

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

CUC's Testimony of:
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Section I – Introduction and Purpose**Q. What is the purpose of this prefiled testimony?**

A. The purpose of this testimony is to support CUC's contingent request for authority to implement a Typhoon Restoration Surcharge capable of recovering up to \$20 million of typhoon restoration costs, subject to Commission review and any conditions the Commission determines appropriate. We explain why CUC is presenting the request now as a placeholder, the relationship between the request and pending CNMI legislation concerning CUC's borrowing authority, and the manner in which CUC proposes to update or revise the request if financing becomes legally available on reasonable terms. We also sponsor the restoration presentation and supporting workbook identified below once those materials are supplied and finalized.

Q. Does this testimony replace CUC's pending rate-case filing?

A. No. This testimony supplements the existing record only on the matters expressly addressed. It is not presented as an amended rate application. Except as expressly supplemented, CUC continues to rely on and preserve its existing testimony, schedules, positions, requests for relief, arguments, objections, and procedural rights. None of the calculations or recommendations in this supplemental filing impact the rate models or rate recommendations that CUC has already presented.

Section II – Nature of Contingent Request**Q. What relief is CUC requesting in this Supplemental Testimony?**

A. CUC is requests a proposed Typhoon Restoration Surcharge with a recovery target not to exceed \$20 million for eligible typhoon restoration costs and related funding requirements reflected in the supporting workpapers. The ultimate charge, collection period, customer allocation, effective date, reconciliation terms, and other rate-design details should be determined from the attached workpapers, the evidentiary record, and any Commission

1 direction. CUC does not seek recovery beyond properly supported and Commission-
2 authorized amounts.

3
4 **Q. Why does CUC describe this as a placeholder filing?**

5 A. The filing preserves a potential regulatory funding path while the CNMI Legislature considers
6 legislation that may materially change CUC's lawful financing options. Because the
7 legislative outcome and timing are uncertain, waiting for final legislative action could leave
8 inadequate time to address restoration funding needs through the regulatory process. At the
9 same time, CUC does not wish to assume that customer-funded surcharge collections will
10 remain necessary if reasonable financing becomes available. The placeholder approach
11 allows the Commission and interested parties to begin evaluating the proposal without
12 prejudging later legislative or financing developments.

13
14 **Q. Is CUC asking for unconditional or irrevocable approval of the full \$20 million?**

15 A. The filing preserves a potential regulatory funding path while the CNMI Legislature considers
16 legislation that may materially change CUC's lawful financing options. Because the
17 legislative outcome and timing are uncertain, waiting for final legislative action could leave
18 inadequate time to address restoration funding needs through the regulatory process. At the
19 same time, CUC does not wish to assume that customer-funded surcharge collections will
20 remain necessary if reasonable financing becomes available. The placeholder approach
21 allows the Commission and interested parties to begin evaluating the proposal without
22 prejudging later legislative or financing developments.

23
24 **Q. What is the current status of CUC's electric system restoration following Typhoons
25 Sinlaku and Bavi?**

26 A. Restoration remains incomplete on all three islands affected by the typhoons. Typhoon
27 Sinlaku struck Saipan on April 15, 2026 and caused extensive damage to CUC's electric,
28 water and wastewater systems. As of the date of this testimony, approximately 86 percent of
29 electric customers on Saipan have had service restored. On Tinian, approximately 94
30 percent of electric customers have been restored. All water customers on Saipan and Tinian
31 are restored.

1 Typhoon Bavi struck Rota on July 5, 2026, causing substantial additional damage to CUC's
2 electric system. Restoration on Rota is significantly less advanced. At present, only
3 approximately 15 percent of electric customers on Rota have electric service. All but 7 water
4 customers on Rota are restored.

5
6 **Q. Why has CUC not completed restoration of electric service to the remaining**
7 **customers?**

8 A. CUC has been forced to suspend further electric system restoration because of a severe
9 cash shortage. CUC presently lacks sufficient available cash to continue funding the
10 materials, equipment, transportation, contractor support, personnel costs, and other
11 expenditures necessary to restore service to the remaining customers.

12
13 The suspension is not the result of a determination that restoration is complete or that the
14 remaining work is unnecessary. Significant portions of the electric, water and wastewater
15 system still require repair or reconstruction. Rather, CUC's lack of liquidity has reached the
16 point where it is directly preventing CUC from continuing essential electric service restoration
17 work.

