

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 25-__

CUC's Testimony of:
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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
Rodolfo Rodriguez
Deputy Director -- Water
Commonwealth Utilities Corporation

Section I – Introduction and Background

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

A. My name is Rololfo Steven Rodriguez, and I have served as the Deputy Director of the Water Division for the Commonwealth Utilities Corporation since September 2024. I am responsible for overseeing all aspects of CUC's water and wastewater operations.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to address the following issues:

- 1) I will describe CUC's ongoing efforts to reduce its non-revenue water losses. The reduction of these losses will not only preserve water resources, it will also reduce CUC's operating costs and increase operational efficiencies.
- 2) I will outline the need for the operating expenditures outlined in the budget to be approved and funded by CPUC through the adoption of CUC's proposed rate plan.
- 3) I will summarize CUC's water and wastewater CIP, and will describe the necessity of these projects. I will also outline how CUC would be severely impacted if the projects are not funded through federal grants.

Q. Please describe your background and work history.

A. I have approximately 30 years' experience as a water operations manager for water systems in Texas, the US military, and Saipan. I possess a Class C wastewater treatment plant operator license and a Class B groundwater production operator license. I have served as General Manager for a Water Control and Improvement District in Texas, and a field operations and facilities manager for several US army installations. More detail on my background and qualifications can be found in my professional resume contained in **Appendix A**.



Non-Revenue Water Losses

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

A. In this section I will describe CUC's efforts to reduce its high non-revenue water losses.

Q. Please define the term "non-revenue water".

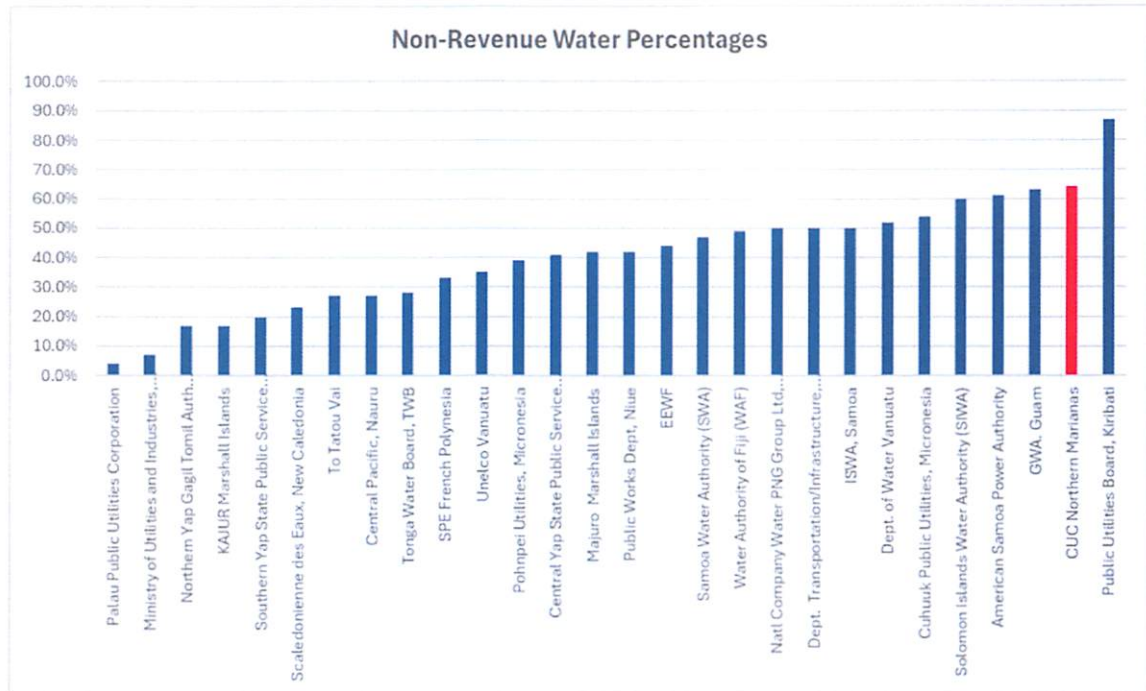
A. Non-revenue water" is defined as water that is produced and enters the distribution system but is not consumed or billed to end users. The most common causes of non-revenue water are leaks in the distribution system, under-registering meters and theft of water and wastewater service through illegal or unauthorized taps. Significant levels of non-revenue water can present challenges to utilities, as a utility incurs costs to produce such water but is not compensated by end users for these costs.

