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January 11, 2013

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

Date 1/11/13  
Time 12:15 PM  
Received by [Signature]

32-13-15

**Re: Report of the Guam Public Utilities Commission for FY2012 detailing the receipts, collections and amounts of 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 FY2012 Report of the Guam Public Utilities Commission [PUC] detailing the receipts, collections and amounts of the CMRS accounts, and the Enhanced 911 Emergency System Surcharges. This Report was prepared by the PUC's Consultant, Slater, Nakamura & Co., LLC. PUC is required by Section 3 of Public Law 28-44 to submit this Report to *I Maga'lahaen Guåhan*, the Speaker of *I Liheslaturan Guåhan*, and the Public Auditor of Guam.

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

Sincerely,

Frederick J. Horecky  
Legal Counsel  
Public Utilities Commission

Enclosure

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**THE GUAM PUBLIC UTILITIES COMMISSION**

)  
**E-911 Fiscal 2012 Surcharge Summary     )     GTA Docket 12-05**  
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**E-911 Fiscal 2012 Surcharge Summary**

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**For The Guam Public Utilities Commission  
GTA Docket 12-05**

**December 27, 2012**

**Revision History**

<i>Version</i>	<i>Changed By</i>	<i>Date</i>	<i>Revision Description</i>
Draft		November 21, 2012	Initial draft
Final report	Roger Slater	December 27, 2012	Comments from ALJ Horecky

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## 1.0 EXECUTIVE SUMMARY

### SUMMARY OF REVIEW

Pursuant to Public Law 28-44, the Public Utilities Commission is required to file an annual report on the receipts, collections and remittances of the E-911 surcharges. This report must be filed with the Governor of Guam, the Guam Legislature, and the Office of Public Accountability within sixty days of the Government of Guam fiscal year end.

The PUC has retained Slater, Nakamura & Co, LLC as the consulting firm tasked with the preparation of this report. In completing the report, Slater, Nakamura completed the following tasks:

- Reviewed the underlying Guam Public Laws, reports issued by the Office of Public Accountability, previous dockets of the Guam Public Utilities Commission along with their orders thereon, the previous years' E-911 reports issued by the Georgetown Consulting Group, Inc., and Collection Agent Reports filed with the PUC by the individual Collection Agents.
- In order to make sure that the data and methodology flowed logically and smoothly from the 2011 Report into this Fiscal 2012 report, we conducted a review of the reports filed with the PUC by the Collection Agents relative to the 2011 E-911 Surcharge activities and the FY 2011 E-911 Surcharge Summary Report. Our review included inquiries made to the Collection Agents on the methodology and authority followed by those agents in the completion of their E-911 Surcharge assessment, collection, remittance and reporting procedures. We did not conduct any audit procedures on any of the information that we received from the Collection Agents.
- We then completed a review and analysis of the FY 2012 Collection Agents' quarterly reports on the same basis as our FY 2011 review mentioned above and wrote our report.

In this report we have included an analysis of both FY 2011 and 2012. We have also included data for both years on a monthly basis. This was done in order to obtain a better understanding of the E-911 reporting system and the components inherent therein. In the future, we will be reporting only on the future current year of the report and will include only annual numbers as opposed to the monthly balances.

### Findings

- There is a diverse array of methodology being utilized by the different Collection Agents in the assessment and collection of the E-911 Surcharge on prepaid accounts. Not all of the methodology and procedures being utilized resulted in the proper assessment, collection and remittance of the E-911 Surcharges on prepaid accounts.
- The Collection Agents are required to file quarterly reports with the PUC providing specifically required details on all of their customers who refuse to

pay the monthly E-911 Surcharge. Once the required report has been filed with the PUC, the Collection Agent has no further responsibility to collect the unpaid E-911 Surcharge. We found no instance during FY 2011 or FY 2012 where the required report was filed with the PUC. In spite of the failure to file the required reports, some Collection Agents withheld uncollected E-911 Surcharges from their remittances to the Department of Administration. In its FY 2010 and FY 2011 reports, Georgetown reported accumulated uncollected E-911 surcharges to be \$37,989 at the end of FY 2010 and \$47,740 at the end of FY 2011. In FY 2011 and FY 2012 there were annual net uncollected surcharges in the amount of \$9,751 and \$10,377 respectively.

- We noted that among the various Collection Agents, there is a wide variance in the number of exempt lines as a percentage of total lines reported. There was no specific error or problem noted and it appears that the reason for this percentage variance emanated from differing customer mixes among the various Collection Agents. There are some collection agents who concentrate on very large customers while other Collection Agents have a higher percentage of individual accounts.
- The Collection Agents are required to remit the net collected E-911 Surcharges no later than forty-five days following the last day of the month in which the Surcharge was collected. However, we noted that in many instances some Collection Agents made their remittances intermittently, sometimes later than the due date, and also sometimes more than one month of E-911 Surcharges collected were remitted to DOA at one time.
- The Collection Agents are required to file a quarterly report with the PUC on the number of lines and accounts serviced together with the amount of their E-911 revenues, collections, remittances and administrative expenses. These reports are due to be filed no later than forty-five days after the end of each quarter of the fiscal year. We noted that in the past some of the Collection Agents failed to file the required quarterly reports on a timely basis. However, all required reports due through the quarter ended September 30, 2012 were filed by all Collection Agents prior to the November 14, 2012 due date.

## **Recommendations**

- In order to assist the Collection Agents in understanding the proper methodology and procedures to be followed in the E-911 Surcharge assessment, collection, remittance and reporting process, we recommend that each of the Collection Agents be encouraged to provide feedback and comments on these annual reports.
- Due to the diverse manner in which the Collection Agents are assessing the E-911 Surcharge on prepaid accounts, we recommend that the PUC consider a review of how the E-911 surcharge is being assessed on prepaid accounts. We further recommend that an assessment be made as to the extent of uncollected E-911 Surcharges on prepaid accounts, if any.

- In order to better understand the composition and dynamics of the generation of E-911 Surcharges, we recommend that those Collection Agents who offer prepaid services be required to report prepaid accounts separately from postpaid accounts.
- In order to determine that all remittances are being paid to the DOA in a timely manner, we recommend that the Collection Agents be required to file a copy of the DOA remittance receipts for the E-911 payments together with their quarterly reports filed with the PUC.
- The Collection Agents are not following required procedures relative to uncollected E-911 Surcharges. Each Collection Agent is required to file a quarterly report with the PUC listing detailed information on each customer who refused to pay the monthly Surcharge. Having completed that requirement, the Collection Agents are then relieved of any further collection responsibility. In our review of the procedures delineated by the PUC in its June 24, 2002 Order relative to uncollected surcharges we find that it sets out the reporting requirements on the part of the Collection Agents but fails to state who will bear the ultimate payment responsibility should the Collection Agents fail to file the required report.
  - Some of the Collection Agents are not filing the required reports but are, none-the-less, withholding remittance of the uncollected Surcharges. Some Collection Agents are not filing the required reports but are not deducting uncollected E-911 Surcharges from their remittances. We recommend that any Collection Agent who makes a deduction for uncollected surcharges from its remittances to DOA be required to file the appropriate supporting reports with the PUC.
  - We also recommend that the PUC review its previous orders relative to uncollected E-911 Surcharges and make a determination whether or not the failure of a Collection Agent to file the required reports relative to uncollected surcharges results in the transfer of the responsibility for payment to the Collection Agent.

## 2.0 BACKGROUND

*In this section is presented information related to the E-911 system*

The E-911 System provides the Guam community with rapid and direct telecommunication access to Guam's public safety and emergency response agencies. The 911 system was established in 1991 by Public Law (P.L.) number 21-61 which placed the responsibility for the system on the Office of Civil Defense.

In 1996 the responsibility for the system was transferred to the Guam Fire Department by P.L. 23-77.

P.L. 25-55 (E-911 Act) authorized the levy of a 911 surcharge to fund an enhanced emergency system that would include the technology, equipment and personnel necessary to provide improved 911 services to the public. The E-911 Act also provided for the establishment of the Enhanced 911 Emergency Reporting System Fund (E-911 Fund). The E-911 Act further directed the Guam Public Utilities Commission (PUC) to establish a monthly surcharge rate, not to exceed the amount of one dollar per month per access line, and not to exceed twenty-five lines per month per account. The surcharge must be specifically identified as a separate line item on customer invoices.

The PUC in its Docket 99-10, 911 Emergency System Surcharge Order dated February 25, 2000, set the E-911 surcharge rate at the maximum allowed of one dollar per month. The surcharge applies to all landline, postpaid and prepaid accounts.

Landline accounts are for regular wired telephone service customers. The surcharge, however, is limited by the E-911 Act to the first twenty-five access lines for each account.

Postpaid accounts are cell phone service accounts that are billed to customers on a monthly basis.

Prepaid accounts are those for which customers pay in advance for services. The service for these accounts is provided when the customer purchases a phone card and enters the service provided by the card into their telephone device.

The E-911 Act dictates that Guam's telecommunication providers (Collection Agents) are responsible for assessing and collecting the E-911 surcharge from each account and remitting those collections to the Government of Guam Department of Administration (DOA). The remittance of the surcharge collections must be paid by the Collection Agents no later than forty-five days after the end of the month in which the collection was made. The Collection Agents are further required by Docket 99-10, E-911 Emergency System Surcharge Order dated June 24, 2002, to file a quarterly

report with the PUC on the number of lines and accounts serviced together with the amount of their E-911 revenues, collections, remittances and administrative expenses. These reports are required to be filed no later than forty-five days after the end of each quarter of the Government of Guam fiscal year.

The Collection Agents are authorized by the E-911 Act to deduct from their remittances the administrative costs that they incur in the process of assessing, collecting, remitting and reporting on the E-911 surcharge. The PUC in its Docket 99-10, E-911 Emergency System Reimbursement Protocol Orders dated March 30, 2003, April 22, 2003, June 23, 2003, and July 27, 2005 ruled on the amount that five of the Collection Agents are authorized to deduct from their remittances as compensation for their administrative costs. In its Docket 10-04, Emergency System Reimbursement Protocol Order dated April 18, 2011 the PUC ruled on the amount that one of the Collection Agents is authorized to deduct from their remittances as compensation for its administrative costs. One Collection Agent has not filed for authorization to make a deduction for administrative expenses from its DOA remittances.

P.L. 28-44 requires that the PUC file an annual report, on the receipts, collections and remittances of the E-911 surcharges. This report must be filed with the Governor of Guam, the Guam Legislature, and the Office of Public Accountability within sixty days of the Government of Guam fiscal year end. The PUC has engaged the services of their telecom consultants to prepare these reports.

There are currently seven telecommunication carriers that have been designated as Collection Agents. These Collection Agents are (in alphabetical order):

- Docomo Pacific
- GTA Telecom
- Guam Telecom
- I-Connect
- Pacific Data Systems
- PTI Pacifica d/b/a IT&E
- Pulse Mobile

Of these seven carriers there are three landline carriers. The landline carriers are:

- GTA Telecom
- Guam Telecom
- Pacific Data Systems

The remaining four carriers are cellular service providers. The cellular service providers are:

- Docomo Pacific
- I-Connect
- PTI Pacifica d/b/a IT&E
- Pulse Mobile

### **3.0 DISCUSSION OF THE REPORT COMPILATION**

*This section discusses the approach that was used to prepare this report.*

#### **SOURCE DATA**

In preparing this report we reviewed the underlying Guam public laws discussed above, reports issued by the Office of Public Accountability, previous dockets of the PUC along with their orders thereon, previous years' E-911 reports issued by the Georgetown Consulting Group, Inc., and the Collection Agent Reports filed with the PUC by the individual Collection Agents. For reference purposes, the E911 Fiscal 2011 Surcharge Summary (2011 Report), which was prepared by the Georgetown Consulting Group, Inc., is included as Appendix C to this report.

#### **CONFIDENTIALITY**

In order to protect the confidential proprietary business data of the Collection Agents we are only reporting summary data in our report. It should be noted that the Georgetown Consulting Group, Inc. also only reported summary data in their reports issued in prior years.

#### **PROCEDURES**

##### **FY 2011 Review and Analysis**

In order to make sure that the data and methodology flowed logically and smoothly from the 2011 Report into this Fiscal 2012 report we began our study with a review of the reports filed with the PUC by the Collection Agents relative to the 2011 E-911 Surcharge activities.

We created individual and summary spreadsheets that included the various elements reported by the individual Collection Agents to the PUC for fiscal year 2011. Copies of the respective spreadsheets were then submitted to each individual Collection Agent along with questions and comments for each Agent. Reply comments along with answers to our questions were received from each Collection Agent and an understanding was reached as to the procedures being followed by each Collection Agent in assessing, collecting, remitting and reporting on the E-911 surcharge for their customers.

We prepared various tables and graphs of the data for the summarized Collection Agent data. These tables and graphs assisted us in our analysis and understanding of the procedures relative to the assessment, collection, remittance, and reporting of the E-911 surcharges for 2011.

We reconciled the amounts reported by the Collection Agents in their quarterly reports with the balances reported in the 2011 report prepared by Georgetown.

## **FY 2012 Review and Analysis**

We then received and reviewed the quarterly Collection Agent reports relative to the 2012 fiscal year that were filed with the PUC by the Collection Agents. At the time that we were retained by the PUC to work on the E-911 accounting and reporting, the PUC requested that, henceforth, the Collection Agents copy Slater, Nakamura on all E-911 filings with the PUC. Subsequently, we have received said filings directly from the Collection Agents.

The data contained in the individual FY 2012 quarterly Collection Agent reports was entered into the above referenced spreadsheets. Subsequent to the fiscal year end, copies of the respective spreadsheets were then submitted to each individual Collection Agent along with questions and comments for each Agent. Comments, along with answers to our questions, were received from each Collection Agent and were included in our FY 2012 review and analysis.

Similar to our FY 2011 analysis, we prepared various tables and graphs of the data for the summarized Collection Agent data. However, in the instance of FY 2012 we included, for comparative purposes, both the data from FY 2011 and FY 2012 in our graphs. These tables and graphs assisted us in our analysis and understanding of the procedures relative to the assessment, collection, remittances and reporting of the E-911 surcharges for 2012.

## **E-911 FISCAL 2012 SURCHARGE SUMMARY REPORT**

Using the knowledge, data and information that we gained in our review, we prepared this report for the PUC, the Governor of Guam, the Guam Legislature and the Office of Public Accountability.



## 4.0 FY 2011 ANALYSIS

*This section presents the results of the review and analysis of the FY 2011 Collection Agent reports filed with the PUC and the E911 Fiscal 2011 Surcharge Summary report prepared and filed by the Georgetown Consulting Group, Inc.*

### ELEMENTS INCLUDED IN OUR REVIEW AND ANALYSIS

Our analysis of the individual and the overall elements of the FY 2011 E-911 surcharges included:

- The components of the Total Line Elements.
- Revenues billed by the Collection Agents.
- Uncollected E-911 Surcharges.
- Adjustments to the E-911 revenues billed by the Collection Agents.
- The unremitted beginning fund balance held by the Collection Agents.
- The E-911 Surcharge cash receipts received by the Collection Agents.
- Payments made by the Collection Agents to the DOA.
- Costs of the PUC paid by one of the Collection Agents.
- Administrative costs of collecting the E-911 Surcharges incurred by the Collection Agents that were deducted by the Collection Agents from their remittances to DOA
- The unremitted ending fund balance held by the Collection Agents.
- Review and reconciliation of the 2011 Fiscal quarterly reports with the Fiscal 2011 Surcharge Summary report prepared by the Georgetown Consulting Group, Inc.

### FY 2011 ANALYSIS APPROACH

Our analysis of the FY 2011 E-911 transactions included the following procedures:

- Identification of the individual elements of the total lines billed by the Collection Agents to their accounts. These elements were:
  - Postpaid Lines.
  - Prepaid Lines.
  - Exempt Lines.
  - Reconciliation Items.
  - Billed Lines.
- We then reviewed the individual components of the revenues billed to and derived from the customers. The elements of this analysis were:
  - Revenues Billed.

- E-911 Uncollected Surcharges.
- Adjustments.
- Net Revenues.
- Analysis of the Collection Agent fund balances and the receipts, disbursements and transfers in and out of the Collection Agent fund. These procedures included:
  - Identifying the unremitted opening fund balances held by the Collection Agents.
  - Reviewing the E-911 Surcharge cash receipts received by the Collection Agents.
  - Identifying the payments made by the Collection Agents to the DOA.
  - Identifying the costs incurred by the PUC which were paid by one of the Collection Agents on the PUC's behalf and then deducted from their remittances to the DOA.
  - Reviewing the administrative costs incurred by the Collection Agents and deducted from their remittances to the DOA.
  - Reconciling the Fiscal 2011 Collection Agent Reports with the Fiscal 2011 Surcharge Summary report prepared by the Georgetown Consulting Group, Inc.

