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December 1, 2011

Fred Horecky, Esq.
The Guam Public Utilities Commission
Suite 207, GCIC Building
Hagatna, Guam 96932

Re: E911 Fiscal 2011 Surcharge Summary

Dear Mr. Horecky,

This letter is being provided to you in response to your recent request for an inquiry regarding the collection and remittance of the monthly E911 surcharge. This surcharge was designed to contribute toward the operation of the E911 system. PL28-44 and predecessor laws require the PUC to provide a report of E911 funds to the Governor, Legislature and Public Auditor for each fiscal year.

Seven telecommunications carriers have been designated as Collection Agents ("Agents"). Three are landlines carriers: GTA Telecom, Guam Telecom, and Pacific Data Systems ("PDS"). The remaining four Agents, Pulse Mobile, PTI Pacifica d/b/a IT&E, I-Connect, and Docomo d/b/a Guam Cellular Communications, are cellular carriers. The Agents are required by the Public Utilities Commission ("PUC" or "Commission") to file quarterly reports summarizing the billing, collections and disbursements resulting from the \$1 per month surcharge implemented by the PUC. The data in our report are for the Government of Guam fiscal year 2011 which ends September 30, 2011.

The data were extracted from the quarterly reports filed by the Agents. Other than a high level trend analysis, we have not conducted an audit or review of line counts, billing, collections or remittances to the Department of Administration ("DOA"). Consequently, our report should not be interpreted as a confirmation that the reported data are completely accurate.

As in the past, we are providing only summary line count data in this report and are maintaining confidentiality of the data submitted by each Agent. In general, confidentiality would only apply to data that was not available from public sources. Those Agents that have been participants in the federal high-cost Universal Service Fund programs are required to provide unrestricted line counts to the FCC or other agencies and organizations. The remaining Agents are not required to disclose this information publicly. In order to protect each carrier's market share as defined by the number of access lines or telephone sets served, we will continue to maintain confidentiality

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for all Agents. Please note that we are not taking any position on whether confidentiality should be maintained in this or future inquiries.

The following table shows total information in aggregate from all of the Agents as of September 30, 2011:

Table 1
Island-Wide Year End Total

	Fiscal 2010	Fiscal 2011
Total Lines (Year End)	158,854	170,817
Exempt Lines (Year End)	2,621	9,500
Fund Balance (Year End)	\$104,167	\$174,946
Revenues Billed	\$1,825,784	\$1,979,653
Cash Collected	\$1,823,798	\$1,969,932
Funds Retained by Agent/PUC	\$145,691	\$183,894
Transfers to DOA	\$1,563,606	\$1,668,814

The total number of lines and the number of exempt lines (lines in excess of 25 per account) for Fiscal 2011 is substantially greater than had been reported in our Fiscal 2010 report. This was primarily the result of the correction of a “programming problem” at GTA Telecom and Pulse Mobile. These Agents had been reporting the amount billed in lieu of the actual line counts. In April, 2011, they signed a “Consent” with the Guam PUC in which they agreed to provide total and exempt line counts in conformity with P.L. 25-55 and PUC Orders. The “Consent” was adopted in a PUC Order dated April 18, 2011. Our review showed that the correction was made starting with January, 2011, data.

After adjusting for the misreported GTA Telecom and Pulse Mobile line counts, the total number of lines has been fairly steady throughout the period. There have been some declines in GTA Telecom line counts, consistent with nationwide trends. This has been offset by the modest growth of wireless customers.

Billed revenues and cash receipts were generally consistent with the net number of lines. Month-to-month variances between billing, receipts and line counts appear to be reasonable and the result of timing.

1 Please note, the actual opening balance of funds for FY 2011 was \$57,772 and not the year end closing balance of \$107,167 as reported in our report for FY 2010. The difference was primarily due to the correction of a reporting error by PTI and the reclassification of certain amounts by PDS in connection with its reimbursement of administrative expenses.

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The Agents are required by law to submit the names of those customers that refuse to pay. In previous years, only PTI reported such customers. This fiscal year, PTI did not provide a list of non-paying customers and did not report any uncollectible surcharges. Consequently, we conclude that no PTI customers refused to pay the E911 surcharge. Guam Telecom reported uncollectible revenue averaging about \$250 per month but did not provide any further information. Due to the minor amount involved, we do not recommend further inquiry.

