

1 Michael L. Ernest (F0317)
2 Legal Counsel
3 Commonwealth Utilities Corporation
4 Third Floor, Joeten Dandan Bldg.
5 P. O. Box 501220
6 Saipan, MP 96950
7 Telephone: (670) 664-4282
8 Facsimile: (670) 235-5131
9 Email: michael.ernest@cucgov.org

10 Bao-Ngan ("Tina") V. Ngo (T0177)
11 Assistant Attorney General
12 Office of the Attorney General
13 Hon. Juan A. Sablan Memorial Bldg., 2nd Floor
14 Caller Box 10007, Capitol Hill
15 Saipan, MP 96950-8907
16 Telephone: (670) 237-7500
17 Email: tina_ngo@cnmioag.org

18 *Attorneys for Commonwealth Utilities Corporation*

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IN THE PUBLIC UTILITIES COMMISSION
OF THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

PETITION OF THE COMMONWEALTH
UTILITIES CORPORATION:

FOR ELECTRIC, WATER, AND WASTE-
WATER RATE RELIEF AND RELATED
MATTERS

DOCKET NO. 25-__

APPLICATION FOR RATE RELIEF

Filing Date: October 31, 2025

CUC's Application for Rate Relief

Petitioner Commonwealth Utilities Corporation ("CUC"), a publicly owned corporation within the Commonwealth of the Northern Mariana Islands ("CNMI"), through its undersigned attorneys, hereby petitions the Commonwealth Public Utilities Commission ("CPUC" or "Commission") to approve and order changes in its electric, water, and wastewater base rates, fees, and charges, and for approval of certain procedures and practices.

1 CUC files this application for rate relief pursuant to Rule 19 of the Commission's Rules
2 of Practice and Procedure. This Application is based on this instant Application; the testimony,
3 exhibits, and schedules filed contemporaneously herewith; the testimony, exhibits, and schedules
4 to be filed at any hearing in this matter ordered by the Commission; and all other matters
5 (including matters of which judicial notice may lawfully be taken) that the Commission deems
6 appropriate.

7 SUMMARY

8 CUC seeks a change in electric, water, and wastewater rates, and an increase in certain
9 fees and charges. Generally, CUC seeks approval to implement a **five-year rate plan** which
10 would gradually increase its rates on an annual basis so that by 2030 its electric, water and
11 wastewater rates will recover the full cost of service. The following is a summary of the changes
12 in rates and charges that CUC seeks (other rate changes are more fully described in the
13 appendices and schedules filed herewith):

14 **POWER:**

- 15 • Increase Residential, Commercial, Government, Streetlights, and Municipal Pumping
16 volumetric charges per kWh.
- 17 • Increase Residential, Commercial, Government, Streetlights, and Municipal Pumping
18 Monthly Customer Charges.

19 **WATER:**

- 20 • Increase Residential, Commercial, and Government volumetric rate per 1,000 gallons.
- 21 • Increase Multi-Family volumetric rate per 1,000 gallons.
- 22 • Eliminate the Water Electric Charge (WEC) per 1,000 gallons.
- 23 • Gradually reduce the government volumetric rate per 1,000 gallons over a five-year
24 period so that it becomes equivalent to the commercial volumetric rate per 1,000 gallons.
- 25 • Increase Unmetered Residential, Commercial, and Government monthly charges.

26 **WASTE WATER:**

- 27 • Increase Residential and Commercial Minimum Charges.

- Increase Residential and Commercial Consumption volumetric rate per 1,000 gallons.
- Gradually reduce the government volumetric rate per 1,000 gallons over a five-year period so that it becomes equivalent to the commercial volumetric rate per 1,000 gallons.

