

Section I – Introduction and Summary of Rate Proposal

Q. What is the purpose of this prefiled testimony?

A. The purpose is to provide our analysis of and recommendations for the adoption of a comprehensive new 5-year power, water and wastewater base and volumetric rate implementation plan for customers of Commonwealth Utilities Corporation (“CUC”). We will also be recommending adoption of revised water installation fees and tampering penalties. If the Commonwealth Public Utilities Commission (“CPUC”) chooses to adopt our recommendations, in part or in full, this would represent the first increase in CUC’s base rates since 2014.

CUC has engaged Economists.com LLC to prepare prefiled testimony supporting its request. Economists.com has served as CUC’s rate consultants since 2005, and we have assisted CUC in numerous rate applications before the CPUC.

This testimony is presented jointly by Dan V. Jackson, Managing Director of Economists.com, and Robert E. Young, Managing Director of Economists.com. Mr. Jackson also serves as Vice President of Willdan Financial Services, a national consulting firm and subsidiary of Willdan Group, Inc.

Therefore the use of “I”, “we”, “us” and “our” refers to both of our firm, and us and not to CUC, unless stated otherwise specifically.

Q. How have you structured this testimony?

A. We have divided this testimony into the following sections:

Section I – Introduction – includes background on our qualifications, our general experience with CUC, and our completion of the comprehensive rate study that forms the basis for this testimony.

Section II – Power, Water and Wastewater Cost of Service – presents a summary of the volumes, customers and cost of service from Economists.com’s 2025 Consolidated Power, Water and Wastewater Rate Study and Long-Term Financial Plan. The overall cost of service as well as the cost of service for each utility is presented.

Section III – Rate Recommendations – presents comprehensive rate plan recommendations for the power, water and wastewater utilities. Also presents recommendations for a water installation fee and tampering penalties.

Q. How is this testimony consistent with CUC’s prior rate applications?

A. We have attempted to make this submission as consistent as possible with prior submissions before the CPUC. This should not only ease the ability of the CPUC to review CUC’s submission but also minimize the regulatory expense that must be funded by the CNMI’s ratepayers. We consider this application to be consistent with prior submissions for the following reasons:

- 1) We are using the same Excel-based rate and volumetric models from our prior cases, so that all parties should be familiar with their design, inputs and outputs. While some nominal design modifications have been applied, these modifications ease the ability to analyze both the structure and logic of the models, which remain remarkably consistent with prior cases.
- 2) The volume models are based on CUC’s Attachment C, which has been used for years as the standard for customer, volume and revenue data submission to the CPUC.
- 3) CUC’s budgets and account codes, cost categories, classifications, financial statements, financial policies and other financial data are largely unchanged in format from prior years.
- 4) CUC’s workpapers as submitted with this rate application are structured in a manner very similar to those presented in prior applications.

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2 5) CUC has used the same professionals, from Economists.com, to prepare its testimony and
3 exhibits. Given the magnitude of testimony and data submitted by Economists.com over
4 the years, the CPUC should be very familiar with both the format and style of
5 Economists.com's work product.
6

7 In summary, the data, format and overall appearance of this testimony is not materially
8 different from any of CUC's other submissions.
9

10 Q. Please provide some background on your general experience.

11 A. Mr. Dan V. Jackson has over 40 years' experience as an international financial consultant.
12 He has completed over 400 utility rate and cost of service studies and long-term financial
13 plans for 200 cities across the USA during his career. He has also completed cost of service
14 and rate (tariff) studies for American Samoa Power Authority and the sovereign nations of
15 Samoa, Kiribati, Fiji, Palau, Tuvalu, and the Cook Islands. He has given over 300 public
16 presentations on rate and long-term financial plans for governing boards, city councils and
17 ratepayers throughout the USA. He has also served as an expert witness in state court,
18 federal court and before several public utility commissions. He has given dozens of lectures
19 and presentations before professional associations on utility rate issues.
20

21 Mr. Robert E. Young has extensive experience in economic, regulatory and financial and
22 information technology consulting for the utility industry. He advises several Pacific Island
23 Electric utilities on diesel and solar generation, integrated resource planning, cost of service
24 and rate design, and fuel adjustment clause design. He served recently as Staff of the
25 Guam Public Utility Commission on water and wastewater regulation. He also serves as
26 contract Staff for the Oregon Public Utility Commission. Mr. Young serves on the Advisory
27 Board of Digital Iron Network, a startup that plans to build a global network of Nvidia DGX-
28 H100 supercomputers. Mr. Young has provided expert testimony on cost allocation and rate
29 design before the Oregon Public Utility Commission, the Washington Utilities and
30 Transportation Commission (WUTC), Guam Public Utilities Commission, Commonwealth

1 Public Utilities Commission of the US Commonwealth of the Northern Marianas Islands, the
2 Bonneville Power Administration (BPA), and the U.S. Department of Commerce.

3
4 Our professional resumes are presented in Appendix A of this prefiled testimony.
5

6 Q. Please summarize your experience with CUC.

7 A. Economists.com has had the privilege of serving as CUC's rate and financial consultants for
8 over 20 years. We were originally engaged by CUC in February 2005 to prepare a
9 comprehensive electric, water and wastewater rate study. Since then we have prepared
10 dozens of studies and analyses at CUC's direction. Our projects are summarized in Table
11 ECON-1. It shows that in addition to assistance in eight separate rate-related dockets before
12 the CPUC, we have also prepared over 35 separate and distinct analyses, reports and
13 reviews over the past twenty years. Additionally, certain engagements, such as
14 LEAC/MFAC/WEC, encompass over 50 separate filings. We have served seven Executive
15 Directors and six CNMI governors. Mr. Young and Mr. Jackson have each traveled to the
16 CNMI over 30 times and are extensively familiar with the population and economic conditions
17 of the community.
18
19

Table ECON-1

ECONOMISTS.COM CUC ANALYSIS AND PROJECTS			
Year	Reports and Analysis	Year	CPUC Representation
2005	Rate Study and Long-Term Financial Plan	2010	CPUC Water Rate Application Docket 10-01
2007	Economic Impact Analysis	2011	CPUC Expedited Water Rate Application Docket 10-01
2007	Rate Study Update	2012	CPUC Electric Rate Application Docket 12-01
2008	Rate Study Update	2013	CPUC Rate Application Docket 13-01
2009	Unmetered Wastewater Impact Analysis	2014	CPUC Regulatory Fee Analysis
2010	CPUC Electric Rate Application	2015	CPUC PL 16-7 Reconciliation
2010	Billing System Replacement -- Evaluation of Proposals	2015	CPUC Rate Application Docket 15-01; 15-02; 15-03
2010	USDA Bond Financing Analysis	2016	CPUC Incentive Rate Application Docket 13-01
2011	Tinian Fuel Alternatives Analysis	2016	CPUC Rat Application Docket 1601
2011	Telesource Contract Analysis	2016	CPUC Rate Application Docket 1603
2011	MFAC Analysis	2016	CPUC Incentive Rate Progress Reports
2012	Proposed Agricultural Ratee Analysis	2010-2016	LEAC Filings
2012	PPA Analysis	2011-2012	MFAC Filings
2012	Analysis of Impact of Phasing Out Government Rate	2012-2015	Water Electric Charge Calculations
2013	Pipeline Financial Impact Analysis		
2014	Analysis of CHC/Govt. Payment'		
2014	Fuel RFP -- Review of Proposals		
2014	Rota Cost of Service Analysis		
2014	CUC Financial Health Analysis		
2015	Assistance with CHCC -- CUC ICA Development		
2015	Net Metering Analysis		
2015	CPUC Rate Application Docket 1501-02-03		
2016	Typhoon Soudelor Impact Analysis		
2016	CUC Financial Plan Development		
2016	Water Loss and Unaccounted for Water Analysis		
2016	Line Loss Analysis		
2016	Water Rate Study Update		
2017	Strategic Plan Analysis		
2017	CUC Policies/Procedures Manual		
2018	PP1 Replacement Financial Analysis		
2021	Cost of Service Study		
2022	CHC Rate Impact Analysis		
2022	Tinian Telesource Impact Analysis		
2025	Impact of Solar on FAC		
2025	Rate Study and Long-Term Financial Plan		

Section II – Power, Water and Wastewater Cost of Service

Q. What is the purpose of this section of your testimony?

A. The purpose of this section is to provide a summary of the accounts, volumes and cost of service for CUC as a whole, and individually for the power, water and wastewater utilities. This testimony will present our analysis mostly in summary form. The detailed analysis is provided in the *Consolidated Power, Water and Wastewater Rate Study and Long-Term Financial Plan*, completed by Economists.com in May 2025. Rather than add dozens of pages to this testimony re-writing the report and analysis, we will present summary tables and reference the relevant sections of the report where these tables are developed.

Q. Please provide background on the development of the rate study.

1 A. In November 2024 CUC executed Task Order #1 under Contract CUC-ED-23-C005 for
2 Economists.com to prepare a comprehensive Power, Water and Wastewater Rate Study.
3 The purpose of the study was to provide CUC management with an analysis of the cost of
4 providing each utility service, both in the current year ("test year") and a forecast for the next
5 ten years.

6
7 The analysis was to be primarily based on adapting and updating the project team's
8 internationally-recognized rate forecast model, which had been used for much of the
9 previous analysis over the past twenty years. The model applies the ratemaking
10 methodology known as the Cash Basis in order to develop a proactive test year cost of
11 service and rate recommendations. This methodology is used by thousands of utilities across
12 the USA and is the preferred methodology for publicly-owned utilities like CUC. In fact, every
13 rate application CUC has submitted to the CPUC has used the Cash Basis to calculate the
14 test year cost of service and rates. Please also note that the term "Cash Basis" does not
15 refer to cash vs. accrual accounting; it simply means expenses items that are noncash (i.e.
16 depreciation) are excluded from consideration.

17
18 The concept of the Cash Basis is fairly straightforward, in that it simply calculates how much
19 cash is required to operate the utility in the test year. For this reason, Depreciation is not
20 included in the Cash Basis cost of service since it is a non-cash item. However, items such
21 as capital outlays and debt principal, which are not expenses under financial accounting
22 standards, are cash obligations and are therefore included in the Cash Basis. The sum of
23 these two items is often equivalent to depreciation. In other words, use of depreciation in a
24 historical financial portrait and exclusion of depreciation in prospective cash-basis
25 ratemaking is not a sign of error or inconsistency; by contrast it is the reasonable and
26 appropriate application of two separate and distinct but universally accepted methodologies
27 that are used for entirely different purposes.

28
29 The Economists.com project team spent several weeks on site in the CNMI, in January,
30 February and May 2025 gathering data, conducting the analysis and updating the rate
31 model. The team prepared its initial findings in April 2025, and briefed both senior

1 management and the Board of Directors on the report's results. Both staff and the Board
2 offered feedback that the project team incorporated into a revised and final version of the
3 report in May 2025.

4
5 The report presented two power and three water and wastewater rate plan alternative
6 scenarios. Each rate plan was designed to achieve a different set of objectives. The project
7 team reviewed all scenarios with the Board at its June 23 2025 meeting, and the Board
8 chose the scenario it considered to be in the best interests of CUC and its ratepayers.

9
10 A copy of the rate study in PDF format is presented as Appendix B.

11
12 Further, we note that the EPA reviewed and provided conditional approval for the May 2025
13 Rate Study. A copy of their approval letter is contained as Appendix C to this testimony.

14
15
16 Q. Have you also provided an electronic version of your rate model for CPUC staff to use
17 to evaluate the reasonableness of CUC's rate application?

18 A. Yes. Electronic versions of our rate model and summary report are contained separately in
19 the workpapers accompanying this filing. Specifically, we have prepared a folder entitled
20 "2025 Privileged Submission" which contains both the relevant workpapers for the rate study
21 and the electronic models used in the development of the study. These models represent the
22 intellectual property of Economists.com and we request that they not be shared with parties
23 outside of these proceedings.

24
25 Please note that in the rate study we provided a total of three models, to represent each of
26 the three rate plan scenarios evaluated. The models are labelled as follows:

27
28 Scenario I – 5 Year Implementation – this model is labelled *2025 05 09 CUC Combined*
29 *Utilities RM – Scen I 5 Year*

Scenario II – 1 Year Implementation – this model is labelled *2025 05 09 CUC Combined Utilities RM – Scen II 1 Year*

Scenario III – 5 Year Implementation with Government Phase Out – this model is labelled *2025 05 09 CUC Combined Utilities RM – Scen III 5 Year No Govt*

As will be discussed later in this testimony, the Board ultimately adopted Scenario III, which means that all schedules and rate plans outlined in this testimony are contained in the Scenario III rate model identified above.

Finally, to provide a proper basis for the CPUC's evaluation of CUC's rate proposal, we have taken the Scenario III rate model from the rate study and renamed it as follows:

2025 09 12 CUC Combined Utilities RM – Scen III 5 Year No Govt

This model is also contained in the 2025 Privileged Submission folder, and it represents the model on which all analysis and recommendations in this testimony is provided. It is an exact duplicate of the model entitled *2025 05 09 CUC Combined Utilities RM – Scen III 5 Year No Govt*, and all schedules in this testimony are identical to those as presented in the rate study.

Q. What documentation did you base your analysis and rate model development on?

A. CUC staff provided us with an extensive list of documents and data which we used in the development of the rate study. This included, but was not limited to, operations budgets, financial statements, "Attachment C" customer and volume reports, US census bureau statistics, CIP and Master Plans, etc. A list of documents used for the power rate analysis is presented in page 25 of the rate study, and for the water and wastewater rate analysis is presented on pp. 58-59.