### **FY 2011 Total Line Elements**

In our analysis of the total net lines billed by the Collection Agents to their customers we identified four individual elements that made up the Net Billed Lines. These elements are:

- Postpaid Lines
- Prepaid Lines
- Exempt Lines
- Reconciliation Items

From the data contained in the FY 2011 individual Collection Agent reports that we received from the PUC we prepared individual spreadsheets for each Collection Agent and also a summary spreadsheet that combined all of the data included in the individual spreadsheets. From that summary spreadsheet we prepared the following table:

Figure 1: Fiscal 2011 Total Line Elements

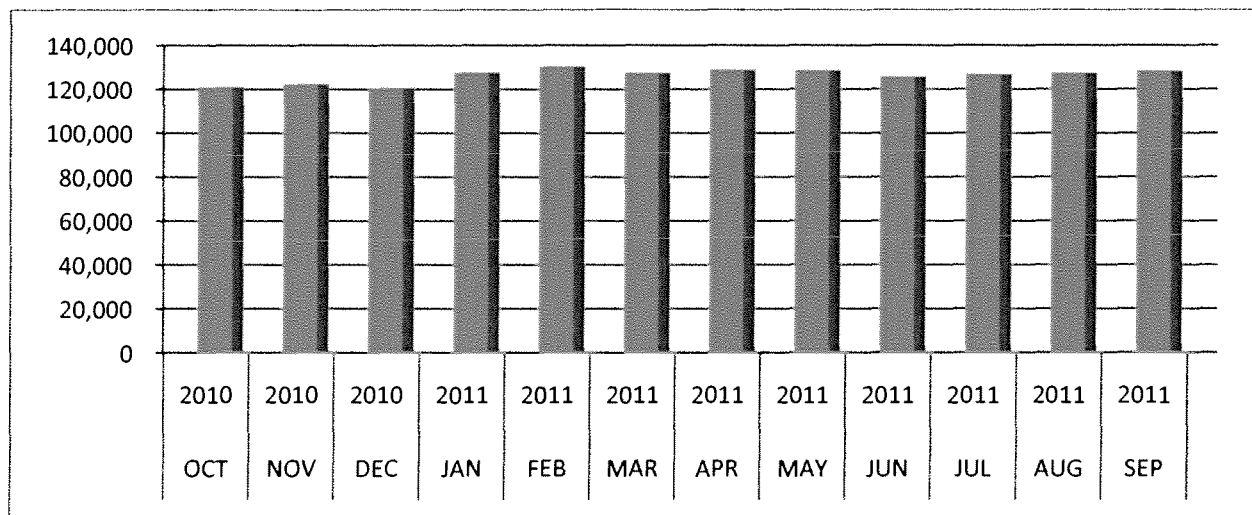
Dates	Postpaid Lines	Prepaid Lines	Exempt Lines	Reconciliation Items	Net Billed Lines
Oct 2010	120,957	39,053	(3,118)	25	156,917
Nov 2010	122,354	46,689	(3,294)	25	165,774
Dec 2010	120,514	49,799	(3,235)	25	167,103
Jan 2011	127,626	51,400	(12,006)	2,732	169,752
Feb 2011	130,346	49,453	(11,794)	1,978	169,983
Mar 2011	127,450	44,652	(11,818)	3,201	163,485
Apr 2011	128,886	46,440	(11,361)	2,402	166,367
May 2011	128,592	45,568	(11,200)	1,989	164,949
Jun 2011	125,699	45,029	(9,454)	2,504	163,778
Jul 2011	126,818	44,062	(9,318)	2,251	163,813
Aug 2011	127,404	43,544	(9,320)	2,393	164,021
Sep 2011	128,398	42,419	(9,500)	2,393	163,710
Total FY 2011	1,515,044	548,108	(105,418)	21,918	1,979,652

An analysis of this table includes comments and several graphs that immediately follow.

### FY 2011 Postpaid Lines

The first graph that we prepared is Figure 2: Graph of the number of Fiscal 2011 Postpaid Lines on a monthly basis.

Figure 2: Graph of Fiscal 2011 Postpaid Lines



Postpaid lines are subscribed landline and cell phone access lines that are billed by the service providers on a monthly basis. We noted that total postpaid lines remained fairly constant in fiscal 2011. The number of postpaid lines as of the beginning of the fiscal year was 120,957. The high for the year was 130,346 lines and the low was 120,514 lines. The average number of postpaid lines on a monthly basis was 126,254 lines. As of the end of the fiscal year, the number of lines was 128,398, a 6.15% increase over the beginning of the fiscal year number of postpaid lines.

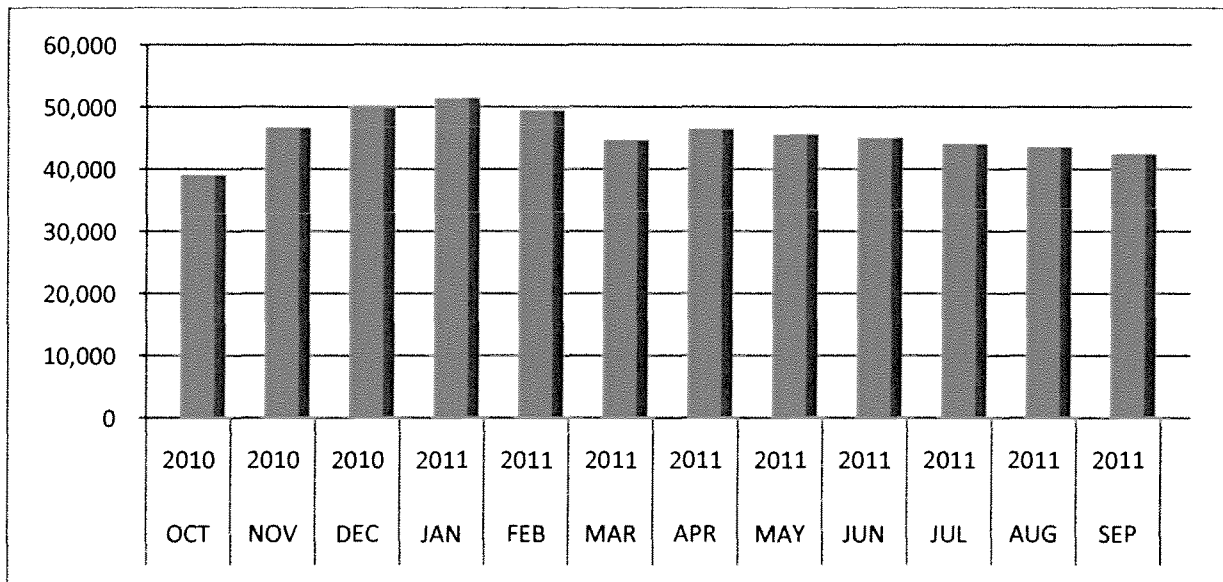
It was noted in the quarterly reports filed by the Collection Agents that some of the Agents included a breakdown in their quarterly reports between the number of prepaid and postpaid lines while others reported them on a combined basis. We requested, and received, a breakdown from the Collection Agents of their number of postpaid lines and the prepaid accounts. We were then able to prepare our analysis of the source of revenues by account type and also track the changes in those individual elements.

**FY 2011 Prepaid Lines**

Prepaid telecommunications services are only provided by the four cellular service providers. In fiscal 2011, of the four cellular service Collection Agents, only two reported their prepaid lines in their individual Collection Agent Reports filed with the PUC. As mentioned above, we requested that the agents that did not include this information in their quarterly reports give us that data and they readily did so.

The following graph is Figure 3: Graph of the number of Fiscal 2011 Postpaid Lines on a monthly basis.

**Figure 3: Graph of Fiscal 2011 Prepaid Lines**



Prepaid accounts are those accounts for which customers pay in advance and on a continuing demand basis for their telecom services. The service for these accounts is provided to the customer when the customer purchases a prepaid phone card and enters the service provided by the card into their telephone device. Once activated, the customer will have a predetermined number of minutes of telecom service as provided on the phone card.

As was mentioned above, prepaid cards are only marketed by the four cellular providers. These are:

- Docomo Pacific
- I-Connect
- PTI Pacifica d/b/a IT&E
- Pulse Mobile

Phone cards are sold by the above listed providers through a multitude of retail outlets throughout the island. These cards are available in a variety of price points. Based on the needs and resources of the customer, the purchasing pattern of each individual customer will likely vary from other prepaid customers; for example, one customer may purchase one twenty dollar phone card that will last him or her for a month. Another customer may purchase, as an example, four individual five dollar phone cards for service during the same period of time.

The E-911 surcharge is supposed to be assessed based on each individual access line. In its order dated June 24, 2002, relative to Docket 99-10, the PUC ordered that, "With regard to CMRS access lines, under a prepaid calling card arrangement, Collection Agents shall collect the Surcharge when and as there is a positive balance in the customer's account for each month or portion thereof that the line is activated."

We made inquiries of each of the Collection Agents who offer prepaid services as to the methodology utilized by them to assess and collect the E-911 Surcharge for prepaid telecom services. The four Collection Agents, in no particular order, responded as follows:

**Collection Agent A:** This Collection Agent applies the Surcharge to every customer that has a balance in his or her account as of the last day of each month. If a customer has a load or has remaining value in their account at the end of any particular month, their system deducts the \$1.00 Surcharge from their account at that time.

This Collection looks to see how many active, with load, prepaid users are in their prepaid system at the end of each month and reports that balance to the PUC.

If, however, a particular customer of this Collection Agent has activity within the month but has a zero balance as of the end of the month then no Surcharge is being collected for that customer by this Collection Agent.

It is likely that this collection agent is under-collecting the E-911 Surcharge to the extent that its customers have zero balances as of the end of each month.

**Collection Agent B:** This Collection Agent applies the Surcharge to any balance in a customer's account as of the first day of every month. If a customer has a load or has opening value in their account at the beginning of any particular month, their system deducts the \$1.00 Surcharge from their account at that time.

This Collection Agent looks to see how many active, with load, prepaid users are in their prepaid system at the beginning of each month and reports that balance to the PUC.

If, however, a particular customer of this Collection Agent has activity within the month but has a zero balance as of the beginning of the month then no Surcharge is being collected for that customer by this Collection Agent.

It is likely that this collection agent is under-collecting the E-911 Surcharge to the extent that its customers have zero balances as of the beginning of each month.

**Collection Agent C:** When this Collection Agent's new prepaid accounts are activated their billing system imposes a minimum balance of \$1.00 below which the customer's account will not be permitted to fall. When the subscriber adds additional load during the calendar month no additional Surcharge is withheld. On the first day of each following calendar month, their prepaid system deducts \$1.00 from the account for the prior month's E-911 Surcharge. The only time when this Collection Agent would not collect the Surcharge is when a customer has no positive balance in their account at any time during the month.

It is likely that this Collection Agent is collecting all due E-911 Surcharges. However, the collection of these Surcharges is taking place in the month following the time when the Surcharge is earned.

**Collection Agent D:** When this Collection Agent's new prepaid accounts are activated their billing system immediately assesses and collects the \$1.00 E-911 Surcharge. In following months the Surcharge will be assessed at any time when there is at least a \$1.00 balance in the account. Only one \$1.00 Surcharge is assessed in any one calendar month regardless of how many prepaid cards are loaded into the account in that month. If there is no positive balance in an account at any time during the month then there will be no assessment of the E-911 Surcharge.

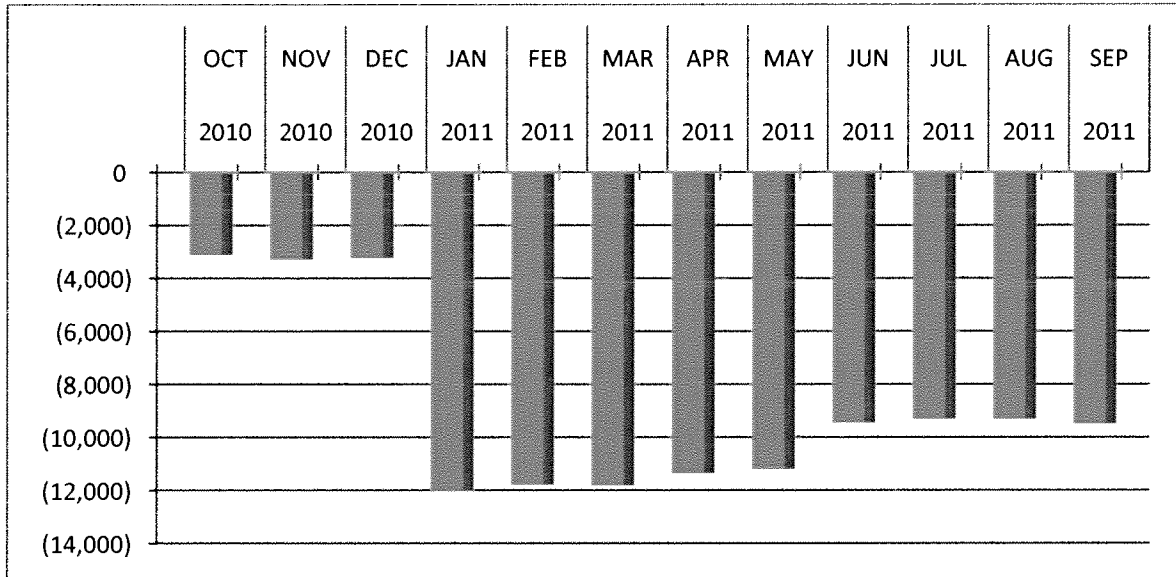
The number of prepaid accounts as of the beginning of FY 2011 was 39,053. The high for the year was 51,400 lines and the low was 39,053 lines. The average number of prepaid accounts on a monthly basis was 45,675. As of

the end of the fiscal year, the number of accounts was 42,419, an 8.62% increase over the beginning of the fiscal year number of prepaid accounts.

**FY 2011 Exempt Lines**

Figure 4 is a graph of the number of exempt lines claimed and reported by the Collection Agents in Fiscal 2011. The exempt line balances are shown in Figures 1 and 4 as negative numbers because they are deducted from the total line count for the purpose of calculating net billed lines.

**Figure 4: Graph of Fiscal 2011 Exempt Lines**



The E-911 Act specifies that E-911 surcharge assessments are limited by the E-911 Act to the first twenty-five access lines for each account. Accordingly, if a customer has one account with 100 access lines, that customer is exempted from the E-911 surcharge for all access lines in excess of the first twenty-five lines. In accordance with this parameter, that customer is only billed a total of \$25 in E-911 surcharges each month. In addition, Life-line customers and telecommunication services which are incapable of accessing 911 are exempted from paying the E-911 Surcharge.

In Fiscal 2011, two of the Collection Agents claimed no exempt lines at any time during the fiscal year. Two of the Collection Agents claimed exempt lines during every month of the fiscal year. Two Collection Agents claimed exempt lines in nine months of the fiscal year and one Collection Agent claimed exempt lines in five months of the fiscal year. The failure of any of the Collection Agents to claim exempt lines in any month of the fiscal year did not result in any underpayment of E-911 Surcharges to the E-911 Fund. In FY 2011 exempt lines as a percentage of total lines ranged from 0% to

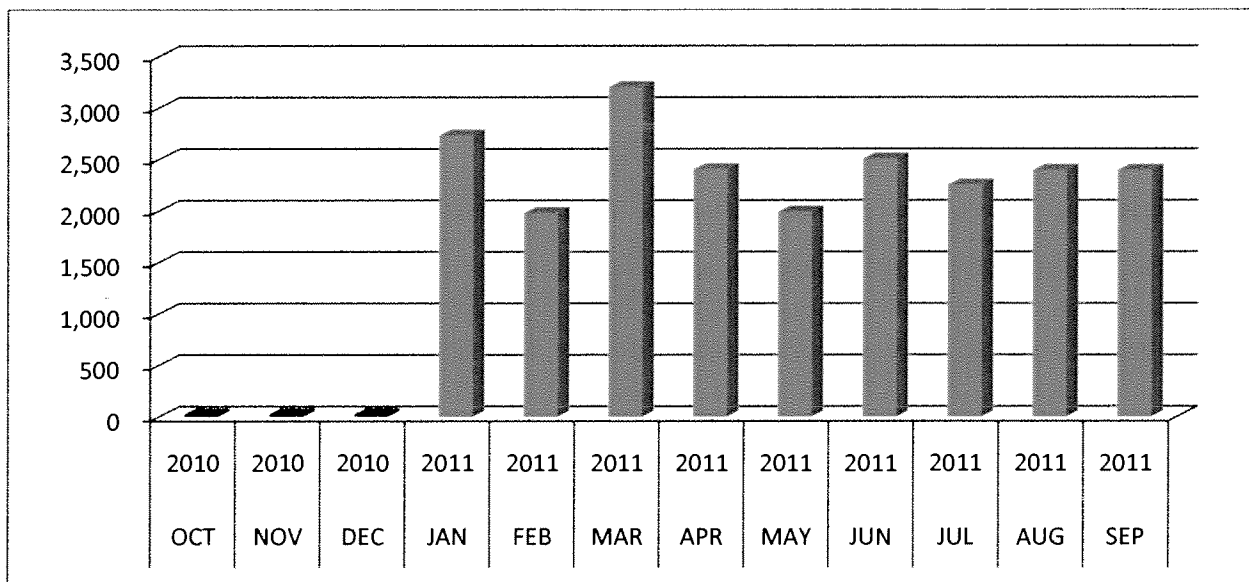
approximately 70%. The wide range of this variance results from the fact that some Collection Agents have a higher percentage of large accounts, those subject to the exemption, than other Collection Agents whose customer base is composed of smaller or individual accounts.

The number of exempt lines in the first month of the fiscal year was 3,118 lines. The high for the year was 12,006 lines and the low was 3,118 lines. The average number of prepaid lines on a monthly basis was 8,785 lines. As of the end of the fiscal year the number of lines was 9,500. The total number of exempt lines for FY 2011 was 105,418.

**FY 2011 Reconciliation Items**

There were reconciliation items in every month of FY 2011.

**Figure 5: Graph of Fiscal 2011 Reconciliation Items**



Four of the Collection Agents had no reconciliation items in any of their quarterly reports.

One Collection Agent had one reconciliation item in every month of the fiscal year amounting to 25 lines per month. This Collection Agent’s telecom management system does not account for the Collection Agent’s own telephone lines. Accordingly, this Collection Agent makes a 25 line adjustment which is added to their overall net billed lines each month.

Two of the Collection Agents were unable to satisfactorily reconcile their telecom management system generated line counts with the amount shown in their accounting records as being collected from their customers. Both Collection Agents collected more from their customers than their telecom



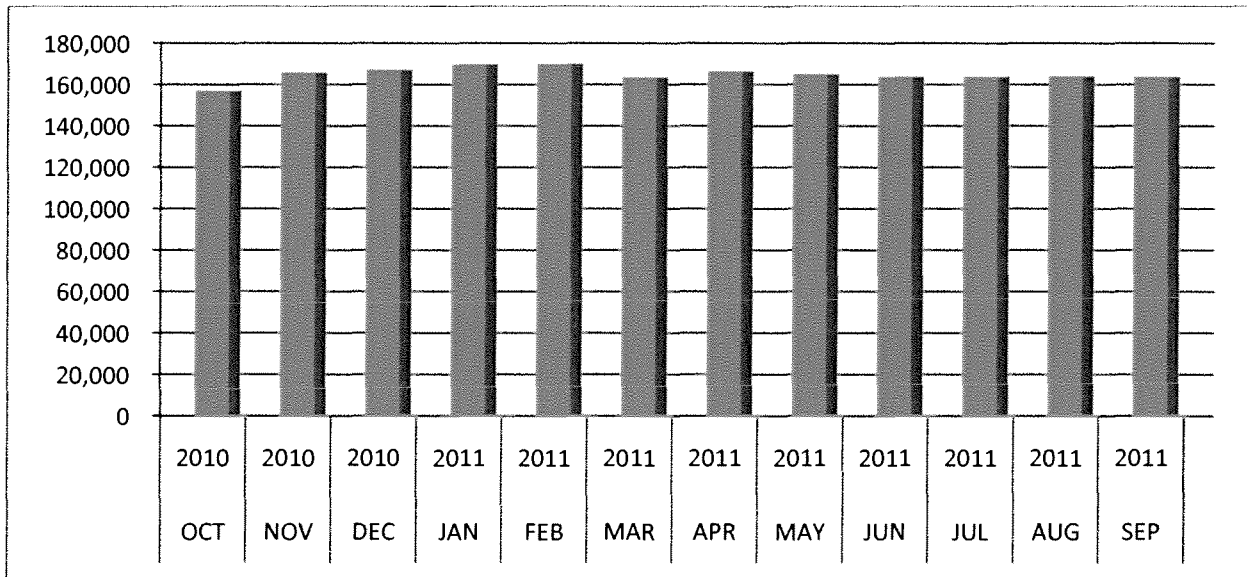
management system reported as active lines and accounts. In order to make sure that they have paid at least the proper amount due, these Collection Agents have reported the difference as a reconciling item in each month and have paid the amount collected from their customers to DOA. Both Collection Agents adopted this procedure as of January 1, 2011 which accounts for the increase in reconciling items as of that time. Prior to January 1, 2011 these Collection Agents were including the higher amount collected in their total line count. Based on our review of these practices it is our conclusion that the DOA has been paid at least the amount it was due and the E-911 Fund has suffered no loss or underpayment.

