SENATE BILL 193

52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015

INTRODUCED BY

Michael Padilla and Sarah Maestas Barnes

AN ACT

RELATING TO COMMUNICATIONS; AMENDING, REPEALING AND ENACTING SECTIONS OF THE NEW MEXICO TELECOMMUNICATIONS ACT TO PROVIDE FOR PUBLIC REGULATION COMMISSION JURISDICTION OVER INCUMBENT LOCAL EXCHANGE CARRIERS AND THEIR INVESTMENT IN TELECOMMUNICATIONS AND BROADBAND INFRASTRUCTURE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 63-9A-2 NMSA 1978 (being Laws 1985, Chapter 242, Section 2, as amended by Laws 2000, Chapter 100, Section 3 and also by Laws 2000, Chapter 102, Section 3) is amended to read:

"63-9A-2. PURPOSE.--The legislature declares that it remains the policy of the state of New Mexico to maintain the availability of access to telecommunications services at affordable rates. Furthermore, it is the policy of this state .198333.4

areas. To the extent that it is consistent with maintaining
availability of access to service at affordable rates and
comparable telecommunications service rates, it is further the
policy of this state to encourage competition in the provision
of public telecommunications services, thereby allowing access
by the public to resulting rapid advances in telecommunications
technology. It is the purpose of the New Mexico
Telecommunications Act to [permit] extend to all consumers and
carriers in the state the benefits of the regulatory
flexibility previously provided only to incumbent rural
telecommunications carriers and to require a regulatory
framework that will $[allow]$ establish an orderly transition
from a regulated telecommunications industry to a competitive
market environment. It is further the intent of the
legislature that the encouragement of competition in the
provision of public telecommunications services will result in
greater investment in the telecommunications and broadband
infrastructure in the state, improved service quality and
operations and lower prices for such services."

to have comparable telecommunications service rates, as

established by the commission, for comparable markets or market

SECTION 2. Section 63-9A-3 NMSA 1978 (being Laws 1985, Chapter 242, Section 3, as amended) is amended to read:

"63-9A-3. DEFINITIONS.--As used in the New Mexico Telecommunications Act:

24

25

2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

1

- A. "affordable rates" means local exchange service rates that promote universal service within a local exchange service area, giving consideration to the economic conditions and costs to provide service in such area;
- B. "cable television service" means the one-way transmission to subscribers of video programming or other programming service and subscriber interaction, if any, that is required for the selection of such video programming or other programming service;
- C. "commission" means the public regulation commission:
- D. "competitive telecommunications service" means a service that has been determined to be subject to effective competition pursuant to Section 63-9A-8 NMSA 1978;
- E. "competitive telecommunications service

 provider" includes competitive carriers holding certificates of

 public convenience and necessity issued by the commission

 pursuant to laws and regulations, including, without

 limitation, Section 63-9A-6 NMSA 1978;
- [E.] F. "effective competition" means that the customers of the service have reasonably available and comparable alternatives to the service, consistent with the standards set forth in Section 63-9A-8 NMSA 1978;
- $[F_{ullet}]$ \underline{G}_{ullet} "fund" means the state rural universal service fund;

1	H. "incumbent local exchange carrier" means a
2	person that:
3	(1) was designated as an eligible
4	telecommunications carrier by the state corporation commission
5	in Docket #97-93-TC by order dated October 23, 1997 or that
6	provided local exchange service in New Mexico on February 8,
7	<u>1996; or</u>
8	(2) became a successor or assignee of an
9	incumbent local exchange carrier;
10	I. "incumbent rural telecommunications carrier"
11	means an incumbent local exchange carrier that serves fewer
12	than fifty thousand access lines within the state and has been
13	designated as an eligible telecommunications carrier by the
14	state corporation commission or the public regulation
15	<pre>commission;</pre>
16	[G.] <u>J.</u> "local exchange area" means a geographic
17	area encompassing one or more local communities, as described
18	in maps, tariffs or rate schedules filed with the commission,
19	where local exchange rates apply;
20	[H_{\bullet}] K_{\bullet} "local exchange service" means the
21	transmission of two-way interactive switched voice
22	communications furnished by a telecommunications company within
23	a local exchange area;
24	$[rac{ extsf{I.}}{ extsf{I}}]$ "message telecommunications service" means
25	telecommunications service between local exchange areas within

the state for which charges are made on a per-unit basis, not including wide-area telecommunications service, or its equivalent, or individually negotiated contracts for telecommunications services;

