

# SENATE BILL 207

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CF HB 472

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By: ~~Senator Klausmeier~~ **Senators Klausmeier, Pugh, Middleton, Benson,  
Feldman, Kelley, and Mathias**

Introduced and read first time: February 2, 2015

Assigned to: Finance

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Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 30, 2015

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Telephone Companies – Streamlined Regulatory Requirements**

3 FOR the purpose of narrowing the types of services of a telephone company that are  
4 regulated by the Public Service Commission by altering a certain definition;  
5 providing that the Commission may allow a certain telephone company to provide a  
6 regulated service without requiring the telephone company to file a certain tariff  
7 schedule under certain circumstances; providing that a telephone company that is  
8 regulated in a certain manner is not required to file with the Commission a certain  
9 tariff schedule for certain regulated retail services under certain circumstances;  
10 providing that a telephone company that is not regulated in a certain manner is not  
11 required to file with the Commission a certain tariff schedule for certain regulated  
12 retail services under certain circumstances; authorizing the Commission to issue  
13 certain orders or adopt certain regulations; providing that a certain merger of or  
14 transfer of stock or other ownership interest between a telephone company and  
15 another certain entity does not require a certain prior authorization from the  
16 Commission; providing that a certain transaction in which a telephone company is  
17 acquired by another certain entity does not require a certain prior authorization from  
18 the Commission; ~~allowing a telephone company to withdraw offering a certain retail~~  
19 ~~service under certain circumstances after providing certain notice;~~ requiring the  
20 Commission to make a certain determination on certain services on or before a  
21 certain date; requiring the Commission to study whether and how a telephone  
22 company should be authorized to withdraw certain services in the State; requiring  
23 the Commission to make a determination whether certain changes are needed to  
24 regulations to ensure that customers are properly and conspicuously notified of

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 certain rate increases; requiring the Commission to report its findings and  
 2 recommendations of a certain study and determination on or before a certain date;  
 3 and generally relating to regulatory requirements of telephone companies.

4 BY repealing and reenacting, without amendments,  
 5 Article – Public Utilities  
 6 Section 1–101(a)  
 7 Annotated Code of Maryland  
 8 (2010 Replacement Volume and 2014 Supplement)

9 BY repealing and reenacting, with amendments,  
 10 Article – Public Utilities  
 11 Section 1–101(l), 4–202, 5–203, and 6–101  
 12 Annotated Code of Maryland  
 13 (2010 Replacement Volume and 2014 Supplement)

14 ~~BY adding to~~  
 15 ~~Article – Public Utilities~~  
 16 ~~Section 8–109~~  
 17 ~~Annotated Code of Maryland~~  
 18 ~~(2010 Replacement Volume and 2014 Supplement)~~

19 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
 20 That the Laws of Maryland read as follows:

21 **Article – Public Utilities**

22 1–101.

23 (a) In this division the following words have the meanings indicated.

24 (l) (1) “Telephone company” means a public service company that:

25 (i) owns telephone lines to receive, transmit, or communicate  
 26 **LOCAL EXCHANGE** telephone **SERVICES, EXCHANGE ACCESS TELEPHONE SERVICES,**  
 27 or teletype communications; [or]

28 (ii) leases, licenses, or sells **LOCAL EXCHANGE TELEPHONE**  
 29 **SERVICES, EXCHANGE ACCESS** telephone **SERVICES,** or teletype communications; **OR**

30 **(III) OWNS TELEPHONE LINES TO RECEIVE, TRANSMIT, OR**  
 31 **COMMUNICATE TELEPHONE SERVICES TO INMATE FACILITIES.**

32 (2) “Telephone company” does not include a cellular telephone company.

1 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read  
2 as follows:

3 Article – Public Utilities

4 4–202.

5 (a) [A] ~~SUBJECT~~ EXCEPT AS PROVIDED IN SUBSECTION (C)(1) OF THIS  
6 SECTION AND SUBJECT TO SUBSECTION ~~(C)~~ (C)(2) OF THIS SECTION, A public service  
7 company shall file with the Commission a tariff schedule of its rates and charges for its  
8 regulated services and for standard offer service as provided in § 7–505(b)(8) of this article.

