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2017 MAR -3 PM 4:11

March 3, 2017

Honorable Benjamin J.F. Cruz
Speaker, 34th Guam Legislature
155 Hesler Place
Hagåtña, Guam 96910

Re: Report of the Guam Public Utilities Commission for FY2016 detailing the receipts, collections and amounts of the Enhanced 911 Emergency System Surcharges

Dear Speaker Cruz:

On behalf of the Guam Public Utilities Commission, it is my pleasure to submit to you the FY2016 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'lahen 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

Frederick J. Horecky
Legal Counsel
Guam Public Utilities Commission

Enclosure

Speaker Benjamin J.F. Cruz
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0259

THE GUAM PUBLIC UTILITIES COMMISSION

E-911 Fiscal 2016 Surcharge Summary	)	**GTA Docket 17-01**

E-911 Fiscal 2016 Surcharge Summary

For The Guam Public Utilities Commission
GTA Docket 17-01

February 27, 2017

Slater, Nakamura & Co, LLC

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1.0 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 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.

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.

In P.L. 32-096, the twenty-five line maximum billing per month per account was deleted from the statute, meaning that all lines, including VOIP, could be assessed the surcharge.

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. Postpaid accounts are cell phone service accounts that are billed to customers on a monthly basis. Prepaid accounts are those for which

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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.

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

- Docomo Pacific
- I-Connect
- Pacific Data Systems
- PTI Pacifica d/b/a IT&E
- Teleguam Holdings
- Teleguam Holdings f/k/a Pulse Mobile

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

- Teleguam Holdings
- Docomo Pacific (former Guam Telecom)

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- Pacific Data Systems

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

- Docomo Pacific
- I-Connect
- PTI Pacifica d/b/a IT&E
- Teleguam Holdings f/k/a 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, and the Collection Agent Reports filed with the PUC by the individual Collection Agents.

CONFIDENTIALITY

In order to protect the confidential proprietary business data of the Collection Agents we are only reporting summary data in our report.

PROCEDURES

We received and reviewed the quarterly Collection Agent reports relative to the 2016 fiscal year that were filed with the PUC by the Collection Agents.

The data contained in the individual FY 2016 quarterly Collection Agent reports was entered into spreadsheets for analysis. On a quarterly basis we reviewed the report submissions from the Collection Agents. Any questions regarding the submissions were sent to the Collection Agents and resolved through dialog.

4.0 FY 2016 ANALYSIS

This Analysis Section presents the review and analysis of the FY 2016 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 2016 E-911 surcharges included:

- All FY 2016 numbers and amounts with the comparable numbers or amounts from our FY 2012, FY 2013, FY 2014, and FY 2015 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 2016 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 funds.
  - 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 2016 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 2016 individual Collection Agent reports that we received, 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 1: Fiscal Years 2012 through 2016 Total Line Elements

Fiscal Year	Postpaid Lines	Prepaid Lines	Exempt Lines	Reconciliation Items	Net Billed Lines
2012	1,587,740	491,163	(121,919)	40,223	1,997,207
2013	1,684,504	467,868	(137,772)	34,971	2,049,570
2014	1,768,861	494,127	(60,321)	13,271	2,215,938
2015	1,850,803	497,083	(20,325)	1,418	2,328,979
2016	1,712,120	503,870	(28,671)	0	2,187,319

Fiscal Year 2016 Comparative Postpaid Lines

Postpaid lines are subscribed landline and cell phone access lines that are billed by the service providers on a monthly basis. Total postpaid lines for FY 2016 was 1,712,120 lines compared with 1,850,803 in FY2015. Total Postpaid lines for FY 2016 were 7.49% lower than during FY 2015.

Fiscal Year 2016 Comparative Prepaid Lines

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

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
- Teleguam Holdings f/k/a 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."

The total for all prepaid accounts for FY 2016 was 503,870 accounts compared with 497,083 for FY2015.

Fiscal Year 2016 Comparative Exempt Lines

The E-911 Act specifies that life-line customers and telecommunication services which are incapable of accessing 911 are exempted from paying the E-911 Surcharge.

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 purposes of calculating net billed lines.

Fiscal Year 2016 Comparative Reconciliation Items

There were no reconciliation items in FY 2016.

Fiscal Year 2016 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.

FY 2016 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

Figure 2: Fiscal Year 2012 through 2016 Revenue Elements

Fiscal Year	Revenues Billed	E-911 Uncollected	Adjustments	Net Revenues
2012	$1,997,207	($10,377)	$0	$1,986,830
2013	$2,049,570	($7,192)	$0	$2,042,378
2014	$2,215,938	($20,935)	($3)	$2,195,001
2015	$2,328,979	$0	$0	$2,328,979
2016	$2,187,319	($21,631)	$0	$2,165,688

Fiscal Year 2016 Revenues Billed

Net Revenues are derived by multiplying the total Net Billed Lines to the E-911 Surcharge rate of $1 per billable line.