During FY 2011 Reconciliation Items reported by the Collection Agents in the calculation of net billed lines subject to the E-911 Surcharge were at a low of 25 lines and a high of 3,201 lines. The number of Reconciliation Items declared as of the beginning of the fiscal year was 25. The average number of Reconciliation Items on a monthly basis was 1,827 lines. As of the end of the fiscal year, the number of Reconciliation Items lines was 2,393.

**FY 2011 Net Billed Lines**

Net billed lines are derived by adding the postpaid lines and prepaid accounts and then subtracting the exempt lines and adding the reconciling items.

**Figure 6: Graph of Fiscal 2011 Net Billed Lines**



During FY 2011 net billed lines subject to the E-911 Surcharge were at a low of 156,917 lines and a high of 169,983 lines with an average of 164,971 lines. The number of net billed lines as of the beginning of the fiscal year

was 156,917. As of the end of the fiscal year the number of net billed lines was 163,710, a 4.33% increase over the beginning of the fiscal year.

### FY 2011 Revenue Elements

In order to convert the billed lines to net revenues, it is necessary to review the individual elements of that conversion. These elements are:

- Revenues Billed
- E-911 Uncollected Surcharges
- Adjustments
- Net Revenues

The following chart details each of these elements:

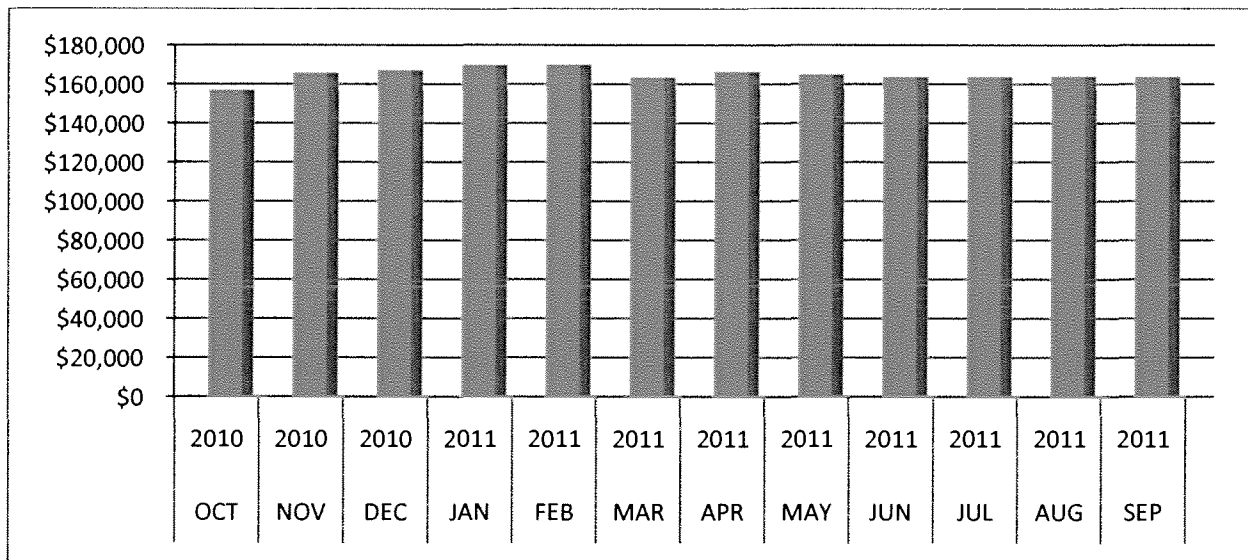
Figure 7: Fiscal 2011 Revenue Elements

Dates	Revenues Billed	E-911 Uncollected Surcharges	Adjustments	Net Revenues
Oct 2010	\$156,917	\$4,052	\$0	\$160,969
Nov 2010	\$165,774	(\$753)	\$0	\$165,021
Dec 2010	\$167,103	(\$3,094)	\$0	\$164,009
Jan 2011	\$169,752	\$1,138	\$0	\$170,890
Feb 2011	\$169,983	(\$927)	\$0	\$169,056
Mar 2011	\$163,485	(\$520)	\$30	\$162,995
Apr 2011	\$166,367	(\$3,306)	\$0	\$163,061
May 2011	\$164,949	(\$132)	\$0	\$164,817
Jun 2011	\$163,778	(\$3,182)	\$0	\$160,596
Jul 2011	\$163,813	(\$2,401)	\$1	\$161,413
Aug 2011	\$164,021	(\$1,069)	\$0	\$162,952
Sep 2011	\$163,710	\$443	\$0	\$164,153
Total FY 2011	\$1,979,652	(\$9,751)	\$31	\$1,969,932

### FY 2011 Revenues Billed

Revenues billed are derived by multiplying the total billed lines, detailed in Figures 1 and 6 of this report, by the monthly E-911 Surcharge rate of \$1 per billable line. With the exception of the conversion of this graph to a dollar quantity as opposed to a line count quantity, this graph is identical to Figure 6: Graph of Fiscal 2011 Billed Lines.

Figure 8: Graph of Fiscal 2011 Revenues Billed



### FY 2011 E-911 Uncollected Surcharges

In response to Public Law 26-55 the PUC, in its order dated June 24, 2002, relative to Docket 99-10, ordered that, "In the event a customer pays less than its full monthly invoice and unless the customer specifically instructs the Collection Agent otherwise in writing, the customer's payment on the invoice shall be first applied by the Collection Agent to cover the Surcharge. Except as provided in this paragraph, Collection Agents shall have no duty to pursue the collection of unpaid surcharges."

In the same order the PUC ordered that, "On or before the 45<sup>th</sup> day after the end of each quarter, [ending March, June, September and December] Collection Agents shall file the following quarterly reports with the Commission:

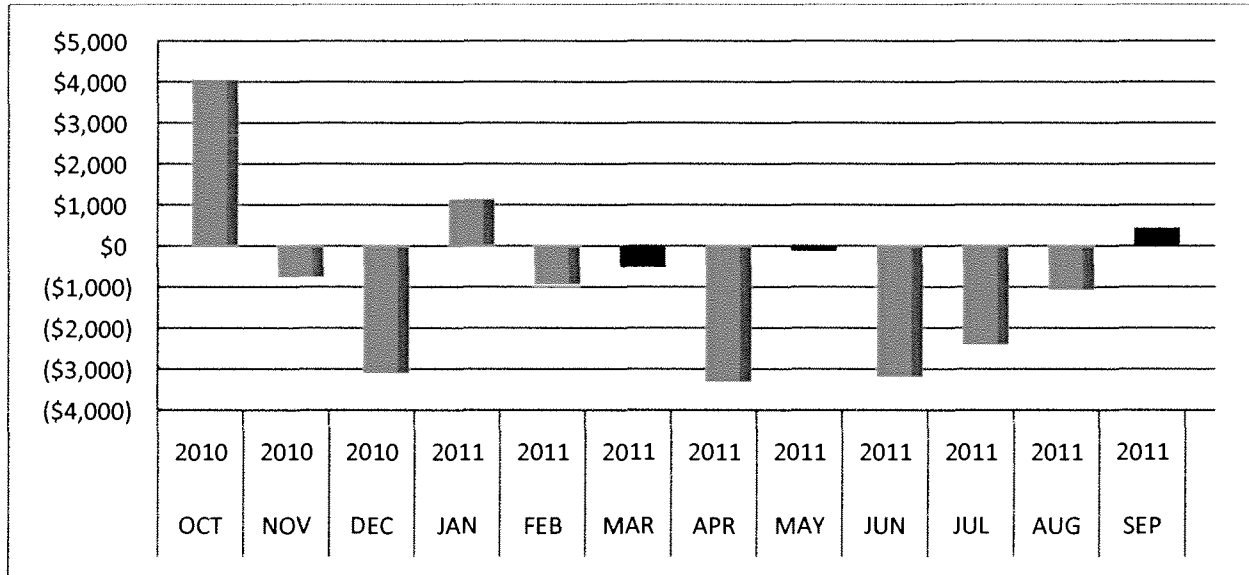
- a. A report, which contains a list of each subscriber, including name, address and telephone number, who refused or failed to pay the Surcharge during the quarter and the amount of unpaid surcharge."

During FY 2011 we are unaware of any of the Collection Agent that filed the required reports relative to any unpaid surcharges to the PUC.

There were, however, numerous deductions for uncollected E-911 surcharges made from the remittances paid by some of the Collection Agents to the DOA. Total net deductions made by the Collection Agents in FY 2011 were \$9,751. It should be noted that some months have a net positive uncollected surcharge balance and some months a net negative balance. This is because in any particular month there are some collections

while other amounts go delinquent. The following graph depicts those balances:

**Figure 9: Graph of Fiscal 2011 E-911 Uncollected Surcharges**



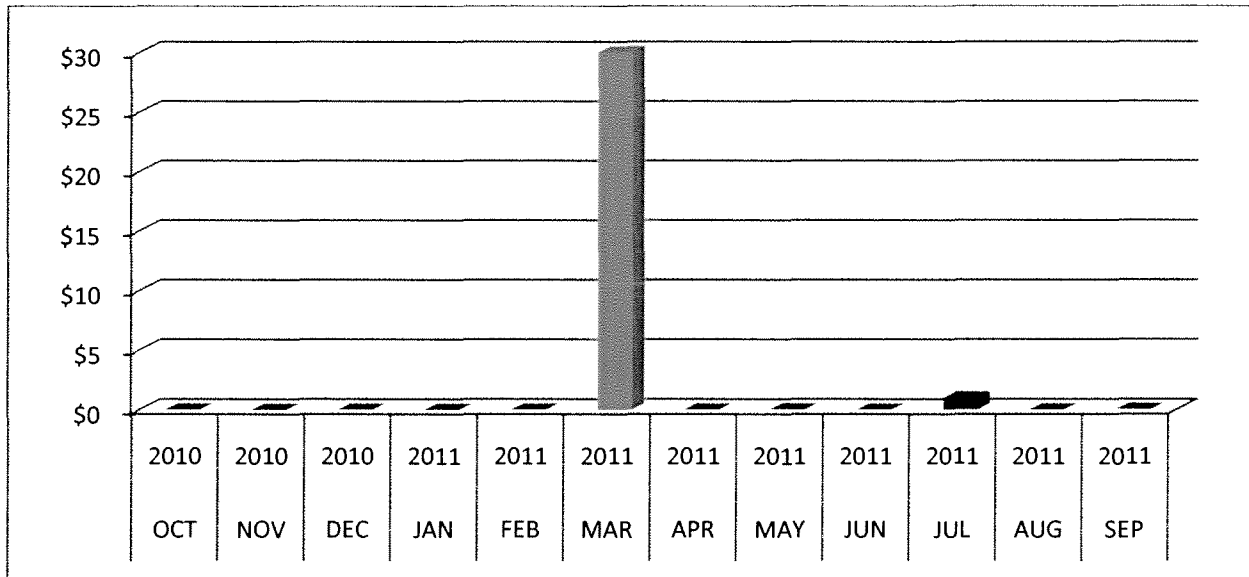
In its FY 2010 report, Georgetown reported accumulated uncollected surcharges to be \$37,989 at the end of FY 2010. Uncollected accumulated surcharges increased to \$47,740 at the end of FY 2011.

We recommend that the PUC review its previous orders relative to uncollected E-911 Surcharges and the ultimate responsibility, if any, for the payment of those uncollected surcharges be determined. We further recommend that the PUC enforce its requirement that any Collection Agent who makes a deduction from its reporting and remittances for uncollected surcharges file the required report thereon with the PUC.

**FY 2011 Adjustments**

In prior years there have been various items reported as "Adjustments" in the calculation of Net Revenues. In FY 2011 there were only two items reported, both of inconsequential amount.

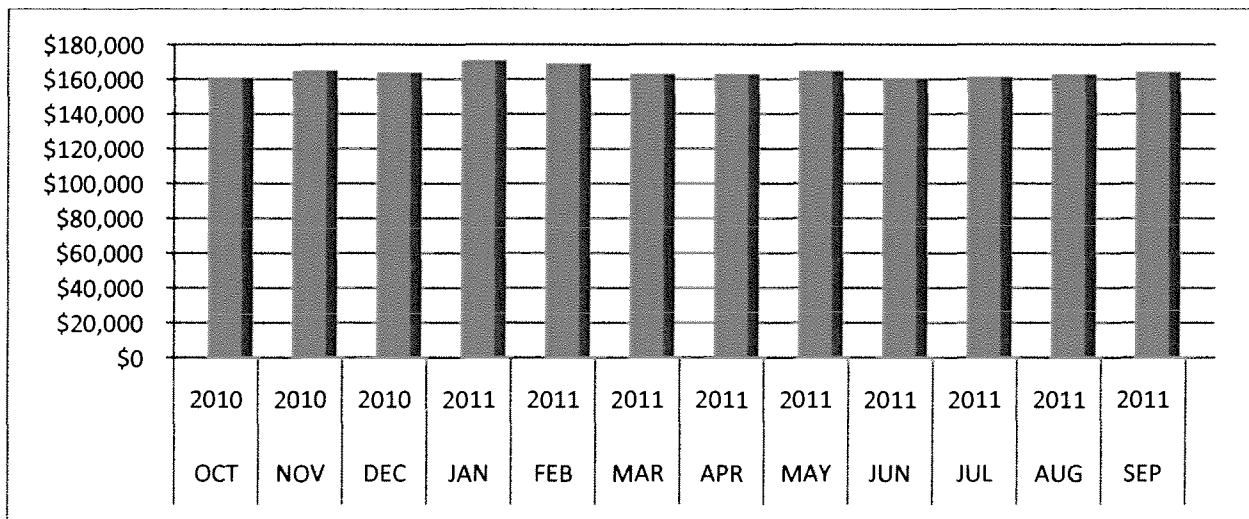
**Figure 10: Graph of Fiscal 2011 Adjustments**



**FY 2011 Net Revenues**

The FY 2011 net revenues figure represents the total revenues billed less the uncollected Surcharges incurred during the year. This figure will equal the Cash Receipts figure in the Fiscal 2011 Collection Agent Fund Balance Elements table in the following section.

**Figure 11: Graph of Fiscal 2011 Net Revenues**



During FY 2011, net revenues were at a low of \$160,596 and a high of \$170,890 with an average of \$164,161. The amount of net revenues as of

the beginning of the fiscal year was \$160,969. As of the end of the fiscal year, the amount of net revenues was \$164,153, a 1.98% increase over the beginning of the fiscal year amount of net revenues.

### FY 2011 Fund Balance Elements

After having performed an analysis of the Collection Agents' lines and revenues, we reviewed and summarized the opening and closing Collection Agent fund balances. These balances represent the net unremitted funds held by the Collection Agents as of the beginning and end of the fiscal year. The elements that make up the Collection Agent fund balances are:

- Opening Fund Balance
- Cash Receipts
- Remittances Paid to DOA
- Costs Paid on Behalf of the PUC
- Costs Retained by the Collection Agents
- Closing Fund Balance

The following chart contains the monthly balances for each of these elements for FY 2011:

Figure 12: Fiscal 2011 Collection Agent Fund Balance Elements

Dates	Opening Fund Balances	Cash Receipts	Remittances Paid to DOA	Costs Paid on Behalf of the PUC	Costs Retained By the Collection Agents	Closing Fund Balances
Oct 2010	\$84,592	\$160,969	(\$124,660)	\$0	(\$12,051)	\$108,850
Nov 2010	\$108,850	\$165,021	(\$111,294)	\$0	(\$12,051)	\$150,526
Dec 2010	\$150,526	\$164,009	(\$140,376)	\$0	(\$12,051)	\$162,108
Jan 2011	\$162,108	\$170,890	(\$152,677)	(\$23,133)	(\$10,445)	\$146,743
Feb 2011	\$146,743	\$169,056	(\$146,310)	\$0	(\$12,051)	\$157,438
Mar 2011	\$157,438	\$162,995	(\$97,622)	\$0	(\$12,051)	\$210,760
Apr 2011	\$210,760	\$163,061	(\$224,786)	\$0	(\$12,051)	\$136,984
May 2011	\$136,984	\$164,817	(\$135,215)	\$0	(\$12,051)	\$154,535
Jun 2011	\$154,535	\$160,596	(\$97,890)	\$0	(\$12,051)	\$205,190
Jul 2011	\$205,190	\$161,413	(\$132,852)	\$0	(\$12,051)	\$221,700
Aug 2011	\$221,700	\$162,952	(\$209,650)	(\$9,149)	(\$12,051)	\$153,802
Sep 2011	\$153,802	\$164,153	(\$95,482)	\$0	(\$12,051)	\$210,422
Total FY 2011	\$84,592	\$1,969,932	(\$1,668,814)	(\$32,282)	(\$143,006)	\$210,422

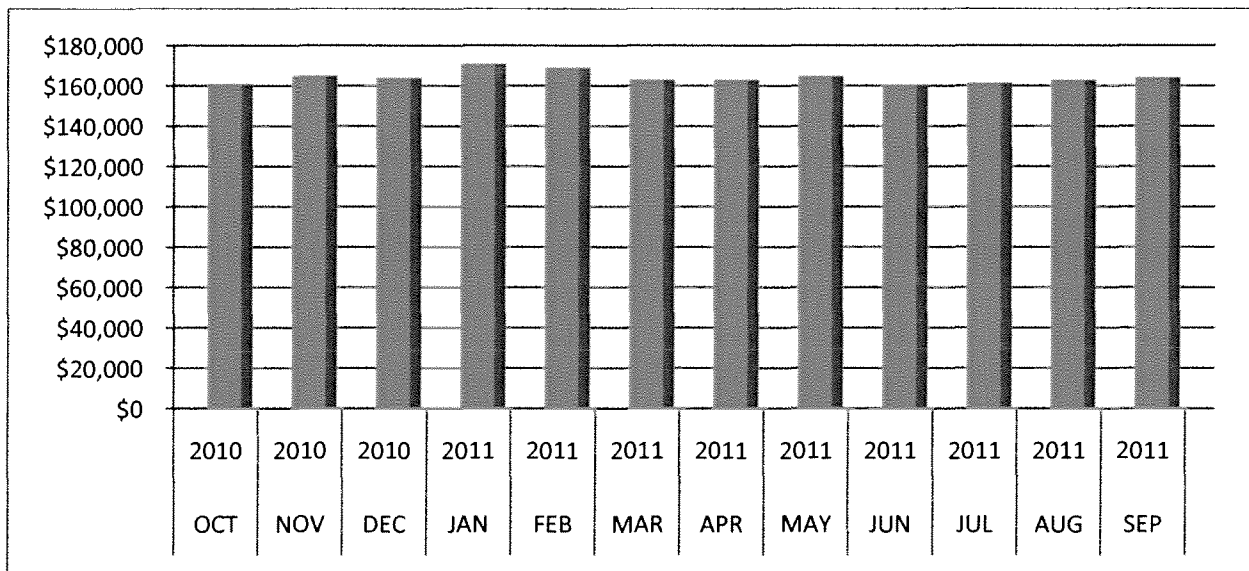
**FY 2011 Opening Fund Balances**

According to the FY 2011 Collection Agent reports filed with the PUC by the individual Collection Agents, the total Collection Agent Opening Fund Balances was \$84,592. This balance represents the aggregate of the individual Collection Agents' unremitted E-911 Surcharges that they had collected and held on hand as of the first day of the 2011 fiscal year.

