

**SENATE**  
**STATE OF MINNESOTA**  
**NINETY-FOURTH SESSION**

**S.F. No. 4496**

(SENATE AUTHORS: RASMUSSON)

DATE	D-PG	OFFICIAL STATUS
03/17/2026	6744	Introduction and first reading Referred to Commerce and Consumer Protection
04/07/2026	7594a 7904	Comm report: To pass as amended Second reading
04/28/2026	9198	Referred to for comparison to HF4052 Rule 45; subst. General Orders HF4052, SF indefinitely postponed

1.1 A bill for an act

1.2 relating to telecommunications; modifying and clarifying various provisions

1.3 governing telephone company regulation, facilities and property, pricing plans,

1.4 service classification, and reporting requirements; amending Minnesota Statutes

1.5 2024, sections 237.035; 237.036; 237.069; 237.07, subdivision 1; 237.11; 237.164;

1.6 237.626, subdivisions 1, 3; 237.66, by adding subdivisions; 237.70, subdivision

1.7 7; 237.762, subdivision 5; repealing Minnesota Statutes 2024, sections 237.065;

1.8 237.066; 237.067; 237.071; 237.072; 237.075, subdivisions 1, 2, 3, 4, 5, 6, 7, 8,

1.9 9, 10, 11; 237.14; 237.15; 237.16, subdivision 9; 237.22; 237.231; 237.59,

1.10 subdivisions 1, 1a, 2, 3, 4, 5, 6, 8, 9, 10; 237.66, subdivisions 1, 1a, 1c, 1d, 2, 2a,

1.11 3; 237.75; 237.766; 237.768; 237.772; 237.775.

1.12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.13 Section 1. Minnesota Statutes 2024, section 237.035, is amended to read:

1.14 **237.035 TELECOMMUNICATIONS CARRIER EXEMPTION.**

1.15 (a) Telecommunications carriers are subject to regulation under this chapter only to the

1.16 extent required under paragraphs (b) to (e).

1.17 (b) Telecommunications carriers shall comply with sections 237.121 and 237.74.

1.18 (c) Telecommunications carriers shall comply with section 237.16, ~~subdivisions~~

1.19 subdivision 8 and 9.

1.20 (d) To the extent a telecommunications carrier offers local service, it shall obtain a

1.21 certificate under section 237.16 for that local service.

1.22 (e) In addition, a telecommunications carrier's local service is subject to this chapter

1.23 except that:

2.1 (1) a telecommunications carrier is not subject to rate-of-return or earnings investigations  
 2.2 under section 237.075 or 237.081; and

2.3 (2) a telecommunications carrier is not subject to section 237.22.

2.4 Sec. 2. Minnesota Statutes 2024, section 237.036, is amended to read:

2.5 **237.036 COIN-OPERATED OR PUBLIC PAY TELEPHONES.**

2.6 ~~(a) Neither commission approval nor a commission certificate is required to:~~

2.7 ~~(1) site a coin-operated or public pay telephone in the state; or~~

2.8 ~~(2) implement changes in service, services offered, rates, or location regarding a~~  
 2.9 ~~coin-operated or public pay telephone. Registration under section 237.64 is required to own~~  
 2.10 ~~or operate a coin-operated or public pay telephone in the state.~~

2.11 ~~(b) This section does not change the authority of other state or local government entities~~  
 2.12 ~~to regulate aspects of coin-operated or public pay telephone ownership, location, or operation;~~  
 2.13 ~~however, an entity may not regulate aspects of these services that it did not regulate prior~~  
 2.14 ~~to May 26, 1999. The commission shall retain the authority delegated to it under federal~~  
 2.15 ~~and state law to protect the public interest with regard to coin-operated or public pay~~  
 2.16 ~~telephones.~~

2.17 ~~(c) Owners and operators of coin-operated or public pay telephones are exempt from~~  
 2.18 ~~sections 237.06, 237.07, 237.075, 237.09, 237.23, and 237.295, and the annual reporting~~  
 2.19 ~~requirement of section 237.11.~~

2.20 ~~(d) Owners of coin-operated or public pay telephones shall:~~

2.21 ~~(1) provide immediate coin-free access, to the extent technically feasible, to 911~~  
 2.22 ~~emergency service or to another approved emergency service; and~~

2.23 ~~(2) provide free access to the telecommunications relay service for people with~~  
 2.24 ~~communication disabilities.~~

2.25 ~~(e) Owners of coin-operated or public pay telephones must post at each coin-operated~~  
 2.26 ~~or public pay telephone location:~~

2.27 ~~(1) customer service and complaint information, including the name, address, and~~  
 2.28 ~~telephone number of the owner of the coin-operated or public pay telephone and the operator~~  
 2.29 ~~service handling calls from the coin-operated or public pay telephone; a toll-free number~~  
 2.30 ~~of the appropriate telephone company for the resolution of complaints; and the toll-free~~  
 2.31 ~~number of the public utilities commission; and~~

3.1 ~~(2) a toll-free number at which consumers can obtain pricing information regarding~~  
 3.2 ~~rates, charges, terms, and conditions of local and long-distance calls.~~

3.3 Sec. 3. Minnesota Statutes 2024, section 237.069, is amended to read:

3.4 **237.069 TRACER; HARASSING TELEPHONE CALL; RULES.**

3.5 ~~The commission shall adopt rules to govern how telephone companies respond to requests~~  
 3.6 ~~for tracers made by persons who allege receiving harassing telephone calls. The rules must~~  
 3.7 ~~address when a request for a tracer may be denied or delayed. A telecommunications carrier~~  
 3.8 ~~operating in Minnesota must ensure the telecommunications carrier's equipment, facilities,~~  
 3.9 ~~and services are capable of enabling authorized law enforcement agencies to conduct lawful~~  
 3.10 ~~interception and access call-identifying information in a manner consistent with United~~  
 3.11 ~~States Code, title 47, sections 1001 to 1010.~~

3.12 Sec. 4. Minnesota Statutes 2024, section 237.07, subdivision 1, is amended to read:

3.13 Subdivision 1. **Filing of charges.** Every telephone company shall keep on file with the  
 3.14 department a specific rate, toll, or charge for every kind of noncompetitive service and a  
 3.15 price list for every kind of service subject to emerging competition, together with all rules  
 3.16 and classifications used by it in the conduct of the telephone business, including limitations  
 3.17 on liability. The filings are governed by chapter 13. When a company sells services subject  
 3.18 to emerging competition on an individually priced basis, it shall file a statement of the  
 3.19 charges to its customers with the commission and the department. ~~The department shall~~  
 3.20 ~~require each telephone company to keep open for public inspection, at designated offices,~~  
 3.21 ~~so much of these rates, price lists, and rules as it deems necessary for the public information.~~

3.22 Sec. 5. Minnesota Statutes 2024, section 237.11, is amended to read:

3.23 **237.11 INSPECTING RECORDS AND PROPERTY; REPORTS REQUIRED.**

3.24 (a) Every telephone company subject to the provisions of this chapter, wherever  
 3.25 organized, shall ~~keep an office in this state, and~~ make such reports to the department as it  
 3.26 shall from time to time require. All books, records, and files, ~~whether they relate to~~  
 3.27 ~~competitive or noncompetitive services,~~ and all of its property shall be at all times subject  
 3.28 to inspection by the commission and the department. It shall close its accounts and take  
 3.29 therefrom a balance sheet on December 31 of each year, and on or before May 1 following,  
 3.30 such balance sheet, together with such other information as the department shall require,  
 3.31 verified by an officer of the telephone company, shall be filed with the commission and the  
 3.32 department, except that a local exchange carrier or a competitive local exchange carrier, as

4.1 defined in Minnesota Rules, chapter 7811, is only required to file an annual report that  
 4.2 includes the company's name, contact person, annual revenue, and status of its 911 update  
 4.3 plan.