Fiscal Year 2016 E-911 Uncollected Surcharges

Total uncollected surcharges for FY2016 were $21,631. Total accumulated uncollected surcharges through September 30, 2016 were $107,875.

Fiscal Year 2016 Adjustments

In FY 2016 there were no net adjustments.

Fiscal Year 2016 Net Revenues

The FY 2016 net revenues figure represents the total revenues billed less uncollected surcharges incurred during the year. This figure will equal the Cash Receipts figure in the Fiscal 2016 Collection Agent Fund Balance Elements table in the following section. Total net revenues for fiscal year 2016 were $2,165,688. This was a decrease of $163,291, and a 7.01% decrease for fiscal year 2016 over fiscal year 2015.

FY 2016 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 annual balances for each of these elements.

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Figure 3: Fiscal Year 2012 through 2016 Collection Agent Fund Balance Elements

Fiscal Year	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
2012	$210,422	$1,986,830	($1,862,010)	($6,546)	($144,612)	$184,085
2013	$184,085	$2,042,378	($1,865,094)	($34,069)	($144,612)	$191,688
2014	$191,688	$2,195,001	($2,036,513)	($25,065)	($144,612)	$180,499
2015	$180,499	$2,328,979	($2,180,362)	$0	($144,612)	$184,504
2016	$184,504	$2,165,688	($2,097,735)	($3,238)	($142,122)	$107,098

Fiscal Year 2016 Opening Fund Balances

According to the FY 2016 Collection Agent reports filed with the PUC by the individual Collection Agents, the total Collection Agent Opening Fund Balances was $184,504. 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 2015 fiscal year and the first day of the 2016 fiscal year.

Fiscal Year 2016 Cash Receipts

The cash receipts element of the fund balance analysis represents the actual total cash collected by the Collection Agents during the fiscal year. During fiscal year 2016 the Collection Agents collected, in aggregate, $2,165,688 in E-911 Surcharges from their customers.

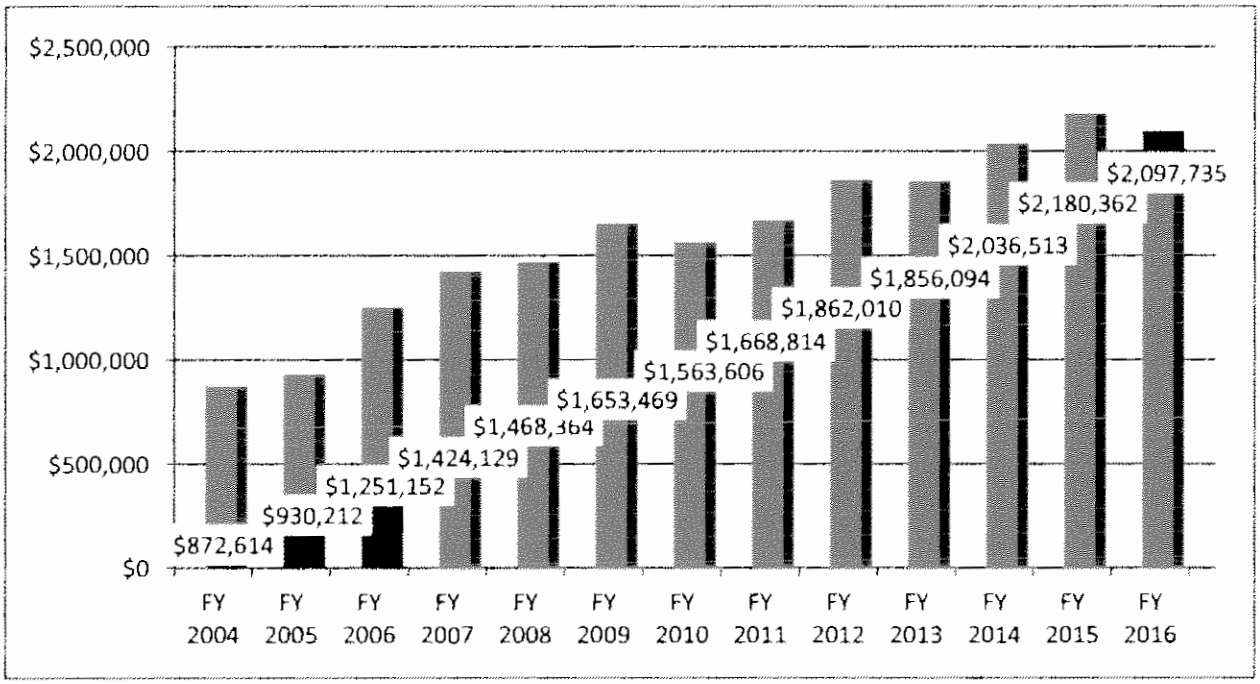
Fiscal Year 2016 Remittances Paid to the DOA

During FY 2016, there was a total of $2,097,735 in E-911 Surcharges reported by the Collection Agents as being remitted to the DOA.