We have reviewed the level of funds retained as indicated by each Agent for compliance with prior PUC orders. The PUC permitted retention of some of the E911 revenues received for administrative and start-up costs² as approved by the PUC. For the period under review, PTI withheld \$2,131 per month, I-Connect retained \$813 per month, PDS retained \$469 per month and Docomo retained \$1,245 per month. GTA retained \$7,393 per month which was used to pay for PUC and GTA administrative expenses during the year. These amounts are consistent with the Commission's Cost Reimbursement Orders.³

At this time, only Guam Telecom is not covered by a reimbursement order. This Agent only started reporting line and surcharge data in July, 2010. However, it serves a large number of customers and has likely incurred at least some administrative costs. Since the company may not be fully aware of its opportunity under the law to recover its prudent costs of collection, and in the interest of fair treatment of all Agents, we suggest that the PUC advise Guam Telecom of the procedure for requesting reimbursement.

PL28-55 permits retention by the Agent of actual costs of administering the surcharge. However, other than PDS, the last time the Agents' costs were examined in any detail was more than six years ago. The Reimbursement Orders did not contain sunset provisions but the staffing levels required or the company operations in support of the surcharge may have changed since reimbursement levels were authorized. Therefore, the reimbursement level may no longer reflect actual costs. We recommend that the PUC consider a new proceeding to review the reimbursement level as appropriate.

P.L. 25-55, Section 3(b), requires each Agent to remit the amount collected less authorized administrative costs to the DOA within 45 days after the end of the month in which the amount was collected. All Agents with the exception of Docomo and Guam Telecom have complied with this requirement. After recovering its overpayments as discussed later in this report, Docomo made monthly payments from November, 2010, to May, 2011. It did not remit funds in June or July but made a three month payment in August. It did not make a payment in

² GTA Telecom, PTI, Docomo, PDS and I-Connect submitted cost information in connection with the Cost Reimbursement Orders, identifying initial start-up costs and ongoing costs. All of the initial start-up costs have been reimbursed to the Agents.

³ PUC Docket 99-10 reimbursement orders: GTA Telecom dated June 23, 2003, PTI dated June 23, 2003 and July 27, 2005, I-Connect dated April 22, 2005, Docomo dated March 30, 2004 and PDS dated April 18, 2011.

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September. Guam Telecom has been remitting to DOA on a quarterly basis instead of monthly. While we do not believe the uneven payments have been problematic for the E911 system, we suggest that Docomo and Guam Telecom be reminded of their obligations to remit to DOA within 45 days after the close of each month.

The E911 fund amounts transferred to the DOA have generally increased year over year. However, there was a significant decline in Fiscal 2010 followed by a substantial increase in Fiscal 2011 as indicated by the following table:

Table 2
Island-Wide Transfers to DOA

Fiscal 2004	\$1,000,000	<i>est</i>
Fiscal 2005	933,827	
Fiscal 2006	1,170,809	
Fiscal 2007	1,223,160	
Fiscal 2008	1,421,186	
Fiscal 2009	1,653,388	
Fiscal 2010	1,563,606	
Fiscal 2011	1,668,814	

The principal reason for the decline in Fiscal 2010 was that Docomo did not transfer any funds to DOA after May, 2010. The company said that it had been sending \$10-12 thousand dollars each month in excess of the amount it reported as billed surcharge revenues starting May, 2008 and ending May, 2010. The total claimed overpayment reached more than \$188 thousand. After review, the PUC concluded that Docomo had, in fact, overpaid and that it had adopted a logical method for recovery. By withholding payment to DOA, Docomo recovered the total amount overpaid by October, 2010. We verified that normal remittance to the DOA continued after that month.

In your previous instructions regarding the GCG review, you indicated that you did not wish GCG to investigate whether or not the cash recovered was sufficient or in excess of the dollars required for E911 service. We did not investigate this so we cannot state affirmatively that the \$1 per month per line should be adjusted.

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If we can be of further assistance, please do not hesitate to call Walt Schweikert (203-426-8732) or myself.

Cordially,

A handwritten signature in cursive script that reads "Jamshed K. Madan". The signature is written in black ink on a white background.

Jamshed K. Madan

Cc: Ed Margerison
Walter Schweikert