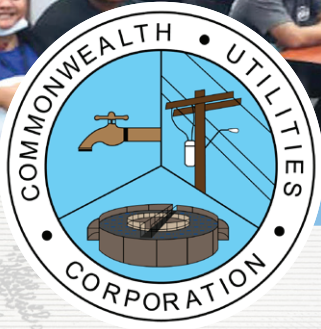




# FISCAL YEAR 2021 CITIZEN-CENTRIC REPORT

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The **Commonwealth Utilities Corporation (CUC)** is an independent agency that is *self-funded* and *regulated* by the *Commonwealth Public Utilities Commission* operating on the islands of *Saipan, Rota, and Tinian*.

### Mission Statement

The Commonwealth Utilities Corporation (CUC) is dedicated to excellent customer service and effective **Power, Water & Wastewater** services for the people of the Commonwealth of the Northern Mariana Islands (CNMI) at the lowest reasonable cost while providing safety to the employees and community.

### Vision Statement

We will continue to use teams and continuous quality improvement...

- To become the preeminent, trusted power, water and wastewater utility.
- To provide excellent customer service.
- To protect and enhance the environment.
- To deliver value to all our stakeholders.

We will accomplish this using insightful planning, state-of-the-art technology, and effective communication. We are committed to treat our customers and each other with fairness, honesty, and respect. Our commitment will be rewarded through recognition, development, and equitable compensation.

### Organizational Culture

The culture of CUC is shaped by a leadership team of professional experts committed to exceptional service quality, a warm receptive customer experience, outstanding communication and an understanding that the value of CUC's services is worth the monthly fees it charges.

### Locales of Responsibility

There are 14 islands within the Commonwealth of the Northern Mariana Islands (CNMI). CUC is responsible for providing power, water and sewer services to the three main islands of *Saipan, Tinian, and Rota*. Presently, *Saipan* is the only island where CUC provides wastewater treatment services.

### Executive Summary

#### This Past Year Has Made CUC Stronger

CUC was effected by the COVID-19 Pandemic in marginal ways that added to our maintenance backlog and hurt cash flow that slowed spending to repair failing assets that was offset by a major expansion in grant funding that has allowed CUC to begin prioritizing capital spending plans to a degree never seen in the last 10 to 20 years.

The Fiscal Year (FY) 2021 year ended on September 31, 2021, CUC sees moderate growth in revenues from billings and new service connections. Unlike other agencies of the CNMI, CUC was able to avoid austerity, layoffs, downsizing and being furloughed. Natural losses by moving or taking a new job affected staffing. But CUC did have to reduce contractual spending, eliminate overtime for flex-time, terminate salary increases, slow new hires, and eliminate capital spending except through grant funding.

The Power Generation Division has been struggling through a maintenance program that saw two engines fail, one terminally and the second one scavenging the other for parts. This led to a contract with Aggrekko for backup power to meet current demand. In the midst of all this, CUC was required to install two new incinerating units to eliminate oil residue buildup which is natural for diesel power systems. There are about 2,000 new concrete power poles installed across Saipan and 1,000 more on Tinian.

The Water and Wastewater Divisions have started an asset management program which includes the Power Division and will provide significant improvement in CUC's preventive maintenance agenda that will save money and extend the useful life of critical assets. The funding of three new pressurized concrete water storage tanks, two on Saipan and one on Tinian, will protect and add needed capacity to the water system.