**FY 2011 Cash Receipts**

The cash receipts element of the fund balance analysis represents the actual cash collected by the Collection Agents during each month during the fiscal year. During FY 2011 the Collection Agents collected, in aggregate, \$1,969,932 in E-911 Surcharges from their customers. The following graph depicts these collections on a monthly basis.

**Figure 13: Graph of Fiscal 2011 Cash Receipts**



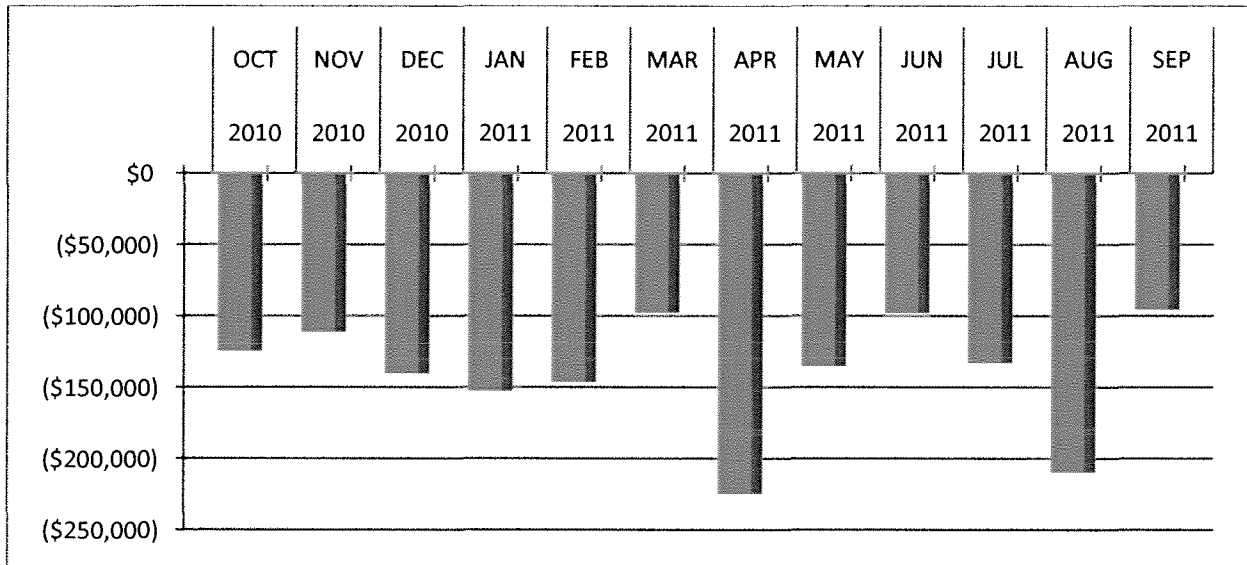
The cash receipts element used in this calculation is the same as the net revenues figures discussed in the immediately preceding section of this report and in Figures 7 and 11.

During FY 2011 cash receipts were at a low of \$160,596 and a high of \$170,890 with a monthly average of \$164,161. The amount of cash receipts as of the beginning of the fiscal year was \$160,969. As of the end of the fiscal year the amount of cash receipts was \$164,153, a 1.98% increase over the beginning of the fiscal year amount of cash receipts.

**FY 2011 Remittances Paid to the DOA**

During FY 2011, there was a total of \$1,668,814 in E-911 Surcharges remitted by the Collection Agents to the DOA. The following graph depicts, on a monthly basis, the remittances paid by the Collection Agents to the DOA.

**Figure 14: Graph of Fiscal 2011 Remittances Paid to DOA**



The remittances paid to DOA balances are shown in Figures 12 and 14 as negative numbers because they are deducted from the opening fund balances and cash receipts for the purposes of calculating closing fund balances.

The high monthly remittance amount for the fiscal year was \$224,786 and the low was \$95,482. The average for the fiscal year was \$139,068.

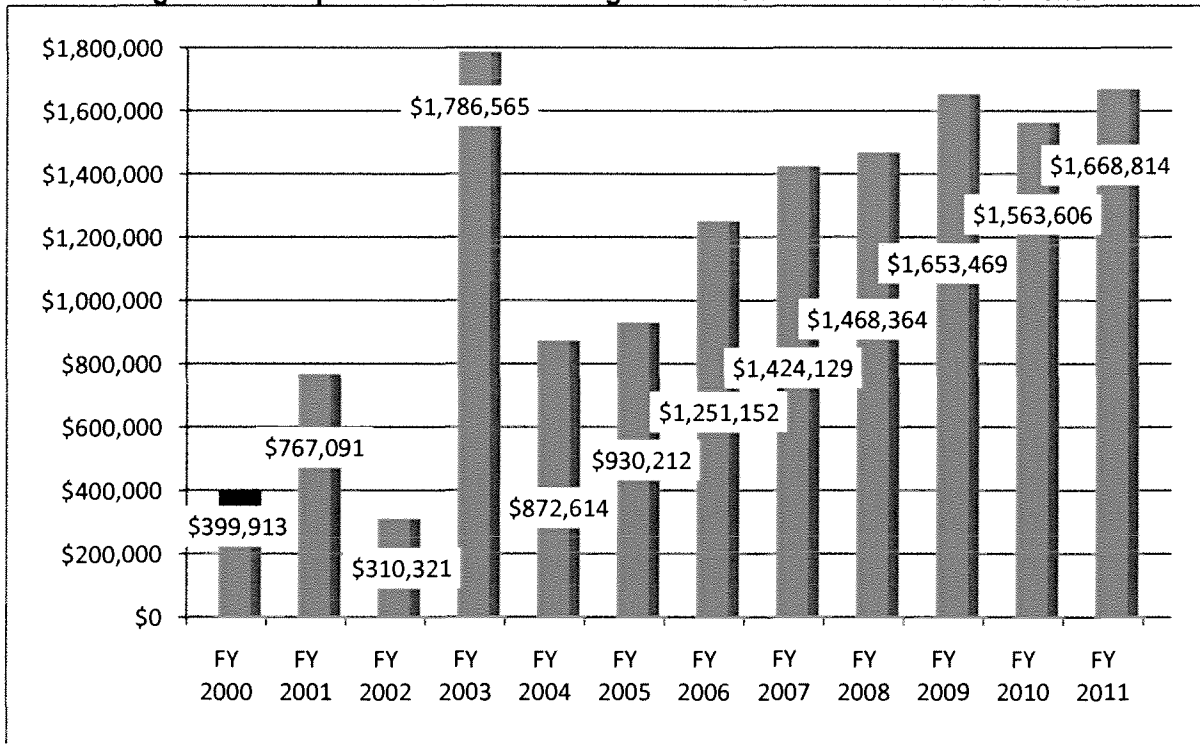
In accordance with public law and orders of the PUC, these funds are required to be deposited with the DOA no later than forty-five days following the last day of the month in which these funds were collected from each of the Collection Agent’s customers.

However, in FY 2011 there were two Collection Agents who did not make their remittances on a monthly basis. One Collection Agent made their remittances on a quarterly basis and the other made their remittances intermittently.

Historically, on an annual basis, remittances from the Collection Agents into the E-911 Fund through DOA have grown from a few hundred thousand dollars early in the century to almost \$1.7 million in 2011. The following graph presents visually the annual remittances from FY 2000 through FY 2011.



**Figure 15: Graph of Fiscal 2000 through 2011 E-911 Fund Remittance Trend**

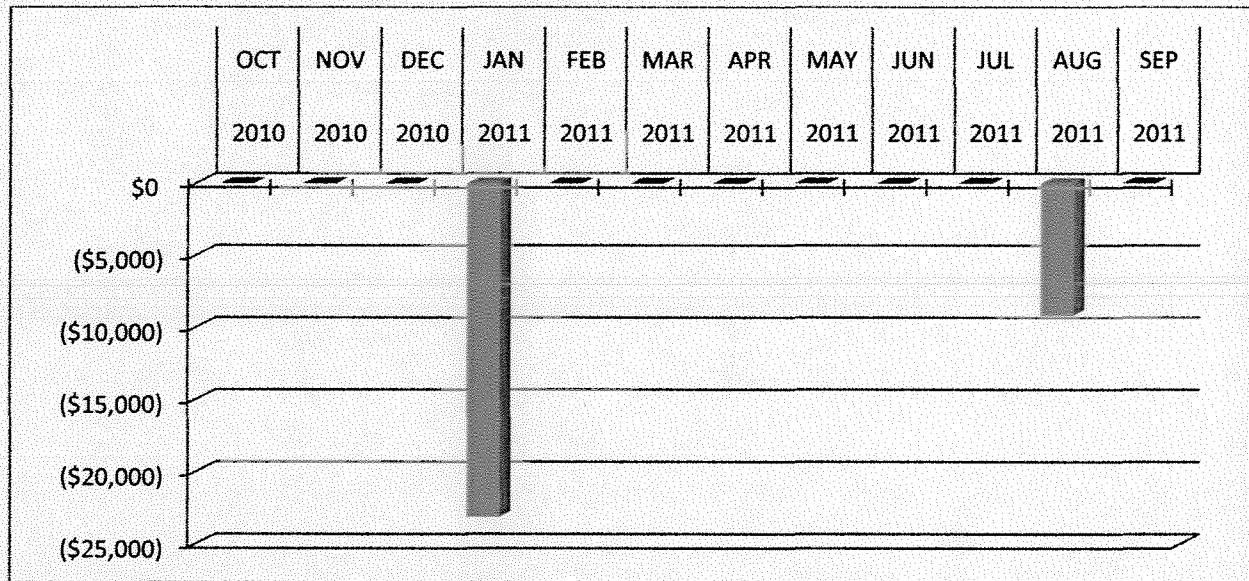


The radical variances noted in the early fiscal years, FY 2000 through FY 2003, resulted from the failure of certain Collection Agents to make their required remittances to DOA and subsequent regulatory action initiated by the PUC in FY 2004 to bring the Collection Agents into compliance. Subsequent to FY 2003 annual remittances have steadily grown in parallel with the annual increase in services provided to Guam’s telecom customers.

**FY 2011 Costs Paid on Behalf of the PUC**

During FY 2011, the PUC incurred expenses related to the regulation of and reporting on telecom matters. An example of these expenses is fees paid to the PUC’s Telecommunication Consultants for E-911 Surcharge review and reporting. Pursuant to the PUC Order dated February 25, 2000, the Commission designated GTA as the Collection Agent responsible for paying, from its Surcharge receipts, the Commission’s regulatory expenses which are incurred under the E-911 Act. The Order further provides that GTA shall pay any Commission invoice for expenses incurred under the E-911 Act within 30 days of receipt. The following graph depicts the expenditures made by GTA during Fiscal 2011 for the benefit of the PUC:

**Figure 16: Graph of Fiscal 2011 Costs Paid on Behalf of the PUC**

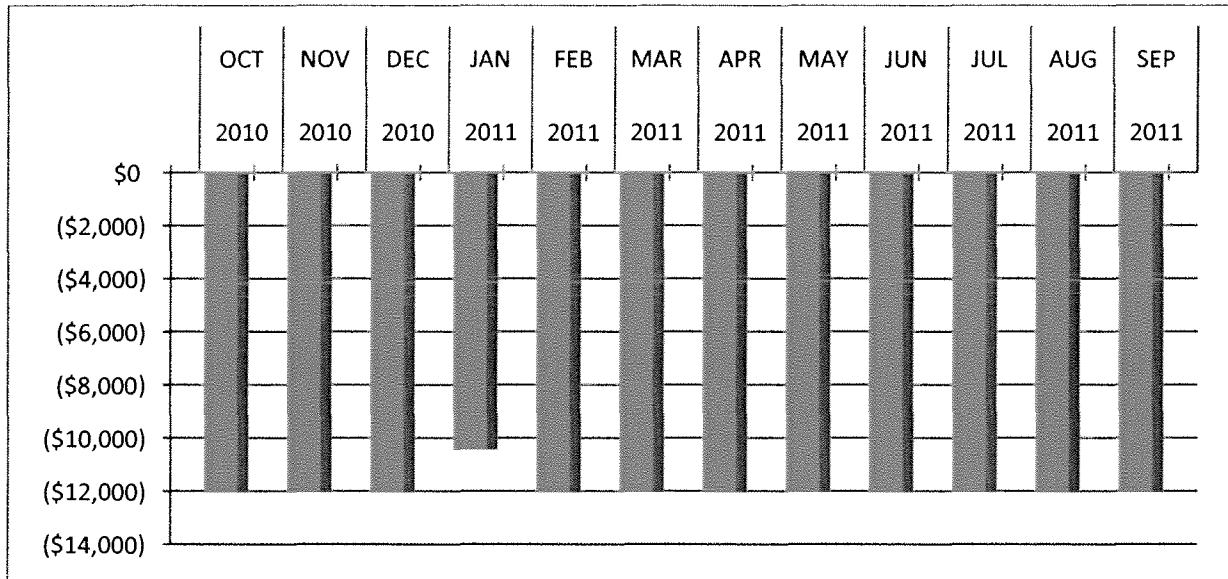


Accordingly, GTA paid the above mentioned expenses on behalf of the Commission in January and August 2011 and the amount paid, totaling \$32,282, was deducted from GTA’s remittances to the DOA.

**FY 2011 Costs Retained by the Collection Agents to Cover their Administrative Costs**

The Collection Agents are authorized by the E-911 Act to deduct from their remittances the administrative costs that they incur in the process of assessing, collecting, remitting and reporting on the E-911 surcharge. The PUC in its Docket 99-10, E-911 Emergency System Reimbursement Protocol Orders dated March 30, 2003, April 22, 2003, June 23, 2003, and July 27, 2005 ruled on the amount that five of the Collection Agents are authorized to deduct from their remittances as compensation for their administrative costs. In its Docket 10-04, Emergency System Reimbursement Protocol Order dated April 18, 2011 the PUC ruled on the amount that one of the Collection Agents is authorized to deduct from their remittances as compensation for its administrative costs. One Collection Agent has not filed for authorization to make a deduction for administrative expenses from its DOA remittances.

**Figure 17: Graph of Fiscal 2011 Collection Agents' Administrative Costs**



In the month of January 2011 there was a \$1,606 error correction recognized by one of the Collection Agents and added to its remittance to the DOA that month. This accounts for the variance from the administrative expenses reported in that month.

**FY 2011 Closing Fund Balances**

According to the FY 2011 Collection Agent reports filed with the PUC by the individual Collection Agents, the total Collection Agent Closing Fund Balance was \$210,422. This balance represents the aggregate of the individual Collection Agents' unremitted E-911 Surcharges that they had collected and held on hand as of the last day of the 2011 fiscal year.

**Reconciliation of the FY 2011 Collection Agent Reports with the Fiscal 2011 Surcharge Summary Georgetown Report**

In Table 1 (Island-Wide Year End Total) of its E911 Fiscal 2011 Surcharge Summary Report, Georgetown Consulting Group, Inc. (see Appendix C) reported the following balances relative to the FY 2011 E-911 Fund:

Total Lines (Year End)	170,817
Exempt Lines (Year End)	9,500
Fund Balance (Year End)	\$174,946
Revenues Billed	\$1,979,653
Cash Collected	\$1,969,932
Funds Retained by Agent/PUC	\$183,894

Transfers to DOA

\$1,668,814

In our analysis of the E-911 Surcharge transactions as documented in the spreadsheet entitled "Summary of Collection Agent Remittance Reports for the fiscal year ended September 30, 2011", (Appendix A), we were able to reconcile the Collection Agents' quarterly reports to many of the balances contained in the Georgetown FY 2011 report. However, there were some variances.

**FY 2011 Line Counts**

Georgetown reported 170,817 Total Lines (Year End). Our analysis agreed with this number. Georgetown further reported 9,500 Exempt Lines (Year End) which we also were able to confirm.

There was, however, one additional item that should have been included in the line analysis. We have identified this item as "Reconciling Items" in our spreadsheet. The reconciling items represent adjustments made by three of the Collection Agents to their reported line counts in order to generate the number of "Billed Lines" used by the Collection Agents to invoice their customers for the E-911 Surcharge.

As was previously mentioned in this report, there was one Collection Agent who reported 25 additional lines each month that represented their own lines that were not picked up by their telecom management system.

Two other Reporting Agents have had challenges in calculating their total lines and have included the additional lines reported by their telecom management system in their total line count and paid the E-911 Fund for those additional lines.

**FY 2011 Revenues Billed**

Georgetown reported total revenues billed in FY 2011 in the amount of \$1,979,653 and our analysis agreed with this figure. This amount also tied to our billed lines figure which took the total lines for FY 2011 less all exempt lines and all reconciling items.

**FY 2011 Cash Collected**

In its E911 Fiscal 2011 Surcharge Summary report, Georgetown reported Cash Collected by the Collection Agents in the amount of \$1,969,932. Our analysis concurs with this amount which we have termed as "Cash Receipts".

**FY 2011 Transfers to DOA**

Georgetown reported that the Collection Agents remitted a total of \$1,668,814 to DOA in FY 2011 and our analysis agreed with this figure.

