SENATE COMMITTEE ON APPROPRIATIONS
Senator Anna Caballero, Chair
2025 - 2026 Regular Session

AB 470 (McKinnor) - Telephone corporations: carriers of last resort

Version: July 17, 2025
Urgency: No
Hearing Date: August 18, 2025

Policy Vote: E., U. & C. 9 - 1
Mandate: Yes
Consultant: Ashley Ames

Bill Summary: This bill would require the California Public Utilities Commission (CPUC), in coordination with the Office of Emergency Services (OES), to adopt a process for telephone corporations to petition the CPUC to amend their status as a carrier of last resort (COLR) in designated areas by December 15, 2026, as specified.

Fiscal Impact:

- The CPUC estimates ongoing costs of $5.5 million annually (ratepayer funds) and 13 permanent positions to adopt the specified process and revise its existing service maps.
- Unknown but likely significant costs in the high hundreds of thousands of dollars annually (General Fund) for the Office of Emergency Services (OES) to coordinate with the CPUC, as specified.

Background: A Carrier of Last Resort (COLR) is a telecommunications company that is required to provide service to any customer in a service area that requests it, even if serving that customer would not be economically viable at prevailing rates. Traditionally, telephone companies have satisfied their COLR obligations by providing basic telephone service through copper network wirelines, which are beneficial to customers in rural locations where alternative communication means through fiber-optic broadband internet, voice over internet protocol (VoIP), and reliable wireless cellar service is scarce. Telecommunication companies have noted that it is expensive to maintain cooper wire lines. Customers who reside in rural areas where there is no other provider of reliable, affordable telephone service are most at risk of experiencing service abandonment if COLR requirements are not enforced.

Proposed Law: This bill would:

1. Define “Alternative voice basic service” means a retail service made available through a technology or service arrangement by a provider that provides, as a stand-alone service or as part of a bundled service, all of the following:

    a. Voice access interconnected with the public switched telephone network.
    b. Access to emergency 9-1-1 service and E-9-1-1 service in compliance with current state and federal laws and regulations.
    c. Compatibility with a backup power source.
    d. A billing option with monthly rates and without contract or early termination penalties.
    e. Access to the California Relay Service pursuant to §2881 for deaf or hearing-impaired persons or individuals with speech disabilities.

f. Access to customer service for information about service termination, repair, and billing inquiries.
g. Free access to 800 and 8YY toll-free services with no additional usage charges for such calls.

2. Define an area of the state “well-served” by telecommunications service as an area where at least three different facilities-based service providers (not including the basic exchange copper telephone corporation acting as the COLR) offer alternative voice basic service in compliance with CPUC rules regarding emergency plans and backup power requirements. At least one of these providers must be a wireline provider. At least two providers must offer alternative voice basic service at prices comparable to tariffed basic service, as confirmed by the commission, and at least one provider must be a participant in the Lifeline telephone program. A well-served area must have alternative voice basic service at all the serviceable locations in the area, based on the Federal Communications Commission (FCC) National Broadband Map showing fixed and wireless broadband coverage.

3. Authorizes a telephone corporation to submit an application to the CPUC to change its COLR status and requires the CPUC to approve the application if the applicant complies with this bill and other conditions that the CPUC may impose that are consistent with this bill.

4. Requires the CPUC to adopt a map designating well-served areas of the state by December 15, 2026. This bill requires the CPUC to include data from existing maps used for the Broadband Equity, Access, and Deployment (BEAD) program or the FCC’s National Broadband Map.

5. Requires a telephone corporation to demonstrate compliance with service quality rules for at least 12 months prior to submitting a request to amend its COLR status.

6. Requires the CPUC to work with the Office of Emergency Services (OES) to adopt a process by December 15, 2026, enabling a telephone corporation to use a Tier 2 advice letter to change its COLR status for portions of the state where the United States Census Bureau reports no population and where the telephone corporation provides no basic exchange service to any address located within the area. This bill specifies the components that must be included this process, including, but not limited to a 90-day period in which households in an area can submit challenges to the application.