[J. "mid-size carrier" means a telecommunications
company with more than fifty thousand but less than three
hundred seventy-five thousand access lines in the state;

K.] M. "noncompetitive telecommunications service" means a service that has not been determined to be subject to effective competition pursuant to Section 63-9A-8 NMSA 1978;

[£...] N. "private telecommunications service" means a system, including the construction, maintenance or operation thereof, for the provision of telecommunications service, or any portion of that service, by a person for the sole and exclusive use of that person and not for resale, directly or indirectly. For purposes of this definition, the person that may use such service includes any affiliates of the person if at least eighty percent of the assets or voting stock of the affiliates is owned by the person. If any other person uses the telecommunications service, whether for hire or not, the private telecommunications service is a public telecommunications service;

 $[M_{\star}]$ 0. "public telecommunications service" means the transmission of signs, signals, writings, images, sounds, messages, data or other information of any nature by wire,

radio, lightwaves or other electromagnetic means originating and terminating in this state regardless of actual call routing. "Public telecommunications service" does not include the provision of terminal equipment used to originate or terminate such service; private telecommunications service; broadcast transmissions by radio, television and satellite broadcast stations regulated by the federal communications commission; radio common carrier services, including mobile telephone service and radio paging; or one-way cable television service; [and

- \mathbb{N} .] \underline{P} . "telecommunications company" means a person that provides public telecommunications service;
- Q. "wire center" means a facility where local
 exchange access lines converge and are connected to a switching
 device that provides access to the public switched network and
 includes remote switching units and host switching units; and
- R. "wire center serving area" means the geographic area of a local exchange area served by a single wire center."
- SECTION 3. Section 63-9A-5 NMSA 1978 (being Laws 1985, Chapter 242, Section 5) is amended to read:
 - "63-9A-5. REGULATION BY COMMISSION.--

A. Except as otherwise provided in the New Mexico Telecommunications Act, each public telecommunications service is declared to be affected with the public interest and, as such, subject to the provisions of that act, including the .198333.4

regulation thereof as $[\frac{hereinafter}{}]$ provided $\frac{in\ that\ act.}{}$

B. The commission has exclusive jurisdiction to regulate incumbent local exchange carriers that serve more than fifty thousand access lines within the state only in the manner and to the extent authorized by the New Mexico

Telecommunications Act, and Subsection B of Section 63-7-1.1

NMSA 1978 does not apply; provided, however, that the commission's jurisdiction includes the regulation of wholesale rates, including access charges and interconnection agreements consistent with federal law and its enforcement and determinations of participation in low-income telephone service assistance programs pursuant to the Low Income Telephone

Service Assistance Act. The New Mexico Telecommunications Act expressly preserves and does not diminish or expand:

(1) the rights and obligations of any entity, including the commission, established pursuant to federal law, including 47 U.S.C. Sections 251 and 252, or established pursuant to any state law, rule, procedure, regulation or order related to interconnection, intercarrier compensation, intercarrier compensation, intercarrier complaints, wholesale rights and obligations or any wholesale rate or schedule that is filed with and maintained by the commission;

(2) the rights and obligations of any competitive telecommunications service provider holding a certificate of public convenience and necessity, or the rights .198333.4

and obligations of any competitive local exchange carrier to obtain such a certificate;

- consumer complaints regarding basic local exchange service;

 provided, however, that the commission's authority to resolve
 such complaints shall be limited to resolving issues of
 consumer protection and shall not include the authority to
 determine or fix rates, provider of last resort obligations or
 service quality standards except as expressly set forth in the
 New Mexico Telecommunications Act;
- (4) the authority of the commission to establish reasonable quality of service standards; provided, however, that the enforcement of such standards shall be limited to the commission's finding authority set forth in Section 63-7-23