All of the rate study's relevant workpapers have been provided as part of this rate application, and are contained in the 2025 Privileged folder.

1 Q. Have you updated any of the data from the rate study?

2 A. No. The rate study was finalized in May 2025, approximately 4 months prior to the
3 submission of this testimony and rate application. Therefor the data for the most part
4 remains current and usable for the purpose of setting CUC's long-term rate plan.
5

6 However, CUC staff provided an update to the Attachment C report with customer, volume
7 and revenue data through September 2025. We evaluated this data and concluded that it
8 remains consistent with the data in the rate study, and therefore no update of the study or
9 the rate model was necessary. However, we did update our volume models to contain this
10 new data. Therefore in the rate study files presented with this submission, we present in the
11 CUC Data both the volume models that were used in the rate study, and the updated volume
12 models. We are willing to discuss with CPUC staff whether they would like to see any
13 revisions based on this data.
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1 Power Cost of Service

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3 Q. Which section of the rate study analyzes CUC's Power utility cost of service?

4 A. CUC's power cost of service is analyzed extensively in Section II of the rate study, pp. 24-56.

5 Again, for the sake of brevity, we will not repeat or restate the analysis in this testimony. The

6 analysis is presented in great detail in the study, and the rate model provides background for

7 all calculations. We will present the salient points from our analysis on the following pages.

8

9 Q. Will you be addressing CUC's generation and capacity challenges and its net metering

10 policies in this testimony?

11 A. No. This testimony and analysis is focused on CUC's base and volume rates only.

12 However, the challenges CUC is facing from its limited available capacity, and its inability to

13 expand due to certain customers' unwillingness to pay their bills, is an important issue that

14 should be considered by the CPUC. CUC's lack of available capital due to non-payment of

15 customer bills has both reduced the reliability of its system and increased its overall costs by

16 compelling CUC to lease temporary replacement generators from Aggreko. This issue is

17 addressed on pp.30-31 of the rate study.

18

19 Q. How do CUC's FAC revenues factor into this analysis?

20 A. This filing is limited to CUC's base and volume rates only. It does not address the

21 calculation of, or reconciliation of, the Fuel Adjustment Charge (FAC). Therefore, this

22 analysis assumes that FAC revenues cover all fuel-related costs, and that the base and

23 volume rates do not fund any fuel costs.

24

25 The model is set so that the FAC rate remains frozen at \$0.2111 per kWh for each year. We

26 acknowledge that this assumption is unlikely to occur. In reality, as fuel costs increase or

27 decrease, the FAC is assumed to be adjusted accordingly. Our analysis and model as

28 presented in this rate study and testimony are based on the key assumption that the base

29 and volume rates are set to recover all non-fuel related costs.

30

1 The rate model presented in the workpapers accompanying this submission outlines the FAC
2 calculations in detail.

3
4 Q. Please describe CUC's power customer classes.

5 A. As described on p. 34 of the rate study, CUC maintains the following separate and distinct
6 customer classes:

7 Residential
8 Residential Prepaid
9 Commercial
10 Government
11 Streetlights
12 Municipal Pumping
13

14 Q. How are you estimating customer classes and volumes for the purpose of this rate
15 application?

16 A. As indicated earlier, we are using the data from the 2025 Rate Study. The schedules we
17 present in this testimony will mirror the schedules in the report. However, we note that the
18 rate study was completed in May 2025, and since then CUC staff have produced a new and
19 updated version of the Attachment C, which forms the basis for the volume and customer
20 totals. In our workpapers we present updated volume models and data through August
21 2025. We do not believe at this time that the updated volume data materially changes either
22 the analysis or the rate recommendations. However, should CPUC staff or commissioners
23 desire updated analysis, we will engage in discussions with the intent to be as
24 accommodating as possible.

25
26 Table Econ-2 presents historical and forecast electric customers by customer class (rate
27 study Table II-8). The average annual rate of growth of electric accounts over the forecast
28 ten-year period FY 2026 – FY 2035 is 0.7%. CUC is forecast to remain a low-growth utility in
29 the next decade. This is a reproduction of Table II-8 from the rate study.

TABLE Econ-2

COMMONWEALTH UTILITIES CORPORATION							
Test Year							
2026							
2025 09 12 Scenario III -- 5 Year Implementation; Phase Out Govt Rate							
FORECAST TOTAL CUSTOMERS							
POWER Customer Classes							
Fiscal Year	Residential	Residential Prepaid	Commercial	Government	Streetlights	CUC Municipal Pumping	Total
POWER Total Customers							
2012	10,796	257	2,719	718	3	189	14,682
2013	10,709	251	2,657	711	15	194	14,538
2014	10,893	262	2,670	723	38	193	14,779
2015	10,529	844	2,698	688	35	189	14,983
2016	10,281	865	2,773	688	31	179	14,818
2017	11,057	905	3,120	695	30	193	15,998
2018	11,260	918	3,274	716	33	187	16,388
2019	10,300	844	3,095	639	29	178	15,085
2020	10,908	1,082	3,249	668	26	184	16,116
2021	11,006	1,317	3,113	703	44	184	16,367
2022	11,508	1,262	3,233	743	37	182	16,964
2023	11,465	1,563	3,306	757	17	175	17,283
2024	11,132	1,920	3,381	741	12	181	17,367
2026	11,182	1,945	3,391	741	12	181	17,452
2027	11,232	1,970	3,401	741	12	181	17,537
2028	11,282	1,995	3,411	741	12	181	17,622
2029	11,332	2,020	3,421	741	12	181	17,707
2030	11,382	2,045	3,431	741	12	181	17,792
2031	11,432	2,070	3,441	741	12	181	17,877
2032	11,482	2,095	3,451	741	12	181	17,962
2033	11,532	2,120	3,461	741	12	181	18,047
2034	11,582	2,145	3,471	741	12	181	18,132
2035	11,632	2,170	3,481	741	12	181	18,217

Q. What about forecast electric consumption?

A. According to historical data provided by CUC and summarized in the rate study (p. 36), the average residential electric customer uses approximately 583 kWh per month. Residential prepaid customers use 752 kWh per month, and small commercial customers use 2,966 kWh on average per month, though commercial usage tends to vary much more significantly.

Table Econ-3 presents historical and forecast sales and usage in kWh by customer class for the period FY 2012 through FY 2035 (rate study Table II-11). As outlined in the rate study, the following is notable about this table:

- Total historical usage for all customer classes has increased approximately 2.0% over the historical period, from 212,194,925 kWh in FY 2012 to 268,869,403 kWh in FY 2024

- Future usage for all customers is forecast to nominally decline between FY 2026 and FY 2035. The primary reason for the forecast decline is the limited account growth and the reductions in CUC usage due to solar installation by commercial and PSS customers.

It should be noted that kWh consumption has varied significantly over the past fifteen years, a reflection of the economic upswings and downturns experienced by the CNMI over the past two decades.

TABLE Econ-3

COMMONWEALTH UTILITIES CORPORATION							
Test Year							
2026							
2025 09 12 Scenario III -- 5 Year Implementation; Phase Out Govt Rate							
FORECAST TOTAL USAGE							
Electric Customer Classes Usage							
Fiscal Year	Residential	Residential Prepaid	Commercial	Government	Streetlights	CUC Municipal Pumping	Total
ELECTRIC Total Usage							
2012	56,010,263	1,307,261	108,685,288	27,349,950	4,114,034	14,728,129	212,194,925
2013	52,793,318	1,236,658	105,670,784	28,247,291	4,836,282	16,037,880	208,822,213
2014	50,275,761	1,321,340	98,338,033	23,802,796	4,503,850	13,799,172	192,040,953
2015	51,026,381	5,854,265	103,854,382	27,224,242	4,416,611	13,875,497	206,251,378
2016	56,856,440	6,711,602	116,452,099	33,174,758	4,759,776	12,506,120	230,460,795
2017	71,307,441	7,401,607	136,342,773	35,232,654	4,544,159	13,594,775	268,423,408
2018	75,037,844	7,287,374	145,461,101	37,005,986	1,832,152	13,059,451	279,683,908
2019	62,697,477	7,151,445	127,169,447	30,875,829	2,266,531	11,601,490	241,762,219
2020	75,786,116	10,815,791	121,698,671	30,663,782	2,162,088	12,908,070	254,034,518
2021	83,926,250	13,971,170	106,492,547	34,926,739	2,710,944	13,156,109	255,183,759
2022	82,175,488	12,390,490	110,343,439	38,272,564	2,723,842	12,365,791	258,271,614
2023	77,748,500	14,329,757	115,374,027	40,395,973	2,684,836	11,440,746	261,973,838
2024	77,886,814	17,311,933	120,354,077	37,091,611	3,539,689	12,685,279	268,869,403
2026	77,798,658	17,537,408	113,006,628	36,443,984	3,539,689	12,685,279	261,011,645
2027	77,272,501	17,762,882	113,362,600	34,501,104	3,539,689	12,355,069	258,793,845
2028	76,746,345	17,988,357	113,718,572	34,501,104	3,539,689	12,046,192	258,540,258
2029	76,220,188	18,213,831	114,074,543	34,501,104	3,539,689	11,711,576	258,260,931
2030	75,694,032	18,439,306	114,430,515	34,501,104	3,539,689	11,345,589	257,950,234
2031	75,167,875	18,664,780	114,786,487	34,501,104	3,539,689	10,940,389	257,600,324
2032	74,641,719	18,890,255	115,142,459	34,501,104	3,539,689	10,484,540	257,199,765
2033	74,115,562	19,115,729	115,498,431	34,501,104	3,539,689	9,960,313	256,730,827
2034	73,589,405	19,341,204	115,854,403	34,501,104	3,539,689	9,960,313	256,786,117
2035	73,063,249	19,566,678	116,210,374	34,501,104	3,539,689	9,960,313	256,841,407

Q. Now let's turn our attention to the Power revenue requirement. How did you calculate the revenue requirement?

A. These calculations are presented in detail in pp. 39-48 of the rate study. However, we will present selected summary charts on the following pages.

Remember, the calculation of a revenue requirement differs from a utility's budget in that it represents only that amount that must be raised through the utility's user rates. This means that non-rate revenue (such as connection fees, pole attachment fees and interest) must be subtracted from the budgeted operating and capital expenditures to determine the net revenue requirement to be raised from rates.

Also, as we indicated in the introduction, we developed all of CUC's rates using the cash basis of ratemaking. Under the cash basis, electric system revenue requirements consist of cash expenditures and other financial commitments (such as debt service and coverage) that must be met through system operating revenues and other revenue sources. The following specific items are included in CUC's revenue requirement raised from rates:

O&M Expenses

Capital Outlays

Debt Service

As indicated earlier, depreciation is eliminated from the calculation of the revenue requirement because it is not a cash expense.

Table Econ-4 presents the test year 2026 power cost of service, both as a whole and functionalized into generation, transmission/distribution, administration and customer billing costs (rate study Table II-16). Again, details behind these calculations are presented in the electronic rate model provided in the workpapers and the rate study pp. 39-48.

Table Econ-5 presents the ten-year forecast of the power cost of service (rate study Table II-17).

TABLE Econ-4

COMMONWEALTH UTILITIES CORPORATION					
Test Year					
2026					
2025 09 12 Scenario III -- 5 Year Implementation; Phase Out Govt Rate					
ELECTRIC Net Revenue Requirement					
2025 09 12 Scenario III -- 5 Year Implementation; Phase Out Govt Rate	Net Budget	Generation	Transmission/ Distribution	Admin	Customer Billing
Operating & Maintenance					
PF -- Production Fuel	\$ 55,123,049	\$ 55,123,049	\$ -	\$ -	\$ -
P -- Personnel	16,872,604	6,838,638	3,811,896	5,599,863	622,207
GA -- General and Administrative	5,297,356	743,800	1,036,200	3,165,621	351,736
S -- Supplies	739,679	327,600	149,500	236,321	26,258
M -- Maintenance	20,049,495	15,928,000	4,035,481	77,413	8,601
OP -- Other Production	4,504,129	4,500,000	500	3,266	363
Total Operating & Maintenance	102,586,312	83,461,087	9,033,577	9,082,483	1,009,165
Total Non-Operating	4,122,867	2,029,870	90,336	539,404	1,463,257
Debt Service	-	-	-	-	-
Capital Outlays	2,705,000	767,500	1,937,500	-	-
Total Cost of Service	109,414,180	86,258,457	11,061,413	9,621,888	2,472,422
Less Non-Rate Revenues	8,179,350	6,448,325	826,905	719,292	184,828
Net Electric Revenue Requirement	101,234,829	79,810,133	10,234,508	8,902,595	2,287,594

TABLE Econ-5

COMMONWEALTH UTILITIES CORPORATION						
Test Year						
2026						
2025 09 12 Scenario III -- 5 Year Implementation; Phase Out Govt Rate						
CURRENT AND FORECAST NET REVENUE REQUIREMENT						
Fiscal Year	Operating/ Cap Outlays	Debt Service	Non Operating	Total Cost of Service	Less Non-Rate Revenues	Net Revenue Requirement
ELECTRIC Revenue Requirement						
2026	\$ 105,291,312	\$ -	\$ 4,122,867	\$ 109,414,180	\$ 8,179,350	\$ 101,234,829
2027	105,525,382	3,163,194	4,173,998	112,862,574	4,872,046	107,990,527
2028	101,751,452	3,163,194	4,252,679	109,167,325	5,372,046	103,795,278
2029	101,780,281	3,163,194	4,333,569	109,277,044	5,372,046	103,904,997
2030	101,562,757	3,163,194	4,416,699	109,142,650	5,372,046	103,770,603
2031	97,700,714	3,163,194	4,502,087	105,365,996	4,472,046	100,893,950
2032	109,398,531	4,438,676	4,589,732	118,426,939	4,472,046	113,954,892
2033	109,647,928	4,438,676	4,679,590	118,766,194	4,472,046	114,294,148
2034	101,679,289	5,489,639	4,774,891	111,943,819	4,472,046	107,471,772
2035	107,780,164	5,521,167	4,873,062	118,174,393	4,472,046	113,702,347

