

TWENTY-FOURTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE

First Regular SESSION, 2025

S. B. NO. 24- 14

A BILL FOR AN ACT

To temporarily suspend the collection of certain charges by the Commonwealth Utilities Corporation; and for other purposes.

BE IT ENACTED BY THE TWENTY-FOURTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE:

1           **Section 1. Findings and Purpose.** Through a transition period between the United  
2 States Trust Territory management and after the ratification of the CNMI Covenant in  
3 1975, the CNMI enacted legislation creating CUC. Due to delays, the actual  
4 implementation did not materialize until 1987, which up until that time, operated under the  
5 Department of Public Works. During that time period, it was agreed that CUC would  
6 operate on a full cost recovery basis within 3 years. To date, over 49 years have passed,  
7 and CUC has yet to achieve full cost recovery.

8           The Legislature finds that the Commonwealth Utilities Corporation (CUC) is a vital  
9 government utility, water and wastewater agency providing essential services to the  
10 Commonwealth of the Northern Mariana Islands (CNMI) and its citizens primarily, in the  
11 municipalities of Saipan, Tinian and Rota.

12           The Commonwealth Utilities Corporation has unreasonably charged residential and  
13 commercial customers for lost water revenue and bad debts—effectively subsidizing CUC  
14 at the expense of the public through the “FAC”, formerly known as the LEAC. This bill  
15 will prohibit water loss and bad debt subsidies charged via the FAC. Customers will no  
16 longer be subjected to unfair costs that subsidize CUC’s mismanagement.

17           Effective in 2000, the Levelized Energy Adjustment Charge (LEAC) was  
18 established by CUC to recover revenue losses from lost water, bad debt or delinquent  
19 accounts from the government, business and residential account holders. Now known as  
20 the FAC, this charge passes revenue losses due to a host of reasons, including  
21 mismanagement, on to CUC customers with impunity. In order to prevent this practice

1 without totally crippling CUC, this bill will permit CUC to charge FAC so long this charge  
2 is not assessed to cover water loss or bad debts at that are no fault of the average customer.

3 Long-standing issues at CUC must be resolved. For instance, since 2009, CUC has  
4 operated under two federal, judicial stipulated orders that require the agency to resolve  
5 long-standing violations of public health and environmental protection, standards for  
6 water, wastewater, and oil management, and ultimately reach compliance with the Clean  
7 Water Act and the Safe Drinking Water Act.

8 In 2017, the Office of the Public Auditor released a management audit report of  
9 CUC that documented the agency's long history of political interference in its operations  
10 by past governors, legislatures, and boards of directors, including changes to minimum  
11 qualification requirements for the Executive Director. OPA further found that insufficient  
12 revenues in CUC's power, water, and wastewater divisions led to inadequacies in CUC  
13 water, wastewater, and fuel storage systems and violations of the Clean Water Act and Safe  
14 Drinking Water Act, and ultimately the imposition of the federal stipulated orders. The  
15 stipulated orders seek to address long-standing problems in CUC's organizational and  
16 management structures, including CUC's ability to recruit and retain qualified individuals  
17 for critical positions, in order to bring CUC into compliance.

18 CUC officials have stated only 37% of drinking water produced, pumped, and  
19 chlorinated by CUC is being billed to customers and generating revenue.

20 CUC reported it is losing approximately 200 million gallons per month of produced  
21 water. The cost associated with the lost water is passed on to paying customers. The reasons  
22 for this loss include leaks, water theft and failed water meters, officials stated.

23 The CUC has inflated the FAC, formerly known as LEAC, and has passed revenue  
24 losses due to a host of reasons, including mismanagement, on to its customers with  
25 impunity.

26 Since early 2000, the CUC has inflated the Levelized Energy Adjustment Charge  
27 (LEAC) to recover revenue losses from lost water, bad debt or delinquent accounts from  
28 the government, business and residential account holders.

1           The CUC's Fuel Adjustment Charge (FAC), formerly known as LEAC is a  
2 significant component of customer bills. The imposition of late fees, interest penalties and  
3 the water electric charge during this period of uncertainty places an undue burden on  
4 customers.

5           The CUC has been unable to provide a clear and accurate breakdown of the Fuel  
6 Adjustment Charge (FAC) portion allocated to delinquent accounts or bad debt. This lack  
7 of transparency has hindered the government's ability to effectively manage its utility  
8 expenses and has resulted in the collection of late fees, interest penalties on all rate payers,  
9 including accounts in good standing. The uncertainty regarding the FAC has caused  
10 confusion and hardship for all ratepayers.

11           A temporary suspension of the water electric charge and the percentage of the FAC  
12 allocated to bad debt is necessary to alleviate financial burdens on all ratepayers as a result  
13 of CUC's unfair inflation of the FAC and addition of the water electric charge in recent  
14 years.

15           It is the legislative intent to protect consumers from unfair practices and ensure they  
16 have the information needed to make informed decisions about their utility services,  
17 including, but not limited, to (1) fair billing to ensure that utility bills are accurate, itemized,  
18 and free from hidden fees or charges; (2) require CUC to provide clear and understandable  
19 information about their rates, fees, and billing practices; (3) establishing mechanisms for  
20 consumers to dispute incorrect charges or billing errors and receive timely resolutions; and  
21 (4) empower consumers with the knowledge to understand their utility bills and make  
22 choices that best suit their needs and budget.


23           **Section 2. Enactment.** Subject to codification by the Commonwealth Law  
24 Revision Commission, the following is enacted to read:

25           **Section 101. Suspension of Late Fees and Penalties.** Notwithstanding any law or  
26 regulation, effective upon the date of the enactment of this Act, the Commonwealth  
27 Utilities Corporation shall suspend the collection of all water electric charges, and the  
28 percentage of the Fuel Adjustment Charge (FAC) allocated to the payment of water loss,  
29 bad debt or delinquent accounts for a period of three (3) years. During the suspension


1 modifying, any liability, civil or criminal, which shall already be in existence at the date  
2 this Act becomes effective.

3 **Section 6. Effective date.** This Act shall take effect upon its approval by the  
4 Governor or upon its becoming law without such approval.

Date: 6 Feb 25

Introduced By:   
Senator Celina R. Babauta

Reviewed for Legal Sufficiency:

  
Senate Legal Counsel