

Decision 22-10-021 October 20, 2022

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 UPDATING THE MECHANISM
FOR SURCHARGES TO SUPPORT
PUBLIC PURPOSE PROGRAMS**

TABLE OF CONTENTS

Title	Page
DECISION UPDATING THE MECHANISM FOR SURCHARGES TO SUPPORT PUBLIC PURPOSE PROGRAMS	1
Summary	2
1. Background	2
1.1. Factual Background.....	2
1.2. Procedural Background	4
2. Jurisdiction	7
3. Issues Before the Commission	9
4. Discussion and Analysis.....	9
4.1. Surcharge Reporting and Remittance.....	9
4.1.1. Parties' Comments	12
4.1.2. Discussion.....	15
4.1.3. Conclusion.....	17
4.2. Surcharge Collection Mechanism.....	18
4.2.1. SR1 Proposals.....	18
4.2.1.1 Parties' Comments on SR1 Proposal 1.....	19
4.2.1.2 Parties' Comments on SR1 Proposal 2.....	20
4.2.1.3 Parties' Comments on SR1 Proposal 3.....	20
4.2.1.4 Parties' Comments on SR1 Proposal 4.....	22
4.2.1.5 Parties' Comments on SR1 Proposal 5.....	25
4.2.2. Discussion.....	27
4.2.3. Conclusion.....	28
4.3. Proposals for New Surcharge Mechanism Evaluated in SR2	29
4.3.1. Parties' Comments on SR2.....	31
4.3.2. Discussion.....	33
4.3.3. Conclusion.....	36
4.4. LifeLine and Incarcerated Persons Exemption from PPP Surcharges	36
4.4.1. Parties' Comments	36
4.4.2. Discussion.....	39
4.4.3. Conclusion.....	39
5. Components of the New Access Line Surcharge Mechanism	39
5.1. SR2 Proposed Access Line Definition.....	40
5.1.1. Parties' Comments on SR2 Access Line Definition	41
5.2. Staff's Revised Access Line Definition	43
5.2.1. Parties' Comments on Revised Access Line Definition.....	44

5.2.2.	Discussion.....	50
5.2.3.	Conclusion.....	54
5.3.	User Fee.....	54
5.3.1.	Parties' Comments on User Fee Changes	56
5.3.2.	Discussion.....	58
5.3.3.	Conclusion.....	59
6.	Implementation of the New Access Line-Based Surcharge Mechanism.....	59
6.1.	Developing a New TUFFS.....	60
6.2.	The New Access Line-Based PPP Interim Surcharge Rate	62
6.3.	Updates to the CPUC Website.....	63
6.4.	De Minimis Status Under Access Line Mechanism.....	64
6.5.	Reporting and PPP Surcharges Remittances in Legacy TUFFS Through March 31, 2023	64
7.	Comments on Proposed Decision	65
8.	Assignment of Proceeding	72
	Findings of Fact.....	72
	Conclusions of Law	75
	ORDER	75

Table 1. Current PPP Surcharge Distribution

Table 2. New Access Line PPP Surcharge Distribution

Attachment A - Listing of Parties to Rulemaking 21-03-002 and Their Acronyms,
Abbreviated Names or Collective Names for Each Filing

DECISION UPDATING THE MECHANISM FOR SURCHARGES TO SUPPORT PUBLIC PURPOSE PROGRAMS

Summary

This decision adopts a new surcharge mechanism to fund California's Universal Service Public Purpose Programs (PPPs). The new mechanism assesses surcharges based on the number of active access lines that a telephone corporation operates in California.¹ This decision defines "access line." Instead of the current system of an individual surcharge line item for each of the six PPPs, a customer's bill will now show a single consolidated surcharge amount for the six PPPs. LifeLine customers and incarcerated persons are exempt from paying the surcharges. This decision does not change the current mechanism to collect and report the California Public Utilities Commission's user fee. This proceeding remains open.

1. Background

1.1. Factual Background

The Commission is responsible for administering the state's six Universal Service (Telco) Public Purpose Programs (PPPs). This includes the collection of surcharges to fund these programs, as well as the Commission's "User Fee,"² which supports the Commission's operational costs. The six PPPs, as set forth in Public Utilities (Pub. Util.) Code Sections 270 to 281, are:

1. Universal LifeLine Telephone Service (ULTS): provides discounted home phone and cellular phone services to qualifying households;

¹ "Telephone corporation" is defined in Pub. Util. Code Section 234. All section references are to the Public Utilities Code unless otherwise stated.

² See Pub. Util. Code §§ 401-405, 431-435.

2. Deaf and Disabled Telecommunications Program (DDTP): provides telecommunications devices to deaf or hearing impaired consumers;
3. California High Cost Fund-A (CHCF-A): provides subsidy to 10 of the 13 small local exchange carriers (LECs) for providing telephone service to residential customers in rural high cost areas;³
4. California High Cost Fund-B (CHCF-B): provides subsidy to carriers of last resort for providing telephone service to residential customers in rural high-cost areas;
5. California Teleconnect Fund (CTF): provides a discount on select communications services to schools, libraries, hospitals, and other non-profit organizations; and
6. California Advanced Services Fund (CASE): supports the deployment of broadband facilities and broadband services adoption in unserved and underserved areas through project-specific grant funding.

Today, the PPP surcharges and the user fee are assessed on revenue from intrastate telecommunications services sold in California. These surcharges are assessed and collected by telephone corporations as a percentage of an end user's telecommunications bill. These carriers⁴ report and remit the surcharges monthly or bi-annually to the Commission.

Continuous, year over year declines in the intrastate billing base for surcharges has resulted in lower surcharge revenue collected for all PPPs compared to the amount forecasted. The Commission initiated this Order

³ Cal-Ore Telephone Company, Calaveras Telephone Company, Ducor Telephone Company, Foresthill Telephone Company, Kerman Telephone Company, Pinnacles Telephone Company, The Ponderosa Telephone Company, Sierra Telephone Company, Siskiyou Telephone Company, and Volcano Telephone Company receive CHCF-A support. Happy Valley Telephone Company, Hornitos Telephone Company, and Winterhaven Telephone Company do not currently receive CHCF-A support but may apply in the future.

⁴ As used in this decision, "carrier" refers to telephone corporations.

Instituting Rulemaking (OIR) to implement a more sustainable, straightforward, and technology neutral mechanism for telephone corporations to collect and remit surcharges to support the PPPs, while also collecting user fees. The OIR consists of two phases. Phase 1 is focused on exploring adjustments, changes, and revisions to the current surcharge collection mechanism, including the adoption of a per access line flat rate end user mechanism effective April 1, 2023. Phase 2 will be focused on reviewing the reasonableness of the fees, taxes, and surcharges, charges that may appear on a customer's bill.

1.2. Procedural Background

The California Public Utilities Commission (Commission or CPUC) issued the instant OIR on March 4, 2021. The Rulemaking was served on the following existing Rulemakings, as well as agencies and organizations below:

- Order Instituting Rulemaking to Establish a Framework and Processes for Assessing the Affordability of Utility Service, Rulemaking (R.) 18-07-006;
- Order Instituting Rulemaking to Update the California Universal Telephone Service (California LifeLine) Program, R.20-02-008;
- Order Instituting Rulemaking Regarding Revisions to the California Advanced Services Fund, R.20-08-021;
- Order Instituting Rulemaking into the Review of the California High-Cost Fund-A Program, R.11-11-007;
- League of California Cities;
- California State Association of Counties;
- Rural County Representatives of California;
- Consumer Reports;
- National Consumer Law Center;
- The Utility Reform Network;
- The Greenlining Institute; and

- The Center for Accessible Technology.

Parties filed opening comments to the Rulemaking on April 5, 2021.⁵ On April 12, 2021, the assigned Administrative Law Judge (ALJ) issued a ruling granting a motion requesting an extension of time to file reply comments from April 16, 2021, to April 23, 2021. On April 15, 2021, California Emerging Technology Fund (CETF) filed a motion for party status. The assigned ALJ granted CETF's motion. On April 16, 2021, CETF filed a motion for an extension of time to file opening comments. On April 16, 2021, CETF filed comments on the OIR.

Reply comments to the Rulemaking were filed on April 23, 2021.⁶ On May 7, 2021, the Commission noticed the virtual prehearing conference (PHC) set for May 20, 2021. On May 20, 2021, a PHC was held.

On June 7, 2021, the PHC transcript was made available. On June 17, 2021, TURN filed a notice of intent to claim intervenor compensation. On June 18, 2021, Center for Accessible Technology (CforAT) filed a notice of intent to claim intervenor compensation. On June 21, 2021, the Utility Consumers' Action Network filed a notice of intent to claim intervenor compensation.

On June 28, 2021, the assigned Commissioner issued the scoping ruling in this proceeding along with Staff Report Part 1 (SR1). On June 30, 2021, the assigned ALJ issued a ruling clarifying a data request due date.

On July 2, 2021, the assigned ALJ issued a ruling directing parties to respond to questions in the scoping memo. On July 26, 2021, the ALJ issued a ruling granting a two-week extension to August 13, 2021, for data requested in

⁵ A guide to the parties in this proceeding is provided at Attachment A. Parties are referred to in the text to this decision by their shortened names.

⁶ See Attachment A.

the scoping ruling. On July 27, 2021, the ALJ issued a ruling clarifying that the two-week extension, to August 13, 2021, applied to all parties. On July 28, 2021, parties filed opening comments on the scoping memo. On August 12, 2021, parties filed reply comments on the scoping memo. On August 13, 2021, the Cellular Telecommunications and Internet Association (CTIA) filed reply comments on the scoping memo. On August 13, 2021, parties filed response to the data request in the scoping memo.

On September 21, 2021, the Greenlining Institute filed a motion for party status. On September 23, 2021, the assigned ALJ issued a ruling granting Greenling Institute's request for party status. On October 8, 2021, the assigned ALJ issued a ruling updating the proceeding schedule. On October 18, 2021, the assigned ALJ issued a ruling correcting an error in the proceeding number referenced in the October 8, 2021, ruling. On October 29, 2021, the ALJ issued a ruling updating the proceeding schedule and provided Staff Report Part 2 (SR2).

On November 10, 2021, the assigned ALJ granted an AT&T motion for extension of time. On November 30, 2021, the Securus Technologies, LLC filed a motion for party status. On December 2, 2021, the ALJ granted Securus Technologies' request for party status. On November 30, 2021, parties filed comments to the ALJ ruling and SR2. On December 15, 2021, parties filed reply comments to the ALJ ruling and SR2.

On January 14, 2022, AT&T filed a Joint Response Regarding Results of January 5, 2022, Meet and Confer Meeting among parties. Regarding potential workshops in this proceeding, all parties agreed that, if a workshop or all-party meeting is held, parties should be allowed to file comments and reply comments. There was consensus that evidentiary hearings were not needed for this proceeding. On January 27, 2021, the Commission noticed a virtual evidentiary

hearing set for February 14, 2021, to February 18, 2021. On January 6, 2022, the ALJ received a procedural e-mail from parties requesting that the evidentiary hearings currently scheduled for February 14, 2022, through February 18, 2022 – as well as the January 21, 2022 and February 1, 2022 dates for submitting opening and reply testimony, respectively – be removed from the Commission’s calendar. On February 25, 2022, the ALJ issued a ruling modifying the proceeding calendar to eliminate the evidentiary hearing dates and future dates for opening and reply briefs.

On March 30, 2022, the ALJ issued a ruling presenting, for party comment, a revised access line definition. On April 29, 2022, parties filed comments to the ALJ ruling on the revised access line definition; and Securus filed a confidential attachment to its comments. On May 13, 2022, the Commission issued a notice of Commissioner reassignment for the proceeding from Commission President Marybel Batjer to Commission President Alice Reynolds. On May 16, 2022, parties filed reply comments to the ALJ ruling on the revised access line definition.

2. Jurisdiction

The California Constitution and Public Utilities Code vest in the Commission regulatory authority over public utilities, including telephone corporations.⁷ The Public Utilities Code defines “telephone corporation” as “every corporation or person owning, controlling, operating, or managing any

⁷ Cal. Const., Art. XII, §§ 3, 6; *see also* Pub. Util. Code § 216(b) (“Whenever any . . . telephone corporation . . . performs a service for, or delivers a commodity to, the public or any portion thereof for which any compensation or payment whatsoever is received, that . . . telephone corporation . . . is a public utility subject to the jurisdiction, control, and regulation of the commission and the provisions of this part.”).

telephone line for compensation within this state.”⁸ The California Legislature, pursuant to Pub. Util. Code Section 709 and the Moore Universal Telephone Service Act (§ 871), contemplated a significant role for the Commission in closing the digital divide in California and bringing advanced communications services to all Californians. The Commission has a statutory mandate to ensure that a public utility’s rates, terms, and services are just and reasonable,⁹ and has plenary authority to carry out this mandate.¹⁰ Pub. Util. Code Sections 270-285 and Section 431 authorize the Commission to administer and fund the PPPs and collect user fees.

The federal Communications Act, 47 United States Code (U.S.C.) Section 254, provides authority and guiding provision for requiring telecommunications provider contributions to state universal service programs. These federal statutes require telecommunications carriers to contribute to universal service, at both the federal and state level, on an equitable and non-discriminatory basis. On July 1, 2022, the Federal Communications Commission (FCC) increased the Universal Service Fund (USF) rates to 33 percent. The increase was caused, in part, by decreasing reportable interstate revenue as telecommunications carriers identify more and more services as internet based and therefore not surcharged. A statement by FCC Commissioner Brendan Carr to an FCC Report¹¹ acknowledged that “the USF program is funded through a mechanism that made sense back — in the 1990s — and

⁸ Pub. Util. Code § 234(a).

⁹ Pub. Util. Code § 451.

¹⁰ Pub. Util. Code § 701. The Commission may not, of course, exercise its authority where pre-empted by federal law (*see* U.S. Const., Art. VI, cl. 2) or where to do so would expressly contradict state law (*see Assembly v. Pub. Util. Com.* (1995) 12 Cal.4th 90, 103).

¹¹ Report on the Future of the Universal Service Fund, Report, WC Docket No. 21-476 at 62.

suggested that a sustainable path forward would require large technology companies to start contributing a fair share to the USF.”¹²

3. Issues Before the Commission

The Commission’s June 28, 2021, Assigned Commissioner’s Scoping Memo and Ruling identified the following issues for Phase 1 of this Rulemaking:

1. Are the telecommunications carriers that currently are required to remit surcharges doing so, and is the current level of their remittance appropriate given the carriers’ revenue and scope of operations?
2. What specific adjustments to the current surcharge collection mechanism, if any, should be explored, changed or revised?
3. What are the impacts, effects and consequences, if any, of a flat-fee surcharge on residential and business customers?

4. Discussion and Analysis

4.1. Surcharge Reporting and Remittance

Universal service¹³ is the principle that all Americans should have access to robust, reliable communications services — including broadband connectivity — at affordable rates, regardless of where they live.¹⁴ According to SR1, universal service policies and programs have helped make telephone service ubiquitous, even in remote rural areas.¹⁵ The six PPPs in California provide societal benefits to Californians who are deaf, disabled, low-income, live in rural locations, as well as to community institutions such as schools,

¹² <https://www.newsweek.com/ending-big-techs-free-ride-opinion-1593696>.

¹³ For California, these principles are articulated in Pub. Util. Code Section 709 and the federal Communications Act, 47 U.S.C. Section 254.

¹⁴ SR1 at 6.

¹⁵ *Ibid.*

universities, libraries, hospitals, and other non-profit organizations.¹⁶ This decision focuses on the first two issues in Section 3.

California directs all telephone corporations to contribute to universal service programs by assessing a surcharge on the intrastate portion of their customers' telecommunications services.¹⁷ This is consistent with federal law, which provides:

A State may adopt regulations not inconsistent with the Commission's rules to preserve and advance universal service. Every telecommunications carrier that provides intrastate¹⁸ telecommunications services shall contribute, on an equitable and nondiscriminatory basis, in a manner determined by the State to the preservation and advancement of universal service in that State. A State may adopt regulations to provide for additional definitions and standards to preserve and advance universal service within

¹⁶ SR1 at 7.

