

CUC: Rate plan to benefit over 10,000 residential clients

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WHILE the power rate plan is necessary to enable the Commonwealth Utilities Corp. to remain financially solvent, it will also result in lower monthly electric bills for over 10,000 residential customers in the CNMI, according to CUC's consultant.

CUC's rate-plan recommendation to the Commonwealth Public Utilities Commission was discussed by Dan V. Jackson, managing director of the Economist.com, the CUC's rate consultant during CPUC's public hearing at the multi-purpose center on Monday.

He said the rate plan was "extensively reviewed" by a team of experts and is "beneficial to customers."

The rate plan, he added, will allow CUC to invest more in its infrastructure, improve the quality and reliability of its service, and lessen the risk of catastrophic failure.

"To the best extent possible, the rate plan will minimize the impact of rate adjustments on low volume or low-income ratepayers," he told CPUC Chairman Joseph C. Guerrero, members Dave B. Guerrero and Oscar P. Quitagua.

Also in attendance were Economist.com managing director Robert E. Young, CUC Executive Director Alan W. Fletcher, CUC chief finance officer Charles H. Warren, CUC legal counsels James S. Sirok and Deborah E. Fisher, and Harry M. Boertzel, CPUC hearing officer.

Jamshed K. Madan and Larry R. Gawlik of Georgetown Consulting Group, the commission's consultant, and its legal counsel Lillian Tenorio were also present.

Jackson said CUC's rate plan will result in a reduction or no increase in the rate paid by lower-volume commercial customers.

However, high-volume commercial and government customers will have to pay a higher rate.

At present, a residential customer is charged a \$7.69 monthly customer charge while a commercial or government customer is charged \$10.53. Customers in the lifeline program or those who have difficulty paying their power bills because of income deficiency are charged \$6.51.



FROM LEFT COMMONWEALTH UTILITIES CORP. LEGAL COUNSEL JAMES S. SIROK, ECONOMIST.COM MANAGING DIRECTOR DAN V. JACKSON, CUC LEGAL COUNSEL DEBORAH E. FISHER, ECONOMIST.COM MANAGING DIRECTOR ROBERT E. YOUNG, CUC EXECUTIVE DIRECTOR ALAN W. FLETCHER, CUC CHIEF FINANCE OFFICER CHARLES H. WARREN, GEORGETOWN LEGAL COUNSEL LILLIAN TENORIO, JAMSHED K. MADAN AND LARRY R. GAWLIK OF THE GEORGETOWN CONSULTING GROUP. PHOTO BY JUNHAN B. TODIÑO

The current levelized energy adjustment clause or LEAC rate, which represents the fuel charges incurred by CUC to generate electricity at its power plants, is \$0.31878.

Under the proposed rate plan, CUC will collect a \$7 monthly customer charge from residential customers and \$10 from commercial and government customers.

Jackson said the average monthly usage per residential customer on Saipan is 350 kWh.

Under the proposed rate plan, residential clients with power consumption not exceeding 350 kWh will be charged \$0.0210 per kWh.

Those consuming 251 to 1,200 kWh will be charged \$0.0970, while those using 1,201 and more will pay \$0.1580 per kWh.

A flat rate of \$0.1130 for commercial and \$0.1240 for government customers will be charged per kWh.

Under its current base rate, CUC is charging residential users at \$0.220 per kWh for using less than 500 kWh; \$0.0910 per kWh for consumption from 501 to 1,000 kWh; \$0.1180 from 1,001 to 2,000 kWh; and \$0.1740 for 2,001 or more kWh.

A commercial customer pays a flat rate of \$0.1180 while a government customer is charged \$0.1240.

Jackson said since 2006 CUC has incurred \$74 million in operating cost losses.

"CUC's system is old and is in bad shape — it currently has a high risk of catastrophic failure," he added.

He said costs are continuing to increase and many are beyond CUC's ability to control, especially in the case of fuel, which represents the largest expense in utility operation.

CUC, he added, is non-profit and it only seeks to cover the cost it incurs in providing service.

According to CUC's profit and loss statement in fiscal year 2012, its revenue amounted to \$95,731,023 while its operating expenses totaled \$103,962,019.

CUC incurred a loss of \$8,230,996.

On July 5, 2013, CUC filed an application with CPUC to adjust its water, wastewater and electric rates.

CPUC is now reviewing the application to determine whether it is reasonable.

On Nov. 6, 2013 CUC filed an emergency petition to temporarily increase electric rates so it could collect \$1.8 million to replace its diesel oil pipeline as mandated by federal court.

However, on Nov. 16, 2013, CUC was able to secure permission to use grant funds to pay the remaining cost of the pipeline project. On Nov. 18, CUC withdrew its emergency petition.

Jackson said approximately 70 percent of residential monthly bills are for 500 kWh or less.

Under the proposed rate plan, the impact on residential customers will vary, he added.

For a 300 kWh usage, a residential client currently pays \$109.92, but will only pay \$103.86 under the proposed rate plan.

However, for a 500 kWh residential usage which is currently charged \$178.08 every month, the new rate will be \$179.83 under the proposed rate plan.

For 1,000 kWh consumption, a residential consumer currently paying \$382.97 a month will be charged \$379.25 under the proposed rate plan.

For commercial customers whose monthly consumption is 1,000 kWh, the rate plan will mean an increase in the current base rate from \$447.31 to \$447.88 under the proposed rate plan.

For a 3,000 kWh monthly consumption, the rate will increase from \$1,320.87 to \$1,385.50.