 NMSA 1978 and the authority to seek an injunction set forth in Section 63-9-19 NMSA 1978;
- (5) the rights and obligations of any entity, including the commission, regarding the fund;
- (6) the rights and obligations of any entity, including the commission, regarding access to emergency service to the extent consistent with the Enhanced 911 Act; or
- (7) the rights and obligations of any entity, including the commission, regarding the administration of slamming and cramming rules, telecommunications relay service and numbering resources to the extent permitted by and

2	C. For incumbent local exchange carriers that serve
3	more than fifty thousand access lines within the state, the
4	commission shall adopt relaxed regulations that provide for:
5	(1) reduced filing requirements for applicants
6	in rate increase proceedings under the New Mexico
7	Telecommunications Act; and
8	(2) expedited consideration in all proceedings
9	initiated pursuant to the New Mexico Telecommunications Act in
10	order to reduce the cost and burden for incumbent local
11	exchange carriers and other applicants.
12	D. The regulatory requirements and the commission's
13	regulation of competitive local exchange carriers, competitive
14	access providers and interexchange carriers shall be no greater
15	than, and no more extensive than, that of incumbent local
16	exchange carriers that serve more than fifty thousand access
17	<u>lines.</u>
18	E. The provisions of the New Mexico
19	Telecommunications Act do not apply to incumbent rural
20	telecommunications carriers as defined in Subsection I of
21	Section 63-9H-3 NMSA 1978."
22	SECTION 4. Section 63-9A-8 NMSA 1978 (being Laws 1985,
23	Chapter 242, Section 8, as amended) is amended to read:
24	"63-9A-8. REGULATION OF RATES AND CHARGESEFFECTIVE
25	COMPETITION

consistent with federal law.

[bracketed material] = delete

2

3

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

for those providers of comparable public telecommunications services in the same relevant markets so that there shall be parity of retail regulatory standards and requirements for all such providers; provided, however, that this subsection shall not be construed to permit the adoption of any new regulatory requirements or standards for providers of comparable telecommunications services.

- In determining whether a service is subject to effective competition, the commission shall consider the following on a wire center serving area basis for each wire center serving area and service for which a determination of effective competition is requested, and separate determinations shall be made for residential and business services in each wire center serving area:
- (1) the extent to which services are reasonably available from alternate providers [in the relevant market area];
- the ability of alternate providers to make functionally equivalent or substitute services readily available at competitive rates, terms and conditions; [and]
- (3) existing economic, [or] technological, regulatory or other barriers to market entry and exit;
- (4) the number of other providers offering the same or reasonably comparable services;
- (5) the presence of at least two facilities-.198333.4

12
13
14
15
16
17
18
19
20
21
22
23
24

1

2

3

5

6

7

8

9

10

11

based competitors, including without limitation facilities-
based providers of wireless or voice over internet protocol
services, operating in all or part of the wire center for which
a determination of effective competition is requested that are
unaffiliated with the petitioning carrier and provide the same
or reasonably comparable service of the type for which the
finding of effective competition is sought;

- (6) the ability of the petitioning provider to affect prices or deter competition; and
- (7) such other factors as the commission deems appropriate.
- C. If, in the wire center serving area for which a determination of effective competition is requested, the incumbent provider provides basic local exchange service either separately or bundled to less than one-half of the customer locations served at the time the petition is filed, the public interest requires that effective competition be presumed for all regulated telecommunications services provided by the incumbent provider in that wire center serving area; provided, however, that findings and presumptions applied pursuant to this section shall be made separately for residential and business services and customer locations.
- [G_{\bullet}] D_{\bullet} No provider of public telecommunications service may use current revenues earned or expenses incurred in conjunction with any noncompetitive service to subsidize

competitive public telecommunications services. In order to avoid cross-subsidization of competitive services by noncompetitive telecommunications services, prices or rates charged for a competitive telecommunications service shall cover the cost for the provision of the service consistent with the principles of Subsection G of Section 63-9A-8.1 NMSA 1978. In any proceeding held pursuant to this section, the party [providing the service] claiming that the price for a competitive telecommunications service does not cover the cost shall bear the burden of proving that the prices charged for competitive telecommunications services do not cover cost; provided, however, that the commission may require the carrier against whom the complaint is filed to submit a cost study for the service that is the subject of the complaint as part of its examination and determination of the complaint.

