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SENATE BILL NO. 282

Offered January 14, 2004

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A BILL to amend and reenact § 56-265.4:4 of the Code of Virginia, relating to telecommunications services provided by localities; cross-subsidizations; cost allocation manuals.

Patron—Wampler

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:**1. That § 56-265.4:4 of the Code of Virginia is amended and reenacted as follows:**

§ 56-265.4:4. Certificate to operate as a telephone utility.

A. The Commission may grant certificates to competing telephone companies, or any county, city or town that operates an electric distribution system, for interexchange service where it finds that such action is justified by public interest, and is in accordance with such terms, conditions, limitations, and restrictions as may be prescribed by the Commission for competitive telecommunications services. A certificate to provide interexchange services shall not authorize the holder to provide local exchange services. The Commission may grant a certificate to a carrier, or any county, city or town that operates an electric distribution system, to furnish local exchange services as provided in subsection B.

B. 1. After notice to all local exchange carriers certificated in the Commonwealth and other interested parties and following an opportunity for hearing, the Commission may grant certificates to any telephone company, or any county, city or town that operates an electric distribution system, proposing to furnish local exchange telephone service in the Commonwealth. In determining whether to grant a certificate under this subsection, the Commission may require that the applicant show that it possesses sufficient technical, financial, and managerial resources. Before granting any such certificate, the Commission shall: (i) consider whether such action reasonably protects the affordability of basic local exchange telephone service, as such service is defined by the Commission, and reasonably assures the continuation of quality local exchange telephone service; and (ii) find that such action will not unreasonably prejudice or disadvantage any class of telephone company customers or telephone service providers, including the new entrant and any incumbent local exchange telephone company, and is in the public interest. Except as provided in subsection A of § 15.2-2160, all local exchange certificates granted by the Commission after July 1, 2002, shall be to provide service in any territory in the Commonwealth unless the applicant specifically requests a different certificated service territory. The Commission shall amend the certificated service territory of each local exchange carrier that was previously certificated to provide service in only part of the Commonwealth to permit such carrier's provision of local exchange service throughout the Commonwealth beginning on September 1, 2002, unless that local exchange carrier notifies the Commission prior to September 1, 2002, that it elects to retain its existing certificated service territory. A local exchange carrier shall only be considered an incumbent in any certificated service territory in which it was considered an incumbent prior to July 1, 2002.

2. A Commission order, including appropriate findings of fact and conclusions of law, denying or approving, with or without modification, an application for certification of a new entrant shall be entered no more than 180 days from the filing of the application, except that the Commission, upon notice to all parties in interest, may extend that period in additional 30-day increments not to exceed an additional 90 days in all.

3. The Commission shall (i) promote and seek to assure the provision of competitive services to all classes of customers throughout all geographic areas of the Commonwealth by a variety of service providers; (ii) require equity in the treatment of the certificated local exchange telephone companies so as to encourage competition based on service, quality, and price differences between alternative providers; (iii) consider the impact on competition of any government-imposed restrictions limiting the markets to be served or the services offered by any provider; (iv) determine the form of rate regulation, if any, for the local exchange services to be provided by the applicant and, upon application, the form of rate regulation for the comparable services of the incumbent local exchange telephone company provided in the geographical area to be served by the applicant; and (v) promulgate standards to assure that there is no cross-subsidization of the applicant's competitive local exchange telephone services by any other of its services over which it has a monopoly, whether or not those services are telephone services. The Commission shall also adopt safeguards to ensure that the prices charged and the revenue received by a county, city or town for providing telecommunications services shall not be cross-subsidized from other revenues of the county, city or town or affiliated entities, except (i) in areas

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59 where no offers exist from for-profit providers of such telecommunications services, or (ii) as authorized
60 pursuant to subdivision 5 of this subsection.

61 4. The Commission shall discharge the responsibilities of state commissions as set forth in the federal
62 Telecommunications Act of 1996 (P.L. 104-104) (the Act) and applicable law and regulations, including,
63 but not limited to, the arbitration of interconnection agreements between local exchange carriers;
64 however, the Commission may exercise its discretion to defer selected issues under the Act. If the
65 Commission incurs additional costs in arbitrating such agreements or resolving related legal actions or
66 disputes that cannot be recovered through the maximum levy authorized pursuant to § 58.1-2660, that
67 levy shall be increased above the levy authorized by that section to the extent necessary to recover such
68 additional costs.