**FY 2011 Funds Retained by Agent/PUC**

For FY 2011 Georgetown reported a total of \$183,894 as being retained by the Collection Agents as compensation for their administrative costs and for expenses paid by one of the Collection Agents for expenses incurred by the PUC. In our analysis we noted that \$143,006 was reported as being retained by the Collection Agents as compensation for their administrative expenses. In addition, there was a total of \$32,282 in costs that were paid by one of the Collection Agents for the benefit of the PUC. The total of these two amounts is \$175,288. We do not know what comprises the \$8,606 difference.

**FY 2011 Fund Balance (Beginning of Year and Year End)**

The Fund Balance figures represent the amounts held by the Collection Agents that have not yet been remitted to the Department of Administration. Footnote 1 of the Georgetown Report reads as follows:

"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."

In the Georgetown FY 2011 report, the FY 2010 Fund Balance (Year End) is listed as \$104,167. We do not know what the \$3,000 difference is between the \$107,167 mentioned in the footnote and the \$104,167 listed in Table 1 of the Georgetown report. The Collection Agents' Quarterly Reports for the first fiscal quarter of FY 2011 total to an Opening Fund Balance in the amount of \$84,592. We have been unable to reconcile this opening balance to either the \$57,772 or the \$107,167 mentioned in either the footnote or the \$104,167.

The Fund Balance (Year End) for FY 2011 is reported in the FY 2011 Georgetown Report to be \$174,946. However, our analysis of the various elements and transactions relative to the E-911 Surcharges resulted in a Closing Fund Balances amount of \$210,422. This amount also ties directly to the Closing Fund Balances reported by the Collection Agents in their fourth quarterly reports filed with the PUC.

We sent confirmations to each of the Collection Agents for both the Opening Fund Balances and Closing Fund Balances for FY 2011. All of the Collection Agents confirmed the balances that total to an Opening Fund Balance of \$84,592 and a Closing Fund Balance of \$210,442.

## 5.0 FY 2012 ANALYSIS

*This Analysis Section presents the review and analysis of the FY 2012 Collection Agent Reports filed with the PUC.*

### ELEMENTS INCLUDED IN OUR REVIEW AND ANALYSIS

Our analysis of the individual and the overall elements of the FY 2012 E-911 surcharges included:

- A comparison of all 2012 numbers and amounts with the comparable number or amount from our FY 2011 analysis
- The components of the Total Line Elements.
- Revenues billed by the Collection Agents.
- Uncollected E-911 Surcharges.
- Adjustments to the E-911 revenues billed by the Collection Agents.
- The unremitted beginning fund balance held by the Collection Agents.
- The E-911 Surcharge cash receipts received by the Collection Agents.
- Payments made by the Collection Agents to the DOA.
- Costs of the PUC paid by one of the Collection Agents.
- Administrative costs incurred by the Collection Agents that were deducted by the Collection Agents from the remittances to DOA
- The unremitted ending fund balance held by the Collection Agents.

### FY 2012 ANALYSIS APPROACH

The steps in the analysis were:

- Identification of the individual elements of the total lines billed by the Collection Agents to their accounts.
  - Postpaid Lines.
  - Prepaid Lines
  - Exempt Lines.
  - Reconciliation Items.
- Analysis of the Collection Agent fund balances and the receipts, disbursements and transfers in and out of the Collection Agent fund.
  - Identifying the unremitted opening fund balance held by the Collection Agents.
  - Reviewing the E-911 Surcharge cash receipts received by the Collection Agents.
  - Identifying the payments made by the Collection Agents to the DOA.

- Identifying the costs of the PUC which were paid by one of the Collection Agents and transferred to the PUC.
- Reviewing the administrative costs incurred by the Collection Agents and deducted from their remittances to the DOA.

### **FY 2012 Total Line Elements**

In our analysis of the total net lines billed by the Collection Agents to their customers, we identified four individual elements that made up the Net Billed Lines. These elements are:

- Postpaid Lines
- Prepaid Lines
- Exempt Lines
- Reconciliation Items

From the FY 2012 individual Collection Agent reports that we received from the PUC, we prepared individual spreadsheets for each Collection Agent and also a summary spreadsheet that combined all of the data included in the individual spreadsheets. From that individual spreadsheet we prepared the following table:

**Figure 18: Fiscal 2012 Total Line Elements**

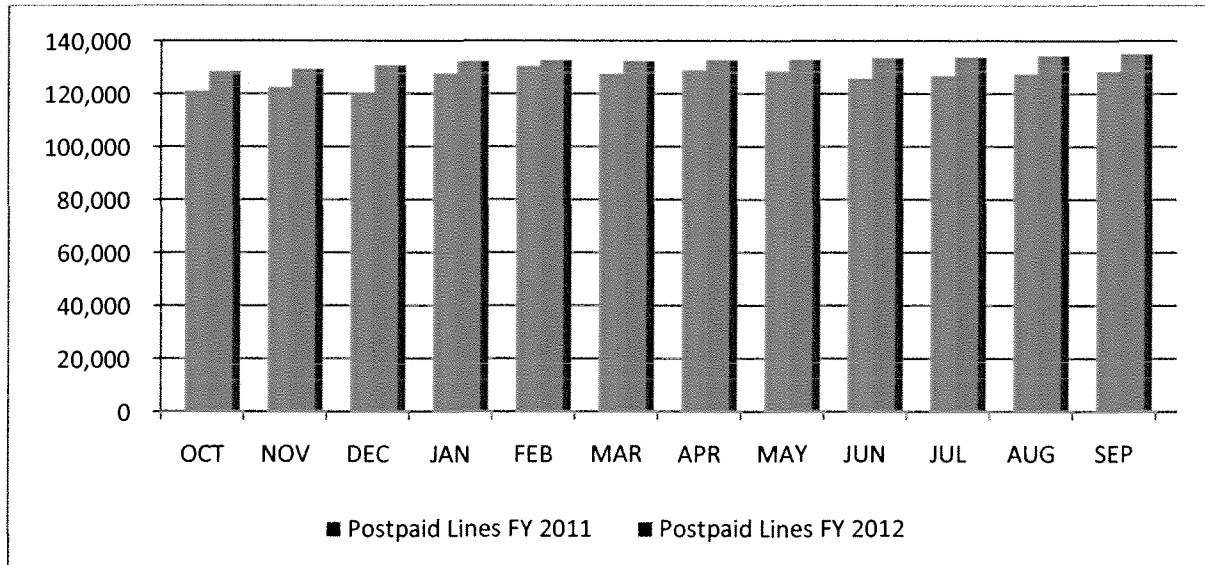
<b>Dates</b>	<b>Postpaid Lines</b>	<b>Prepaid Lines</b>	<b>Exempt Lines</b>	<b>Reconciliation Items</b>	<b>Net Billed Lines</b>
Oct 2011	128,420	40,621	(10,253)	3,368	162,156
Nov 2011	129,333	39,644	(10,335)	3,169	161,811
Dec 2011	130,743	42,188	(10,173)	3,474	166,232
Jan 2012	132,220	43,092	(10,131)	3,614	168,795
Feb 2012	132,659	42,004	(10,377)	3,220	167,506
Mar 2012	132,319	41,602	(10,185)	3,123	166,859
Apr 2012	132,743	41,243	(10,126)	2,928	166,788
May 2012	132,776	40,355	(9,730)	2,981	166,382
Jun 2012	133,460	39,933	(10,121)	3,567	166,839
Jul 2012	133,772	40,154	(10,199)	3,443	167,170
Aug 2012	134,319	40,060	(10,105)	3,546	167,820
Sep 2012	134,976	40,267	(10,184)	3,790	168,849
Total FY 2012	1,587,740	491,163	(121,919)	40,223	1,997,207

An analysis of this table includes several graphs that immediately follow in this report. In order to enhance our analysis we have presented, in the 2012 graphs that follow, comparative numbers from FY 2011.

### FY 2011 and 2012 Comparative Postpaid Lines

The first graph that we prepared for our FY 2012 analysis is Figure 19: Graph of Fiscal 2011 and 2012 Comparative Postpaid Lines.

Figure 19: Graph of Fiscal 2011 and 2012 Comparative Postpaid Lines



Postpaid lines are subscribed landline and cell phone access lines that are billed by the service providers on a monthly basis. We noted that total postpaid lines remained fairly constant in fiscal 2012 and were slightly higher than the comparable FY 2011 balances. The number of postpaid lines as of the beginning of the fiscal year was 128,420. The high for the year was 139,976 lines and the low was 128,420. The average number of postpaid lines on a monthly basis was 132,312 lines. As of the end of the fiscal year the number of lines was 134,976, a 5.11% increase over the beginning of the fiscal year number of postpaid lines. The total for all postpaid lines for FY 2012 was 1,587,740 lines compared with 1,515,044 for FY 2011.

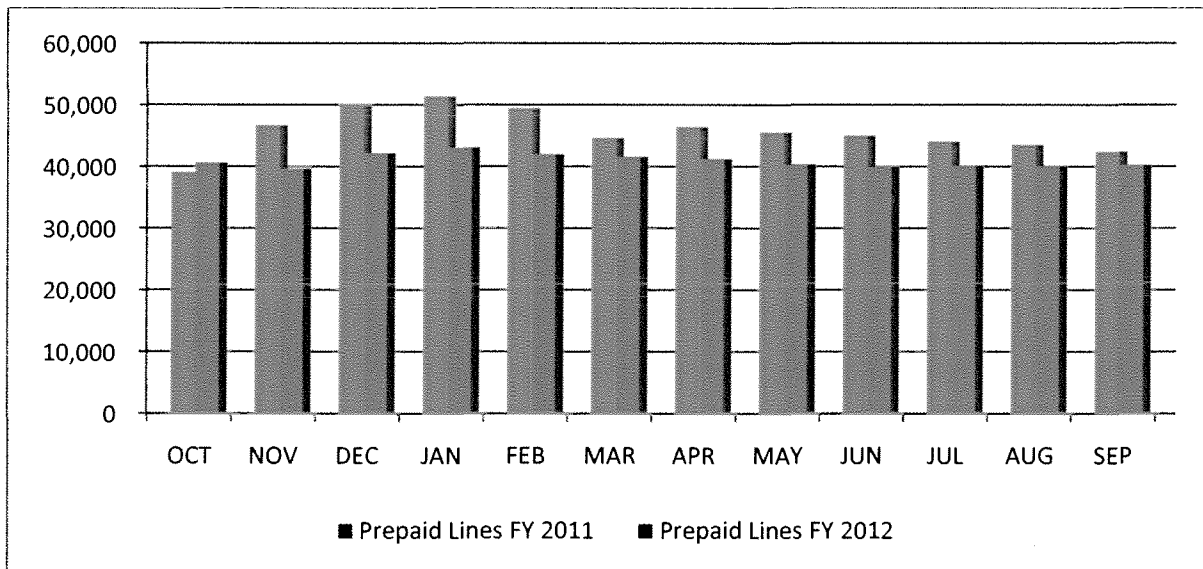
### FY 2011 and 2012 Comparative Prepaid Lines

Prepaid telecommunications services are only provided by the four cellular service providers.

The following graph is Figure 20: Graph of the number of Fiscal 2011 and FY 2012 Comparative Prepaid Lines on a monthly basis.



Figure 20: Graph of Fiscal 2011 and 2012 Comparative Prepaid Lines



Prepaid accounts are those accounts for which customers pay in advance and on a continuing demand basis for their telecom services. The service for these accounts is provided to the customer when the customer purchases a prepaid phone card and enters the service provided by the card into their telephone device. Once activated, the customer will have a predetermined number of minutes of telecom service as provided on the phone card.

As was mentioned above, prepaid cards are only marketed by the four cellular providers. These are:

- Docomo Pacific
- I-Connect
- PTI Pacifica d/b/a IT&E
- Pulse Mobile

Phone cards are sold by the above listed providers through a multitude of retail outlets throughout the island. These cards are available in a variety of price points. Based on the needs and resources of the customer, the purchasing pattern of each individual customer will likely vary from other prepaid customers; for example, one customer may purchase one twenty dollar phone card that will last him or her for a month. Another customer may purchase, as an example, four individual five dollar phone cards for service during the same period of time.

The E-911 surcharge is supposed to be assessed based on each individual access line. In its order dated June 24, 2002, relative to Docket 99-10, the PUC ordered that, "With regard to CMRS access lines, under a prepaid calling card arrangement, Collection Agents shall collect the Surcharge when and as

there is a positive balance in the customer's account for each month or portion thereof that the line is activated."

We made inquiries of each of the Collection Agents who offer prepaid services as to the methodology utilized by them to assess and collect the E-911 Surcharge for prepaid telecom services. The four Collection Agents, in no particular order, responded as follows:

**Collection Agent A:** This Collection Agent applies the Surcharge to every customer that has a balance in his or her account as of the last day of each month. If a customer has a load or has remaining value in their account at the end of any particular month, their system deducts the \$1.00 Surcharge from their account at that time.

This Collection looks to see how many active, with load, prepaid users are in their prepaid system at the end of each month and reports that balance to the PUC.

If, however, a particular customer of this Collection Agent has activity within the month but has a zero balance as of the end of the month then no Surcharge is being collected for that customer by this Collection Agent. It is likely that this collection agent is under-collecting the E-911 Surcharge to the extent that its customers have zero balances as of the beginning and also the end of each month.

**Collection Agent B:** This Collection Agent applies the Surcharge to any balance in a customer's account as of the first day of every month. If a customer has a load or has opening value in their account at the beginning of any particular month, their system deducts the \$1.00 Surcharge from their account at that time.

This Collection Agent looks to see how many active, with load, prepaid users are in their prepaid system at the beginning of each month and reports that balance to the PUC.

If, however, a particular customer of this Collection Agent has activity within the month but has a zero balance as of the beginning of the month then no Surcharge is being collected for that customer by this Collection Agent.

**Collection Agent C:** When this Collection Agent's new prepaid accounts are activated their billing system imposes a minimum balance of \$1.00 below which the customer's account will not be permitted to fall. When the subscriber adds additional load during the calendar month no additional Surcharge is withheld. On the first day of each following calendar month, their prepaid system deducts \$1.00 from the account for the prior month's E-911 Surcharge. The only time when this Collection Agent would not collect the Surcharge is when a customer has no positive balance in their account at any time during the month.

**Collection Agent D:** When this Collection Agent's new prepaid accounts are activated their billing system immediately assesses and collects the \$1.00 E-911 Surcharge. In following months the Surcharge will be assessed at any

time when there is at least a \$1.00 balance in the account. Only one \$1.00 Surcharge is assessed in any one calendar month regardless of how many prepaid cards are loaded into the account in that month. If there is no positive balance in an account at any time during the month then there will be no assessment of the E-911 Surcharge.

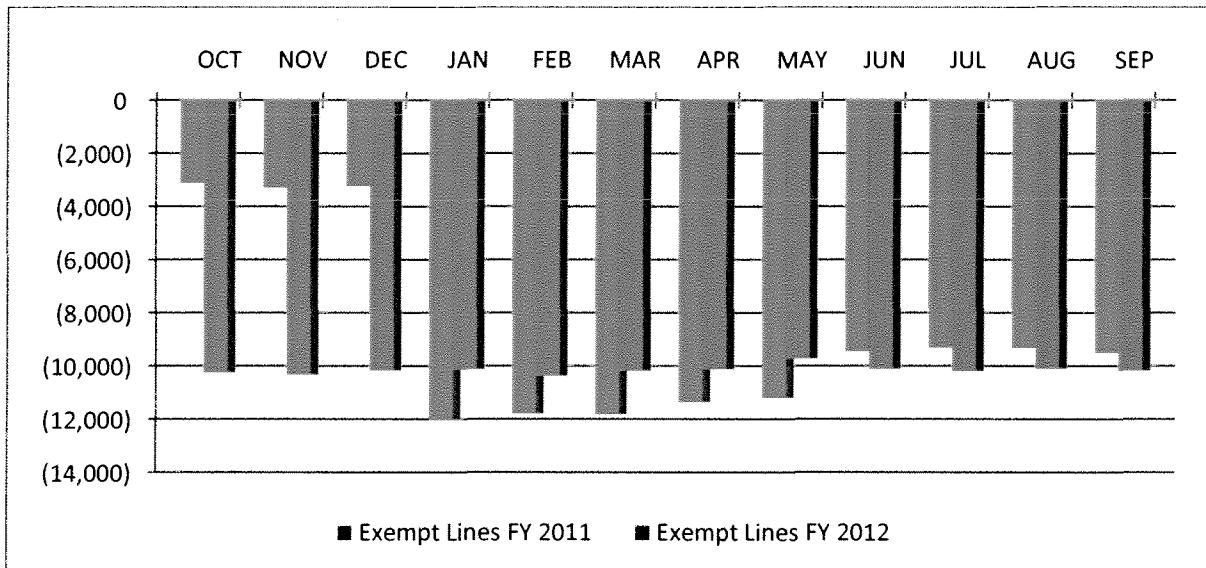
The number of prepaid accounts as of the beginning of FY 2012 was 40,621. The high for the year was 43,092 lines and the low was 39,644. The average number of prepaid accounts on a monthly basis was 40,930. As of the end of the fiscal year the number of accounts was 40,267, a .87% decrease from the beginning of the fiscal year number of prepaid accounts. The total for all prepaid accounts for FY 2012 was 491,163 accounts compared with 548,108 for FY 2011, a 10.39% decrease.

**FY 2011 and 2012 Comparative Exempt Lines**

The E-911 Act specifies that E-911 surcharge assessments are limited to the first twenty-five access lines for each account. Accordingly, if a customer has one account with 100 access lines, then that customer is exempted from the E-911 surcharge for all access lines in excess of the first twenty-five lines. In accordance with this parameter, that customer is only billed a total of \$25 in E-911 surcharges each month. In addition, Life-line customers and telecommunication services which are incapable of accessing 911 are exempted from paying the E-911 Surcharge.

Figure 21 is a graph of the number of exempt lines claimed by the Collection Agents in Fiscal 2011 and 2012. The exempt line balances are shown in Figures 18 and 21 as negative numbers because they are deducted from the total line count for the purposes of calculating net billed lines.

**Figure 21: Graph of Fiscal 2011 and 2012 Comparative Exempt Lines**



In Fiscal 2012 three of the Collection Agents claimed no exempt lines at any time during the fiscal year. Four of the Collection Agents claimed exempt lines during every month of the fiscal year. The failure of any of the Collection Agents to claim exempt lines in any month of the fiscal year did not result in any underpayment of E-911 Surcharges to the E-911 Fund. In FY 2012 exempt lines as a percentage of total lines ranged from 0% to 70% among the various Collection Agents. The wide range of this variance results from the fact that some Collection Agents have a higher percentage of large accounts, those subject to the exemption, than other Collection Agents whose customer base is composed of smaller or individual accounts.

