

BEFORE THE COMMONWEALTH PUBLIC UTILITIES COMMISSION

INVESTIGATION OF COMMONWEALTH
UTILITIES CORPORATION'S WATER AND
WASTEWATER RATES AND RELATED
MATTERS

DOCKET 09-2

Hearing Examiner's Report

In its April 2, 2009 Decision and Order herein, the Commonwealth Public Utilities Commission [*Commission*] determined that the parties had not presented persuasive evidence that a proposed 173.4 percent increase in the Commonwealth Utilities Corporation's [*CUC*] wastewater rates¹ was either just, reasonable or fair, given evidence in the record that significant commercial establishments on Saipan are connected to CUC's wastewater system, but are neither metered nor billed for this service.² Accordingly, the Commission decided to defer its consideration of an increase in wastewater rates pending further examination by the undersigned of asserted unmetered, unbilled commercial service.

In response to the Commission's directive, the parties [*CUC and Georgetown Consulting Group*] undertook a thorough, collaborative review of whether commercial wastewater customers are receiving unmetered, unbilled service. The result of this review is presented in a June 3, 2009 stipulation [*Stipulation*] between the parties, with incorporates a CUC authored *Report on Commercial Customer WW Use and Billing* [*Report*]. The Stipulation and Report, establish in convincing manner that initial concerns about substantial unbilled commercial wastewater service were unfounded. While the review confirms that CUC has not been metering and billing ten commercial customers in accordance with its

¹ This 173.4 % increase in wastewater rates [one half to be implemented immediately and one-half on June 1, 2009 unless alternative funding is provided by the Government] was recommended by the parties in their stipulation dated March 27, 2009. The increase would cover 60% of the revenue requirement, which the parties have found would be necessary to enable CUC to meet its obligations under the Federal Stipulated Order in *USA v. CUC and CNMI* [Civil Case No. 08-0051] and under its enabling legislation. In its Decision, the Commission ordered that the remaining 40% revenue requirement will be addressed, within the context of the revenue cycle audit discussed below, in a subsequent rate proceeding during the first quarter of FY10.

² The source of this information was Georgetown's [Gawlik] testimony during the March 27, 2009 public hearing that millions of dollars were being lost through a loophole which allows non-metered commercial customers to go without paying for wastewater service. This assertion was not challenged by CUC at the hearing. As is explained in the parties June 3, 2009 stipulation, Georgetown asserts that its testimony was based on inaccurate information and was also primarily intended to encompass potential savings flowing from the revenue cycle audit.

service rules, the consequent loss of revenue has been *de minimus* and is now being resolved by the action plan contained in the Report. Moreover, Georgetown has clarified that its reference to millions of dollars in potential savings was intended to refer to a variety of revenue enhancement activities, which would likely flow from the revenue cycle audit, which the Commission has ordered in its April 2, 2009 Decision. Accordingly, the parties submit that:

- a. The wastewater rate increase should be implemented in the manner recommended in section 8 of the Stipulation [50% effective July 1, 2009 and 50% effective September 4, 2009 unless alternative funding is tendered by the Government].
- b. It is necessary and important for the Commission to establish a lifeline rate for water and wastewater service to assist low income customers. Interim lifeline rates should be prepared for the Commission's consideration during the August 2009 regulatory session [in advance of the September 4, 2009 second phase wastewater rate increase].

The undersigned supports the parties' recommendations and encloses a proposed decision and order by which the Commission could implement them during a duly noticed special business meeting.

June 15, 2009

Harry M. Boertzel
Hearing Examiner