HOUSE BUSINESS AND INDUSTRY COMMITTEE SUBSTITUTE FOR HOUSE BILL 636

46TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2003

AN ACT

RELATING TO TELECOMMUNICATIONS; CLARIFYING THOSE

TELECOMMUNICATIONS COMPANIES SUBJECT TO UTILITY INSPECTION

FEES; AMENDING A CERTAIN SECTION OF THE NMSA 1978 CONCERNING

ADMINISTRATIVE FINES; AMENDING THE NEW MEXICO

TELECOMMUNICATIONS ACT TO PROVIDE FOR CERTAIN DETERMINATIONS BY

THE PUBLIC REGULATION COMMISSION RELATED TO COMPETITION.

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

Section 1. Section 63-7-20 NMSA 1978 (being Laws 1951, Chapter 194, Section 1, as amended) is amended to read:

"63-7-20. UTILITY AND CARRIER INSPECTION--FEE.--Each utility and carrier doing business in this state [which] that is subject to the control and jurisdiction of the commission by virtue of the provisions of Article 11 of the constitution of New Mexico with respect to its rates and service shall pay

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annually to the commission a fee in performance of its duties as now provided by law. The fee for carriers shall not exceed one-fourth of one percent of its gross receipts from business transacted in New Mexico for the preceding calendar year. fee for utilities shall not exceed one-half of one percent of its gross receipts from business transacted in New Mexico for the preceding calendar year. This sum shall be payable annually on or before January 20 or in equal quarterly installments on or before January 20, April 20, July 20 and October 20 in each year. No similar fee shall be imposed upon the utility or carrier. In the case of utilities or carriers engaged in interstate business, the fees shall be measured by the gross receipts of the utilities or carriers from intrastate business only for the preceding calendar year and not in any respect upon receipts derived wholly or in part from interstate busi ness. As used in this section, "utility" includes [telephone companies] telecommunications companies regulated pursuant to the New Mexico Telecommunications Act, incumbent rural telecommunications carriers defined in Subsection I of Section 63-9H-3 NMSA 1978 and transmission companies."

Section 2. Section 63-7-23 NMSA 1978 (being Laws 1995, Chapter 175, Section 1, as amended by Laws 2000, Chapter 100, Section 2 and also by Laws 2000, Chapter 102, Section 2) is amended to read:

"63-7-23. TELECOMMUNI CATIONS--ADMINI STRATI VE FI NES. -. 146185. 2

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- A. For purposes of this section:
- (1) "commission" means the public regulation commission; and
- (2) "telecommunications provider" means any telegraph company, telephone company, transmission company, telecommunications common carrier, telecommunications company, cellular service company or pay telephone provider regulated in whole or in part by the commission under law, including the Telephone and Telegraph Company Certification Act, the New Mexico Telecommunications Act, the Cellular Telephone Services Act and Sections 63-9E-1 and 63-9E-3 NMSA 1978.
- B. The commission may impose an administrative fine on a telecommunications provider for any act or omission that the provider knew or should have known was a violation of any applicable law or rule or order of the commission.
- C. Except in the case of disputes between telecommunications providers, an administrative fine of not more than one thousand dollars (\$1,000) may be imposed for each violation or each of multiple violations arising out of the same facts up to a maximum of twenty-five thousand dollars (\$25,000); or an administrative fine of not more than one thousand dollars (\$1,000) may be imposed for each day of a continuing violation arising out of the same facts up to a maximum of twenty-five thousand dollars (\$25,000).

