID1565).	Application 25-12-020

DECISION APPROVING THE TRANSFER OF CONTROL OF EXIANT COMMUNICATIONS LLC (U1565C) TO EX SPA HOLDINGS, LLC AND ASSESSING PENALTIES

1. Summary

Under Public Utilities (Pub. Util.) Code Section 854(a), this decision approves the unopposed joint application for transfer of control of Exiant Communications LLC (U1565C) (Exiant) to Ex Spa Holdings, LLC (Ex Spa), subject to the requirements set forth in the Ordering Paragraphs. Exiant and Ex Spa must pay $500 in total for their prior unauthorized transfer of control from Exiant to Ex Spa in violation of Pub. Util. Code Section 854(a) and in accordance with Pub. Util. Code Sections 2107 and 2108.

Application 25-12-020 is closed.

2. Factual and Procedural Background

Exiant Communications LLC (U1565C) (Exiant) is a Florida limited liability company (LLC) with a principal place of business at 1515 Park Center Drive, Orlando, Florida, 32835.[1] Exiant is registered with the Commission as a Digital Voice Fixed (DVF) provider in California under Decision (D.) 24-11-003.[2] Exiant does not have any customers in the State of California and is in the process of initiating voice over internet protocol (VoIP) operations throughout the United States.[3]

On April 17, 2025, Ex Spa Holdings, LLC (Ex Spa) acquired Exiant without Commission approval.[4] Prior to the transaction, Exiant was a wholly owned subsidiary of Blitz Acquisition Group LLC.[5] Ex Spa is a holding company formed specifically for this acquisition.[6] Ex Spa has no previous operations in the State of California and is not authorized to provide VoIP service in California.[7] The transaction was purely financial and did not affect operations, rates, services, or regulatory obligations.[8]

On December 30, 2025, Ex Spa and Exiant (collectively, Applicants) filed a joint application for approval of the transfer of control under Public Utilities Code (Pub. Util. Code) Section 854 (Application).[9] In their Application, Applicants stated that the transfer of control had no effect on California customers, as Exiant has not provided service in the state.[10] Accordingly,

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[1] Application at 2.

[2] *Ibid.*

[3] *Ibid.*

[4] Status Filing at 1; Application at 5.

[5] Application at 5.

[6] *Id.* at 2.

[7] *Ibid.*

[8] *Id.* at 1.

[9] Unless otherwise indicated, all subsequent statutory references are to the Pub. Util. Code.

[10] Application at 5.

Applicants contended that the transfer of control had no impact on the public interest, and Applicants should not be fined.[11] Applicants claimed they filed the Application as soon as they became aware that the Commission requires approval for the transfer of control of DVF providers.[12]

Alongside their Application, Applicants filed a motion for leave to file Exiant's unaudited balance sheet (Exhibit B to the Application) under seal. Applicants sought to prevent competitors from obtaining Exiant's nonpublic financial information.[13] Public release of this information would grant competitors insight into Exiant's business operations, causing Exiant financial and operational harm.[14]

On April 9, 2026, Exiant and Ex Spa filed a joint prehearing conference (PHC) statement. In their statement, Applicants claimed they paid outstanding citation CD-2025-05-030, which penalized Exiant's surcharge non-reporting, in full.[15]

A PHC was held on April 16, 2026. At the PHC, the assigned Administrative Law Judge (ALJ) directed the Applicants to file a document with supplemental information.[16]

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[11] *Id.* at 6.

[12] *Ibid.*

[13] Motion for Leave to File Under Seal at 2–3.

[14] *Ibid.*

[15] Prehearing Conference Statement at 3.

[16] Reporter's Transcript 18:19-20:13

On April 30, 2026, the Applicants filed a status filing with supplemental information (Status Filing). The Applicants paid their user fee and became compliant with the Commission's reporting requirements on April 30, 2026.[17]

On May 27, 2026, the assigned Commissioner issued a Scoping Memo and Ruling (Scoping Memo) categorizing the proceeding as ratesetting and confirming that evidentiary hearings were not required.