9 (b) As ordered by the Commission, a public service company shall:

10 (1) plainly print the tariff schedule of its rates and charges for its regulated  
11 services;

12 (2) make available the tariff schedules for public inspection; and

13 (3) post the tariff schedules to make the tariff schedules readily accessible  
14 to and convenient for inspection by the public.

15 (C) (1) (I) A TELEPHONE COMPANY THAT IS REGULATED USING AN  
16 ALTERNATIVE FORM OF REGULATION UNDER § 4–301 OF THIS TITLE FOR BASKETS  
17 OF SERVICES IS NOT REQUIRED TO FILE WITH THE COMMISSION A TARIFF  
18 SCHEDULE OF ITS RATES AND CHARGES FOR ITS REGULATED RETAIL SERVICES  
19 THAT ARE INCLUDED IN BASKET 4 “DISCRETIONARY SERVICES” AND BASKET 5  
20 “COMPETITIVE SERVICES”.

21 (II) A TELEPHONE COMPANY THAT IS NOT REGULATED USING  
22 AN ALTERNATIVE FORM OF REGULATION UNDER § 4–301 OF THIS TITLE FOR  
23 BASKETS OF SERVICES IS NOT REQUIRED TO FILE WITH THE COMMISSION A TARIFF  
24 SCHEDULE OF ITS RATES AND CHARGES FOR ITS REGULATED RETAIL SERVICES  
25 THAT, AS DETERMINED BY THE COMMISSION, ARE SIMILAR TO THE SERVICES  
26 INCLUDED IN BASKET 4 “DISCRETIONARY SERVICES” AND BASKET 5  
27 “COMPETITIVE SERVICES”.

28 ~~(C)~~ (2) NOTWITHSTANDING ANY OTHER LAW, EXCEPT AS PROVIDED IN  
29 PARAGRAPH (1) OF THIS SUBSECTION, IF THE COMMISSION FINDS AFTER NOTICE  
30 AND HEARING THAT IT IS IN THE PUBLIC INTEREST, THE COMMISSION MAY ALLOW  
31 A TELEPHONE COMPANY THAT HAS 20,000 OR FEWER SUBSCRIBERS TO PROVIDE A  
32 REGULATED SERVICE WITHOUT REQUIRING THE TELEPHONE COMPANY TO FILE A  
33 TARIFF SCHEDULE OF ITS RATES AND CHARGES FOR THE REGULATED SERVICE.

**(3) THE COMMISSION MAY ISSUE ORDERS OR ADOPT REGULATIONS THAT THE COMMISSION DETERMINES NECESSARY TO REGULATE A SERVICE IN WHICH A TELEPHONE COMPANY IS NOT REQUIRED TO FILE A TARIFF SCHEDULE OF ITS RATES AND CHARGES UNDER THIS SUBSECTION.**

SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

**Article – Public Utilities**

5–203.

**(A) THIS SECTION DOES NOT APPLY TO A MERGER OF OR TRANSFER OF STOCK OR OTHER OWNERSHIP INTEREST BETWEEN:**

**(1) A TELEPHONE COMPANY; AND**

**(2) ANOTHER ENTITY WITH A GREATER THAN 50% OWNERSHIP IN COMMON WITH THE TELEPHONE COMPANY.**

**[(a) (B)]** Subject to § 6–101 of this article, without prior authorization of the Commission, a public service company may not purchase, acquire, take, or hold any part of the capital stock of another public service company that operates in Maryland.

**[(b) (C)] (1)** This subsection applies to corporations that operate in Maryland.

**(2)** Except as provided in paragraph (5) of this subsection, without prior authorization of the Commission, a public service company may not:

(i) assume or guarantee an obligation or liability with respect to stocks, bonds, securities, notes, or other evidence of indebtedness that is payable as a whole or in part to any person more than 12 months after the date of issuance; or

(ii) issue stocks, bonds, securities, notes, or other evidence of indebtedness payable as a whole or in part more than 12 months after the date of issuance.