Q. Are non-revenue water losses typically high for Pacific utilities?

A. Yes. Non-revenue water loss is common in Pacific utilities, which often face the dual challenges of aging systems and rugged terrains. **Chart RR-1** is a reproduction of Chart III-20 from the 2025 Power, Water and Wastewater Rate Study. The chart's data was derived from the Pacific Water and Wastewater Association's 2022 Benchmarking Report. It reveals that most Pacific utilities have non-revenue water percentages that exceed 40%. It also illustrates the extent of the challenge faced by CUC, as CUC's current non-revenue water loss of approximately 64% is one of the highest in the sample. We are vigorously addressing this issue and have already seen improvements but we have yet to reach our targeted percentage reductions.



Chart RR-1



Q. What steps is CUC taking to reduce lost water?

A. CUC is taking three specific sources of action to reduce non-revenue water losses. These steps are:

- 1) Testing and replacing water meters
- 2) Conducting leak detection and valve monitoring
- 3) Identifying and prosecuting water theft

Q. Please describe CUC's water meter testing and replacement program.

A. CUC's water system on Saipan is divided into 14 Tank Service Areas, or TSAs. CUC is now in the process of identifying a specific TSA and testing all meters within that TSA. Meters that do not exceed an identified level of accuracy are replaced.

As of September 2025 CUC has completed the testing and replacement of meters within the first identified TSA. This is a lengthy, time-consuming and expensive process. I estimate that it will take CUC approximately three more years to complete the process for all 14 TSAs.

1 However, I am confident that the replacement of under-registering or non-functioning meters
2 will result in a significant drop in CUC's non-revenue water losses.

3
4 **Q. Please describe CUC's leak detection efforts.**

5 A. As with meter testing, CUC is focusing its leak detection efforts on specific TSAs. CUC crews
6 conduct tests at all hours of the day and night on the lines within the TSA, identifying areas
7 where leaks are caused by our aging infrastructure. Once these leaks are identified, CUC
8 dispatches crews of either staff or contractors to address the leaks.

9
10 Another aspect of these leak detection efforts is that CUC crews are identifying whether the
11 various valves within the distribution system are properly closed or open. Improperly open
12 valves can lead to significant amounts of water losses as well.

13
14 Along with the meter replacement program, CUC's efforts are concentrated on individual TSAs.
15 As I stated earlier, the process of leak identification and meter replacement for all TSAs is
16 estimated to take three more years, but at the end of that time I believe that it will result in a
17 significant reduction in non-revenue water.

18
19 **Q. Please describe CUC's efforts to identify water theft.**

20 A. I believe that water theft is a serious problem for CUC, and is one of the major factors in non-
21 revenue water accumulation. Often this results from unauthorized tappings of CUC's mains.
22 CUC has dispatched crews to the same TSAs to seek out and identify these potential sources
23 of water theft. When a potential water theft is identified, CUC's field personnel reports it to
24 CUC's compliance safety department, which conducts its own investigation. If an incident of
25 theft is confirmed as theft, CUC's compliance department refers the issue to DPS investigators.
26 These investigators then determine whether the alleged theft was intentional or an honest
27 mistake (which does happen on occasion), and whether it is appropriate to file criminal
28 charges. CUC has developed this process in order to ensure that no criminal complaint is filed
29 without extensive review and analysis.