4.4 (b) In the event that any telephone company shall fail to file its annual report, as provided  
 4.5 by this section, the department is authorized to make such an examination of the books,  
 4.6 records, and vouchers of the company as is necessary to procure the necessary data for the  
 4.7 annual report and cause the same to be prepared. The expense of procuring this data and  
 4.8 preparing this report shall be paid by the telephone company failing to report, and the amount  
 4.9 paid shall be credited by the commissioner of management and budget to funds appropriated  
 4.10 for the expense of the department.

4.11 (c) The department is authorized to force collection of such sum by an action at law in  
 4.12 the name of the department.

4.13 Sec. 6. Minnesota Statutes 2024, section 237.164, is amended to read:

4.14 **237.164 UNIVERSAL SERVICE DISCOUNT FOR SCHOOL OR LIBRARY.**

4.15 ~~The commission shall establish intrastate service discounts for schools and libraries by~~  
 4.16 ~~order to the extent necessary to enable schools and libraries to receive federally supported~~  
 4.17 ~~discounts. A school, school district, or library is eligible to receive telecommunications~~  
 4.18 service at discounted rates, consistent with the E-rate program administered by the Universal  
 4.19 Service Administrative Company under United States Code, title 47, section 254, and Code  
 4.20 of Federal Regulations, title 47, part 54.

4.21 Sec. 7. Minnesota Statutes 2024, section 237.626, subdivision 1, is amended to read:

4.22 Subdivision 1. **Promotions.** A telephone company or telecommunications carrier may  
 4.23 promote the use of its services by offering a waiver of part or all of a recurring or a  
 4.24 nonrecurring charge, a redemption coupon, or a premium with the purchase of a service.  
 4.25 Section 237.09 does not apply to promotions under this section, but the customer group to  
 4.26 which the promotion is available must be based on reasonable distinctions among customers.  
 4.27 The service being promoted must have a price that is above the incremental cost of the  
 4.28 service, including amortized cost of the promotion. ~~A promotion may take effect the day~~  
 4.29 ~~after the notice is filed with the commission. The notice must identify customers to whom~~  
 4.30 ~~the promotion is available.~~

5.1 Sec. 8. Minnesota Statutes 2024, section 237.626, subdivision 3, is amended to read:

5.2 Subd. 3. **Promotions available for resale.** Any promotional offering ~~lasting more than~~  
5.3 ~~90 days and filed with the commission under subdivision 1 must be~~ does not need to be  
5.4 made available to qualifying carriers for resale. ~~A~~ If a telephone company or  
5.5 telecommunications carrier makes a promotional offering available to a qualifying carrier  
5.6 for resale, the qualifying carrier must hold a certificate of authority from the commission  
5.7 and must have an approved interconnection agreement with the company offering the  
5.8 promotion, the terms of which include language governing the resale of services.

5.9 Sec. 9. Minnesota Statutes 2024, section 237.66, is amended by adding a subdivision to  
5.10 read:

5.11 Subd. 4. **Notice; local residential customers.** A telephone company must notify a  
5.12 residential customer regarding the price for all service options available to the customer. A  
5.13 notice must be provided:

5.14 (1) at the time the customer initially requests service;

5.15 (2) when the customer requests a service change; and

5.16 (3) at any time upon the customer's request.

5.17 Sec. 10. Minnesota Statutes 2024, section 237.66, is amended by adding a subdivision to  
5.18 read:

5.19 Subd. 5. **Customer notice; prior authorization.** A telephone company may provide  
5.20 the notice under subdivision 4 to a customer using paper billing, electronic billing, or other  
5.21 electronic communication methods if:

5.22 (1) the customer affirmatively opts in to electronic billing or electronic communication;

5.23 (2) the information in the notice is provided clearly and accessibly; and

5.24 (3) the customer is allowed to request a paper copy of service option pricing at any time  
5.25 at no charge to the customer.

5.26 Sec. 11. Minnesota Statutes 2024, section 237.70, subdivision 7, is amended to read:

5.27 Subd. 7. **Application, notice, financial administration, complaint investigation.** The  
5.28 telephone assistance plan must be administered jointly by the commission, the Department  
5.29 of Commerce, and the local service providers in accordance with the following guidelines:

6.1 (a) The commission and the Department of Commerce shall develop an application form  
6.2 that must be completed by the subscriber for the purpose of certifying eligibility for telephone  
6.3 assistance plan credits to the local service provider. The application must contain the  
6.4 applicant's Social Security number. Applicants who refuse to provide a Social Security  
6.5 number will be denied telephone assistance plan credits. The application form must also  
6.6 include a statement that the applicant household is currently eligible for one of the programs  
6.7 that confers eligibility for the federal Lifeline Program. The application must be signed by  
6.8 the applicant, certifying, under penalty of perjury, that the information provided by the  
6.9 applicant is true.

6.10 (b) Each local service provider shall annually mail a notice of the availability of the  
6.11 telephone assistance plan to each residential subscriber in a regular billing and shall mail  
6.12 the application form to customers when requested.

6.13 The notice must state the following:

6.14 YOU MAY BE ELIGIBLE FOR ASSISTANCE IN PAYING YOUR TELEPHONE  
6.15 BILL IF YOU RECEIVE BENEFITS FROM CERTAIN LOW-INCOME ASSISTANCE  
6.16 PROGRAMS. FOR MORE INFORMATION OR AN APPLICATION FORM PLEASE  
6.17 CONTACT .....

6.18 (c) An application may be made by the subscriber, the subscriber's spouse, or a person  
6.19 authorized by the subscriber to act on the subscriber's behalf. On completing the application  
6.20 certifying that the statutory criteria for eligibility are satisfied, the applicant must return the  
6.21 application to the subscriber's local service provider. On receiving a completed application  
6.22 from an applicant, the subscriber's local service provider shall provide telephone assistance  
6.23 plan credits against monthly charges in the earliest possible month following receipt of the  
6.24 application. The applicant must receive telephone assistance plan credits until the earliest  
6.25 possible month following the service provider's receipt of information that the applicant is  
6.26 ineligible.

6.27 If the telephone assistance plan credit is not itemized on the subscriber's monthly charges  
6.28 bill for local telephone service, the local service provider must notify the subscriber of the  
6.29 approval for the telephone assistance plan credit.

