Item __ (Agenda ID# 23795)

State of California **Public Utilities Commission**
San Francisco

M E M O R A N D U M

Date : **October 17, 2025**

To : **Commissioners**
(Meeting of October 30, 2025)

From : **Sindy Yun, Attorney, Legal Division**
Dorris Chow, Supervisor, Communications Division

Subject : **Filing of Comments in Federal Communications Commission, GN Docket No. 25-133: In the Matter of Delete, Delete, Delete, Direct Final Rule**

RECOMMENDATION: Staff requests Commission authorization to file comments in response to the Federal Communications Commission's (FCC) *Direct Final Rule* in Docket No. 25-133, which proposes to remove 386 wireline-related rules.[1] Comments are due within 20 days of publication in the Federal Register.[2]

Staff recommends that the CPUC file comments opposing the elimination of 47 C.F.R. § 43.21(d) and (f), which require carriers to submit regulatory accounting reports. Staff uses these reports in the Small Incumbent Local Exchange Carriers' (Small ILECs) General Rate Cases (GRCs) to 1) evaluate and verify imputed positive retail broadband revenues and 2) determine the proper allocation of regulated and unregulated revenues and expenses. Without these reports, staff would be unable to perform these evaluations effectively.

BACKGROUND: On September 30, 2025, the FCC released its *Direct Final Rule* proposing to eliminate hundreds of wireline-related rules that it considers outdated, duplicative, or no longer used.

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[1] *In the Matter of Delete, Delete, Delete*, Direct Final Rule, FCC 25-68; GN Dkt. No. 25-133 (rel. September 30, 2025).

[2] On October 1, 2025, the federal government shut down after Congress failed to pass a funding bill for the new fiscal year. As a result, most of the FCC's operations, including the Federal Register, have been suspended. Staff will monitor the Federal Register and file these comments once a deadline is established.

DISCUSSION:

Staff recommends opposing the removal of the following two reporting requirements:

1. 47 C.F.R. § 43.21(d)

> Each communications common carrier required by order to file a manual allocating its costs between regulated and nonregulated operations shall file, on or before April 1: (1) A three-year forecast of regulated and nonregulated use of network plant for the current calendar year and the two calendar years following, and investment pool projections and allocations for the current calendar year; and (2) A report of the actual use of network plant investment for the prior calendar year.

2. 47 C.F.R. § 43.21(f)

> Each incumbent local exchange carrier with operating revenues for the preceding year that equal or exceed the indexed revenue threshold shall file, no later than April 1 of each year, a report showing for the previous calendar year its revenues, expenses, taxes, plant in service, other investment and depreciation reserves, and other such data as are required by the Commission, on computer media prescribed by the Commission. The total operating results shall be allocated between regulated and nonregulated operations, and the regulated data shall be further divided into the following categories: State and interstate, and the interstate will be further divided into common line, traffic sensitive access, special access, and nonaccess.

A. CHCF-A Program and General Rate Cases

The CPUC administers the California High Cost Fund -A (CHCF-A) Program, established under Public Utilities Code § 275.6.[3] California ratepayers fund the CHCF-A through the public program purpose surcharge. The CHCF-A program provides financial support to the Small ILECs to deliver safe, reliable, high quality voice communications services and to deploy broadband-capable facilities in rural areas. As a condition for receiving the CHCF-A support, the Small ILECs are subject to rate-of-return regulation and must undergo GRCs.

In a GRC proceeding, staff reviews the Small ILEC's operating costs, network maintenance costs, and proposed network investment proposals to ensure the company can recover reasonable costs and earn its authorized rate of return. Each GRC decision establishes a revenue requirement, which is the total revenue requirement needed to cover

[3] See https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=PUC&sectionNum=275.6.

the approved expenses and achieve the authorized rate of return. If a Small ILEC's revenue sources are insufficient to meet the revenue requirement, the CHCF-A program makes up the shortfall.

B. Broadband Revenue Imputation

In Decision 21-04-005, the Commission adopted broadband imputation rules, an intrastate ratemaking mechanism. This mechanism imputes or credits the positive net retail broadband revenues earned by the Small ILECs' or their affiliated Internet Service Providers (ISPs) against the CHCF-A support, which may reduce the amount of the CHCF-A support a Small ILEC receives.

Staff relies on the FCC reports to verify the Small ILEC affiliates' retail broadband revenues. Nine out of ten Small ILECs provide broadband services through their ISP affiliates, which use the facilities subsidized by CHCF-A program to deliver services and generate revenues. The CPUC uses the FCC reports to verify ISP affiliates' retail broadband revenues to ensure the CHCF-A funding is not excessive.

C. Allocation of Regulated and Unregulated Revenues and Expenses

GRCs involve detailed financial and accounting analyses of revenues, expenses, and rate base, which are broken down by interstate and intrastate allocations. Because Small ILECs share facilities with their ISP affiliates, the FCC reports are necessary to evaluate the allocation between interstate and intrastate operations. Without these reports, intrastate revenues may be understated and operating expenses overstated, resulting in unreasonably higher CHCF-A support for Small ILECs.

CONCLUSION: Staff requests permission to file comments consistent with the recommendation in this memorandum.

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