TESTIMONY AND EXHIBITS

The material and relevant facts are presented through the expert testimony and exhibits accompanying this Application and hereby filed with the Commission, including the following witnesses and their exhibits:

CUC Exhibit 1 – Testimony of Economists.com - Dan V. Jackson and Robert E. Young

- **Appendix A – Resumes**
- **Appendix B – CUC’s 2025 Rate Study**
- **Appendix C – EPA Conditional Approval of CUC Rate Plan**

CUC Exhibit 2 – Testimony of Kevin O. Watson

- **Appendix KOW - A – Resume**

CUC Exhibit 3 – Testimony of Betty Terlaje

- **Appendix BT - A – Resume of Betty Terlaje**
- **Appendix BT - B – Historical Income Statements FY2021 – FY 2024**
- **Appendix BT - C – Historical Revenues with ratios FY2021 – FY 2024**
- **Appendix BT - D – Historical Balance Sheets FY2021 – FY – 2024**
- **Appendix BT - E – August 2025 CHCC Receivables Balance with payback period based on size of monthly payment**

CUC Exhibit 4 – Testimony of Rodolfo Steven Rodriguez

- **Appendix RSR - A – Resume of Rodolfo Steven Rodriguez**
- **Appendix RSR - B – Water and Wastewater Project Priority List**

CUC Exhibit 5 – Testimony of Richard Cano

CUC Exhibit 6 – Testimony of Yvonne Ogumoro

CUC Exhibit 7 – Testimony of Lee Leito and Jonathan Camacho

CUC respectfully reserves the right to supplement the above with further witnesses, testimony, and exhibits at the public hearing on this matter as ordered by the Commission or upon request of the Commission.

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1 **I. The Commonwealth Utilities Corporation**

- 2 1. The Commonwealth Utilities Corporation (“CUC”) is a public corporation established by
- 3 statute. *See* 4 CMC § 8121(a).
- 4 2. CUC’s corporate offices are located at 3rd Floor, Joeten Dandan Building, P.O. Box
- 5 501220, Saipan, MP 96950.
- 6 3. CUC is the Commonwealth of the Northern Mariana Islands (“CNMI”) government’s
- 7 wholly owned and combined electric, water, and wastewater utility company.
- 8 4. CUC has all of the powers conferred by law on a public corporation, “and all powers
- 9 reasonably incidental to that purpose.” 4 CMC § 8123. CUC may take such action as it
- 10 deems necessary and proper to operate the corporation, further its purposes, administer its
- 11 services, and perform its duties. *Id.*
- 12 5. CUC is governed by a board of directors. 4 CMC § 8131. The board of directors has
- 13 meetings as required by law. *Id.*
- 14 6. CUC is presently managed by a team consisting of: Kevin O. Watson, MPA, Executive
- 15 Director; Rodolfo “Steven” Rodriquez, Acting Deputy Director for Water and
- 16 Wastewater; Alvin A. King, Resident Manager for Rota; Evelyn B. Manglona, Resident
- 17 Manager for Tinian; and Betty G. Terlaje, Chief Financial Officer.
- 18 7. CUC is required by law to provide electric, water, and sewage service in the
- 19 Commonwealth. *See* 4 CMC § 8122(a).
- 20 8. CUC is legally obligated to recover the full cost of the services it provides by charging
- 21 adequate rates. *See* 4 CMC § 8411(c); see also 4 CMC § 8411(f)(1) (rates must at all
- 22 times “be sufficient to enable each entity to meet its financial obligations, operating
- 23 expenses, debt service, [and] capital improvement needs.”).
- 24 9. CUC transacts roughly \$110 million per year of utility business, approximately 84% of
- 25 which is electric, and, of that amount, approximately 65% represents the purchase of fuel
- 26 and lube oil used to generate electricity.
- 27 10. CUC’s current rates for power, water, and wastewater services are not sufficient to cover
- 28