6.30 (d) The commission shall serve as the coordinator of the telephone assistance plan and  
6.31 be reimbursed for its administrative expenses from the surcharge revenue pool. As the  
6.32 coordinator, the commission shall:

6.33 (1) establish a uniform statewide surcharge in accordance with subdivision 6;

7.1 ~~(2) establish a uniform statewide level of telephone assistance plan credit that each local~~  
 7.2 ~~service provider shall extend to each eligible household in its service area;~~

7.3 ~~(3)~~ (2) require each local service provider to account to the commission on a periodic  
 7.4 basis for surcharge revenues collected by the provider, expenses incurred by the provider,  
 7.5 not to include expenses of collecting surcharges, and credits extended by the provider under  
 7.6 the telephone assistance plan;

7.7 ~~(4)~~ (3) require each local service provider to remit surcharge revenues to the Department  
 7.8 of Public Safety for deposit in the fund; and

7.9 ~~(5)~~ (4) remit to each local service provider from the surcharge revenue pool the amount  
 7.10 necessary to compensate the provider for expenses, not including expenses of collecting  
 7.11 the surcharges, and telephone assistance plan credits. When it appears that the revenue  
 7.12 generated by the maximum surcharge permitted under subdivision 6 will be inadequate to  
 7.13 fund any particular established level of telephone assistance plan credits, the commission  
 7.14 shall reduce the credits to a level that can be adequately funded by the maximum surcharge.  
 7.15 Similarly, the commission may increase the level of the telephone assistance plan credit  
 7.16 that is available or reduce the surcharge to a level and for a period of time that will prevent  
 7.17 an unreasonable overcollection of surcharge revenues.

7.18 (e) Each local service provider shall maintain adequate records of surcharge revenues,  
 7.19 expenses, and credits related to the telephone assistance plan and shall, as part of its annual  
 7.20 report or separately, provide the commission and the Department of Commerce with a  
 7.21 financial report of its experience under the telephone assistance plan for the previous year.  
 7.22 That report must also be adequate to satisfy the reporting requirements of the federal matching  
 7.23 plan.

7.24 (f) The Department of Commerce shall investigate complaints against local service  
 7.25 providers with regard to the telephone assistance plan and shall report the results of its  
 7.26 investigation to the commission.

7.27 Sec. 12. Minnesota Statutes 2024, section 237.762, subdivision 5, is amended to read:

7.28 Subd. 5. **Income-neutral change.** Other than as authorized in this subdivision, an initial  
 7.29 alternative regulation plan must not permit income-neutral rate changes for price-regulated  
 7.30 services during the plan except as is necessary to implement extended area service or any  
 7.31 successor to that service. Any plan must provide that after the rules issued pursuant to section  
 7.32 237.16 are adopted, rates for price-regulated services may be increased, as approved by the  
 7.33 commission, to the extent necessary to carry out the purpose of those rules. ~~However, rate~~

8.1 ~~increases, if any, for those services must be incorporated with a universal service fund so~~  
8.2 ~~that the effective rate for the customers of those services does not increase during the first~~  
8.3 ~~three years of the plan.~~

8.4 Sec. 13. **REPEALER.**

8.5 Minnesota Statutes 2024, sections 237.065; 237.066; 237.067; 237.071; 237.072; 237.075,  
8.6 subdivisions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, and 11; 237.14; 237.15; 237.16, subdivision 9;  
8.7 237.22; 237.231; 237.59, subdivisions 1, 1a, 2, 3, 4, 5, 6, 8, 9, and 10; 237.66, subdivisions  
8.8 1, 1a, 1c, 1d, 2, 2a, and 3; 237.75; 237.766; 237.768; 237.772; and 237.775, are repealed.

**237.065 RATE FOR SCHOOL OR PURCHASING COOPERATIVE.**

Subdivision 1. **Basic service; flat rate.** Each telephone company that provides local telephone service in a service area that includes a school that has classes within the range from kindergarten to 12th grade shall provide, upon request, additional service to the school that is sufficient to ensure access to basic telephone service from each classroom and other areas within the school, as determined by the school board. Each company shall set a flat rate for this additional service that is less than the company's flat rate for an access line for a business and the same as or greater than the company's flat rate for an access line for a residence in the same local telephone service exchange. When a company's flat rates for businesses and residences are the same, the company shall use the residential rate for service to schools under this section. The rate required under this section is available only for a school that installs additional service that includes access to basic telephone service from each classroom and other areas within the school, as determined by the school board.

Subd. 2. **Basic and advanced telecommunication service; reduced rate.** (a) Notwithstanding the provisions of sections 237.09, 237.14, 237.60, subdivision 3, and 237.74, each telephone company and telecommunications carrier that provides local telephone service in a service area that includes a school that has classes within the range from kindergarten to grade 12, a public library, or a telecommunication services purchasing cooperative may provide, upon request, basic and advanced telecommunication services at reduced or no cost to that school, library, or may provide, upon request, advanced telecommunication services at reduced wholesale rates to the members of a telecommunication services purchasing cooperative. For purposes of this section, a "telecommunication services purchasing cooperative" means a cooperative organized under section 308A.210. A school or library receiving telecommunications services at reduced or no cost may not resell or sublease the discounted services. No members of a telecommunication services purchasing cooperative may resell or sublease the discounted services. A purchasing cooperative is not required to negotiate or provide a uniform rate for its members. Telecommunications services shall be provided in accordance with Public Law 104-104, and the regulations of the Federal Communications Commission adopted under the act.

(b) An agent that provides telecommunications services to a school or library may request the favorable rate on behalf of and for the exclusive benefit of the school or library. The school or library must authorize the agent to make the request of the local telephone company or telecommunications carrier. The telephone company or telecommunications carrier is not required to offer the same price discount to the agent that it would offer to the school district or library. An agent that receives a price discount for telecommunications services on behalf of a school or library may only resell or sublease the discounted services to that school or library.

(c) For the purposes of this subdivision, "school" includes a public school as defined in section 120A.05, nonpublic, and church or religious organization schools that provide instruction in compliance with sections 120A.22, 120A.24, and 120A.41.

**237.066 STATE GOVERNMENT PRICING PLANS.**

Subdivision 1. **Purpose.** A state government or Tribal government telecommunications pricing plan is authorized and found to be in the public interest as it will:

(1) provide and ensure availability of high-quality, technologically advanced telecommunications services at a reasonable cost to the state or Tribal government; and

(2) further the state telecommunications goals as set forth in section 237.011.

Subd. 2. **Program participation.** A state government or Tribal government telecommunications pricing plan may be available to serve individually or collectively: state agencies; Tribal governments; educational institutions, including public schools and Tribal schools complying with section 120A.05, subdivision 9, 11, 13, or 17, and nonpublic schools complying with sections 120A.22, 120A.24, and 120A.41; private colleges; public corporations; and political subdivisions of the state or a Tribal Nation. Plans shall be available to carry out the commissioner of administration's duties under sections 16E.17 and 16E.18 and shall also be available to those entities not using the commissioner for contracting for telecommunications services.

