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

16
17 **Petition of the**)
18 **Commonwealth Utilities Corporation**)
19 **For rate relief in its power, water and**)
20 **wastewater business**)

RATE CASE No. 10-01

21)
22) CUCs Supplemental Testimony of:
23) Utu Abe Malae, Assistant Executive
24) Director of CUC, April 2010

25)
26)
27) **Subjects: Revenue Enhancement;**
28) **Grants**

29)
30) Filing date: April 1, 2010
31
32

33 Supplemental Direct Testimony of
34 Utu Abe Malae, Assistant Executive Director, CUC
35
36

37 **Introduction and Purpose**
38

39 Q: Please state your name and business address for the record.
40

41 A: My name is Utu Abe Malae. I am the Assistant Executive Director of the
42 Commonwealth Utilities Corporation ("CUC"). My office is located at the Joeten
43 DanDan Building, 3rd Floor. The mailing address is PO Box 501220 CK, Saipan

Supplemental Testimony of Utu Abe Malae
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1 MP 96950. My telephone and fax numbers are: 670.235-7025, 5131,
2 respectively. My email address is abe_malae@cucgov.net.
3

4 Q: Are you the same Utu Abe Malae who testified previously in this case, by
5 prefiled direct testimony?
6

7 A: Yes, I am.
8

9 Q: Please state the content and purpose of your testimony.
10

11 A: I am testifying to two matters today, as shown in the table of contents. I am also
12 available to respond to the questions of Commission staff on matters touching
13 on this supplemental testimony. I am filing workpapers. I have renamed my
14 earlier exhibit, my resume. So, my exhibits are as follows:
15

16 UAM-01 Resume of Utu Abe Malae
17 UAM-02 CUC Capital Projects - March 2010 - Grants and Other
18

19 Q: Could you please provide a table of contents to this testimony?
20

21 A: Yes:
22



23
24
25
26 **Table of Contents.**

27
28
29 **Topic 4: Revenue Enhancement.** [3](#)
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38



39 Q: Who prepared this testimony and the exhibits sponsored through it?
40

41
42 A: This pre-filed testimony was prepared by me or under my direct supervision and
43 control. Likewise, any exhibits which I reference and sponsor were prepared by

1 me or under my direct supervision and control.
2
3
4

5 Q: If you were called to testify "live" to the matters contained within this testimony
6 and were asked the same questions, what would your answers be?
7

8 A: My answers would be as they appear in this pre-filed supplemental testimony.
9

10 Q: Do you swear and declare that this testimony, and the exhibits which you
11 sponsor through it, are true and correct to the best of your knowledge,
12 information and belief?
13

14 A: Yes, I do. And I repeat this declaration at the conclusion of this written
15 supplemental testimony.
16
17



19 **Topic 4: Revenue Enhancement**
20

21 Q: Thank you. Let's start with the first topic. What is your role with regard to CUC's
22 Revenue Enhancement Task Force?
23

24 A: I am a designated senior management member of CUC's Revenue Enhancement
25 Task Force, representing the operations side. The Task Force includes water,
26 wastewater and power. The Task Force was established in November 2009 to
27 address several issues related to CUC's billing database. The Task Force is
28 managed and coordinated by CUC's billing manager, Betty Terlaje. She in
29 charge of customer service, billings (including meter reading) and credit and
30 collections.
31

32 Q: What have been the primary activities of the Revenue Enhancement Task
33 Force?
34

35 A: The Task Force has conducted an account-by-account audit of every flat rate
36 customer account in an attempt to increase the reliability of CUC's account data
37 and volumetric data. The Task Force has also attempted to identify any
38 customers who are connected to CUC's water and wastewater system and are
39 not being charged for monthly service, and to identify customers who are within
40 200 feet of CUC's collection lines and are required by our regulations to hook
41 into CUC's system. The survey was conducted in late 2009 and early 2010.