**(3)** Stocks, bonds, securities, notes, or other evidence of indebtedness described under paragraph (2)(ii) of this subsection shall be issued in accordance with §§ 6–102 and 6–103 of this article.

**(4)** The Commission shall take action on an application for authorization under this section within a reasonable time after receipt.

**(5)** Prior authorization of the Commission is not required for an assumption or guarantee under paragraph (2)(i) of this subsection or an issuance under paragraph (2)(ii) of this subsection made by a gas company, electric company, or telephone

1 company whose gross annual revenues, for the most recent calendar year for which data  
2 are available, are less than 3% of the total gross annual revenues of all public service  
3 companies in the State during the same calendar year, if the gas company, electric  
4 company, or telephone company:

5 (i) provides prior written notice to the Commission of the  
6 transaction; and

7 (ii) obtains approval of the transaction from the entity in another  
8 state that regulates the gas company, electric company, or telephone company.

9 6–101.

10 (a) (1) This subsection:

11 (I) applies only to corporations that operate in Maryland; AND

12 (II) DOES NOT APPLY TO A TRANSACTION IN WHICH THE  
13 CAPITAL STOCK OF A TELEPHONE COMPANY IS ACQUIRED BY ANOTHER ENTITY WITH  
14 A GREATER THAN 50% OWNERSHIP IN COMMON WITH THE TELEPHONE COMPANY.

15 (2) Except as provided in paragraph (4) of this subsection, a public service  
16 company shall obtain authorization from the Commission before the public service  
17 company:

18 (i) assumes or guarantees an obligation or liability with respect to  
19 stocks, bonds, securities, notes, or other evidence of indebtedness of any person that is  
20 payable wholly or partly more than 12 months after the date of the assumption or  
21 guarantee;

22 (ii) issues stocks, bonds, securities, notes, or other evidence of  
23 indebtedness that is payable wholly or partly more than 12 months after the date issued;  
24 or

25 (iii) lends money to an affiliate, as defined in § 7–501 of this article,  
26 at rates or on terms that are significantly more favorable to the affiliate than the rates or  
27 terms that are otherwise commercially available to the affiliate.

28 (3) An issuance under paragraph (2)(ii) of this subsection shall conform to  
29 §§ 6–102 and 6–103 of this subtitle.

30 (4) Prior authorization of the Commission is not required for an  
31 assumption or guarantee under paragraph (2)(i) of this subsection or an issuance under  
32 paragraph (2)(ii) of this subsection made by a gas company, electric company, or telephone  
33 company whose gross annual revenues, for the most recent calendar year for which data  
34 are available, are less than 3% of the total gross annual revenues of all public service

1 companies in the State during the same calendar year, if the gas company, electric  
2 company, or telephone company:

3 (i) provides prior written notice to the Commission of the  
4 transaction; and

5 (ii) obtains approval of the transaction from the entity in another  
6 state that regulates the gas company, electric company, or telephone company.

7 (b) (1) Subject to the requirements of subsection (c) of this section, the  
8 Commission may authorize an act described under subsection (a)(2) of this section if the  
9 Commission finds that the act is consistent with the public convenience and necessity.

10 (2) Authorization under this subsection does not:

11 (i) revive a lapsed franchise, validate an invalid franchise, or add to  
12 the powers and privileges in a franchise; or

13 (ii) waive a forfeiture.

14 (c) (1) This subsection does not apply to the formation of a holding company  
15 by a public service company in a corporate reorganization that involves an exchange of  
16 stock of the public service company for stock in the holding company.

17 (2) In this subsection, a company controlling a public service company is  
18 deemed a public service company of the same class as the controlled public service company.

19 (3) Without prior authorization of the Commission, a public service  
20 company may not take, hold, or acquire any part of the capital stock of a public service  
21 company that:

22 (i) operates in Maryland; and

23 (ii) is of the same class as the acquiring company.