Subd. 3. **Rates.** Notwithstanding section 237.09, 237.14, 237.60, subdivision 3, or 237.74, a telephone company or a telecommunications carrier may, individually or in cooperation with other telephone companies or telecommunications carriers, develop and offer basic or advanced telecommunications services at discounted or reduced rates as a state government or Tribal government telecommunications pricing plan. Any telecommunications services provided under any state government or Tribal government telecommunications pricing plan shall be used exclusively

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by the entities described in subdivision 2 subject to the plan solely for the entities' own use and shall not be made available to any other entities by resale, sublease, or in any other way.

Subd. 4. **Applicability to other customers.** A telephone company or telecommunications carrier providing telecommunications services under a state government or Tribal government telecommunications pricing plan is not required to provide any other person or entity those services at the rates made available to the state or Tribal government.

Subd. 5. **Commission review.** (a) The terms and conditions of any state government or Tribal government telecommunications pricing plan must be submitted to the commission for review and approval within 90 days before implementation to:

(1) ensure that the terms and conditions benefit the state or Tribal Nation and not any private entity;

(2) ensure that the rates for any telecommunications service in any state government or Tribal government telecommunications pricing plan are at or below any applicable tariffed rates; and

(3) ensure that the state telecommunications or Tribal government pricing plan meets the requirements of this section and is in the public interest.

(b) The commission shall reject any state government or Tribal government telecommunications pricing plan that does not meet the criteria in paragraph (a).

**237.067 ESTABLISHMENT EXEMPT FROM REGULATION.**

Subdivision 1. **Definition.** For purposes of this section, "establishment" means an individual hotel, motel, restaurant, lodging house, boarding house, resort, or place of refreshment licensed under chapter 157.

Subd. 2. **Exemption; conditions.** An establishment that provides telephone service to patrons on the premises of the establishment is not subject to regulation under this chapter, except that the establishment:

(1) shall comply with the requirement of section 237.06 that rates charged must be fair and reasonable;

(2) shall provide notice of charges and service providers to patrons as required in section 325F.99; and

(3) is subject to the complaint and investigation procedures of section 237.081.

**237.071 SPECIAL PRICING.**

Except as prohibited by section 237.60, subdivision 3, prices unique to a particular customer or group of customers may be allowed for noncompetitive services and for services subject to emerging competition when differences in the cost of providing a service or a service element justifies a different price for a particular customer or group of customers. Individual pricing for services subject to emerging competition may be allowed when a uniform price should not be required because of market conditions. Unique or individual prices for services or service elements in effect before July 1, 1989, are deemed to have been approved under this section.

**237.072 LIMITATION ON RATE CHANGE.**

(a) After December 15, 1997, the commission, notwithstanding any provision to the contrary, shall not allow an incumbent telephone company with more than 1,000,000 access lines in Minnesota to change its retail rates for telecommunications services without a determination of its revenue requirement pursuant to section 237.075 unless the incumbent telephone company is regulated pursuant to sections 237.76 to 237.773.

(b) If, prior to December 15, 1997, the incumbent telephone company petitions the commission to become subject to an alternative regulation plan under sections 237.76 to 237.773, paragraph (a) shall not apply to the petitioning company until 270 days after the date of the filing of the petition.

**237.075 RATE CHANGE.**

Subdivision 1. **Notice.** Unless the commission otherwise orders, no telephone company shall change a rate which has been duly established under this chapter, except upon 60 days' notice to the commission. The notice shall include statements of facts, expert opinions, substantiating documents, and exhibits, supporting the change requested, and state the change proposed to be made in the rates then in force and the time when the modified rates will go into effect. The filing

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telephone company shall give written notice, as approved by the commission, of the proposed change to the governing body of each municipality and county in the area affected. All proposed changes shall be shown by filing new schedules or shall be plainly indicated upon schedules on file and in force at the time.

**Subd. 2. Suspension of proposed rate; hearing; final determination defined.** (a) Whenever there is filed with the commission as provided in subdivision 1 a schedule modifying or resulting in a change in any rate then in force, the commission may suspend the operation of the schedule by filing with the schedule of rates and delivering to the affected telephone company a statement in writing of its reasons for the suspension at any time before the rates become effective. The suspension shall not be for a longer period than ten months beyond the initial filing date except as provided in paragraph (b). During the suspension the commission shall determine whether all questions of the reasonableness of the rates requested raised by persons deemed interested or by the department can be resolved to the satisfaction of the commission. If the commission finds that all significant issues raised have not been resolved to its satisfaction, or upon petition by ten percent of the affected customers or 250 affected customers, whichever is less, it shall refer the matter to the Office of Administrative Hearings with instructions for a public hearing as a contested case pursuant to chapter 14, except as otherwise provided in this section. The commission may order that the issues presented by the proposed rate changes be bifurcated into two separate hearings as follows: (1) determination of the telephone company's revenue requirements and (2) determination of the rate design. Upon issuance of both administrative law judge reports, the issues shall again be joined for consideration and final determination by the commission. All prehearing discovery activities of state agency intervenors shall be consolidated and conducted by the Department of Commerce. If the commission does not make a final determination concerning a schedule of rates within ten months after the initial filing date, the schedule shall be deemed to have been approved by the commission; except if a settlement has been submitted to and rejected by the commission, the schedule is deemed to have been approved 12 months after the initial filing.

(b) If the commission finds that it has insufficient time during the suspension period to make a final determination of a case involving changes in general rates because of the need to make final determinations of other previously filed cases involving changes in general rates under this section or section 216B.16, the commission may extend the suspension period to the extent necessary to allow itself 20 working days to make the final determination after it has made final determinations in the previously filed cases. An extension of the suspension period under this paragraph does not alter the setting of interim rates under subdivision 3.

(c) For the purposes of this section, "final determination" means the initial decision of the commission and not any order which may be entered by the commission in response to a petition for rehearing or other further relief. The commission may further suspend rates until it determines all those petitions.

**Subd. 3. Interim rate; refund.** Notwithstanding any order of suspension of a proposed increase in rates, the commission shall order an interim rate schedule into effect not later than 60 days after the initial filing date. The commission shall order the interim rate schedule ex parte without a public hearing. Notwithstanding the provisions of sections 216.25 and 237.25, no interim rate schedule ordered by the commission pursuant to this subdivision shall be subject to an application for a rehearing or an appeal to a court until the commission has rendered its final determination. Unless the commission finds that exigent circumstances exist, the interim rate schedule shall be calculated using the proposed test-year cost of capital, rate base, and expenses, except that it shall include: (1) a rate of return on common equity for the company equal to that authorized by the commission in the company's most recent rate proceeding; (2) rate base or expense items the same in nature and kind as those allowed by a currently effective order of the commission in the company's most recent rate proceeding; and (3) no change in the existing rate design, except for products and services offered by nonregulated competitors. In the case of a company which has not been subject to a prior commission determination or has not had a general rate adjustment in the preceding three years, the commission shall base the interim rate schedule on its most recent determination concerning a similar company.

If, at the time of its final determination, the commission finds that the interim rates are in excess of the rates in the final determination, the commission shall order the company to refund the excess amount collected under the interim rate schedule, including interest on it which shall be at the rate of interest determined by the commission. The company shall commence distribution of the refund to its customers within 120 days of the final order, not subject to rehearing or appeal. If, at the time of its final determination, the commission finds that the interim rates are less than the rates in the final determination, the commission shall prescribe a method by which the company will recover

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the difference in revenues from the date of the final determination to the date the new rate schedules are put into effect.