Priority	Objectives
Safety	• assuring every employee is trained, is equipped with the tools to perform, and understands their role
Respect	• treating everyone fairly, honorably, and non-judgmentally
Team Work	• sharing a common vision, looking out for each other, operating transparently and working together as one team toward common goals
Excellence	• striving to provide quality services to our customers by producing a high value product and consistently meeting our production targets
Accountability	• being a responsible steward of critical services, long-lived infrastructure, and protector of a well meaning, well trained pool of professional employees
Integrity	• accountable for our actions, ethical and transparent, honest in everything we do
Communication	• open and transparent communication at all levels of the organization that is constructive and distributed out to our Board, business partners and the community at large

### Board of Directors

- *Miranda V. Mangloña*, CHAIRPERSON
- *Weston Thomas Deleon Guerrero*, VICE CHAIRMAN
- *Jovita SN. Paulino*, SECRETARY
- *Matthew J. Holly*, TREASURER
- *Aubry M. Hocog*, CDA CHAIRWOMAN
- *Janice A. Tenorio*, MEMBER

### Management

- *Gary P. Camacho*, EXECUTIVE DIRECTOR
- *Timothy R. Bodell, P.E.*, DEPUTY EXECUTIVE DIRECTOR
- *Greg P. Cruz*, CHIEF FINANCIAL OFFICER
- *Betty G. Terlaje*, CHIEF OF ADMINISTRATION
- *Alvin A. King*, Resident Manager, ROTA
- *Evelyn B. Mangloña*, Resident Manager, TINIAN

## Corporate Core Values

Core values are tied to work performance, commitment to professionalism, practiced daily, promoted without compromise and communicated through action.

# Services that Make Up the Commonwealth Utilities Corporation (CUC)



## Administration

Besides establishing normal operations, billings and collections, prioritizing purchases, prioritizing work orders from customers, leadership is pushing change with new updated rules and regulations, expanding pre and post pay automated control into water and wastewater meter services similar to power, the addition of new payment kiosks around the three islands for customer convenience, and a new website with more information, more notification and more service support.



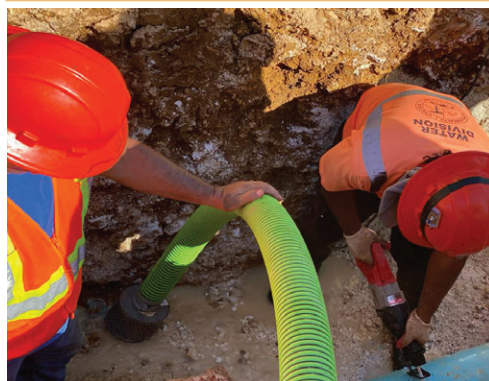
## Power Generation

There are three (3) power plants under CUC's control, but that may change with plans to pursue independent power producer plants on all three islands. The vision behind this move is to shift the dynamic of power producers that sell power to CUC through a meter on the fence, not from the actual facility itself, and then CUC transmits power to each property and handles the billing. This is the vision CUC is pursuing. For that, CUC must get ready. On **Rota**, power generation averages 1.2 MW per day at peak load, whereas, **Tinian** averages 1.9 MW per day.



## Power Transmission & Distribution (T&D)

Grant funding for six (6) bucket trucks was awarded to CUC with two (2) of the trucks to be assigned to Tinian and Rota. This will help with plans to begin replacing out of date transformers and updating power control elements on cross arms that are corroded, rusted, burnt, or fried from age and use. CUC has taken advantage of the two summer seasons without a typhoon. CUC performs T&D services on **Rota**; whereas, a Contractor, Telesource Inc. is the service provider for both power generation and Transmission & Distribution on **Tinian**.



## Water Division

CUC's main focus for year 2021 was the installation of the Granular Activated carbon (GAC) units that would eliminate PFOA/PFOS contamination from the water supply and greatly improve the water quality in those Tank Service Areas, Isley, As Terlaje, and Kannat Tabla. Additional units will be installed which will further improve coverage to remain less than the advisory level or maximum contaminant level approved by the Board at 70 parts per trillion. FEMA remains on track to complete the installation of 14 backup generating units and containment facilities to assure power will be available for a minimum of 70% of the island. Main breaks continue to plague the water system but with funding through the American Rescue Plan Act (ARPA), CUC plans to replace larger sections of main to eliminate this problem. **Tinian** received a new power backup unit for its primary water well and **Rota** has two (2) new generating units purchased by CUC.