1.1. Submission Date

This matter was submitted on May 27, 2026, as stated in the Scoping Memo.[18]

2. Jurisdiction

In D.24-11-003, the Commission established jurisdiction over fixed interconnected VoIP service.[19] Exiant is a fixed interconnected VoIP provider authorized by D.24-11-003 to provide DVF service in California. Pub. Util. Code Section 854(a) mandates that the Commission authorize a transfer of control of any public utility organized and doing business in the State of Caliornia. Even though the transfer of Exiant to Ex Spa was completed prior to the submission of the Application, only upon Commission authorization will the authority to provide DVF service effectively transfer to Ex Spa.

3. Issues Before the Commission

The issues to be determined or otherwise considered are:

1. Is the transaction described in the Application in the public interest and in compliance with all Commission requirements, including but not limited to, compliance with Pub. Util. Code Section 854?

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[17] Status Filing at 1.

[18] Scoping Memo at 3.

[19] D.24-11-003 at 15-19.

2. Is it necessary to impose any penalty on the Applicants?

4. Transfer of Control Application

4.1. Pub. Util. Code Section 854

Applicants seek approval of the transaction under Pub. Util. Code Section 854(a) which requires Commission authorization before a public utility company may "merge, acquire, or control . . . any public utility organized and doing business in this state. . ." The Commission has broad discretion under Pub Util. Section 854 to approve or reject a proposed transaction. In transfer of control proceeding, the Commission's primary question is whether a transaction will be averse to the public interest.[20] If necessary and appropriate, the Commission may attach conditions to approval of a transaction to protect and promote the public interest.[21]

The transfer of control requested by the Applicants will not affect operations or customers, as Exiant does not yet provide DVF service.[22] The transaction will also not affect the Exiant's ability to meet its public utility obligations. We note that Ex Spa voluntarily disclosed that it had initiated a transfer of control without Commission authorization and filed the Application once it realized it was noncompliant with Pub. Util. Code Section 854. Finally, the Application is uncontested. For the foregoing reasons, we find the Applicants' transfer of control is in the public interest.

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[20] *See* D.26-06-007 at 13; D.24-11-011 at 7; D.00-06-079 at 14

[21] *Id.*

[22] Application at 2.

4.2. Compliance with Rule 3.6

Rule 3.6 of the Commission's Rules of Practice and Procedure (Rule) sets forth the requirements for applications for transfers of control. Upon review of the Application, we find that the Applicants complied with these requirements.

4.3. California Environmental Quality Act

Where telecommunications providers seek to construct facilities, the California Environmental Quality Act (CEQA) requires the Commission to act as the designated lead agency to assess and address the potential environmental impacts of the project.[23] Under CEQA, a project is defined as any "activity which may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment."[24]

This transaction is purely financial in nature and accordingly lacks potential to cause a direct or reasonably foreseeable indirect physical change in the environment under CEQA.[25] As such, we find this transfer is not subject to CEQA.

5. Violation of Section 854(a) and Penalty

Absent prior Commission-approval, Pub. Util. Code Section 854(a) provides that an acquisition is void and of no effect. Applicants admitted that control over Exiant was transferred prior to Commission approval.[26] Applicants' stipulation that they closed the transfer of control transaction that is the subject of this proceeding amounts to an admission that they violated Section 854(a). According to Pub. Util. Code Section 2107,

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[23] *See* California Public Resources Code Section 21067.

[24] California Public Resources Code Section 21065.

[25] Application at 5.

[26] *Id.* at 1.

> Any public utility that violates or fails to comply with any provision of the Constitution of this state or of this part, or that fails or neglects to comply with any part or provision of any order, decision, decree, rule, direction, demand, or requirement of the commission, in a case in which a penalty has not otherwise been provided, is subject to a penalty of not less than five hundred dollars ($500), nor more than one hundred thousand dollars ($100,000), for each offense.