18
19 **Q. What is the practical effect of CUC's current financial condition on its customers?**

20 A. The effect is immediate and substantial. Approximately 14 percent of Saipan customers and
21 6 percent of Tinian customers remain without restored electric service following Typhoon
22 Sinlaku, while approximately 85 percent of Rota customers remain without power following
23 Typhoon Bavi. CUC cannot complete restoration for these customers without access to
24 additional cash.

25
26 This circumstance demonstrates that CUC's financial condition is no longer simply a matter
27 of maintaining appropriate financial ratios or adequate reserves. The cash shortage is now
28 directly affecting CUC's ability to provide and restore essential utility service.

29
30 **Q. What is the practical effect of CUC's current financial condition on its customers?**

1 A. The incomplete restoration illustrates the immediate need for a reliable source of liquidity to
2 continue typhoon recovery operations. As explained elsewhere in this supplemental
3 testimony, CUC is proposing the Typhoon Restoration Surcharge as a placeholder and
4 contingent source of funding while legislation is pending that could provide CUC with
5 substantially greater borrowing authority.

6
7 If that legislation is enacted and CUC is able to obtain sufficient financing on reasonable
8 terms, the amount and need for the surcharge can be reevaluated and, as appropriate,
9 reduced, modified, or withdrawn. Until such financing is legally authorized and actually
10 available, however, CUC must preserve a means of obtaining the funds necessary to
11 continue restoration and return electric service to customers who remain without power.
12

13 **Section III – Pending legislation and financing contingency**

14

15 **Q. Please describe the pending legislative development relevant to this request.**

16 A. CUC understands that legislation is currently pending before the CNMI Legislature that
17 would amend the statutory borrowing limitation presently applicable to CUC. The current
18 limitation restricts CUC borrowing to \$500,000. If enacted in the form presently
19 contemplated, the legislation would permit CUC to borrow up to \$40 million. This testimony
20 does not predict enactment, timing, final statutory language, lender availability, interest rates,
21 security requirements, or other financing terms
22

23 **Q. How could enactment affect the proposed surcharge request?**

24 A. If the legislation is enacted and financing becomes legally available to CUC on reasonable
25 terms, financing could replace some or all of the near-term cash recovery otherwise sought
26 through the surcharge, or could change the appropriate amount, timing, duration, and
27 structure of customer recovery. The practical effect will depend on the enacted law, the
28 amount CUC may lawfully borrow, market and lender terms, transaction costs, repayment
29 requirements, and the relationship between financing proceeds and eligible restoration
30 expenditures.
31

Q. What will CUC do if the legislation is enacted?

A. CUC will evaluate available financing promptly and will notify the Commission and the parties of any material development. If financing becomes legally available on reasonable terms, CUC may withdraw, reduce, or modify the surcharge request accordingly. Any modification may address the amount, duration, effective date, customer allocation, reconciliation mechanism, or other terms. CUC would make any necessary supplemental filing and comply with further process directed by the Commission.

Q. How should the Commission guard against duplicative recovery?

A. Any approved mechanism should provide transparent accounting and reconciliation. Restoration costs recovered through grants, federal or territorial assistance, third-party reimbursements, financing proceeds to the extent treated as a substitute for near-term surcharge funding, or another Commission-authorized mechanism should be identified and addressed so that customers do not fund the same requirement twice. The attached workbook identifies CUC's proposed treatment. The table below shows the estimated Electric, Water and Wastewater allocated restoration costs for the next 12 months, the unit cost of the surcharge, and the impact on a typical monthly bill for Residential, Commercial and Government electric, water and wastewater customers.

COMMONWEALTH UTILITIES CORPORATION			
\$20 Million Typhoon Restoration Surcharge Rate Impact			
TEST YEAR 2026	TOTAL ELECTRIC	WATER	WASTEWATER
kWh Sales/ kgals	261,011,645	1,325,661	489,742
Surcharge Allocation	\$16,313,821	\$2,358,816	\$1,327,363
Unit Cost	\$0.0625	\$1.7794	\$2.7103
Monthly Residentail Increase	\$31.25	\$8.90	\$13.55
Monthly Commercial Increase	\$156.26	\$35.59	\$54.21
Monthly Government Increase	\$293.76	\$62.28	\$135.52

Section IV – Restoration need and supporting materials

Q. What materials support the proposed request?

1 A. We sponsor: Exhibit CUC-SDT-1, the Typhoon Restoration Charge presentation in PDF
2 format; and Exhibit CUC-SDT-2, the Typhoon Restoration Surcharge model and supporting
3 workpapers in Excel format, and are attached to this testimony.