- 1 the cost of service, nor will they be sufficient in the reasonably near future.
- 2
- 3 11. Although the fuel adjustment charge ("FAC") can change if the Mean of Platts Singapore
- 4 ("MOPS") price of diesel changes by greater than or less than 4.5%, the majority of other
- 5 rates charged by CUC have not increased since 2014.
- 6
- 7 12. Presently, CUC is experiencing severe negative net cash flow. Without a rate adjustment,
- 8 CUC's electric utility is forecast to recover approximately \$16.7 million less than its cost
- 9 of service, and CUC's water utility is forecast to recover approximately \$11.6 million
- 10 less than its cost of service. Without immediate adjustment to its current rates, these
- 11 losses are forecast to increase in future years, and CUC will experience severe difficulty
- 12 funding and maintaining its operations.
- 13
- 14 13. CUC seeks rate relief from the Commission to ensure that the proper rates are established
- 15 such that CUC may adequately cover the full cost of services.

16 **II. Commission Power and Authority Regarding This Application**

- 17 14. The Commonwealth Public Utilities Commission ("CPUC" or "Commission") has the
- 18 power and authority to regulate and set rates charged by "public utilities" and "regulated
- 19 entities," including CUC. *See* 4 CMC §§ 8402(f)-(g); *see generally* Public Utilities
- 20 Commission Act, Public Laws 15-35 and 15-40, as amended, 4 CMC §§ 8401-84.
- 21
- 22 15. The Commission has "regulatory oversight supervision" over CUC and other regulated
- 23 entities. 4 CMC § 8411.
- 24
- 25 16. The Commission "shall" regulate, investigate, establish, and modify all rates, fares, fees,
- 26 and charges for all CNMI regulated entities. 4 CMC § 8411(a)-(c).
- 27
- 28 17. In addition, the Commission "shall" regulate all other matters pertaining to utility
- operation. 4 CMC § 8411(a).
18. The Commission "shall" ensure that all rates charged by CUC are, "at all times,"
- financially sufficient such that said rates allow CUC to "meet its financial obligations,
- operating expenses, debt service, [and] capital improvement needs." 4 CMC
- § 8411(f)(1).

- 1 19. The Commission shall “modify from time to time, reasonable rates and charges for
2 services, which when all rates for respective blocks of usage are considered together,
3 *shall be at least adequate to cover the full cost of such service. . .*” 4 CMC § 8411(c)
4 (emphasis added).
5 20. Further, the Commission “shall increase rates or charges from time to time as may be
6 necessary pursuant to any contractual obligations.” *Id.*

7
8 **III. CUC’s Intended Actions to Raise Rates, Fees, and Charges**

- 9 21. CUC seeks to “establish, abandon, modify, depart from, or change any rate, charge, tariff,
10 or assessment” for its customers (hereinafter referred to as a “rate change,” as defined in
11 CPUC’s Rules of Practice and Procedure (“RPP”) at 1(h)).
12 22. CUC has found, and anticipates, that its current rates are and will be insufficient to
13 provide the cash for its operations and other obligations.
14 23. It is vitally important to the continuing operational success of CUC that its rates
15 accurately reflect the total cost of providing services. Thus, favorable consideration of
16 this Application by the Commission is of paramount importance.
17 24. CUC specifically alleges that the rates currently approved by the Commission and
18 charged by CUC are not “at least adequate to cover the full cost of such service” and
19 therefore must legally be increased per CNMI law. *See* 4 CMC § 8411(c), (f)(1).
20 25. Additionally, federal consent decrees regarding the mandated improvement of CUC’s
21 water and wastewater facilities and operations, and the elimination of pollution and
22 potential pollution from CUC’s oil handling and oil waste, require rates which are
23 sufficient to fund these tasks. *See USA v. CUC and CNMI*, CV-08-0051 (Stipulated
24 Orders One and Two, entered March 11, 2009).
25 26. Present Commission-mandated electric, water, and wastewater rates are insufficient to
26 support CUC’s present circumstances. CUC urgently requires changes in rates to support
27 its efficient and lawful operations.
28

1 **IV. Background Facts and Circumstances**

2 27. The last time the Commission changed the rates for CUC was in 2014.

3 28. Since then, prices have risen dramatically.