¹⁷ See, e.g., D.96-10-066, in R.95-01-020, Rulemaking on the Commission's Own Motion into Universal Service and to Comply with the Mandates of Assembly Bill 3643; Investigation on the Commission's Own Motion into Universal Service and to Comply with the Mandates of Assembly Bill 3643. In this decision, the Commission exempted the following services from the PPP surcharges: ULTS billing; coin-sent paid calling; debit card messages; one-way radio paging; usage charges to Coin operated paid telephones; customers receiving services under existing contracts that were executed on or before September 15, 1994; and directory advertising. (See also General Order (GO) 153.2.)

¹⁸ "Intrastate means a telecommunications service that originates and terminates within California. Generally, services subject to tariff (or formerly tariffed) with the CPUC are subject to California surcharges, whereas interstate services, taxes and surcharges, and financial charges and fees, are not. Intrastate services that are subject to surcharges include, but are not limited to, residential or business lines; wireline services; pre and postpaid wireless services and any associated services, including, but not limited to:

- Custom calling features (such as Caller ID, Voice Store and Forward, Call waiting);
- Private line service;
- 800/900 service; and
- Non-recurring charges (such as installation and connection charges).

that State only to the extent that such regulations adopt additional specific, predictable, and sufficient mechanisms to support such definitions or standards that do not rely on or burden Federal universal service support mechanisms.

“Telecommunications” defined in 47 U.S.C. Section 153(50) means “the transmission, between or among points specified by the user, of information of the user’s choosing, without change in the form or content of the information as sent and received.” The FCC determines which services are “telecommunications services.”

The Commission adopted an intrastate revenue-based end-user surcharge mechanism in Decision (D.) 94-09-065¹⁹ and D.96-10-066,²⁰ which formed the foundation of the Commission’s surcharge mechanism to support the PPPs. “End-users” are the customers of each telephone corporation and are also referred to as “subscribers.” SR1 indicated that the total number of telecommunications subscribers in California has increased substantially over the past decade. In 2012, there were 52.8 million voice subscribers in the state. By June 2019, the most recent data available, that number had increased to 56.8 million voice subscribers. Yet, over the same period, the PPP surcharges revenues decreased. SR1 also showed that the decline in surcharges is linked to the shrinking “intrastate revenue billing base;” in other words, the amount of revenue that carriers report as being subject to state surcharges. In fact, SR1 reported that the intrastate revenue billing base declined by 58 percent between

¹⁹ D.94-09-065, in Investigation (I.) 87-11-033, In the Matter of Alternative Regulatory Frameworks for Local Exchange Carriers and Related Matters.

²⁰ See D.96-10-066, Ordering Paragraph 7 and Appendix B.

2012 and 2020. In 2012, the total reported intrastate revenue subject to surcharge was \$15.4 billion. By 2020, it decreased to \$6.433 billion.²¹

4.1.1. Parties' Comments

In their comments to the Assigned Commissioner Scoping Memo and Ruling (Scoping Memo) and SR1, Cox stated that “while it may be true that intrastate revenues have decreased, that doesn’t necessarily mean such decrease is a problem that requires a complete overhaul of the existing rules, or that the decrease equates to existing rules being unfair, unreasonable or requiring significant changes.”²² That doesn’t mean any given type of provider is contributing “less” or not contributing its fair share.²³ Cox also stated that any “disparity” in surcharges being reported by different types of carriers in either the contributed surcharge amounts or the percentage of billed amounts shown in Table 3 (in SR1) should be presumed to result from different regulatory classifications and applicable law, and/or to the permissible collection method a provider has implemented.

Verizon’s comments on the Scoping Memo and SR1 asserted that it is impossible to compare customers’ bills and surcharges across the spectrum of carriers because these rate plans do not offer the same types of services and include differing combinations of services, such as bundled telecommunications and data services, pure telecommunications services, and only broadband data services, which are not subject to state (PPP surcharge) assessment.²⁴

²¹ *Ibid.*

²² Comments of Cox on Assigned Commissioner’s Scoping Memo and Ruling, July 28, 2021, at 6.

²³ *Id.* at 3.

²⁴ Opening Comments of Verizon on the Assigned Commissioner’s Scoping Memo and Ruling, July 28, 2021, at 2.

CTIA in their comments to the Scoping Memo and SR1 stated that, “...carriers are, in fact, ‘contributing to the state’s universal service programs on an equitable and nondiscriminatory basis, as required by 47 U.S. Code § 254(f).’” Specifically, each provider contributes the exact same percentage of their intrastate telecommunications revenue to the PPPs, so their contributions and the contribution system are equitable and nondiscriminatory.²⁵

VON’s comments objected to the implication, in Cal Advocates’ comments²⁶, that Voice over Internet Protocol (VoIP) carriers are remitting little surcharge revenue. Such claims are “unsubstantiated and unsupported by evidence,” according to VON.²⁷

In contrast to the preceding comments, Cal Advocates contends that, “...communications service carriers are not contributing to the PPPs on an equitable basis in violation of 47 United States (U.S.) Code Section (§) 254.”²⁸ Cal Advocates asserted that the inequitable system of calculating the PPPs contributions allows VoIP carriers to remit less surcharge revenue to the Commission, which results in inequitable outcomes among customers.²⁹ Moreover, Cal Advocates’ comments indicate that VoIP subscribership is increasing while Plain Old Telephone Service (POTS) subscribership continues to

²⁵ Comments of CTIA on the Assigned Commissioner’s Scoping Memo and Ruling, July 28, 2021, at 3.

²⁶ Opening Comments of Cal Advocates on June 28, 2021, Assigned Commissioner’s Scoping Memo and Ruling, July 28, 2021, at 1.

²⁷ VON Comments in Response to the Assigned Commissioner’s Scoping Memo and Ruling, July 28, 2021, at 2-3.

²⁸ Opening Comments of Cal Advocates on June 28, 2021, Assigned Commissioner’s Scoping Memo and Ruling, July 28, 2021, at 1.

²⁹ Opening Comments of Cal Advocates on June 28, 2021, Assigned Commissioner’s Scoping Memo and Ruling, July 28, 2021, at 1.

decrease, which further exacerbates current inequities. As POTS subscriber counts diminish, Cal Advocates provides an illustrative example for the impact on PPP revenues. For each POTS subscriber that discontinues service, there would need to be a corresponding addition of 10.3 Frontier VoIP subscribers or 4.6 Sonic VoIP subscribers (added to the intra-state revenue pool) for revenue to remain neutral in terms of aggregate PPP surcharge contributions.³⁰

Prepaid and VoIP carriers' comments suggest that surcharge collections for their services may be lower. Regarding prepaid customers (and PPP contributions), TracFone stated in its comments on the Scoping Memo and SR1 that "... for direct sales made online using TracFone's website, TracFone can assess, collect from customers, and remit to the Commission. However, for indirect sales made at third-party retailers, TracFone has no opportunity to collect PPP surcharges and user fees from customers."³¹ TracFone also claimed that "...TracFone's customers pay for their prepaid service in advance of receiving their service. As such, the customer does not receive a service bill. Because there is no service bill for these customers, surcharges cannot be itemized on bills. TracFone nevertheless remits PPP surcharges and user fees to the Commission based on all of TracFone's intrastate sales."³²

Sonic's comments address the question about why VoIP services remit disproportionately little surcharge revenue as compared to other communications providers. According to Sonic, "...Voice over Internet Protocol

³⁰ Opening Comments of Cal Advocates Office on June 28, 2021, Assigned Commissioner's Scoping Memo and Ruling, July 28, 2021, at 5.

³¹ Comments of TracFone on the Assigned Commissioner's Scoping Memo and Ruling, July 28, 2021, at 3.

³² *Ibid.*

services have vastly lower costs compared with traditional [independent local exchange carrier] wireline service providers, or even with wireless providers. Such other providers must deploy and maintain extensive ‘middle mile’ networks and must recover the high costs of such networks via higher rates for their customers. These higher rates then lead to higher PPP surcharge revenues. In contrast, VoIP providers use an existing broadband connection to transmit voice telecommunications. This allows VoIP providers to offer voice telecommunications services at much lower prices, which results in much lower PPP surcharge revenues.”³³

Cal Advocates’ comments about VoIP align with the observations in Sonic’s comments. According to Cal Advocates, VoIP services remit proportionately little surcharge to the PPPs for a variety of reasons. Cal Advocates’ comments maintain that VoIP service tends to be part of a bundled service, causing the surcharge to be assessed on a relatively small portion of a VoIP subscriber’s overall bill, since broadband related charges are currently exempt from surcharge.³⁴

4.1.2. Discussion

Parties’ comments indicated that carriers implement different policies regarding what services are eligible for PPP surcharges and how they should be assessed. Different federal and state legislative policies have also contributed to each carrier developing different approaches for assessing and collecting PPP surcharges. Cox’s comments highlighted this point as follows, “any ‘disparity’ in

³³ Opening Comments of Sonic on Assigned Commissioner’s Scoping Memo and Ruling, July 28, 2021, at 2-3.

³⁴ Opening Comments of Cal Advocates on June 28, 2021, Assigned Commissioner’s Scoping Memo and Ruling, July 28, 2021, at 5.

surcharges being submitted by different types of providers should be presumed to result from different regulatory classifications and applicable law, and/or to the permissible collection method a provider has implemented.”³⁵

Verizon’s comments also indicated that “because (provider) rate plans do not offer the same types of services and include differing combinations of services, such as bundled telecommunications and data services, pure telecommunications services, and only broadband data services, which are not subject to state assessment it is impossible to compare customers’ bills and surcharges across the spectrum of providers.”³⁶

However, SR1 indicated that there was significant variation between wireline and wireless carriers in the percentage of intrastate revenue carriers allocate.³⁷ The percentage varies significantly depending on the provider as well as the service being offered, ranging from as high as 75 percent of the end user bill for traditional wireline telephone service to 3 percent for facilities-based wireless services, and zero percent for broadband internet access service.³⁸

These conditions make it difficult to determine whether the level of surcharges carriers individually or collectively contribute to the universal service PPP programs is appropriate. With the current FCC classification of telecommunications services, it is improbable that the Commission could definitively determine whether the current level of telecommunications companies’ surcharge remittances is appropriate, equitable, and

³⁵ *Id.* at 3.

³⁶ Opening Comments Verizon on the Assigned Commissioner’s Scoping Memo and Ruling, July 28, 2021, at 2.

³⁷ SR1 at 22.

³⁸ *Ibid.*

nondiscriminatory, given the differences in carriers' revenue, scope of operations, and service offerings. However, what is clear from the information presented in SR1 is that changes need to be made to surcharge collection for California to continue to adequately support universal service and its related programs.

For the Commission to support universal service in California, it must create an unambiguous and equitable approach for all carriers to assess PPP surcharges. In their comments, prepaid carriers argued that if there is no service bill for prepaid customers, surcharges cannot be itemized on bills. We rejected the notion that prepaid carriers' business models prevent them from appropriately collecting PPP surcharges and user fees, as required of all other telephone corporations.³⁹ Regardless, the access line based surcharge mechanism we are considering would not be affected by differences in carriers' billing or business models. All carriers would be required to count and report access lines in the same manner.

4.1.3. Conclusion

Parties' comments demonstrate that telephone corporations, although required to remit PPP surcharges, are doing so in a non-uniform manner. Cox's comments point to different regulatory classifications and applicable law as an explanation for the disparity. Verizon's comments point to rate plans that do not offer the same types of services and include differing combinations of services,

³⁹ See, e.g., I.09-12-016, Order Instituting Investigation on the Commission's own motion into the alleged failure of TracFone Wireless, Inc. (U4321C) to collect and remit public purpose program surcharges and user fees on revenue from its sale of intrastate telephone service to California consumers, in violation of the laws, rules and regulations of this State; Order to Show Cause why Respondent should not immediately be ordered to pay all such outstanding sums plus interest, and be subject to penalties for such violations.

such as bundled telecommunications and data services, pure telecommunications services, and only broadband data services.

Telecommunications technology has advanced since the 1990s decisions at the federal and state levels that established the policies and procedures for universal service. The dramatic decline in subscribers to POTS telecommunications is a trend that will continue to deepen. The investigation in SR1 has determined that the existing surcharge mechanism is uneven at best and potentially anti-competitive and discriminatory at worst. The customers of some types of carriers (wireless and VoIP) often pay less to support universal service than the customers of carriers using a traditional wireline to provide telecommunications services. With this OIR we acknowledge this trend and have determined that it is time to adjust the former mechanism to align with the changes in the telecommunications market. The Commission must address the significant variation between wireline and wireless PPP surcharge allocations. The Commission must address the sharp decline in intrastate revenue billing base, 58 percent between 2012 and 2020; and the gap in total reported intrastate revenue subject to surcharge, \$15.4 billion in 2012 versus \$6.433 billion in 2020.

4.2. Surcharge Collection Mechanism

4.2.1. SR1 Proposals

SR1⁴⁰ presented several possible proposed solutions to reform the current surcharge collection mechanism. The following section examines each of the PPP surcharge proposals in SR1.

1. The Commission could investigate the discrepancies — illustrated in Table 3 (in SR1) — in (surcharge) contributions remitted by various companies and provider types;

⁴⁰ *Id.* at 25-27.

2. The Commission could request the FCC reclassify services as telecommunications services subject to both intrastate and interstate revenues;
3. The Commission could expand the services that contribute to the billing base by including broadband services;
4. The Commission could transition the current revenue-based surcharge mechanism to a single flat rate end user surcharge mechanism; and
5. The Commission could also consider a hybrid mechanism whereby surcharges on large business customers are still assessed on an intrastate-revenue basis, while small business and residential customers surcharges are assessed on a flat rate basis.

4.2.1.1 Parties' Comments on SR1 Proposal 1

Regarding whether the Commission should investigate the discrepancies in PPP surcharge remittance among carriers, Cox asserts that the OIR itself does not indicate that an investigation or an adjudicatory phase is necessary.⁴¹ Therefore, Cox argues that such an investigation would be beyond the scope of the proceeding, unless the Commission amends the scope to include it.

Cal Advocates contends that the Commission should launch an investigatory proceeding if it determines that some communications service providers are under reporting surcharge revenue and therefore under remitting PPP surcharges.⁴²

⁴¹ Comments of Cox on Assigned Commissioner's Scoping Memo and Ruling, July 28, 2022, at 5.

⁴² Opening Comments of Cal Advocates on June 28, 2021, Assigned Commissioner's Scoping Memo and Ruling, July 28, 2021, at 1.

4.2.1.2 Parties' Comments on SR1 Proposal 2

Regarding whether the Commission should request that the FCC reclassify services as telecommunications services subject to both intrastate and interstate revenues, TURN and CforAT's comments mentioned that the State Members of the Federal-State Joint Board found that it is squarely in the public interest to include broadband services in the contribution base. The Joint Board also found that this strong public interest supports state jurisdiction assessing broadband service for its own mechanisms.

Moreover, according to TURN and CforAT's comments, the Board found that reclassification of broadband as an information service does not preempt or eliminate a state's statutory authority to promote universal service and does not conflict with the FCC's regime.⁴³

4.2.1.3 Parties' Comments on SR1 Proposal 3

Regarding having the Commission expand the services that contribute to the billing base by including broadband services, many parties provided comments about this proposal. CETF's reply comments to the OIR addressed Broadband Internet Access Services (BIAS) as follows: "...there are purely intrastate aspects of BIAS services, and so excluding 100 percent of BIAS service as interstate does not make any logical sense and urged the Commission to make a clear statement on its state authority to include intrastate BIAS revenues into

⁴³ Opening Comments of TURN and CforAT on the Order Instituting Rulemaking to Update the Surcharge Mechanism for Public Purpose Programs, April 5, 2021, at 15.

the contribution base for the state PPPs in order to ensure fairness and sustainability of the programs.”⁴⁴

CCTA, AT&T, Consolidated, Frontier, Small LECs, CTIA, and Comcast, in their respective comments, all opposed the Commission expanding the PPP surcharge to include broadband. CCTA’s reply comments specifically requested that the Commission reject TURN/CforAT’s proposal to expand the base of the surcharge mechanism to include broadband.⁴⁵

In their comments, TURN and CforAT asserted that “... until the Commission assesses PPP surcharges on broadband services to support universal service efforts, funding for universal service programs will almost assuredly remain unbalanced, unfair, and unsustainable.”⁴⁶ TURN and CforAT urged the Commission to consider broadening the (billing) base of the surcharge mechanism to include broadband.⁴⁷

Cal Advocates’ comments recommended that the Commission should assess the stability of the billing base to determine if levying the PPP surcharge on all communication services subscribers, including broadband, is appropriate.⁴⁸

⁴⁴ Reply Comments of the CETF on the OIR to Update the Surcharge Mechanism for Public Purpose Programs, April 23, 2021, at 2.