30
31 **Q. Can you summarize CUC's efforts at reducing non-revenue water?**

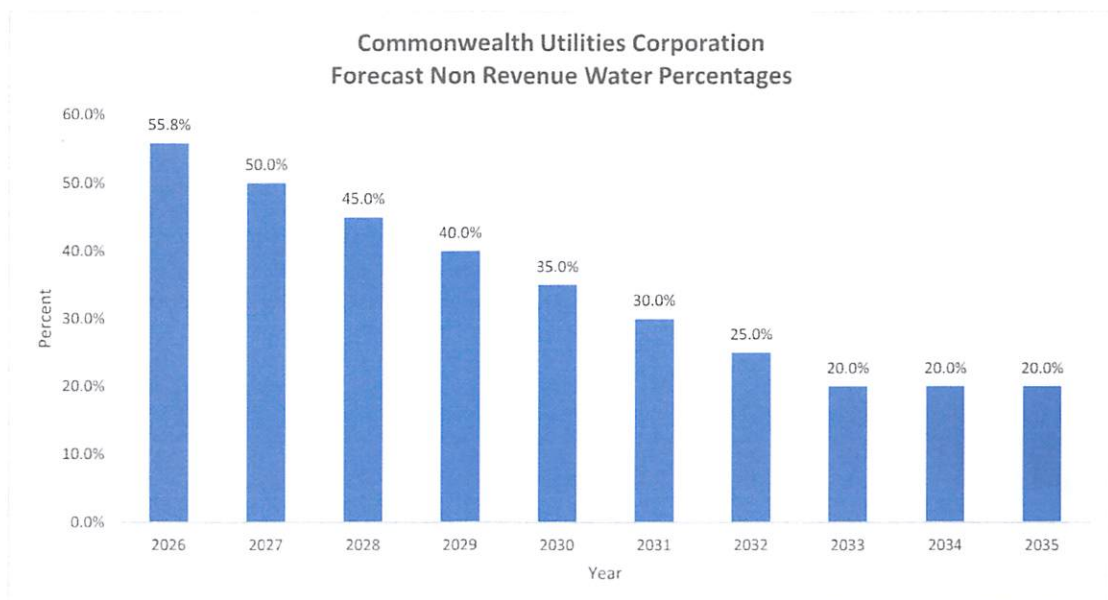


A. Yes. I believe that between meter changeouts, leak detection and theft investigation, CUC is taking an appropriate series of measures to mitigate and reduce non-revenue water. These steps are consistent with what any utility would do to reduce this persistent problem.

Q. In their rate study, Economists.com projected that non-revenue water loss could be reduced to 20% of produced water within ten years. Do you agree with this forecast?

B. Yes. I believe that as a result of the steps I have outlined above, CUC will achieve a reduction of its non-revenue water at a rate similar to that forecast in the rate study. The forecast is presented in **Chart RR-2**, which is a reproduction of Chart III-21 from the rate study.

Chart RR-2



CUC Water and Wastewater Operating Budget

Q. Did you assist in developing CUC's operating budget for FY 2026?

A. Yes. My input was key to the development of budget totals for the water and wastewater division.

Q. How does the FY 2026 budget compare to prior years?

A. **Table RR-3** compares the water and wastewater adopted budgets for each of the past three years.

Q. It appears that the water and wastewater utility adopted budgets are higher in FY 2026 than they are in previous years. Can you explain why this is the fact?

A. Yes. The primary reason is that budgets in prior years were based on the amount of revenue that was available to CUC. After all, a utility cannot spend money that it does not have, so by definition the budget must be limited to no more than the expected revenue to be collected. Since CUC has not had a base rate increase in over a decade, its revenues were limited. In my opinion, the water and wastewater revenues have been insufficient to allow CUC to recover the true cost of providing service. Therefore CUC has been unable to expend funds on critical expenses, most notably system maintenance, additional GAC and sampling requirements.

For the current year, FY 2026, in anticipation that CUC would be seeking to adjust its rates to increase its revenues, CUC has submitted an operating budget that reflects the true costs that are required to operate the system. This results in the following:

- A nominal increase in personnel costs, although the budget does not reflect the addition of new water and wastewater operations personnel
- A significant increase in general and administrative expenses
- Higher supplies cost, reflecting significant increases in chemicals and other materials
- The funding of stipulated order requirements
- Higher costs of internal usage, that reflect potential increases in utility rates



