

TWENTY-FOURTH NORTHERN MARIANAS COMMONWEALTH

LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

Regular Session, 2026

H. B. 24- 88

A BILL FOR AN ACT

To mandate that the Commonwealth Utilities Corporation undergo a comprehensive, independent, third-party utility expert audit; to require a formal Commonwealth Public Utilities Commission audit-review docket and transparent public review process; to require an enforceable corrective action plan, a ratepayer impact matrix, and a public audit implementation dashboard; to impose strict timelines and narrowly limited extensions; to require mandatory decennial audits; to establish compliance reporting and civil penalties for missed deadlines payable to the CNMI Treasury; and for other purposes.

**BE IT ENACTED BY THE 24TH NORTHERN MARIANAS
COMMONWEALTH LEGISLATURE:**

- 1 **Section 1. Findings and Purpose.** The Legislature finds that:
- 2 (a) The Commonwealth Utilities Corporation ("CUC") provides essential
- 3 electric, water, and wastewater services impacting public health, public safety,
- 4 economic stability, and quality of life.
- 5 (b) Sound utility governance requires accurate financial reporting,
- 6 verifiable asset records, effective internal controls, prudent procurement and
- 7 contract management, and transparent performance metrics.

1 (c) Independent third-party utility expert audits are necessary to validate
2 financial integrity, verify assets and capital planning, test billing and collections
3 controls, and identify deficiencies that materially affect customer bills, system
4 reliability, and public confidence.

5 (d) Persistent deficiencies, delayed responsiveness, and failures to operate
6 in a businesslike manner warrant mandatory independent verification with
7 enforceable deadlines and measurable corrective action.

8 The purpose of this Act is to mandate comprehensive independent utility
9 expert audits of the Commonwealth Utilities Corporation on a strict schedule,
10 require Commonwealth Public Utilities Commission procedural review and public
11 transparency, compel timely corrective actions, and ensure accountability through
12 enforceable reporting and civil penalties for missed deadlines.

13 **Section 2. Enactment.** Subject to codification by the CNMI Law Revision
14 Commission, the following is hereby enacted into law:

15 **“Section 101. Short Title.**

16 This Act may be cited as the “CUC Independent Utility Audit, Decennial
17 Review, and Accountability Act of 2026.”

18 **Section 102. Definitions.**

19 For purposes of this Act:

20 (a) “Adoption Date” means the date this Act becomes law.

1 (b) “Audit” means a comprehensive independent review by qualified utility
2 expert auditors encompassing financial, operational (“desk”), asset, compliance,
3 and risk/internal control examinations, including testing of internal controls and
4 verification of material assets.

5 (c) “Auditor” means an independent third party with demonstrated expertise
6 in electric and water/wastewater utilities, including utility finance, billing and
7 revenue assurance, procurement and contract controls, inventory controls, asset
8 verification, and utility operational performance metrics.

9 (d) “CAP” means the Corrective Action Plan required by this Act, including
10 specific actions, accountable owners, deadlines, measurable outcomes, and
11 verification methods.

12 (e) “CPUC” means the Commonwealth Public Utilities Commission (or its
13 lawful successor).

14 (f) “Dashboard” means the public-facing Audit Implementation Dashboard
15 required by this Act.

16 (g) “Deadline” means any mandatory time requirement established in
17 Sections 103, 105, 106, or 107 of this Act, as applicable.

18 (h) “Missed Deadline” means failure to meet a Deadline without a valid
19 extension granted under Section 109 of this Act.

20 (i) “Responsible Party” means the official designated under Section 110 (f)
21 as accountable for a specific Deadline, and includes, at minimum, the CUC

1 Executive Director/Chief Executive Officer and any other officer, manager,
2 employee, or agent assigned responsibility for timely completion of a deliverable
3 or action required by this Act.

4 (j) "Trigger Date" means, for each decennial cycle, the tenth (10th)
5 anniversary of the date the prior final Audit Report was delivered under Section
6 103(c) of this Act (or, if not delivered, the tenth anniversary of the date the report
7 was required to be delivered).

8 **Section 103. Mandatory Independent Utility Expert Audit;**
9 **Independence; Scope; Cooperation; Decennial Requirement.**

10 (a) Audit Required. The Commonwealth Utilities Corporation shall procure
11 and complete an Audit in accordance with this Act.

12 (b) Independence Requirements. The Auditor shall be independent of CUC
13 and shall not, within the prior three (3) years, have served as CUC's material
14 vendor, contractor, consultant, or auditor in a manner that creates a conflict of
15 interest, except as permitted by written conflict disclosure and mitigation approved
16 under subsection (e).