⁴⁵ Reply Comments of the CCTA, April 23, 2021, at 12.

⁴⁶ Opening Comments of TURN and CforAT on the Order Instituting Rulemaking to Update the Surcharge Mechanism for Public Purpose Programs, April 5, 2021, at 4.

⁴⁷ *Id.* at 11.

⁴⁸ Comments of Cal Advocates on 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, April 5, 2021, at 14.

AT&T's opening comments on the Scoping Memo and SR1 opposes the proposal in SR1 to expand the billing base to include BIAS.⁴⁹ According to AT&T, states lack authority to assess BIAS for state USF or similar contributions because BIAS is a jurisdictionally interstate service. Moreover, the FCC has held that broadband services are "information services" within the meaning of the federal Communications Act.⁵⁰ In reply comments to the OIR, AT&T asserted that the Commission should reject any proposal to assess broadband services to support PPPs.⁵¹ AT&T's comments do acknowledge that it no longer makes sense to assess voice services alone to fund all six PPPs, most of which now support wholly or in part the expansion of broadband.⁵² According to AT&T, switching from an intrastate revenue-based methodology to a per-line methodology that still relies solely on assessing voice service, even as voice service revenues continue to decline irreversibly, fails to address the structural changes in services and funding sources necessary to maintain relevance and sustainability of the PPPs.⁵³

4.2.1.4 Parties' Comments on SR1 Proposal 4

Many parties commented on the proposal to transition from the current revenue-based surcharge mechanisms to a single flat rate end user surcharge mechanism. VON's comments on the Scoping Memo and SR1, recommends that

⁴⁹ Opening Comments of AT&T on Assigned Commissioner Memo and Ruling, July 28, 2021, at 6.

⁵⁰ *Ibid.*

⁵¹ AT&T Reply Comments on Order Instituting Rulemaking to Update the Surcharge Mechanism for Public Purpose Programs, April 23, 2021, at 1-3.

⁵² *Id.* at 4.

⁵³ *Id.* at 5.

the Commission maintain the existing revenue-based funding and not transition to a per-line fee.⁵⁴ VON states that the revenue-based model is consistent with the current federal structure, complies with California law, will not cause disruptions to any group of ratepayers or changes to the accounting and billing systems of contributing service providers.⁵⁵

CTIA states that the Commission's consideration of the PPP surcharge mechanism should recognize that the current revenue-based mechanism is equitable and non-discriminatory, and that other potential mechanisms raise potential problems that the Commission has not yet fully analyzed.⁵⁶ CTIA further argues that a flat rate, per-connection charge would assess the same contribution obligation on a low-volume, potentially low-income customer as it does on a high-volume, potentially higher-income customer.⁵⁷

Comcast states that, "...it generally does not oppose a line-based surcharge mechanism provided that such a transition is consistent with California and federal law, the definition of "line" is technologically neutral, and the proportionate amounts paid by residential and business customers remain relatively consistent under a line-based assessment system."⁵⁸

⁵⁴ VON Comments in Response to the Assigned Commissioner's Scoping Memo and Ruling, July 28, 2021, at 3.

⁵⁵ *Ibid.*

⁵⁶ Comments of CTIA on the Assigned Commissioner's Scoping Memo and Ruling, July 28, 2021, at 13.

⁵⁷ *Id.* at 11.

⁵⁸ Comments of Comcast on Staff Report and Scoping Memo and Ruling to Update the Surcharge Mechanisms for Public Purpose Programs, July 28, 2021, at 4.

Charter states that, "...it does not oppose transitioning to a single flat rate end user surcharge mechanism, provided that any such flat rate surcharge must be equitable, technologically neutral, and readily implementable."⁵⁹

Frontier supports the fourth proposal⁶⁰ to transition the current revenue-based surcharge mechanism to a per access line flat rate approach.⁶¹ Frontier states that, "...this is the only proposal that is likely to provide a viable, long-term solution to the declining intrastate billing base for the PPP surcharges."⁶²

The Small LECs also support the fourth proposal⁶³ to transition the current revenue-based surcharge mechanism to a per access line flat rate approach.⁶⁴ According to the Small LECs, "...the other proposals are unlikely to provide a viable, long-term solution to the declining intrastate billing base for the PPP surcharges."⁶⁵ Moreover, the Small LECs state that the "per access line" approach also avoids the jurisdictional allocations, which are required under the existing revenue-based approach.⁶⁶ In their Opening Comments to the OIR, the Small LECs noted that, "... if the Commission reasonably and clearly defines an 'access line' and provides carriers with adequate implementation time to address any

⁵⁹ Comments of Charter on the Assigned Commissioner's Scoping Memo and Ruling Requesting Comments on Questions Relating to the Prehearing Conference and Staff Report Part 1, July 28, 2021, at 2.

⁶⁰ SR1 at 25-27.

⁶¹ Frontier Opening Comments on OIR at 1.

⁶² *Ibid.*

⁶³ SR1 at 25-27.

⁶⁴ Small LECs Opening Comments on OIR, April 5, 2021, at 1.

⁶⁵ Opening Comments of the Small LECs on Assigned Commissioner's Scoping Memo and Ruling, Staff Report Part 1, and Prehearing Conference, July 28, 2021, at 6.

⁶⁶ *Ibid.*

needed changes to their billing or information technology systems, the transition to the per access line flat rate approach should achieve the Commission's goals of simplifying the collection process and providing stability to the Fund balances."⁶⁷

4.2.1.5 Parties' Comments on SR1 Proposal 5

Several parties commented on the hybrid mechanism proposal, whereby large business customers are still assessed on an intrastate-revenue basis, while small business and residential customers are assessed on a flat rate basis.

Charter stated that, "...to the extent the CPUC decides to move forward with a line-based approach for assessing surcharges, its application should be limited to residential customers, while continuing to use a revenue-based approach for business customers."⁶⁸ According to Charter, the reason for this hybrid approach is simple and compelling; residential customers tend to have single lines which are easy to assess in billing systems and easily audited. Conversely, business customers tend to have multiple lines, and many types of lines, which can cause challenges for internal systems and audit processes. Charter further argued that an across-the-board (access) line-based assessment may disproportionately impact businesses, which in many cases have already been hard hit by the pandemic.⁶⁹ Charter recommends that, "...if the Commission does not adopt a hybrid model, then it agrees with other

⁶⁷ Small LECs Opening Comments to the OIR at 1.

⁶⁸ Charter's Opening Comments to the OIR, April 5, 2021, at 2.

⁶⁹ *Ibid.*

commenters, including Cox, Frontier, and Comcast, who support capping the number of lines that would be assessed a per access line surcharge.”⁷⁰

Cox mentioned that “the Commission could consider whether it could adopt a hybrid model, which would keep business customers, which continue to have a strong use of voice lines, under the revenue-based model, and transition residential customers to a per-line approach.”⁷¹

CETF noted that (the Commission should explore) hybrid approaches where large business may fund some of the PPP, to help keep charges reasonable for residential and small businesses.⁷²

TURN and CforAT stated that a hybrid approach could effectively reflect the fact that while federal and state law require surcharge collection to be nondiscriminatory and fair, it does not require that the mechanism must be the same for all customer classes.⁷³ TURN and CforAT recommended that the Commission adopt a hybrid approach that holds residential customers “proportionally harmless” from changes in the collection of PPP contributions.⁷⁴

Frontier opposed the hybrid approach because it would result in additional administrative costs and burdens.⁷⁵ CTIA also opposed line caps and

⁷⁰ Reply Comments of Charter to OIR, April 23, 2021, at 5.

⁷¹ Comments of Cox on Order Instituting Rulemaking to Update Surcharge and User Fee Collection Mechanisms, April 5, 2021, at 5.

⁷² Reply Comments of CETF on the OIR to Update the Surcharge Mechanism for Public Purpose Programs, April 23, 2021, at 5.

⁷³ Opening Comments of TURN and CforAT on the Order Instituting Rulemaking to Update the Surcharge Mechanism for Public Purpose Programs, April 5, 2021, at 11.

⁷⁴ *Id.* at 23.

⁷⁵ Reply Comments of Frontier on Order Instituting Rulemaking to Update the Surcharge Mechanism for Public Purpose Programs, April 23, 2021, at 7.

hybrid funding models.⁷⁶ CTIA stated that, “... the Commission has already identified issues related to the unnecessary and unfortunate complexity of its TUFFS system.⁷⁷ It should not introduce new surcharge complexity via a hybrid funding model.⁷⁸

According to the Small LECs the hybrid approach would also complicate their billing systems.⁷⁹

4.2.2. Discussion

Launching an investigation to examine discrepancies in surcharges remittances would not be an effective use of resources and would not solve the drop in PPP funding. The time that the FCC is taking to consider reclassification of telecommunications services will not help California address the immediate need to stop further reductions in PPP surcharge collection. A hybrid mechanism whereby surcharges on large business customers are still assessed on an intrastate-revenue basis, while small business and residential customers surcharges are assessed on a flat rate basis would be difficult to implement for carriers and Commission staff.

One of the proposed solutions presented in SR1 was transitioning the current intrastate revenue-based surcharge mechanism to a single flat rate end user surcharge mechanism. This proposed solution would consolidate the PPP

⁷⁶ Reply Comments of CTIA on the Order Instituting Rulemaking, April 23, 2021, at 2.

⁷⁷ See OIR at 10.

⁷⁸ Reply Comments of CTIA on the Order Instituting Rulemaking, April 23, 2021, at 5.

⁷⁹ Reply Comments of the Small LECs on Order Instituting Rulemaking to Update the Surcharge Mechanism for Public Purpose Programs at 7.

surcharges and the user fee⁸⁰ into a single per access line (or equivalent) surcharge.⁸¹ This approach would also simplify the surcharge assessment, collection, and remittance process. A single flat rate end user surcharge mechanism will allow each carrier, regardless of the technology mode (*e.g.*, VoIP or wireless) or business model (*e.g.*, prepaid or postpaid), to collect and remit PPP surcharges based on one standard — the number of access lines each provide operates. This ensures that, consistent with federal law, telecommunications carriers will contribute to universal service on an equitable and nondiscriminatory basis through a specific, predictable, and sufficient mechanism that does not rely on or burden Federal universal service support mechanisms.

Parties' comments demonstrate that while telecommunications carriers have been remitting PPP surcharges, these surcharge remittances have decreased over time for a variety of reasons. These reasons include differences between state and federal jurisdictions, different business models, and differences among carriers' reporting about which services are subject to surcharges. Comments also noted customer behavior as another contributing factor to falling PPP surcharge remittance, in that customers have moved from wireline to wireless technologies for two-way telecommunications voice services.

4.2.3. Conclusion

It was reasonable for the Commission to launch this OIR to examine why the PPP surcharge remittances have declined, and whether the Commission

⁸⁰ Until there is a legislative change the user fee will continue to be assessed based in intrastate revenues. Once a legislative change is made the Commission envisions a single line item that combines the user fee and the end user surcharge supporting PPPs.

⁸¹ SR1 at 26.

should maintain the current revenue-based surcharge mechanism, or adopt a different mechanism, including one based on the number of carriers' access lines in California.

4.3. Proposals for New Surcharge Mechanism Evaluated in SR2

In SR2, Communications Division (CD) staff evaluated six surcharge mechanism proposals, which parties presented in comments on the OIR: (1) Per Access line (Flat rate); (2) Per Access line with Cap for Multi-Line Telephone Systems (MLTS); (3) Per Access line Flat rate Differentiated by Customer Class; (4) Hybrid Access Line/Revenue; (5) Hybrid Residential Safe Harbor Access/Revenue; and (6) funding through the State General Fund.

Under a Per Access line with Cap, a single flat rate end user surcharge amount is applied to all customer classes (residential, small business, large business), but the number of access lines for multiple connections would be capped. Parties that supported this approach to PPP surcharge reform include Cox, Frontier, Comcast and Charter. These parties did not include a sample calculation that illustrated how this approach would be implemented,⁸² nor did they provide sufficient justification and analyses to demonstrate their proposed rates or vet their impacts, which was requested in the ALJ's Ruling seeking comments on SR2.

The Per Access line Flat rate Differentiated by Customer Class would have residential and small business customers charged a lower PPP surcharge rate than large business customers. The differential surcharge amounts would be calculated by using a ratio of statewide average business plan price to average

⁸² SR1 at 8 and 9.

residential plan price.⁸³ Comcast, Frontier, Small LECs, and CTIA opposed this mechanism.⁸⁴ CTIA argues this multifaceted surcharge approach would be complicated for carriers to administer and it would add complexity for the Commission's TUFFS.⁸⁵

The Hybrid Access Line Revenue approach would maintain a revenue-based approach for large business customers but move to a flat fee for residential and small business customers. Large business customers would still be assessed surcharges on an intrastate-revenue basis, while small business and residential customers would be assessed a flat rate surcharge on an access line basis. Like the Per Access line with Cap proposal, parties did not include a sample calculation that illustrated how this approach would be implemented.

Under the Hybrid Residential Safe Harbor Access/Revenue approach, residential customers would be assessed surcharges on a per access line basis and business customers are assessed surcharges on a revenue basis. Residential proportions are capped based on current residential contributions supporting PPPs, and the balance of needed PPP funding is obtained from assessments on non-residential voice revenues. Implementation challenges with the Hybrid Residential Safe Harbor Access/Revenue caused CD staff to look further at other approaches for PPP surcharge reform.

⁸³ *Id.* at 9-10.

⁸⁴ Comcast's OIR Reply Comments (April 23, 2021) at 7-8; Frontier's OIR Reply Comments (April 23, 2021) at 6-7; Small LECs OIR Reply Comments (April 23, 2021) at 7; and CTIA's OIR Reply Comments (April 23, 2021) at 5.

⁸⁵ CTIA's OIR Reply Comments, April 23, 2021, at 5.

Using the California State General Fund to support PPP programs was not an option for addressing surcharge reform given the urgency to make a change in the collection mechanism as soon as possible.

As SR2 explained, CD staff found the Per access line (Flat rate line) surcharge mechanism to be the most equitable and beneficial for PPP fund stability. Moreover, this approach for PPP surcharge reform would not be affected by the differences in carriers' business models, methods of reporting surchargeable intrastate revenue, or jurisdictional classifications of services.

4.3.1. Parties' Comments on SR2

Frontier, the Small LECs, and CETF supported CD staff's recommendation to adopt the per access line surcharge mechanism because it simplifies the surcharge collection process.⁸⁶ Specifically, CETF contends that this mechanism is fair and technology neutral. Frontier believes this mechanism would provide stability to the PPP fund balance. The Small LECs believe this mechanism is more equitable, which would likely result in an appropriate decrease in surcharges paid by their rural customers, many of whom have limited or fixed incomes, including elderly, farmworkers and struggling small businesses.⁸⁷

AT&T, Verizon, CTIA, VON, The Utility Reform Network (TURN) and CforAT, in their respective comments, all opposed the per access line surcharge mechanism for different reasons.⁸⁸ Many parties made a common argument that the Per Access line will have a negative effect on wireless customers that are

⁸⁶ Frontier's Comment on Staff Report Part 2 (November 30, 2021) at 1; Small LECs' Comment on Staff Report Part 2 (November 30, 2021) at 2; and CETF's Reply Comment on Staff Report Part 2 (December 15, 2021) at 3.

⁸⁷ See SR2 at 8, Section IV.A. Per Access Line (Flat Rate) Mechanism.