 Notwithstanding any other provision of this subsection, the

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commission may impose an administrative fine not to exceed twenty-five thousand dollars (\$25,000) for a single violation:

- that results in substantial harm to the customers of the telecommunications provider or substantial harm to the public interest; or
- for failure to obtain a certificate of **(2)** public convenience and necessity required by law or for operation outside the scope of that certificate.
- D. In the case of disputes between telecommunications providers, an administrative fine of not more than one hundred thousand dollars (\$100,000) may be imposed for the violation of a telecommunications provider interconnection agreement, telecommunications provider wholesale tariff or commission [regulation] rule or order otherwise relating to the provision of services between tel ecommunications providers. [An administrative fine of not more than one hundred thousand dollars (\$100,000) may be imposed for each day of a continuing violation.
- The amount of the fine should bear a reasonable E. relationship to the nature and severity of the violation, and should take into consideration any penalty resulting from the self-executing provisions of a performance assurance plan.
- F. The commission shall initiate a proceeding to impose an administrative fine by giving written notice to the telecommunications provider that the commission has facts as

set forth in the notice that, if not rebutted, may lead to the imposition of an administrative fine under this section and that the telecommunications provider has an opportunity for a hearing. The commission may only impose an administrative fine by written order that, in the case of contested proceedings, [shall be] is supported by a preponderance of the evidence.

- G. The commission may initiate a proceeding to impose an administrative fine within two years from the date of the commission's discovery of the violation, but in no event shall a proceeding be initiated more than five years after the date of the violation. This limitation shall not run against any act or omission constituting a violation under this section for any period during which the telecommunications provider has fraudulently concealed the violation.
- H. The commission shall consider mitigating and aggravating circumstances in determining the amount of administrative fine imposed.
- I. For purposes of establishing a violation, the act or omission of any officer, agent or employee of a telecommunications provider, within the scope of such person's authority, duties or employment, shall be deemed the act or omission of the telecommunications provider.
- J. Any telecommunications provider or other person aggrieved by an order assessing an administrative fine may appeal the order to the supreme court of New Mexico. A notice . 146185.2

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of appeal shall be filed within thirty days after the entry of
the commission's order. Notice of appeal shall name the
commission as appellee and shall identify the order from which
the anneal is taken

- K. The commission shall promulgate procedural rules for the implementation of this section."
- Section 3. 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:
- 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, pursuant to Section 63-9A-8 NMSA 1978, has been determined to be subject to effective competition [pursuant to Section 63-9A-8 NMSA 1978] or subject to developing

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E. "developing competition" means that at least two telecommunications companies or carriers are providing a service, part of a service or a category of services in a relevant area;

[E.] F. "effective competition" means that the customers of the service have reasonably available and comparable alternatives to the service;

[F.] <u>G.</u> "fund" means the New Mexico universal service fund:

[G.] <u>H.</u> "local exchange area" means a geographic area encompassing one or more local communities, as described in maps, tariffs or rate schedules filed with the commission, where local exchange rates apply;

[H.] I. "local exchange service" means the transmission of two-way interactive switched voice communications furnished by a telecommunications company within a local exchange area;

[H-] J. "message telecommunications service" means 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.] K. "noncompetitive telecommunications service" . 146185. 2

means a service that has not been determined to be subject to effective competition or subject to developing competition pursuant to Section 63-9A-8 NMSA 1978;

[K.-] L. "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:

[H.] M "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

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commission; radio common carrier services, including mobile telephone service and radio paging; or one-way cable television service; and

[M-] N. "telecommunications company" means a person that provides public telecommunications service."

Section 4. Section 63-9A-8 NMSA 1978 (being Laws 1985, Chapter 242, Section 8, as amended) is amended to read:

"63-9A-8. REGULATION OF RATES AND CHARGES. --

In accordance with the policy established in the New Mexico Telecommunications Act, the commission shall, by its own motion or upon petition by any interested party, hold hearings to determine if [any] a public telecommunications service, part of service or category of services is subject to effective competition in the relevant market area. When the commission has made a determination that a service, [or] part of [a] service or category of services is subject to effective competition, the commission shall consistent with the purposes of the New Mexico Telecommunications Act, modify, reduce or eliminate rules, regulations and other requirements applicable to the provision of such service, including the fixing and determining of specific rates, tariffs or fares for the The commission's action may include the detariffing servi ce. of service or the establishment of minimum rates which will cover the costs for the service. Such modification shall be consistent with the maintenance of the availability of access

to local exchange service at affordable rates and comparable message telecommunication service rates, as established by the commission, for comparable markets or market areas, except that volume discounts or other discounts based on reasonable business purposes shall be permitted. Upon petition or request of an affected telecommunications company, the commission, upon a finding that the requirements of Subsection [&] B of this section are met, shall eliminate or modify the same or similar regulatory requirements for those providers of comparable public telecommunications services in the same relevant markets so that there shall be parity of regulatory standards and requirements for all such providers.