1 Q. What primary assumptions did you utilize in developing this test year and forecast
2 cost of service?

3 A. Once again our assumptions are presented in detail in pp. 39-48 of the rate study. However,
4 to provide the reader with a perspective on the primary drivers of our cost of service forecast,
5 we will present below a summary of our principal assumptions.
6

7 Operating Costs

8 • The cost of service is based primarily on CUC's staff-requested FY 2026 budget. The
9 budget represents the staff's estimate of the expenses required to operate the power utility
10 in a reasonable and reliable manner and to meet service mandates.
11

12 • Personnel levels do not increase in the next decade.
13

14 • Most expenses increase by 3.0% annually, the inflation factor utilized in the forecast.
15

16 • Certain expenses, such as insurance and chemicals, increase at rates higher than inflation.
17

18 • The forecast includes Public Auditor Fees which are assumed to be approximately 1.0% of
19 gross revenues.
20

21 • Uncollectibles are presented as an offset to gross revenues rather than a line-item
22 expense. Based on data from the 2024 financial statements, the assumption of 6.4% of
23 gross revenues for uncollectibles is utilized.
24

25 • Non-rate revenues are used to offset the cost of service
26

27 Maintenance Costs

28 • One of the principal components of the power cost of service is maintenance costs. The
29 project team consulted extensively with CUC staff regarding this issue. CUC staff
30 produced the forecast of necessary and required maintenance costs for all three utilities
31 that is presented in the rate study Table II-18.

Capital Outlays and Replacement Reserve

- CUC staff provided the project team with its estimate of the annual capital outlays that will be required by CUC over the next decade. Those capital outlays for all three utilities are summarized in the rate study Table II-19.
- Because CUC's cost of service forecast includes a significant component for capital outlays, under the cash basis of ratemaking it would be considered "double-counting" to include both a reserve requirement and capital outlays in the calculation of the cost of service. Therefore for the purposes of this cost analysis, no reserve requirement is included.

Capital Improvement Plan and Debt Service

- There is no current debt service related to the power utility.
- CUC staff developed an estimate of CUC's capital improvement costs over the next decade. The forecast CIP projects identified by CUC staff is presented in Table Econ-6 (rate study Table II-20). As the table shows, CUC has identified \$64,200,000 in capital projects to be required over the next five years.
- For the purposes of this rate and financial forecast, the project team is assuming that CUC obtains long-term debt financing of \$62,000,000 in FY 2026 to fund these projects. This debt is assumed to have a 30-year term, an interest rate of 3.0%, and fixed principal and interest payments. The remainder of the CIP is assumed to be funded through a combination of interest income on unused bond funds and rate revenue.
- Beyond FY 2030, CUC staff has yet to identify specific additional CIP projects. However, given the age and the condition of the system, the project team is assuming that additional capital improvements of \$10,000,000 per year will be required. Therefore, the forecast assumes that between FY 2031 and FY 2035 CUC will issue an additional \$50,000,000 in long-term debt under the same terms as outlined above. This assumption is useful for long-

term planning purposes but does not directly impact the 5 year rate plan proposed in this testimony.

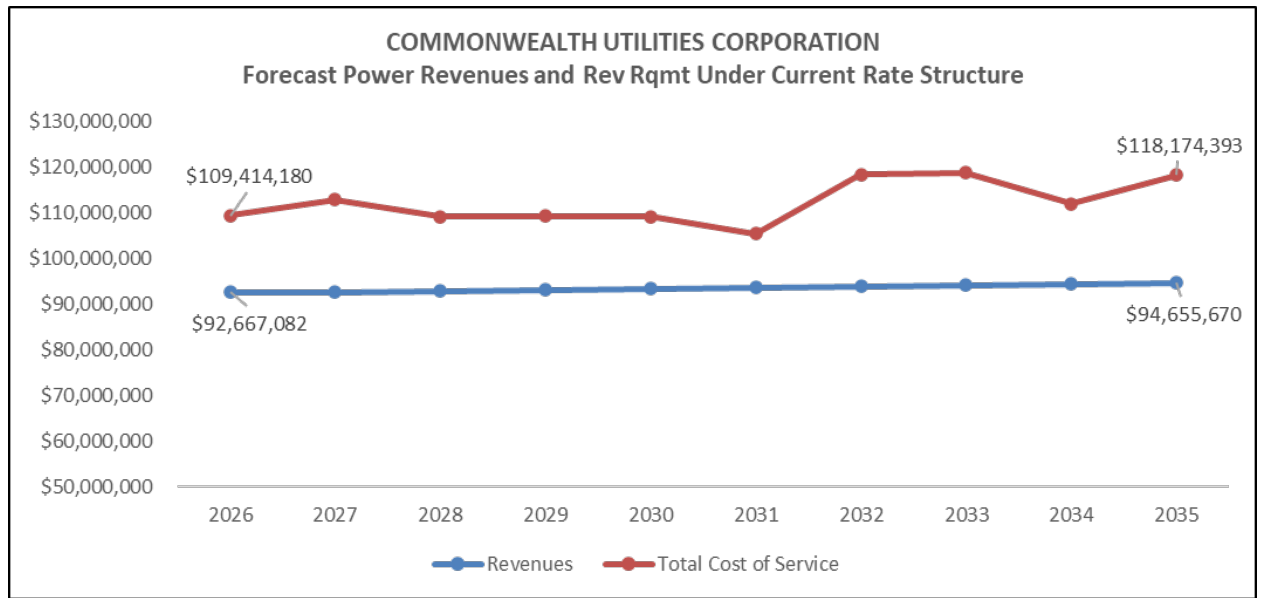
Table Econ-6

		COMMONWEALTH UTILITIES CORPORATION FORECAST POWER CAPITAL IMPROVEMENT PLAN					
Scenario:		2025 09 12 Scenario III -- 5 Year Implementation; Phase Out Govt Rate					
		Unfunded Capital Improvement Plan					
		Total	2026	2027	2028	2029	2030
Saipan	Fuel Line for Temporary Power	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -
Saipan	Two Units of 3 to 3.5 MW generators	26,500,000	4,500,000	4,500,000	4,725,000	4,961,250	-
Saipan	Two Units of 3 to 3.5 MW generators	-	-	-	-	4,961,250	5,209,313
Tinian	Roof and Building Renovation	3,000,000	3,000,000	-	-	-	-
Tinian	Two Units of 3 to 3.5 MW generators	18,000,000	4,500,000	4,500,000	4,725,000	4,725,000	-
Rota	2.5 MW Capacity Generator	5,500,000	2,500,000	-	-	-	-
Saipan	Construction Building/Maintenance	5,000,000	5,000,000	-	-	-	-
Saipan	Computer Systems and Equipment	5,200,000	5,200,000	-	-	-	-
Total		64,200,000	25,700,000	9,000,000	9,450,000	14,647,500	5,209,313

Q. Are Power revenues sufficient at present to cover the calculated cost of service, both in the test year and the 10-year forecast period?

A. No. Chart Econ-7 compares forecast revenues and total revenue requirement for the power utility assuming that there are no changes in CUC's rate structure. The chart reveals that under the current rate structure, in the test year 2026 CUC is forecast to recover approximately (\$16,747,097) less than its cost of service. By FY 2035 this deficit is forecast to increase to (\$23,518,723). Clearly it shows that CUC is in severe financial distress, and without a series of rate adjustments, CUC's current financial crisis will continue and deepen.

CHART Econ-7



Water and Wastewater Cost of Service

Q. Which section of the rate study analyzes CUC's water and wastewater utility cost of service?

A. CUC's power cost of service is analyzed extensively in Section III of the rate study, pp. 57-99. Again, for the sake of brevity, we will not repeat or restate the analysis in this testimony. The analysis is presented in great detail in the study, and the rate model identified as *2025 09 12 CUC Combined Utilities RM Scen III 5 Year No Govt* provides background for all calculations. We will present the salient points from our analysis on the following pages.

Q. Please describe CUC's water and wastewater customer classes.

A. As described on pp. 63-64 of the rate study, CUC has the following separate and distinct customer classes:

Residential
Multi-Family
Commercial
CUC
Government

PSS
CHC
CPA

Table Econ-8 presents historical and forecast water customers by customer class (rate study Table III-5), and Table Econ-9 presents historical and forecast wastewater customers by customer class (rate study Table III-6). As with the electric system, growth is expected to be nominal during this period. The average annual rate of growth of water and wastewater accounts during the ten year forecast period is only between 0.1% and 0.2% per year.

TABLE Econ-8

COMMONWEALTH UTILITIES CORPORATION									
Test Year									
2026									
2025 09 12 Scenario III -- 5 Year Implementation; Phase Out Govt Rate									
FORECAST TOTAL CUSTOMERS									
WATER Customer Classes									
Fiscal Year	Residential	Multi Family	Commercial	CUC	Government	PSS	CHC	CPA	Total
WATER Total Customers									
2010	8,941	451	1,389	19	78	79	36	37	11,031
2011	8,165	501	1,123	18	224	55	34	35	10,155
2012	7,692	597	1,012	13	207	57	14	10	9,601
2013	7,507	653	909	12	199	52	14	10	9,356
2014	7,461	585	894	13	206	53	14	10	9,236
2015	7,690	452	945	12	206	53	13	10	9,381
2016	8,786	244	1,437	12	116	49	11	12	10,667
2017	8,459	175	1,317	13	231	55	12	25	10,286
2018	8,293	136	1,194	14	227	56	12	37	9,968
2019	8,343	120	1,206	17	234	57	11	49	10,037
2020	8,439	42	1,181	18	234	56	11	61	10,040
2021	8,639	20	1,183	38	200	56	11	26	10,172
2022	8,881	6	1,242	75	171	56	11	12	10,454
2023	8,965	7	1,260	56	193	58	19	13	10,570
2024	8,948	6	1,282	49	194	58	18	11	10,566
2026	8,948	6	1,282	49	194	58	18	11	10,566
2027	8,953	6	1,283	49	194	58	18	11	10,572
2028	8,958	6	1,284	49	194	58	18	11	10,578
2029	8,963	6	1,285	49	194	58	18	11	10,584
2030	8,968	6	1,286	49	194	58	18	11	10,590
2031	8,973	6	1,287	49	194	58	18	11	10,596
2032	8,978	6	1,288	49	194	58	18	11	10,602
2033	8,983	6	1,289	49	194	58	18	11	10,608
2034	8,988	6	1,290	49	194	58	18	11	10,614
2035	8,993	6	1,291	49	194	58	18	11	10,620

TABLE Econ-9

COMMONWEALTH UTILITIES CORPORATION									
Test Year									
2026									
2025 09 12 Scenario III -- 5 Year Implementation; Phase Out Govt Rate									
FORECAST TOTAL CUSTOMERS									
WASTEWATER Customer Classes									
	Residential	Multi Family	Commercial	CUC	Government	PSS	CHC	CPA	Total
WASTEWATER Total Customers									
2010	2,151	221	944	4	41	24	-	-	3,385
2011	1,784	247	747	5	93	11	-	-	2,887
2012	1,572	288	611	1	87	23	9	1	2,591
2013	1,564	333	480	1	102	29	8	1	2,517
2014	1,591	300	500	1	105	30	7	1	2,536
2015	1,642	189	561	1	100	31	6	2	2,532
2016	1,751	143	729	1	90	27	5	5	2,752
2017	1,730	155	709	1	84	30	5	17	2,729
2018	1,690	167	690	2	103	29	3	29	2,711
2019	1,727	179	740	2	66	29	2	41	2,786
2020	1,710	191	702	2	62	31	2	53	2,751
2021	1,833	54	695	2	63	31	3	17	2,697
2022	1,965	6	741	2	65	31	4	2	2,816
2023	1,947	6	740	2	65	30	7	2	2,797
2024	1,930	6	748	2	58	32	15	2	2,793
2026	1,930	6	748	2	58	32	15	2	2,793
2027	1,935	6	749	2	58	32	15	2	2,799
2028	1,940	6	750	2	58	32	15	2	2,805
2029	1,945	6	751	2	58	32	15	2	2,811
2030	1,950	6	752	2	58	32	15	2	2,817
2031	1,955	6	753	2	58	32	15	2	2,823
2032	1,960	6	754	2	58	32	15	2	2,829
2033	1,965	6	755	2	58	32	15	2	2,835
2034	1,970	6	756	2	58	32	15	2	2,841
2035	1,975	6	757	2	58	32	15	2	2,847

Q. What about forecast water consumption and wastewater billing units?

A. According to historical data provided by CUC and summarized in the rate study (p. 66), the average residential water customer uses approximately 7,794 gallons per month. Commercial customers use 22,690 gallons on average per month, though commercial usage tends to vary much more significantly.

Table Econ-10 and Table Econ-11 present historical and forecast water consumption and wastewater billing units for the next decade. Details behind these calculations can be found in the rate study pp. 65-71. While the forecast is based on a combination of historical usage and assumed account growth over the next decade, it must also be noted that water consumption is forecast to increase significantly as a result of the reduction of lost water.