⁸⁸ Parties Comment on Staff Report Part 2 (November 30, 2021).

lower income customers and don't qualify for LifeLine. TURN and CforAT argued the Per Access line may be equal where every user pays the same amount but is not equitable. TURN/CforAT argued that lower-income users would spend a larger proportion of their income to pay for the surcharge as compared to higher-income users and many Environmental and Social Justice communities throughout California may potentially fall in this segment.⁸⁹

In commenting on SR2, parties continued to reiterate their original positions, which were contained in their comments on SR1.⁹⁰ Cal Advocates reiterated its original proposal that a Per Access line Flat rate Differentiated by Customer Class surcharge mechanism "is a more equitable solution because it would differentiate large business customers from residential and small business customers based on their ability to pay." Cal Advocates relied on a on gross domestic product to derive its proposed 3:1 ratio of business to residential surcharge rate. Both CETF and TURN and CforAT supported this proposal should the Commission adopt Cal Advocates' proposal.⁹¹ CCTA and the Small LECs opposed Cal Advocates' proposal and argued the use of the GDP is not reasonable.⁹²

Wireless Carriers (AT&T, Verizon, and CTIA) reiterated its original position to pursue funding the state's PPP through the State General Fund.⁹³

⁸⁹ TURN and CforAT's Comment on Staff Report Part 2 (November 30, 2021).

⁹⁰ See Attachment A for a roster of comments filed in this proceeding.

⁹¹ CETF's Reply Comment on Staff Report Part 2 (December 15, 2021) at 4; TURN and CforAT's Reply Comment (December 15, 2021) at 10.

⁹² CCTA's Reply Comment on Staff Report Part 2 (December 15, 2021) at 9; Small LECs' Reply Comment on Staff Report Part 2 (December 15, 2021) at 6.

⁹³ AT&T's Comment on Staff Report Part 2 (November 30, 2021) at 1-2; CTIA's Reply Comment on Staff Report Part 2 (December 15, 2021) at 12; Verizon's Reply Comment on Staff Report Part 2 (December 15, 2021) at 2.

Small LECs, CETF, TURN and CforAT opposed the State General Fund proposal. Small LECs argue “AT&T’s and CTIA’s claims ignore the Commission’s statutory obligations in administering the state’s PPPs as set forth in Pub. Util. Code Sections 270-281, and legislative and Commission’s policies to advance universal service and close the digital divide.”⁹⁴ TURN and CforAT believe utilizing the State’s General Fund to support the PPPs is flawed as “it would almost certainly threaten the sustainability and stability of these programs” and the “Commission on its own does not have authority to adopt such a proposal.”⁹⁵ CETF also argued this approach “does not serve the OIR goal of sustainable fund.”⁹⁶

4.3.2. Discussion

Regardless of the underlying reasons for the decline in carrier remittances of PPP surcharges, it is clear from the record that the Commission must act now to ensure universal service. We find that the current revenue-based surcharge mechanism is no longer adequate to support our universal service programs. This finding is consistent with the information provided in both SR1 and SR2, as well as in parties’ comments. Therefore, it is reasonable for the Commission to consider adopting a new surcharge mechanism which would not be affected by the aforementioned factors such as differences among carriers in how they allocate telecommunications services subject to PPP surcharges assessment.

SR2 reviewed the various proposals that parties presented in comments concerning PPP surcharge reform. The federal Communications Act authorizes states to require every communications carrier to contribute to states’ universal

⁹⁴ Small LEC’s Reply Comment on Staff Report Part 2 (December 15, 2021) at 5.

⁹⁵ TURN and CforAT’s Reply Comment on Staff Report Part 2 (December 15, 2021) at 11-12.

⁹⁶ CETF’s Reply Comment on Staff Report Part 2 (December 15, 2021) at 2.

service programs on an equitable and nondiscriminatory basis to preserve and advance universal service in the State of California. SR2 examined whether each proposal satisfied this requirement and whether each proposal would be able to preserve and advance universal service by ensuring that PPP funding remains stable. To preserve and advance universal service, the per access line surcharge mechanism would provide PPP fund stability.

The current revenue-based mechanism is problematic because it allows carriers to determine their intrastate telecommunications revenue amount based on various methodologies. This is not sustainable or equitable. As noted in the SR1, PPP funds have significantly decreased under the current revenue-based approach, due partly to the trend with wireless carriers reporting declining intrastate telecommunications revenue amounts, while at the same time reporting increased amounts for revenue associated with non-telecommunications services that are not subject to state or federal universal service obligations. Specifically, the FCC's reclassification of voicemail, text messaging, and Internet/data services from telecommunications services (Title II) to information services (Title I) removed these services from inclusion in intrastate revenue calculations. This limits the number of services and amount of revenues contributing to state universal service programs.

We reject the per access line with a cap for MLTS PPP surcharge reform proposal, and the per access line differentiated by customer class proposal because those mechanisms are not equitable, as explained in the SR2.⁹⁷ For the reasons indicated above, we also reject any form of revenue-based approach such as the Hybrid Access line/Revenue and the Safe Harbor Access/Revenue

⁹⁷ SR2 at 17.

mechanisms because it creates inequality among customers who use different communication services, and it does not resolve the current problem of fund sustainability. The Safe Harbor Access/Revenue mechanism can protect all residential customers from surcharge increases, but it does not specifically target “lower income” customers. Under this Safe Harbor mechanism, all residential customers are protected regardless of their income level, which will shift the burden to business customers; and thus, is inequitable.

The PPP surcharge reform proposal involving using the State’s General Fund to support PPP programs is rejected as it is an inappropriate funding source and would not provide fund stability.⁹⁸ Parties proposing the State’s General Fund failed to propose details about how such a transition to general fund administration would be administered, while abandoning the carrier intrastate revenue reporting and payment process.

The record, including parties’ comments and CD staff’s review of alternative approaches to PPP surcharge reform in the staff reports, support a shift to a per access line PPP surcharge mechanism. Specifically, with the per access line surcharge mechanism, all users (residential, small business, large business) and all service types would pay the same amount. This would result in a more equitable assessment of the current PPP surcharges, whereas the current disproportionate burden on wireline customer will be shifted to all customers (wireline, VoIP, and wireless) regardless of service type. While we understand the concern raised by several parties that this may, theoretically, have a negative effect on lower income customers who don’t qualify for LifeLine, we cannot actually identify these “lower income” customers, nor do we have a set of criteria

⁹⁸ SR2 at 18-19.

for constituting “lower income.” Like a sales tax on grocery bill, there is no sales tax differentiated by customer income. A better place to address the “lower income” issue is in the LifeLine proceeding where the Commission may consider expanding the number of customers. The per access line surcharge mechanism would ensure the stability and sufficiency of the universal service contribution over time because access line counts would not be subject to differences in carrier reporting methods and business models or FCC service classifications. Considering the analysis set forth in the SR2 and parties’ comments, we adopt a per access line (flat rate) surcharge mechanism.

4.3.3. Conclusion

The Commission should shift from an intrastate revenue base to a per access line flat fee for assessing and collecting PPP surcharges. The per access line (flat rate) mechanism would consolidate the PPP surcharges into a single per access line (or equivalent) surcharge. A per access line surcharge would apply the surcharge amount equally to all customer classes (residential, small business, large business) and all service types.

4.4. LifeLine and Incarcerated Persons Exemption from PPP Surcharges

Several parties expressed concern about how a transition to a flat-fee surcharge on residential customers would affect LifeLine customers, low-income customers, and incarcerated individuals. We address these concerns below.

4.4.1. Parties’ Comments

National LifeLine et. al. stated that, “...if the Commission favors transition to a per access line flat rate-based contribution methodology for the PPPs, the

Commission must exempt LifeLine access lines.”⁹⁹ Cal Advocates’ also urged the Commission to, “...exempt all low-income customers subscribing to either LifeLine or low-income broadband plans that are bundled with voice services from paying PPP surcharges.”¹⁰⁰ Comcast recommended that, “... the Commission should continue to exempt LifeLine services from PPP surcharges if it transitions to a line-based surcharge mechanism.”¹⁰¹

Greenling also recommended that LifeLine eligible individuals and incarcerated individuals should be exempt from PPP surcharge mechanism.¹⁰² According to Greenlining, “the Commission should exempt the surcharge for people who are enrolled in low-income broadband plans or would otherwise qualify for LifeLine — because many people who are eligible for programs like LifeLine, which provides a surcharge exemption, are actually not enrolled in this program.”¹⁰³ TURN and CforAT’s comments stated that, “...the exclusion of LifeLine service from assessment continues to make sense”¹⁰⁴ and urges the Commission to exempt incarcerated telephone service providers from paying the surcharge.¹⁰⁵

⁹⁹ Comments of National LifeLine et. al. on Order Instituting Rulemaking to Update the Surcharge Mechanism for Public Purpose Programs, April 5, 2021, at 2.

¹⁰⁰ Comments of Cal Advocates on Order Instituting Rulemaking to Update Surcharge Mechanisms to Ensure Equity and Transparency of Fees, Taxes and Surcharges on Customers of Telecommunications Services in California, April 5, 2021, at 12.

¹⁰¹ Comments of Comcast on Order Instituting Rulemaking to Update the Surcharge Mechanism for Public Purpose Programs, April 5, 2021, at 6.

¹⁰² Opening Comments of Greenlining to the Staff Report on Surcharge Mechanisms, November 30, 2021, at 2.

¹⁰³ *Id.* at 3.

¹⁰⁴ Opening Comments of TURN and CforAT on the Order Instituting Rulemaking to Update the Surcharge Mechanism for Public Purpose Programs, April 5, 2021, at 31.

¹⁰⁵ Comments of TURN and CforAT on the ALJ’s Ruling, April 29, 2022, at 9.

Securus Technologies' comments¹⁰⁶ on SR2 asserted that its services¹⁰⁷ are not of the nature of what might commonly be considered end user access lines. According to Securus, it does not have the ability to determine or assess surcharges using the proposed per access line flat rate end user mechanism.¹⁰⁸ Securus' comments recommended that the Commission (a) allow Securus to continue to be subject to a revenue-based surcharge; (b) provide an alternative method of applying the charge for those companies that do not provide services on a connection or access line basis; or (c) exempt those companies from assessing and paying charges.¹⁰⁹ In comments on the March 30, 2022 ALJ Ruling requesting comments on CD staff's revised access line definition, Securus reiterated that incarcerated persons and their families should be exempt from PPP surcharges and user fees on policy, legal, and technical infeasibility grounds.¹¹⁰

The Small LECs object to creating any new exemptions, which would complicate the Small LECs' billing systems and impose additional burdens and costs for which they have no cost recovery.¹¹¹

¹⁰⁶ Comments of Securus Technologies, LLC on Communications Division's Staff Report Part 2, November 30, 2021, at 2.

¹⁰⁷ Securus provides services using Internet protocol-enabled transport facilities, which have Internet access data connections at the confinement facilities (prisons). *See* comments at 2.

¹⁰⁸ Comments of Securus Technologies, LLC on Communications Division's Staff Report Part 2, November 30, 2021, at 3.

¹⁰⁹ *Id.* at 4.

¹¹⁰ Comments by Securus on Proposed Staff Revisions to Access Line Definition and Additional Questions Posed by ALJ's March 30, 2022, Ruling, April 29, 2022, at 2 and 7.

¹¹¹ Opening comments of the Small LECs on Staff Report Part 2, November 30, 2021, at 4.

4.4.2. Discussion

The Commission already exempts individuals enrolled in the LifeLine program from paying PPP surcharges and user fees, and this policy will not change. Although Greenlining proposes to wrap LifeLine eligible individuals currently not enrolled into the exemption, the Commission agrees with comments filed by the Small LECs and other parties that this would impose additional administrative burden to implement and does not appear feasible to implement.

Incarcerated individuals represent a special population eligible for attention. The Commission is persuaded by parties' comments to exempt incarcerated individuals from the PPP surcharge mechanism and from paying the user fee.

4.4.3. Conclusion

The Commission will continue to exempt LifeLine subscribers from the PPP surcharge mechanism and from paying the user fee. In addition, the Commission will exempt incarcerated individuals from paying PPP surcharges and the user fee.

5. Components of the New Access Line Surcharge Mechanism

Many parties identified the "access line" definition as the most important issue for the Commission to resolve in adopting a new access line-based surcharge mechanism. For instance, the Small LECs stated that "... if the Commission reasonably and clearly defines an 'access line' and provides carriers with adequate implementation time to address any needed changes to their billing or information technology systems, the transition to the per access line flat rate approach should achieve the Commission's goals of simplifying the

collection process and providing stability to the Fund balances.”¹¹² In response to comments, CD staff issued SR2, in which staff proposed an “access line” definition, reviewed the parties’ various surcharge mechanism proposals, discussed implementation issues with a new surcharge mechanism, and posed further questions for parties. The ALJ issued an e-mail ruling on October 29, 2021, attaching SR2 and requesting comments.¹¹³

5.1. SR2 Proposed Access Line Definition

Existing law defines an “access line” in California Revenue and Taxation Code Section 41007.1 to include wireline, wireless, and VoIP service lines.¹¹⁴ An access line describes a connection that, without regard to the mode of service,¹¹⁵ allows a customer to initiate or receive a voice connection, thereby establishing a two-way voice communication. SR2’s proposed access line definition incorporated existing law and added a phone number component:

“Access Line” means a “telephone line” as defined in Public Utilities Code Section 233 and is associated with one assigned California phone number, and shall include, but is not limited to, a “wireline communications service line,” a “wireless communications service line,” and a “Voice over Internet Protocol service line.”

¹¹² Small LECs Opening Comments to the OIR at 1.

¹¹³ Administrative Law Judge’s Ruling seeking comments on Staff’s proposal to revise the access line definition, March 30, 2022.

¹¹⁴ Cal. Rev. & Tax. Code Section 41007.1 states:

“Access line” shall mean any of the following:

- (a) A wireline communications service line;
 - (b) A wireless communications service line; or
 - (c) A VoIP service line, as defined by Section 41016.5 as added by the Act
- adding this section.

¹¹⁵ The mode can be use of a wireline, wireless or some other means of establishing a two-way voice connection.

“Telephone line” includes all conduits, ducts, poles, wires, cables, instruments, and appliances, and all other real estate, fixtures, and personal property owned, controlled, operated, or managed in connection with or to facilitate communication by telephone, whether such communication is had with or without the use of transmission wires.

“Wireline communications service line” means a local exchange service provided at a physical location in this state which allows for a “real-time, two-way voice communication that originates from, or terminates at, the user’s location [whether it uses a Public Switched Telephone Network (PSTN)], VoIP or a successor protocol.

“Wireless communications service line” means a “telecommunications service provided to an end user with a place of primary use in this state” that allows for a “real-time, two-way voice communication that originates from, or terminates at, the user’s location [whether it uses a PSTN] or a (VoIP).” It also means any communication service regardless of whether the communication is voice, data, or video.

Voice over Internet Protocol or “VoIP” service line means voice communications service as defined in Public Utilities Code Section 239.¹¹⁶

5.1.1. Parties’ Comments on SR2 Access Line Definition

CCTA’s comments supported modifications to the access line definition to focus on the number of PSTN concurrent call sessions¹¹⁷ and advocated for a technology neutral definition.¹¹⁸ CCTA argued for a surcharge limit, in which “the number of surcharges imposed shall not exceed the total number of PSTN

¹¹⁶ SR2 at 25-26.

¹¹⁷ Comments of CCTA on Part 2 of Staff Report to Update the Surcharge Mechanism for Public Purpose Programs, November 30, 2021, at 1 and 6.

¹¹⁸ *Id.* at 4.

concurrent calls supported by the provisioning service at a single point in time.”¹¹⁹

The Small LECs “urged the Commission to remain focused on the end goal and maintain consistency with established industry definitions and practices to avoid implementation difficulties that would unnecessarily increase costs and burdens”.¹²⁰ The Small LECs encouraged the Commission to define access line according to the federal definition used by the National Exchange Carrier Association (NECA).¹²¹ However, NECA’s access line definition is not public and therefore not available for consideration in this decision.

