

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

Petition of the Commonwealth Utilities Corporation For Rate Relief in its Power, Water and Wastewater Utilities

DOCKET No. 25-__

**CUC's Testimony of:
Betty Terlaje
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Commonwealth Utilities Corporation
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Subject: Testimony as to the Reasonableness of Proposed Power, Water and Wastewater Rate Plan

Transmittal Date: October 31, 2025

**Prefiled Testimony of
Betty Terlaje
Chief Financial Officer
Commonwealth Utilities Corporation**

Section I – Introduction and Background

Q. Please state your name, title, and responsibilities.

A. My name is Betty Terlaje, and I am the Chief Financial Officer for the Commonwealth Utilities Corporation. I am responsible for overseeing all financial aspects of CUC's operations, including budgeting, accounting, financial planning, cash flow management, and capital financing.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present CUC's financial performance from FY 2021 through FY 2024, describe actions taken in mid-2025 to address arrears and liquidity, and explain why a rate increase is necessary to ensure the financial and operational stability of the utility.

Q. Please describe your background and work history with CUC.

A. I received a Bachelor of Arts degree in Business Administration from Seattle University in 2000, and I have over 25 years of experience working for CUC. I started out as an Accountant and Accounts Payable Supervisor, and after a number of increasing responsibilities I now serve as Chief Financial Officer. I also served as Deputy Director for Administration from 2017 to 2023 and Acting Executive Director during the 2023-2024 time period. My professional resume is contained as **Appendix A** to this testimony.

Historical Financial Performance

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

A. In this section I will describe CUC's historical financial performance for the fiscal years 2021 through 2024. To assist in my analysis I have prepared **Table BT-1**, which summarizes CUC's historical income statements and balance sheets for the period 2021 – 2025. I chose not to include the 2025 income statement because as of June 2025 it represents only a partial year.



Table BT-1

COMMONWEALTH UTILITIES CORPORATION HISTORICAL BALANCE SHEETS					
	Sep-21 Restated	Sep-22 Audited	Sep-23 Unaudited	Sep-24 Unaudited	Jun-25 Unaudited
Current Assets					
Cash	\$ 45,983,449	\$ 50,313,804	\$ 25,178,935	\$ 22,088,779	\$ 19,573,701
Accounts Receivable, net of Uncollectibles	7,784,567	15,309,330	14,250,701	20,788,818	11,987,497
Due from Grantors	7,680,916	5,323,688	5,783,721	7,686,212	6,509,098
Inventory net of Allowance	24,222,910	25,471,871	25,980,120	24,749,420	22,464,838
Notes Receivable	161,285	151,619	125,016	60,712	100,128
Other Assets	1,511,204	1,711,825	2,916,770	3,675,951	5,114,140
	87,344,331	98,282,137	74,235,263	79,049,892	65,749,402
Restricted Assets	12,742,111	13,316,025	33,104,918	29,285,702	26,434,801
Total	100,086,442	111,598,162	107,340,181	108,335,594	92,184,203
Capital Assets					
Electric Plant	180,321,876	180,221,550	181,192,046	184,194,436	185,741,616
Water Plant	88,906,700	88,768,733	91,698,865	99,137,929	101,857,644
Wastewater	56,459,596	58,452,086	58,972,719	62,855,106	64,952,238
Administrative	4,725,138	4,487,132	4,165,887	4,165,887	4,062,513
Sub-Total	330,413,310	331,929,501	336,029,517	350,353,358	356,614,011
Accumulated Depreciation	(225,558,463)	(234,193,218)	(243,244,996)	(251,662,290)	(258,366,412)
Net Utility Plant	104,854,847	97,736,283	92,784,521	98,691,068	98,247,599
Construction in Progress	15,650,964	25,349,599	33,562,316	28,385,110	33,546,351
Total	120,505,811	123,085,882	126,346,837	127,076,178	131,793,950
Deferred Outflow of Resources	6,752,827	1,242,434	-	-	-
Total Assets	227,345,080	235,926,478	233,687,018	235,411,772	223,978,153
Current Liabilities					
Accounts Payable	12,936,254	15,402,019	10,189,329	8,005,367	6,500,184
Compensated Absences	1,604,922	1,604,922	1,052,669	1,052,669	1,467,934
Security Deposits	12,326,356	12,331,043	12,602,076	12,830,782	13,489,611
Total	26,867,532	29,337,984	23,844,074	21,888,818	21,457,729
Noncurrent Liabilities					
Due to primary Government	9,311,189	10,068,583	10,068,582	10,608,847	-
Retirement contributions payable	3,467,425	3,481,607	3,231,607	2,590,200	2,130,097
Unearned Revenue Saipan Local Laws	3,579,253	12,071,126	13,573,407	10,979,234	8,836,323
Unearned Revenue (BSI)	535,561	503,071	458,424	458,424	452,500
Overbilled fuel cost recovery			2,960,621	2,781,295	5,053,973
Payable others	1,796,067	1,419,410	2,992,836	2,630,359	1,381,644
Dividends payable	1,080,000	900,000	720,000	540,000	405,000
Total	19,769,495	28,443,797	34,005,477	30,588,359	18,259,537
Total Liabilities	46,637,027	57,781,781	57,849,551	52,477,177	39,717,266
Net Investment in Capital Assets	120,505,811	123,085,882	124,833,516	127,076,177	131,793,950
Regulatory Expenses			(398,711)	(398,711)	(398,711)
Preferred stocks	45,000,000	45,000,000	45,000,000	45,000,000	45,000,000
Unrestricted	15,202,242	10,058,815	6,402,661	11,257,129	7,865,648
Total	180,708,053	178,144,697	175,837,466	182,934,595	184,260,887
Total Liabilities and Net Position	227,345,080	235,926,478	233,687,017	235,411,772	223,978,153