CUC is undertaking an aggressive lost water reduction effort at the present time. CUC staff believes that lost water levels are primarily due to under-registering meters, the replacement of which will result in additional billing units as well as additional revenues for both the water and the wastewater utility. PP. 80-81 of the rate study addresses non-revenue water assumptions and their impact on the forecast.

TABLE Econ-10

COMMONWEALTH UTILITIES CORPORATION									
Test Year									
2026									
2025 09 12 Scenario III -- 5 Year Implementation; Phase Out Govt Rate									
FORECAST BILLED CONSUMPTION									
WATER Customer Classes									
	Residential	Multi Family	Commercial	CUC	Government	PSS	CHC	CPA	Total
WATER Historical Volume									
2010	950,335,070	136,287,913	430,455,565	2,826,044	13,858,094	24,683,387	-	-	1,558,446,073
2011	906,083,589	179,191,379	327,711,743	3,689,985	51,592,980	18,250,669	-	-	1,486,520,345
2012	768,591,170	182,809,286	270,494,179	2,678,552	37,460,886	18,410,033	15,239,756	30,253,409	1,325,937,271
2013	745,607,121	175,093,491	240,375,531	1,841,707	35,954,722	22,142,554	19,288,220	16,304,169	1,256,607,515
2014	706,302,484	154,184,355	260,789,004	3,950,904	32,274,081	20,483,106	21,158,043	7,838,377	1,206,980,354
2015	679,896,439	107,524,040	277,863,066	1,120,201	24,869,465	24,243,593	22,810,681	10,674,049	1,149,001,534
2016	698,414,193	104,553,421	332,674,529	1,620,102	26,659,598	22,252,448	14,017,309	9,859,772	1,210,051,372
2017	764,261,940	117,888,418	391,902,954	3,324,501	42,292,723	32,840,743	14,948,248	9,859,772	1,377,319,299
2018	775,815,179	98,565,758	392,390,500	2,405,901	61,032,205	33,473,268	22,905,928	9,859,772	1,396,448,511
2019	780,145,738	92,416,287	393,639,001	7,474,780	78,806,268	19,036,626	19,858,462	9,859,772	1,401,236,934
2020	870,974,280	31,688,245	374,128,050	4,748,384	77,212,009	17,331,204	7,558,973	9,859,772	1,393,500,917
2021	857,424,727	3,570,406	350,145,672	7,260,446	64,667,242	15,793,992	16,533,326	3,114,871	1,318,510,682
2022	825,335,370	1,215,844	345,726,029	6,878,646	59,879,770	17,328,090	21,939,989	1,983,526	1,280,287,264
2023	818,595,186	1,175,700	344,098,716	3,716,357	90,920,042	23,160,113	27,694,143	2,862,600	1,312,222,858
2024	836,836,559	602,247	349,055,477	3,490,990	61,492,069	31,282,126	39,067,420	3,035,722	1,324,862,610
WATER Forecast Volume									
2026	836,836,559	1,175,700	349,055,477	3,716,357	61,492,069	31,282,126	39,067,420	3,035,722	1,325,661,431
2027	922,708,630	1,295,688	384,951,069	4,095,635	67,767,724	34,474,665	43,054,497	3,345,537	1,461,693,443
2028	990,120,312	1,389,625	413,160,061	4,392,569	72,680,884	36,974,078	46,175,948	3,588,088	1,568,481,565
2029	1,050,680,250	1,473,845	438,521,840	4,658,785	77,085,786	39,214,931	48,974,490	3,805,548	1,664,415,475
2030	1,103,253,154	1,546,770	460,560,798	4,889,298	80,899,926	41,155,253	51,397,707	3,993,843	1,747,696,749
2031	1,146,301,073	1,606,261	478,632,809	5,077,348	84,011,462	42,738,148	53,374,542	4,147,453	1,815,889,094
2032	1,177,644,316	1,649,286	491,825,229	5,213,348	86,261,769	43,882,919	54,804,218	4,258,545	1,865,539,629
2033	1,194,002,090	1,671,276	498,764,750	5,282,859	87,411,926	44,468,025	55,534,940	4,315,326	1,891,451,193
2034	1,194,666,680	1,671,276	499,151,690	5,282,859	87,411,926	44,468,025	55,534,940	4,315,326	1,892,502,722
2035	1,195,331,270	1,671,276	499,538,629	5,282,859	87,411,926	44,468,025	55,534,940	4,315,326	1,893,554,251

TABLE Econ-11

COMMONWEALTH UTILITIES CORPORATION									
Test Year									
2026									
2025 09 12 Scenario III -- 5 Year Implementation; Phase Out Govt Rate									
FORECAST WASTEWATER BILLING UNITS									
WASTEWATER Customer Classes									
	Residential	Multi Family	Commercial	CUC	Government	PSS	CHC	CPA	Total
WASTEWATER Historical Billing Units									
2010	224,252,390	72,732,586	450,024,117	249,960	8,734,701	5,525,833	-	-	761,519,587
2011	204,584,441	91,267,136	414,680,550	611,556	18,324,442	2,094,540	-	-	731,562,665
2012	170,198,212	114,039,288	482,658,587	283,348	21,575,797	8,110,994	5,799,995	22,529,893	825,196,114
2013	171,309,378	105,721,941	373,437,830	261,034	13,140,469	13,057,633	9,333,520	9,211,100	695,472,905
2014	171,206,501	86,953,553	413,800,388	273,870	11,378,508	13,339,894	10,801,240	422,438	708,176,392
2015	156,272,269	53,485,879	410,554,711	179,509	12,137,467	13,384,743	14,337,086	1,607,674	661,959,338
2016	144,165,482	42,983,165	446,698,838	170,225	23,440,540	10,850,224	15,795,346	2,040,318	686,144,138
2017	171,834,813	42,983,165	499,988,944	183,907	20,380,109	16,630,858	20,664,750	2,040,318	774,706,864
2018	174,349,349	42,983,165	549,839,924	175,007	29,923,525	14,055,895	21,913,505	2,040,318	835,280,688
2019	172,948,470	42,983,165	469,306,940	308,445	25,663,569	9,217,597	18,930,405	2,040,318	741,398,909
2020	174,003,069	42,983,165	439,481,996	404,644	10,022,698	8,884,745	7,098,966	2,040,318	684,919,601
2021	207,029,964	9,704,036	315,400,453	127,595	13,926,719	10,948,075	14,466,693	1,038,465	572,642,000
2022	188,441,762	1,215,844	262,559,623	120,000	14,755,372	11,664,975	21,207,522	945,741	500,910,839
2023	183,448,837	1,175,700	200,359,831	120,000	20,747,694	14,944,868	27,375,850	944,954	449,117,734
2024	177,167,263	602,247	195,491,414	120,000	6,986,309	20,221,606	38,466,491	1,240,533	440,295,862
WASTEWATER Forecast Billing Units									
2026	177,167,263	1,175,700	244,364,267	120,000	6,986,309	20,221,606	38,466,491	1,240,533	489,742,168
2027	195,707,284	1,295,688	269,629,875	132,247	7,699,306	22,285,349	42,392,240	1,367,137	540,509,125
2028	210,401,766	1,389,625	289,538,027	141,835	8,257,505	23,901,036	45,465,677	1,466,255	580,561,726
2029	223,695,660	1,473,845	307,471,837	150,431	8,757,960	25,349,584	48,221,172	1,555,119	616,675,609
2030	235,338,988	1,546,770	323,094,704	157,874	9,191,297	26,603,860	50,607,116	1,632,065	648,172,674
2031	244,993,921	1,606,261	335,951,071	163,946	9,544,808	27,627,086	52,553,543	1,694,836	674,135,472
2032	252,182,841	1,649,286	345,395,910	168,337	9,800,473	28,367,097	53,961,228	1,740,234	693,265,405
2033	256,188,603	1,671,276	350,459,274	170,582	9,931,146	28,745,325	54,680,711	1,763,437	703,610,353
2034	256,840,482	1,671,276	350,923,458	170,582	9,931,146	28,745,325	54,680,711	1,763,437	704,726,416
2035	257,492,361	1,671,276	351,387,643	170,582	9,931,146	28,745,325	54,680,711	1,763,437	705,842,480

Q. Now please discuss how you calculated the water and wastewater revenue requirement.

A. These calculations are presented in detail in pp. 72-87 of the rate study, and are documented in the rate model provided along with this testimony. However, we will present selected summary charts on the following pages. As with power, the cost of service is calculated under the AWWA-approved Cash Basis methodology.

Table Econ-12 presents the test year 2026 water cost of service, both as a whole and functionalized into treatment, distribution, administration and customer billing costs (rate study Table III-15). Table Econ-13 presents the test year 2026 wastewater cost of service, both as a whole and functionalized into treatment, collection, administration and customer billing costs (rate study Table III-16).

Table Econ-14 presents the ten year forecast of the water and wastewater cost of service (rate study Table III-17).

TABLE Econ-12

COMMONWEALTH UTILITIES CORPORATION					
Test Year					
2026					
2025 09 12 Scenario III -- 5 Year Implementation; Phase Out Govt Rate					
WATER Net Revenue Requirement					
	Net Budget	Treatment	Distribution	Admin	Customer Billing
<u>Operating & Maintenance</u>					
PF -- Production Fuel	\$ -	\$ -	\$ -	\$ -	\$ -
P -- Personnel	7,521,574	1,152,123	4,954,130	1,273,789	141,532
GA -- General and Administrative	1,859,223	587,785	471,353	720,077	80,009
S -- Supplies	1,049,104	593,626	395,750	53,755	5,973
M -- Maintenance	5,562,565	3,325,800	2,217,200	17,609	1,957
OP -- Other Production	3,399,329	2,039,102	1,359,401	743	83
Total Operating & Maintenance	19,391,795	7,698,436	9,397,834	2,065,973	229,553
Total Non-Operating	639,525	110,390	73,594	122,697	332,844
Debt Service	-	-	-	-	-
Capital Outlays	1,134,500	567,250	567,250	-	-
Total Cost of Service	\$ 21,165,820	\$ 8,376,076	\$ 10,038,678	\$ 2,188,670	\$ 562,396
Less Non-Rate Revenues	1,111,890	440,015	527,355	114,976	29,544
Net Water Revenue Requirement	\$ 20,053,930	\$ 7,936,061	\$ 9,511,322	\$ 2,073,694	\$ 532,852

TABLE Econ-13

COMMONWEALTH UTILITIES CORPORATION					
Test Year					
2026					
2025 09 12 Scenario III -- 5 Year Implementation; Phase Out Govt Rate					
WASTEWATER Net Revenue Requirement					
	Net Budget	Treatment	Collection	Admin	Customer Billing
<u>Operating & Maintenance</u>					
PF -- Production Fuel	\$ -	\$ -	\$ -	\$ -	\$ -
P -- Personnel	2,572,171	818,763	818,763	841,181	93,465
GA -- General and Administrative	1,250,348	364,295	357,695	475,522	52,836
S -- Supplies	373,163	166,860	166,860	35,499	3,944
M -- Maintenance	820,621	403,850	403,850	11,629	1,292
OP -- Other Production	944,100	471,778	471,778	491	55
Total Operating & Maintenance	5,960,403	2,225,545	2,218,945	1,364,322	151,591
Total Non-Operating	346,838	23,005	23,005	81,026	219,803
Debt Service	-	-	-	-	-
Capital Outlays	277,500	138,750	138,750	-	-
Total Cost of Service	\$ 6,584,741	\$ 2,387,300	\$ 2,380,700	\$ 1,445,348	\$ 371,394
Less Non-Rate Revenues	333,291	120,835	120,501	73,157	18,798
Net Water Revenue Requirement	\$ 6,251,450	\$ 2,266,465	\$ 2,260,199	\$ 1,372,191	\$ 352,595

TABLE Econ-14

2026
2025 09 12 Scenario III -- 5 Year Implementation; Phase Out Govt Rate
CURRENT AND FORECAST NET REVENUE REQUIREMENT

Fiscal Year	Operating/ Cap Outlays	Debt Service	Non Operating	Total Cost of Service	Less Non-Rate Revenues	Net Revenue Requirement
WATER Revenue Requirement						
2026	\$ 20,526,295	\$ -	\$ 639,525	\$ 21,165,820	\$ 1,111,890	\$ 20,053,930
2027	21,028,248	-	649,577	21,677,824	594,330	21,083,494
2028	21,795,414	-	665,848	22,461,262	594,330	21,866,932
2029	22,559,865	-	682,573	23,242,437	594,330	22,648,107
2030	23,353,418	-	699,757	24,053,175	594,330	23,458,845
2031	23,969,173	-	717,403	24,686,576	594,330	24,092,246
2032	24,436,006	-	735,509	25,171,515	594,330	24,577,185
2033	24,862,123	-	754,063	25,616,187	594,330	25,021,856
2034	25,555,487	-	773,799	26,329,286	594,330	25,734,956
2035	26,269,711	-	794,130	27,063,841	594,330	26,469,511
WASTEWATER Revenue Requirement						
2026	6,237,903	-	346,838	6,584,741	333,291	6,251,450
2027	6,479,904	-	351,211	6,831,115	178,151	6,652,964
2028	6,727,196	-	359,624	7,086,819	178,151	6,908,668
2029	6,976,329	-	368,266	7,344,595	178,151	7,166,444
2030	7,236,735	-	377,139	7,613,874	178,151	7,435,723
2031	7,449,046	-	386,243	7,835,289	178,151	7,657,138
2032	7,621,653	-	395,574	8,017,228	178,151	7,839,077
2033	7,785,981	-	405,123	8,191,104	178,151	8,012,953
2034	8,005,507	-	415,371	8,420,878	178,151	8,242,727
2035	8,231,645	-	425,928	8,657,573	178,151	8,479,422

Q. What primary assumptions did you utilize in developing this test year and forecast cost of service?

A. Once again our assumptions are presented in detail in pp. 72-87 of the rate study. However, to provide the reader with a perspective on the primary drivers of our cost of service forecast, we will present below a summary of our principal assumptions. Many of these assumptions mirror those presented in the power cost of service forecast.