If the telephone company fails to make refunds within the period of time prescribed by the commission, the commission shall sue therefor and may recover on behalf of all persons entitled to a refund. In addition to the amount of the refund and interest due, the commission shall be entitled to recover reasonable attorney's fees, court costs and estimated cost of administering the distribution of the refund to persons entitled thereto. No suit under this subdivision shall be maintained unless instituted within two years after the end of the period of time prescribed by the commission for repayment of refunds. The commission shall not order an interim rate schedule in a general rate case into effect as provided by this subdivision until at least four months after it has made a final determination concerning any previously filed change of the rate schedule or the change has otherwise become effective under subdivision 2, unless:

(1) the commission finds that a four-month delay would unreasonably burden the company, its customers, or its shareholders and that an earlier imposition of interim rates is therefore necessary; or

(2) the company files a second general rate case at least 12 months after it has filed a previous general rate case for which the commission has extended the suspension period under subdivision 2.

**Subd. 4. Burden of proof.** The burden of proof to show that the rate change is just and reasonable shall be upon the telephone company seeking the change.

**Subd. 5. Determination after finding rate unacceptable.** If, after the hearing, the commission finds the rates to be unjust or unreasonable or discriminatory, the commission shall determine the rates to be charged or applied by the telephone company for the service in question and shall fix them by order to be served upon the telephone company. The rates shall thereafter be observed until changed, as provided by this chapter. In no event shall the rates exceed the level of rates requested by the telephone company, except that individual rates may be adjusted upward or downward. Rate design changes shall be prospective from the effective date of the new rate schedules approved by the commission.

**Subd. 6. Factors considered, generally.** The commission, in the exercise of its powers under this chapter to determine just and reasonable rates for telephone companies, shall give due consideration to the public need for adequate, efficient, and reasonable service and to the need of the telephone company for revenue sufficient to enable it to meet the cost of furnishing the service, including adequate provision for depreciation of its telephone company property used and useful in rendering service to the public, and to earn a fair and reasonable return upon the investment in the property. In determining the rate base upon which the telephone company is to be allowed to earn a fair rate of return, the commission shall give due consideration to evidence of the cost of the property when first devoted to public use, to prudent acquisition cost to the telephone company, less appropriate depreciation on each, to construction work in progress, to offsets in the nature of capital provided by sources other than the investors, and to other expenses of a capital nature. To the extent that construction work in progress is included in the rate base, the income used in determining the actual return on the telephone company property may include an allowance for funds used during construction. For purposes of determining rate base, the commission shall consider the original cost of telephone company property included in the base and shall make no allowance for its estimated current replacement value.

**Subd. 7. Advertising.** The commission shall not make an allowance for operating expenses incurred by a telephone company for institutional advertising.

**Subd. 8. Charitable contribution.** The commission shall allow as operating expenses only 50 percent of the qualified charitable contributions which the commission deems prudent for the use of any community chest, corporation, trust, fund, association, foundation, or organization, and only as long as the use is exclusively for religious, charitable, public cemetery, scientific, literary, artistic, or educational purposes or for the prevention of cruelty to children or animals. No part of a charitable contribution may inure to the benefit of any private stockholder or individual.

**Subd. 9. Election on regulation; cooperative, municipal, independent.** For the purposes of this section, "telephone company" shall not include a cooperative telephone association organized under the provisions of chapter 308A, an independent telephone company, or a municipal, unless the cooperative telephone association, independent telephone company, or municipal makes the election provided in this subdivision.

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A cooperative telephone association may elect to become subject to rate regulation by the commission pursuant to this section. The election shall be (1) approved by the board of directors of the association in accordance with the procedures for amending the articles of incorporation contained in section 308A.135, excluding the filing requirements; or (2) approved by a majority of members or stockholders voting by mail ballot initiated by petition of no fewer than five percent of the members or stockholders of the association. The ballot to be used for the election shall be approved by the board of directors and the department. The department shall mail the ballots to the association's members who shall return the ballots to the department. The department will keep the ballots sealed until a date agreed upon by the department and the board of directors. On this date, representatives of the department and the association shall count the ballots. If a majority of the association's members who vote elect to become subject to rate regulation by the commission, the election shall be effective 30 days after the date the ballots are counted. For purposes of this section, the term "member or stockholder" shall mean either the member or stockholder of record or the spouse of the member or stockholder unless the association has been notified otherwise in writing.

A municipal may elect to become subject to rate regulation by the commission pursuant to this section. The election shall be (1) approved by resolution of the governing body of the municipality; or (2) approved by a majority of the customers of the municipal voting by mail ballot initiated by petition of no fewer than 20 percent of the customers of the municipal. The ballot to be used for the election shall be approved by the governing body of the municipality and the department. The department shall mail the ballots to the municipal's customers who shall return the ballots to the department. The department will keep the ballots sealed until a date agreed upon by the department and the governing body of the municipality. On this date, representatives of the department and the municipal shall count the ballots. If a majority of the customers of the municipal who vote elect to become subject to rate regulation by the commission, the election shall be effective 30 days after the date the ballots are counted. For purposes of this section, the term "customer" shall mean either the person in whose name the telephone service is registered or the spouse of the person unless the municipal utility has been notified otherwise in writing.

An independent telephone company may elect to become subject to rate regulation by the commission pursuant to this section. The election shall be (1) approved by the board of directors of the company in accordance with the procedures for amending the articles of incorporation contained in sections 302A.133 to 302A.139, excluding the filing requirements; or (2) approved by a majority of subscribers voting by mail ballot initiated by petition of no fewer than five percent of the subscribers of the company. The ballot to be used for the election shall be approved by the board of directors and the department. The department shall mail the ballots to the company's subscribers who shall return the ballots to the department. The department will keep the ballots sealed until a date agreed upon by the department and the board of directors. On this date, representatives of the department and the company shall count the ballots. If a majority of the company's subscribers who vote elect to become subject to rate regulation by the commission, the election shall be effective 30 days after the date the ballots are counted. For purposes of this section the term "subscriber" shall mean either the person in whose name the telephone service is registered or the spouse of the person unless the independent telephone company has been notified otherwise in writing.

**Subd. 10. Intervenor reimbursement.** The commission may order a telephone company to pay all or a portion of a party's intervention costs not to exceed \$20,000 per intervention in any general rate case when the commission finds that the intervenor has materially assisted the commission's deliberation and the intervenor has insufficient financial resources to afford the costs of intervention. No entity which provides telephone services of any kind is eligible for reimbursement of intervention costs under this subdivision.

**Subd. 11. Recovery of expenses of segregating billing charges.** The public utilities commission shall allow each telephone company and independent telephone company subject to the requirements of section 325F.692 to automatically adjust tariffs or rates paid by information service providers to reflect the reasonable cost to the company to comply with section 325F.692.

**237.14 RATE FOR SERVICE TO OFFICER.**

A telephone company may furnish service free or at reduced rates to its officers, agents, or employees in furtherance of their employment, but it shall charge full schedule rates without discrimination for all other services.