17 (c) Minimum Scope. The Audit shall include, at a minimum, examination
18 of:

19 (1) Cash management;

20 (2) Accounts receivable, billing accuracy, and collections;

21 (3) Accounts payable and disbursement controls;

- 1 (4) Payroll and timekeeping controls;
- 2 (5) Fuel and power cost processes (if applicable) and cost pass-through
- 3 controls;
- 4 (6) Procurement and contract administration;
- 5 (7) Inventory management and warehousing controls;
- 6 (8) Capital project controls and change order governance;
- 7 (9) Operational performance and reliability metrics, including SAIDI and
- 8 SAIFI where applicable;
- 9 (10) Non-revenue water and production and distribution loss controls for
- 10 water and wastewater systems;
- 11 (11) Asset verification and condition assessment to the extent practicable;
- 12 and
- 13 (12) Any additional areas identified by the Auditor as high risk.
- 14 (d) Access and Cooperation. CUC shall provide the Auditor prompt access
- 15 to personnel, systems, records, facilities, contracts, invoices, meter and billing data,
- 16 work orders, and asset information reasonably necessary to complete the Audit.
- 17 (e) Conflict Disclosure. The Auditor shall submit written conflict
- 18 disclosures prior to award and update them throughout performance.
- 19 (f) Mandatory Decennial Audit.

1 (1) After completion of the initial Audit required by this Act, CUC shall
2 procure and complete a new independent utility expert Audit at least once every ten
3 (10) years (“Decennial Audit”).

4 (2) Each Decennial Audit shall satisfy the same independence, scope,
5 cooperation, and deliverables requirements set forth in this Act, and shall be subject
6 to CPUC procedural docketing and public review under Section 105 and CAP and
7 Dashboard requirements under Sections 106 and 107.

8 (3) Each Decennial Audit cycle shall be triggered by the Trigger Date and
9 shall follow the strict deadlines in Section 104.

10 **Section 104. Procurement and Strict Timelines; Decennial Scheduling.**

11 (a) Solicitation Deadline (Initial Audit). Within sixty (60) calendar days
12 after the Adoption Date, CUC shall issue a competitive solicitation for the Audit.

13 (b) Award Deadline (Initial Audit). Within one hundred twenty (120)
14 calendar days after the Adoption Date, CUC shall award the Audit contract.

15 (c) Final Report Deadline (Initial Audit). CUC shall require, and the Auditor
16 shall deliver, the final Audit Report and all deliverables required under Section 105
17 no later than one hundred eighty (180) calendar days after contract award.

18 (d) Decennial Audit Deadlines. For each Decennial Audit cycle triggered
19 by the Trigger Date:

20 (1) Within sixty (60) calendar days after the Trigger Date, CUC shall issue
21 a competitive solicitation;

1 (2) Within one hundred twenty (120) calendar days after the Trigger Date,
2 CUC shall award the Audit contract; and

3 (3) The Auditor shall deliver the final Audit Report and deliverables
4 required under Section 105 no later than one hundred eighty (180) calendar days
5 after contract award.

6 (e) Time is of the Essence. The timelines in this Act are mandatory, and
7 time is of the essence.

8 **Section 105. Mandatory Deliverables.**

9 The Auditor shall produce, at minimum:

10 (a) A written Audit Report with findings and recommendations, quantified
11 where practicable;

12 (b) A Management Letter identifying internal control weaknesses and
13 corrective recommendations;

14 (c) A Validated Asset Register (or validated update) and summary of
15 verification methods and exceptions;

16 (d) A plain-language Executive Summary suitable for public dissemination;

17 (e) A CPUC Briefing Exhibit summarizing findings relevant to CPUC
18 jurisdiction;

19 (f) A Ratepayer Impact Matrix identifying for each major finding the
20 mechanism of impact, estimated direction, and potential annual range of ratepayer
21 impact, informational only and not a rate determination; and

1 (g) A “Top 10 Controls to Fix in 90 Days” list with specific fixes,
2 accountable owners, verification methods, and expected risk reduction.

3 **Section 106. CPUC Procedural Docket and Public Audit-Review**
4 **Process.**

5 (a) Docket Required. Within fifteen (15) calendar days after the CPUC
6 receives the final Audit Report, the CPUC shall open and docket an audit-review
7 matter for the limited purpose of receiving the Audit Report, conducting a
8 transparent public review process, and receiving stakeholder input through public
9 technical conferences or hearings.