Operating Costs

- As with the power utility, the cost of service is based primarily on CUC's staff-requested FY 2026 budget.
- Personnel levels do not increase in the next decade

- Most expenses increase by 3.0% annually, which is the inflation factor utilized in the forecast.
- Certain expenses, such as insurance and chemicals, increase at rates higher than inflation.
- The forecast includes the payment of Public Auditor Fees which are assumed to be approximately 1.0% of gross revenues.
- Uncollectibles are presented as an offset to gross revenues rather than a line-item expense. Based on data from the 2024 financial statements, we are utilizing the assumption of 6.4% of gross revenues for uncollectibles.
- Non-rate revenues are used to offset the cost of service

Maintenance Costs

- One of the principal components of the power cost of service is maintenance costs. The project team consulted extensively with CUC staff regarding this issue. CUC staff produced the forecast of necessary and required maintenance costs for all three utilities that is presented in the rate study Table II-18.

Capital Outlays and Replacement Reserve

- CUC staff provided the project team with its estimate of the annual capital outlays that will be required by CUC over the next decade. Those capital outlays for all three utilities are summarized in the rate study Table II-19.
- As with the power utility, for the purposes of this cost analysis, no reserve requirement is included.

Capital Improvement Plan and Debt Service

- There is no current debt service related to the water and wastewater utilities.

1
2 • CUC staff developed an estimate of CUC's capital improvement costs over the next
3 decade. The forecast CIP projects identified by CUC staff is presented in the rate study
4 Table III-18 and III-19.

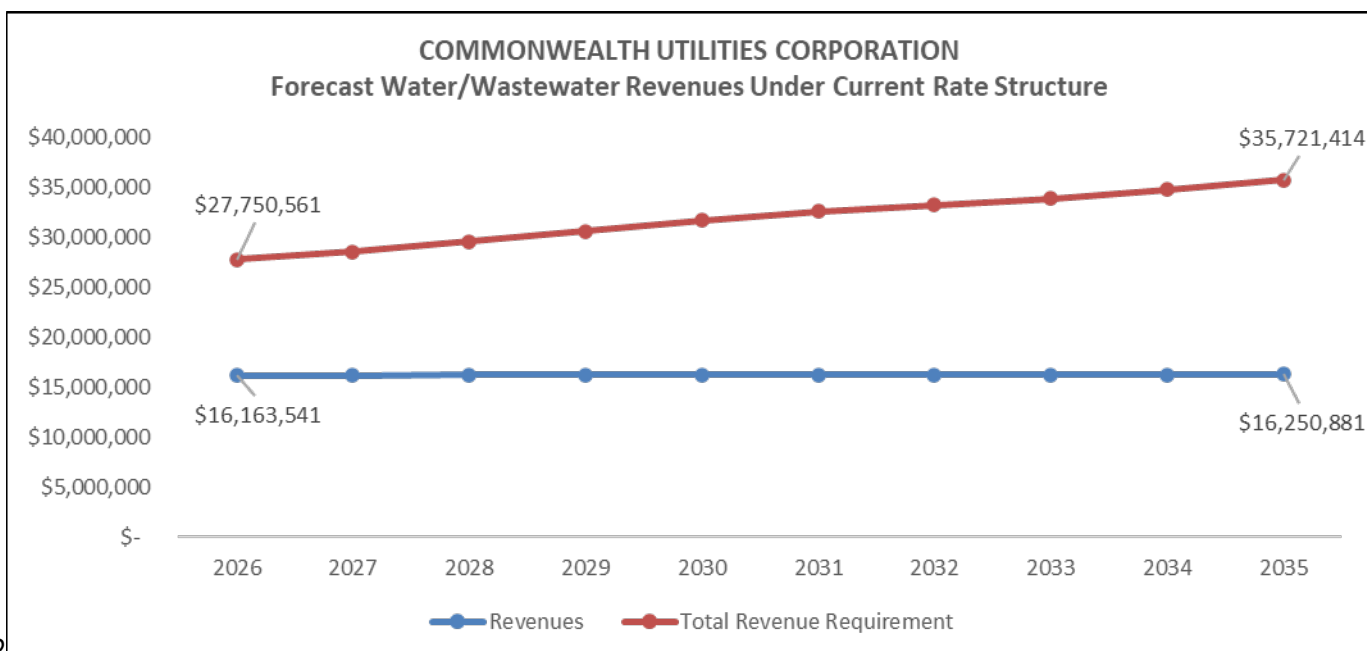
5
6 • As the table shows, CUC has identified a total of \$124,698,000 in long-term water capital
7 improvement needs detailed in Table III-18. CUC has identified a total of \$100,220,000 in
8 long-term wastewater capital improvement needs detailed in Table III-19.

9
10 • For the purposes of this rate and financial forecast, the project team is assuming that all of
11 these projects are funded by grants. In other words, it means that none of these
12 projects will have a direct impact either on the cost of service or the water and wastewater
13 rate recommendations. Because the CIP is assumed to be grant funded, it also means that
14 the forecast assumes that CUC will issue no water and wastewater-related long-term debt
15 in the next decade.

16
17
18 Q. Are water and wastewater revenues sufficient at present to cover the calculated cost
19 of service, both in the test year and the 10 year forecast period?

20 A. No. Chart Econ-15 compares forecast revenues and total revenue requirement for the
21 water and wastewater utilities assuming that there are no changes in CUC's rate structure.
22 The chart reveals that under the current rate structure, in the test year 2026 CUC is forecast
23 to recover approximately (\$11,587,020) less than its cost of service. By FY 2035 this deficit
24 is forecast to increase to (\$19,470,533). Clearly it shows that CUC's water and wastewater
25 utilities are in severe financial distress, and without a series of rate adjustments, CUC's
26 current financial crisis will continue and deepen.

CHART Econ-15

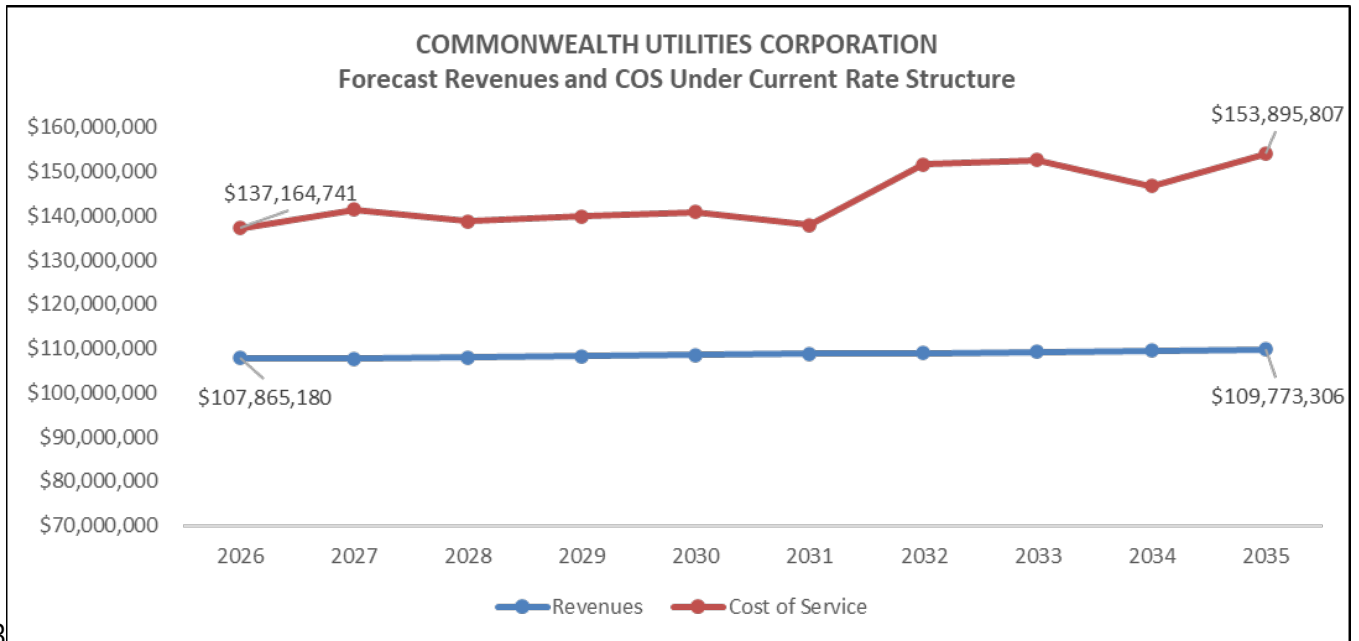


Q. Can you provide the same chart as Chart Econ-15 but for CUC as a whole?

A. Certainly. Chart Econ-16 compares forecast revenues and total revenue requirement for the power, water and wastewater utilities assuming that there are no changes in CUC's rate structure. The chart reveals that under the current rate structure, in the test year 2026 CUC is forecast to recover approximately (\$29,299,560) less than its cost of service. By FY 2035 this deficit is forecast to increase to (\$44,122,501).

All of these charts simply further reinforce the fact that CUC is in an unsustainable financial position. Rate adjustments are critical to enabling CUC just to meet basic operating expenses.

CHART Econ-16



Section III – Power, Water and Wastewater Rate Recommendations

Q. What is the purpose of this section of your testimony?

A. The purpose of this section is to provide a summary of the rate recommendations we are presenting for the power, water and wastewater utilities. As with the other sections of this testimony, the detailed analysis is provided in the Consolidated Power, Water and Wastewater Rate Study and Long-Term Financial Plan, completed by Economists.com in May 2025.

Q. Let's start by examining the relative financial burden CUC imposes on its customers for the provision of service. When was the last time CUC increased its base and volume rates for its customers?

A. CUC has not increased its power, water or wastewater base and volume rates in over a decade. The last time CUC was granted an increase in these rates was in Docket 13-01, which was concluded with a final order that was filed in February 2014. The last time CUC

1 requested a rate adjustment was in Dockets 15-01, 15-02 and 15-03, which were filed in
2 2015. CUC later withdrew its rate application.

3
4 CUC has periodically adjusted its LEAC/FAC rate, but it has not adjusted base and volume
5 rates since 2014.

6
7 Q. How do CUC's current rates compare to those of other similar utilities in the Pacific
8 region?

9 A. This is a common question that is typically raised during the course of a rate application.
10 Rate comparisons between different utilities can be complicated and misleading, for several
11 reasons, including but not limited to:

12
13 • It is estimated that as many as 30-40% of utilities in the USA charge rates that do not
14 cover their costs. So just because another utility's rates are lower, it does not necessarily
15 mean that utility is more efficient or effective in the provision of service. It might mean that
16 other funds, such as a General Fund, are supporting the utility fund. Based on our
17 experience working for utilities in six sovereign nations in the Pacific, we can confirm that
18 many Pacific utilities charges rates that do not cover costs.

19
20 • Rate structures can differ significantly between utilities. Some utilities set residential rates
21 artificially low and support these through higher commercial rates. Other utilities implement
22 aggressive conservation inverted-block rates which result in low monthly charges for low-
23 use customers but prohibitively high charges for high use customers. While conservation
24 rates can benefit the utility by encouraging prudent water usage, they can also result in
25 misleading rate comparisons at certain usage levels.

26
27 • Some utilities keep rates artificially low by deferring maintenance and capital improvement
28 costs. While this may result in lower rates, it can also adversely affect system
29 performance.
30

With these caveats in mind, we present in Chart Econ-17 a comparison of monthly charges for 500 kWh of power service between CUC and other selected Pacific utilities (rate study Chart II-4). We chose 500 kWh because it tracks closely to average monthly residential usage for CUC customers, which is approximately 583 kWh per month.

The data for the non-CUC utilities was derived from the 2022-2023 Pacific Power Association Benchmarking Study and from contacting individual utilities to obtain their rate schedules. The table reveals that current CUC residential electric charges are significantly below rates for most of the utilities in the sample.