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Table BT-1 (cont.)

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Total	180,708,053	178,144,697	175,837,466	182,934,595
Total Liabilities and Net Position	227,345,080	235,926,478	233,687,017	235,411,772

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Q. How did CUC perform in FY 2021?

A. For FY 2021, CUC had net operating revenues of \$68.58 million after accounting for bad debts. Operating expenses totaled \$83.27 million, resulting in an operating loss of \$14.69 million. Non-operating revenues, primarily from bad debt recoveries, settlements, and interest income, totaled \$20.89 million. Due to \$14.08 million in capital contributions, CUC's net position increased by \$20.28 million, ending the year at \$180.71 million.

Q. How did CUC perform in FY 2022?

A. In FY 2022, net operating revenues rose to \$103.82 million, largely due to higher fuel adjustment charges. However, operating expenses increased to \$120.10 million, resulting in a \$16.28 million operating loss. Non-operating activities produced a net loss of (\$2.23) million compared to a \$20.88 million gain the prior year. With \$15.86 million in capital contributions, CUC's net position declined by \$2.66 million to \$178.14 million at the end of the year.

Q. Please summarize FY 2023 results.

A. In FY 2023, total operating revenues were \$116.81 million. After a \$9.61 million provision for uncollectible accounts, net operating revenues were \$107.19 million. Operating expenses totaled \$120.34 million, resulting in a (\$13.15) million operating loss. Non-operating revenues resulted in a net loss of (\$3.51) million. Capital contributions and grants of \$14.35 million mitigated the loss but still resulted in a net position decrease of (\$2.31) million.

Q. What drove FY 2023's operating loss?

A. The largest expense category was production fuel at \$67.30 million, followed by salaries and benefits at \$18.10 million, and maintenance at \$7.92 million. The high provision for uncollectibles reflected ongoing accounts receivable collection issues.

Q. Please summarize FY 2024 results.

A. In FY 2024, total operating revenues were \$110.13 million, down 5.7% from FY 2023. This was primarily due to a \$10.81 million decline in fuel charge revenue. After a \$7.07 million provision for uncollectibles, net operating revenues were \$103.06 million.



Operating expenses were \$115.26 million, resulting in a \$12.20 million operating loss. Non-operating revenues totaled \$3.60 million, primarily from \$8.96 million in interest income. This resulted in a \$8.58 million loss before capital contributions. With \$13.15 million in contributions and grants, CUC's net cash position rose \$4.58 million to \$182.93 million.