 $[\underbrace{\text{P-}}]$ $\underline{\text{E.}}$ The commission may, upon its own motion or on the petition of an interested party and after notice to all interested parties and customers and a hearing, reclassify any service previously determined to be a competitive telecommunications service if after a hearing the commission finds that a service is not subject to effective competition.

F. If a service is deregulated pursuant to a determination of effective competition, for those wire centers where that service is deregulated, the petitioning carrier shall no longer be eligible to claim an exemption from the .198333.4

"63-9A-8.1.

application of the Unfair Practices Act or the Antitrust Act."

SECTION 5. Section 63-9A-8.1 NMSA 1978 (being Laws 1998, Chapter 108, Section 61, as amended) is amended to read:

CHANGE IN RATES.--

[A. At a hearing involving an increase in rates or charges sought by a telecommunications company, the burden of proof to show that the increased rate or charge is just and reasonable shall be upon the company.

B. Unless the commission otherwise orders, no telecommunications company shall make a change in an established rate except after thirty days' notice to the commission, which notice shall plainly state the changes proposed to be made in the rates then in force, the time when the changed rates will go into effect and other information as the commission by rule requires. The telecommunications company shall also give notice of the proposed changes to other interested persons as the commission may direct. All proposed changes shall be shown by filing new schedules that shall be kept open to public inspection. The commission for good cause shown may allow changes in rates without requiring the thirty days' notice, under conditions that it may prescribe.

C. Whenever a telecommunications company files a complete application proposing new rates, the commission may, upon complaint or upon its own initiative, except as otherwise provided by law, upon reasonable notice, enter upon a hearing .198333.4

- 14 -

concerning the reasonableness of the proposed rates. If the commission determines a hearing is necessary, it shall suspend the operation of the proposed rates before they become effective but not for a longer initial period than nine months beyond the time when the rates would otherwise go into effect, unless the commission finds that a longer time will be required, in which case the commission may extend the period for an additional three months. The commission shall hear and decide cases with reasonable promptness. The commission shall adopt rules identifying criteria for various rate and tariff fillings to be eligible for suspension periods shorter than what is allowed by this subsection and to be eligible for summary approval without hearing.

D. If after a hearing the commission finds the proposed rates to be unjust, unreasonable or in any way in violation of law, the commission shall determine the just and reasonable rates to be charged or applied by the telecommunications company for the service in question and shall fix the rates by order to be served upon the telecommunications company; or the commission by its order shall direct the telecommunications company to file new rates respecting such service that are just and reasonable. Those rates shall thereafter be observed until changed as provided by the New Mexico Telecommunications Act.

E. The provisions of this section do not apply to a
.198333.4

mid-size carrier.

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

A. Rates for retail public telecommunications services provided by an incumbent local exchange carrier that serves more than fifty thousand access lines within the state shall be subject to regulation by the commission only in the manner and to the extent authorized by this section.

B. An incumbent local exchange carrier that serves more than fifty thousand access lines within the state shall file tariffs for all retail public telecommunications services that, other than residential local exchange service, shall be effective after ten days' notice to its customers and the commission. An incumbent local exchange carrier that serves more than fifty thousand access lines within the state shall remain subject to complaint by an interested party subject to Section 63-9A-11 NMSA 1978.

C. An incumbent local exchange carrier that serves more than fifty thousand access lines within the state may increase its rates for residential local exchange service in the manner provided in Subsection B of this section to comply with requirements imposed by any federal or state law or rule. The procedures of Subsections D, E and F of this section shall not apply to increases under this subsection.