**237.15 INVESTIGATION AND HEARING; AUTHORITY DELEGATED.**

The department shall whenever it deems the same necessary determine the value of all the property of any telephone company devoted to the public use, and in so doing it shall, after notice to the telephone company, hold such public hearing as will give all interested parties a chance to furnish evidence and be heard. For the purpose of this chapter the department is authorized to appoint engineers, examiners, experts, clerks, accountants, and other assistants as it may deem necessary at such rates of compensation as it may prescribe.

In the discharge of their duties such appointees shall have every power, of any inquisitorial nature granted in this chapter to the department. The department may conduct any number of investigations contemporaneously through its individual members or appointees, and may delegate to its individual members and employees the taking of all testimony on any investigation or hearing.

**237.16 LOCAL EXCHANGE COMPETITION, RULES.**

Subd. 9. **Universal service fund.** The commission shall establish and require contributions to a universal service fund, to be supported by all providers of telephone services, whether or not they are telephone companies under section 237.01, including, but not limited to, local telephone companies, independent telephone companies, cooperative telephone companies, municipal telephone companies, telecommunications carriers, radio common carriers, personal communication service providers, and cellular carriers. Services that should be considered for inclusion as universal include, at a minimum, single-party service including access, usage and touch-tone capability; line quality capable of carrying facsimile and data transmissions; equal access; emergency services number capability; statewide telecommunications relay service for people with hearing loss; and blocking of long-distance toll services. The fund must be administered and distributed in accordance with rules adopted by the commission and designed to preserve the availability of universal service throughout the state. Any state universal service fund must be coordinated with any federal universal service fund and be consistent with section 254(b)(1) to (5) of the federal Telecommunications Act of 1996, Public Law 104-104.

**237.22 DEPRECIATION; AMORTIZATION.**

(a) For purposes of a proceeding to determine or investigate any wholesale or retail rate, or to set any universal service support level, the commission may fix proper and adequate rates and methods of depreciation and amortization with respect to a telephone company's property.

(b) All telephone companies shall retain data in sufficient detail for the purpose of determining depreciation accruals and reserves by depreciable telephone plant account. Depreciable plant accounts are those specified by the Federal Communications Commission for the class to which a telephone company belongs. All telephone companies shall maintain, and have available for inspection by the commission upon request, adequate accounts and records related to depreciation practices as defined herein.

**237.231 SALE OF LOCAL EXCHANGE SERVICE.**

Subdivision 1. **Commission approval.** A Class A telephone company may not sell a local exchange service territory without receiving the prior consent of the commission. For the purposes of this section, a Class A telephone company is a telephone company which has annual revenues from regulated telecommunication operations of \$100,000,000 or more, as defined by the Federal Communications Commission in Code of Federal Regulations, title 47, section 32.11, paragraphs (a)(1) and (e).

Subd. 2. **Notice of intended sale.** At least 90 days prior to applying to the commission for consent to a proposed sale or acquisition of a local exchange service, the selling telephone company must provide notice to its customers in that local exchange of its intent to sell and identify the affected local exchange, and the name of the proposed buyer. The notice must be on a separate document and included in the company's monthly billings to customers. The commission must approve the form of all notices.

Subd. 3. **Resident poll.** At least 60 days prior to the hearing under subdivision 4, the telephone company proposing the sale of a local exchange service must provide each of its customers with a stamped envelope addressed to the commission and must inform the customer that the customer is encouraged to comment on the quality of service that has been provided in the local exchange service territory by the telephone company over the last 12 months.

Subd. 4. **Public hearing.** At least 30 days prior to the commission's deliberations about a proposed sale or acquisition of a local exchange service territory, the commission must hold a public

hearing at a location within the affected local exchange service territory allowing the public an opportunity to be heard and to present any concerns or comments.

Subd. 5. **Requirements for consent.** The commission may not give consent to a sale of a service territory unless, at a minimum, it finds all of the following:

(1) the quality of service provided by the telephone company servicing the local exchange service territory has substantially complied with all applicable quality of service standards adopted by rule by the commission for the previous calendar year;

(2) the proposed buyer is financially responsible and capable of making necessary investments to maintain quality service at levels required by rule; and

(3) the proposed buyer demonstrates that it has an adequate number of properly trained employees to maintain service at required levels.

The commission shall, as a condition of its consent, require a proposed buyer to enter into binding commitments obligating the buyer to maintain minimum levels of investment and staffing needed to meet the commission's quality of service rules. These commitments are in addition to any other conditions that the commission may impose.

### **237.59 CLASSIFICATION OF COMPETITIVE SERVICE; HEARING.**

Subdivision 1. **Emerging competitive service.** (a) The following services provided by the telephone company are subject to emerging competition unless and until reclassified as noncompetitive or subject to effective competition under this section:

(1) apartment door answering services;

(2) automatic call distribution;

(3) billing and collection services;

(4) call waiting, call forwarding, and three-way calling services for businesses with three or more lines;

(5) central office-based pricing packages providing switched business access lines which substitute for private branch exchange systems which may or may not share intelligence with customer premises equipment;

(6) command link-type services for network reconfiguring to rearrange cross-connections between channel services;

(7) custom network services and special assemblies;

(8) Digicom switchnet services for full duplex, synchronous, information transport;

(9) direct customer access services for telephone number information;

(10) teleconferencing services;

(11) inter-LATA and intra-LATA message toll service;

(12) inter-LATA and intra-LATA private line services;

(13) inter-LATA and intra-LATA wide area telephone service;

(14) mobile radio services;

(15) operator services, excluding local operator services;

(16) public pay telephone services, excluding charges for access to the central office;

(17) special construction of facilities;

(18) systems for automatic dialing; and

(19) versanet-type service access line involving continuous monitoring and transmission of data from customer's premises to the central office.

(b) A service classified as subject to emerging competition before June 1, 1994, retains that classification unless and until it is reclassified pursuant to subdivision 3 or 10.

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Subd. 1a. **CLASS service.** Notwithstanding the terms of subdivision 1, paragraph (b), CLASS services may be classified as competitive services only when so classified according to subdivision 3 or 10.

Subd. 2. **Petition.** (a) A telephone company, or the commission on its own motion, may petition to have a service of that telephone company classified as subject to effective competition or emerging competition. The petition must be served on the commission, the department, the Office of the Attorney General, and any other person designated by the commission. The petition must contain at least:

(1) a list of the known alternative providers of the service available to the company's customers; and

(2) a description of affiliate relationships with any other provider of the service in the company's market.

(b) At the time the company first offers a service, it shall also file a petition with the commission for a determination as to how the service should be classified. In the event that no interested party or the commission objects to the company's proposed classification within 20 days of the filing of the petition, the company's proposed classification of the service is deemed approved. If an objection is filed, the commission shall determine the appropriate classification after a hearing conducted pursuant to section 237.61. In either event, the company may offer the new service to its customers ten days after the company files the price list and incremental cost study as provided in Minnesota Rules, parts 7811.2210 and 7812.2210.