7. Require the CPUC to work with the OES to adopt a process by December 15, 2026, enabling a telephone corporation to use a Tier 2 advice letter to change its COLR status for portions of the state that are well-served based on maps adopted by the CPUC. This bill specifies the components that must be included this process, including, but not limited to a 180-day period in which households in an area can submit challenges to the application.

8. Require a telephone corporation that has changed its COLR status pursuant to this bill to do all the following:

   a. Demonstrate within six years that it has built out fiber optic facilities to at least three times the number of households in the state as the number of basic telephone customers served by the telephone corporation at the time its COLR status changed. Half of the buildout must occur in areas of the state that are not well-served, as specified.
   b. Provide continuing service to a customer who subscribes to basic exchange service for at least 12 months from the date the telephone corporation COLR relief if the customer elects not to transition to an alternative voice basic service.
   c. To the extent technically feasible, offer an existing residential customer a comparatively priced alternative voice basic service for at least 24 months from the date the telephone corporation obtains COLR relief.
   d. To the extent technically feasible, offer a discounted broadband plan in each area where the corporation has received COLR relief. This plan must be offered to eligible consumers for at least 24 months from the date the telephone corporation obtains amended status. To qualify, a household shall have an income that is at or below 400% of the federal poverty guidelines or at least one member of the household shall participate in a specified qualifying public assistance program.
   e. Provide specified assistance for alarm system migration, public safety technology upgrade grants, public outreach assistance, labor and workforce development, and digital literacy support for 24 months after obtaining COLR relief.
   f. Conduct workshops in legislative districts as specified, including at the request of an Assembly Member or Senator.

9. Establish a fund in the State Treasury to finance public safety technology upgrade grants provided after a telephone corporation obtains COLR relief.

10. Authorize the CPUC to assess penalties if a telephone corporation granted COLR relief violates any conditions of its relief specified in this bill. This bill stipulates that these penalties may include a civil money penalty up to $50,000 for each violation.

11. Specify that for a 10-year period after a telephone corporation is granted COLR relief, the telephone corporation must provide alternative basic service to a household that is unable to obtain this service from any other provider in the area. The household must submit a specified notice regarding the absence of alternative basic service and the CPUC must determine if no alternative provider exists within 30 days. This obligation may be terminated if the telephone corporation can demonstrate that alternative basic service is available at the residential customer's location.

12. Exempt the following from the bill's requirements:

    a. Certain islands off the California coast that contain at least one area that is well-served.
    b. Specified legacy telecommunication systems used for public safety from the bill's requirements.

13. Specify that once the CPUC relieves a telephone corporation from its COLR obligations, the CPUC cannot establish a new COLR for the area in which COLR relief is granted.

14. Clarify that nothing in this bill affects the CPUC's authority over other voice services or COLR obligations in areas of the state where a telephone corporation cannot change its COLR status.

Related Legislation:

AB 2797 (McKinnor) of 2024, contained certain provisions substantially similar to this bill. The bill would have required the CPUC to relieve a telephone corporation of its COLR duties if certain criteria existed. The bill died in the Senate.

AB 1366 (Daly) of 2019, expanded the authority of the OES to regulate provision of next generation 9-1-1 services. A prior version of the bill heard by this committee would have extended laws prohibiting state and local governments from regulating VoIP services and other internet-based communications. The bill died in the Senate Energy, Utilities and Communications Committee.

AB 2395 (Low) of 2016, would have established a process by which a telecommunications provider could cease offering traditional telephone services. The bill died in the Assembly Appropriations Committee.

Staff Comments: This bill would require the CPUC, in coordination with OES, to adopt a process for telephone corporations to petition the CPUC to amend their status as a COLR in designated areas by December 15, 2026, as specified. In March 2023, a telephone company petitioned the CPUC to withdraw from its COLR obligations. The CPUC denied the request on June 20, 2024, and initiated a rulemaking proceeding to revise its COLR rules. The CPUC anticipates issuing a decision in 2026, and the provisions of this measure conflict with the CPUC's ongoing rulemaking.

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