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14 IN THE PUBLIC UTILITIES COMMISSION
15 OF THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

16 **PETITION OF THE COMMONWEALTH**
17 **UTILITIES CORPORATION:**

18 **FOR RATE RELIEF IN ITS POWER,**
19 **WATER AND WASTEWATER**
20 **BUSINESS**

DOCKET NO. 13-01

PL 16-7 RESIDENTIAL REFUND

DIRECT TESTIMONY
CHARLES H. WARREN

Filed: May 2, 2014

22 **DIRECT TESTIMONY OF**

23 **CHARLES H. WARREN, CHIEF FINANCIAL OFFICER, CUC**

24 **Introduction and Purpose**

25 This testimony is introduced to explain CUC's proposal to remove the Commercial Rate
26 subsidy.
27

1 Introductory Testimony:

2 Q: Please state your name and business address for the record.

3 A: My name is Charles H. Warren. I am the Chief Financial Officer of Commonwealth
4 Utilities Corporation (“CUC”). My office is located at the Joeten DanDan Building, 3rd Floor.
5 The mailing address is PO Box 501220, Saipan MP 96950. My telephone number is 670-236-
4321 and my fax number is 670-235-7041. My email address is Charles.warren@cucgov.org.

6 Q: Are you providing any exhibits?

7 A: No.

8 Q: Who prepared this testimony and the exhibits sponsored through it?

9 A: This pre-filed testimony was prepared by me or under my direct supervision and
10 control. Likewise, any exhibits which I reference and sponsor were prepared by me or under
11 my direct supervision and control.

12 Q: If you were called to testify “live” to the matters contained within this testimony and
were asked the same questions, what would your answers be?

13 A: My answers would be as they appear in this pre-filed testimony.

14 Q: Do you swear and declare that this testimony, and the exhibits which you sponsor
15 through it, are true and correct to the best of your knowledge, information and belief?

16 A: Yes, I do. And I repeat this declaration at the conclusion of this written testimony.

17 Q: I would now like to focus more closely on what you did to prepare for this case, and the
18 testimony you are providing in it.

19 A: Yes. I am responsible for the financial and accounting divisions of CUC, which heavily
20 support this case and the recommendations of our expert witnesses, Economists.com. My office
21 provided the accounting and financial data inputs for the calculations of the Economists.com
rate case model.

22 Qualifications:

23 Q: Have you testified previously before the Commission?

24 A: Yes, I have, and I request that the Commission consider my qualifications as submitted
25 on July 5, 2013, under Docket 13-01, and incorporate them into this testimony.

26 **Topic 1:** Discontinuance of the Commercial Subsidy under PL 16-7.

27 Q: What is the background of this request pertaining to the \$3.4 million rebate pursuant to
28 PL 16-7 which the Commission instituted by its February 4, 2014 Order?

1 A: Public Law 16-7, enacted on July 21, 2008, provided that CUC implement a residential
2 rate reduction or begin a residential consumer rebate program in the amount of \$3.4 million.
3 “The total amount of \$3.4 million shall be expended by CUC for residential rate reduction or a
4 residential customer rebate program within 54 months of the effective date of this Act.” See PL
5 16-7, Section 4. By its February 4, 2014 findings and determinations Par. 13, the Commission
6 found that PL 16-7 mandates that CUC provide residential electric ratepayers with a \$3.4
7 million dollar refund. In the Commission’s Ordering Provisions, CUC was “authorized to
8 institute a 36 month residential refund of \$.023 kWh, which should be funded by a reciprocal
9 increase in commercial rates.” The Commission further found that CUC should propose how
10 and by what amount the commercial rate should be reduced at the conclusion of the 36 month
11 period. CUC was also required to certify on or before March 1, 2017 that the refund and
12 commercial rate increase have been terminated.

9 Q: How does CUC propose to reduce the commercial rate at the conclusion of the 36
10 month period?

11 A: The refund amount is being tracked as a separate rate element in CUC's customer
12 information system (CIS). Each rate element is separated out in our billing system. CUC
13 proposes to provide periodic reports to the CPUC on the cumulative amount of the refund
14 billed every 6 months. Six months prior to the expected date when the total of that rate
15 element equals \$3.4 million, CUC will submit a petition to adjust the Commercial Rate to
16 remove the subsidy for the refund, to be effective when the refunds total \$3.4mm.

15 Q: Why can't CUC provide the Commission with an estimate right now?

16 A: Because CUC does not know the extent of the reduction over particular time periods.

17 Q: Why can't CUC estimate the reduction?

18 A: Because CUC does not know, at this time, what the total CUC and commercial customer
19 kWh volume will be in three years. This information will be needed to calculate the
20 appropriate reduction to the commercial rates.

21 Conclusion

22 Q: Does that complete your testimony?

23 A: Yes, it does.

24 Q: Do you request that this additional pre-filed testimony be entered in the record of this
25 application, the Petition for Rate Relief (filed July 5, 2013), and all subsequent filings, as your
26 declaration?

26 A: Yes, I do.

27
28

1 **Signature**

2 I declare under penalty of perjury that the foregoing is true and correct and that this
3 declaration was executed on May 6, 2014, at Saipan, Commonwealth of the Northern Mariana
4 Islands.

4 s/ _____

5 Charles H. Warren, Chief Financial Officer
6 Commonwealth Utilities Corporation

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