



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET
HARRISBURG, PENNSYLVANIA 17120

October 10, 2025

To: All parties of record

**Re: Rulemaking to Amend 52 Pa. Code §§ 63.161-63.171
(relating to Universal Service)**

Docket No. L-2023-3040646

On September 20, 2023, the Commission entered an Advanced Notice of Proposed Rulemaking (ANOPR) at the above-referenced docket. The ANOPR began the process to amend the Commission’s regulations governing the Pennsylvania Universal Service Fund (Pa. USF or Fund) and included a detailed list of questions and requests that interested parties could address in addition to providing other comments. The Commission’s Pa. USF regulations were adopted in 2001.

One of the stated purposes of the Pa. USF is for the Commission and the Commonwealth’s telecommunications providers to assure and maintain universal service in the Commonwealth.¹ The Commission recognized when establishing the Fund that “given an increasingly competitive telecommunications marketplace, it is necessary to establish a competitively neutral universal service funding mechanism to assure and maintain universal service and to promote the development of competition in telecommunications markets throughout the Commonwealth.”²

In recognition of long-standing requests to reform the Fund from Pennsylvania stakeholders and in light of sweeping changes occurring at the federal level, the Commission initiated a rulemaking at the above-captioned docket. As noted in the ANOPR, the rulemaking is intended to address whether and what type of reform the current Pa. USF program may require to ensure that Pennsylvania achieves the multiple universal service public policy goals prescribed by Pennsylvania and Federal law.

In response to the ANOPR, seven entities filed initial comments and six entities filed reply comments. The Commission has reviewed the initial and reply comments. The responses to the

¹ 52 Pa. Code § 63.161(2); *see also*, 66 Pa. C.S. § 3011(2).

² *Id.*

ANOPR put forth various prospective policy options for reform, including but not limited to the following: (1) to allow Fund recipients to choose to forego receipt of support in exchange for relief from certain regulatory obligations;³ and (2) to update the Fund to include a mechanism to reflect telecommunications services access line losses down to a certain level.⁴ Other comments focused on preserving and reorientating the purpose and operation of the Fund.⁵

As a result, the Commission has determined that a working group should be formed involving the Commission's Law Bureau and Bureau of Technical Utility Services, as well as interested parties, to assist the Commission with determining the relevant legal and technical parameters associated with the previously referenced two options for possible reform of the Fund mechanism. To that end, the working group is tasked with providing input on how the Commission can implement the prospective policy options identified above, including proposed regulatory language necessary to implement each option. We note that a notice of proposed rulemaking (NOPR) would be the next step for the Commission to implement any policy changes to the PA USF. We further note that the Commission has not resolved to adopt any of the policy options identified above. Rather, the Commission seeks input from the working group on the details of how each of the two policy options could work, if adopted.

Specifically, regarding the first policy option identified above, the Commission is interested in further information from the working group regarding the proposal of the Pennsylvania Telephone Association (PTA) for "some form of alternative, company-selected, regulatory framework."⁶ As an alternative to the PTA's primary position that the current PA USF should be maintained, the PTA proposed that a rural local exchange carrier (RLEC) could "file an election with the [Fund] administrator to no longer receive funding from the Fund and, in turn, be exempt from all PA PUC authority and jurisdiction including regulation of retail pricing and retail operations while preserving Commission oversight in [certain] areas."⁷

The Commission is interested in receiving input from the working group on the PTA's alternative proposal. To the extent the majority of PTA's RLEC members continue to operate under Chapter 30 alternative regulation and network modernization plans,⁸ the working group will examine and formulate workable proposals regarding the legal and technical parameters that should govern the implementation of the outlined first policy option both in terms of Chapter 30 and the individual applicable Chapter 30 plans.

³ See, PTA Comments at 14-15.

⁴ See, Verizon Reply Comments at 6.

⁵ See generally, OCA Initial and Reply Comments.

⁶ PTA Comments at 15.

⁷ Id. The PTA then identified areas where PUC jurisdiction would be preserved to include 911, Lifeline service, dispute resolution, damage prevent of underground facilities, public rights of way, pole attachments and numbering.

⁸ See generally, 66 Pa.C.S. §§ 3013-3015.

If the Commission were to adopt the PTA's alternative proposal, what current regulatory obligations should the electing RLECs be eligible to be relieved of? Would this relief include complete or partial relief from the companies' carrier of last resort (COLR) obligations? How would the Commission continue to meet its statutory obligations, including the obligation to maintain universal telecommunications service? How would the Commission continue to meet its legal obligations relating to public safety including damage prevention of underground facilities and universal access to E911/NG911 services? How would low-income customers be protected? What process could be established whereby a fund recipient could choose to forego receipt of Pa. USF funds and how would the Commission evaluate that request? Would such a determination be made on a company-wide basis or exchange-by-exchange basis? What other issues would need to be addressed if this proposal were adopted?

Regarding the second option identified above, the Commission is interested in receiving input from the working group on how the Pa. USF mechanism could be modified to account for negative telecommunications services access line growth. Is it through an adjustment to the contribution base formula or is it through some other mechanism? If it is through an adjustment to the contribution base mechanism, how exactly would that work? What other issues, if any, would need to be addressed if the Fund mechanism is modified to account for negative access line growth? Accounting for access line losses would provide the Commission with a way to "ramp down" the size of the Fund gradually over time and in an orderly, predictable fashion.

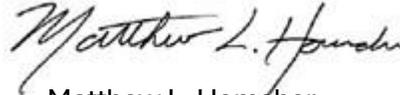
If the Pa. USF were to be ramped down, how should the ramp down be structured in terms of reducing contribution and the size of the Fund? Should the ramp down reduce the payments to Fund recipients by the percentage that RLEC access lines have declined since the Fund was created with future reductions to occur based on the percentage of future RLEC access line losses? Or, should the ramp down simply follow a fixed percentage reduction each year over a certain number of years? If so, by what percentage(s) and over how many years? What other issues, if any, would need to be addressed if the Fund is ramped down over time?

The first meeting of this working group will take place on December 1, 2025 at 1:00 pm. The meeting will be conducted in-person in Hearing Room 1 of the Commonwealth Keystone Building, 400 North Street, 2nd Floor, Harrisburg, PA 17120 and will also allow for remote participation via Microsoft Teams. Please advise if you need an accommodation in order to participate in the meeting.

This working group shall meet from time to time as determined by consensus of the working group and shall file with the Commission a comprehensive report at this docket on the topics identified in this Secretarial Letter and any other matters identified by the working group with the goal of completing the report within six (6) months of the date of the first meeting, or by June 1, 2026.

For additional information, or to indicate your intent to participate in the working group, please email Christopher Van de Verg, Law Bureau, at cvandeverg@pa.gov and Spencer Nahf, Bureau of Technical Utility Services, at snahf@pa.gov.

Sincerely,

A handwritten signature in black ink that reads "Matthew L. Homsher". The signature is written in a cursive style with a large initial "M".

Matthew L. Homsher
Secretary

cc: Chairman Stephen M. DeFrank
Vice Chair Kimberly Barrow
Commissioner John F. Coleman, Jr.
Commissioner Kathryn L. Zeffuss
Commissioner Ralph V. Yanora
Chief Counsel David Screven
Director of the Bureau of Technical Utility Services Paul Diskin
Pennsylvania Universal Service Fund Administrator Rolka Loube Associates
Christopher Van de Verg, Law Bureau
Spencer Nahf, Bureau of Technical Utility Services