## Wastewater Division

Saipan is presently the only island with sewage treatment. This may soon change with a Feasibility Study being issued for **Tinian** and **Rota** who presently rely exclusively on septic systems. Tinian is considering the construction of one centralized modular plant that can recharge the water supply and provide treatment to two (2) homesteads and potential military housing plans. Rota may require two (2) separate treatment plants based on their community locations at each end of the island. For **Saipan**, contracts to design improvements to both wastewater treatment plants to put them close to their original design condition are underway. Also, just as CUC is doing for water, we will also be doing for wastewater. Which is the identification and push for larger infrastructure projects to eliminate a longer segment of sewer main and the problems of collapsing mains due to H2S buildup, failing sewer manholes, cracked pipe and elimination of old vitreous clay and asbestos concrete pipe. CUC is also installing new sludge press units at each facility to remove liquid before sending the dried cake to the landfill. In addition, CUC is adding grit removal and FOG (fats, oils and grease) control elements at both plants to eliminate a material buildup in the aeration chambers that reduces the efficiency of a new fine bubble aeration system that will greatly improve effluent quality.

# CUC's Finances

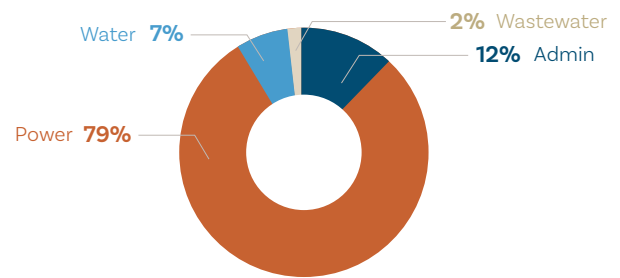
**Commonwealth Utilities Corporation (CUC)** budgeted funds have decreased dramatically in FY 2021 due to the effect of the COVID-19 Pandemic that affected the tourism industry following the cleanup after Super Typhoon Yutu in FY 2020. As the pie chart demonstrates, **Power Generation** consumes the bulk of the budget. This is due to critical maintenance expenditures necessary to keep a fifty (50) plus year old facility operational. Budget authorization in other Divisions is well below FY 2020 and revenues are only gradually showing signs of improvement as the end of the budget year approaches. Capital spending from CUC revenues is minimal with the bulk of capital expenditures coming from grants. In reality and a clear concern for the U.S. EPA, is that CUC received **\$138 million** so far in FY 2020, not including the annual funding from EPA of **\$7.2 million** for capital repair and replacement projects. What is not shown is the lack of maintenance funding that must be raised dramatically to support the level and degree of investment that the federal government is making. This one point is their greatest concern and CUC is pursuing several major initiatives to put preventive maintenance and asset maintenance on the front burner of each division. In addition, CUC is staffing up to assure that service areas are funded, trained, and prepared for the return of tourists and family members to the CNMI.

**Power Generation** and **Power Transmission & Distribution Divisions** represent the greatest percentage of the budget for CUC. Fuel charges that are out of CUC's control, represent a pass through expense to our customers, and are the largest single expense line item in the CNMI. However, even with a major reduction in projected fuel expenditures, and with the third-party contractor, *Aggrekko*, using that fuel, CUC continues to portray a weak economy due to low power demand. CUC has lost a significant portion of its mechanic staff and they have been difficult to replace. However, a new set of incinerators and oil/water separators have been installed at *Power Plant 1* and *4* which satisfies several issues on the *Stipulated Order (SO) 2 Agreement*.