CHART Econ-17

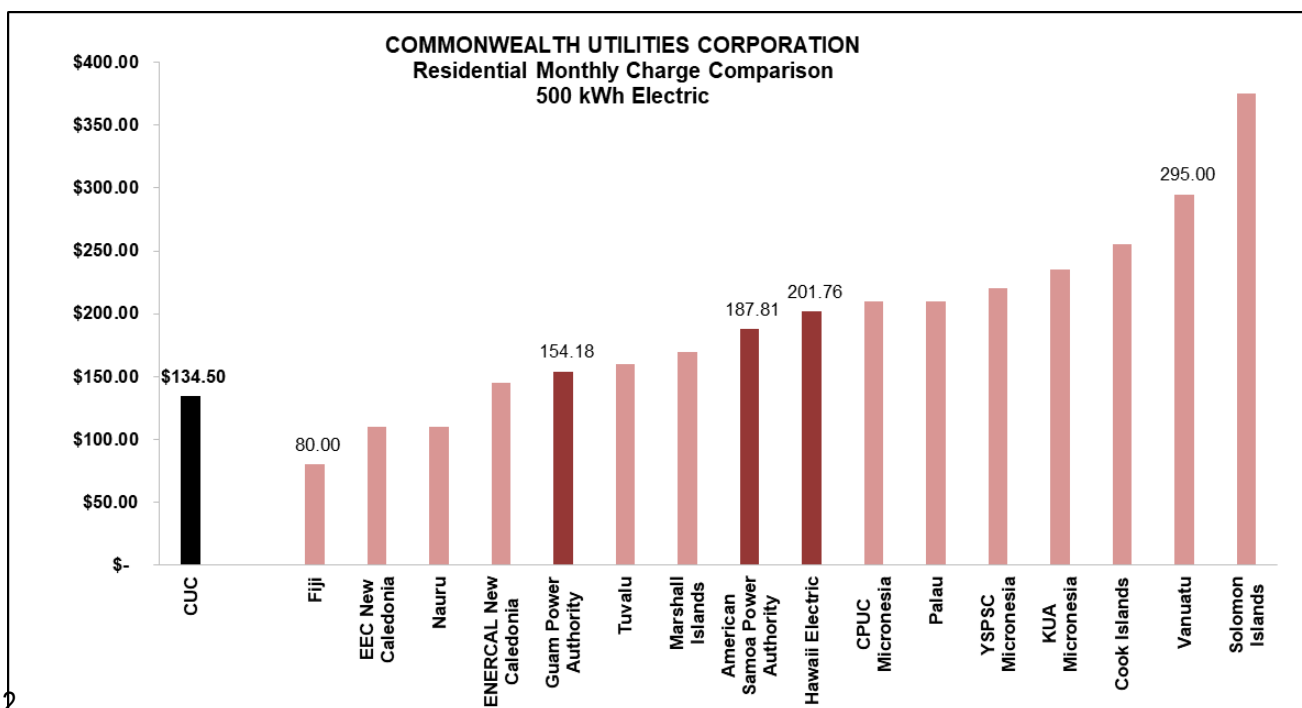
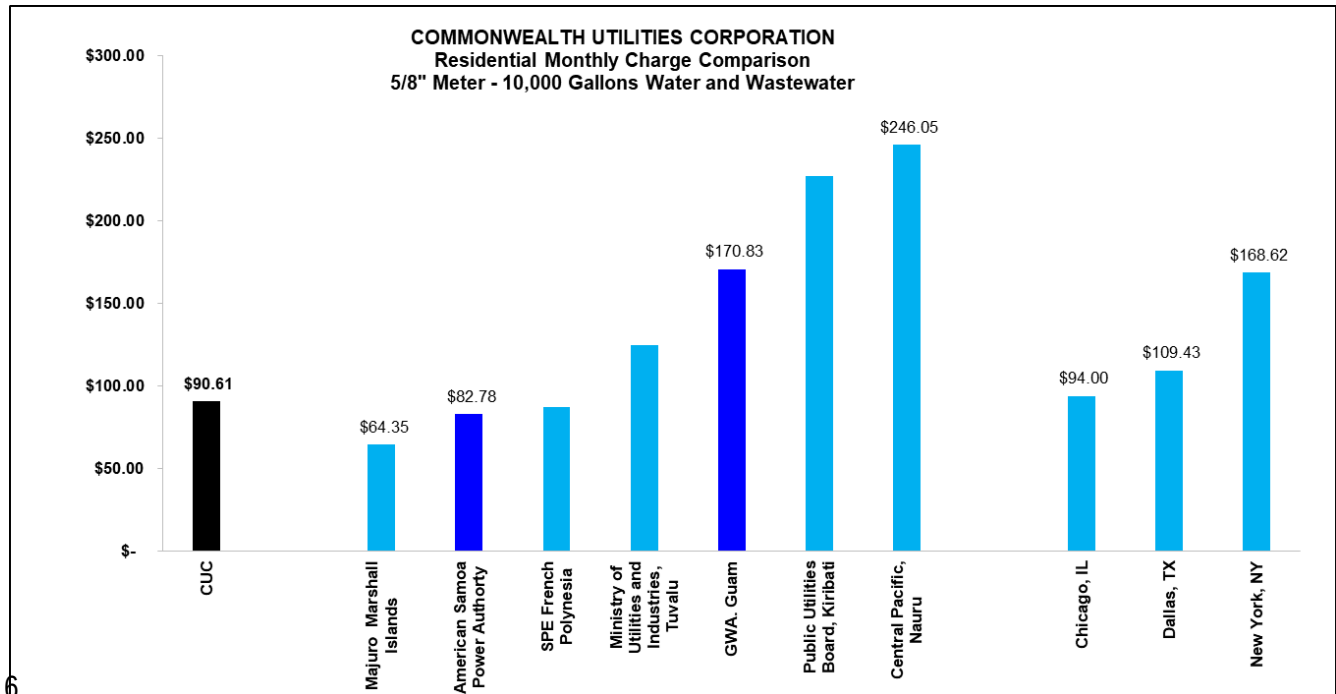


Chart Econ-18 provides a similar comparison for 10,000 gallons of water and wastewater service. While this level is somewhat higher than the average CUC monthly usage level of 7,794 gallons, limitations on data and rate availability compelled us to use the rounded total of 10,000 gallons. This chart also reveals that CUC's monthly charges are among the lowest in the region, and also compare favorably to US mainland utilities.

To summarize, while these comparisons are imperfect for the reasons outlined above, the available data indicates that CUC customers are not excessively burdened by CUC's current rate structure.

CHART Econ-18



Q. Before we go through the rate recommendations for each utility, can you provide background on how the rate plan decision was arrived at?

A. Certainly. As we discussed earlier in this testimony, we worked closely with CUC staff and the Board of Directors throughout the Spring of 2025 as we prepared the rate study and long-term financial plan. During this period we presented prepared numerous alternative rate plans for staff and the Board to consider.

Our rate study final report contained two alternative rate plan scenarios for the power utility, three alternative rate plan scenarios for the water utility, and three alternative rate plan scenarios for the wastewater utility. We discussed these scenarios during our various in-person and Zoom meetings with staff, and during our Board presentations which took place

on April 24, May 6 and June 23 2025. We also presented staff and Board with the alternative of requesting a single year rate adjustment or a multi-year rate plan to be implemented over a 5-year period. At the June 23 meeting the CUC board authorized us to submit the rate plans presented in this testimony.

Q. Please summarize your rate recommendations for the Power Utility.

A. The CUC Board of Directors is requesting that CPUC adopt the rate plan identified as Electric Rate Scenario I, on pp. 50-52 of the 2025 Consolidated Rate Study and Long-Term Financial Plan.

Table Econ-19 summarizes the rate recommendations. The objective of this rate plan is to eliminate CUC's cost of service deficit over a five-year period. This means that by 2030 CUC would have base electric rates that fully cover the cost of service. Therefore, CUC is requesting that these rates automatically be implemented on each October of the years 2025 through 2029.

The impact of these recommendations on monthly residential and commercial charges is presented in Table Econ-20.

The following is notable about this scenario:

- This scenario requires CUC to institute an across the board electric base rate increase of 25.0% effective October 2025, 22.0% October 2027, 19.0% October 2028, and 19.0% October 2029.
- On Table Econ-19, the years are labelled as Fiscal Years. Therefore the year 2026 is designated as Fiscal Year 2026. The rate adjustment is requested to be implemented in October of each year, which is the first month of the fiscal year (October through September). This means that the rate will be in effect the entire year.

1 • On a percentage basis, the average impact on residential monthly charges is significantly
2 less. This is because the FAC represents the majority of the monthly charge.

3
4 • Further rate adjustments of 3.0% are forecast for the period beyond FY 2030.

5
6 • This rate structure will allow the electric utility to fully recover its cost of service by FY 2030.

7
8 • This plan also enables CUC to fund \$62,000,000 in long-term debt for identified capital
9 improvements.

10
11 • Finally, the forecast assumes that the FAC does not change during this period. Any
12 changes to the FAC would be incorporated into monthly customer charges at that time.

13
14 Chart Econ-21 presents forecast power revenues and expenses under the proposed rate
15 plan. It reveals that by FY 2030 electric revenues are forecast to fully recover the electric
16 utility cost of service.

17
18 Details behind these calculations, as well as annual forecasts of revenues and expenses, are
19 presented in the rate study presented in Appendix B and the rate model provided in the
20 workpapers accompanying this testimony.

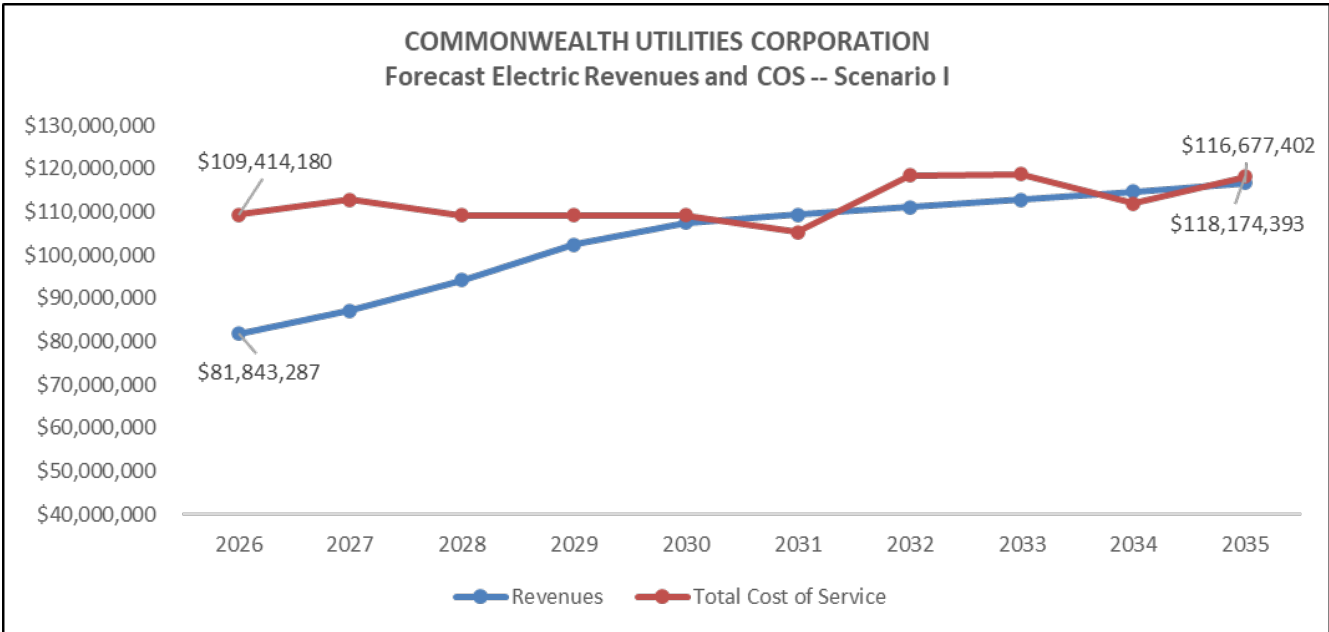
TABLE Econ-19

COMMONWEALTH UTILITIES CORPORATION							
2025 09 12 Scenario III -- 5 Year Implementation; Phase Out Govt Rate							
PROPOSED ELECTRIC RATE PLAN							
	Current	2026	2027	2028	2029	2030	
POWER							
Residential							
Monthly Customer Chg	\$ 7.00	\$ 8.75	\$ 10.68	\$ 12.70	\$ 15.12	\$ 16.48	
Base Rates Per kWh:							
- 350	0.0210	0.0263	0.0320	0.0381	0.0454	0.0494	
351 1,200	0.0970	0.1213	0.1479	0.1760	0.2095	0.2283	
1,201 Above	0.1580	0.1975	0.2410	0.2867	0.3412	0.3719	
Commercial							
Monthly Customer Chg	10.00	12.50	15.25	18.15	21.60	23.54	
Rates Per kWh:	0.1130	0.1413	0.1723	0.2051	0.2440	0.2660	
Government							
Monthly Customer Chg	10.00	12.50	15.25	18.15	21.60	23.54	
Rates Per kWh:	0.1240	0.1550	0.1891	0.2250	0.2678	0.2919	
Streetlights							
Monthly Customer Chg	11.67	14.59	17.80	21.18	25.20	27.47	
Rates Per kWh:	0.2500	0.3125	0.3813	0.4537	0.5399	0.5885	
Municipal Pumping							
Monthly Customer Chg	9.06	11.33	13.82	16.44	19.57	21.33	
Rates Per kWh:	0.1070	0.1338	0.1632	0.1942	0.2311	0.2519	
Other Charges							
Fuel Adjustment Charge	0.21119	0.21119	0.21119	0.21119	0.21119	0.21119	

TABLE Econ-20

COMMONWEALTH UTILITIES CORPORATION						
2025 09 12 Scenario III -- 5 Year Implementation; Phase Out Govt Rate						
IMPACT OF RATE PLAN ON MONTHLY CHARGES						
	Current	Effective				
		2026	2027	2028	2029	2030
Residential Monthly Charges						
500 kWh	\$ 134.50	\$ 141.72	\$ 149.67	\$ 158.04	\$ 168.01	\$ 173.62
Increase -- \$		7.22	7.95	8.37	9.96	5.62
Increase -- %		5.4%	5.6%	5.6%	6.3%	3.3%
1,000 kWh	288.59	307.94	329.23	351.65	378.34	393.38
Increase -- \$		19.35	21.29	22.43	26.69	15.04
Increase -- %		6.7%	6.9%	6.8%	7.6%	4.0%
3,000 kWh	1,014.77	1,110.07	1,214.90	1,325.35	1,456.79	1,530.88
Increase -- \$		95.30	104.83	110.45	131.44	74.09
Increase -- %		9.4%	9.4%	9.1%	9.9%	5.1%
Commercial Monthly Charges						
2,500 kWh	\$ 820.48	\$ 893.60	\$ 974.04	\$ 1,058.79	\$ 1,159.64	\$ 1,216.49
Increase -- \$		73.13	80.44	84.75	100.85	56.85
Increase -- %		8.9%	9.0%	8.7%	9.5%	4.9%
5,000 kWh	1,630.95	1,774.70	1,932.83	2,099.43	2,297.69	2,409.45
Increase -- \$		143.75	158.13	166.61	198.26	111.76
Increase -- %		8.8%	8.9%	8.6%	9.4%	4.9%

CHART Econ-21



1
2 Q. Please summarize your rate recommendations for the Water and Wastewater Utility.