4 29. For example, since 2014, the United States Consumer Price Index (CPI) has increased by
5 approximately 29.28%. This means that goods that cost \$100 in 2014 presently cost
6 approximately \$129.28.

7 30. Further, specific to the CNMI, since 2018 the CNMI has survived two devastating
8 typhoons. In addition to the devastation suffered by the people of the CNMI, each
9 typhoon caused severe damage to CUC's infrastructure.

10 31. Stocks of power poles and other equipment require replenishing, and reserves must be
11 increased so CUC can adequately respond to future storms.

12 32. It is axiomatic that each day CUC's assets are used for the provision of power, water, and
13 wastewater services, they become one day older and consequently one day closer to the
14 end of their useful life. This means that CUC must have sufficient funding to replace
15 these assets at an appropriate time.

16 33. In fact, most of CUC's engines in Saipan are beyond their economic life.

17 34. CUC's current rates are presently recovering approximately \$28.3 million less than its
18 calculated cost of service.

19 35. CUC's cash situation is untenable, given the losses CUC is currently experiencing.

20 36. CUC's operations are presently being subsidized by grants from the United States federal
21 government. Without these grants, CUC's infrastructure would be severely diminished
22 and its ability to provide an acceptable level of service would be hindered. There is no
23 guarantee that federal grants will continue in future years.

24 37. CUC requires an increase in rates to fully recover the cost of the integral services it
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provides to the people, businesses, and government agencies of the Commonwealth, including to the Commonwealth's sole hospital.

V. CPUC Has Broad Regulatory Power to Order the Requested Changes and CNMI Law Specifically Requires That the Rates Be Sufficient to Cover the Cost of Service.

38. The Commission has broad power and jurisdiction to regulate CUC. *See* Public Utilities Commission Act, Public Laws 15-35 and 15-40, as amended, 4 CMC §§ 8401-84.

39. CUC, by statute, by federal court order, and by agreement, must function without an external subsidy. *See* 4 CMC § 8411(c) and *infra*.

40. CNMI statutes require CUC to cover its costs through its rates:

a. The Commission "shall" . . .

Establish and modify from time to time, reasonable rates and charges for services, which when all rates for respective blocks of usage are considered together, ***shall be at least adequate to cover the full cost of such service*** or subject to any contractual agreements of each entity to the holders of any bonds and shall increase rates or charges from time to time as may be necessary pursuant to any contractual obligations. 4 CMC § 8411(c) (emphasis added).

b. The Commission "shall" . . . ***"Ensure that rates will, at all times . . . Be sufficient to enable each entity to meet its financial obligations, operating expenses, debt service, capital improvement needs[.]"*** 4 CMC § 8411(f)(1) (emphasis added).

c. The Commission "shall" review rates to ensure that they are "just and reasonable." 4 CMC § 8426(a).

d. "'Just and reasonable' means that rate, charge or assessment cost which enables a public utility . . . an opportunity to finance its capital improvement needs, cover all its operating and debt expenses, and earn a reasonable rate of return[.]" 4 CMC § 8402(d).

e. The Commission may not permit a firm with divisions which are regulated and non-regulated to subsidize the non-regulated business with the revenues of a regulated affiliate:

No entity may use current revenue earned or expenses incurred in

1 conjunction with services subject to regulation under this Chapter to
2 subsidize services that are not regulated or are not tariffed. Expenses
3 incurred in conjunction with services that are not regulated or that are not
4 tariffed under this Chapter may not be attributed to services that are
5 subject to regulation for any reason. The Commission may not subsidize
6 the price of any entity's service, including wholesale prices or the prices
of elements, by reducing the prices to reflect an allocation or credit of
revenue from the operations of an affiliated company of the entity. 4 CMC
§ 8443(e).

7 f. The Commission, however, is given flexibility in determining how to set rates:

8 The Commission may utilize methods, analytical techniques and procedures for
9 determining rates, rents, and charges that are different from those mentioned in
10 this subsection, including forbearance of rate regulation and detariffing, provided
11 it demonstrates in authentic form that the chosen method will satisfy the criteria
established in this subsection for the rate structure in a more effective way than
the methods mentioned herein. 4 CMC § 8443(d).