Q. What are some of the principal takeaways from Table BT-1, which shows CUC's historical financial performance?

A. To answer this I would refer the reader to **Table BT-2**, which summarizes the critical data from the previous table. It shows the following:

- **CUC has experienced substantial levels of uncollectible balances from its customer base.** For the 2021 – 2024 period, uncollectibles have ranged from 5.6% to 9.2% of operating revenues.
- **CUC has accumulated substantial operating losses in each of the past four years,** ranging from 11.8% to 21.4% of operating revenues. This presents compelling evidence that CUC's rates are insufficient at present.
- **CUC's net income also has been heavily negative the past three years.**

No business can sustain these levels of operating losses on an ongoing basis. CUC must be allowed to increase its revenue recovery from its ratepayers.



Table BT-2

COMMONWEALTH UTILITIES CORPORATION HISTORICAL INCOME STATEMENTS				
	Sep-21 Restated	Sep-22 Audited	Sep-23 Unaudited	Sep-24 Unaudited
Operating Revenues				
Sub-Total	\$ 72,657,799	\$ 114,336,727	\$ 116,806,002	\$ 110,128,547
Uncollectibles	(4,078,372)	(10,513,854)	(9,614,350)	(7,070,000)
Net Operating Revenues	68,579,427	103,822,873	107,191,652	103,058,547
Percent Uncollectible	5.6%	9.2%	8.2%	6.4%
Profit and Loss from Operations	(14,691,376)	(16,278,077)	(13,150,776)	(12,197,261)
Percent of Operating Revenue	-21.4%	-15.7%	-12.3%	-11.8%
Net Income/(Loss) before Cap Cont and Federal Grants	6,191,999	(18,515,813)	(16,657,969)	(8,576,439)
Percent of Operating Revenue	9.0%	-17.8%	-15.5%	-8.3%

Q. How would you characterize CUC's balance sheet?

A. CUC's balance sheet has managed to remain more stable. However, this is primarily due to CUC's receipt of federal grants to fund the cost of its capital improvements.

The most important takeaway from CUC's balance sheet is that accounts receivables have increased from \$7.78 million in 2021 to \$20.79 million in 2024, an increase of 167%. This has severely strained CUC's cash flow and ability to finance operating expenses and maintenance.

Receivables declined in 2025 due to the \$10.9 million offset agreement with the CNMI government, which I will describe further below.

Arrears Recovery and Operational Improvements (Through – July 2025)

Q. What steps has CUC taken to address government arrears?

A. In September 2024, CUC executed a \$10.9 million offset agreement with the CNMI government. At the time the central government owed approximately \$10.9 million to CUC for unpaid utility bills. The Department of Justice and the Environmental Protection Agency were

1 pressuring CUC to collect payment from the government. As a result, CUC entered into a
2 Memorandum of Understanding ("MOU") to offset \$10.9 million in government utility bills with a
3 reduction in CUC's obligation for payments to the Office of the Public Auditor ("OPA"). While
4 this was only a limited benefit from a cash flow perspective, it did have the benefit of reducing
5 this liability from CUC's financial statement.

6
7 CUC is now finalizing a new MOU with the CNMI government to offset an additional \$3.9
8 million of CUC's liability to the Office of the Public Auditor against unpaid government utility
9 bills. Execution is contingent on receipt and clearance of \$3.9 million in Community
10 Development Block Grant funds, which have been received and are currently being processed.

11
12 These actions show that CUC is making diligent efforts to reduce its arrears from the central
13 government.

14
15 **Q. What operational measures are being implemented to reduce future arrears?**

16 A. CUC is transitioning all government accounts from postpaid to prepaid meters. This will ensure
17 payment in advance for service. CUC believes that the installation of these meters will
18 significantly improve cash flow and reduce the inherent risk of carrying these receivables.