Pub. Util. Code Section 2108 provides that:

> Every violation of the provisions of this part or of any order, decision, decree, rule, direction, demand, or requirement of the commission, by any corporation or person is a separate and distinct offense, and in case of a continuing violation each day's continuance thereof shall be a separate and distinct offense.

The Commission views Applicants' violation of Section 854(a) as a distinct offense, subject to a penalty ranging from $500 to $100,000. In their Application, Applicants argued no penalty is necessary, as Exiant has not begun operations.[27] However, if a penalty is assessed, Applicants urged the Commission to limit the amount to $1,000 based on previous cases involving a failure to meet filing and reporting requirements.[28]

In assessing the reasonableness of the penalty range, we apply the criteria set forth in D.98-12-075 for guidance and evaluate: (1) the severity of the offense; (2) the utility's conduct to prevent, detect, disclose, and rectify the violation; (3) the utility's financial resources; (4) the public interest involved; (5) the totality of the circumstances; and (6) Commission precedent.

5.1. Severity of the Offense

The size of a fine should be proportionate to the severity of the offense, based on physical harm, economic harm, harm to the regulatory process, and the

[27] *Id.* at 6.

[28] *Id.* at 7.

number and scope of violations.[29] No physical or economic harm resulted from Applicants' violation, as Exiant has not begun operations, and the company has no California customers. The unauthorized acquisition caused regulatory harm, as Applicants violated a section of the Pub. Util. Code. Generally, a high level of severity is accorded to violations of the Pub. Util Code; however, a smaller fine may still be appropriate where other factors indicate that Applicants' failure to comply with Section 854(a) was not an egregious offense.[30] Applicants committed only one offense. Therefore, we find the severity of the offense indicates that a small fine is appropriate.

5.2. Conduct of the Utility

Applicants disclosed the April 17, 2025, unauthorized transfer of control in their December 30, 2025, Application. Applicants claimed they were not aware that Commission approval was needed for the transfer of control of a DVF provider.[31] Applicants filed their Application as soon as they became aware of this requirement.[32] Applicants also paid outstanding citation CD-2025-05-030 once they became aware of its existence.[33] Exiant is now fully compliant with the Commission's reporting requirements and has paid all outstanding fees and penalties.[34] Neither Applicant has any prior history of non-compliance with Commission rules.[35] All these factors mitigate Applicants' offense.

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[29] D.98-12-075 at 36–37.

[30] D.06-01-003 at 7.

[31] Application at 6.

[32] *Ibid.*

[33] Prehearing Conference Statement at 11.

[34] *Ibid.*; Status Filing at 1.

[35] Application at 7.

The Commission looks favorably on Applicants' admission of the unauthorized transfer of control and attempts to reach compliance. We note this provides some mitigation.

5.3. Financial Resources of the Utility

Penalties should be large enough to act as a deterrent without being excessive.[36] With respect to its financial resources, Exiant is a start-up with no income, and it lacks the financial means to pay a large fine.[37] We find here a smaller fine of $500 is large enough to act as a deterrent without being excessive.

5.4. Public Interest

By imposing a penalty against Applicants, the Commission furthers the public interest, encouraging utilities to seek Commission authorization pursuant to Pub. Util. Code Section 854 before initiating the transfer of control. Therefore, assessment of a penalty in this matter is in the public interest.

5.5. Totality of Circumstances

Penalties are tailored to the degree of wrongdoing and to the public interest.[38] The transaction will not diminish the availability, quality, or affordability of the VoIP services offered to California customers, as Exiant did not provide service in California prior to the acquisition.[39] There will be no change to any business operations of Exiant.[40] Since the acquisition, Ex Spa has taken steps to bring Exiant into compliance and paid its outstanding citation.[41]

[36] D.98-12-075 at 38–39.

[37] Application at 7.

[38] D.06-01-003 at 9.

[39] Application at 5.

[40] *Ibid.*

[41] Prehearing Conference Statement at 3; Status Filing at 1.