- B. In determining whether a service is subject to effective competition, the commission shall consider the following:
- (1) the extent to which services are reasonably available from alternate providers in the relevant market area:
- (2) 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 regulatory barriers.
- C. In accordance with the New Mexico

 Telecommunications Act, the commission shall, by its own motion or upon petition by any interested party, hold hearings to

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determine if a public telecommunications service, part of service or category of services is subject to developing competition in the relevant market area. Except as provided in Subsection E of this section, when the commission has made a determination that a telecommunications company's service, part of service or category of services is subject to developing competition, the telecommunications company may decrease by no more than fifty percent annually or increase by no more than twenty percent annually the price for the service, part of service or category of services. The telecommunications company may also charge different rates or prices for the same service, part of service or category of services that is subject to developing competition in the relevant market area. Upon petition or request of an affected telecommunications company, the commission upon a finding that the requirements of Subsection D of this section are met shall modify the same regulatory requirements for those providers of comparable public telecommunications services in the same relevant market areas so that there shall be parity of regulatory standards and requirements for all such providers.

D. The commission shall determine that a service,

part of service or category of services is subject to

developing competition in the relevant market area if it finds

that:

(1) the service, part of service or category

of services is being offered to end-user customers in the relevant market area by one other provider of the public telecommunications service, mobile or wireless telephone service, radio paging service or cable telecommunications service;

- (2) the other provider of the public telecommunications service, mobile or wireless telephone service, radio paging service or cable telecommunications service offering the service, part of service or category of services is not subject to rate or price regulation;
- (3) pursuant to 47 USCA 271, the federal communications commission has approved an application by the provider of the service, part of service or category of services or the commission finds that the provider's network is open to use by other telecommunications companies; and
- (4) the pricing flexibility granted to the telecommunications company pursuant to Subsection C of this section will promote competition.

E. The pricing of a service, part of service or category of services pursuant to Subsection C of this section shall apply to an incumbent local exchange carrier subject to an alternative form of regulation pursuant to Subsection C of Section 63-9A-8.2 NMSA 1978 only after the termination date stated in the order or rule prescribing the alternative form of regulation as the order or rule existed on July 1, 2003. After

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the termination date stated in the order or rule, the telecommunications company may decrease by no more than twenty percent annually or increase by no more than ten percent annually the rate of any public telecommunications service upon thirty days' notice to the commission. The rate change shall be reviewed by the commission only if a written protest, signed by not less than two and one-half percent of all affected subscribers, is filed with the commission within thirty days after notice of the rate change is sent to affected subscribers. The protest shall specifically set forth the particular rate as to which review is requested, the reasons for the requested review and the relief desired. Upon notice, the commission may suspend the protested rates during the proceedings and reinstate the rates previously in effect. Within ninety days after the filing of the protest, the commission shall determine if the rates proposed are fair, just and reasonable.

F. Until changed pursuant to the provisions of this section, alternative rates in effect for an incumbent local exchange carrier pursuant to Subsection C of Section 63-9A-8.2

NMSA 1978 shall remain in effect after the termination date stated in the rule or order prescribing the alternative form of regulation.

G. A hearing before the commission pursuant to
Subsection A or C of this section shall be completed within one
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hundred twenty days after the petition or motion initiating the hearing process is filed.

[E-] H. 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. In any proceeding held pursuant to this section, the party providing the service shall bear the burden of proving that the prices charged for competitive telecommunications services cover cost.

[Đ.-] I. 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] the criteria for determining that the service [is not] was subject to effective or developing competition are no longer met."

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

"63-9A-8.1. CHANGE IN RATES. --

A. <u>Except as provided in Section 63-9A-8 NMSA 1978,</u>
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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.

