

TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH LEGISLATURE
HOUSE OF REPRESENTATIVES
COMMITTEE ON PUBLIC UTILITIES,
TRANSPORTATION AND COMMUNICATIONS
P.O. BOX 500586 SAIPAN, MP 96950

VINCENT R. S. ALDAN
CHAIRMAN

STANDING COMMITTEE REPORT NO. 23-41
DATE: August 23, 2023
RE: House Bill No. 23-59

The Honorable Edmund S. Villagomez
Speaker of the House of Representatives
Twenty-Third Northern Marianas
Commonwealth Legislature
Capitol Hill
Saipan, MP 96950

Dear Mr. Speaker:

Your Committee on Public Utilities, Transportation and Communications to which was referred:

House Bill No. 23-59:

“To transition governmental electric rates to commercial rates; and for other purpose.”

begs leave to report as follows:

I. RECOMMENDATION:

After considerable discussion, your committee recommends that House Bill No. 23-59 be passed by the House in the form of House Substitute 1.

II. ANALYSIS:

A. Purpose:

The purpose of House Bill No. 23-59 is to transition governmental electric rates to commercial rates.

HOUSE CLERK'S OFFICE
RECEIVED BY *[Signature]*
DATE 9/14/2023 TIME 8:05 am

B. Committee Findings:

Your Committee finds that the 23rd Northern Marianas Commonwealth Legislature has presented a bill aimed at revising utility rates for government agencies within the Commonwealth of the Northern Mariana Islands (CNMI). Initially, the bill's scope was limited to electricity; however, after extensive deliberation in committee, it was decided to broaden the scope to encompass all utilities, specifically including water, wastewater, and electricity. As per the amended legislation, the existing governmental utility rate overseen by the Commonwealth Utilities Corporation (CUC) is proposed to be discontinued and replaced with commercial rates. This change is predicated on concerns that the current rates might not accurately reflect prevailing market conditions, potentially causing undue financial burdens on the CNMI Government. The transition to commercial rates is anticipated to ensure governmental agencies are billed in accordance to market prices, promoting fairness and equity.

Moreover, the change is expected to serve as an impetus for agencies to embrace more efficient utility consumption practices, yielding both fiscal and environmental benefits. The legislation also aims to simplify the administrative aspects of the tariff structure. For seamless integration of these changes, the bill mandates a transition period, allowing government agencies sufficient time to realign their budgets. This period entails coordinated effort between the CNMI Government and CUC. To guarantee transparency and oversee the transition's efficacy, the CUC will be required to produce regular reports detailing utility consumption and billing for each governmental entity. Provisions have also been included to uphold the integrity of the bill if any segment is rendered invalid by a court and to protect existing rights and contracts from any potential impact of this legislation.

C. Public Comments/Public Hearing:

Your Committee neither solicited comments on the legislation nor conducted any public hearing regarding its provisions.

D. Legislative History:

House Bill No. 23-59 was introduced by Representative Vincent S. Aldan on June 20, 2023 to the full body of the House and was referred to the House Standing Committee on Public Utilities, Transportation and Communications (PUTC).

The legal counsel originally signed off on House Bill No. 23-59 in its introductory form. However, after careful review and consideration of the subsequent amendments and revisions, the legal counsel has now certified the current version of the legislation for legal sufficiency.

E. Cost Benefit:

The proposed legislation to revise utility rates for government agencies within the Commonwealth of the Northern Mariana Islands (CNMI) holds significant fiscal implications. First and foremost, the revenue stream of the Commonwealth Utilities Corporation (CUC) would likely undergo a shift. If the

existing governmental utility rates were set below commercial rates, this shift to commercial rates would increase CUC's revenue from government agencies. Conversely, if governmental rates surpassed commercial rates, a potential decrease in CUC's revenue might ensue. This change also directly impacts governmental budgets. Departments and agencies within the CNMI government will need to recalibrate their budget allocations based on the revised utility costs. Should the commercial rates prove higher than their preceding rates, it would necessitate increased expenditures for these entities, leading to a potential budget augmentations or cutbacks in other areas.

