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MWUA

MAINE WATER UTILITIES ASSOCIATION

Organized in 1925

March 4, 2025

Honorable Mark Lawrence, Senate Chair
Honorable Melanie Sachs, House Chair
Joint Legislative Committee on Energy, Utilities and Technology
100 State House Station
Augusta, ME 04333

Re: ***Support for LD 481 An Act to Allow a Water District Created by Special Act of the Legislature to Borrow Money and Issue a Warrant Prior to a Default***

Dear Senator Lawrence, Representative Sachs, and Members of the Committee on Energy, Utilities and Technology:

The Maine Water Utilities Association (MWUA) appreciates the opportunity to provide testimony in support of LD 481.

About MWUA. MWUA is a nonprofit association based in Augusta that provides support for water works professionals throughout the State of Maine in advocating for safe drinking water through educational and technical programming as well as advocacy on the local, state, and national level. The Association was formed in 1925 and consists of approximately 86 utility and 60 associate members. Maine's water utilities provide service to approximately 700,000 Maine residents, thousands of Maine businesses and public institutions, and millions of visitors to Maine every year.

Discussion. When undertaking large capital projects, water utilities generally need to finance the project. To access the best interest rate, water utilities may seek financing through the municipal tax-exempt bond market. A lower interest rate benefits a utility's ratepayers by reducing financing costs. A utility's bond rating is a measure of the risk to bondholders. The higher the bond rating of the utility, the less risky its bonds are, and correspondingly, the interest rate will be more favorable (lower) for the utility.

Bond rating agencies have indicated that Title 35-A §6103 has some statutory weaknesses that if addressed, could improve the bond rating of a water utility, making the interest rate on its bonds more favorable. LD 481 An Act to Allow a Water District Created by Special Act of the Legislature to Borrow Money and Issue a Warrant Prior to a Default, addresses these statutory weaknesses.

The existing statutory language requires the utility to issue a warrant to the municipalities served after the default occurs. LD 481 provides a mechanism whereby if a water utility is about to default on a payment to bondholders, it will have the authority to borrow money immediately to pay bondholders and then proceed with the issuance of a warrant to its municipalities, with the municipalities collecting what is owed and reimbursing the water utility.



Letter from MWUA re LD 481

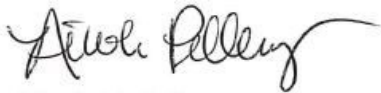
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What this bill does is speed up the ability of the bondholders to get paid in the event a default might occur; they will not have to wait for the municipal warrant and collection process to take its course. Bondholders would be paid on time. This gives more security to the bondholders, and this security will translate to a better bond rating for water utilities seeking to issue bonds, thereby saving the ratepayers money. This bill protects the utility from defaulting by allowing the utility to borrow money in advance of the issuance of the municipal warrant.

Conclusion. Utility bond defaults have not happened in Maine. This legislation will hopefully never have to be used. But its mere existence could improve a utility's bond rating and save ratepayers money. For these reasons, we urge you to support LD 481 and vote Ought to Pass.

Yours for safe drinking water,

A handwritten signature in black ink, appearing to read "Nicki Pellenz", written in a cursive style.

Nicki Pellenz
Executive Director

cc: Roger Crouse, Chair, MWUA Legislative & Regulatory Affairs Committee
James I. Cohen, Verrill Dana, LLP, Legislative Counsel