Table RR-3

1

COMMONWEALTH UTILITIES CORPORATION HISTORICAL BUDGETS					
WATER UTILITY BUDGET					
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Operating and Non-Operating Expenses					
Production Fuel			\$ -	\$ -	\$ -
Personnel	4,275,073	3,262,785	5,571,720	5,343,710	6,106,253
General and Administrative	175,540	716,220	516,450	516,450	1,059,138
Supplies	730,808	233,000	361,350	261,350	989,376
Maintenance	601,068	364,542	803,347	787,525	5,143,600
Stipulated Order Items	-	-	-	-	400,000
Other Production (Purchased Power)	-	-	-	-	-
Internal Usage (Power/Water)	-	-	4,012,032	1,578,604	4,700,000
Total	5,782,489	4,576,547	11,264,899	8,487,639	18,398,367
Non-Operating Expenses					
CDA Dividend Payment			-	-	-
Settlement Agreements			-	-	-
Other -- Bank Charges			-	-	-
Public Auditors Fees	78,866	92,458	111,153	110,595	183,984
Total	78,866	92,458	111,153	110,595	183,984
Capital Outlays			-	-	1,097,000
Total Fuel, Operating, Non-Op, Capital Outlays	5,861,355	4,669,005	11,376,052	8,598,234	19,679,351

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3

COMMONWEALTH UTILITIES CORPORATION HISTORICAL BUDGETS					
WASTEWATER UTILITY BUDGET					
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Operating and Non-Operating Expenses					
Production Fuel			\$ -	\$ -	\$ -
Personnel	1,165,372	884,381	1,071,826	1,194,477	1,637,525
General and Administrative	63,957	332,200	380,300	130,300	721,990
Supplies	29,353	50,000	116,500	101,500	333,720
Maintenance	324,984	299,250	151,171	168,206	707,700
Stipulated Order Items	-	-	-	-	100,000
Other Production (Purchased Power)	-	-	-	-	-
Internal Usage (Power/Water)	-	-	1,023,565	901,531	1,100,000
Total	1,583,666	1,565,831	2,743,362	2,496,014	4,600,935
Non-Operating Expenses					
CDA Dividend Payment			-	-	-
Settlement Agreements			-	-	-
Other -- Bank Charges			-	-	-
Public Auditors Fees	22,783	26,710	33,829	33,645	46,009
Total	22,783	26,710	33,829	33,645	46,009
Capital Outlays			-	-	240,000
Total Fuel, Operating, Non-Op, Capital Outlays	1,606,449	1,592,541	2,777,191	2,529,659	4,886,944

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Further, the table shows that the largest increases from prior years in both water and wastewater are the maintenance expenses and capital outlays. This is partly due to CUC's inability to fund proper maintenance in earlier years. It is my opinion that the level of maintenance expenses for FY 2026 as reflected in CUC's operating budget are critical for the proper operation of the system.

Q. So you believe that the FY 2026 budget more accurately reflects the true cost of providing water and wastewater service than prior years' budgets?

A. Yes, for the reasons I have described. However, if anything, the budget still underrepresents the true cost of water and wastewater service. As I will describe in the next section, this is because CUC has been receiving a significant amount of grant funding to pay for needed capital improvements. Without this grant funding the cost of water and wastewater service would be even higher.

Q. Are CUC's water and wastewater rates currently covering the cost of service as based on the FY 2026 budget?

A. No. The rate study prepared by Economists.com documents that both the water and the wastewater rates are currently recovering less than the cost of providing service. If the CPUC adopts the rate plan proposed by CUC, Economists.com's calculations forecast that both the water and wastewater utilities will be recovering their respective cost of service by 2030. I will defer to Economists.com for a description of CUC's rate recommendations and cost of service forecast.



Water and Wastewater Capital Improvement Plan

Q. Did you assist in the development of the CIP related to the water and wastewater utility?

A. I assist in the continuing maintenance of the capital improvement program to repair, maintain and expand CUC's water and wastewater system. The list predates my tenure with CUC and will exist when I leave CUC. The list inevitably evolves over time. At any given moment it represents CUC's most up to date forecast of the expenditures required to operate CUC's utility at a level acceptable to ratepayers. Various members of CUC staff have varying degrees of familiarity with each individual project.