Moreover, administrative undertakings, such as transitioning to this new framework and the ongoing requirement for CUC to periodically report utility consumption, could introduce added costs. This encompasses potential updates to systems, staff retraining, and any necessary outreach initiatives for the involved governmental agencies. However, there is a silver lining; the legislation's aim to incentivize enhanced utility efficiency among government agencies could usher in long-term fiscal savings. Even though initial investments might be required to actualize these energy-saving measure, the resultant reduction in utility consumption could offset these cost over time.

Additionally, the move to simplify the tariff structure, by eliminating the distinct governmental rate, promises potential administrative savings. A more streamlined process would naturally reduce the intricacies tied to billing and reporting, thus cutting down administrative overheads. Yet, it's vital to consider the transitional costs as well. The bill mandates a structured transition period, and this phase will have its inherent costs as agencies acclimatize to the new rate structure and operational practices.

Lastly, on a broader spectrum, while not an immediate fiscal factor, the environmental footprint of these agencies is worth noting. The drive towards sustainable practices, although possibly bearing initial costs, could manifest in long-term savings by mitigating resource consumption and capitalizing on environmental benefits. For a thorough and precise fiscal analysis, specific data is paramount. The fiscal analyst can provide this specific data, such as the prevailing governmental utility rates, commercial rates, and the utility consumption trends of the CNMI's governmental entities. While there will undoubtedly be a fiscal impact due to the implementation of this legislation, it's essential to understand that the intent of the bill heavily outweighs the cost.

III. CONCLUSION:

The committee is in accord with the intent and purpose of House Bill No. 23-59, HS1, and recommends its passage.

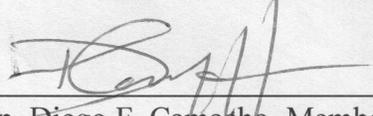
Respectfully submitted,



Rep. Vincent R. S. Aldan, Chairman



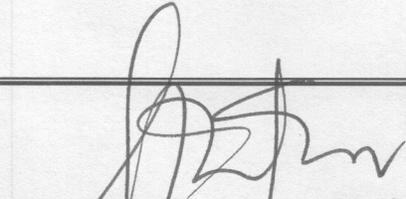
Rep. Angelo A. Camacho, Vice Chair



Rep. Diego F. Camacho, Member



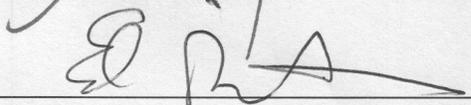
Rep. Manny G. T. Castro, Member



Rep. Marissa R. Flores, *in member*



Rep. Julie A. Ogo, Member



Rep. Edwin K. Propst, Member

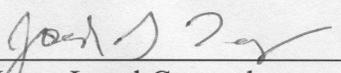


Rep. John Paul P. Sablan, Member



Rep. Jonathan "BJ" T. Attao, Member



Reviewed by:


House Legal Counsel

TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH

LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

JUNE 20, 2023

Third Special Session, 2023

H. B. 23-59, HS1

A BILL FOR AN ACT

To eliminate all governmental utility rates and to implement commercial rates; and for other purposes.

**BE IT ENACTED BY THE 23RD NORTHERN MARIANAS
COMMONWEALTH LEGISLATURE:**

1 **Section 1. Findings and Purpose.** The Commonwealth of the Northern
2 Mariana Islands (CNMI) government has identified the need for greater fiscal
3 responsibility and efficient resource allocation. The current governmental utility
4 rate provided by the Commonwealth Utilities Corporation (CUC) presents an
5 opportunity for improvement in cost savings and budget optimization. Recognizing
6 the potential benefits of eliminating governmental utilities to commercial utility
7 rates, the following findings support the necessity of this legislative action. The
8 existing governmental utility rate in the Commonwealth of the Northern Mariana
9 Islands (CNMI) may not align with market conditions and commercial rates,
10 potentially imposing an unnecessary financial burden on the CNMI Government.
11 By implementing commercial utility rates, transparency and fairness can be
12 promoted in the allocation of resources, ensuring that governmental agencies

1 contribute their fair share for utility consumption. Furthermore, commercial utility
2 rates can serve as an incentive for governmental agencies to adopt utility-saving
3 measures and enhance overall utility efficiency, resulting in reduced costs and
4 environmental benefits. The elimination of the governmental utility rate would
5 simplify the tariff structure, leading to a more streamlined and administratively
6 efficient system.