10 (b) No Compelled Substantive Outcome. Nothing in this Act shall be
11 construed to require the CPUC to reach any particular substantive outcome,
12 approve or deny any specific rate adjustment, or impair the CPUC’s independent
13 adjudicatory or regulatory discretion beyond the procedural obligations expressly
14 stated in subsection (a).

15 (c) Record. The CPUC shall maintain a publicly accessible docket record,
16 subject to lawful confidentiality limitations.

17 **Section 107. Corrective Action Plan and Quarterly Reporting.**

18 (a) CAP Required. Within thirty (30) calendar days after CUC receives the
19 final Audit Report, CUC shall submit to the Legislature and CPUC:

20 (1) A written Management Response; and

1 (2) A time-bound CAP with specific actions, responsible owners, deadlines,
2 measurable outcomes, and verification methods.

3 (b) Quarterly Progress Reports. CUC shall submit quarterly CAP progress
4 reports to the Legislature and CPUC until all CAP items are completed or formally
5 closed with written justification and supporting documentation.

6 (c) Verification Standard. CAP closure shall include completion proof or a
7 verification method sufficient for independent review.

8 **Section 108. Public Audit Implementation Dashboard.**

9 (a) Dashboard Required. Within forty-five (45) calendar days after
10 submission of the CAP, CUC shall publish and maintain a public-facing
11 Dashboard, updated at least quarterly, listing each CAP item, owner, due date,
12 status, and completion proof or verification method.

13 (b) Confidentiality. The Dashboard and related publications shall respect
14 lawful confidentiality requirements, including security-sensitive, personally
15 identifiable, privileged, or procurement-sensitive information. Redacted public
16 versions and confidential appendices are authorized.

17 **Section 109. Funding.**

18 (a) Use of CUC Funds. CUC shall fund the Audit and related obligations
19 under this Act from its legally available revenues and funds and shall treat such
20 costs as a priority governance and compliance expenditure.

1 (b) No Excuse of Noncompliance. Lack of separate appropriation shall not
2 excuse noncompliance where legally available utility revenues exist.

3 **Section 110. Limited Extensions—Strict Standard, Public Vote, Notice,**
4 **and Cap.**

5 (a) Extensions to deadlines in Section 104 are disfavored and may be
6 granted only upon a written determination adopted by the CUC Board at a public
7 meeting that:

8 (1) Delay is unavoidable due to specific documented circumstances beyond
9 reasonable control;

10 (2) CUC has taken all reasonable mitigation measures; and

11 (3) The extension is for the shortest period necessary.

12 (b) Any extension shall:

13 (1) Be transmitted to the Speaker of the House, the Senate President, the
14 chairs of the committees of jurisdiction, and the CPUC no later than ten (10)
15 calendar days before the affected deadline; and

16 (2) Include a revised schedule and mitigation plan.

17 (c) No single extension shall exceed sixty (60) calendar days unless the
18 Legislature, by subsequent law, authorizes a longer extension.

19 (d) No penalty shall accrue for any day covered by a valid extension granted
20 under this Section.

1 **Section 111. Compliance Consequences; Civil Penalties; Responsibility**
2 **Designation; Collection.**

3 (a) Immediate Notice of Default. If CUC incurs a Missed Deadline in
4 Sections 104, 107, or 108, the CUC Board Chair and the CUC Executive
5 Director/Chief Executive Officer shall transmit a written Notice of Default to the
6 Speaker of the House, the Senate President, and the CPUC within five (5) calendar
7 days identifying the missed requirement, reasons, responsible officials, and
8 corrective steps with dates certain.

9 (b) Automatic Oversight Hearing Trigger. A Notice of Default shall
10 automatically trigger committee oversight proceedings, and CUC leadership shall
11 appear when noticed.

12 (c) Restrictions Pending Cure. From the date of Default until Cure, CUC
13 shall not approve discretionary travel not directly required for emergency response
14 or public safety, pay performance bonuses or non-contractual incentive pay to
15 executive management, or execute new professional services contracts exceeding
16 Fifty Thousand Dollars (\$50,000.00) unless necessary for emergency operations or
17 public safety and accompanied by a written determination by the CUC Board
18 adopted at a public meeting.

19 (d) Cure Certification. Cure occurs when CUC submits the delinquent
20 deliverable and provides written certification to the Legislature and CPUC with
21 supporting documentation.

1 (e) Daily Civil Penalties for Missed Deadlines (Payable to CNMI Treasury).