3 A. The CUC Board of Directors is requesting that CPUC adopt the rate plan identified as Water
4 and Wastewater Rate Scenario III, on pp. 95-97 of the 2025 Consolidated Rate Study and
5 Long-Term Financial Plan.
6

7 Table Econ-22 summarizes the rate recommendations. The objective of this rate plan is to
8 eliminate CUC's cost of service deficit over a five-year period. This means that by 2030
9 CUC would have base water and wastewater rates that fully cover the cost of service.
10 Therefore, CUC is requesting that these rates automatically be implemented on each
11 October of the years 2025 through 2029.
12

13 The impact of these recommendations on monthly residential and commercial charges is
14 presented in Table Econ-23.
15

16 There are two very important components of this rate plan that must be addressed. First,
17 this rate plan phases out the separate government rate over a five-year period. By the
18 fifth year, FY 2030 (October 2029), the government rate would now be equivalent to the
19 commercial rate. This achieves an objective long sought after by the government – to
20 implement a rate equivalent to commercial customers.
21

22 Second, this rate plan eliminates the Water Electric Charge (WEC) and the Wastewater
23 Electric Charge (WVEC). These Water Electric Charge was implemented by the CPUC in
24 Dockets 13-01, 13-02, and 13-03, and was intended to recover all electric related expenses
25 incurred by the water utility. Because of changes to the FAC as a result of fluctuations in
26 world oil prices, electric charges to the water utility will vary from year to year and month to
27 month. The WEC was designed to be adjusted periodically to ensure that these fluctuations
28 in electric costs would be recovered (although the WEC has not been adjusted since March
29 2013). The WVEC was designed for a similar purpose and was adopted by but never
30 implemented by the CPUC.
31

1 Nonetheless, the Board of Directors has determined that the WEC and WVEC is no longer
2 appropriate as a separate charge and requests that the charge be eliminated. Under this
3 plan all water and wastewater electric costs are incorporated directly into the water and
4 wastewater volumetric charges.

5
6 The following is also notable about this proposed rate plan:

7
8 • Because the government rate is phased out, this scenario results in significantly higher
9 residential and commercial water and wastewater rate adjustments than if the government
10 rate were to remain as is.

11
12 • This alternative funds 0.0% of the total \$224,918,000 CIP with CUC's rate revenue. As
13 stated earlier, all of the CIP is assumed to be funded through grants.

14
15 • Further annual rate adjustments of 3.0% are forecast for the period beyond FY 2030.

16
17 Chart Econ-24 presents forecast power revenues and expenses under the proposed rate
18 plan. It reveals that by FY 2030 electric revenues are forecast to fully recover the electric
19 utility cost of service.

20
21 Details behind these calculations, as well as annual forecasts of revenues and expenses, are
22 presented in the rate study presented in Appendix B and the rate model provided in the
23 workpapers accompanying this testimony.

TABLE Econ-22

COMMONWEALTH UTILITIES CORPORATION 2025 09 12 Scenario III -- 5 Year Implementation; Phase Out Govt Rate PROPOSED WATER AND WASTEWATER RATE PLAN							
	Current	2026	2027	Effective 2028	2029	2030	
WATER							
Meter Service Charge							
Meter Size							
5/8 X 3/4"	\$ 10.86	\$ 20.09	\$ 25.11	\$ 30.14	\$ 33.75	\$ 35.44	
1"	12.67	23.44	29.30	35.16	39.38	41.35	
1 1/2"	19.91	36.83	46.04	55.25	61.88	64.97	
2"	25.34	46.88	58.60	70.32	78.76	82.69	
3"	63.35	117.20	146.50	175.80	196.89	206.74	
4"	99.55	184.17	230.21	276.25	309.40	324.87	
6"	135.75	251.14	313.92	376.71	421.91	443.01	
8"	199.10	368.34	460.42	552.50	618.80	649.74	
10"	280.55	519.02	648.77	778.53	871.95	915.55	
12"	362.00	669.70	837.13	1,004.55	1,125.10	1,181.35	
Residential, Commercial, PSS, and CHC Consumption Charges							
Volume Rate (per 1,000 Gal.)							
0 - 3,000	0.72	3.89	4.87	5.84	6.54	6.87	
3,001 - 15,000	1.74	5.78	7.22	8.67	9.71	10.19	
15,001 - 30,000	2.68	7.52	9.40	11.28	12.63	13.26	
30,001 - 60,000	3.59	9.20	11.50	13.80	15.46	16.23	
Over 60,000 Gallons	4.49	10.87	13.58	16.30	18.26	19.17	
Multi-Family Consumption Charges							
Volume Rate (per 1,000 Gal.)	2.95	8.02	10.02	12.03	13.47	14.14	
Government, CUC, and CPA Consumption Charges							
Volume Rate (per 1,000 Gal.)	54.30	40.00	30.00	20.00	10.00	6.87	
Other Charges							
Water Electric Charge -- Forecast	3.72	-	-	-	-	-	
Unmetered Residential and Government	54.00	99.90	124.88	149.85	167.83	176.22	
Unmetered Commercial	275.40	509.49	636.86	764.24	855.94	898.74	
WASTEWATER							
Residential and Multi Family Minimum and Consumption Charges							
Minimum Charge	\$ 9.69	\$ 15.50	\$ 19.38	\$ 23.26	\$ 26.74	\$ 28.08	
Volume Rate (per 1,000 Gal.)							
0 - 6,000	1.00	3.53	4.41	5.30	6.09	6.39	
Over 6,000 Gallons	3.13	6.94	8.67	10.41	11.97	12.57	
Commercial, PSS, and CHC Minimum and Consumption Charges							
Minimum Charge	9.24	14.78	18.48	22.18	25.50	26.78	
Volume Rate (per 1,000 Gal.)							
0 - 6,000	3.00	6.73	8.41	10.10	11.61	12.19	
Over 6,000 Gallons	3.13	6.94	8.67	10.41	11.97	12.57	
Government, CUC, and CPA Minimum and Consumption Charges							
Minimum Charge	-	-	-	-	-	-	
Volume Rate (per 1,000 Gal.)	68.00	50.00	35.00	20.00	10.00	12.19	

1

TABLE Econ-23

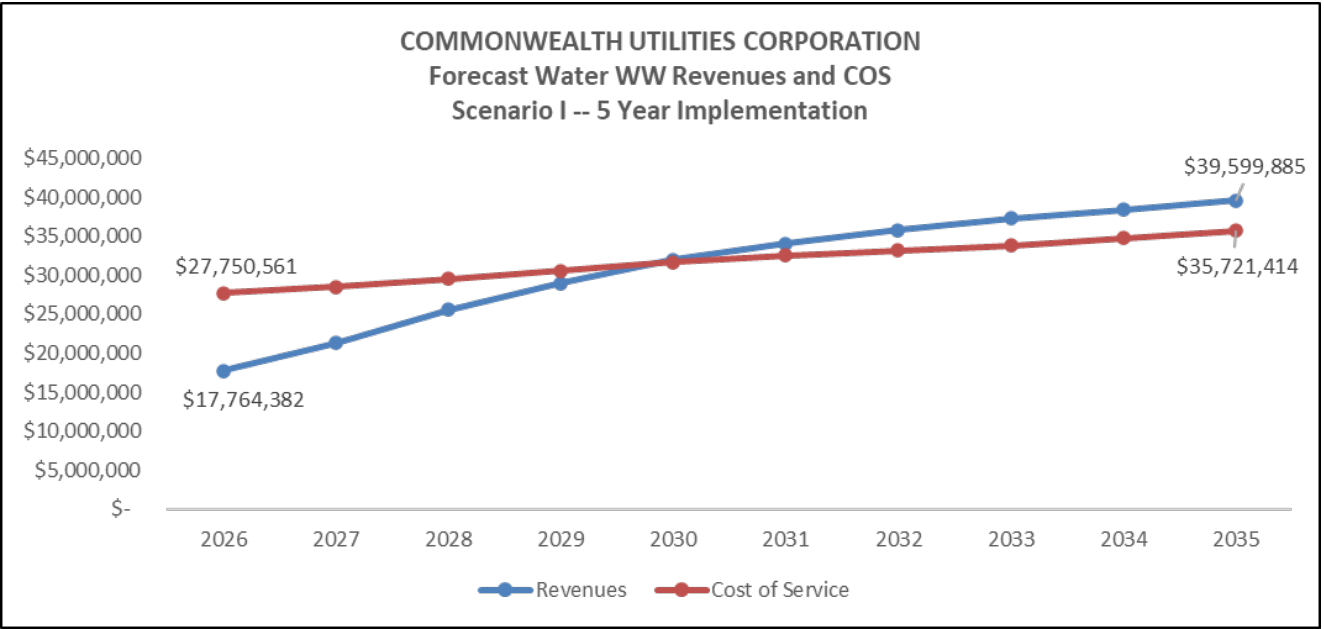
COMMONWEALTH UTILITIES CORPORATION						
2025 09 12 Scenario III -- 5 Year Implementation; Phase Out Govt Rate						
IMPACT OF RATE PLAN ON MONTHLY CHARGES						
	Current	Effective				
		2026	2027	2028	2029	2030
Residential Monthly Charges -- 3/4"						
5,000 Water and Wastewater	\$ 49.79	\$ 76.48	\$ 95.60	\$ 114.72	\$ 129.98	\$ 136.48
Increase -- \$		26.69	19.12	19.12	15.26	6.50
Increase -- %		53.6%	25.0%	20.0%	13.3%	5.0%
10,000 Water and Wastewater	90.61	136.66	170.82	204.98	232.48	244.11
Increase -- \$		46.05	34.16	34.16	27.50	11.62
Increase -- %		50.8%	25.0%	20.0%	13.4%	5.0%
30,000 Water and Wastewater	276.51	417.08	521.35	625.62	709.84	745.33
Increase -- \$		140.57	104.27	104.27	84.22	35.49
Increase -- %		50.8%	25.0%	20.0%	13.5%	5.0%
Commercial Monthly Charges -- 2"						
20,000 Water and Wastewater	\$ 207.24	\$ 317.79	\$ 397.24	\$ 476.68	\$ 540.74	\$ 567.78
Increase -- \$		110.55	79.45	79.45	64.06	27.04
Increase -- %		53.3%	25.0%	20.0%	13.4%	5.0%
40,000 Water and Wastewater	406.94	623.74	779.68	935.62	1,060.99	1,114.04
Increase -- \$		216.80	155.94	155.94	125.37	53.05
Increase -- %		53.3%	25.0%	20.0%	13.4%	5.0%

2

3

4

CHART Econ-24



5

6

7

Section IV – Installation and Tampering Fee Recommendations

Q. Have you prepared recommendations for CUC's installation and tampering fees?

A. Yes. In July 2013, as part of Docket 13-01, Economists.com prepared a comprehensive non-rate fee study. This study used a standardized methodology to calculate the cost of all of CUC's fees and charges, including meter installation fees.

To maintain consistency, we have employed the same process in this docket. Table Econ-25 summarizes the calculation of the cost of service for installation of each meter size. The following is notable about this calculation:

- We have estimated the cost for the following meter sizes: 5/8", 1", 2", 3" and 4".
- For meter installations larger than 4", we recommend the cost be calculated individually and assessed to the customer.
- We have utilized general estimates for crew sizes, time and materials required for each installation. The intention is to calculate an average cost per meter size.
- A meter installation can be either on the "short side"; i.e. the same side of the street as the distribution line, or the "long side"; i.e. the opposite side of the street. The meter cost represents an average of the two.
- Materials, vehicle and personnel costs were provided by CUC staff.
- The methodology, which estimates the cost based on labor, materials, vehicles and other costs, is consistent with the prior non-rate fee study.
- The cost calculation does not include the cost of street cuts required for the installation. According to CUC policies and procedures, if a street cut is required, the cost is assessed to the connection in addition to the installation fee.