CUC staff's comprehensive listing of all of CUC's water and wastewater capital needs for the foreseeable future is presented in **Appendix B** of this testimony, and is summarized in **Table RR-4**.

The table reveals that CUC's capital needs for its water and wastewater system amount to a staggering **\$630,025,097**. Of that total, \$101,957,097 has already been funded, with \$528,068,000 remaining to be funded.

Table RR-4

COMMONWEALTH UTILITIES CORPORATION WATER AND WASTEWATER CAPITAL IMPROVEMENT PROJECTS (ESTIMATED)			
	Water	Wastewater	Total
Currently Funded	\$ 49,500,000	\$ 52,457,097	\$ 101,957,097
Unfunded 2025-2035	124,698,000	100,220,000	224,918,000
Unfunded 2035-beyond	<u>49,500,000</u>	<u>253,650,000</u>	<u>303,150,000</u>
Total Unfunded	174,198,000	353,870,000	528,068,000
Total	223,698,000	406,327,097	630,025,097

1
2 However, for the purposes of this rate application, Economists.com and I both recommend that
3 CPUC focus only on the water and wastewater capital improvement needs over the next ten
4 years, 2025 -- 2035. The next ten years represents CUC's most immediate needs, and the
5 projects in the years beyond 2035 should be considered to be more speculative.
6

7 **Table RR-5** presents CUC's capital needs through the year 2035 for the water utility and **Table**
8 **RR-6** presents a similar chart for the wastewater utility. These tables reveal that CUC has
9 identified a total of **\$124,698,000** in water capital improvement needs, and a total of
10 **\$100,220,000** in long-term wastewater capital improvement needs through 2035.
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12
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Table RR-5

COMMONWEALTH UTILITIES CORPORATION	
Test Year	
2026	
2025 05 09 Scenario I -- 5 Year Implement -- No WEC	
CAPITAL IMPROVEMENT PLAN	
FY 2026 - FY 2035	
WATER PROJECTS	COST
Wellhead Improvement Project	\$ 700,000
Well Rehabilitation and Disinfection Project	1,000,000
As Lito Wells Direct Feed Elimination	50,000
New Sinapalo 0.75MG WST Revised from .25 MG to .75 MG	7,000,000
Chalan Msgr. Martinez ACP Waterline Replacement Project	1,200,000
Tanapag Waterline Replacement Project	1,500,000
Chalan Kanoa Waterline Replacement Project	5,000,000
Susupe Waterline Replacement Project	2,500,000
GAC Filtration for Isley TSA	3,800,000
GAC Filtration for IB II TSA	1,500,000
Maui IV Infiltration Galley Rehabilitation Project	3,000,000
Koblerville Homestead Waterline Replacement Project	3,000,000
As-Gonno Waterline Replacement Project	850,000
As Terlaje Waterline Replacement Project	2,000,000
Isley Booster I 14-inch Transmission Line Replacement Project	3,000,000
Kannat Tabla 1.0 MG Tank (2008)	8,000,000
Agag 0.1 MG Concrete Tank (1980's)	3,000,000
Long Lane (Bishop Waterline) Installation	200,000
Chalan Tun Joaquin Doi Service Line Transfer	500,000
Chalan Laulau Waterline Replacement Project	1,800,000
Papago Pressure Improvement Project	500,000
San Vicente to Dandan Distribution Main Replacement (Kattan Hudda Drive) Project	1,500,000
Beach Rd. WL Upgrade - PH I	2,500,000
Beach Rd. WL Upgrade - PH II [Alupyang Place to Ghiyeg Street]	2,500,000
Beach Rd. WL Upgrade - PH III [Ghiyeg Street to Angaha Street]	2,500,000
Beach Rd. WL Upgrade - PH IV [Angana Street to Micro Beach Road]	2,500,000
San Jose Waterline Replacement	1,600,000
Wireless/Capitol Hill Waterline Replacement	1,250,000
Obyan Waterline Replacement/Upgrade and PRV Installation Project	1,400,000
Kagman 1, 2, 3 and 4 Waterline Replacement Project	10,000,000
Kagman Pressure Improvement Project	1,200,000
Pila Drive (Sadog Tasi) Waterline Replacement Project	900,000
Rubentacion (Sadog Tasi) Waterline Installation	500,000
Coastal Drive and Isleta Court (Sadog Tasi) Waterline Extension	800,000
Malinao (Sadog Tasi Drive) Waterline Extension Project	250,000
Maui IV, Calhoun Transmission Line Reconfiguration	850,000
Freedom Drive Waterline Replacement	650,000
Rakka Drive and Magazine Drive Waterline Extension(San Roque)	250,000
Robat Drive Waterline Replacement (Gualo Rai)	250,000
Talafofo Waterline Replacement Project	2,310,000
Chalan Tun Herman to Chalan Msgr. Martinez Distribution Line Project	1,500,000
Egigi Waterline Replacement Project	850,000
As Matuis Waterline Relocation Project	450,000
Isley Booster I Transmission Line Replacement Project	1,600,000
Rapagau 0.4 MG Tank (2010)	4,500,000
Calhoun 0.5 MG Steel tank (2) (2007)	3,000,000
Calhoun 0.5 MG Concrete tank Rehab. (1) (1980s)	500,000
Maui IV Sump Tank	200,000
Puerto Rico, Rapagau, Capitol Hill Telemetry and Control Valve System	500,000
Donnie Spring to Agag Tank Transmission Main Project	1,450,000
Islandwide ARV Replacement	1,500,000
Islandwide Defective GV Replacement	2,000,000
Agag Tank Replacement	3,000,000
Kulot De Rosa Drive Waterline Installation Project	250,000
Removal of Existing Waterline from Private Property	4,500,000
New 0.2 MG Tank (As Matuis)	1,000,000
Sailing Drive Waterline Extension (near Dandan Tank)	150,000
Islandwide Water Meter Replacement Program	500,000
Transformer Upgrade Phase II	1,000,000
Pump and Motor Upgrade	500,000
Water Office and Water Task Force Office Back Up Generator Project	100,000
Islandwide Water System Improvements (Tinian)	3,000,000
San Jose Loop Waterline (Tinian)	2,000,000
Maui I Disconnection (Tinian)	50,000
CPA Transmission Line (Tinian)	338,000
Islandwide Water System Improvements Phase III (Rota)	3,000,000
Water Transmission Line - Main Cave to Sinapalo WST (Rota)	3,300,000
WST Fencing (Rota)	150,000
Total	124,698,000