Frontier urged the Commission not to deviate from established industry standards for access line definition and exemptions.¹²² Frontier proposed that the Commission’s definition be consistent with the 911 surcharge definition¹²³ and specifically exclude Direct Inward Dialing lines.¹²⁴

Cox supported the concurrent comments of CCTA, and it also recommended additional language to insert in the SR2 access line definition, which includes among other things, a 25 access line cap and referencing Pub. Util. Code Section 285 for what constitutes a VoIP access line.

CCTA’s reply comments suggested minor modifications to the SR2 “access line” definition and requested that the Commission consider the reasonableness

¹¹⁹ *Id.* at 7.

¹²⁰ Opening comments of the Small LECs on Staff Report Part 2, November 30, 2021, at 7.

¹²¹ *Id.* at 1.

¹²² Opening Comments of Frontier on Staff Report Part 2, November 30, 2021, at 6.

¹²³ The California 911 Surcharge definition was established by The Emergency Telephone Users Surcharge Act Definition pursuant to Senate Bill (SB) 96 and is administered by the California Governor’s Office of Emergency Services.

¹²⁴ Opening Comments of Frontier on Staff Report Part 2, November 30, 2021, at 5.

of PPPs' budgets in light of the historic influx of public funding for broadband that can mitigate consumer burden from ever-increasing monthly surcharges.¹²⁵ In particular, the comments emphasized that it is critical that the Commission adopt safeguards to incentivize businesses to maintain models where they continue to contribute to PPPs, as opposed to seeking to use non-assessable services to avoid surcharge rate shock.¹²⁶

5.2. Staff's Revised Access Line Definition

In response to comments on SR2, on March 30, 2022, the ALJ issued an e-mail ruling seeking comments on CD staff's proposed modifications to the access line definition, as set forth in the ruling.¹²⁷ Staff proposed to replace the access line definition in SR2 with the following:

"Access Line" means a wire, radio frequency, other medium of transmission, or protocol used to provide telecommunications service or VoIP service to or from any device utilized by an end user, regardless of technology, which is associated with a wireline, wireless, VoIP or other service account assigned a 10-digit number or other unique identifier and has a California billing address or registered location in California.

"Telecommunications" has the same meaning 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, without change in the form or content of the information as sent and received."

"VoIP service" means service as defined in Pub. Util. Code Section 239.

¹²⁵ Reply Comments of CCTA on Part 2 of Staff Report to Update the Surcharge Mechanism for Public Purpose Programs, December 15, 2021, at 15.

¹²⁶ *Id.* at 6.

¹²⁷ See ALJ E-mail Ruling Updating Proceeding Schedule and Providing Communications Division Staff Report Part 2, October 29, 2021.

“Registered location” means the location associated with service for a subscriber’s telecommunications device. The Registered Location must be a valid postal address in California.¹²⁸

5.2.1. Parties’ Comments on Revised Access Line Definition

The Small LECs agreed with the revised definition incorporating important clarifications and revisions recommended by the parties, including the Small LECs’ proposal to use NECA¹²⁹ protocols or other applicable industry standards to count “access lines” for higher-capacity services, and multiple carriers’ proposals to define “VoIP service” according to Public Utilities Code Section 285.¹³⁰ They emphasized that using established, consistent definitions will avoid inconsistencies between the identification of access lines for surcharge purposes and the reported access line counts for other regulatory purposes.¹³¹ Small LECs further asserted that similar to the 911 surcharge definition, the definition of “access line” should be clear and limited to a wireline communications service line, a wireless communications service line, and a VoIP service line.¹³²

Frontier recommended that the Commission confirm that multi-line business services, such as high-capacity circuits, be counted under industry standards, such as the FCC’s Form 477 definitions.¹³³

¹²⁸ For purposes of this definition, private branch exchange (PBX) lines and Centrex lines are “access lines.”

¹²⁹ NECA's definition is not public. Therefore, we could not include it in this discussion.

¹³⁰ Opening Response of the Small LECs to ALJ Ruling Issued March 30, 2022, at 1-2.

¹³¹ *Id.* at 3.

¹³² *Id.* at 4.

¹³³ Opening Response of Frontier to ALJ Ruling Issued March 30, 2022, at 2.

Cal Advocates recommended an access line definition that is equitable, fair, transparent, and simple to implement to ensure that the state's public purpose programs are adequately funded.¹³⁴ Cal Advocates urged the Commission to disregard CTIA's claims that the current surcharge definition is sustainable and equitable. The comments stated that as currently drafted, Staff's revised March 30, 2022, definition of "access line" would exclude many businesses from paying PPP surcharges because of the definition's reliance on a 10-digit phone number rather than a billing address.¹³⁵ Cal Advocates' comments further stressed that the revised definition of access line should be technology neutral, and any access line associated with a telecommunications service account with a California billing address or registered location in California should be subject to the flat fee surcharge.¹³⁶ The comments further recommended that the Commission define access line based on an account tied to the service, not what type of service, business service, or type of equipment or technology is being utilized.¹³⁷ The comments further recommended that the Commission reject the revised access line definition proposed by industry parties.

VON, as in previous comments, recommended that the Commission maintain the current revenue-based assessment methodology until Congress and/or the FCC complete federal USF reform.¹³⁸ The comments supported that

¹³⁴ Opening Comments of the Public Advocates Office on March 30, 2022, ALJ's Ruling Requesting Comment, April 29, 2022, at 6.

¹³⁵ *Id.* at 1.

¹³⁶ *Id.* at 2.

¹³⁷ *Id.* at 2-3.

¹³⁸ Voice on the Net Coalition's Comments in Response to ALJ Ruling, April 29, 2022, at 4.

“Primary Place of Use” be defined as the “street address where the end-use of customer’s use of the service primarily occurs.”¹³⁹ According to VON, by revising the “access line” definition to refer to Place of Primary Use, the Commission would adopt a term already used in California and would allow providers to align their contribution practices across PPP and 911 surcharges as well as other state taxes.¹⁴⁰ VON further recommended that the definition not include toll free numbers, premium rate numbers, or other types of numbering services.¹⁴¹

CTIA continued to assert that revenue-based surcharges are equitable and sustainable, and therefore it does not see a need for the Commission to define “access line” in this proceeding.¹⁴² CTIA maintained that the Commission should reject a connections-based surcharge mechanism.¹⁴³

CCTA recommended that the Commission remain focused on implementing a straightforward and flexible structure for carriers to collect user fees and remit surcharges to support the PPPs.¹⁴⁴ CCTA proposed a revised access line definition that accounts for operational and implementation issues.¹⁴⁵ CCTA stated that the Commission should consider: (1) line-based assessments be assessed on voice services; and (2) intrastate private line and intrastate data

¹³⁹ *Id.* at 2.

¹⁴⁰ *Id.* at 3.

¹⁴¹ *Ibid.*

¹⁴² Comments of CTIA on Staff’s Revised Access Line Definition, April 29, 2022, at 8.

¹⁴³ *See, e.g.*, Comments of CTIA on Staff’s Revised Access Line Definition, April 29, 2022, at 1. CTIA’s comments reiterated its position that a per access line surcharge would have a regressive impact on California’s consumers, particularly harming low-income consumers and shifting the surcharge burden from business users to residential users.

¹⁴⁴ Opening Comments of the CCTA on the ALJ’s March 30, 2022, ruling Seeking Comments on the Staff’s Proposed Revisions for Defining an Access Line, April 29, 2022, at 2.

¹⁴⁵ *Id.* at 2-3.

transport services that are currently subject to PPP surcharges remain assessed as a percentage of revenues.¹⁴⁶ According to CCTA, Nebraska adopted this approach.¹⁴⁷

Securus stated that in its view the term “access line” cannot be revised in a meaningful way to capture Securus’ services to incarcerated persons.¹⁴⁸

AT&T argued that the SR2 revised “access line” definition attempted to require a nexus to California through the phrases “California billing address” or “registered location in California” but made no reference to “place of primary use” or “PPU”¹⁴⁹. For example, according to AT&T, a customer with a billing address in California but an out-of-state PPU would be improperly assessed the surcharge, whereas a customer with a California PPU but with an out-of-state billing address would not be assessed the surcharge.¹⁵⁰ AT&T also objected to a line cap if a per access line surcharge mechanism is adopted.¹⁵¹ AT&T’s comments repeated previous recommendations about maintaining the current intrastate revenue-based surcharge mechanism, determining whether additional PPP funding is necessary in light of new funding for broadband deployment and adoption, and seeking additional PPP funding from the State’s general fund.¹⁵²

¹⁴⁶ *Id.* at 2.

¹⁴⁷ *Ibid.*

¹⁴⁸ Comments by Securus on Proposed Staff Revisions to Access Line Definition and Additional Questions Posed by ALJ’s March 30, 2022, Ruling, April 29, 2022, at 5.

¹⁴⁹ PPU means place of primary use.

¹⁵⁰ Opening Comments of AT&T on Commission Communications Division Staff’s Proposed Revisions for Defining an Access Line, April 29, 2022, at 3-4.

¹⁵¹ *Id.* at 6.

¹⁵² Opening Comments of AT&T on Commission Communications Division Staff’s Proposed Revisions for Defining an Access Line, April 29, 2022, at 1-2.

Staff had previously responded to this recommendation in SR2 and explained why taking money from the general fund would be an unreasonable approach.¹⁵³

TURN/CforAT asserted that the assigned ALJ Ruling needed more data and context for parties to fully evaluate staff's revised access line definition, including its impact on residential wireline and wireless consumers.¹⁵⁴ TURN and CforAT argued this revised definition does not remedy the prior definition's problem with what they allege as shifting surcharge recovery from business customers to residential customers.¹⁵⁵

Parties filed reply comments to the ALJ's revised access line definition ruling on May 16, 2022. Cal Advocates suggested retaining the term "other unique identifier" and include "NPA-NXX" as a descriptor for 10-digit numbers.¹⁵⁶ Cal Advocates also raised concerns that industry parties' proposed access line definition could exclude customers from the billing base by giving service providers discretion to choose which customers to include in their access line counts.¹⁵⁷

The Small LECs' reply comments emphasized that the Commission should use the industry parties' revised access line definition to promote the goals of this rulemaking "to implement a straightforward and flexible structure for providers to collect and remit surcharges to support the PPPs."¹⁵⁸ Small LECs asserted that parties need additional guidance and the definition needs revisions

¹⁵³ SR2 at 14-15, 18-19.

¹⁵⁴ Comments of TURN and CforAT on the ALJ's Ruling, April 29, 2022, at 1 and 10.

¹⁵⁵ *Id.* at 4.

¹⁵⁶ Reply Comments of Cal Advocates at 2.

¹⁵⁷ *Ibid.*

¹⁵⁸ Reply of the Small LECs to ALJ Ruling Issued March 30, 2022, May 16, 2022, at 4.

to avoid ambiguities and implementation difficulties and to ensure the definition applies to intrastate telecommunications services within the Commission's jurisdiction.¹⁵⁹ Small LECs opposed surcharge line proposals in which business customers would continue to be assessed based on intrastate revenues.¹⁶⁰ They recommended further clarification as to whether industry standards for reporting access lines, such as NECA or FCC protocols, should be used to determine the number of "access lines" for multi-line business services subject to surcharge assessments.¹⁶¹

CCTA's reply comments recommended that the Commission adopt the industry proposed access line definition.¹⁶² The reply comments suggested that Commission staff issue another staff report to ensure that there is an adequate record in this proceeding upon which the Commission can adopt relevant findings.¹⁶³ Moreover, the reply comments suggested the industry proposed access line definition is clear, technologically neutral, equitable, lawful, and readily implementable.¹⁶⁴ The reply comments continued to urge the Commission to consider the hybrid model.¹⁶⁵ The reply comments also asserted the following: assessing high-capacity circuits as access lines would introduce significant complexity and disparity, a numbering feature is not an access line

¹⁵⁹ *Id.* at 1.

¹⁶⁰ *Ibid.*

¹⁶¹ Reply of the Small LECs to ALJ Ruling Issued March 30, 2022, May 16, 2022, at 2.

¹⁶² Reply Comments of CCTA on the ALJ's March 30, 2022, Ruling Seeking Comments on the Staff's Proposed Revisions for Defining an Access Line, May 16, 2022, at 8.

¹⁶³ *Id.* at 9.

¹⁶⁴ *Id.* at 1.

¹⁶⁵ *Id.* at 2.

but rather, a feature of an access line, and the Commission should reject the “outlier” access line definitions proposed by other parties.¹⁶⁶

Frontier’s reply comments support the additional revisions contained in the Industry Proposed Definition to resolve remaining ambiguities and facilitate implementation of the new surcharge mechanism.¹⁶⁷ According to the reply comments, the Commission should also provide additional guidance on how to determine access lines for high-capacity circuits and similar business services.¹⁶⁸ The reply comments stated that the Commission should reject this proposal out of hand.¹⁶⁹

TURN and CforAT’s reply comments further noted that funding for infrastructure is not the same as ongoing support to foster affordable service.¹⁷⁰ TURN and CforAT supported CCTA’s proposed revision to the Staff’s use of the term “California Billing Address,” by replacing those words with “customer service address, place of primary use, or place of purchase.”¹⁷¹

CTIA’s reply comments reiterated its previous comments¹⁷²

5.2.2. Discussion

Comments on staff’s revised access line definition, as set forth in the March 30, 2022, assigned ALJ Ruling, ranged from establishing caps, exempting

¹⁶⁶ *Id.* at 3-7.

¹⁶⁷ Reply Comments of Frontier to ALJ Ruling Issued March 30, 2022, May 16, 2022, at 4.

¹⁶⁸ *Ibid.*

¹⁶⁹ *Ibid.*

¹⁷⁰ *Ibid.*

¹⁷¹ Reply Comments of TURN and CforAT on the ALJ’s Ruling, May 16, 2022, at 2.

¹⁷² Reply Comments of CTIA on Staff’s Revised Access Line Definition, May 16, 2022, at 1 and 4.

certain business models, using established industry definitions, and asserting that the current mechanism does not need to change.

Parties' comments and reply comments on the March 30, 2022, assigned ALJ ruling introduced specific categories of services of components that each party asserted should be included or excluded from the access line definition. Some comments reiterated a previous party position. For example, Cal Advocates' comments pointed out that the access line definition's treatment of toll-free numbers, premium rate numbers, and other numbering services be included in the revised definition of access lines only to the extent that the access line is assigned a 10-digit number or other unique identifier and associated with a California billing address or registered location in California subject to the surcharge.¹⁷³

TURN and CforAT reiterated the need for more data and their previous comments supporting a hybrid system where residential customers would pay a per-line surcharge, subject to a hold harmless constraint, while business customers would continue to be assessed based on intrastate revenues.¹⁷⁴ In reply comments TURN and CforAT urged the Commission to adopt TURN and CforAT's hybrid approach, which will hold residential customers' contribution to the PPPs to the same percent of total PPP contributions as they currently pay and reject CCTA's hybrid proposal that would not hold residential customers

¹⁷³ Opening Comments of the Public Utility Advocates Office on March 30, 2022, Administrative Law Judge's Ruling Requesting Comment, April 29, 2022, at 4.

¹⁷⁴ Comments of the Utility Reform Network and the Center for Accessible Technology on the Administrative Law Judge's Ruling, April 29, 2022, at 1.

harmless and would likely result in residential customers bearing an inequitable share of surcharge assessments.¹⁷⁵

Among other issues, VON's comments stated that the Commission's proposed definition does not and should not include toll free numbers, premium rate numbers, or other types of number services. These number services are not access lines and are not a "medium of transmission, or protocol" in and of themselves.¹⁷⁶ CD staff reviewed parties' comments and reply comments and rejected those comments that reiterated previously stated party positions or advanced changes that would only benefit a specific carrier or category of carrier. However, CD staff did make changes to universal issues common to all carriers. CD staff's work focused on creating a simple and unambiguous access line definition and PPP surcharge reform process.

Based upon the record and input from parties, the Commission finds that further revision to the SR2 access line definition is warranted. Accordingly, for purposes of the new surcharge mechanism we adopt in today's decision, we define "access line" as follows:

"Access Line"¹⁷⁷ 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.