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1 The Task Force also: conducts an audit of Watt-hour meters that may be
2 malfunctioning or reading incorrectly; works with the Department of Public Works
3 to inventory streetlights; and works with a private consultant to determine line
4 losses and correct same.
5

6 Q: What were the results of the survey?
7


8 A: The Task Force confirmed that just over 630 customers were connected to
9 CUC's wastewater system but were not paying monthly charges. CUC sent out
10 letters to each of these customers advising them that they would begin to be
11 billed for the wastewater service they were using. As of February 2010 over
12 95% of these customers began paying monthly charges to CUC. The remaining
13 customers protested CUC's finding that they were connected to the system and
14 we are still investigating each of these.
15

16 Every month CUC prepares a monthly summary of active and flat rate
17 customers. The latest such summary, dated February 2010, shows that there
18 are now 3,494 active wastewater customers. In October 2009 this total was
19 2,938. This represents a net increase of 556 customers. There has been a
20 decrease in the number of other active customers, and, as I said above, some
21 customers are disputing our finding. This accounts for the difference in the net
22 increase from the 630 total that I identified.
23

24 As of February, these new accounts are now fully reflected in CUC's customer
25 accounts and volume data. I have provided this information to Mr. Jackson for
26 his rate case projections.
27

28 Q: Have there been any water customers identified who are connected to the
29 system but are not presently paying monthly charges?
30

31 A: No. We continue to address the status of flat rate customers, but we have not
32 identified any new water customers who are taking water from our system but not
33 currently paying charges. We continue our efforts to convert the flat rate
34 customers to active, volumetric billing status.
35

36  Q: Please summarize your findings with regard to customers within 200 feet of the
37 wastewater system.
38

39 A: CUC Regulation NMIAC Title 50, Section 50-20-122, Public Sewer Availability,
40 identifies the distance that customers are required to connect to CUC's
41

1 wastewater system as 200 feet from the sewer to the nearest point of the
2 residence. Section 50-20-124, When Connection to Public Sewer Required,
3 identifies when customers are required to connect.
4

5 Thus, residents and businesses located within 200 feet of collection lines are
6 required to hook into CUC's wastewater system. Our task force has identified
7 approximately 637 such customers. We have sent out letters notifying each of
8 these customers of their status and their requirement to hook into our system.
9

10 However, before we can complete each hook-up we must prepare a
11 comprehensive and complete engineering assessment of each of the connection
12 sites for each of these customers, both their location and what will be required to
13 hook them up to the system. This is going to take at a minimum several months,
14 particularly given CUC's limited engineering resources. (CUC is presently
15 seeking three more engineers for this Division due to the excessive workload.)
16

17 I should note that, in some cases, CUC is competing with the low tipping fee
18 charged to "honey bucket" waste haulers, who collect sludge from septic tanks,
19 grease traps and other such facilities. For many years our regulation NMIAC
20 Section 50-20-420 has required a charge of \$25.00 per thousand gallons. It
21 may be time to revisit that fee level.
22

23 In any event, the engineering work is required even if the customer is willing to
24 hook up. If the customer protests, then we face additional work as our staff
25 prepares for a contested case. Therefore we cannot expect to have any of these
26 customers added to our active wastewater customer totals until 2011 at a
27 minimum, and perhaps even 2012. But our intention is that we serve and charge
28 these customers as well.
29

30 Q. Have you given these data to Mr. Jackson to use in his revised rate plan
31 Scenario 4?
32

33 A. Yes. Ms. Terlaje and I provided him with the "Active" customer counts and the
34 water and wastewater monthly statistics reports for the months of October 2009
35 through February 2010. These reports reflect the new wastewater customers
36 who have been connected to the system. Mr. Jackson has included copies of
37 these reports in the workpapers accompanying his testimony.
38

39 Q. Are you keeping the Commission's consultant, Georgetown Consulting Group,
40 informed?
41

1 A: Yes we are.
2
3



5 **Topic 5: Recent Federal Grants**
6

7 Q: Now let's turn to the other topic of your testimony. What is the status of CUC's
8 receipt of grant funding from the federal government?
9

10 A: Here the news is very good. CUC has just received a grant of \$4.05 million to
11 defray some of its oil clean-up costs. All of this grant will be used for
12 construction and associated costs, and none of it will be used to cover operating
13 expenses. This means that, as good as this news is, it unfortunately will not
14 lower or eliminate our need for operating rate increases.
15

