## BILL

53Rd LEGISLAtURE - STATE OF NEW MEXICO - FIRSt SESSION, 2017 INTRODUCED BY

## DISCUSSION DRAFT

FOR THE JOBS COUNCIL

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 . 204952.2
to have comparable telecommunications service rates, as established by the commission, for comparable markets or market 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 telecommunications consumers and carriers in the state the benefits of the regulatory flexibility previously provided only to incumbent rural telecommunications carriers and to establish a regulatory framework [that will allow] to provide for 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."

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:
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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 a competitive carrier that holds a certificate of public convenience and necessity lawfully issued by the commission;
[E.] F. "effective competition" means the competition that results from the customers of the service [have] having reasonably available and comparable alternatives to the service, consistent with the standards set forth in Section 63-9A-8 NMSA 1978;
[F-] G. "fund" means the state rural universal service fund;
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H. "incumbent local exchange carrier" means a
person that:
(1) was designated as an eligible telecommunications carrier by the state corporation commission in Docket \#97-93-TC by order dated October 23, 1997 or that provided local exchange service in New Mexico on February 8, 1996; or

> (2) became a successor or assignee of an
incumbent local exchange carrier;
I. "incumbent rural telecommunications carrier" means an incumbent local exchange carrier that serves fewer than fifty thousand access lines within the state and has been designated as an eligible telecommunications carrier by the state corporation commission or the public regulation commission;
[G.] J. "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.] K. "local exchange service" means the transmission of two-way interactive switched voice communications furnished by a telecommunications company within a local exchange area;
[I.] L. "message telecommunications service" means telecommunications service between local exchange areas within .204952 .2
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 carriex" means a telecommunieations eompany 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;
[モ.] 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.] O. "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
N.] P. "telecommunications company" means a person that provides public telecommunications service;
Q. "wire center" means a facility in which 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 . 204952.2
regulation thereof as [hereinaftex] provided 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 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 complaints, wholesale right 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
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and obligations of any competitive local exchange carrier to obtain such a certificate;
(3) the authority of the commission to resolve 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 fining 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
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consistent with federal law.
C. For incumbent local exchange carriers that serve more than fifty thousand access lines within the state, the commission shall adopt relaxed regulations that provide for:
(l) reduced filing requirements for applicants in rate increase proceedings under the New Mexico Telecommunications Act; and
(2) expedited consideration in all proceedings initiated pursuant to the New Mexico Telecommunications Act in order to reduce the cost and burden for incumbent local exchange carriers and other applicants.
D. The regulatory requirements and the commission's regulation of competitive local exchange carriers, competitive access providers and interexchange carriers shall be no greater than, and no more extensive than, that of incumbent local exchange carriers that serve more than fifty thousand access lines.
E. The provisions of the New Mexico

Telecommunications Act do not apply to an incumbent local exchange carrier that serves fewer than fifty thousand access lines within the state and has been designated as an eligible telecommunications carrier by the commission."

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--EFFECTIVE

COMPETITION. --
A. 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 public telecommunications service 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 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 service. The commission's action may include the detariffing of service or the establishment of minimum rates [wheh] that 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 [telecommunieation] telecommunications 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 [ 6 ] $\underline{B}$ of this section are met,
shall modify the same or similar retail regulatory requirements 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; however, this subsection shall not be construed to allow the adoption of any new regulatory requirements or standards for providers of comparable telecommunications services.
B. 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 shall determine separately 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];
(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 [若] , technological, regulatory or other barriers to market entry or exit;
(4) the number of alternate providers offering the same or reasonably comparable services;
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(5) the presence of at least two facilitiesbased competitors, including all facilities-based providers of wireless or voice over internet protocol services, that are operating in all or part of the wire center serving area for which a determination of effective competition is requested and that are unaffiliated with the petitioning provider 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) other factors that the commission deems appropriate.
C. If, in the wire center serving area for which a determination of effective competition is requested, the incumbent provider for that wire center provides basic local exchange service either separately or bundled to fewer than one-half of the customer locations in which that service is available at the time the petition is filed, effective competition is presumed for all regulated telecommunications services provided by the incumbent provider in that wire center serving area.
[C.] D. 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 .204952 .2
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 set forth in 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 of providing that service shall bear the burden of proving that the prices charged for competitive telecommunications services do not cover cost. As part of its examination of and determination on a complaint, the commission may require the carrier against which the complaint is filed to submit a cost study for the service that is the subject of the complaint.
[B-] 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. The petitioning provider of a wire center serving area in which service is deregulated pursuant to a determination of effective competition is ineligible for an exemption from 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 repealed and a new Section 63-9A-8.1 NMSA 1978 is enacted to read:
"63-9A-8.1. [NEW MATERIAL] CHANGE IN RATES.--
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 are 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 fifty thousand or more access lines within the state shall file tariffs for all retail public telecommunications services, other than residential local exchange service, that shall take effect ten days after notice to its customers and the commission is given. 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 as provided in Section 63-9A-11 NMSA 1978.
C. An incumbent local exchange carrier that serves fifty thousand or more access lines within the state may, in accordance with this section, increase its rates for residential local exchange service to comply with the requirements of any federal or state law. The procedures of Subsections D, E and F of this section do 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 more than fifty thousand access lines within the state only after sixty days' notice is given 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 in accordance with Subsection $D$ of this section shall hold at least one public informational meeting in each 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. The commission shall review residential local
exchange service rates increased by an incumbent local exchange carrier that serves more than fifty thousand access lines
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within the state only upon written protest signed by at least one hundred 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 protesting persons desire. If a proper protest is presented to the commission within sixty days after 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, 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 the purposes of this
section, "cost" includes 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 long-distance 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 shall also include any interexchange access rates charged to another telecommunications carrier for the service. In determining whether a rate for a service covers the cost of the service, the commission shall consider the amount of time that customers are likely to retain the service.
H. An incumbent local exchange carrier that serves more than fifty thousand access lines within the state may offer or discontinue offering retail special incentives, discounts, packaged offerings, temporary rate waivers or other promotions or it may 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] upon request by the commission. If that contract or evidence is requested, the commission shall maintain it on a confidential basis subject to an appropriate protective order. Any interested party may receive copies of filings made in accordance with this section upon request to the commission and, if applicable, execution of an appropriate . 204952.2confidentiality agreement."
SECTION 7. Section 63-9A-11 NMSA 1978 (being Laws 1985, Chapter 242, Section 11) is amended to read:
"63-9A-11. COMPLAINT ALLEGING VIOLATION BY PROVIDER OF TELECOMMUNICATIONS SERVICES.--
A. 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.
B. 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.
C. 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.
D. The burden shall be on the party complaining to 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.
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E. 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.
F. 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 the New Mexico Telecommunications Act on residential and business consumers in urban and rural areas of the state every three years and shall report its findings to the legislature. The commission shall complete its first review by July 31, 2019. As part of its review, the commission 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, and it shall report on those wire centers deemed to have effective competition and on any wire centers no longer subject to carrier of last resort obligations. After July 31, 2021, the commission may regulate basic local exchange service in accordance with the New Mexico Telecommunications Act for a wire center serving an area deregulated in accordance with

Section 63-9A-8 NMSA 1978 if the commission, through a hearing and findings of fact and conclusions of law, finds that reregulation of basic local exchange service is necessary to protect the public interest."

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 and Laws 2000, Chapter 102, Section 4, as amended) are repealed.

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