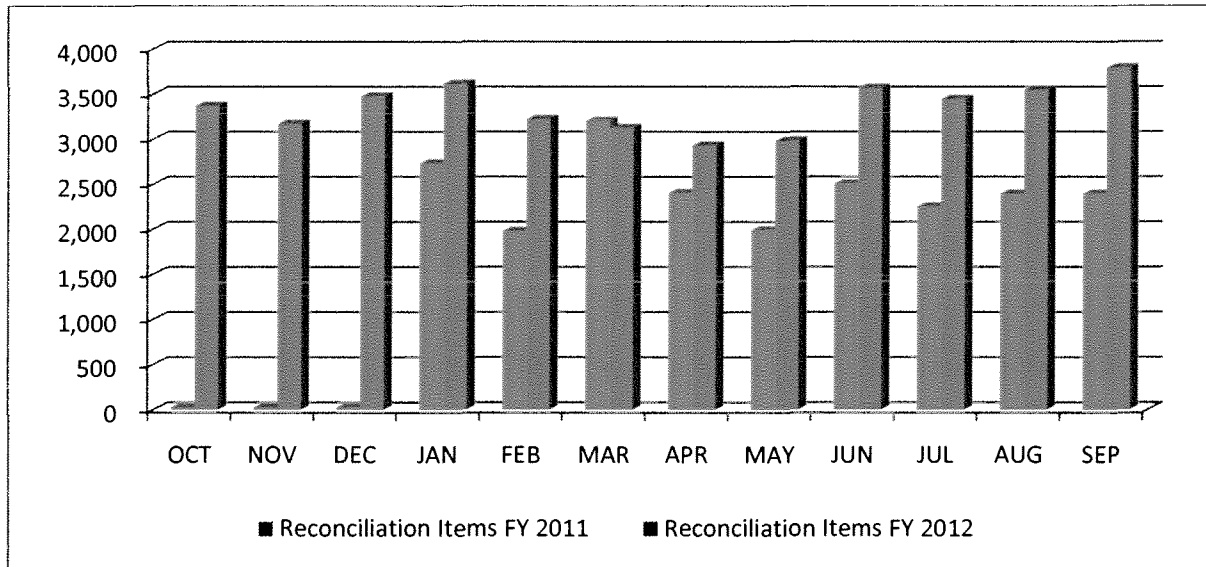
The number of exempt lines in the first month of the fiscal year was 10,253 lines. The high for the year was 10,377 lines and the low was 9,730 lines. The average number of exempt lines on a monthly basis was 10,160 lines. As of the end of the fiscal year the number of lines was 10,184. The total for all exempt lines for FY 2012 was 121,919 lines compared with 105,418 for FY 2011, an increase of 16,501 lines and a 15.65% increase.

### **FY 2011 and 2012 Comparative Reconciliation Items**

There were reconciliation items in every month of FY 2012. Five of the Collection Agents had no reconciliation items in their quarterly reports.

Two of the Collection Agents were unable to satisfactorily reconcile their telecom management system generated line counts with the amount shown in their accounting records as being collected from their customers. Both Collection Agents collected more from their customers than their telecom management system reported as active lines and accounts. In order to make sure that they have paid at least the proper amount due, these Collection Agents have reported the difference as a reconciling item in each month and have paid the amount collected from their customers to DOA. Both agents adopted this procedure as of January 1, 2011 which accounts for the increase in reconciling items as of that time. Prior to January 1, 2011 these Collection Agents were including the higher amount collected in their total line count. Based on our review of these practices it is our conclusion that the DOA has been paid at least the amount it was due and the E-911 Fund has suffered no loss or underpayment.

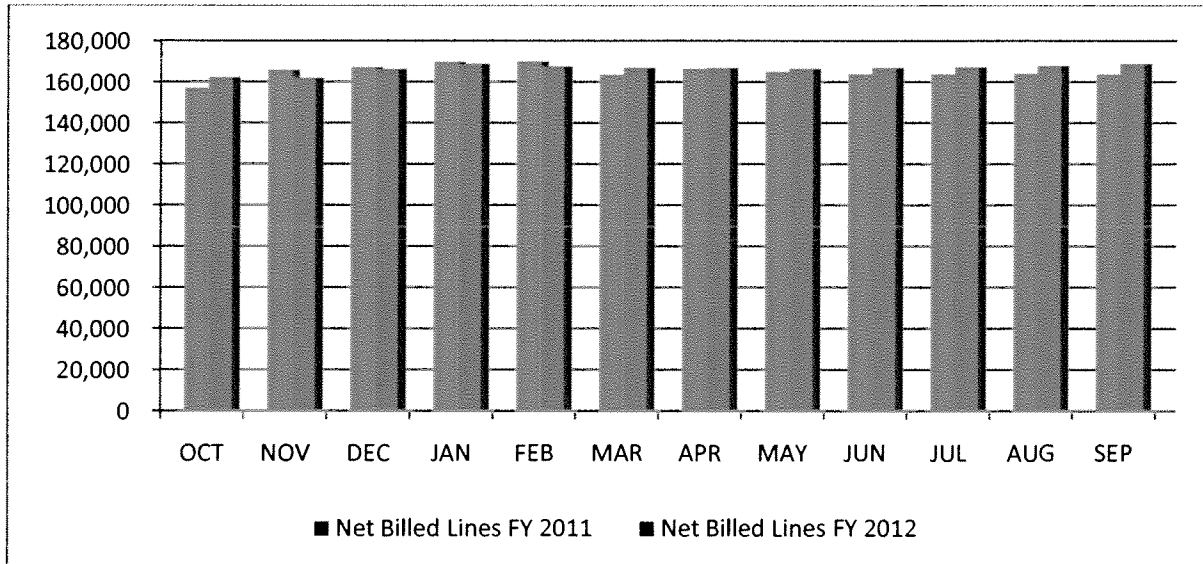
**Figure 22: Graph of Fiscal 2011 and 2012 Comparative Reconciliation Items**



During FY 2012, reconciliation items reported by the Collection Agents in the calculation of net billed lines subject to the E-911 Surcharge were at a low of 2,981 lines and a high of 3,790 lines. The number of reconciliation items declared as of the beginning of the fiscal year was 3,368. The average number of reconciliation items on a monthly basis was 3,352 lines. As of the end of the fiscal year the number of Reconciliation Items lines was 3,790. The total for all reconciling item lines for FY 2012 was 40,223 lines compared with 21,918 for FY 2011, an increase of 18,305, and an 83.52% increase.

**FY 2011 and 2012 Comparative Net Billed Lines**

Net billed lines are derived by adding the postpaid lines and prepaid accounts and then subtracting the exempt lines and adding the reconciling items.

**Figure 23: Graph of Fiscal 2011 and 2012 Comparative Net Billed Lines**

During FY 2012 net billed lines subject to the E-911 Surcharge were at a low of 161,811 lines and a high of 168,849 lines with an average of 166,434 lines. The number of net billed lines as of the beginning of the fiscal year was 162,156. As of the end of the fiscal year the number of net billed lines was 168,849, a 4.13% increase over the beginning of the fiscal year. The total for all net billed lines for FY 2012 was 1,997,207 lines compared with 1,979,652 for FY 2011, an increase of 17,555, and a .89% increase.

### **FY 2012 Revenue Elements**

In order to convert the net billed lines to Net revenues it is necessary to review the individual elements of that conversion. These elements are:

- Revenues Billed
- E-911 Uncollected Surcharges
- Adjustments
- Net Revenues

The following chart details each of these elements:

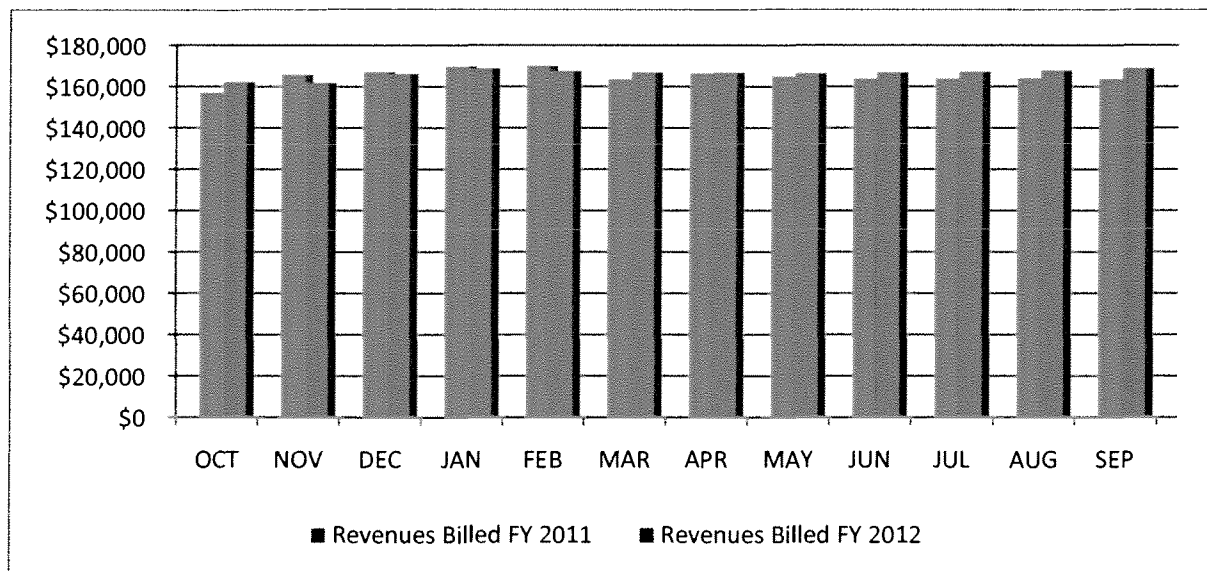
**Figure 24: Fiscal 2012 Revenue Elements**

Dates	Revenues Billed	E-911 Uncollected	Adjustments	Net Revenues
Oct 2011	\$162,156	(\$2,966)	\$0	\$159,190
Nov 2011	\$161,811	(\$1,040)	\$0	\$160,771
Dec 2011	\$166,232	(\$2,134)	\$0	\$164,098
Jan 2012	\$168,795	\$461	\$0	\$169,256
Feb 2012	\$167,506	(\$1,015)	\$0	\$166,491
Mar 2012	\$166,859	\$802	\$0	\$167,661
Apr 2012	\$166,788	(\$1,084)	\$0	\$165,704
May 2012	\$166,382	\$464	\$0	\$166,846
Jun 2012	\$166,839	(\$2,176)	\$0	\$164,663
Jul 2012	\$167,170	(\$1,202)	\$0	\$165,968
Aug 2012	\$167,820	(\$344)	\$0	\$167,476
Sep 2012	\$168,849	(\$143)	\$0	\$168,706
Total FY 2012	\$1,997,207	(\$10,377)	\$0	\$1,986,830

**FY 2011 and 2012 Comparative Revenues Billed**

Net Revenues are derived by multiplying the total Net Billed Lines, detailed in Figures 18 and 23 of this report, by the monthly E-911 Surcharge rate of \$1 per billable line. With the exception of the conversion of this graph to a dollar quantity as opposed to a line count quantity, this graph is identical to Figure 23: Graph of Fiscal 2012 Net Billed Lines.

**Figure 25: Graph of Fiscal 2011 and 2012 Comparative Revenues Billed**



**FY 2011 and 2012 E-911 Comparative Uncollected Surcharges**

In response to Public Law 26-55 the PUC, in its order dated June 24, 2002, relative to Docket 99-10, the PUC ordered that, "In the event a customer pays less than its full monthly invoice and unless the customer specifically instructs the Collection Agent otherwise in writing, the customer's payment on the invoice shall be first applied by the Collection Agent to cover the Surcharge. Except as provided in this paragraph, Collection Agents shall have no duty to pursue the collection of unpaid surcharges."

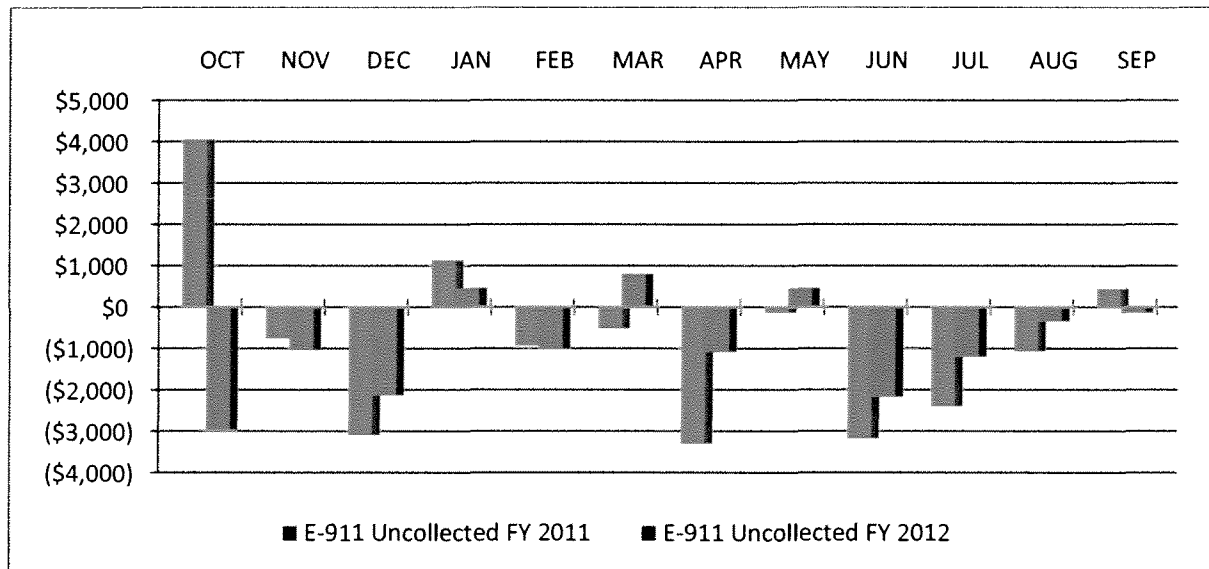
In the same order the PUC ordered that, "On or before the 45<sup>th</sup> day after the end of each quarter [ending March, June, September and December] Collection Agents shall file the following quarterly reports with the Commission:

- b. A report, which contains a list of each subscriber, including name, address and telephone number, who refused or failed to pay the Surcharge during the quarter and the amount of unpaid surcharge."

During FY 2011 we are unaware of any of the Collection Agent that filed the required report relative to any unpaid surcharges to the PUC.

There were, however, numerous deductions for uncollected E-911 surcharges made from the remittances paid by the Collection Agents to the DOA. Total net deductions made by the Collection Agents in FY 2012 were \$10,377. It should be noted that some months have a net positive uncollected surcharge balance and some months a net negative balance. This is because in any particular month there are some collections while other amounts go delinquent. The following graph depicts those balances:

**Figure 26: Graph of Fiscal 2011 and 2012 Comparative E-911 Uncollected Surcharges**





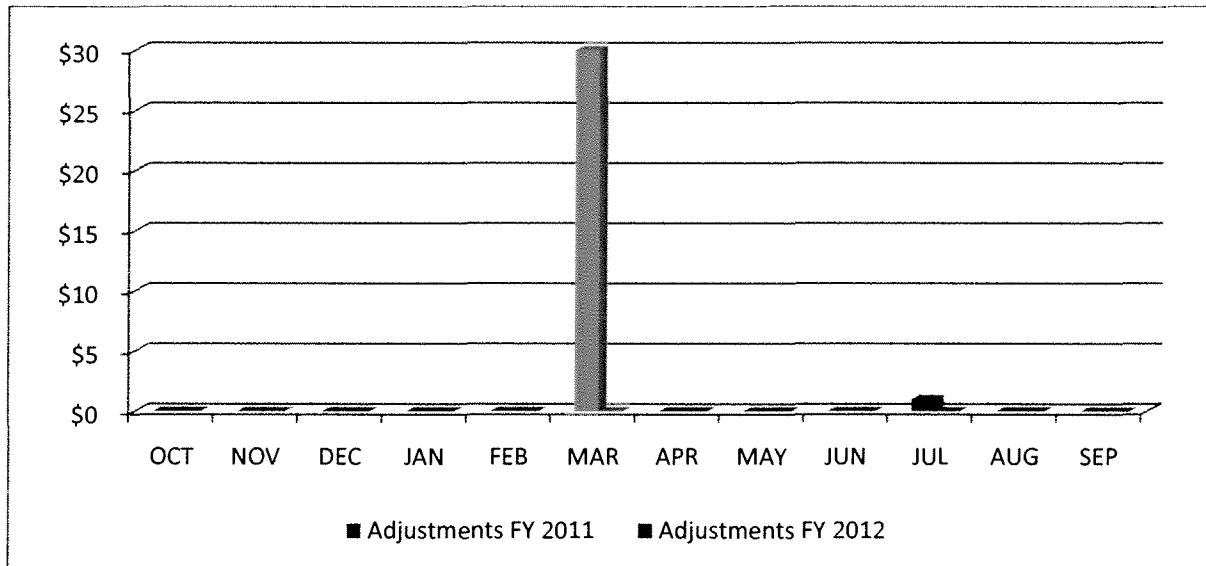
In its FY 2010 report, Georgetown reported accumulated uncollected surcharges to be \$37,989 at the end of FY 2010. Uncollected accumulated surcharges increased to \$47,740 at the end of FY 2011 and \$58,117 at the end of FY 2012.

We recommend that the PUC review its previous orders relative to uncollected E-911 Surcharges and the ultimate responsibility, if any, for the payment of those surcharges be determined. We further recommend that the PUC enforce its requirement that any Collection Agent who makes a deduction from its reporting and remittances for uncollected surcharges file the required report thereon with the PUC.

