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June 23, 2010

30-10-0650

Honorable Judith T. Won Pat, Ed.D.
Speaker 30th Guam Legislature
155 Hesler Place
Hagåtña, Guam 96910

Office of the Speaker
Judith T. Won Pat, Ed. D.

Date 07/27/10
Time 9:00AM
Received by JW


Re: Reports of the Guam Public Utilities Commission for FY2008 and 2009 detailing the receipts, collections and amounts of the CMRS accounts, and the Enhanced 911 Emergency System surcharges.

Dear Speaker Won Pat:

On behalf of the Guam Public Utilities Commission, it is my pleasure to submit to you the FY2008 and FY2009 Reports of the Guam Public Utilities Commission [PUC] detailing the receipts, collections and amounts of the CMRS accounts, and the Enhanced 911 Emergency System Surcharges. These Reports were prepared by the PUC's Consultant, Georgetown Consulting Group Inc. PUC is required by Section 3 of Public Law 28-44 to submit these reports to *I Maga'lahañ Guåhan*, the Speaker of *Lihezlaturan Guåhan*, and the Public Auditor of Guam.

Please let me know should you have any questions concerning the PUC E911 Reports. Thank you for your consideration in this regard.

Sincerely,


Frederick J. Horecky
Legal Counsel
Public Utilities Commission

Enclosure

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June 22, 2010

Fred Horecky, Esq.
The Guam Public Utilities Commission
Suite 207, GCIC Building
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Re: E911 Fiscal 2008 and Fiscal 2009 Surcharge Summary

Dear Mr. Horecky,

This letter is being provided to you in response to your May request for investigation under PL28-44 and predecessor laws that requires the provision of a report to the Governor, Legislature and Public Auditor for each fiscal year regarding the E911 surcharge results. The collection agents ("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 designed to contribute toward the operation of the E911 system. We have relied upon this information as filed by the Agents and have not performed any investigation to support the amounts that we use in this compilation provided to the PUC. The information was electronically obtained from the individual Agents (Guam Telephone, Pulse Mobile, IT&E, I-Connect and DOCOMO dba Guam Cellular Communications) as provided to the PUC and transmitted to us. We have compiled the data from these filings for the Fiscal Years ending September 30, 2008 (Fiscal 2008) and September 30, 2009 (Fiscal 2009) in this report and present this compilation in summary format to preserve confidentiality of the various agents.

The Agents are required by the PUC to file information regarding transactions related to the \$1 per month E911 surcharge on a quarterly basis (within forty-five days following the end of a quarter – March, June, September and December). Many of the agents have at times been remiss with information required by the PUC until these delinquent agents were contacted by your office and requested to provide the information. DOCOMO initially provided information for several fiscal years regarding payments to the DOA and did not provide other important statistics such as revenues, cash receipts, funds flow, retention of costs by the agent and amount of E911 surcharge funds on hand. Subsequently, DOCOMO provided a corrected table of the information requested indicating that an error in their data system. We have used the updated information recently provided by DOCOMO in this compilation. The updated information contains the detailed information that is required in the PUC quarterly reports which have not been provided by DOCOMO for several years. We caution that the updated information varies substantially different from the original information

provided. DOCOMO now shows that it has overpaid DOA by a substantial amount. We have not performed any verification of the information provided. As with all of the other Agent reports, we have not performed any review of the information provided or conducted any conferences with the Agents. This report is a compilation of the information provided to the PUC.

The quarterly and annual filings from the Agents are in spreadsheet format or were scanned copies of spreadsheets. Some of the agents are providing older historical data when transmitting required PUC information, while others are providing only recent information. The PUC should remind the Agents that each is to retain the data for at least four years¹ and request that data be submitted in spreadsheet format including information dating back at least four years when providing annual filings, making this compilation of Island-wide data less cumbersome.

The following table shows total information in aggregate from all of the Agents regarding E911 funds and related line information as of September 30, 2008 and 2009:

Table 1
Island-Wide Total

	Fiscal 2009	Fiscal 2008
Total Lines	146,713	133,408
Exempt Lines	724	783
Fund Balance	\$ 16,321	\$ 125,292
Uncollected Surcharge	\$ 38,775	\$ 26,205
Uncollectible Surcharge	\$ 360	\$ 360
Revenues Billed	\$ 1,693,277	\$1,598,286
Cash Collected	\$ 1,680,707	\$1,592,785
Funds Retained by Agent/PUC	\$ 141,678	\$ 171,312
Transfers to DOA	\$ 1,653,388	\$1,421,186

Regarding the information in Table 1, we have not undertaken any test of the level of "Total Lines" and have accepted the representations made by these agents in their filings. With the exception of DOCOMO and PULSE (GTA Cellular), the cellular agents provide a breakdown between pre-paid and post-paid services and therefore cannot provide any certainty that these two Agents understand that collection and reporting from both prepaid and postpaid cellular accounts is required. We have not performed an Agent-by-Agent review as to how the prepaid amounts are determined and set aside for E911 use by each Agent.