69 5. Upon the Commission's granting of a certificate to a county, city or town under this section, such
70 county, city, or town (i) shall be subject to regulation by the Commission for intrastate
71 telecommunications services, (ii) shall have the same duties and obligations as other certificated
72 providers of telecommunications services, (iii) shall separately account for the revenues, expenses,
73 property, and source of investment dollars associated with the provision of such services, and (iv) to
74 ensure that there is no unreasonable advantage gained from a government agency's taxing authority and
75 control of government-owned land, shall charge an amount for such services that (a) does not include
76 any subsidies, unless approved by the Commission, and (b) takes into account, by imputation or
77 allocation, equivalent charges for all taxes, pole rentals, rights of way, licenses, and similar costs
78 incurred by for-profit providers. Each certificated county, city, or town that provides telecommunications
79 services regulated by the Commission shall file an annual report with the Commission demonstrating
80 that the requirements of clauses (iii) and (iv) of this subdivision have been met. The Commission may
81 approve a subsidy under this section if deemed to be in the public interest and provided that such
82 subsidy does not result in a price for the service lower than the price for the same service charged by
83 the incumbent provider in the area.

84 6. A locality that has obtained a certificate pursuant to this section shall (i) comply with all
85 applicable laws and regulations for the provision of telecommunications services; (ii) make a reasonable
86 estimate of the amount of all federal, state, and local taxes (including income taxes and consumer utility
87 taxes) that would be required to be paid or collected for each fiscal year if the locality were a for-profit
88 provider of telecommunications services, (iii) prepare reasonable estimates of the amount of any
89 franchise fees and other state and local fees (including permit fees and pole rental fees), and
90 right-of-way charges that would be incurred in each fiscal year if the locality were a for-profit provider
91 of telecommunications services, (iv) prepare and publish annually financial statements in accordance
92 with generally accepted accounting principles showing the results of operations of its provision of
93 telecommunications services, and (v) maintain records demonstrating compliance with the provisions of
94 this section that shall be made available for inspection and copying pursuant to the Virginia Freedom of
95 Information Act (§ 2.2-3700 et seq.).

96 7. Each locality that has obtained a certificate pursuant to this section shall provide nondiscriminatory
97 access to for-profit providers of telecommunications services on a first-come, first-served basis to
98 rights-of-way, poles, conduits or other permanent distribution facilities owned, leased or operated by the
99 locality unless the facilities have insufficient capacity for such access and additional capacity cannot
100 reasonably be added to the facilities.

101 8. The prices charged and the revenue received by a locality for providing telecommunications
102 services shall not be cross-subsidized by other revenues of the locality or affiliated entities, except (i) in
103 areas where no offers exist from for-profit providers of such telecommunications services, or (ii) as
104 permitted by the provisions of subdivision B 5. *If any such locality providing telecommunications*
105 *services files a cost allocation manual that is acceptable to the Commission, the Commission shall deem*
106 *the cost allocation manual to be sufficient indication of the lack of cross-subsidization so as not to*
107 *require any further cost study to be maintained by such locality, but such locality shall maintain and*
108 *update the cost allocation manual on an annual basis if any changes occur during the year.*

109 9. The Commission shall promulgate rules necessary to implement this section. In no event, however,
110 shall the rules necessary to implement subdivisions B 5 iii and iv, B 6 ii through v, and B 8 impose any
111 obligations on a locality that has obtained a certificate pursuant to this section, but is not yet providing
112 telecommunications services regulated by the Commission.

113 C. Article 5.1 (§ 56-484.7:1 et seq.) of Chapter 15 of this title shall not apply to a county, city or
114 town that has obtained a certificate pursuant to this section.

115 D. Any county, city, or town that has obtained a certificate pursuant to this section may construct,
116 own, maintain, and operate a fiber optic or communications infrastructure to provide consumers with
117 Internet services, data transmission services, and any other communications service that its infrastructure
118 is capable of delivering; provided, however, nothing in this subsection shall authorize the provision of
119 cable television services or other multi-channel video programming service. Furthermore, nothing in this
120 subsection shall alter the authority of the Commission.

121 E. Any county, city, or town that has obtained a certificate pursuant to this section and that had
122 installed a cable television headend prior to December 31, 2002, is authorized to own and operate a
123 cable television system or other multi-channel video programming service and shall be exempt from the
124 provisions of §§ 15.2-2108.4 through 15.2-2108.8. Nothing in this subsection shall authorize the
125 Commission to regulate cable television service.

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