**FY 2011 and 2012 Comparative Adjustments**

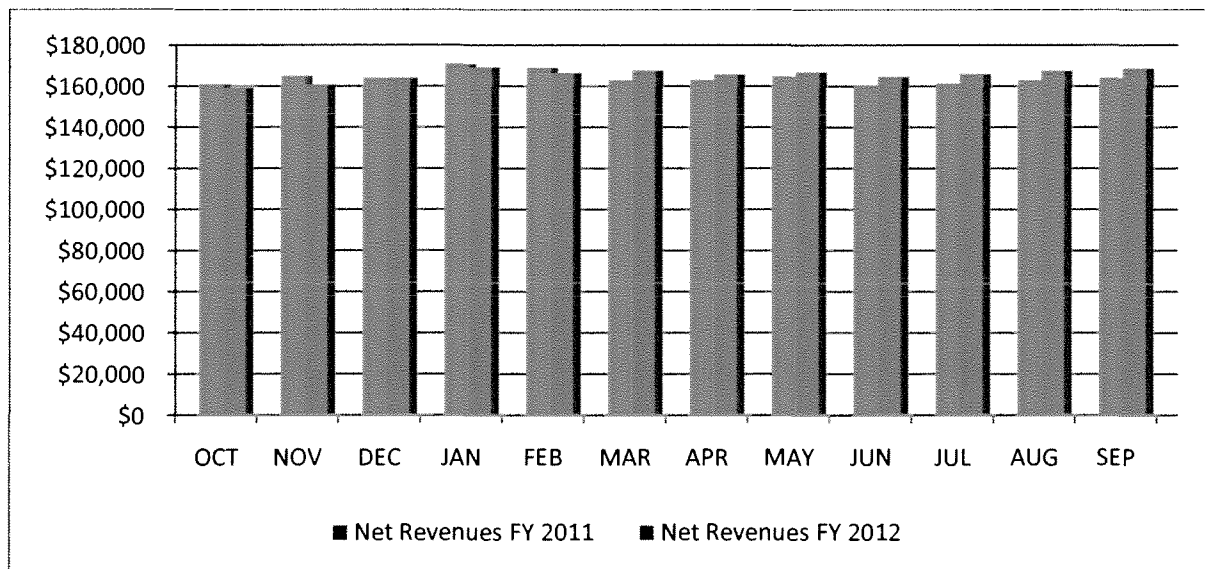
In FY 2012 there were no adjustments.

**Figure 27: Graph of Fiscal 2011 and 2012 Comparative Adjustments**



**FY 2011 and 2012 Comparative Net Revenues**

The FY 2012 net revenues figure represents the total revenues billed less the uncollected Surcharges incurred during the year. This figure will equal the Cash Receipts figure in the Fiscal 2012 Collection Agent Fund Balance Elements table in the following section.

**Figure 28: Graph of Fiscal 2011 and 2012 Comparative Net Revenues**

During FY 2012 net revenues were at a low of \$159,190 and a high of \$169,256 with an average of \$165,569. The amount of net revenues as of the beginning of the fiscal year was \$159,190. As of the end of the fiscal year the amount of net revenues was \$168,706, a 5.98% increase over the beginning of the fiscal year amount of net revenues. The total for all net revenues for FY 2012 was \$1,986,830 compared with \$1,969,932 for FY 2011, an increase of \$16,898, and a .86% increase.

### **FY 2012 Collection Agent Fund Balance Analysis**

After having performed an analysis of the Collection Agents' lines and revenues, we reviewed and summarized the individual opening and closing Collection Agent fund balances. These balances represent the net unremitted funds held by the Collection Agents as of the beginning and end of the fiscal year. The elements that make up the Collection Agent fund balances are:

- Opening Fund Balance
- Cash Receipts
- Remittances Paid to DOA
- Costs Paid on Behalf of the PUC
- Costs Retained by the Collection Agents
- Closing Fund Balance

The following chart contains the monthly balances for each of these elements for FY 2012.

Figure 29: Fiscal 2012 Collection Agent Fund Balance Elements

Dates	Opening Fund Balances	Cash Receipts	Remittances Paid to DOA	Costs Paid on Behalf of the PUC	Costs Retained By the Collection Agents	Closing Fund Balances
Oct 2011	\$210,422	\$159,190	(\$220,188)	\$0	(\$12,051)	\$137,373
Nov 2011	\$137,373	\$160,771	(\$133,214)	\$0	(\$12,051)	\$152,879
Dec 2011	\$152,879	\$164,098	(\$134,133)	\$0	(\$12,051)	\$170,793
Jan 2012	\$170,793	\$169,256	(\$180,227)	\$0	(\$12,051)	\$147,771
Feb 2012	\$147,771	\$166,491	(\$142,129)	\$0	(\$12,051)	\$160,082
Mar 2012	\$160,082	\$167,661	(\$139,026)	\$0	(\$12,051)	\$176,667
Apr 2012	\$176,667	\$165,704	(\$137,256)	(\$6,192)	(\$12,051)	\$186,871
May 2011	\$186,871	\$166,846	(\$178,502)	\$0	(\$12,051)	\$163,164
Jun 2012	\$163,164	\$164,663	(\$95,942)	\$0	(\$12,051)	\$219,835
Jul 2012	\$219,835	\$165,968	(\$185,079)	\$0	(\$12,051)	\$188,673
Aug 2012	\$188,673	\$167,476	(\$180,936)	\$0	(\$12,051)	\$163,162
Sep 2012	\$163,162	\$168,706	(\$135,378)	(\$354)	(\$12,051)	\$184,085
Total FY 2012	\$210,422	\$1,986,830	(\$1,862,010)	(\$6,546)	(\$144,612)	\$184,085

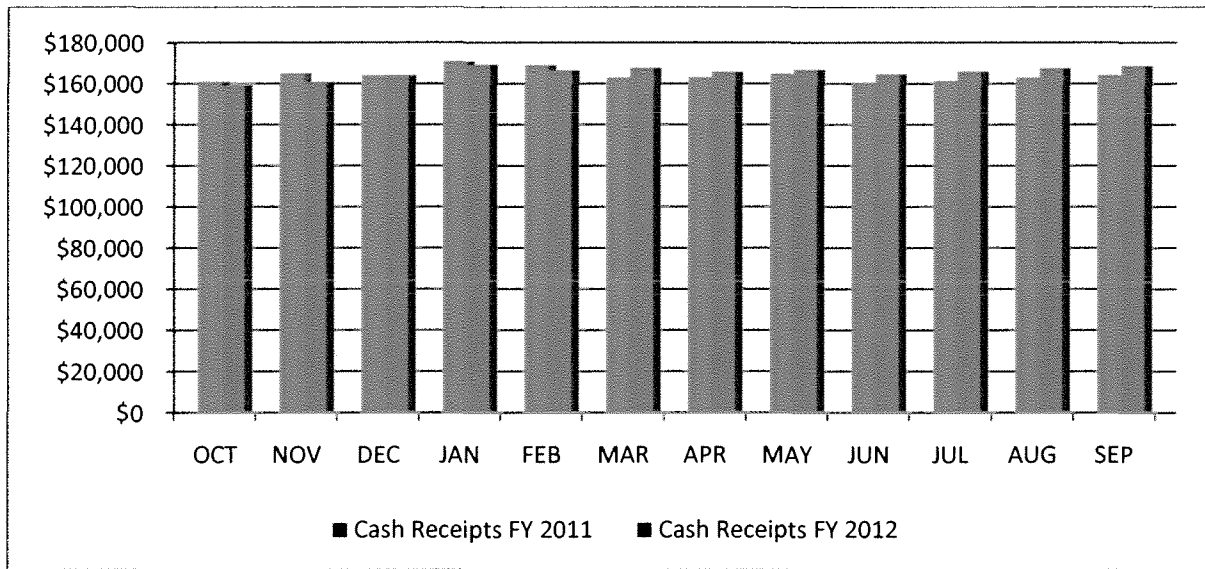
### FY 2012 Opening Fund Balances

According to the FY 2012 Collection Agent reports filed with the PUC by the individual Collection Agents, the total Collection Agent Opening Fund Balances was \$210,422. This balance represents the aggregate of the individual Collection Agents' unremitted E-911 Surcharges that they had collected and on hand as of the first day of the 2012 fiscal year.

### FY 2011 and 2012 Comparative Cash Receipts

The cash receipts element of the fund balance analysis represents the actual cash collected by the Collection Agents during each month during the fiscal year. During FY 2012 the Collection Agents collected, in aggregate, \$1,986,830 in E-911 Surcharges from their customers. The following graph depicts these collections on a monthly basis:

**Figure 30: Graph of Fiscal 2011 and 2012 Comparative Cash Receipts**



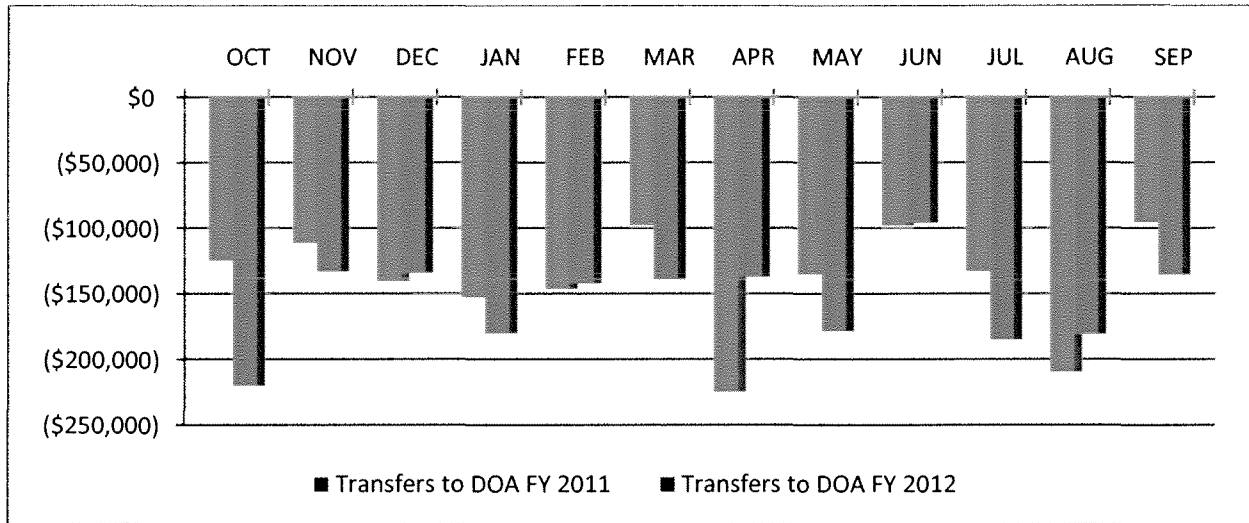
The cash receipts element used in this calculation is the same as the Net Revenues figures discussed in the immediately preceding section of this report and in Figures 24 and 28.

During FY 2012, cash receipts were at a low of \$159,190 and a high of \$169,256 with a monthly average of \$165,569. The amount of cash receipts as of the beginning of the fiscal year was \$159,190. As of the end of the fiscal year the amount of cash receipts was \$168,706, a 5.98% increase over the beginning of the fiscal year amount of cash receipts. The total for all cash receipts for FY 2012 was \$1,986,830 compared with \$1,969,932 for FY 2011, an increase of \$16,898, and a .86% increase.

**FY 2011 and 2012 Comparative Remittances Paid to the DOA**

During FY 2012, there was a total of \$1,862,010 in E-911 Surcharges remitted by the Collection Agents to the DOA. The following graph depicts, on a monthly basis, the remittances paid by the Collection Agents to the DOA:

**Figure 31: Graph of Fiscal 2011 and 2012 Comparative Remittances Paid to DOA**



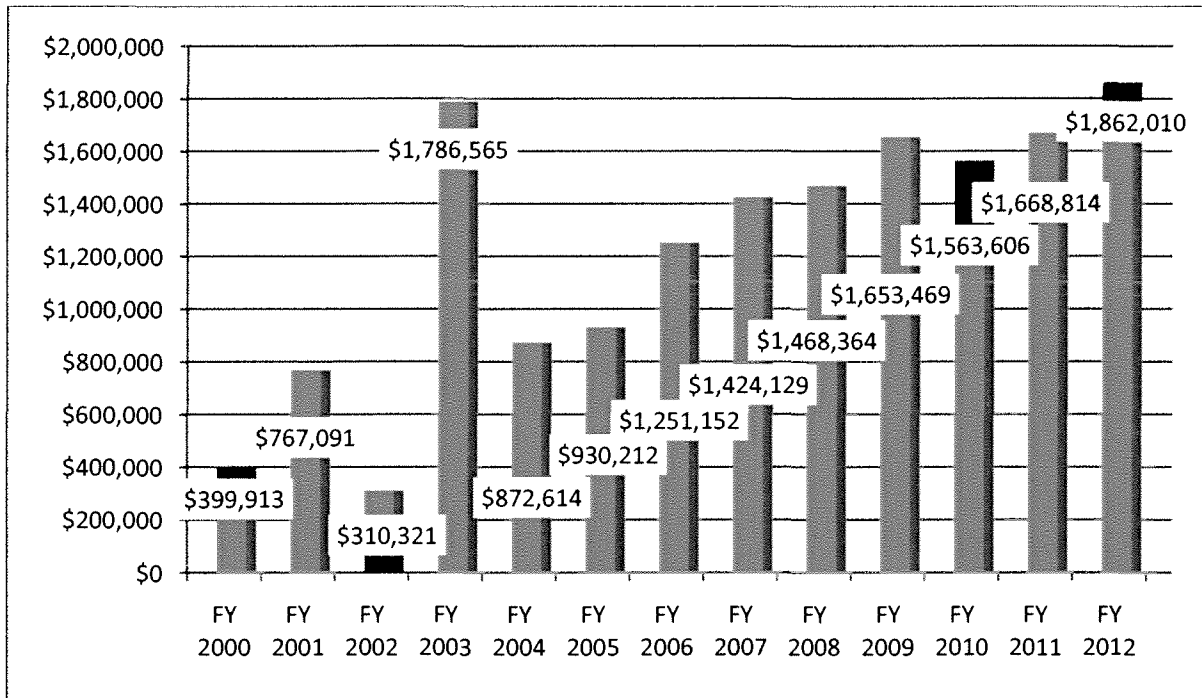
The remittances paid to DOA balances are shown in Figures 29 and 31 as negative numbers because they are deducted from the opening fund balances and cash receipts for the purposes of calculating closing fund balances.

In accordance with public law and orders of the PUC, these funds are required to be deposited with the DOA no later than forty-five days following the last day of the month in which these funds were collected from each Collection Agent’s customers.

However, in FY 2012 there were two Collection Agents who did not make their remittances on a monthly basis. One Collection Agent made their remittances on a quarterly basis and the other made their remittances intermittently

Historically, on an annual basis, remittances from the Collection Agents into the E-911 Fund through DOA have grown from a few hundred thousand dollars early in the century to \$1.86 million in 2012. The following graph presents visually the annual remittances from FY 2000 through FY 2012.

Figure 32: Graph of Fiscal 2000 through 2012 E-911 Fund Remittance Trend

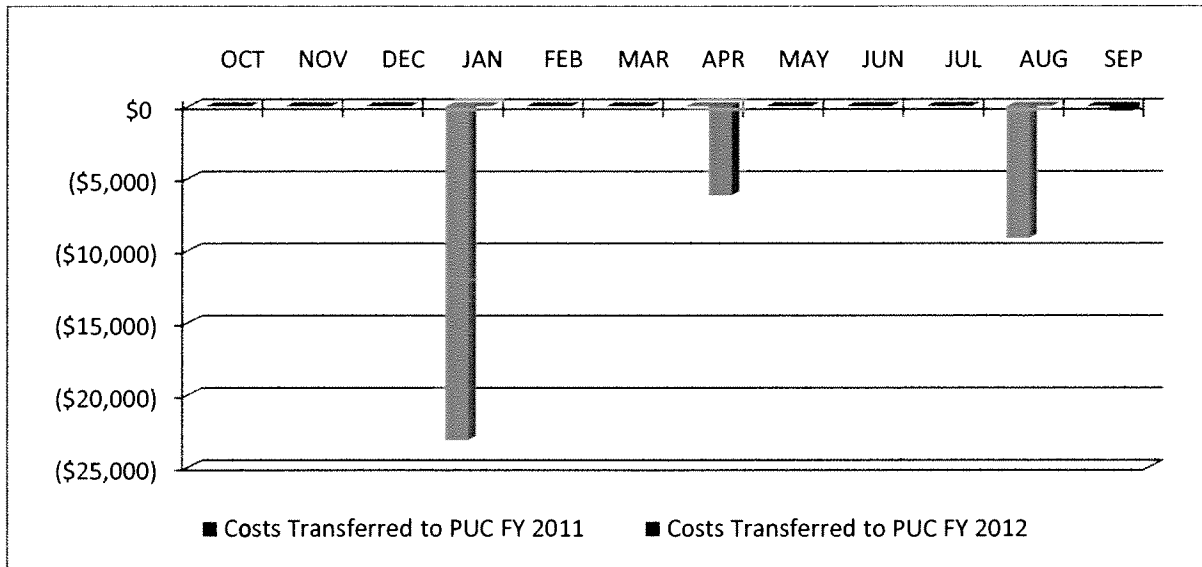


The radical variances noted in the early fiscal years, FY 2000 though FY 2003, resulted from the failure of certain Collection Agents to make their required remittances to DOA and subsequent regulatory action initiated by the PUC in FY 2004 to bring the Collection Agents into compliance. Subsequent to FY 2003 annual remittances have steadily grown in parallel with the annual increase in services provided to Guam’s telecom customers.