¹⁷⁵ Reply Comments of the Utility Reform Network and the Center for Accessible Technology on the Administrative Law Judge's Ruling, May 16, 2022, at 3.

¹⁷⁶ VON Comments in Response to Administrative Law Judge's Ruling, April 29, 2022, at 3.

¹⁷⁷ The number of access lines a service provider 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 service provider's service.

“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, without change in the form or content of the information as sent and received.”

“VoIP service” means service as defined in Pub. Util. Code Section 239.

“Service address” means the physical address in California where fixed telecommunication service is provided.

“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).

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.

Frontier and Small LECs recommend that the Commission adopt the FCC Form 477 standards to determine access line equivalents for high capacity circuits.¹⁷⁸ At this time, the Commission does not prescribe a specific method for counting these types of lines, but any method must be consistent with the definitions we adopt today and will be subject to audit.

¹⁷⁸ Opening Comments of Small LECs on Proposed Decision Updating the Mechanism for Surcharges to Support Public Purpose Programs, September 22, 2022, at 4; *see also* Opening Comments of Frontier on PD, September 22, 2022, at 1 and 3.

We have considered suggestions from some parties to hold a workshop or other similar opportunity to further discuss issues in this proceeding.¹⁷⁹ Given the urgent need for Commission action to address the continuous decline in PPP surcharge funding, we decline to hold a workshop at this time. The record demonstrates that the Commission should move forward now with adopting an access line-based surcharge mechanism. We anticipate that implementation issues will be addressed in a resolution prepared by CD staff within a reasonable time frame after the Commission adopts this decision. Parties may file a motion to hold a workshop or other meeting should the need arise thereafter.

5.2.3. Conclusion

The access line definition we adopt in the instant decision is reasonable in that it is technology neutral and incorporates existing relevant definitions with which carriers are already familiar. This access line definition is also reasonable in that it captures a broader surcharge base than the current revenue-based mechanism and is therefore a better funding mechanism to ensure PPP stability.

5.3. User Fee

The purpose of the user fee is to finance the Commission's annual operating budget. The California Legislature codified the user fee in 1983.¹⁸⁰ In doing so, the Legislature found that “the public interest is best served by a commission that is appropriately funded and staffed, that can thoroughly examine the issues before it...”¹⁸¹

¹⁷⁹ Reply Comments of CTIA on Staff’s Revised Access Line Definition, May 16, 2022, at 4. Reply Comments of AT&T on Commission Communications Division Staff’s Proposed Revisions for Defining Access Line, May 16, 2022, at 9.

¹⁸⁰ Pub. Util. Code § 401 (Article 1 Collection and Disposition of Fees, and Article 3 Other Public Utilities, both added by Stats. 1983, Ch. 323, Sec. 71, effective July 1, 1983).

¹⁸¹ Pub. Util. Code § 401(a).

Pub. Util. Code Section 431 directs the Commission to collect user fees from public utilities.¹⁸² The Commission determines the appropriate annual CPUC user fee for each type of utility.¹⁸³ Importantly, the Commission “may establish different and distinct methods of assessing fees for each class of public utility” consistent with requirements set forth in Section 432(a)(2).¹⁸⁴ Section 432(a)(2), which requires the fee to reflect expenditures by the commission on regulatory and other authorized activities affecting each respective class, does not appear to be at issue here.¹⁸⁵

For telephone corporations, Section 432(c)(3) requires the Commission “to allocate among the members of the class the amount of its budget to be financed

¹⁸² Pub. Util. Code Section 431 states: “The commission shall annually determine a fee to be paid by every electrical, gas, telephone, telegraph, water, sewer system, and heat corporation and every other public utility providing service directly to customers and subscribers and subject to the jurisdiction of the commission other than a railroad, except as provided in Article 2 (commencing with Section 421). The annual fee shall be established to produce a total amount equal to that amount established in the authorized Commission budget for the same year, including adjustments for increases in employee compensation, other increases appropriated by the Legislature, and an appropriate reserve to regulate public utilities less the amount to be paid from special accounts or funds pursuant to section 402, reimbursements, federal funds, and any other revenues, and the amount of unencumbered funds from the preceding year.”

¹⁸³ [CPUC User Fee](#) (ca.gov).

¹⁸⁴ Pub. Util. Code Section 432(b) states: “The commission may establish different and distinct methods of assessing fees for each class of public utility, if the revenues collected are consistent with paragraph (2) of subdivision (a), except that the commission shall establish a uniform charge per kilowatt hour for sales in kilowatt hours for the class of electrical corporations and a uniform charge per therm for sales in therms for the class of gas corporations.”

¹⁸⁵ Pub. Util. Code Section 432(a)(2) states: “The dollar allocation of the amount of its budget shall be financed by the fee by each class of public utility subject to the fee. The fee allocation among classes of public utilities shall reflect expenditures by the commission on regulatory and other authorized activities affecting each respective class, and shall bear the same ratio that the commission’s workload for each class of public utility subject to the fee bears to the commission’s total workload for all public utilities subject to the fee.”

by the fee” using the following method: “the ratio that each corporation’s gross intrastate revenues bears to the total gross intrastate revenues for the class.”¹⁸⁶

Telephone corporations with annual gross intrastate revenues more than \$750,000 are required to remit this fee quarterly, by the 15th of April, July, October, and January. Those with annual gross intrastate revenues of \$750,000 or less are directed to remit the fee annually on or before January 15.¹⁸⁷

We see the benefits of aligning or combining the user fee with the new access line-based PPP surcharge mechanism we adopt today. Reporting and remittance could be more streamlined. However, as explained below, we find it reasonable to further explore this issue. We thus reserve this and other user fee-related issues for Phase 2.

5.3.1. Parties’ Comments on User Fee Changes

Some parties agreed that the user fee must continue to be assessed based on the current intrastate revenue mechanism. For example, Comcast stated that, “...as the Commission is aware, certain provisions of the Public Utilities Code tie PPP surcharges to intrastate revenues (Pub. Util. Code § 432(c)(3), the CPUC user fee for telephone corporations must be based on ‘the ratio that each corporation’s gross intrastate revenues bears to the total gross intrastate revenues for the class’).”¹⁸⁸ RingCentral stated that Section 285(c) expressly requires the

¹⁸⁶ Pub. Util. Code Section 432(c)(3) states: “For telephone and telegraph corporations, the ratio that each corporation’s gross intrastate revenues bears to the total gross intrastate revenues for the class. If the commission determines that there is a need for consultants or advisory services to assist in determining the reasonableness of capital expenditures for a telephone corporation, the commission may adjust the fees within the class so that the expenses for the consultants and advisory services are fully allocated to that telephone corporation.”

¹⁸⁷ *Ibid.*

¹⁸⁸ Comments of Comcast on Order Instituting Rulemaking to Update the Surcharge Mechanism for Public Purpose Programs, April 5, 2021, at 2.

Commission to require interconnected VoIP providers registered under Section 285 to “collect and remit surcharges on their California intrastate revenues”.¹⁸⁹ RingCentral further asserted that VoIP providers registered under Section 285 are required to pay PPP surcharges but not the user fee and thus a single line-item, per-line fee that would cover both PPP surcharges and the user fee is not feasible and should not be pursued.¹⁹⁰

Sonic pointed out that, “...combining all six PPP surcharges, plus the User Fees, into a single surcharge mask (the ability of customers to judge whether they think each (PPP) program’s funding level is appropriate) this detail, and would discourage public investigation, engagement and participation in the review of PPPs and the User Fee.”¹⁹¹ Charter recommended staff review Sections 431-432, among other sections, to identify which code sections may require amendment prior to converting to a line-based surcharge.¹⁹²

Cox also expressed concern that this approach (one line-item, per access line for PPP surcharges) deprives consumers of transparency as they would no longer have any visibility into what portion of the consolidated surcharge would be allocated to each PPP fund (or all PPPs combined), and what amount would be allocated to the Commission’s budget.”¹⁹³ In that same vein, Cal Advocates recommended that, “...the Commission ensure that information about the PPP

¹⁸⁹ RingCentral Comments in Response to Order Instituting Rulemaking, April 5, 2021, at 2.

¹⁹⁰ *Id.* at 3.

¹⁹¹ Opening Comments of Respondent Sonic on Order Instituting Rulemaking to Update the Surcharge Mechanism for Public Purpose Programs at 5.

¹⁹² Comments of Charter to Order Instituting Rulemaking 21-03-002, April 5, 2021, at 8.

¹⁹³ Comments of Cox on Order Instituting Rulemaking to Update Surcharge and Use Fee Collection Mechanisms, April 5, 2021, at 7.

surcharges and the user fee are clear and accessible on the CPUC website.”¹⁹⁴

Cal Advocates further suggested the Commission include on its website, in plain, straightforward language a description of each of the six public purpose programs and the user fee, a surcharge table breaking down the fund allocations to each program and the user fee, contact information for questions, and links to any prior and subsequent proceedings related to telecommunications surcharges and user fees.¹⁹⁵

5.3.2. Discussion

At this time, the reporting and remittance of the user fee for telephone corporations will continue to be assessed in the same manner. We find it reasonable, as Charter suggests, to further consider in Phase 2 whether any statutory restrictions currently exist that require the Commission to assess the user fee based on the current intrastate revenue-based mechanism, including Pub. Util. Code Section 432(c)(3).

For instance, while Section 432(c)(3) appears to mandate a “method” based on telephone corporations’ “gross intrastate revenue,” this method appears to apply narrowly to how the Commission must “allocate” the user fee among the members of a utility class (*e.g.*, telephone corporations). In contrast, Section 432(b) expressly grants the Commission discretion “to establish different and distinct methods” for “assessing” the user fee for each class of public utility. Here, we are concerned with the mechanism for how the user fee is assessed by telephone corporations on end users. Therefore, the Commission may have

¹⁹⁴ Opening Comments of Cal Advocates on October 29, 2021, Communications Division Staff Report Part 2, November 30, 2021, at 9-10.

¹⁹⁵ *Ibid.*

discretion to adopt a user fee assessment method that is not based on the gross intrastate revenues of telephone corporations.

5.3.3. Conclusion

This decision will not change the user fee funding mechanism. The Commission will, however, consider changes to the user fee assessment method in Phase 2, including whether any statutory changes are necessary to adopt an access line-based mechanism.

6. Implementation of the New Access Line-Based Surcharge Mechanism

The shift to an access line based PPP surcharge mechanism will require carriers to report access line counts on the same monthly schedule as they currently report their intrastate telecommunications revenue, which is no later than 40 days following the close of a reporting period.

It is necessary for the Commission to adopt an interim access line-based PPP surcharge rate pending these updates. As discussed further below, effective April 1, 2023, the interim flat rate PPP surcharge will be \$1.11. Once carriers report their access line counts by no later than June 9, 2023,¹⁹⁶ we expect to have sufficient data to calculate a final surcharge rate for Fiscal Year 2023-2024.

We will continue to adopt universal service surcharge and user fee rates through the resolution process, as well as determine the amount of any necessary adjustments to the access line-based PPP surcharge rate to ensure proper funding for all six of California's universal service programs. For the remainder of 2022 and the first quarter of 2023), carriers will continue to report their intrastate telecommunications revenue through the existing TUFFS. However, as of

¹⁹⁶ As with the current surcharge mechanism, interest will accrue after the 40-day remittance deadline.

April 1, 2023, all wireline, wireless, and VoIP carriers must assess surcharges using the new mechanism. Next, the carriers will need to report their access line data in the new TUFFS no later than forty days following the April 2023 reporting period. The new TUFFS will process carriers' access line data to calculate the applicable flat rate PPP surcharge. Lastly, the carrier must, then remit the total surcharge amount due via the payment portal Automated Clearing House -ACH- debit, through the Electronic Funds Transfer -EFT- system.¹⁹⁷ The process to calculate the user fee will remain unchanged for now.

6.1. Developing a New TUFFS

The new access line-based surcharge mechanism will require creating a new TUFFS that is currently under development. The new TUFFS will be available April 1, 2023. At that time, all telephone corporations shall report their access lines as defined in this decision and remit surcharges through the new TUFFS.

Table 1 is embedded in the legacy TUFFS to facilitate fund payment and allocation. Currently, PPP surcharges are allocated by program, as shown below:

Table 1. Current PPP Surcharge Distribution

REMITTANCE RATES FOR EACH PUBLIC PURPOSE PROGRAM		
Program #	Program Name	Remittance Rate Percent
0464	CHCF-A	0.70%
0470	CHCF-B	0.00%
0471	ULTS	4.75%
0483	DDTP	1.11%

¹⁹⁷ Currently, carriers remit payments to each fund. All payments remitted using the legacy TUFFS will continue to remit payment to each fund. Starting May 2023, carriers will remit a total surcharge amount. The TUFFS will automatically distribute the proper allocation to each fund.

REMITTANCE RATES FOR EACH PUBLIC PURPOSE PROGRAM		
Program #	Program Name	Remittance Rate Percent
0493	CTF	0.78%
3141	CASF	1.019%
		8.359%

Table 2 below depicts an example of how the access line-based mechanism would allocate the surcharges carriers remit. This type of table will be embedded in the new TUFFS to facilitate automatic fund allocations under the access line surcharge mechanism. To calculate the weighted percent allocation, Staff utilized the Commission's 2022-2023 Fiscal Year authorized PPP budgets, resulting in a weighted average fund distribution.

Table 2. New Access Line PPP Surcharge Distribution

WEIGHTED AVERAGE PROGRAM FUND ALLOCATION TABLE		
Program #	Program Name	Weighted Percent of Authorized Budget
0464	CHCF-A	7.54%
0470	CHCF-B	0.00%
0471	ULTS	53.99%
0483	DDTP	9.62%
0493	CTF	16.04%
3141	CASF	12.82%
		100.00%

Collected funds will be distributed to the associated programs based on a weighted average of authorized funding for each PPP. This distribution will be internally controlled by TUFFS. Changes to the allocation mechanism will be determined by the Commission's Communications Division staff, based on the operational needs of each program and approved by the Commission via Resolution in accordance with existing requirements.

Starting April 1, 2023, carriers are directed to report and remit PPP surcharges through the new TUFFS portal and to follow all directions in the new TUFFS. The new TUFFS will consist of the carrier determining the number of access lines serviced in California and entering the number of access lines into the new system. Then, the new system will automatically calculate the single end user surcharge remittances due. The carrier will take the total amount due and remit one payment into the payment portal.

6.2. The New Access Line-Based PPP Interim Surcharge Rate

The access line flat rate end user surcharge mechanism will be effective April 1, 2023. The new surcharge mechanism will apply to all customer classes and will be based on the number of telecommunications access lines in the state, as defined in this decision.

Because carriers have until June 9, 2023, to report their access line data for April 2023, the Commission finds it reasonable to adopt an interim access line surcharge rate of \$1.11. in this decision. This was the projected monthly per access line surcharge rate for Fiscal Year 2023-2024 that staff calculated in SR2, based on existing 2020 subscriber data carriers reported to the FCC.¹⁹⁸ As SR2 explained, staff utilized subscriber numbers carriers reported in FCC Form 477 as a proxy for access line counts in its calculation.¹⁹⁹ This rate, however, does not include adjustments that may be needed to account for the LifeLine and incarcerated persons exemptions adopted in this decision. Thus, all California universal service programs will implement the \$1.11 surcharge rate until the Commission updates the rate in a subsequent resolution.

¹⁹⁸ FCC Form 477 as of June 2020.

¹⁹⁹ See SR2 at 19-21.

We are aware that the budget for the CASF program has statutorily increased significantly²⁰⁰ and therefore, anticipate that this \$1.11 surcharge rate may need to be adjusted upwards, once we receive carriers' actual access line data in new TUFFS after April 1, 2023. Adjustments will be made to ensure that we receive sufficient funds to cover California's universal service programs for 2023. Accordingly, we direct all wireline, wireless, and VoIP carriers or providers to report their access line data by June 9, 2023,²⁰¹ unless otherwise notified by the Communications Division.

We will continue to adjust or adopt new surcharge rates pursuant to our resolution process.