The remittances paid to DOA are shown in Figure 3 as negative numbers because they are deducted from the opening fund balances and cash receipts for the purposes of calculating closing fund balances.

The following graph presents visually the annual remittances from FY 2004 through FY 2016.

Figure 4: Graph of Fiscal 2004 through 2016 E-911 Fund Remittance Trend



Fiscal Year 2016 Costs Paid on Behalf of the PUC

During Fiscal Year 2016 the PUC incurred $3,238 of expenses related to the regulation of and reporting on telecom matters. A historical 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 45 days of receipt.

Fiscal Year 2016 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 surcharges. Total Administrative costs withheld by the Collection Agents from their remittances during FY2016 were $142,122.

Fiscal Year 2016 Closing Fund Balances

- According to the FY 2016 Collection Agent reports filed with the PUC by the individual Collection Agents, the total Collection Agent Closing Fund Balances was $107,098. 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 2016 fiscal year.

Doc. No. 34GL-17-0259.

APPENDIX A – FISCAL YEAR 2016 SUMMARY OF COLLECTION AGENT REMITTANCE REPORTS

PUBLIC UTILITIES COMMISSION
Docket 15-01 E-911
Summary of Collection Agent Remittance Reports
Fiscal Year Ended September 30, 2016

	OCT 2015	NOV 2015	DEC 2015	JAN 2016	FEB 2016	MAR 2016	APR 2016	MAY 2016	JUN 2016	JUL 2016	AUG 2016	SEP 2016
	136,873	138,277	136,903	129,677	137,801	138,810	138,919	142,206	153,827	150,440	154,189	154,19
	42,775	42,473	40,776	42,588	43,627	41,887	41,943	42,957	40,912	40,050	40,641	43,24
	179,648	180,750	177,679	172,265	181,428	180,697	180,862	185,163	194,739	190,490	194,830	197,44
	(1,791)	(1,638)	(1,598)	(2,044)	(954)	(12,752)	(833)	(1,742)	(1,066)	(1,984)	(936)	(1,33
	177,857	179,112	176,081	170,221	180,474	167,945	180,029	183,421	193,673	188,506	193,894	196,10
ems	0	0	0	0	0	0	0	0	0	0	0	
	177,857	**179,112**	**176,081**	**170,221**	**180,474**	**167,945**	**180,029**	**183,421**	**193,673**	**188,506**	**193,894**	**196,10**
	$177,857	$179,112	$176,081	$170,221	$180,474	$167,945	$180,029	$183,421	$193,673	$188,506	$193,894	$196,10
d	($3,310)	($5,063)	($4,659)	$8,637	($5,309)	($4,053)	($3,578)	($3,584)	($1,682)	$1,540	($883)	$31
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$
	$174,547	**$174,049**	**$171,422**	**$178,858**	**$175,165**	**$163,892**	**$176,451**	**$179,837**	**$191,991**	**$190,046**	**$193,011**	**$196,42**
lances	$184,504	$186,184	$164,600	$200,056	$131,010	$108,308	$95,818	$159,245	$32,715	$110,568	$95,684	$25,66
	$174,547	$174,049	$171,422	$178,858	$175,165	$163,892	$176,451	$179,837	$191,991	$190,046	$193,011	$196,42
	$359,051	$360,233	$336,022	$378,914	$306,175	$272,200	$272,269	$339,082	$224,706	$300,614	$288,695	$222,08
	($160,816)	($183,582)	($123,915)	($235,853)	($185,816)	($164,331)	($100,973)	($294,316)	($102,087)	($189,904)	($251,961)	($104,18
d to PUC	$0	$0	$0	$0	$0	$0	$0	$0	$0	($2,975)	($263)	$
nts	($12,051)	($12,051)	($12,051)	($12,051)	($12,051)	($12,051)	($12,051)	($12,051)	($12,051)	($12,051)	($10,806)	($10,80
ances	**$186,184**	**$164,600**	**$200,056**	**$131,010**	**$108,308**	**$95,818**	**$159,245**	**$32,715**	**$110,568**	**$95,684**	**$25,666**	**$107,09**
	$3,310	$5,063	$4,659	($8,637)	$5,309	$4,053	$3,578	$3,584	$1,682	($1,540)	$883	($31
le	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$

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