19
20
21 **CHCC Accounts Receivable – Financial and Operational Impact**

22
23 **Q. How is CUC addressing CHCC arrears?**

24 A. CHCC has remained current on its new bills since Public Law 23-30, passed in November
25 2024, lowered its rate from government to commercial. CHCC proposed terms that required it
26 to pay a minimum of \$50,000 per month toward arrears while staying current on new liabilities.

27
28 **Q. What is the current size of CUC's accounts receivable related to CHCC?**

29 A. As of August 31, 2025, CHCC's outstanding balance is **\$30,732,542**.

Q. Is the current \$50,000/month plan for CHCC adequate to resolve CHCC's significant outstanding balance?

A. No. Assuming CHCC continues to fulfill its \$50,000/month obligation, it would take approximately 615 months, or 52 years to retire the balance. This is simply not a practical path to restoring CUC's financial position.

I have prepared **Table BT-3**, which shows the total months required to pay CHCC's outstanding debt assuming higher monthly payments. Even at \$500,000 per month it would take 5 years to retire CHCC's balance. This is a good illustration of the magnitude of the debt CHCC owes, and the burden it places on CUC.

Table BT-3

COMMONWEALTH UTILITIES CORPORATION CHCC RECEIVABLES BALANCE				
Total Outstanding August 31 2025		\$ 30,732,542		
Monthly Payment	\$ 50,000	\$ 100,000	\$ 250,000	\$ 500,000
Time Required to Retire Balance				
Months	615	307	123	61
Years	51	26	10	5

1 **Q. Why is this repayment pace a concern for CUC's operations?**

2 A. CUC is a government-owned, not-for-profit utility. When major customers like CHCC do not
3 pay their bills in full or in a timely manner, the resulting cash shortfall directly reduces the funds
4 available for essential maintenance of CUC's aging generation assets. This has significant real
5 world implications for CUC's operations.
6

7 **Q. How does such a large receivable balance affect CUC's financial position?**

8 A. This balance ties up a significant portion of CUC's working capital in a non-liquid asset. While
9 CUC carries it as a receivable on its balance sheet, it does not provide cash flow to fund
10 operations, maintenance, or capital projects. The size of this balance also increases bad debt
11 risk and reduces liquidity ratios, which will be a significant concern for creditors and oversight
12 agencies.
13

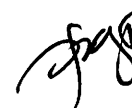
14 **Q. Can you provide a summary of the strain CHCC's arrears place on CUC's finances?**

15 A. I would summarize it as follows:

- 16 • **Working capital lock-up:** \$30.7M equals approximately 30% of FY2024 net operating
17 revenues of \$103.06M, or approximately 110 days of revenue. This represents cash that
18 cannot be deployed for fuel, maintenance, or spares.
- 19 • **Maintenance equivalency:** \$30.7M equals approximately 4 years of CUC's current
20 inadequate FY2024 maintenance spending of \$7.60M.
- 21 • **Liquidity headroom:** Diverting \$30.7M from receivables to cash would materially enhance
22 resilience against outages, permit installation of new, more efficient and lower cost engines,
23 and save \$4 million annual Aggreko rental payments.
24

25 **Q. What are the operational consequences the \$30 million CHCC A/R balance.**

26 A. Cash shortfalls resulting from CHCC nonpayment directly reduce funds that CUC would have
27 available for maintenance, which contributes to asset degradation. On Saipan, deferred
28 maintenance led to failures in 2019 and required CUC to rent 12 MW of generation from
29 Aggreko. Since 2019 CUC has paid over \$20M for rentals. These are funds that could have
30 otherwise been used to support CUC's own fleet. I also note that rental units burn greater
31 amounts of fuel, raising the FAC borne by all customers.
32



Q. What risks does CHCC's arrears pose to CUC's ability to fund operations?

A. If CHCC fails to make meaningful progress in reducing its arrears, CUC will continue to rely heavily on external funding sources and other ratepayer revenues to cover fixed costs. In other words, ratepayers will have to cover the costs that should have been contributed by CHCC.

To make matters worse, given CHCC's essential role in healthcare, service disconnection is not a viable enforcement tool. Therefore CUC has limited leverage or ability to collect these outstanding balances.