6.3. Updates to the CPUC Website

Cal Advocates'²⁰² comments recommended that the Commission's website include clear, accessible, and easily searchable information on both the PPPs and the user fee. The Small LECs²⁰³ support this proposal. We agree that the Commission should update its website to allow for a smooth transition to the access line based surcharge mechanism. We direct the Communications Division to update the Commission's website to provide clear and straightforward information regarding the new surcharge mechanism, including a surcharge table reflecting the breakdown of the funding allocations and user fee for each PPP program we adopt in this decision. In addition, carriers should include the following link ([Telecommunications Surcharges and User Fees](#)) as part of their

²⁰⁰ D.22-05-029 at 5 (Pub. Util. Code Section 281(d), as amended by SB 4, authorizes the Commission to collect up to \$150,000,000 per year through surcharges to fund the CASF program).

²⁰¹ This date is 40 days after the last calendar day of April 2023.

²⁰² Cal Advocates Opening Comments on Staff Report Part 2, November 30, 2021, at 9-10.

²⁰³ Reply Comments of the Small LECs on Staff Report Part 2, December 15, 2021, at 4.

bills. The link, to the CPUC's website, provides more detailed information on the per access line surcharge. In addition, the Commission's news and outreach office can communicate with the public about surcharge changes through a press release or other modes of communication.

6.4. De Minimis Status Under Access Line Mechanism

The funding mechanism for a per access line surcharge will consist of assessing a charge on individual access lines monthly, except when a carrier falls under the de minimis status/reporting classification. The de minimis rule describes those carriers averaging below \$10,000 in monthly intrastate revenue, which are allowed to report and remit biannually. Currently, carriers report and pay surcharges monthly, unless carriers report under the de minimis rule. These carriers are classified as having a de minimis status. With the new access line surcharge mechanism, we will continue to have a de minimis reporting classification for carriers operating a certain number of access lines that is functionally equivalent to the \$10,000 threshold. Carriers currently reporting under the de minimis rule will continue to do so unless otherwise notified by CD staff. CD staff will notify carriers of the new access line de minimis amount once staff determines it in the implementing resolution we intend to issue.

6.5. Reporting and PPP Surcharges Remittances in Legacy TUFFS Through March 31, 2023

As outlined in SR1, currently all telephone corporations report intrastate telecommunications revenue and remit PPP surcharges online through the CPUC's existing TUFFS (legacy TUFFS) on a monthly basis, except de minimis carriers report bi-annually.²⁰⁴ Once a carrier has determined its aggregate

²⁰⁴ [CPUC Telephone Surcharges Reporting and Payment Filing Directions](#) (ca.gov).

intrastate revenues subject to surcharge for that month, the carrier enters that amount into the TUFFS system. The system then calculates the resulting surcharge amount due for each program fund. The carrier then makes payment to each fund and the user fee by Automated Clearing House (ACH) debit through the Electronic Funds Transfer (EFT) system. Telephone corporations will continue to report in this manner for all intrastate surchargeable revenue made through the first quarter of 2023.

All carriers will be required to assess and collect surcharges as a percentage of an end user's telecommunications bill through March 31, 2023, and will continue to use the legacy TUFFS for reporting and remittances through that period. This means that for all reporting periods through March 2023, carriers will continue to report intrastate revenues subject to surcharge for the month; then, enter the collected funds in the legacy TUFFS. The legacy TUFFS will calculate the resulting surcharge amount due per each program. To remit the resulting surcharges due, the carrier will be redirected to a Payment Portal to make payments to each fund and the user fee by ACH debit through the EFT system.

7. Comments on Proposed Decision

The proposed decision of ALJ Hazlyn Fortune in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on September 22, 2022, by Frontier, CTIA, CCTA, Small LECs, TURN, TracFone, Cal Advocates, CforAT, CETF, and AT&T. Reply comments were filed on September 27, 2022, by CTIA, CCTA, Frontier, Small LECs, Cal Advocates, AT&T, CforAT, and TURN.

We have reviewed all comments and reply comments. We have added further discussion or modified various sections of the PD in response to comments, where clarifications or changes were warranted.²⁰⁵ Comments reiterating previous arguments were not given weight. Below, we provide further discussion of issues raised in comments.

Implementation Date. The Commission received comments from several parties, including Frontier and the Small LECs, among others, arguing that the January 1, 2023, timeframe for implementing the new surcharge mechanism was too short and should be extended. We find good cause exists for extending the implementation date from January 1, 2023, to April 1, 2023, and have updated the decision accordingly.

Access Line definition: term “unique identifier.” Frontier argues that the term “unique identifier” should be removed or clarified because it is ambiguous.²⁰⁶ We disagree. It is reasonable to include this term to account for changes to or other ways in which carriers identify its connections associated with California customer accounts, as telecommunications technology continues to evolve.²⁰⁷

Access Line definition: PBX and Centrix Lines. Parties requested that the Commission clarify whether PBX and Centrex lines are access lines. The decision adds further guidance to the decision, clarifying in Section 6, that high-capacity circuits are considered access lines.

²⁰⁵ Silence on an issue raised in comments on the proposed decision does not mean that the Commission did not consider it.

²⁰⁶ Frontier Reply Comments on PD, September 27, 2022, at 2-4.

²⁰⁷ See, e.g., CforAT Reply Comments on PD, September 27, 2022, at 2 (Stating the PD sufficiently defines “Unique Identifier” and based on the context included in the PD, it means “any combination of letters, number or symbols used to identify a specific wire or wireless connection that provides a real-time two way voice telecommunications service or VoIP”).

Access Line definition: adding term “intrastate”. We reject Frontier’s suggestion that the term “intrastate” should be added to the access line definition. We disagree with Frontier that the exclusion of this term could confuse the boundaries of the Commission’s jurisdiction. The “access line” definition we adopt requires the connection to be “associated with a 10-digit NPA-NXX number or other unique identifier” *and* “a service address or Place of Primary Use in California,” which makes clear that these lines are California-based.

Applicability of access line-based surcharge mechanism to VoIP telephone corporations. AT&T argues that “changing the current PPP surcharge mechanism based on a percentage of intrastate revenues to a flat per access line surcharge for interconnected VoIP providers would appear to violate Section 285(c).”²⁰⁸ AT&T cites to language in Section 285(c) that states, “[t]he commission shall require interconnected VoIP service providers to collect and remit surcharges on their California intrastate revenues.”²⁰⁹ AT&T further argues that the PD is inconsistent in that it recognizes that the Commission cannot change the user fee to a flat per access line fee because of specific statutory language in Section 432 that references “gross intrastate revenue,” but then erroneously ignores similar language in Section 285.²¹⁰

Cal Advocates’ reply comments rebut AT&T’s argument, asserting that the PD does not rely on Section 285(c) as the basis for applying the access line-based surcharge mechanism to VoIP carriers.²¹¹ Specifically, Cal Advocates states:

²⁰⁸ AT&T Opening Comments on PD, September 22, 2022, at 3.

²⁰⁹ *Ibid.*

²¹⁰ *Ibid.*

²¹¹ Reply Comments of Public Advocates Office on Proposed Decision, September 27, 2022, at 3.

“While PU Code Section 285 previously included language on how PPP surcharges assessed on interconnected VoIP customers must be collected, Assembly Bill (AB) 14 removed that provision in 2021. AT&T’s narrow interpretation of the Commission’s ability to assess a flat surcharge is contrary to legislative intent; one of AB 14’s authors’ websites states that the bill’s purpose is to ‘bring forward the funding and reforms necessary to truly achieve Internet for all.’ While PU Code Section 285 does mention intrastate revenues, it no longer prescribes the method to calculate surcharge revenue.”²¹²

We disagree with AT&T’s assertion that we would be violating Section 285 in applying the access line-based PPP surcharge mechanism to VoIP carriers. We must interpret Section 285 in the context of recent amendments pursuant to AB 14 (2021), as well as our broad regulatory jurisdiction over VoIP carriers as public utility telephone corporations.

As we recently noted in R.22-08-008, under California law “the means by which service is provided, whether it be traditional landline, wireless technology, or IP-enabled, does not affect whether the provider meets the definition of a public utility telephone corporation. VoIP service providers fall within the definition of ‘Telephone Corporation’ under § 234, and their facilities fall within the definition of ‘Telephone Line’ pursuant to § 233.[]. Thus, VoIP carriers are subject to the Commission’s jurisdiction.”²¹³

In 2011, the Legislature enacted AB 841, codified as Section 285, with the “sole purpose” to expressly authorize the Commission to require interconnected

²¹² *Ibid.*

²¹³ *Order Instituting Rulemaking Proceeding to Consider Changes to Licensing Status and Obligations of Interconnected Voice over Internet Protocol Carriers* (OIR), R.22-08-008, August 30, 2022; see also D.19-08-025, at COL 27: “VoIP carriers clearly fit within the plain language of the definition of a public utility ‘telephone corporation.’”

VoIP carriers to collect and remit surcharges in support of public purpose programs.²¹⁴ Prior to that, the Commission had only imposed PPP surcharges on traditional wireline and wireless carriers. But, no similar statute was necessary for the Commission to require these types of telephone corporations to assess PPP surcharges.

The passage and enactment of SB 1161, codified as Section 710, limited the Commission's ability to regulate VoIP carriers from 2012 to January 1, 2020, unless expressly authorized by statute. Thus, the Commission relied on Section 285 as the basis for continuing to require VoIP carriers to collect and remit PPP surcharges. Section 285 did not expressly authorize the Commission to require VoIP carriers to do the same for the user fee, and therefore the Commission did not apply the user fee requirements to them.

When Section 710 expired January 1, 2020, state law no longer prevented the Commission from regulating VoIP carriers. As VoIP carriers are public utility telephone corporations, the Commission no longer needed to rely on Section 285 as the basis for its authority to require VoIP carriers to contribute to the state's PPP funds. Our authority to require VoIP carriers to assess surcharges and user fees derives from our plenary authority over telephone corporations, a public utility class within which VoIP, traditional wireline, and wireless carriers fall. Thus, the Commission is not prohibited from adopting a different universal service contribution mechanism, such as the access line-based mechanism this decision adopts, than the one Section 285 initially created for VoIP carriers in 2011.

²¹⁴ Pub. Util. Code § 285(b).

Moreover, AB 14 enacted in 2021 repealed parts of Section 285 that authorized specific surcharge collection methodologies used by VoIP carriers to determine surcharge amounts for VoIP service, which related to how they were to identify intrastate revenues. By eliminating those specific methods for calculating intrastate revenues, the Legislature intended for the Commission to have flexibility in adopting a surcharge mechanism that was not tied to a revenue-based mechanism. Indeed, the September 7, 2021, Senate Floor Analyses directly supports this interpretation, stating:

On March 4, 2021, the CPUC opened a rulemaking (R.21-03-002) to update the surcharge mechanism for the state's Universal Service Fund programs. The first phase of this proceeding is intended to consider shifting the surcharge mechanism for all the Universal Service Fund public purpose programs to a flat surcharge assessed on access lines by January 1, 2022. This bill deletes existing law that authorizes IP-enabled telecommunications providers to establish their own methods for CASF contributions and deletes restrictions related to the DDTP's surcharge. The bill instead caps the total amount of funds that the CPUC can annually collect at no more than \$100 million. As a result, this bill eliminates restrictions in existing law that limit the CPUC's ability to take steps in its ongoing rulemaking to reduce cost-shifting and under-collection of Universal Service Fund surcharges.²¹⁵

Accordingly, we find that Section 285 does not prevent us from adopting an access line-based surcharge mechanism that applies to VoIP carriers.

We are also not persuaded by AT&T's argument that we would be acting inconsistently with our user fee approach at this time. Upon further review of the relevant user fee statute, Section 432, we find that Section 432(b) may provide the

²¹⁵ See September 7, 2021 Senate Floor Analyses, at found at the link: [Bill Analysis - AB-14 Communications: California Advanced Services Fund: deaf and disabled telecommunications program: surcharges](#).

Commission with the flexibility to adopt a user fee applicable to telephone corporations based on a method not tied to “gross intrastate revenue.” We have revised our user fee discussion accordingly. However, we will further explore this and other user fee issues in Phase 2.

Access Line definition: adding term “Interconnected” when referencing VoIP service: We reject the Small LECs’ and Frontier’s suggestion that “Interconnected” be added to references to VoIP service.²¹⁶ Small LECs claim using the terminology “Interconnected VoIP” would “avoid implications that the definition encompasses pure computer-to-computer IP transmission and other services.”²¹⁷ AT&T agrees with the Small LECs and Frontier because Section 285 “enables the Commission to assess any type of VoIP services for PPP surcharges, is limited to interconnected VoIP.”²¹⁸ As explained above, our authority to require VoIP carriers to assess an access line-based surcharge does not derive from Section 285. Our current access line definition includes reference to Section 239’s definition of VoIP service, which provides sufficient guidance to carriers about the “voice communications service” that should be counted as access lines. Moreover, California’s E911 surcharge, which is also based on access lines, similarly refers to VoIP service without the “interconnected” qualifier. We find adding this qualifying term unnecessary.

Access Line definition: adding term “Place of Purchase” to accommodate prepaid wireless carrier’s business models. AT&T argues that because there is typically no “service address” or “place of primary use” associated with a prepaid wireless

²¹⁶ Opening Comments of Small LECs on PD, September 22, 2022, at 4; and Opening Comment of Frontier on PD, September 22, 2022, at 1.

²¹⁷ Opening Comments of Small LECs on PD, September 22, 2022, at 4.

²¹⁸ Reply Comments of AT&T on PD, September 27, 2022, at 3.

“access line,” the PD should add the term “place of purchase” to accommodate the prepaid wireless service business model.²¹⁹ AT&T further asserts that the PD fails to provide guidance on how to determine whether such lines are within California’s jurisdiction.²²⁰ We find it unreasonable that sophisticated prepaid wireless carriers would be unable to determine the applicable number of access lines or connections that they operate in California. Therefore, we find it unnecessary to change the access line definition to accommodate the prepaid wireless business model.

CPUC website. We clarified the decision to state that the Commission’s website will contain detailed surcharge information for each PPP program, including a link for carriers to use on their customer bills. In addition, the Commission’s news and outreach office will also use other modes for conveying public information about the change in surcharge mechanism, such as issuing a press release.

8. Assignment of Proceeding

Commission President Alice Reynolds is the assigned Commissioner and Hazlyn Fortune is the assigned ALJ in this proceeding.

Findings of Fact

1. The California Legislature, pursuant to Pub. Util. Code Section 709 and the Moore Universal Telephone Service Act (Section 871), contemplated a significant role for the Commission in closing the digital divide in California and bringing advanced communications services to all Californians.

2. The Commission implemented the Moore Universal Telephone Service Act, which established universal service in California, in D.84-04-052.

²¹⁹ Opening Comments of AT&T on PD, September 22, 2022, at 4-5.

²²⁰ *Ibid.*

3. Pub. Util. Code Sections 270-285 and Section 431 authorizes the Commission to administer and fund the PPPs and collect user fees, respectively.

4. Existing law and Commission decisions, including D.96-10-066, requires that all telephone corporations, including traditional wireline, wireless, and VoIP carriers, assess and collect PPP surcharges from their end users and remit those revenues to the Commission.²²¹

5. The Commission adopted an intrastate revenue-based end user surcharge mechanism in D.94-09-065 and D.96-10-066.

6. Under the current revenue-based mechanism, carriers determine and self-report the portion of their services they consider “telecommunications” and “intrastate” for PPP surcharges and user fee remittances purposes.

7. Currently, carriers may utilize methodologies that rely on their books and records, traffic studies, or a safe harbor percentage adopted by the FCC in determining surchargeable intrastate revenue.

8. Information services are currently not subject to PPP surcharges.

9. Information services are reported by carriers as a larger proportion of wireless service bills, thereby reducing the overall revenue subject to intrastate or interstate surcharge.

10. Telephone corporations remit PPP surcharges in a non-uniform manner due to a variety of factors, including differences in carriers’ business plans and

²²¹ See, e.g., D.96-10-066, in R.95-01-020, Rulemaking on the Commission's Own Motion into Universal Service and to Comply with the Mandates of AB 3643; Investigation on the Commission's Own Motion into Universal Service and to Comply with the Mandates of AB 3643. In this decision, the Commission exempted the following services from the PPP surcharges: ULTS billing; coin-sent paid calling; debit card messages; one-way radio paging; usage charges to Coin operated paid telephones; customers receiving services under existing contracts that were executed on or before September 15, 1994; and directory advertising. (See also GO 153.)

models, methodologies for determining intrastate telecommunications revenues, federal law, and the Federal Communications Commission's classification of communications services.

