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February 19, 2012

Fred Horecky, Esq.  
The Guam Public Utilities Commission  
Suite 207, GCIC Building  
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Re:GTA Telecom ICB Tariff for DID Services

**CONFIDENTIAL**

Dear Mr. Horecky,

By your e-mailed request dated February 18, 2012, you asked us to comment on GTA's Individual Case Basis (ICB) offering of DID Number Assignment Services. Since you asked for only a high-level review, and since you said you were satisfied that the proposed price for this service exceeded its incremental cost, our comments will cover only whether or not ICB pricing is permissible in this case.

In response to a request from GTA in Docket 05-3, the Guam Public Utilities Commission authorized the use of ICBs in order to enable GTA to respond to competitive invitations for bid from large businesses and government agencies. This authorization was limited to situations where the customer subscribed to more than ten access lines. The proposed price had to be above incremental cost and had to be made available to all similarly situated customers. The PUC's intent was to allow competitive flexibility when justified by volume, term arrangements or other factors that differentiated between customers. Based on the Commission's rules, an ICB at \$0.10 per number to the Department of Defense (DoD) is justified because DoD meets the size requirement and the price is not considered predatory. Further, GTA proposed the same price to the Government of Guam, a similarly situated customer. Thus, we recommend approval of the ICB.

Notwithstanding our recommendation for approval, the ICB raises some issues that may not have been fully resolved in previous regulatory proceedings before the PUC. On December 1, 2006, GTA filed Tariff Transmittal #8 giving notice that it had reduced the rates for this service to the DoD. Under PUC rules, Section 12106(d) this reduction was allowed to go into effect without review. In our report dated January 17, 2007, we raised the concern that the tariff pricing to DoD was discriminatory. The rates for non-DoD customers were an order of magnitude greater than for DoD customers. Throughout the proceedings, we consistently

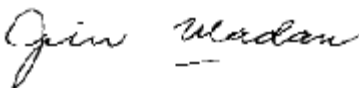
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maintained that there was no significant difference in the cost of providing this service to DoD and non-DoD customers<sup>1</sup> and GTA never provided any evidence that there was a difference. After review, the PUC agreed that the differential treatment was discriminatory and ordered the rates for non-DoD customers to be reduced to the same level as for the DoD. GTA later petitioned to withdraw Tariff Transmittal #8. According to GTA, this would end the differential rate charged to the DoD, unifying charges for all customers at the tariff rate. Based on this assertion, by Order dated February 26, 2009, the PUC permitted GTA to withdraw its tariff transmittal but ordered GTA to charge the DoD for the difference between what it had been paying under Tariff Transmittal #8 and the preexisting rate. We have no direct knowledge of whether or not GTA complied but the fact that they are now proposing the same rate for DoD as in Tariff Transmittal #8 suggests that further inquiry may be warranted.

We do not believe there is a significant difference in the cost of providing the service to DoD and non-DoD customers or between large and small businesses. Further, the current tariff price for this service (which is not based on cost) for regular business customers is ten times as high as rates charged by other carriers the same size as GTA.<sup>2</sup> Based on information provided by GTA several years ago, after removing both federal and local government customers, the burden of the current prices will fall on a handful of small business customers. Since this is fundamentally unfair, we urge the PUC to conduct an inquiry to set reasonable tariff prices for the service for customers not covered by an ICB arrangement.

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

Cordially,



Jamshed K. Madan

Cc: Ed Margerison  
Walter Schweikert

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<sup>1</sup> See GCG Report in Docket 05-3 dated September 17, 2008

<sup>2</sup> Typically, DID Number Assignment and Reservation Service is sold at approximately 10 to 20 cents per number (in blocks of numbers) on the US mainland.