Q. How does the proposed CHCC repayment plan address this issue?

A. While the \$50,000 per month payment plan provides a predictable cash inflow, as my earlier testimony and chart demonstrated, at this rate it would take decades to pay down the existing balance. This fuels the need to adjust CUC's rates to cover the cash shortfalls and ensure operational stability. However, it also underscores the need for either additional repayment sources or a settlement approach between CHCC and CUC.

Q. What must change in the repayment plan?

A. CHCC must materially increase the repayment rate and/or provide additional sources (e.g., dedicated appropriations, offsets, or pledged reimbursements) so arrears are reduced on a **near-term** horizon, not over generations.

Q. Will you be discussing the technical effects of maintenance shortfalls in detail?

A. No. Those operational impacts will be addressed by CUC witness Richard Cano, who will explain how lack of maintenance funding directly degraded our generation fleet and contributed to the need for costly rentals.

Risks of Relying on Federal Grants

Q. How much of CUC's recent funding has come from federal grants?



1 A. In FY 2023 and FY 2024 combined, CUC received approximately \$27.5 million in capital
2 contributions and grants from federal sources. These funds have been critical for major
3 projects and has allowed CUC to offset a portion of its operational cash shortfalls.
4

5 **Q. Why is reliance on federal grants a risk for CUC?**

6 A. Federal grants are typically awarded for specific capital projects or targeted programs, not for
7 covering recurring operational costs. The grant application process is competitive, subject to
8 annual budget appropriations, and can be delayed or reduced without notice. Over-reliance on
9 grants creates vulnerability for CUC in years when awards are smaller or when disbursement
10 timing does not align with CUC's cash flow needs.
11

12 **Q. How could this reliance impact CUC's long-term stability?**

13 A. If federal funding were reduced or delayed, CUC would have to fund infrastructure needs
14 entirely from rates, borrowing, or internal reserves. Without adequate cash flow from rates, this
15 could result in deferred maintenance, project delays, or deterioration of service reliability.
16

17 **Q. How does this relate to the rate increase request?**

18 A. A sustainable rate structure reduces CUC's dependence on unpredictable grant funding and
19 ensures that day-to-day operations are funded through stable, recurring revenue. Grants
20 should be leveraged for long-term capital improvements, not relied upon to balance annual
21 operating budgets.
22
23

24 **Financial Condition and Rate Necessity**

25 **Q. What overall trends have emerged from FY 2021 through FY 2024?**

26 A. As shown in Table BT-1 and Table BT-2, CUC has sustained operating losses in each of the
27 last four fiscal years, ranging from \$12-16 million annually. In many cases, positive changes in
28 CUC's net cash position were achieved only through non-operating revenues, capital
29 contributions, and grants. Cash flow from operations has been inconsistent, and in FY 2022 it
30 was minimal. Receivable levels and uncollectibles remain significant challenges.
31

1 **Q. Why is a rate increase necessary now?**

2 A. While arrears offsets, CHCC repayment, and prepaid metering will improve liquidity, they do
3 not address the structural imbalance between rates and the actual cost of providing service.
4 Without a rate increase, CUC risks underfunding operations, delaying maintenance, and failing
5 to meet environmental and compliance mandates.
6

7 **Q. What is your recommendation to the Commission?**

8 A. I recommend the Commission approve the proposed rate plan as presented by
9 Economists.com to ensure that CUC can cover its operating costs, maintain infrastructure,
10 meet compliance requirements, and continue providing reliable service to the people of the
11 CNMI.
12
13

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

16 A. Yes.
17

18 **Q. Are the statements in your testimony true and correct to the best of your knowledge,**
19 **information and belief?**

20 A. Yes.
21

22 **Q. If you were testifying live, under oath, today, would you say what appears in this, your**
23 **prefiled testimony filing?**

24 A. Yes.
25

26 **Q. Does this conclude your prefiled testimony?**

27 A. Yes, it does. However, we reserve the right to make any necessary adjustments during the
28 course of these proceedings.
29
30
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DECLARATION

3

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

6

7 BT

8

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Betty Terlaje

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Chief Financial Officer

11

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September 12 2025

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