Thus, we find that Ex Spa's acquisition of Exiant serves the public interest, and a smaller fine may be appropriate.

5.6. Commission Precedent

Commission precedent supports imposing the minimum fine of $500 for violations like this one. In D.06-01-003, a company that failed to obtain Commission approval prior to acquiring a telecommunications company was fined $500. The Commission found no physical or economic harm, the violation was inadvertent, and the company lacked the financial resources to pay a larger fine.[42] In D.16-05-002, the utility was similarly fined the minimum amount, due to a lack of harm caused by the unauthorized transfer of control.[43]

5.7. Amount of Fine

Applicants proposed paying a penalty equal to or less than $1,000, making the Commission imposed penalty of $500 consistent with Applicants' proposal.

For the above reasons, we find the $500 penalty to be reasonable considering the factors set forth in D.98-12-075. Payment shall be made by check or money order payable to the California Public Utilities Commission and mailed or delivered to the Commission's Fiscal Office at 505 Van Ness Avenue, Room 3000, San Francisco, California, 94102. Applicants must include a written identification stating the decision number and the application number, such as the following: "Per Decision [enter decision number here] of A.25-12-020."

6. Motion for Confidential Treatment

On December 30, 2025, Applicants filed a motion to file under seal Exhibit B to their Application (Unaudited Balance Sheet). The motion to seal is filed under General Order (GO) 66-C, Pub. Util. Code Section 583, and Rule 11.4.

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[42] D.06-01-003 at 6–10.

[43] D.16-05-002 at 7–9.

Applicants claimed Exhibit B contains confidential financial information that, if released, would put Exiant at a competitive disadvantage.[44]

The Commission has recognized that unaudited bank statements are likely to display sensitive financial information and has granted them preemptive confidential treatment pursuant to GO 66-D in the context of telecommunications licensing and registration applications.[45] Moreover, Government Code Sections 7925.005 and 7927.605 do not require public disclosure of certain financial data and records. For these reasons, Applicants' motion is granted.

Exhibit B is granted confidential treatment for a period of three years. During this three-year period, this information shall not be publicly disclosed except on further Commission order or ALJ ruling. If Applicants believe that it is necessary for this information to remain under seal for longer than three years, Applicants may file a motion showing good cause for extending this order by no later than 30 days before the expiration of the grant of confidentiality.

7. Summary of Public Comment

Rule 1.18 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(a) requires that all written public comment submitted prior to the submission of the proceeding are part of the administrative record of the proceeding. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

[44] Motion for Leave to File Under Seal at 2–3.

[45] D.24-11-003 at 52-54.

There are no relevant public comments on the Docket Card.

8. Procedural Matters

This decision affirms all rulings made by the ALJ and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

9. Comments on Proposed Decision

The proposed decision of ALJ Eric Fredericks in this matter was mailed to the parties in accordance with Section 311 of the Pub. Util. Code and comments were allowed under Rule 14.3. Comments were filed on __________, and reply comments were filed on _____________ by ________________.

10. Assignment of Proceeding

Matthew Baker is the assigned Commissioner and Eric Fredericks is the assigned ALJ in this proceeding.

Findings of Fact

1. Exiant is a Florida limited liability company with a principal place of business at 1515 Park Center Drive, Orlando, Florida, 32835.

2. Exiant is registered with the Commission as a DVF provider in California under D.24-11-003.

3. Exiant does not have any customers in the State of California and is in the process of initiating VoIP operations throughout the United States.

4. Ex Spa is a holding company formed specifically for this acquisition, with no previous operations in the State of California and no authority to provide VoIP service in California.

5. On April 17, 2025, Ex Spa acquired Exiant without Commission approval. The transaction was purely financial and did not affect operations, rates, services, or regulatory obligations.

6. On December 30, 2025, Applicants filed the Application for approval of the transfer of control under Pub. Util. Code Section 854.

7. Applicants filed the Application as soon as they became aware that the Commission requires approval for the transfer of control of DVF providers.