12 41. The Commission's legal ability to fix "just and reasonable rates" after a hearing rests on
13 its determining that the rate is not: (1) in violation of any provisions of the Act, (2)
14 incompatible with the Act's purposes, or (3) unreasonable. Additionally, the rate shall
15 not: (4) offer improper advantages or preferences to said regulated entity, or (5) otherwise
16 endanger the stability of the provision of the entity's services to the Commonwealth. 4
17 CMC § 8446(a).

18 42. The Commission is bound by the statutory requirement that: "All rates, charges,
19 assessments, and costs made or charged by any public utility shall be just and reasonable
20 *and in conformance with public law.*" 4 CMC § 8451 (emphasis added).

21 43. The above citations make clear that the Commission must fix rates which are "at least
22 adequate to cover the full cost of such service," and not doing so would be in violation of
23 CNMI law.

24 VI. Facts Supporting This Petition

25 44. The 2025 Consolidated Rate Study and Long-Term Financial Plan, prepared by
26 Economists.com (Dan V. Jackson and Robert E. Young), supports a five-year phased rate
27 implementation plan for CUC's power, water, and wastewater utilities.

28 45. This filing represents the first base-rate adjustment since 2014 and is designed to restore

- 1 financial sufficiency under the Commission's established authority in 4 CMC §§ 8401-
2 8451.
- 3 46. The study follows the Cash Basis of Ratemaking method used in prior CPUC filings—
4 covering operations, maintenance, capital outlays, and debt service, net of non-rate
5 revenues. Depreciation is excluded as a non-cash item, and the Fuel Adjustment Charge
6 (FAC) is held constant at \$0.2111/kWh, with fuel costs recovered separately. Full
7 electronic models and the complete rate study are included in the confidential filing titled
8 *2025 Privileged Submission*.
- 9 47. The major findings confirm severe and continuing financial distress. For the test year
10 2026, the power utility's cost of service is projected at \$109.4 million, with a net revenue
11 requirement of approximately \$101.2 million after \$8.2 million in non-rate revenues.
- 12 48. Absent rate relief, the power revenue shortfall is estimated at \$16.7 million in FY2026,
13 increasing to \$23.5 million by 2035.
- 14 49. The five-year capital plan totals \$64.2 million for new generation on Saipan, Tinian, and
15 Rota, financed through a \$62 million, 30-year debt issue at 3% interest.
- 16 50. The study uses modest customer-growth projections—0.7% per year for power and 0.1–
17 0.2% for water and wastewater—and highlights flat demand, rising delinquency, and
18 persistent dependence on rental generation (Aggreko).
- 19 51. The plan anticipates further rooftop-solar adoption, continued efforts to reduce non-
20 revenue water through metering improvements, and measured increases in installation
21 fees and tampering penalties.
- 22 52. The proposed rate plan affirms CUC's policy objective of achieving cost-based, subsidy-
23 free operations that provide adequate revenue to meet ongoing operations, capital
24 replacement, and debt-service obligations.
- 25 53. The proposed rate plan strengthens collection discipline and establishes a transparent,
26 performance-based framework for CUC to meet both regulatory and federal compliance
27 benchmarks while stabilizing service for all ratepayers.
- 28