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Table RR-6

COMMONWEALTH UTILITIES CORPORATION	
Test Year	
2026	
2025 05 09 Scenario I -- 5 Year Implement -- No WEC	
CAPITAL IMPROVEMENT PLAN	
FY 2026 - FY 2035	
WASTEWATER PROJECTS	COST
Alternative Biosolids Treatment & Disposal For Agingan and Sadog Tasi WWTFs	\$ 2,500,000
Improvements & Upgrades to Wastewater Lift Stations	15,000,000
Perform Pump Sizing Assessment, all Lift Stations (I&I)	200,000
Lower Base Sewerline Replacement PH IV	2,000,000
Saipan Islandwide Sewerline Replacement	3,000,000
Island Wide Sewer Service Connections	2,000,000
Islandwide Rehab/Upgrade of Collection System Manholes	1,000,000
Treatment and Disposal of FOG From Wastewater Facilities	2,000,000
Extend new Collection Mains and Laterals into Existing Unsewered Areas	2,500,000
Collection Lines, San Antonio, Chalan Kanoa, Susupe, San Jose	3,000,000
Various Force Main Upgrades & Improvements	3,000,000
Texas Road Collection System Expansion	1,000,000
Wastewater System Telemetry/SCADA	10,000,000
South Garapan Sewer Collection System	5,000,000
H2S Control, Southern Collection System	250,000
S-3 Force Main Upgrade	1,000,000
I&I Control & Reduction	3,500,000
Agingan Force Main Upgrades	1,000,000
Process Control Laboratory	150,000
Odor Control	250,000
Process Control Laboratory	150,000
Installation of New Generator	120,000
W10 Lift Station	500,000
As Lito & Koblerville Sewer Collection System Expansion	3,000,000
A11 Lift Station	500,000
Dan Dan Homestead Sewer Collection System	7,000,000
Lower Sadog Tasi Sewer Collection System	800,000
Effluent Flow Meter Installation	50,000
Fina Sisu Collection System	2,200,000
Sadog Tasi Sewer Collection System	5,000,000
Chalan Kiya Sewer Collection System Upgrades & Expansion	1,500,000
Airport Road & Koblerville Diversion Sewer System	5,500,000
W8 Lift Station	500,000
Chalan Piao Sewer Collection System	1,000,000
Tanapag Force Main Upgrade & Improvements	500,000
As Matuis Collection System	3,500,000
As Mahetog Sewer Collection System	900,000
Japanese Tank Sludge Removal Project	1,300,000
Kannat Tabla/Upper Dan Dan Sewer Collection System	1,000,000
A10 Lift Station	650,000
W3 Lift Station	500,000
A14 Lift Station	500,000
Capitol Hill Sewer Collection System Modernization	2,000,000
A8 Lift Station	850,000
A9 Lift Station	850,000
A12 Lift Station	500,000
A13 Lift Station	500,000
Puerto Rico Sewer Collection System	500,000
Total	100,220,000