2 If CUC incurs a Missed Deadline, then beginning on the first calendar day
3 after the Deadline and continuing each day until Cure, a civil penalty shall accrue
4 as follows:

5 (1) CUC Executive Director/Chief Executive Officer: One Hundred Dollars
6 (\$100.00) per day; and

7 (2) Each other Responsible Party designated under subsection (f): Fifty
8 Dollars (\$50.00) per day.

9 The penalties in this subsection are personal civil obligations of the officials
10 assessed and are payable to the CNMI Treasury.

11 Penalties shall not accrue for any period covered by an extension granted in
12 accordance with Section 110.

13 Penalties under this subsection are civil in nature and do not create criminal
14 liability.

15 (f) Responsibility Designation Required.

16 Within fifteen (15) calendar days after the Adoption Date, and within fifteen
17 (15) days after the start of each Decennial Audit cycle, the CUC Board shall adopt,
18 at a public meeting, a written Responsibility Designation assigning a named
19 Responsible Party for each Deadline in Sections 104, 107, and 108.

20 The Responsibility Designation shall be transmitted to the Speaker of the
21 House, the Senate President, and the CPUC and shall be posted on CUC's website.

1 If the Board fails to timely adopt or transmit the Responsibility Designation,
2 then for purposes of subsection (e), the CUC Executive Director/Chief Executive
3 Officer and the CUC Board Chair shall be deemed the Responsible Parties for all
4 Deadlines until a valid designation is filed.

5 (g) No Reimbursement; No Rate Recovery.

6 Penalties assessed under subsection (e) shall not be paid, reimbursed,
7 indemnified, offset, advanced, or otherwise funded directly or indirectly by CUC,
8 any CUC contractor, or any affiliate.

9 Penalties assessed under subsection (e) shall not be included in any rate
10 base, fuel factor, surcharge, pass-through, settlement, or other charge to ratepayers.

11 (h) Notice of Assessment; Opportunity to Contest.

12 Within ten (10) calendar days after a Missed Deadline occurs, the CUC
13 Board shall issue a written Notice of Assessment to each assessed official
14 identifying the Missed Deadline, start date of accrual, daily rate, Responsible Party
15 basis, and Cure requirements. Copies shall be transmitted to the Speaker of the
16 House, the Senate President, the CPUC, the Attorney General, and the Secretary of
17 Finance.

18 An assessed official may submit a written contest to the CUC Board within
19 fifteen (15) calendar days of receipt, limited to whether a Missed Deadline
20 occurred, whether a valid extension applied, or whether the official was properly
21 designated as a Responsible Party.

1 The CUC Board shall issue a written decision within fifteen (15) calendar
2 days after receiving a timely contest. If the contest is denied in whole or in part, the
3 Board shall transmit its decision and supporting record to the Attorney General for
4 collection under subsection (i).

5 This subsection provides minimum due process and does not limit judicial
6 review available under Commonwealth law.

7 (i) Billing, Payment, and Collection.

8 Assessed penalties shall be due and payable to the CNMI Treasury within
9 thirty (30) calendar days after issuance of the Notice of Assessment or Board
10 decision, and thereafter every thirty (30) days while accrual continues until Cure.

11 If penalties remain unpaid for sixty (60) calendar days after due date, the
12 Attorney General is authorized to collect the unpaid amount by any lawful means,
13 including a civil action, and to seek reasonable costs of collection.

14 All collected penalties shall be deposited into the CNMI Treasury.

15 (j) Cumulative Remedies. The remedies and penalties in this Section are
16 cumulative and do not limit any other lawful remedy, oversight action, or
17 accountability measure available to the Legislature or the Commonwealth.”

18 **Section 3. Severability.** If any provisions of this Act or the application of
19 any such provision to any person or circumstance should be held invalid by a court
20 of competent jurisdiction, the remainder of this Act or the application of its

1 provisions to persons or circumstances other than those to which it is held invalid
2 shall not be affected thereby.


3 **Section 4. Savings Clause.** This Act and any repealer contained herein
4 shall not be construed as affecting any existing right acquired under contract or
5 acquired under statutes repealed or under any rule, regulation, or order adopted
6 under the statutes. Repealers contained in this Act shall not affect any proceeding
7 instituted under or pursuant to prior law. The enactment of the Act shall not have
8 the effect of terminating, or in any way modifying, any liability, civil or criminal,
9 which shall already be in existence on the date this Act becomes effective.

10 **Section 5. Effective Date.** This Act shall take effect upon its approval by
11 the Governor, or it becoming law without such approval.

Prefiled: 01.14.2020

Date: _____

Introduced by: _____



Rep. Vincent S. Aldan

Reviewed for legal sufficiency by:

Joseph S. Day 1/16/20
House Legal Counsel