В. Except as provided in Section 63-9A-8 NMSA 1978, 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 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 filings to be eligible for suspension periods shorter than what is allowed by this subsection and to be eligible for summary approval without hearing.

1978, 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."

Section 6. Section 63-9A-8.2 NMSA 1978 (being Laws 2000, Chapter 100, Section 4 and Laws 2000, Chapter 102, Section 4, as amended) is amended to read:

"63-9A-8.2. IDENTIFYING SUBSIDIES--RULES--PRICE CAPS.-. 146185.2

A. No later than December 31, 2000, the commission shall review existing rates for public telecommunications services offered by incumbent local exchange carriers with more than fifty thousand access lines and identify all subsidies that are included in the rates. The commission shall issue rules requiring that the identified subsidies appear on customer bills and establish a schedule not later than April 1, 2001 whereby implicit subsidies be eliminated through implementation of the state rural universal service fund or through revenue-neutral rate rebalancing or any other method consistent with the intent of the New Mexico Telecommunications Act.

B. $[\mbox{No later than January 1, 2001}]$ The commission shall adopt rules that:

(1) apply equally to all public telecommunications companies offering or providing services in the same local exchange area, regardless of whether the services have been determined to be competitive telecommunications services;

[(1)] (2) establish consumer protection and quality-of-service standards;

 $\left[\frac{(2)}{(3)}\right]$ ensure adequate investment in the telecommunications infrastructure in both urban and rural areas of the state:

 $[\frac{(3)}{4}]$ promote availability and deployment

of high-speed data services in both urban and rural areas of the state;

[(4)] (5) ensure the accessibility of interconnection by competitive local exchange carriers in both urban and rural areas of the state; and

[(5)] (6) establish an expedited regulatory process for considering matters related to telecommunications services that are pending before the commission.

- C. [No later than April 1, 2001, but in no case prior to the adoption of the rules required in Subsection B of this section] The commission shall eliminate rate of return regulation of incumbent telecommunications carriers with more than fifty thousand access lines and implement an alternative form of regulation that includes reasonable price caps for basic residence and business local exchange services.
- D. Except for incumbent rural telecommunications
 carriers included in Paragraph (1) of Subsection B of this
 section and therefore subject to the rules adopted pursuant to
 that subsection, rules adopted pursuant to this section shall
 not be applied to incumbent rural telecommunications carriers
 as that term is defined in Subsection I of Section 63-9H-3 NMSA
 1978."

Section 7. A new section of the New Mexico

Telecommunications Act, Section 63-9A-8.4 NMSA 1978, is enacted to read:

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[NEW MATERIAL] TERMINATION OF RURAL EXTENSION "63-9A-8.4. FUNDS. --

As used in this section, "rural extension fund" means a fund reserved, set aside or in any other manner accrued by a telecommunications company pursuant to an order, rule, tariff or other requirement of the commission for the purpose of supporting or subsidizing the extension of lines or facilities by the telecommunications company to serve customers in rural or other low-density service areas.

After June 30, 2003, the commission shall not require a telecommunications company to establish or maintain a rural extension fund. The obligation of a telecommunications company to reserve, set aside or in any other manner accrue additional money to an existing rural extension fund shall terminate on July 1, 2003.

A telecommunications company with an accrued, unspent balance in a rural extension fund as of July 1, 2003 shall apply the balance in accordance with the requirements of that fund until the balance is expended; provided, however, that the telecommunications company may offset and credit against the balance all contributions by the telecommunications company to telecommunications projects in rural areas. telecommunications company shall work with the commission to develop a list of telecommunications development projects that benefit rural areas of the state that are in need of

telecommunications facilities or services. No residential or commercial real estate developer shall benefit directly from telecommunications projects funded pursuant to this section."

Section 8. 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. Except for services that are determined by the commission to be competitive telecommunications services, 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 . 146185.2

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.

- 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.
- 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

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Section 9. EFFECTIVE DATE.--The effective date of the provisions of this act is July 1, 2003.

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