16 The Department of Interior's Office of Insular Affairs (the grantor) has already
17 issued an advisory to proceed on several of the Items that make up the project
18 list. Some projects have begun. Others are going through the permitting
19 process (such as NEPA approvals) or their scopes of work are being fine-tuned
20 with the assistance of US EPA. Funding is for 12 months.
21

22 Furthermore, CUC is in the preliminary process of receiving an additional
23 one-time stimulus-related, i.e. ARRA-related, grant of approximately \$11.0
24 million. As of this writing we have not yet decided precisely to which projects to
25 assign particular amounts of this funding. Please note that this money is for
26 capital expenditures, not to cover operating expenses.
27

28 Q: If the specific projects are not yet identified, are there any general plans for
29 these funds?
30

31 A: The 2010 grant award from US EPA Region 9 (state revolving funds) is \$6
32 million for drinking water projects and \$5 million for wastewater projects. The
33 plan is for the Water Task Force (an agency of the CNMI Government
34 responsible for assisting CUC with drinking water capital projects) to be
35 responsible for all such projects as they have in the past. The sewer projects
36 will be within the purview of CUC. The summary of our other projects, for all
37 divisions and all three islands, as of this filing, is:
38

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ARRA:

Power:	\$4.900 million
Water & Wastewater:	2.852

Sub total \$7.752 million

Capital Improvement Projects, Department of Interior, OIA (702 funds):

Water & Wastewater (Saipan):	\$5.600 million
Power (Rota):	3.569
Additional W & WW:	0.948

Sub total \$10.117 million

Total for ARRA and other CIPs: \$17.869 million

These projects, I must emphasize, are *in addition to* the \$11.00 million from US EPA for the Year 2010 (\$6 million for water; \$5 million for wastewater) and \$4.05 million from DOI OIA for waste oil management in the Years 2010 – 2011.

This summary and its supporting detail appear in my exhibit, UAM-02 CUC Capital Projects - March 2010 - Grants and Other. (My workpapers include the CUC's cover letter to the Governor for grant funding and the DOI OIA award letter.)

I want to emphasize that CUC staff have very actively responded to the funding opportunities of the ARRA. These projects reflect that activity.

Q: So, are these newly developed projects?

A: No. There are no "new" water and wastewater projects for this funding – since most have been on the drawing board for several years. For example, many water and wastewater projects were already submitted "shovel ready" to ARRA last year, but were not funded. Water projects aim to reduce non-revenue water to an acceptable level (<15%). Wastewater Projects aim to replace collapsing sewer collection mains; rationalize the collection of sewer from the Kagman Area and make better use of the Agingan Point secondary wastewater treatment plant. Although funding is for 2010 only, the project work will continue over at least

1 three years.
2
3

4 Q: Will you be keeping Georgetown informed of these projects?
5

6 A: Yes we will.
7



10 * **Conclusion**
11

12 Q: Does that complete your supplemental testimony?
13

14 A: Yes, it does.
15

16 Q: Do you request that this pre-filed supplemental testimony and any related
17 exhibits be entered in the record of this case as your declaration?
18

19 A: Yes, I do.
20
21
22

23 I declare under penalty of perjury that the foregoing is true and correct and that this
24 declaration was executed on April 1, 2010, at Saipan, Commonwealth of the Northern
25 Mariana Islands.
26
27

28
29 _____ /s

30 Utu Abe Malae,
31 Commonwealth Utilities Corporation
32
33
34

35 **CERTIFICATE OF SERVICE**
36

37
38 The undersigned, Alan J. Barak, being a member of the CNMI Bar, hereby certifies that he served the
39 following person(s) with the following paper(s) by the following method(s) (CPUC prov. RPP 4; Com. R.
40 Civ. Pro. 5(d)):
41

42 Document served: The foregoing: Prefiled Supplemental Testimony of Utu Abe Malae, April 2010

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Persons served:

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Method and date: by causing electronic service of a copy to the above persons through their indicated email addresses on the above filing date.

/s/

Alan J. Barak, Attorney at Law (# F0350)

0 UAM Suppl Testimony Utu Abe Malae 2010-04-01.wpd