D. Except as provided in Subsection C of this section, rates for residential local exchange service may be increased by an incumbent local exchange carrier that serves

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

more than fifty thousand access lines within the state only after sixty days' notice to all affected subscribers. The notice of increase shall include:

- (1) the reasons for the rate increase;
- (2) a description of the affected service;
- (3) an explanation of the right of the subscriber to petition the commission for a public hearing on the rate increase;
- (4) a list of local exchange areas that are affected by the proposed rate increase; and
- (5) the dates, times and places for the public informational meetings required by this section.
- E. An incumbent local exchange carrier that serves more than fifty thousand access lines within the state that proposes to increase its rates for residential local exchange service pursuant to Subsection D of this section shall hold at least one public informational meeting in each public regulation commission district as established by the Public Regulation Commission Apportionment Act in which there is a local exchange area affected by the rate change.
- F. Residential local exchange service rates increased by an incumbent local exchange carrier that serves more than fifty thousand access lines within the state pursuant to Subsections D and E of this section shall be reviewed by the commission only upon written protest signed by two and one-half

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

percent of all affected subscribers or upon the commission staff's own motion for good cause. The protest shall specifically set forth the particular rate or charge as to which review is requested, the reasons for the requested review and the relief that the persons protesting desire. If a proper protest is presented to the commission within sixty days from the date that notice of the rate change was sent to affected subscribers of an incumbent local exchange carrier that is not an incumbent rural telecommunications carrier, the commission may accept and file the complaint and, upon proper notice, may suspend the rates at issue during the pendency of the proceedings and reinstate the rates previously in effect and shall hold and complete a hearing thereon within ninety days after filing to determine if the rates as proposed are fair, just and reasonable. The commission may, within sixty days after close of the hearing, enter an order adjusting the rates at issue, except that the commission shall not set any rate below the intrastate cost of providing the service. In the order, the commission may order a refund of amounts collected in excess of the rates and charges as approved at the hearing, which may be paid as a credit against billings for future services. If the complaint is denied, the commission shall enter an order denying the complaint within sixty days after the close of the hearing, and the rates shall be deemed approved. For purposes of this section, cost shall also

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

.198333.4

include a reasonable amount of joint and common costs incurred by the incumbent local exchange carrier that serves more than fifty thousand access lines within the state in its operations and may include other accounting adjustments authorized by the commission.

G. Rates for local exchange, vertical and longdistance service to retail residential and business end-user customers charged by incumbent local exchange carriers that serve more than fifty thousand access lines may be reduced to a level equal to, but not below, the intrastate cost. The rate for a service, excluding basic service, must cover the cost of the service, including the imputed rate of wholesale service elements as may be required by the commission. The cost of long-distance service must also include any interexchange access rates charged to another telecommunications carrier for the service.

H. An incumbent local exchange carrier that serves more than fifty thousand access lines within the state shall have the ability to offer or discontinue offering retail special incentives, discounts, packaged offerings, temporary rate waivers or other promotions, or to offer individual contracts."

SECTION 6. Section 63-9A-9 NMSA 1978 (being Laws 1985, Chapter 242, Section 9, as amended) is amended to read:

"63-9A-9. REGULATION OF INDIVIDUAL CONTRACTS TO

FACILITATE COMPETITION. --

- A. In accordance with the provisions of this section, the commission shall regulate the rates, charges and service conditions for individual contracts for public telecommunications services in a manner [which] that facilitates effective competition and shall authorize the provision of all or any portion of a public telecommunications service under stated or negotiated terms to any person or entity that has acquired or is preparing to acquire, through construction, lease or any other form of acquisition, similar public telecommunications services from an alternate source.
- B. At any time, the provider of public telecommunications services may file a verified application with the commission for authorization to provide a public telecommunications service on an individual contract basis. The application shall describe the telecommunications services to be offered, the party to be served and the parties offering the service, together with such other information and in such form as the commission may prescribe. Such additional information shall be reasonably related to the determination of the existence of a competitive offer. A determination of effective competition pursuant to Section 63-9A-8 NMSA 1978 shall not be necessary to file an application or to have an application granted by the commission pursuant to this section.
- C. The commission shall approve or deny any such