- 1 54. The proposed rate plan has been conditionally approved by the U.S. Environmental
2 Protection Agency as satisfying *Stipulated Order SO1* requirements for a sustainable
3 financial plan. See Appendix C to CUC Exhibit 1 (“EPA encourages CUC to move
4 forward quickly to adopt the proposed Rate Plan. . . . Upon implementation of the
5 proposed Rate Structure, EPA anticipates full approval of CUC’s submission for the
6 Final Financial Plan (Paragraph 65 [of SO1]); the Interim Financial Plan (Paragraph 48
7 [of SO1]); and the Financial Reserves (Paragraph 49 [of SO1]).”).
- 8 55. To address chronic accounts receivable problems with government customers, CUC is
9 transitioning all government accounts from postpaid to prepaid meters. This will ensure
10 payment in advance for service.
- 11 56. CUC believes that the installation of these meters will significantly improve cash flow
12 and reduce the inherent risk of carrying these receivables.
- 13 57. CUC’s Water Division is taking aggressive action to reduce its non-revenue water from
14 65% as reported in the most recent PWWA Benchmarking Study to 20% by FY 2034.
15 These steps are already producing results, as CUC staff has reported that the most recent
16 results show non-revenue water at 55%.
- 17 58. CUC’s proposed rate plan implements over a five-year period a reduction of the
18 government water and wastewater rate so that it becomes equivalent to commercial rates.
- 19 59. CUC’s proposed rate plan eliminates the Water Electric Charge (WEC) and the
20 Wastewater Electric Charge (WWEC). It should be noted that the WWEC was never
21 implemented by the CPUC.
- 22 60. The law and the facts require that CUC’s rates be increased immediately.
- 23 61. CUC’s rate plan is appropriate, measured, and necessary.
- 24 62. CUC’s rate plan is fair, just, and reasonable, and is in accordance with national and
25 international ratemaking standards.

26 **VII. Informational Matters**

- 27 63. CUC acknowledges that this present Application is not in conformity with the
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Commission's Rules of Practice and Procedure, specifically Rule 21 "Filing Schedules Instruction." CUC is filing contemporaneously herewith a Motion seeking a waiver of Rule 21. Should that motion not be granted, CUC will seek approval to file schedules that conform to Rule 21.

VII. Conclusion and Request for Relief

64. The law and the facts support and mandate rates that, on a total company basis, are fair, just, and reasonable to CUC and its owners, the citizens of the CNMI as well as CUC's customers. The law and the facts require that CUC's electric, water, and wastewater rates and charges be increased.

65. For the above-stated reasons, CUC requests that the Commission:

- i. Assign a docket number (25-__) and enter it accordingly;
- ii. Accept parties to the docket;
- iii. Grant the Rule 21 waiver motion filed contemporaneously herewith;
- iv. Set a schedule for public notice to be given of this petition and this docket, with a hearing date within the dates of January 5 and May 31, 2026.
- v. Consider the parties' legal and factual arguments;
- vi. Hold hearings and/or take written evidence and/or comments on these matters;
- vii. Admit into evidence all the attached testimony and exhibits, which have been emailed to the Commission. A hard copy for each Commission Member will be provided at a date acceptable to the Commission. A copy will be available for public inspection at CUC's main business office.
- viii. Admit into evidence the testimony and/or exhibits which will be filed under seal at a time acceptable to the Commission;
- ix. Set increased rates, fees and charges as requested that will provide CUC with a reasonable opportunity to meet the requirements of its current operations and other obligations, as more fully set out in the accompanying testimony and exhibits.
- x. Award to CUC such further relief as the facts and the law merit.

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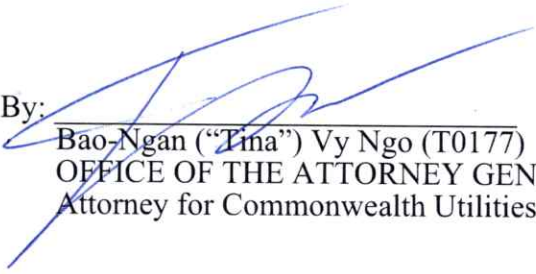
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1 Dated: October 31, 2025

Respectfully submitted,

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4 By: 
5 Michael L. Ernest (F0317)
6 Attorney for Commonwealth Utilities Corporation /
Special Assist. Attorney General

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8
9 By: 
10 Bao-Ngan ("Tina") Vy Ngo (T0177)
11 OFFICE OF THE ATTORNEY GENERAL
12 Attorney for Commonwealth Utilities Corporation
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