24 (4) (i) Except as provided in subparagraph (ii) of this paragraph, a stock  
25 corporation may not take, hold, or acquire more than 10% of the total capital stock of a  
26 public service company that operates in Maryland unless:

27 1. the stock is acquired as collateral security; and

28 2. the Commission approves the acquisition.

29 (ii) The Commission may authorize a public service company of the  
30 same class to take, hold, or acquire more than 10% of the total capital stock of a public  
31 service company that operates in Maryland.

1 (5) A public service company may not be a party to a violation of this  
2 subsection.

3 (6) Notwithstanding paragraph (2) of this subsection, § 6–105 of this  
4 subtitle shall apply, and the provisions of this subsection do not apply, to the acquisition,  
5 ownership, or disposition of any capital stock or voting securities of a company that controls,  
6 directly or indirectly, a gas and electric company.

7 (7) Notwithstanding any other provision of this subsection, the  
8 Commission may authorize, in accordance with § 6–105 of this subtitle, the taking, holding,  
9 or acquiring of all or any part of the capital stock of a gas and electric company that operates  
10 in the State by a stock corporation or a public service company that is not of the same class  
11 as the gas and electric company.

12 ~~§ 109.~~

13 ~~(A) (1) IN THIS SECTION, “RETAIL SERVICE” MEANS ANY SERVICE  
14 PROVIDED TO END USER CUSTOMERS.~~

15 ~~(2) “RETAIL SERVICE” DOES NOT INCLUDE EXCHANGE ACCESS  
16 TELEPHONE SERVICE.~~

17 ~~(B) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION AND  
18 NOTWITHSTANDING ANY OTHER LAW, A TELEPHONE COMPANY MAY WITHDRAW  
19 OFFERING A RETAIL SERVICE:~~

20 ~~(I) IF THE TELEPHONE COMPANY DOES NOT HAVE ANY  
21 CUSTOMERS OF THE RETAIL SERVICE IN THE STATE, 14 DAYS AFTER PROVIDING  
22 NOTICE TO THE COMMISSION; AND~~

23 ~~(II) IF THE TELEPHONE COMPANY HAS CUSTOMERS OF THE  
24 RETAIL SERVICE IN THE STATE, 30 DAYS AFTER PROVIDING NOTICE TO THE  
25 COMMISSION AND THE CUSTOMERS OF THE SERVICE.~~

26 ~~(2) WITHOUT PRIOR AUTHORIZATION OF THE COMMISSION, A  
27 TELEPHONE COMPANY MAY NOT WITHDRAW OFFERING TO ITS CUSTOMERS BASIC  
28 LOCAL SERVICE TO AN EXCHANGE.~~

29 SECTION 4. AND BE IT FURTHER ENACTED, That, on or before September 1,  
30 2015, the Public Service Commission shall determine, as provided under § 4–202(c)(1)(ii) of  
31 the Public Utilities Article, as enacted by Section 2 of this Act, which regulated retail  
32 services for a telephone company that is not regulated using an alternative form of  
33 regulation are similar to the regulated retail services included in Basket 4 “Discretionary  
34 Services” and Basket 5 “Competitive Services”.

1        SECTION 5. AND BE IT FURTHER ENACTED, That, on or before September 1,  
 2 2015, the Public Service Commission shall:

3        (a)    (1)    study whether and how a telephone company should be authorized to  
 4 withdraw a regulated retail service in the State; and

5            (2)    determine whether any changes are necessary to current regulations to  
 6 ensure that customers are properly and conspicuously notified of a rate increase of a  
 7 regulated retail service; and

8        (b)    report its findings and recommendations from its study under subsection  
 9 (a)(1) of this section and from its determination under subsection (a)(2) of this section, in  
 10 accordance with § 2-1246 of the State Government Article, to the Senate Finance  
 11 Committee and the House Economic Matters Committee.

12        SECTION 6. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall take  
 13 effect September 1, 2015.

14        SECTION ~~2~~ 7. AND BE IT FURTHER ENACTED, That this Act, except as provided  
 15 in Section 6 of this Act, shall take effect ~~October~~ July 1, 2015.

Approved:

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Governor.

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President of the Senate.

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Speaker of the House of Delegates.