In prior years, the vast majority of exempt lines were GTA Landline customers. At the start of Fiscal 2008, GTA showed exempt lines totaling over 10,000. This number went to 0 lines in November 2008. IT&E and DOCOMO are the only entities currently showing exempt lines. We have not done any investigation to determine the cause or causes of this situation.

I-Connect does not provide information regarding uncollected E911 amounts and we therefore assume for the purposes of this compilation that each has collected the entire surcharge each month.

¹ PUC Order, June 24, 2002

Any uncollected surcharge becomes the accounts receivable for the \$1 per month E911 surcharge for each Agent and once paid will be transferred to DOA. We recommend that further information should be obtained on the uncollectible situation for I-Connect in the future.

All Agents are further required by law to submit the names of those customers that refuse to pay. While IT&E has provided a small number of telephone numbers of subscribers who refuse to pay, the remaining Agents have provided none. We have not verified that there are no customers refusing to pay as there has been in the past.

We have reviewed the level of funds retained as indicated by the agent in their submissions for compliance with prior PUC orders. The PUC permitted retention of some of the cash for administrative and start-up costs as approved by the PUC. This retention comprises the major portion of the \$141 thousand and \$171 thousand for Fiscal 2009 and Fiscal 2008, respectively in Table 1 above. The reason the total amount has dropped is related to the monthly amount for expenses withheld by IT&E. During Fiscal 2008 IT&E withheld \$4,825 per month. In Fiscal 2009 IT&E withheld \$4,825 in October 2008 the next month this withholding fell to \$2,131 per month pursuant to PUC orders.² I-Connect indicated that it retains \$813 per month³. For DOCOMO, the PUC allowance for retention is \$1,245 per month and in the recently provided information DOCOMO indicates that it is retaining such an amount. GTA indicates that it continues to retain \$7,393 per month as ordered by the PUC.⁴ PUC administrative expenses for E911 are required to be paid from GTA landline collections and the last indicated remittance to the PUC was made by GTA during Fiscal 2008 from E911 funds collected by GTA.

Over the past several years, the E911 fund amounts transferred to the DOA has in general increased year over year as indicated by the following table:⁵

Table 2
Island-Wide Transfers to DOA

Fiscal 2004	\$1,000,000	e
Fiscal 2005	933,827	
Fiscal 2006	1,170,809	
Fiscal 2007	1,223,160	
Fiscal 2008	1,421,186	
Fiscal 2009	1,653,388	

The transfers to DOA are essential for the operation of the E911 system. Transfers are required to be made by the Agents 45 days after funds for each month are received by the Agent. Only I-Connect provides verification of the transfer with a copy of the signed DOA receipt. The PUC should

2 PUC Orders of June 23, 2003 and July 27, 2005. The PUC should request that IT&E explain why the retention of funds dropped in November 2008 as opposed to August 2008 and what remedial action will be taken if one is required.

3 PUC Order April 22, 2005

4 PUC Order Docket 99-10, June 23, 2003.

5 DOCOMO indicates that it believes that it may have "overpaid" the DOA in Fiscal 2009 and continues to overpay.

consider whether it should require copies of transfers from all Agents. Further, there is no assurance in the filings provided by the agents that they are complying with Section 2, paragraph (f) of the PUC June 24, 2002 Order requiring that the agents apply the first collected dollar to the E911 fund in the instance where the customer makes a partial payment (unless the customer specifically refuses to pay the surcharge) on a billing statement received by a customer that includes both regular telephone billing as well as E-911 billing. It appears that only IT&E is remitting partial surcharge balances to the DOA from prepaid customers who do not renew, but leave a balance of less than \$1 on their accounts.

We have not reviewed or obtained the expense budget amount for E911 services for 2008 and 2009 to see how the dollars forward to the DOA compare with the budgeted expenses. The PUC authority to set the E911 budget was removed by PL 26-44. The PUC is still the regulatory body that sets the E911 rate to be collected at no more than \$1 per month per access line. There is currently no comparison of the E911 expenses with the revenues collected.

If we can be of further assistance, please do not hesitate to call Jim Madan or myself.

Respectfully submitted by:

Edward R. Margerison

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