(c) A new service may be classified as subject to effective competition or emerging competition pursuant to the criteria set forth in subdivision 5. A new service must be regulated under the emerging competition provisions if it is not integrally related to the provision of adequate local service or access to the telephone network or to the privacy, health, or safety of the company's customers, whether or not it meets the criteria set forth in subdivision 5.

Subd. 3. **Expedited proceeding.** An interested party wishing to contest the change of classification of a service must file an objection with the commission within 20 days after the filing of the petition. If no party files an objection, the service must be reclassified in accordance with the petition. If a petition is contested, a telephone company that is the subject of a petition under subdivision 2 may request that the commission determine the classification of the service through an expedited proceeding under section 237.61 or a contested case hearing. If an expedited proceeding is requested, the commission must provide interested persons an opportunity to comment on the appropriateness of the process and the merits of the petition.

When an expedited proceeding is requested, the commission shall make a final determination within 60 days of the date on which all required information required under subdivision 2 is filed, unless during the 60 days the commission finds that a material issue of fact is in dispute, in which case it shall order that a contested case hearing be conducted to evaluate the petition.

Subd. 4. **Contested case hearing.** If a contested case hearing is held under this section, the commission shall make a final determination on the petition within eight months from the date the petitioning party requests a contested case hearing or from the date the commission orders a contested case hearing under subdivision 3. When a contested case hearing is requested in the petition or when the commission acts on its own motion, this deadline may be extended for no more than 60 days by agreement of all parties or by order of the commission if the commission finds that the case cannot be completed within the required time and that without an extension there is substantial probability that the public interest will be harmed.

Subd. 5. **Criteria.** (a) If a proposed classification is objected to pursuant to subdivision 2, paragraph (b), on the basis that the service does not meet the criteria of this subdivision, the commission shall consider, in determining whether a service is subject to either effective competition or emerging competition from available alternative service providers, the following factors:

(1) the number and sizes of alternative providers of service and affiliation to other providers;

(2) the extent to which services are available from alternative providers in the relevant market;

(3) the ability of alternative providers to make functionally equivalent or substitute services readily available at competitive rates, terms, and conditions of service;

(4) the market share, the ability of the market to hold prices close to cost, and other economic measures of market power; and

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(5) the necessity of the service to the well-being of the customer.

(b) In order for the commission to find a service subject to effective competition alternative services must be available to over 50 percent of the company's customers for that service.

(c) In order for the commission to find a service subject to emerging competition alternative services must be available to over 20 percent of the company's customers for that service.

**Subd. 6. Burden of proof.** The classification of a service may not be changed so as to result in lessened regulation unless it is demonstrated by a preponderance of the evidence that the criteria of subdivision 5 have been met.

**Subd. 8. Interim relief.** A telephone company that has a petition pending before the commission under this section to declare a service competitive may decrease its price for that service without notice while the commission considers the petition. A company must provide an incremental cost study if requested by the commission. The commission shall suspend a company's right under this subdivision to decrease rates if, after an expedited hearing conducted under section 237.61, the commission finds that the service is being priced below cost, or that the company has within the previous 12 months charged customers interim rates under this subdivision for the same service, and that service was determined by the commission to be noncompetitive.

**Subd. 9. Reporting requirements; exception.** A telephone company that offers only competitive services is not subject to the accounting and reporting requirements of this chapter unless otherwise ordered by the commission for good cause. A telephone company that offers both competitive and noncompetitive services is not subject to the reporting requirements with regard to its effective competition services unless otherwise ordered by the commission for good cause.

**Subd. 10. Regulation reinstated.** (a) The commission, on its own motion or upon complaint, shall reclassify a service as noncompetitive or as subject to emerging competition and reinstate, in whole or in part, rate regulation of the service if, after notice and hearing, the commission finds either:

(1) that the competitive market for that service, on review of the criteria found in subdivision 5, has failed so that rate regulation of that service is necessary to protect the interest of consumers, that it has considered the alternatives to rate regulation, and that the benefits of rate regulation outweigh the burdens of rate regulation; or

(2) that unreasonable discrimination has occurred between different areas of the state.

(b) In any proceeding to reclassify a service the person initiating the complaint has the burden of proving that the existing classification is inappropriate, except the telephone company providing the service has the burden of proving that the classification is appropriate when the proceeding is commenced by the commission on its own motion or when the complainant is the department or the attorney general.

**237.66 DISCLOSURE OF LOCAL SERVICE OPTIONS.**

**Subdivision 1. Notice to local residential customers.** A telephone company, when a residential customer initially requests service or requests a change of service, and annually in the form of a bill insert, shall advise each residential customer of the price of all service options available to that customer. The requirement of an annual notice through a bill insert does not apply to long-distance service.

**Subd. 1a. Notice to customer; right to require prior authorization.** Each residential and commercial telecommunications carrier customer may elect to require that the telephone company serving the customer receive authorization from the customer before a request to serve that customer from a different intrastate telecommunications carrier than the carrier currently serving the customer is processed.

**Subd. 1c. Timing of notice; new customer.** For new installations, a telephone company shall notify a residential or commercial customer of the right described in subdivision 1a when the customer initially requests intraexchange service. Any customer notification of the rights set forth in this section shall be provided utilizing uniform, competitively neutral language and the form, content, and style of the authorization shall be consistent with federal law and regulation and shall use language provided and approved by the public utilities commission.

**Subd. 1d. Change of election.** A customer may change the election under subdivision 1a at any time by notifying the telephone company of that decision. No separate charge may be imposed on

the customer for electing to exercise the right described in subdivision 1a or to change that election, but a telephone company may recover in rates the reasonable costs of administering the election.

Subd. 2. **Filing; exemptions.** Copies of both the written notices and information provided to customer service representatives concerning the disclosure required under subdivision 1 must be filed once every 12 months with the commission and the department. Independent telephone companies, municipalities, and cooperative telephone associations are exempt from the requirements of this subdivision unless otherwise ordered by the commission.

Subd. 2a. **Call blocking.** A telephone company, when a residential customer initially requests service, shall advise each residential customer of the availability of all blocking options including 900 number blocking and international long-distance blocking.

Subd. 3. **Enforcement.** If, after an expedited procedure conducted under section 237.61, the commission finds that a telephone company is failing to provide disclosure as required under subdivision 1, or the notification required under subdivision 1c, it shall order the company to take corrective action as necessary.

### **237.75 CLASS SERVICE.**

Subdivision 1. **Definition.** For purposes of this section, "CLASS" or "custom local area signaling service" means a custom calling telephone service that is enabled through the installation or use of Signaling System 7 or similar signaling system and that includes at least the following features:

- (1) automatic call back;
- (2) automatic recall;
- (3) calling number delivery, commonly known as "caller identification";
- (4) calling number delivery blocking;
- (5) customer originated call tracing;
- (6) distinctive ringing/call waiting;
- (7) selective call acceptance;
- (8) selective call forwarding; and
- (9) selective call rejection.

Subd. 2. **CLASS; terms and conditions.** By January 1, 1994, the commission shall determine the terms and conditions under which CLASS services may be provided by telephone companies in this state.