8. On December 30, 2025, Applicants filed a motion for leave to file Exhibit B to the Application under seal.

9. Applicants paid outstanding citation CD-2025-05-030 in full.

10. The Applicants paid their user fee and became compliant with the Commission's reporting requirements on April 30, 2026.

11. This transaction is purely financial in nature and accordingly lacks potential to cause a direct or reasonably foreseeable indirect physical change in the environment.

12. The Application complies with Rule 3.6.

13. Applicants' stipulation that they closed the transfer of control transaction that is the subject of this proceeding amounts to an admission that that they violated Pub. Util. Code Section 854(a).

14. Applicants harmed the regulatory process by violating Pub. Util. Code Section 854(a).

15. Applicants' admission to the unauthorized transfer of control and attempts to reach compliance mitigate the regulatory harm they caused.

16. Applicants' financial resources are limited.

17. Assessment of a penalty is in the public interest.

18. Given the totality of the circumstances, a penalty of $500 is reasonable.

19. Commission precedent supports imposing the minimum fine of $500 in applications like this one.

20. The information in Exhibit B to the Application contains confidential financial information.

Conclusions of Law

1. It is reasonable and in the public interest to approve the Applicants' transfer of control application.
2. It is reasonable to conclude this transfer is not subject to CEQA because it will not result in a physical change in the environment.
3. It is reasonable to find the Applicants violated Pub. Util. Code Section 854 by transferring control of Exiant to Ex Spa without prior Commission approval on April 17, 2025.
4. It is reasonable to assess a penalty of $500 for the Applicants' violation of Pub. Util. Code Section 854.
5. It is reasonable to grant the Applicants' motion to file Exhibit B to their December 30, 2025, Application under seal.
6. It is reasonable to affirm all assigned Commissioner and ALJ rulings.
7. It is reasonable to deem denied all motions not ruled on in this proceeding.
8. It is reasonable to close the proceeding.

O R D E R

IT IS ORDERED that:

1. The transfer of direct control of Exiant Communications LLC (U1565C) to Ex Spa Holdings, LLC is approved on a prospective basis.
2. Exiant Communications LLC (U1565C) shall continue to be bound by the terms and conditions imposed on digital voice fixed carriers regulated by the Commission.
3. Within 30 days of the issuance date of this decision, Ex Spa Holdings, LLC and Exiant Communications LLC must pay a penalty of $500 in total for violating Public Utilities Code Section 854. Payment must be made by check or money order payable to the California Public Utilities Commission

(Commission) mailed or delivered to the Commission's Fiscal Office at 505 Van Ness Avenue, Room 3000, San Francisco, California, 94102. Ex Spa Holdings, LLC and Exiant Communications LLC shall write on the face of the check or money order: "For deposit to the General Fund per Decision [enter Decision number] OP 3 of A.25-12-020."

4. Ex Spa Holdings, LLC and Exiant Communications LLC must inform the California Public Utilities Commission's Communications Division by email at telcosurcharge@cpuc.ca.gov upon payment of the penalty.

5. Failure to remit the penalty owed within 30 days of the payment deadline will result in additional collections or enforcement action against Ex Spa Holdings, LLC and Exiant Communications LLC.

6. Ex Spa Holdings, LLC and Exiant Communications LLC's December 30, 2025, Motion to File Exhibit B to Application 25-12-020 under seal is granted for a period of three years after the issuance date of this decision. During this three-year period, this information shall not be publicly disclosed except on further Commission order or Administrative Law Judge ruling. If Ex Spa Holdings, LLC and Exiant Communications LLC believes that it is necessary for this information to remain under seal for longer than three years, Ex Spa Holdings, LLC and Exiant Communications LLC may file a motion showing good cause for extending this order by no later than 30 days before the expiration of this order.

7. All rulings by the assigned Commissioner and the assigned Administrative Law Judge are affirmed.

8. Application 25-12-020 is closed.

This order is effective today.

Dated _____________________________, at Sacramento, California.