

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Update Surcharge) RULEMAKING 21-03-002
Mechanisms to ensure Equity and Transparency of)
Fees, Taxes and Surcharges Assessed on Customers)
of Telecommunications Services in California)

COMMENTS OF THE VOICE ON THE NET COALITION

The Voice on the Net Coalition (“VON”)¹ hereby submits these comments in response to the Assigned Commissioner’s Phase Two Scoping Memo and Ruling (“Ruling”) issued May 14, 2025 in the above-captioned proceeding.² These comments are timely filed pursuant to an extension of time granted by ALJ Fortune.³ The ruling seeks comments on questions related to the implementation of the access line surcharge to fund public purpose programs (“PPPs”), user fees, and the reasonableness of charges on telephone bills.

Access line surcharge. VON remains skeptical that per-line fees to support PPPs present a better solution than a revenue-based model. Though imperfect, the revenue-based model is consistent with the federal Universal Service Fund (“FUSF”) structure, consistent with how providers are assessed user fees⁴ and does not disproportionately impact any group of ratepayers. In particular, the access line fee represents a substantial percentage of the cost of the service for small business/small volume users. For example, a customer with a single access line whose service costs \$5 per month, will pay a \$.90 surcharge – or 18%. At its peak, the revenue based surcharge was 8.359%, presenting more than a 100% increase in the fees assessed to that small

¹ VON is a trade association founded in 1996 to advocate for a fresh approach to regulation of Internet communications. VON members are on the cutting edge of delivering innovative IP communications that converge voice, video and text in entirely new ways. For more information, see www.von.org.

² Assigned Commissioner’s Phase Two Scoping Memo and Ruling, Rulemaking 21-03-002 (May 14, 2025).

³ See ALJ Hazlyn Fortune E-Mail Ruling Granting Motion Requesting an Extension of Time to File Comments, issued May 22, 2025, R.21- 03-002 (extending the comment date until June 20, 2025).

⁴ See, [https://www.cpuc.ca.gov/userfeerates#:~:text=The%20User%20Fee%20is%20assessed,Telephone%20Service%20Surcharge%20\(MTS\)](https://www.cpuc.ca.gov/userfeerates#:~:text=The%20User%20Fee%20is%20assessed,Telephone%20Service%20Surcharge%20(MTS)) (last viewed June 16, 2025).

volume customer.⁵

In addition, unlike a traditional PBX which may provision numerous extensions from a single PSTN line, VoIP multiline telephone system providers provision a separate telephone number for each user. Under the current definition of an access line (with no cap on the number of lines), VoIP customers with 100 users may pay 100 times the surcharge imposed on a business PBX customer also with 100 users. This result is anticompetitive and will require VoIP customers to pay an inequitable share of PPP funding.

There is also volatility at the federal level. The FUSF contribution factor (the percent of revenues that communications service providers contribute to support FUSF programs) has seen significant growth, from 20 percent in the first quarter of 2019 to the current 36.6 percent.⁶ This dramatic rise has resulted in calls for reform, and, as announced last week, will be the subject of the Congressional Universal Service Fund Working Group, a bipartisan group established to evaluate and propose changes to the FUSF.⁷

The United States Supreme Court is also reviewing the constitutionality of the FUSF contribution methodology, which has been challenged by Consumers' Research, a nonprofit, that is arguing that how the FCC determines the contribution factor violates the non-delegation doctrine of the constitution. If found unconstitutional, Congress will have to revise the relevant statutes to establishing a compliant methodology.⁸ A decision is expected in June or July.

In light of the volatility at the federal level, the Commission should not make substantive changes to the existing access line framework, particularly if those changes may impose additional compliance cost and

⁵ The current and historical assessments can be found at [Surcharge Rates](#) (last viewed June 16, 2025).

⁶ See: [Contribution Factors - Universal Service Administrative Company \(usac.org\)](#) (last viewed June 16, 2025).

⁷ See, <https://www.lujan.senate.gov/newsroom/press-releases/lujan-fischer-announce-bipartisan-bicameral-universal-service-fund-working-group/> (released June 12, 2025) (last viewed June 16, 2025).

⁸ For more detail see, <https://www.congress.gov/crs-product/LSB11301> (last viewed June 16, 2025).

time burdens on service providers. Those additional costs will likely be passed on to customers without any countervailing benefit. The Commission should instead wait for reform at the federal level, and act in a way that is consistent with that reform.

User fees. Consistent with the comments above, VON recommends that User Fees continue to be assessed on intrastate revenues and not assessed on access lines or another mechanism.

Telephone bill charges. The Ruling asks whether there are any fees that appears on provider telephone bills that the Commission should prohibit. The answer is an emphatic no. As an initial matter, the question is vague and provides no examples of the taxes, fees or surcharges that the Commission considers unreasonable, or even how to define unreasonable. Moreover, the Commission is preempted from regulating the rates of nomadic interconnected VoIP providers, and any attempt to do so would violate federal law.⁹ In addition, the voice provider market is highly competitive, with hundreds of companies offering services to business customers in California (many of whom also have offices or users in other states). If customers are dissatisfied with their services or rates, they can easily transition to other providers. The Commission should not be concerned with whether any taxes, fees or surcharges are reasonable but should leave it to other government agencies (including the Federal Trade Commission and the California Bureau of Consumer Protection) to determine whether they are appropriately described and disclosed to California customers.

⁹ See Vonage Holdings Corp., 19 FCC Rcd 22404 (2004); see also Minnesota Public Utilities Commission v. FCC, 483 F.3d 570 (8th Cir. 2007) (upholding the FCC decision).

CONCLUSION

VON looks forward to working with the Commission and other stakeholders on charting a course that would provide stability in the funding of PPPs that is consistent with both state and federal law, and would not unnecessarily burden any specific group of ratepayers or service providers.

Respectfully submitted,

THE VON COALITION

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