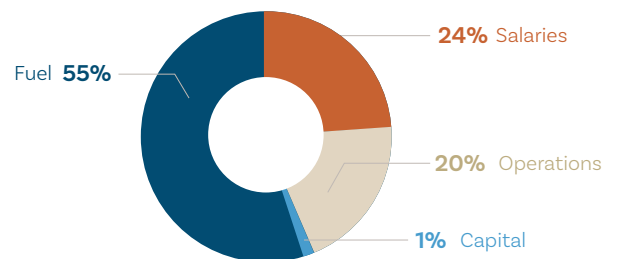
The **Water Division** has been assigned about **\$80 million** to install new homesteads on *all three (3) islands* of the CNMI along with funding to extend new services into existing homesteads to upgrade those service areas. The **Water Division** still suffers from extensive old service pipelines and any improvement to the system can have an immediate impact. Presently, there are *four (4) new water storage tanks* in various stages of design and construction that will serve *Saipan* and *Tinian*. The non-revenue water remains at 65% with expectations that with the level of investment in new software and pipeline replacements, CUC and the islands should be able to anticipate a significant reduction in that value over the next *three (3) years*. Asset management will be rolled out for software implementation by the second quarter in *January 2022* such that major improvements in planned repair activities will be moving forward.

The **Wastewater Division** continues to be the smallest area of expenditure at this time, however with the *two (2) wastewater treatment plants, Sadog Tasi and Agingan*, going through a major upgrade to return the plants to their original design parameters at the end of the year 2021 will effectively be prepared to handle the projected growth in resort and tourism activity anticipated over the next *five (5) years*. In addition to treatment, **Wastewater** handles all collection system repairs and pipeline replacement programs supported and funded by U.S. EPA. New lift station improvements from *Super Typhoon Yutu* funded by *FEMA* will add a level of resiliency that has been missing that are adding more backup generators to at least *thirty-four (34) sites*, will require a significant increased effort to operate and maintain those facilities.

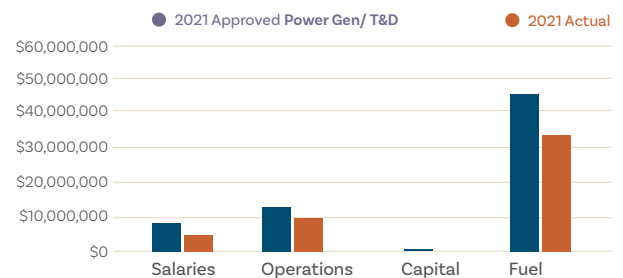
## \*FY2021 Approved by Divisions



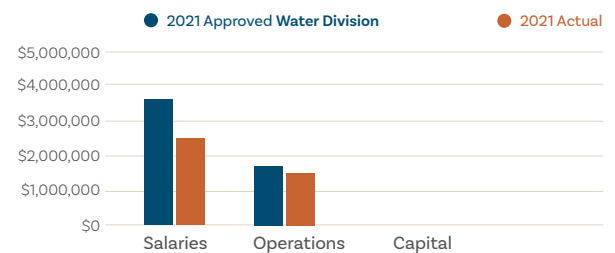
## \*FY2021 Approved by Expense Category



## \*Power Generation and Transmission & Distribution (T&D)



## \*Water Operations Budget



## \*Sewer Operations Budget



\*Information provided above are as of August 31, 2021.

# What's Next for CUC?

## CUC's Strategic Vision

CUC's financial condition rolling out of the Fiscal Year 2021 is very weak with revenue collections down by 40 percent. However, CUC with the funds from the US EPA ASADRA funds has put together a scope of work to rehabilitate both Agingan and Sadog Tasi Wastewater Treatment Plants' (WWTP) in fiscal Year 2022. Funding covered new sludge presses and grit removal systems as well. New WWTP's are on the horizon for Tinian and Rota and collection systems will follow. Also, and in response to a directive from the US EPA that CUC needs to review its organizational chart, senior management is preparing a revised realignment of staffing assignments that will provide opportunities for staff growth, more specification of work duties along with opportunities for cross training, appointment to middle management roles for leaders, implementation of new work order procedures for assigning work, tracking work, and completing work.