7 The purpose of this legislation is to address the findings mentioned above
8 and enact measures that will enhance fiscal responsibility and resource
9 management within the CNMI Government. By deleting the existing governmental
10 utility rate and implementing all governmental agencies to commercial utility rates,
11 this legislation aims to achieve the following objectives. First, it improves cost
12 savings for the CNMI Government by aligning utility costs with commercial rates
13 and eliminating any potential subsidies or preferential treatment. This ensures that
14 the government pays a fair price for utility consumption, reducing unnecessary
15 financial burdens. Second, the transition promotes fair and equitable resource
16 allocation by ensuring that governmental agencies pay their proportionate share
17 based on market rates. This eliminates disparities and promotes a level playing
18 field for all agencies. Additionally, the adoption of commercial rates incentivizes
19 utility conservation and efficiency within governmental agencies, encouraging the
20 adoption of sustainable practices and reducing overall utility consumption. Finally,
21 the elimination of the separate governmental utility rate streamlines the tariff

1 structure and administrative processes. This leads to a greater simplicity and
2 efficiency in billing and reporting procedures, enhancing overall operational
3 efficiency for both the CNMI Government and the Commonwealth Utilities
4 Corporation (CUC).

5 **Section 2. Enactment.** Notwithstanding any laws or regulations to the
6 contrary and subject to proper codification by the CNMI Law Revision
7 Commission, the following new provisions is hereby enacted:

8 **“§ 101. Definitions.**

- 9 a. “CNMI Government” refers to all departments, agencies, and
10 instrumentalities of the Commonwealth of the Northern Mariana
11 Islands.
- 12 b. “CUC” refers to the Commonwealth Utilities Corporation, the
13 primary provider of utilities in the CNMI.
- 14 c. “Utility” refers to water, wastewater, and electricity.

15 **§ 102. Deletion of Governmental Utility Rate.**

- 16 a. The existing governmental utility rate provided by the CUC shall be
17 discontinued and deleted from the tariff structure.

18 **§ 103. Transition Period.**

- 19 a. The CNMI Government shall work in coordination with the CUC to
20 establish a reasonable transition period to facilities to eliminate all

1 governmental utility rates and to implement commercial rates.

2 b. The transition period shall allow governmental agencies to adjust
3 their budgets and operational plans accordingly.

4 **§ 104. Reporting Requirements.**

5 a. The CUC shall provide regular reports to the CNMI Government,
6 detailing the utility consumption and billing information of each
7 governmental agency.

8 b. The CNMI Government shall utilize these reports to monitor and
9 analyze the effectiveness of the transition to commercial utility
10 rates.”

11 **Section 3. Severability.** If any provisions of this Act or the application of
12 any such provision to any person or circumstance should be held invalid by a court
13 of competent jurisdiction, the remainder of this Act or the application of its
14 provisions to persons or circumstances other than those to which it is held invalid
15 shall not be affected thereby.

16 **Section 4. Savings Clause.** This Act and any repealer contained herein
17 shall not be construed as affecting any existing right acquired under contract or
18 acquired under statutes repealed or under any rule, regulation, or order adopted
19 under the statutes. Repealers contained in this Act shall not affect any proceeding
20 instituted under or pursuant to prior law. The enactment of the Act shall not have
21 the effect of terminating, or in any way modifying, any liability, civil or criminal,

HOUSE BILL 23-59, HS1

1 which shall already be in existence on the date this Act becomes effective.

2 **Section 5. Effective Date.** This Act shall take effect upon its approval by

3 the Governor, or its becoming law without such approval.

Intro: 6/20/2023

Date: 6/20/2023

Introduced by: /s/ Rep. Vincent R.S. Aldan

Reviewed for legal sufficiency by:

/s/ Joseph L.G. Taijeron, Jr.

House Legal Counsel