2

Q. How does CUC intend to finance the construction of these capital improvements?

A. As of now, CUC intends to fund all of these projects through the acquisition of grants from the federal government. These grants are expected to come primarily from EPA. Because many of the CIP projects are intended to fulfill stipulated order requirements, I believe that EPA will be more forthcoming in its allocation of grant funding to CUC.

This assumption is critical to the rate plan proposed by CUC. The rate plan assumes that CUC will not fund any of these projects through rates. This means that the rates proposed by CUC reflect less than the true cost to the consumer of water and wastewater service, as a significant portion of that service, the capital improvements required to repair and maintain the system, are assumed to be funded by the federal government.

Finally, it must be noted that there are no guarantees that CUC will receive sufficient grant funding to complete all or even a portion of these projects. The competition for limited grant funding is intense, and while Table RR-4 and Appendix B reveal that CUC has been successful in receiving over \$100 million in grant funding in recent years, there is no assurance that this level of support will continue in the future.

Q. What would happen if CUC fails to obtain the sought-after grant funding?

A. That would be a serious setback for CUC and for the CNMI. If CUC is not able to obtain grant funding for these projects, then it will be left with only two options. The first option would be to simply delay or cancel the project, which would have serious negative repercussions for the system. The second option would be to ask the CPUC for a supplemental water and wastewater rate adjustment to cover the additional debt service CUC would have to issue to fund most or all of these projects.

Betty Terlaje addresses the risks of relying on federal grants in more detail in her prefiled testimony.



Necessity of Adopting Rate Plan**Q. Why is a rate increase necessary now?**

A. The rate increase is necessary to fund the water and wastewater operating expenses that I have outlined in this testimony. These operating expenses will improve the quality of service for the ratepayers of the CNMI.

Another reason that the rates must be set to appropriate levels now is the risk that CUC will not be successful in obtaining grant funding for its Capital Improvement Plan. If CUC must go to the open market to borrow funds to finance the CIP, lenders are going to want assurance that CUC is operating at an acceptable level. If CUC continues to experience significant operating losses in its water and wastewater divisions, it will be very difficult for CUC to obtain debt financing for its capital improvement needs.

Q. What is your recommendation to the Commission?

A. I recommend the Commission approve the proposed rate increase to ensure that CUC can cover its operating costs, maintain infrastructure, meet compliance requirements, and continue providing reliable service to the people of the CNMI.

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

A. Yes.

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

A. Yes.

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

A. Yes.



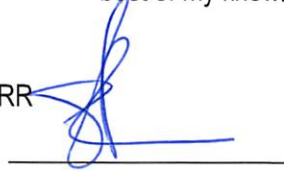
1
2 **Q. Does this conclude your prefiled testimony?**

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

10
11 The proceeding prefiled testimony, and the exhibits referred to therein, are true and correct to the
12 best of my knowledge, information and belief. Signed under penalty of perjury.
13

14 RR



15
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