application within ten days or such other period as shall be established by the commission, not to exceed sixty days, giving consideration to the requirements of any contract negotiations. If the commission has not acted on any application within the time period established, the application shall be deemed granted. The commission shall deny the application only upon a finding that the application fails to set forth prescribed information or that the subject or comparable services are not being offered to the customer by parties other than the applicant or that the contract fails to cover the costs of the service as defined by Subsection G of Section 63-9A-8.1 NMSA 1978.

D. [Within ten days after the conclusion of negotiations, the provider of public telecommunications services shall file with the commission the final contract or other evidence of the service to be provided, together with the charges and other conditions of the service, which shall be maintained by the commission on a confidential basis subject to an appropriate protective order.] The provider of public telecommunications services shall file with the commission the final contract or other evidence of the service to be provided, together with the charges and other conditions of service, upon request by the commission. If such contract or evidence is requested, it shall be maintained by the commission on a confidential basis subject to an appropriate protective order.

2

3

5

6

7

8

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

Any interested party may receive copies of filings made pursuant to this section upon request to the commission and execution of an appropriate confidentiality agreement, if applicable."

Section 63-9A-11 NMSA 1978 (being Laws 1985, SECTION 7. Chapter 242, Section 11) is amended to read:

"63-9A-11. COMPLAINT ALLEGING VIOLATION BY PROVIDER OF TELECOMMUNICATIONS SERVICES . - -

- Complaint may be made by any interested party setting forth any act or omission by a provider of telecommunications services alleged to be in violation of any provision of the New Mexico Telecommunications Act or any order or rule of the commission issued pursuant to that act.
- В. Upon filing of the complaint, the commission shall set the time and place of hearing, if a hearing is required, and at least ten days' notice [thereof] of the hearing shall be given to the party complained of. Service of notice of the hearing shall be made in any manner giving actual notice.
- All matters upon which complaint may be founded may be joined in one hearing and a complaint is not defective for misjoinder or nonjoinder of parties or causes, either before the commission or on review by the courts. The persons the commission allows to intervene shall be joined and heard, along with the complainant and the party complained of.
- The burden shall be on the party complaining to D. .198333.4

2

3

5

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

show a violation of a provision of the New Mexico Telecommunications Act or an order or rule of the commission issued pursuant to that act.

- After conclusion of the hearing, the commission shall make and file an order containing its findings of fact and decision. A copy of the order shall be served upon the party complained of or [his] that party's attorney.
- Conduct of the hearings and rendering of decisions shall be governed by the rules of practice and procedure [heretofore or hereafter] promulgated by the commission."
- SECTION 8. A new section of the New Mexico Telecommunications Act is enacted to read:

"[NEW MATERIAL] COMMISSION REVIEW OF IMPACTS.--The commission shall review the impact of provisions of the New Mexico Telecommunications Act on residential and business consumers in urban and rural areas of the state every three years, the first review to be completed by July 31, 2017, and shall report its findings to the legislature. The review shall investigate the impact on rates, service quality, incumbent local exchange company employment, investment in telecommunications infrastructure and the availability and deployment of high speed data services. The review shall also include a report on those wire centers that have been deemed to have effective competition and any wire centers no longer subject to carrier of last resort obligations. For any wire

center serving an area deregulated pursuant to the provisions
of Section 63-9A-8 NMSA 1978, if the commission finds that
reregulation of basic local exchange service is necessary to
protect the public interest following a hearing and findings of
fact and conclusions of law, after July 31, 2019, the
commission may regulate basic local exchange service pursuant
to the New Mexico Telecommunications Act."

SECTION 9. REPEAL.--Sections 63-9A-5.1, 63-9A-5.2 and 63-9A-8.2 NMSA 1978 (being Laws 2004, Chapter 3, Sections 4 and 5 and Laws 2000, Chapter 100, Section 4, as amended) are repealed.

- 24 -