



# Commonwealth Utilities Corporation



## REQUEST FOR PROPOSALS

CUC-RFP-25-021

Independent Power Producer-Solar Photovoltaic with Battery Energy Storage System (BESS)  
for all Islands, CNMI

### **Question (RFI/C) No. 28: INTERNATIONAL WASTE INDUSTRIES**

Date: September 26, 2025

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CUC provides the following responses to the Request for Information/Clarification (RFI/C):

#### **Questions on Payment Security and Financial Covenants**

**1. Payment Security Mechanism:**

To support lender confidence, would CUC consider establishing a funded payment security arrangement (such as an escrow account or debt service reserve) sized to cover 6 to 12 months of project PPA payments, with provisions for automatic replenishment if funds are drawn?

**CUC RESPONSE:** Answer not available at this time. These issues are more appropriately discussed during the contract negotiations phase. Refer to page 20 of 31 of the Scope of Work: Section 6 - Negotiation of Proposals and Contract Award.

**2. Inter-Governmental Receivables:**

Given the importance of stable cash flow, could CUC outline what mechanisms are in place to ensure timely payments from other CNMI government agencies? Additionally, would CUC be able to provide an aging report of government receivables and share its strategy for ongoing recovery?

**CUC RESPONSE:** Delinquent accounts may be subject to disconnection. For an aging report on government receivables, please submit an Open Government Act request to CUC.

**3. Revenue Ring-Fencing:**

To demonstrate strong financial discipline to lenders, would CUC be open to discussing a contractual arrangement that prioritizes project-related revenues for PPA payments before applying revenues to other operating expenses?

**CUC RESPONSE:** Refer to CUC’s response to Item No. 1 above.



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## 4. **Financial Covenants:**

Would CUC be willing to include certain standard financial covenants in the PPA (e.g., maintaining a minimum debt service coverage ratio or days cash on hand)? If so, what cure periods or remedies might be completed in the event of a breach?

**CUC RESPONSE:** Refer to CUC's response to Item No. 1 above.

## 5. **Cost of Grid Upgrades:**

To help proponents evaluate interconnection risk, would CUC consider commissioning and sharing a comprehensive independent system impact study before finalizing the PPA, clearly defining and capping the scope of interconnection-related upgrades that would fall to the IPP?

**CUC RESPONSE:** The System Integration Study will be the responsibility of the selected proponent, and the proponent should factor this into the proponent's cost proposal. Refer to page 27 of 31 of the Scope of Work: Section 7.13 – System Integration Study.

## 6. **Audited Financials:**

In support of transparency and lender assurance, can CUC provide assurances that timely, unqualified audited financial statements will be available annually throughout the term of the PPA?

**CUC RESPONSE:** CUC's annual financial audit reports are provided online at CUC's website: <https://www.cucgov.org/reports/#fa>

## **Questions on Sovereign Guarantee and Political Risk Mitigation**

## 7. **Sovereign Guarantee:**

Would the CNMI government consider providing a sovereign guarantee of CUC's obligations under the PPA to further strengthen investor and lender confidence?

**CUC RESPONSE:** CUC does not have the authority to answer this question on behalf of the CNMI government.

## 8. **Legal Status and Bankruptcy Remoteness:**

Could the CNMI government provide an independent legal opinion clarifying CUC's legal status in the event of a broader government insolvency, including whether statutory protections exist to safeguard CUC's assets and revenues for continued PPA payments?



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**CUC RESPONSE:** CUC does not have the authority to answer this question on behalf of the CNMI government.

## 9. **Political Interference and Rate-Setting:**

To provide assurance against political or regulatory uncertainty, could CUC or CNMI clarify the legal and regulatory safeguards that ensure rates can be set at levels sufficient to cover all operating costs, including PPA obligations?

**CUC RESPONSE:** The Commonwealth Public Utilities Commission (“CPUC”) is responsible for regulating the rates of regulated entities in the CNMI. 4 CMC § 8401 *et seq.*

## 10. **Enforceability of Judgements:**

In the unlikely event of default, what would be the legal process for enforcing a judgment against CUC or the CNMI government? Has there been consideration of a waiver of sovereign immunity for such obligations under a potential sovereign guarantee?

**CUC RESPONSE:** Refer to Appendix E: Form Contract for CUC’s standard contract provisions pertaining to contract disputes and choice of law and forum.

## 11. **U.S. Federal Government Oversight:**

Could CUC or CNMI outline the role, if any, that U.S. federal agencies (such as the Department of the Interior) play in oversight of CUC’s financial management, and whether any agreements with these agencies support CUC’s financial stability?

**CUC RESPONSE:** CUC regularly applies for and receives grant funding from federal agencies, subject to the requirements of those grants.

## **Questions on Default Scenarios, Lender’s Rights, and Project Continuity**

## 12. **Definition of Government Failure:**

In the event of significant organizational changes—such as the dissolution of CUC or structural changes within CNMI—who would ultimately be responsible for ensuring project continuity and payment of debt service?

**CUC RESPONSE:** Refer to Appendix E: Form Contract for CUC’s standard contract provisions pertaining to termination and force majeure.

## 13. **Lender’s Step-in-Rights:**



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Would the PPA and related agreements explicitly recognize the rights of project lenders to step in, take temporary control, or appoint a replacement operator in the event of default by either party?

**CUC RESPONSE:** Refer to CUC's response to Item No. 1 above.

#### 14. Termination Payments in Event of CUC/CNMI default:

If termination of the PPA were to occur due to default by CUC or CNMI, would the contract provide a clear termination payment formula sufficient to cover outstanding project debt and related costs? Who would be responsible for guaranteeing such a payment?

**CUC RESPONSE:** Refer to CUC's response to Item No. 1 above. Refer also to Appendix E: Form Contract for CUC's standard contract provisions pertaining to termination and default.

#### 15. Force Majeure for Political Events:

How does the contract define force majeure events, and would political events (such as mandated payment moratoriums or expropriation) be explicitly included?

**CUC RESPONSE:** Refer to page 10 of 15 of Appendix E: Form Contract for CUC's standard contract provision pertaining to force majeure.

#### 16. Dispute Resolution:

To provide confidence in fair resolution, would CUC and CNMI consider agreeing to international arbitration (in a neutral venue such as New York) as the binding mechanism for disputes under the PPA and any related sovereign guarantee/

**CUC RESPONSE:** Refer to CUC's response to Item No. 1 above. Refer also to Appendix E: Form Contract for CUC's standard contract provisions pertaining to contract disputes and choice of law and forum.

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Commonwealth Utilities Corporation

**\*\*\*END OF RFI/C Response No. 028\*\*\***