**FY 2011 and 2012 Comparative Costs Paid on Behalf of the PUC**

During FY 2012 the PUC incurred expenses related to the regulation of and reporting on telecom matters. An example of these expenses was fees paid to the PUC’s telecommunication consultants for E-911 Surcharge review and reporting. Pursuant to the PUC Order dated February 25, 2000, the Commission designated GTA as the Collection Agent responsible for paying, from its Surcharge receipts, the Commission’s regulatory expenses which are incurred under the E-911 Act. The Order further provides that GTA shall pay any Commission invoice for expenses incurred under the E-911 Act within 30 days of receipt. The following graph depicts the expenditures made by GTA during FY 2011 and FY 2012 for the benefit of the PUC:

**Figure 33: Graph of Fiscal 2011 and 2012 Comparative Costs Paid on Behalf of the PUC**

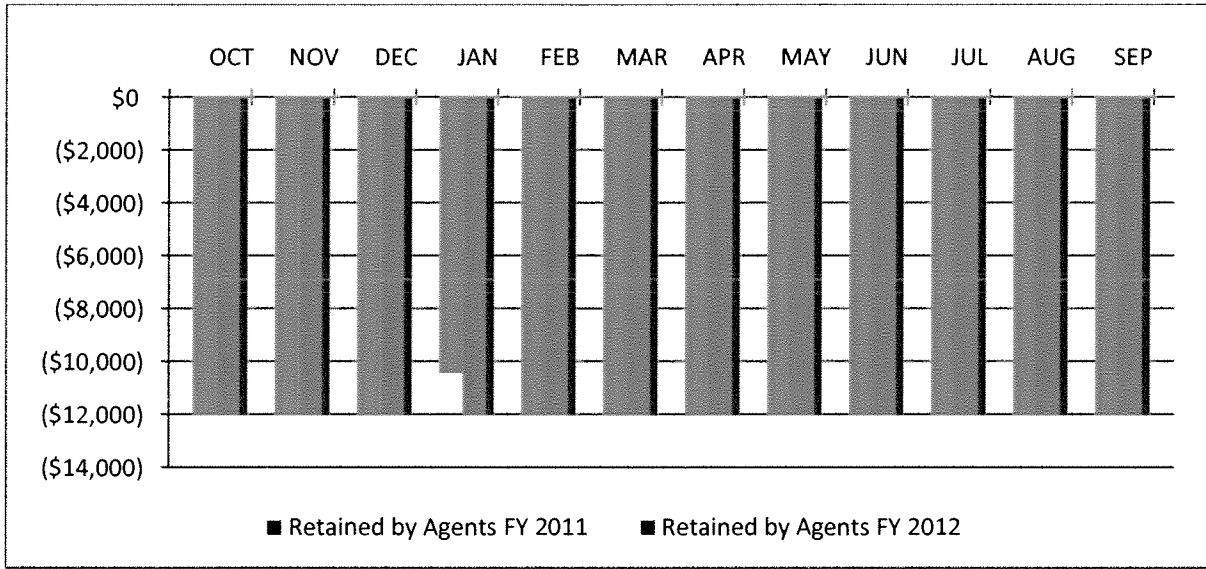


In April and September of FY 2012 GTA made two payments on behalf of the Commission and the amount paid, totaling \$6,546, was deducted from GTA’s remittances to the DOA. This compares with payments made in FY 2011 in the total amount of \$32,282. The significant decrease was caused by FY 2012 consulting invoices that were not processed until FY 2013.

**FY 2011 and 2012 Costs Retained by the Collection Agents to Cover their Administrative Costs**

The Collection Agents are authorized by the E-911 Act to deduct from their remittances the administrative costs that they incur in the process of assessing, collecting, remitting and reporting on the E-911 surcharge. The PUC in its Docket 99-10, E-911 Emergency System Reimbursement Protocol Orders dated March 30, 2003, April 22, 2003, June 23, 2003, and July 27, 2005 ruled on the amount that five of the Collection Agents are authorized to deduct from their remittances as compensation for their administrative costs. In its Docket 10-04, Emergency System Reimbursement Protocol Order dated April 18, 2011 the PUC ruled on the amount that one of the Collection Agents is authorized to deduct from their remittances as compensation for its administrative costs. One Collection Agent has not filed for authorization to make a deduction for administrative expenses from its DOA remittances.

**Figure 34: Graph of Fiscal 2011 and 2012 Comparative Collection Agents' Administrative Costs**



**FY 2012 Closing Fund Balances**

According to the FY 2012 Collection Agent reports filed with the PUC by the individual Collection Agents, the total Collection Agent Closing Fund Balances was \$184,085. This balance represents the aggregate of the individual Collection Agents' unremitted E-911 Surcharges that they had collected and on hand as of the last day of the 2012 fiscal year.



## 6.0 FINDINGS

*The Findings section discusses the facts that can be derived from the analysis.*

Based upon the analysis in Sections 4 and 5, we reached the following findings:

### Findings

- There is a diverse array of methodology being utilized by the different Collection Agents in the assessment and collection of the E-911 Surcharge on prepaid accounts. Not all of the methodology and procedures being utilized resulted in the proper assessment, collection and remittance of the E-911 Surcharges on prepaid accounts.
- The Collection Agents are required to file quarterly reports with the PUC providing specifically required details on all of their customers who refuse to pay the monthly E-911 Surcharge. Once the required report has been filed with the PUC the Collection Agent has no further responsibility to collect the unpaid E-911 Surcharge. We found no instance during FY 2011 or FY 2012 where the required report was filed with the PUC. In spite of the failure to file the required reports, some Collection Agents withheld uncollected E-911 Surcharges from their remittances to the Department of Administration. In its FY 2010 and FY 2011 reports, Georgetown reported accumulated uncollected E-911 Surcharges to be \$37,989 at the end of FY 2010 and \$47,740 at the end of FY 2011. In FY 2011 and FY 2012 there were annual net uncollected surcharges in the amount of \$9,751 and \$10,377 respectively.
- We noted that among the various Collection Agents, there is a wide variance in the number of exempt lines as a percentage of total lines reported. There was no specific error or problem noted and it appears that the reason for this percentage variance results from differing customer mixes among the various Collection Agents. There are some Collection Agents who concentrate on very large customers while other Collection Agents have a higher percentage of individual accounts..
- The Collection Agents are required to remit the net collected E-911 Surcharges no later than forty-five days following the last day of the month in which the Surcharge was collected. However, we noted that in many instances some Collection Agents made their remittances intermittently, sometimes later than the due date, and also sometimes more than one month of E-911 Surcharges collected are remitted to DOA at one time.
- The Collection Agents are required to file a quarterly report with the PUC on the number of lines and accounts serviced together with the amount of their E-911 revenues, collections, remittances and administrative expenses. These reports are due to be filed no later than forty-five days after the end of each quarter of the fiscal year. We noted that in the past some of the Collection Agents failed to file the required quarterly reports on a timely basis; However, all required reports due through the quarter ended September 30,

2012 were filed by all Collection Agents prior to the November 14, 2012 due date.

## 7.0 RECOMMENDATIONS

*The Recommendations section provides the recommendations to the Guam PUC related our review of the E-911 Surcharge assessments, collections, remittances and reporting.*

Based upon the investigation of the supporting documents, we recommend that:

### Recommendations

- In order to assist the Collection Agents in understanding the proper methodology and procedures to be followed in the E-911 Surcharge assessment, collection, remittance and reporting process, we recommend that each of the Collection Agents be encouraged to provide feedback and comments on these annual reports.
- Due to the diverse manner in which the Collection Agents are assessing the E-911 Surcharge on prepaid accounts, we recommend that the PUC consider a review of how the E-911 surcharge is being assessed on prepaid accounts. We further recommend that an assessment be made on the extent of uncollected E-911 Surcharge on prepaid accounts, if any.
- In order to better understand the composition and dynamics of the generation of E-911 Surcharges, we recommend that those Collection Agents who offer prepaid services be required to report prepaid accounts separately from postpaid accounts.
- In order to determine that all remittances are being paid to the DOA in a timely manner, we recommend that the Collection Agents be required to file a copy of the DOA remittance receipts for the E-911 payments together with their quarterly reports filed with the PUC.
- The Collection Agents are not following required procedures relative to uncollected E-911 Surcharges. Each Collection Agent is required to file a quarterly report with the PUC listing detailed information on each customer who refused to pay the monthly Surcharge. Having completed that requirement, the Collection Agents are then relieved of any further collection responsibility. In our review of the procedures delineated by the PUC in its June 24, 2002 Order relative to uncollected surcharges we find that the Order sets out the reporting requirements on the part of the Collection Agents but it fails to state who will bear the ultimate payment responsibility should the Collection Agents fail to file the required reports.
  - Some of the Collection Agents are not filing the required reports but are, none-the-less, withholding remittance of the uncollected Surcharges. Some Collection Agents are not filing the required reports but are not deducting uncollected E-911 Surcharges from their remittances. We recommend that any Collection Agent who makes a deduction for uncollected surcharges from its remittances to DOA be required to file the appropriate supporting reports with the PUC.

- We also recommend that the PUC review its previous orders relative to uncollected E-911 Surcharges and make a determination whether or not the failure of a Collection Agent to file the required reports relative to uncollected surcharges results in the transfer of the responsibility for payment to the Collection Agent.

**APPENDIX A – FISCAL YEAR 2011 SUMMARY OF COLLECTION AGENT REMITTANCE REPORTS**

PUBLIC UTILITIES COMMISSION													
Docket 12-05 E-911													
Summary of Collection Agent Remittance Reports													
Fiscal Year Ended September 30, 2011													
	OCT 2010	NOV 2010	DEC 2010	JAN 2011	FEB 2011	MAR 2011	APR 2011	MAY 2011	JUN 2011	JUL 2011	AUG 2011	SEP 2011	TOTAL
Postpaid Lines	120,957	122,354	120,514	127,626	130,346	127,450	128,886	128,592	125,699	126,818	127,404	128,398	1,515,044
Prepaid Lines	39,053	46,689	49,799	51,400	49,453	44,652	46,440	45,568	45,029	44,062	43,544	42,419	548,108
<b>Total Lines</b>	<b>160,010</b>	<b>169,043</b>	<b>170,313</b>	<b>179,026</b>	<b>179,799</b>	<b>172,102</b>	<b>175,326</b>	<b>174,160</b>	<b>170,728</b>	<b>170,880</b>	<b>170,948</b>	<b>170,817</b>	<b>2,063,152</b>
Exempt Lines	(3,118)	(3,294)	(3,235)	(12,006)	(11,794)	(11,818)	(11,361)	(11,200)	(9,454)	(9,318)	(9,320)	(9,500)	(105,418)
Net Lines	156,892	165,749	167,078	167,020	168,005	160,284	163,965	162,960	161,274	161,562	161,628	161,317	1,957,734
Reconciliation Items	25	25	25	2,732	1,978	3,201	2,402	1,989	2,504	2,251	2,393	2,393	21,918
<b>Billed Lines</b>	<b>156,917</b>	<b>165,774</b>	<b>167,103</b>	<b>169,752</b>	<b>169,983</b>	<b>163,485</b>	<b>166,367</b>	<b>164,949</b>	<b>163,778</b>	<b>163,813</b>	<b>164,021</b>	<b>163,710</b>	<b>1,979,652</b>
Revenues Billed	\$156,917	\$165,774	\$167,103	\$169,752	\$169,983	\$163,485	\$166,367	\$164,949	\$163,778	\$163,813	\$164,021	\$163,710	\$1,979,652
E-911 Uncollected	\$4,052	(\$753)	(\$3,094)	\$1,138	(\$927)	(\$520)	(\$3,306)	(\$132)	(\$3,182)	(\$2,401)	(\$1,069)	\$443	(\$9,751)
Adjustments	\$0	\$0	\$0	\$0	\$0	\$30	\$0	\$0	\$0	\$1	\$0	\$0	\$31
<b>Net Revenues</b>	<b>\$160,969</b>	<b>\$165,021</b>	<b>\$164,009</b>	<b>\$170,890</b>	<b>\$169,056</b>	<b>\$162,995</b>	<b>\$163,061</b>	<b>\$164,817</b>	<b>\$160,596</b>	<b>\$161,413</b>	<b>\$162,952</b>	<b>\$164,153</b>	<b>\$1,969,932</b>
<b>Funds Flow:</b>													
Opening Fund Balances	\$84,592	\$108,850	\$150,526	\$162,108	\$146,743	\$157,438	\$210,760	\$136,984	\$154,535	\$205,190	\$221,700	\$153,802	\$84,592
Cash Receipts	\$160,969	\$165,021	\$164,009	\$170,890	\$169,056	\$162,995	\$163,061	\$164,817	\$160,596	\$161,413	\$162,952	\$164,153	\$1,969,932
Subtotal	\$245,561	\$273,871	\$314,535	\$332,998	\$315,799	\$320,433	\$373,821	\$301,801	\$315,131	\$366,603	\$384,652	\$317,955	\$2,054,524
Transfers to DOA	(\$124,660)	(\$111,294)	(\$140,376)	(\$152,677)	(\$146,310)	(\$97,622)	(\$224,786)	(\$135,215)	(\$97,890)	(\$132,852)	(\$209,650)	(\$95,482)	(\$1,668,814)
Costs Transferred to PUC	\$0	\$0	\$0	(\$23,133)	\$0	\$0	\$0	\$0	\$0	\$0	(\$9,149)	\$0	(\$32,282)
Retained by Agents	(\$12,051)	(\$12,051)	(\$12,051)	(\$10,445)	(\$12,051)	(\$12,051)	(\$12,051)	(\$12,051)	(\$12,051)	(\$12,051)	(\$12,051)	(\$12,051)	(\$143,006)
<b>Closing Fund Balances</b>	<b>\$108,850</b>	<b>\$150,526</b>	<b>\$162,108</b>	<b>\$146,743</b>	<b>\$157,438</b>	<b>\$210,760</b>	<b>\$136,984</b>	<b>\$154,535</b>	<b>\$205,190</b>	<b>\$221,700</b>	<b>\$153,802</b>	<b>\$210,422</b>	<b>\$210,422</b>
E911 Uncollected	\$274	\$753	\$3,094	\$284	\$927	\$520	\$3,306	\$241	\$3,182	\$2,401	\$1,069	\$257	\$16,308

**APPENDIX B - FISCAL YEAR 2012 SUMMARY OF COLLECTION AGENT REMITTANCE REPORTS**

PUBLIC UTILITIES COMMISSION													
Docket 12-05 E-911													
Summary of Collection Agent Remittance Reports													
Fiscal Year Ended September 30, 2012													
	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	TOTAL
	2011	2011	2011	2012	2012	2012	2012	2012	2012	2012	2012	2012	
Postpaid Lines	128,420	129,333	130,743	132,220	132,659	132,319	132,743	132,776	133,460	133,772	134,319	134,976	1,587,740
Prepaid Lines	40,621	39,644	42,188	43,092	42,004	41,602	41,243	40,355	39,933	40,154	40,060	40,267	491,163
<b>Total Lines</b>	<b>169,041</b>	<b>168,977</b>	<b>172,931</b>	<b>175,312</b>	<b>174,663</b>	<b>173,921</b>	<b>173,986</b>	<b>173,131</b>	<b>173,393</b>	<b>173,926</b>	<b>174,379</b>	<b>175,243</b>	<b>2,078,903</b>
Exempt Lines	(10,253)	(10,335)	(10,173)	(10,131)	(10,377)	(10,185)	(10,126)	(9,730)	(10,121)	(10,199)	(10,105)	(10,184)	(121,919)
Net Lines	158,788	158,642	162,758	165,181	164,286	163,736	163,860	163,401	163,272	163,727	164,274	165,059	1,956,984
Reconciliation Items	3,368	3,169	3,474	3,614	3,220	3,123	2,928	2,981	3,567	3,443	3,546	3,790	40,223
<b>Billed Lines</b>	<b>162,156</b>	<b>161,811</b>	<b>166,232</b>	<b>168,795</b>	<b>167,506</b>	<b>166,859</b>	<b>166,788</b>	<b>166,382</b>	<b>166,839</b>	<b>167,170</b>	<b>167,820</b>	<b>168,849</b>	<b>1,997,207</b>
Revenues Billed	\$162,156	\$161,811	\$166,232	\$168,795	\$167,506	\$166,859	\$166,788	\$166,382	\$166,839	\$167,170	\$167,820	\$168,849	\$1,997,207
E-911 Uncollected	(\$2,966)	(\$1,040)	(\$2,134)	\$461	(\$1,015)	\$802	(\$1,084)	\$464	(\$2,176)	(\$1,202)	(\$344)	(\$143)	(\$10,377)
Adjustments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Net Revenues</b>	<b>\$159,190</b>	<b>\$160,771</b>	<b>\$164,098</b>	<b>\$169,256</b>	<b>\$166,491</b>	<b>\$167,661</b>	<b>\$165,704</b>	<b>\$166,846</b>	<b>\$164,663</b>	<b>\$165,968</b>	<b>\$167,476</b>	<b>\$168,706</b>	<b>\$1,986,830</b>
<b>Funds Flow:</b>													
Opening Fund Balances	\$210,422	\$137,373	\$152,879	\$170,793	\$147,771	\$160,082	\$176,667	\$186,871	\$163,164	\$219,835	\$188,673	\$163,162	\$210,422
Cash Receipts	\$159,190	\$160,771	\$164,098	\$169,256	\$166,491	\$167,661	\$165,704	\$166,846	\$164,663	\$165,968	\$167,476	\$168,706	\$1,986,830
<b>Subtotal</b>	<b>\$369,612</b>	<b>\$298,144</b>	<b>\$316,977</b>	<b>\$340,049</b>	<b>\$314,262</b>	<b>\$327,743</b>	<b>\$342,371</b>	<b>\$353,717</b>	<b>\$327,828</b>	<b>\$385,803</b>	<b>\$356,149</b>	<b>\$331,868</b>	<b>\$2,197,252</b>
Transfers to DOA	(\$220,188)	(\$133,214)	(\$134,133)	(\$180,227)	(\$142,129)	(\$139,026)	(\$137,256)	(\$178,502)	(\$95,942)	(\$185,079)	(\$180,936)	(\$135,378)	(\$1,862,010)
Costs Transferred to PUC	\$0	\$0	\$0	\$0	\$0	\$0	(\$6,192)	\$0	\$0	\$0	\$0	(\$354)	(\$6,546)
Retained by Agents	(\$12,051)	(\$12,051)	(\$12,051)	(\$12,051)	(\$12,051)	(\$12,051)	(\$12,051)	(\$12,051)	(\$12,051)	(\$12,051)	(\$12,051)	(\$12,051)	(\$144,612)
<b>Closing Fund Balances</b>	<b>\$137,373</b>	<b>\$152,879</b>	<b>\$170,793</b>	<b>\$147,771</b>	<b>\$160,082</b>	<b>\$176,667</b>	<b>\$186,871</b>	<b>\$163,164</b>	<b>\$219,835</b>	<b>\$188,673</b>	<b>\$163,162</b>	<b>\$184,085</b>	<b>\$184,085</b>
E911 Uncollected	\$2,966	\$1,040	\$2,134	\$226	\$1,015	\$235	\$1,084	\$240	\$2,176	\$1,202	\$344	\$143	\$12,805

## APPENDIX C – E911 FISCAL 2011 SURCHARGE SUMMARY REPORT

GEORGETOWN CONSULTING GROUP, INC.  
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Edward R. Margerison  
Jean Dorrell

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~~

Fred Horecky, Esq.  
December 1, 2011

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.

<sup>1</sup> 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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Fred Horecky, Esq.  
December 1, 2011

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 costs<sup>2</sup> 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.<sup>3</sup>

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

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<sup>2</sup> 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.

<sup>3</sup> 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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Fred Horecky, Esq.  
December 1, 2011

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	est
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	

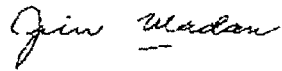
The principal reason for the decline in Fiscal 2010 was that Docomo did not transfer any funds to DOA after May, 2010. The company said that it had been sending \$10-12 thousand dollars each month in excess of the amount it reported as billed surcharge revenues starting May, 2008 and ending May, 2010. 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.

Fred Horecky, Esq.  
December 1, 2011

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