4
5 **Q. What information is provided in the Typhoon Restoration Cost Workbook?**

6 A. The workbook provides CUC's current estimate of the costs associated with completing
7 restoration of its electric, water, and wastewater systems on Saipan, Tinian, and Rota
8 following Typhoons Sinlaku and Bavi. It also provides the supporting calculations for CUC's
9 proposed \$20 million Typhoon Restoration Surcharge.

10
11 The workbook is CUC's final supporting model for purposes of this supplemental filing.

12
13 **Q. Does the proposed \$20 million surcharge represent CUC's estimate of the total**
14 **remaining cost of restoration?**

15 A. No. CUC currently estimates that approximately \$63.5 million of additional expenditures will
16 be required to complete restoration of the electric, water, and wastewater systems on
17 Saipan, Tinian, and Rota. The proposed \$20 million surcharge therefore represents only
18 approximately one-third of CUC's estimated remaining restoration costs that CUC can
19 complete in the 12 months following adoption of the surcharge or CUC can borrow money to
20 finance the restoration.

21
22 The surcharge should not be interpreted as an attempt to recover the entire estimated cost
23 of completing restoration from customers during the proposed surcharge period. Rather, it is
24 intended to provide a portion of the funding CUC needs to continue restoration while other
25 sources of funding, including potential borrowing and FEMA reimbursement, are pursued.

26
27 **Q. Why is CUC proposing to recover only \$20 million when its estimated remaining**
28 **restoration costs are approximately \$63.5 million?**

29 A. The proposed amount is intended to provide CUC with urgently needed liquidity to continue
30 restoration while avoiding an attempt to recover the entire projected restoration requirement
31 through current rates.

1
2 **Q. Over what period does CUC expect the remaining restoration work to occur?**

3 A. CUC's current estimate is that full restoration of its electric, water, and wastewater systems
4 will require approximately another two to three years. The \$63.5 million estimate therefore
5 represents expenditures expected to occur over a multi-year restoration period rather than
6 costs that CUC expects to incur entirely within the one-year surcharge period.

7
8 **Q. How should the Commission view the \$20 million amount shown in the workbook?**

9 A. The \$20 million amount should be viewed as a limited and contingent funding request, not as
10 a final determination of CUC's total recoverable typhoon restoration costs. The workbook
11 demonstrates that CUC's estimated remaining restoration requirement is substantially
12 greater than the amount proposed for recovery through the surcharge.

13
14 The surcharge is intended to provide near-term liquidity necessary to continue restoration
15 while CUC pursues other available sources of funding. As discussed elsewhere in this
16 testimony, legislation is presently under consideration that could significantly increase CUC's
17 borrowing authority. If that legislation is enacted and CUC is able to obtain financing on
18 reasonable terms, CUC will reevaluate the amount of the surcharge and may reduce, modify,
19 or withdraw the request as appropriate.

20
21 **Q. Will CUC continue to update the Commission regarding restoration costs and**
22 **funding?**

23 A. Yes. Because restoration is expected to continue for another two to three years, actual
24 expenditures, FEMA reimbursements, available financing, and the remaining cost to
25 complete restoration will necessarily develop over time. CUC intends to track these amounts
26 and provide updated information as appropriate so that the Commission can distinguish
27 between restoration costs funded through the surcharge, costs funded through borrowing or
28 other sources, and amounts ultimately reimbursed by FEMA or other governmental
29 programs.
30

1 This continuing review will also help ensure that the proposed surcharge does not result in
2 recovery from customers of costs that are ultimately funded from another source.

3
4 **Q. In closing, we have a couple of housekeeping questions. Did you prepare this**
5 **testimony and exhibits, or were they prepared under your supervision and control?**

6 A. Yes.

7
8 **Q. Are the statements in your testimony true and correct to the best of your knowledge,**
9 **information and belief?**

10 A. Yes.

11
12 **Q. If you were testifying live, under oath, today, would you say what appears in this, your**
13 **prefiled testimony filing?**

14 A. Yes.

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

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

18
19 **DECLARATION**

20
21 The proceeding prefiled testimony, and the exhibits referred to therein, are true and correct to the
22 best of my knowledge, information and belief. Signed under penalty of perjury.

23 

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