11. All telecommunications carriers operating in California must comply with the federal Communications Act, 47 U.S.C. Section 254, which requires carriers to contribute to universal service on an equitable and non-discriminatory basis.

12. Persistent declines in the sources that contribute to surcharges has resulted in lower surcharge revenue collected for all PPPs, compared to the amount forecasted.

13. The intrastate revenue billing base declined by 58 percent between 2012 and 2020.

14. Continuing to base surcharges on a declining intrastate billing base will make it necessary for the aggregate surcharge rate to increase.

15. Pursuant to Pub. Util. Code Section 701, the Commission has a statutory mandate to ensure that a public utility's rates, terms, and services are just and reasonable, and has plenary authority to carry out this mandate.

16. Of all the surcharge mechanism proposals addressed in this proceeding, the access line-based flat rate surcharge mechanism is the most technology neutral and straightforward mechanism for carriers to collect and remit surcharges to support the PPPs.

17. One of the goals of this Rulemaking is to improve the transparency and equitability of charges on customer billings.

18. California's 9-1-1 system and surcharge mechanism, transitioned the 9-1-1 charge to a per connection basis pursuant to legislation.²²²

²²² See SB 96 (Chapter 54, Statutes of 2019).

19. Pursuant to Section 432(b), “the Commission may establish different and distinct methods of assessing fees for each class of public utility.”

20. Pursuant to Section 8.1.9 of GO 153, California LifeLine subscribers are exempt from paying PPP surcharges and the user fee.

Conclusions of Law

1. The Commission must support universal service for all Californians pursuant to the Moore Act.

2. The Commission should maintain the current user fee assessment and collection mechanism based on intrastate telecommunications revenue until the Commission further considers this issue in Phase 2 of this proceeding.

3. It is reasonable for the Commission to shift from an intrastate revenue-based to a per access line flat rate for assessing and collecting PPP surcharges.

4. The Commission should exempt incarcerated individuals from paying PPP surcharges and the user fee.

5. The Commission should continue to exempt LifeLine subscribers from paying PPP surcharges and the user fee.

O R D E R

IT IS ORDERED that:

1. All telephone corporations, including traditional wireline, wireless and Voice over Internet Protocol (VoIP) carriers or providers, operating in California shall assess, collect, and remit California’s Public Purpose Program surcharges pursuant to the access line flat rate surcharge mechanism adopted in this decision.

2. 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 review and audit.

3. The user fee shall continue to be assessed and collected based on intrastate telecommunications revenues until the Commission examines this issue further in Phase 2.

4. Incarcerated individuals are exempt from the Public Purpose Program surcharges and the user fee.

5. LifeLine subscribers shall continue to be exempt from the Public Purpose Program surcharges and user fees.

6. All telephone corporations, including traditional wireline, wireless and Voice over Internet Protocol carriers or providers, shall implement the new access line flat rate surcharge collection and remittance mechanism adopted in this decision, beginning April 1, 2023.

7. A per access line surcharge rate of \$1.11 will go into effect on April 1, 2023, and shall remain in effect until the Commission adopts a different rate.

8. The \$1.11 access line based surcharge rate effective April 1, 2023 is intended to fund all of California's universal service programs until the Commission updates the rate using its resolution process.

9. Beginning June 9, 2023, all telephone corporations, including traditional wireline, wireless and Voice over Internet Protocol carriers or providers, shall

report their access line data, as required by this decision, in the CPUC's new Telecommunications and User Fee Filing System portal.

This order is effective today.

Dated October 20, 2022, at San Francisco, California

ALICE REYNOLDS

President

CLIFFORD RECHTSCHAFFEN

GENEVIEVE SHIROMA

DARCIE L. HOUCK

JOHN REYNOLDS

Commissioners

ATTACHMENT A

**LISTING OF PARTIES²²³ TO RULEMAKING 21-03-002
AND THEIR ACRONYMS, ABBREVIATED NAMES
OR COLLECTIVE NAMES FOR EACH FILING**

California Public Utilities Commission may be referred to as “Commission” or “CPUC”.

OPENING COMMENTS TO THE OIR	
Party Name	Name, Acronym or Abbreviated Name
Extenet Systems Inc.	Extenet Systems
Sonic Telecom, LLC	Sonic
National LifeLine Association, Boomerang Wireless, LLC, Amerimex Communications Corp. DBA Safety Net Wireless, American Broadband & Telecommunications Company, Global Connection Inc. of America DBA Standup Wireless, Truconnect Communications, Inc. and I-Wireless, LLC.	National LifeLine et. al.
Time Warner Cable Information Services (California), LLC and Charter Fiberlink CA-CCO, LLC	Charter
Cox California Telecom, LLC DBA Cox Communications	Cox
Public Advocates Office	Cal Advocates
Frontier California Inc., Citizens Telecommunications Company of California Inc. DBA Frontier Communications of California, Frontier Communications of the Southwest Inc.	(collectively) Frontier
Telrite Corporation DBA Life Wireless	Telrite
Consolidated Communications of California Company	Consolidated

²²³ Parties filed comments individually or in groups; these groups changed for each set of responses, comments and reply comments.

OPENING COMMENTS TO THE OIR	
Party Name	Name, Acronym or Abbreviated Name
Tracfone Wireless, Inc.	Tracfone
Velocity Communications Inc.	Velocity
Comcast Phone of California, LLC	Comcast
Calaveras Telephone Company, Cal-ORE Telephone Company, Ducor Telephone Company, Foresthill Telephone Company, Happy Valley Telephone Company, Hornitos Telephone Company, Kerman Telephone Company, Pinnacles Telephone Company, The Ponderosa Telephone Company, Sierra Telephone Company, The Siskiyou Telephone Company, Volcano Telephone Company, Winterhaven Telephone Company	Small LECs
The Utility Reform Network and the Center for Accessible Technology	TURN and CforAT
Comcast Phone of California, LLC	Comcast
Utility Consumers' Action Network	UCAN
CTIA ²²⁴	CTIA
Pacific Bell Telephone Company d/b/a AT&T California, AT&T Corp., SBC Long Distance, LLC, Teleport Communications America, LLC, Cricket Wireless, LLC, AT&T Mobility	(collectively) AT&T
MCI Communications Services LLC, MCI metro Access Transmission Services Corp., and Cellco Partnership DBA Verizon Wireless	Verizon
RingCentral, Inc.	RingCentral
Extenet Systems (California) LLC	Extenet Systems California

²²⁴ The Wireless Association (members include wireless carriers, device manufacturers, suppliers as well as apps and content companies).

OPENING COMMENTS TO THE OIR	
Party Name	Name, Acronym or Abbreviated Name
California Emerging Technology Fund	CETF

REPLY COMMENTS TO THE OIR	
Party Name	Name, Acronym or Abbreviated Name
Pacific Bell Telephone Company d/b/a AT&T California, AT&T Corp., SBC Long Distance, LLC, Teleport Communications America, LLC, Cricket Wireless, LLC, AT&T Mobility	(collectively) AT&T
Time Warner Cable Information Services (California), LLC and Charter Fiberlink CA-CCO, LLC	Charter
California Emerging Technology Fund	CETF
California Cable and Telecommunications Association	CCTA
Public Advocates Office	Cal Advocates
Consolidated Communications of California Company	Consolidated
Frontier California Inc., Citizens Telecommunications Company of California Inc. DBA Frontier Communications of California, Frontier Communications of the Southwest Inc.	(collectively) Frontier
Calaveras Telephone Company, Cal-ORE Telephone Company, Ducor Telephone Company, Foresthill Telephone Company, Happy Valley Telephone Company, Hornitos Telephone Company, Kerman Telephone Company, Pinnacles Telephone Company, The Ponderosa Telephone Company, Sierra Telephone Company, The Siskiyou Telephone Company, Volcano Telephone Company, Winterhaven Telephone Company	Small LECs
Comcast Phone of California, LLC	Comcast
Voice on the Net Coalition	VON
The Utility Reform Network and the Center for Accessible Technology	TURN and CforAT
Cox California Telecom, LLC DBA Cox Communications	Cox
CTIA	CTIA

OPENING COMMENTS ON SCOPING MEMO RULING AND STAFF REPORT PART 1	
Party Name	Name, Acronym or Abbreviated Name
Cox California Telecom, LLC DBA Cox Communications	Cox
MCI Communications Services LLC, MCImetro Access Transmission Services Corp., and Cellco Partnership DBA Verizon Wireless	Verizon
Public Advocates Office	Cal Advocates
CTIA	CTIA
TracFone Wireless Inc.	TracFone
Comcast Phone of California, LLC	Comcast
Sonic Telecom, LLC	Sonic
Frontier California Inc., Citizens Telecommunications Company of California Inc. DBA Frontier Communications of California, Frontier Communications of the Southwest Inc.	(collectively) Frontier
Calaveras Telephone Company, Cal-ORE Telephone Company, Ducor Telephone Company, Foresthill Telephone Company, Happy Valley Telephone Company, Hornitos Telephone Company, Kerman Telephone Company, Pinnacles Telephone Company, The Ponderosa Telephone Company, Sierra Telephone Company, The Siskiyou Telephone Company, Volcano Telephone Company, Winterhaven Telephone Company	Small LECs
Voice on the Net Coalition	VON
Pacific Bell Telephone Company d/b/a AT&T California, AT&T Corp., SBC Long Distance, LLC, Teleport Communications America, LLC, Cricket Wireless, LLC, AT&T Mobility	(collectively) AT&T
The Utility Reform Network and the Center for Accessible Technology	TURN and CforAT

OPENING COMMENTS ON SCOPING MEMO RULING AND STAFF REPORT PART 1	
Party Name	Name, Acronym or Abbreviated Name
Time Warner Cable Information Services (California), LLC and Charter Fiberlink CA-CCO, LLC	Charter

REPLY COMMENTS ON SCOPING MEMO RULING AND STAFF REPORT PART 1	
Party Name	Name, Acronym or Abbreviated Name
Calaveras Telephone Company, Cal-ORE Telephone Company, Ducor Telephone Company, Foresthill Telephone Company, Happy Valley Telephone Company, Hornitos Telephone Company, Kerman Telephone Company, Pinnacles Telephone Company, The Ponderosa Telephone Company, Sierra Telephone Company, The Siskiyou Telephone Company, Volcano Telephone Company, Winterhaven Telephone Company	Small LECs
Public Advocates Office	Cal Advocates
California Emerging Technology Fund	CETF
California Cable and Telecommunications Association	CCTA
Cox California Telecom, LLC DBA Cox Communications	Cox
Pacific Bell Telephone Company d/b/a AT&T California, AT&T Corp., SBC Long Distance, LLC, Teleport Communications America, LLC, Cricket Wireless, LLC, AT&T Mobility	(collectively) AT&T
The Utility Reform Network and the Center for Accessible Technology	TURN and CforAT
CTIA	CTIA

COMMENTS ON STAFF REPORT 2	
Party Name	Name, Acronym or Abbreviated Name
CTIA	CTIA
MCI Communications Services LLC, MCImetro Access Transmission Services Corp., and Cellco Partnership DBA Verizon Wireless	Verizon
The Greenling Institute	Greenlining
California Cable and Telecommunications Association	CCTA
The Utility Reform Network and the Center for Accessible Technology	TURN and CforAT
Public Advocates Office	Cal Advocates
Calaveras Telephone Company, Cal-ORE Telephone Company, Ducor Telephone Company, Foresthill Telephone Company, Happy Valley Telephone Company, Hornitos Telephone Company, Kerman Telephone Company, Pinnacles Telephone Company, The Ponderosa Telephone Company, Sierra Telephone Company, The Siskiyou Telephone Company, Volcano Telephone Company, Winterhaven Telephone Company	Small LECs
Frontier California Inc., Citizens Telecommunications Company of California Inc. DBA Frontier Communications of California, Frontier Communications of the Southwest Inc.	(collectively) Frontier
Voice on the Net Coalition	VON
Pacific Bell Telephone Company d/b/a AT&T California, AT&T Corp., SBC Long Distance, LLC, Teleport Communications America, LLC, Cricket Wireless, LLC, AT&T Mobility	(collectively) AT&T
Securus Technologies, LLC	Securus

REPLY COMMENTS ON STAFF REPORT 2	
Party Name	Name, Acronym or Abbreviated Name
CTIA	CTIA
California Emerging Technology Fund	CETF
MCI Communications Services LLC, MCImetro Access Transmission Services Corp., and Cellco Partnership DBA Verizon Wireless	Verizon
Public Advocates Office	Cal Advocates
Calaveras Telephone Company, Cal-ORE Telephone Company, Ducor Telephone Company, Foresthill Telephone Company, Happy Valley Telephone Company, Hornitos Telephone Company, Kerman Telephone Company, Pinnacles Telephone Company, The Ponderosa Telephone Company, Sierra Telephone Company, The Siskiyou Telephone Company, Volcano Telephone Company, Winterhaven Telephone Company	Small LECs
Cox California Telecom, LLC DBA Cox Communications	Cox
California Cable and Telecommunications Association	CCTA
Pacific Bell Telephone Company d/b/a AT&T California, AT&T Corp., SBC Long Distance, LLC, Teleport Communications America, LLC, Cricket Wireless, LLC, AT&T Mobility	(collectively) AT&T
Time Warner Cable Information Services (California), LLC and Charter Fiberlink CA-CCO, LLC	Charter
The Utility Reform Network and the Center for Accessible Technology	TURN and CforAT

OPENING COMMENTS TO ALJ RULING ON ACCESS LINE DEFINITION	
Party Name	Name, Acronym or Abbreviated Name
Calaveras Telephone Company, Cal-ORE Telephone Company, Ducor Telephone Company, Foresthill Telephone Company, Happy Valley Telephone Company, Hornitos Telephone Company, Kerman Telephone Company, Pinnacles Telephone Company, The Ponderosa Telephone Company, Sierra Telephone Company, The Siskiyou Telephone Company, Volcano Telephone Company, Winterhaven Telephone Company	Small LECs
Frontier California Inc., Citizens Telecommunications Company of California Inc. DBA Frontier Communications of California, Frontier Communications of the Southwest Inc.	(collectively) Frontier
Public Advocates Office	Cal Advocates
Voice on the Net Coalition	VON
CTIA	CTIA
California Cable and Telecommunications Association	CCTA
Securus Technologies, LLC	Securus
Pacific Bell Telephone Company d/b/a AT&T California, AT&T Corp., SBC Long Distance, LLC, Teleport Communications America, LLC, Cricket Wireless, LLC, AT&T Mobility	(collectively) AT&T
The Utility Reform Network and the Center for Accessible Technology	TURN and CforAT

REPLY COMMENTS TO ALJ RULING ON ACCESS LINE DEFINITION	
Party Name	Name, Acronym or Abbreviated Name
Public Advocates Office	Cal Advocates
Calaveras Telephone Company, Cal-ORE Telephone Company, Ducor Telephone Company, Foresthill Telephone Company, Happy Valley Telephone Company, Hornitos Telephone Company, Kerman Telephone Company, Pinnacles Telephone Company, The Ponderosa Telephone Company, Sierra Telephone Company, The Siskiyou Telephone Company, Volcano Telephone Company, Winterhaven Telephone Company	Small LECs
California Cable and Telecommunications Association	CCTA
Frontier California Inc., Citizens Telecommunications Company of California Inc. DBA Frontier Communications of California, Frontier Communications of the Southwest Inc.	(collectively) Frontier
The Utility Reform Network and the Center for Accessible Technology	TURN and CforAT
Pacific Bell Telephone Company d/b/a AT&T California, AT&T Corp., SBC Long Distance, LLC, Teleport Communications America, LLC, Cricket Wireless, LLC, AT&T Mobility	(collectively) AT&T
CTIA	CTIA

(END OF ATTACHMENT A)