Subd. 3. **CLASS; capability and offering of service.** Each telephone company that provides local telephone service to persons located in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington shall obtain the capability to offer CLASS services in those counties by January 1, 1995, unless the commission approves an extension to a date certain.

### **237.766 PLAN DURATION AND EXTENSION.**

Subdivision 1. **Plan duration.** An alternative regulation plan approved by the commission under section 237.764 must remain in force as approved for the term specified in the plan, which must be for no less than three years. Except as otherwise provided in this section, within six months prior to the termination of the plan the company shall give notice that it will propose a new plan, extend an existing plan, or revert to rate of return regulation.

Subd. 2. **New plan.** A new plan proposed by a company must be reviewed by the commission and, with the consent of the company, revised or approved consistent with sections 237.76 to 237.774, except that the justification of earnings levels in section 237.764, subdivision 1, paragraph (c), if required, and the provisions prohibiting rate increases at the initiation of or during the first three years of a plan contained in section 237.762, shall not apply to a new plan. Any new plan must be approved by the commission and shall contain a mechanism under which a telephone company may reduce the rates for price-regulated services below the initial rates or prices or increase the rates or prices during the term of the plan. The plan must specify the reports required of the telephone company for review of the plan and specify that the telephone company shall maintain records in sufficient detail to facilitate the review. A new plan is not an extension, which must be made pursuant to subdivision 3.

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Subd. 3. **Plan extension.** (a) Notwithstanding the provisions of its plan, a telephone company operating under a plan as of May 20, 2004, may elect to extend that plan for up to three years from the expiration date of the plan or until December 31, 2007, whichever is earlier. The election is effective upon notification to customers, the commission, the department, and the Office of the Attorney General. A telephone company must provide notification of its election within 30 days of May 20, 2004, or within six months of the expiration of its current or expired plan, whichever is later. Once a telephone company has elected to exercise the option provided under this subdivision, the company may elect at any time to terminate the plan by notifying customers, the commission, the department, and the Office of the Attorney General, in writing, six months prior to the termination date. Upon termination of a plan, the company shall be regulated as provided in this chapter.

(b) A telephone company may elect to extend a plan entered into after May 20, 2004, in lieu of proposing a new plan only if the company is in substantial compliance with the plan's service quality provisions and has met its infrastructure obligations under the plan. If the company elects to extend a plan, the rates for price-regulated services shall be capped at the rate levels in effect at the time the extension commences, provided, however, exceptions to a price cap contained in the plan being extended may remain in force. Unless otherwise specified in the plan, all other provisions of the plan shall continue in effect throughout the extension period. A plan may not be extended for less than one year or more than three years, and may only be extended once.

(c) The Department of Commerce or the Office of the Attorney General may file an objection to the extension with the commission if the company is not in substantial compliance with the service quality provisions of its plan or has not met its infrastructure obligations under the plan. An objection must be filed within 45 days of the company's notice of its intention to extend the plan.

(d) If an objection is filed by the Department of Commerce or the Office of the Attorney General, the commission may hold a hearing on the issues raised in the objection. The hearings shall be completed within 30 days of the deadline for filing the objections. If the commission finds that the issues raised in the objection are valid, it may reject the extension. If the commission finds that the issues raised in the objection are not valid, it shall approve the extension. The commission shall issue its decision within 15 days of the completion of the hearings concerning the objection.

(e) If the Department of Commerce or the Office of the Attorney General does not file an objection, the commission shall approve the extension within 60 days of the company's filing of its notice of its intention to extend the plan.

Subd. 4. **Joining an existing plan.** (a) A telephone company may elect to opt into another company's plan if:

- (1) the chosen plan is from a company that is larger than the electing company; or
- (2) the chosen plan is from an affiliated company; and
- (3) the plan is currently in effect.

(b) A telephone company electing to enter an existing plan in lieu of proposing a new plan must operate under the terms of that plan for at least three years. If the original term of the existing plan was longer than three years, then the adopting company must operate under the plan for that longer period.

(c) A telephone company that desires to adopt an existing plan must give notice to the commission at least 90 days prior to the proposed effective date of the adoption and to its customers at least 60 days prior to the proposed effective date.

(d) The Department of Commerce or the Office of the Attorney General may file an objection to a telephone company that has previously operated under a plan from electing to opt into the plan of another company if the electing company is not in substantial compliance with the service quality provisions or has not met the infrastructure obligations of its plan.

(e) If a telephone company has not previously operated under an alternative regulation plan, the rates for its price-regulated services must be capped for the first three years at the rates in effect at the time of opt in, except for any plan provisions that address exogenous changes.

(f) Within 30 days of the electing company filing notice to the commission, interested parties may file comments identifying any aspect of the adoption that the party believes is contrary to the public interest. Reply comments may be filed within 45 days following the notice to the commission. The commission shall accept the adoption unless it finds adoption of the existing plan by the electing telephone company is not in the public interest, in which case it may reject or modify the election to opt into the provisions of the existing plan. If the commission modifies the election, the electing

company may withdraw its proposed adoption of the existing plan by filing notice with the commission within 30 days of the commission's modification order.

**237.768 PERIODIC FINANCIAL REPORT.**

In addition to the reports required under section 237.766, an alternative regulation plan may require a telephone company to file with the department an annual report of financial matters for the previous calendar year on or before May 1 of each year on report forms furnished by the department in the same manner as is required of other telephone companies on August 1, 1995. In addition, any company subject to a plan shall file with the commission and department a copy of any filings it has made to the Federal Communications Commission regarding the provisions of video programming provided through a video dial tone facility in Minnesota. An alternative regulation plan may require a telephone company to maintain its accounts in accordance with the system of accounts prescribed for the company by the commission under section 237.10.

**237.772 COST STUDY METHODOLOGY.**

Subdivision 1. **Total service long-run incremental cost.** (a) For purposes of this chapter, total service long-run incremental cost (TSLRIC) means the total cost to the company of supplying a service, group of services, or basic network function. The term "long-run" means a period of time sufficient so that all inputs are avoidable based on the total increment of service, group of services, or basic network function and includes the relevant costs resulting from the company's decision to provide the service, group of services, or basic network function, holding constant the production levels of all other services, groups of services, or basic network functions provided by the company.

(b) A telephone company is not required to prepare or file TSLRIC or variable cost studies for all of its services as a prerequisite to filing a plan. However, the commission may order cost studies to be prepared for specific services as a condition of approval of the plan.

Subd. 2. **Petition for variable cost study.** To the extent that this section or the commission may require a company to provide a TSLRIC study, a company may submit a petition to the commission for permission to submit a variable cost study instead of a TSLRIC study. The commission shall grant the petition if the telephone company demonstrates:

- (1) that a TSLRIC study is burdensome in relation to its annual revenue from the service involved;
  - (2) in the case of an existing service, that the service is no longer being offered to new customers;
- or
- (3) if the telephone company shows other good cause.

**237.775 EXISTING PLAN NOT AFFECTED.**

An alternative regulation plan approved by the commission prior to May 1, 1997, is not subject to the amendments in Laws 1997, chapter 223; provided that a plan filed, revised, or renewed after that date is subject to those amendments.