## FEMA and CDBG-DR Funding

There continues to be a sizeable funding commitment by the Federal Emergency Management Agency (FEMA) to continue efforts to raise resiliency in the power distribution and water mitigation plans for backup generation. Power Plant 3 will be funded with a new 1.5MW mobile generating unit installed to provide emergency power supply for the entire well field surrounding the Saipan International Airport and possibly the airport terminal if their generating station fails to start.

## US EPA ASADRA Funding

On top of the US EPA ASADRA funding received in 2020 for wastewater improvements, CUC received the standard annual funding of \$7.2 million in addition to \$1.2 million for additional assistance. In addition, CUC received \$38 million for wastewater and \$20 million for water from the American Rescue Plan Act (ARPA) and there is funding for the homestead properties on all three (3) islands totaling \$80 million for water, wastewater, power and roads projects. CUC has until mid-2023 to spend the funds and CUC will make every effort to prepare a prioritized list of project proposals to maximize the opportunity this represents to replace the bulk of the existing water and wastewater assets and identify new customers for new revenue and a return on investment.

## Major Initiatives Being Implemented by CUC

There are a wide variety of new projects being implemented at CUC that represent a major shift towards a technology based efficiency initiative such that labor will be aligned more effectively into a service area. These initiatives include: (i) a new asset management and preventive maintenance program that will be half way through its maiden effort (two year program) to install a computerized maintenance management system; (ii) Pilot test

of a new AMI (Automated Meter Infrastructure)/AMR (Automated Meter Reading) program that will install new eighty (80) "ally" pre and post-pay SENSUS water meters that are tamper proof, can detect pressure changes, can report tampering attempts, and reports readings electronically eliminating labor from this duty; (iii) a new FOG (Fats, Oil, and Grease) program with a new Vactor truck and CUES TV/Grout truck to televise the condition of sewer main assets and temporarily grout and extend the life of failing pipelines; (iv) new staffing dedicated to the electrical group that will focus on maintaining 40 generators serving as backup power in case of power outage; (v) initiating the feasibility study for a new wastewater treatment system with collection mains for Tinian and Rota with the possibility of a follow on study for Kagman Homestead area on Saipan; (vi) pursuit of a Consultant to assist CUC with the selection of an Independent Power Producer (IPP) to replace all three (3) existing power plants that are manually operated and significantly out of date with a new facility that is fully automated and state of the art with a new sub-station to protect the new plant; (vii) the new plant will be supported with alternative power supply totaling 25 MW to address peak load requirements; (viii) On Tinian, the Telesource IPP will be rebid for a new twenty year contract; (ix) the proposed Pilot (item ii above) will build a communication network that connects all three (3) islands and will allow CUC to initiate a SCADA connectivity project that would allow CUC Operations to automatically read all well meters, pressure systems at PRV's/PSV's; (x) CUC is working with CDBG-DR Housing Urban Development (HUD) to prepare an updated Integrated Resources Plan (IRP) for use by the new IPP Consultant to right-size the building design and power requirements to match growth plans on Saipan; (xi) CUC is working with the Department of Interior Office of Insular Affairs (OIA) and the Department of Energy (DOE) to update and finalize a new Energy Master Plan; (xii) CUC is working with the U.S. Department of Reclamation to prepare a hydraulics model for the island of Saipan for CUC's use as a modelling software for locating critical equipment on the water system to tighten up the system and downsize the loss of non-revenue water.

## Completion of the Stipulated Order 2 Projects

CUC has been working closely with the US Department of Justice (DOJ) and the contractor, Gilbane Company to complete all task order projects under the Joint Stipulation and Stipulated Order 2. These projects include: (i) completion of the Oil-Water Separator punch list items at Power Plant 4; (ii) installation and operation of two (2) new incinerator units at Power Plant 1; (iii) installation of a new Oil-Water Separator for Power Plant 1 to address storm/runoff water; and (iv) the installation of the eliminators for the diesel generator engines for Power Plant 1 and Rota Power Plant. With these projects currently under construction, CUC is on track to complete and close out the Stipulated Order 2 by February 2022.



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