Table Econ-25

COMMONWEALTH UTILITIES CORPORATION NON-RATE FEES AND SERVICES CALCULATION MODEL		FEE: New Meter Installation				
		5/8"	1"	2"	3"	4"
I LABOR						
Clerical Time -- Minutes						
Original Call Setup		20	20	20	20	20
Develop Workorder		20	20	20	20	20
Issue/Receive Workorder		20	20	20	20	20
Total		60	60	60	60	60
Total Cost	Per Hour \$ 17.00	\$ 17.00	\$ 17.00	\$ 17.00	\$ 17.00	\$ 17.00
Field Personnel Time -- Minutes						
Process Workorder		30	30	30	30	30
Preliminary Site Assessment		120	120	120	120	120
Pull Parts		15	15	15	15	15
Prepare and Drive to Site		120	120	120	120	120
Do Work -- Crew of 4		1,200	1,200	1,440	1,680	1,680
Return from Site		120	120	120	120	120
Close Out Workorder		15	15	15	15	15
Total		1,620	1,620	1,860	2,100	2,100
Cost Per Hour	Per Hour \$ 26.50	\$ 715.50	\$ 715.50	\$ 821.50	\$ 927.50	\$ 927.50
Total Labor		\$ 732.50	\$ 732.50	\$ 838.50	\$ 944.50	\$ 944.50
II MATERIALS						
Meter	\$	224.36	\$ 232.56	\$ 1,503.33	\$ 1,904.22	\$ 3,307.32
Meter Box		355.21	250.00	300.00	400.00	500.00
Service Saddle		350.00	350.00	682.00	1,000.00	1,000.00
Corporation Stop		N/A	N/A	N/A	1,086.00	1,086.00
Piping -- 20 ft		37.40	37.40	57.80	110.00	110.00
Curb Stop		211.94	211.94	738.78	N/A	N/A
Gate Valve		N/A	N/A	N/A	2,084.00	2,172.00
Adapters		-	-	120.06	51.51	80.03
Transponder		148.60	148.60	148.60	148.60	148.60
Spider Check Valve		79.50	-	-	-	-
Gasket Bolt Kit		2.50	6.78	99.00	34.00	60.00
Total Materials	\$	1,409.51	\$ 1,237.28	\$ 3,649.57	\$ 6,818.33	\$ 8,463.95
III VEHICLES						
Number of Trucks		2.00	2.00	2.00	2.00	2.00
Average Miles Per Round Trip		30.00	30.00	30.00	30.00	30.00
Federal Mileage Rate -- Service Vehicles	\$	0.70	\$ 0.70	\$ 0.70	\$ 0.70	\$ 0.70
Total Vehicles	\$	42.00	\$ 42.00	\$ 42.00	\$ 42.00	\$ 42.00
IV OTHER						
Trencher	\$	100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00
Backhoe/mini-excavator	\$	200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00
Cost	\$	-	\$ -	\$ -	\$ -	\$ -
Total Other	\$	300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00
TOTAL COST	\$	2,484.01	\$ 2,311.78	\$ 4,830.07	\$ 8,104.83	\$ 9,750.45

Q. What are your recommended installation fees?

A. Our recommended fees are presented in Table Econ-26. The current fee of \$135 (which also allows for additional fees to be assessed in limited circumstances) is clearly not adequate to compensate CUC for the effort required for these installations. While the increase for certain meter sizes is very high, it only reflects the cost CUC incurs in completing these installations.

We recommend that these fees be reviewed every two years and updated to reflect any changes in costs, particularly materials and meter costs.

Q. What are your recommended tampering fees?

A. Table Econ-26 also presents a recommendation for a tampering fee of \$1,500. This fee is not necessarily based on cost; instead we recommend that it be set at this level to act as a disincentive for individuals to attempt to tamper with CUC's system. Tampering and theft of services harms the integrity of the system and requires other customers to pay more to make up the difference. Furthermore, we recommend that CPUC allow CUC to assess the fee on any party that CUC determines to be responsible for the tampering.

Table Econ-26

COMMONWEALTH UTILITIES CORPORATION PROPOSED METER INSTALLATION FEES			
	Current Fee	Weighted Average Cost	Proposed Fee
Installation Fee -- Meter Size			
5/8"	\$ 135.00	\$ 2,484.01	\$ 2,400.00
1"	135.00	2,311.78	2,400.00
2"	135.00	4,830.07	4,800.00
3"	135.00	8,104.83	8,100.00
4"	135.00	9,750.45	9,750.00
Tampering Fee			
Electric			1,500.00
Water			1,500.00

Section V – Pole Attachment Fees and Grid Access Charges

Q. What is CUC's current pole attachment rate and when was it last updated?

A. CUC's current pole attachment rate is \$8.15 per pole per year, a figure that has remained unchanged since approximately 2008. This rate is nearly two decades old and does not reflect today's actual costs of owning, maintaining, and replacing utility poles in the CNMI.

Q: Why is the current \$8.15 per pole rate inadequate?

A. Since 2008, CUC's costs for poles—including materials, labor, transportation, storm hardening and carrying costs—have increased significantly. At the same time, telecom and cable providers continue to use CUC's poles as essential infrastructure to deliver their services, yet they contribute far less than their fair share toward these costs. The result is that CUC's electric customers, who fund pole investment through base rates, are effectively subsidizing private attachers. This outcome is inconsistent with cost-causation principles and is unfair to electric customers.

Q. What is the status of CUC's review of its existing pole attachment rate ??

A. CUC has initiated a pole attachment rate study using accepted industry methodologies and will present the results in supplemental testimony to this filing. The updated rates will be designed to better reflect actual pole ownership and maintenance costs, ensure that attachers pay a fair and reasonable share, and reduce the subsidy currently borne by CUC's electric customers.

Q. Why did CUC suspend its net metering program more than a decade ago?

A: Net metering was suspended because it created significant cost-shifting, unaffordable revenue losses, and operational risks to the grid. At the time, there were no advanced control systems in place, so rooftop solar exports posed safety and reliability challenges.

Q. Why is there renewed pressure to reopen the grid to new rooftop solar connections now?

1 A. The CNMI government and public are pushing to expand clean energy adoption. However, if
2 CUC reopens net metering without reform, it will face major revenue erosion and grid
3 instability. Solar adoption is accelerating, and within a year customer-installed solar will
4 equal approximately 25% of Saipan's peak demand.
5

6 Q. What is the primary issue with traditional net metering?

7 A. Under net metering, customers with rooftop solar offset their bills and receive credit for
8 exported energy at the retail rate. This allows them to avoid paying their fair share of grid
9 costs, even though they still rely on CUC's infrastructure for backup power, voltage
10 regulation, and energy purchases when the sun is not shining. The result is that non-solar
11 customers—many of them lower-income—end up subsidizing solar customers.
12

13 Q. How does this cost-shifting affect CUC's finances and its customers?

14 A. Revenue losses are already significant, approximately \$250,000 per year, and could exceed
15 \$1 million per year as new government and solar projects come online. If 10% of CUC's
16 customers acquire roof top solar, revenue losses could become unsustainable. These losses
17 must eventually be recovered through rate cases, which increases costs for all non-solar
18 customers. Table Econ-27 presents the Base Rate Revenue loss when 10% of CUC
19 customers have solar:
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Table Econ-27

CUC Projected Base Rate Revenue Loss						
With 10% of Customers with Solar						
Assume loss of 60% of Customer Consumption						
Class	Number of Customers	Avg. kW Current	kW with 10% of Customers	Reduced kWh @60%	Base Rate \$/kWh	Base Rate Revenue Loss
Residential	13,050	5.50	7,178	7,544,988	\$0.10	\$731,864
Commercial	3,381	57.00	19,272	20,258,411	0.11	\$2,289,200
Government	741	10.50	778	817,886	0.12	\$101,418
Total	17,172		27,227	28,621,285		\$3,122,482

Q. Why is reform needed now?

A. Solar technology costs have declined, and full-retail net metering is no longer justified as a subsidy. At the same time, high levels of rooftop solar create technical problems such as the “duck curve,” steep evening ramping needs, over-voltage at feeder ends, reverse power flows, and flicker or power quality issues. Without new investment in SCADA, ADMS, line sensors, and hosting capacity studies, the system will not remain reliable.

Q. What solution do you propose ?

A. Replace the current net metering program with a monthly grid access charge of approximately \$10 per kW of installed solar capacity, paired with avoided-cost export compensation. This ensures solar customers contribute fairly to the cost of maintaining the grid while still being compensated for the clean power they provide. The calculation of the monthly Grid Access Charge is presented in Table Econ-28:

Table Econ-28

CUC Grid Access Charge							
Existing and New Solar Customers							
Class	Number	kW	kWh at 20% C.F.	Reduced kWh @60%	Base Rate \$/kWh	Base Rate Revenue Loss	Grid Access Charge \$/kW
Residential	57	313.2	548,726	329,236	\$0.10	\$31,936	\$8.50
Commercial	29	1,651.9	2,894,050	1,736,430	0.11	196,217	\$9.90
Government	13	136.8	239,647	143,788	0.12	17,830	\$10.86
Subtotal	99	2,102	3,682,424	2,209,454		\$245,982	\$9.75
New Customers added by Government Legislation							
CHCC	1	176.0	308,352	185,011	0.11	20,906	\$9.90
PSS¹	20	4,100.0	7,183,200	4,309,920	0.11	487,021	\$9.90
New Govt.	10	1,478.6	2,590,507	1,554,304	0.12	192,734	\$10.86
Totals	130	7,856	13,764,483	8,258,690		\$946,643	\$10.04

Q. What will CUC pay for power exported to the grid by solar customers ?

A. Solar customers will be paid the current FAC rate for the net amount of power exported to the grid, less \$.02/kWh to cover the costs of the required grid modernization hardware and software to ensure that the electric grid is not affected adversely by the intermittent nature of solar power exported to the grid. CUC will eliminate the \$.02/kWh reduction in FAC payments when the costs of the modernization hardware and software are collected from the FAC.

Q. Why is a grid access charge fair?

A. Solar customers still depend on CUC's grid every day ; to buy electricity at night, to sell surplus energy, and to receive backup power and voltage support. The grid acts as their "battery," but maintaining that service costs money. A fixed grid access charge ensures that all users contribute to these shared costs.

Q. How does this proposal align with national trends?

A. Across the U.S., regulators are moving away from full-retail net metering. States like California, Hawaii, Arizona, Idaho, and Arkansas have adopted fixed charges or value-based compensation. National studies from MIT, LBNL, and NARUC all confirm that full retail NEM is unsustainable and recommend fixed or capacity-based charges.

1 Q: How will this reform affect the Fuel Adjustment Charge (FAC)?

2 A. Payments to solar customers for exported power will be included in the FAC, which is
3 consistent with U.S. regulatory practice. This ensures that all purchased power—including
4 customer-supplied solar—is reflected in the FAC, making the mechanism more transparent
5 and fair.
6

7 Q. What are the overall benefits of adopting a grid access charge?

8 A. It ensures fairness by avoiding regressive cost-shifting, protects CUC's financial stability,
9 provides funding for necessary grid modernization, and allows for continued safe and
10 scalable growth of rooftop solar. It also aligns with national best practices and regulatory
11 trends.
12

13 14 Summary and Conclusions 15

16 Q. Do you have any final thoughts on the rate plans you are recommending?

17 A. Yes. Because of our 20 years of service to CUC and the people of the CNMI, we understand
18 better than most that the rate adjustments presented in this application will have a significant
19 impact on the community. We have done our best to try to limit the impact of these
20 adjustments, through minimizing expense increases and phasing the rate plans in over a five
21 year period. This means that in the early years of this plan, FY 2026 – FY 2029, CUC's
22 revenue recover is forecast to remain less than its calculated cost of service. This will be
23 difficult for CUC to absorb, but the Board is willing to take this step to minimize the impact on
24 the citizens of the CNMI.
25

26 Cost and rate increases are a fact of life for utilities all over the world. According to a
27 nationwide rate surveys conducted by the consulting firm *Raftelis* and respected magazines
28 like *Waterworld*, the average utility rate is increasing by approximately 4.0% to 5.0% per
29 year. The American Water Works Association expects that rates will triple over the next
30 fifteen years.

1
2 The rate plans presented in this testimony will only allow CUC to recover the cost it incurs in
3 providing this vital utility service to its customers. CUC will not “profit” from this rate plan; it
4 will simply recover its costs.

5
6 Finally, in our experience few utilities have been able to operate without a rate increase for
7 twelve years. The fact that CUC has maintained its existing rates for over a decade, while
8 other utilities have increased rates by as much as 5% per year, is compelling evidence that
9 CUC is doing everything in its power to minimize the financial impact of utility service.
10 However, it is unrealistic to expect that CUC can maintain its current rates forever. Sooner
11 or later it has to succumb to economic and market realities and increase its rates to reflect
12 increasing costs.

13
14 Finally, Charts Econ-21, Econ-24 and Econ-25 reveal that without rate adjustments CUC will
15 experience unsustainable financial losses over the next decade. As unpleasant as it is to
16 contemplate these rate adjustments, in our opinion these adjustments are critical for CUC to
17 retain financial solvency.

18
19 For these reasons we strongly recommend that the CPUC adopt CUC’s requested five year
20 rate plans for its power, water and wastewater utilities.

21
22 Q. In closing, we have a couple of housekeeping questions. Did you prepare this
23 testimony and exhibits, or were they prepared under your supervision and control?

24 A. Yes.

25
26 Q. Are the statements in your testimony true and correct to the best of your knowledge,
27 information and belief?

28 A. Yes.

29
30 Q. If you were testifying live, under oath, today, would you say what appears in this, your
31 prefiled testimony filing?

1 A. Yes.

2 Q. Does this conclude your prefiled testimony?

3 A. Yes, it does. However, we reserve the right to make any necessary adjustments during the
4 course of these proceedings.
5

6 DECLARATION
7

8 The proceeding prefiled testimony, and the exhibits referred to therein, are true and correct to the
9 best of my knowledge, information and belief. Signed under penalty of perjury.

10 

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33 September 12 2025
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