



HOUSE OF REPRESENTATIVES

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Introduction to LD 1412

An Act to Increase Contingency Reserves for Maine's Consumer-owned Electric Transmission and Distribution Utilities

Chair Lawrence, Chair Sachs, honorable members of the Joint Standing Committee on Energy, Utilities and Technology. I am Representative Jack Ducharme and I proudly represent the towns of Madison, Norridgewock and Cornville, Maine. I have the good fortune of being able to purchase my electric service from Madison Electric Works, a department of the Town of Madison and considered a Consumer-owned Utility.

I am honored to sponsor, LD 1412, An Act to Increase Contingency Reserves for Maine's Consumer-owned Electric Transmission and Distribution Utilities on behalf of all of Maine's COUs. I have spent most of my entire career in the banking industry, so I can appreciate the need to have adequate funds in reserve when unexpected events arise that require a company, or in this case a utility, to be able to act quickly. It is my understanding that the current level of 25% of yearly revenues has been unchanged since 1999. Since that time, every cost of doing business has gone up including the cost of purchased power. While this may seem to be a significant increase; it seems reasonable to ensure a utility has sufficient funds available to be able to meet unforeseen circumstances in a timely manner.

In Maine, consumer-owned utilities are those owned and operated by the communities they serve, often in the form of cooperatives or municipal electric districts. These utilities include Eastern Maine Electric Cooperative, Fox Islands Electric Cooperative, Kennebunk Light & Power District, Madison Electric Works, and Van Buren Light & Power District, and several others according to the Maine Public Utilities Commission.

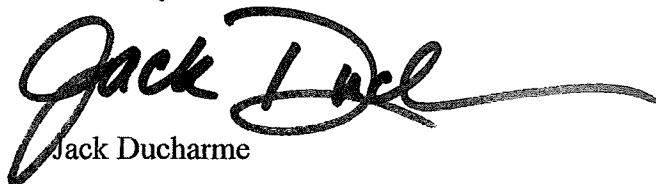
District 71
Cornville, Madison, and Norridgewock

This bill does not require the utilities to have this level of reserve. Rather, it allows them to maintain these levels, provides guidance for the use of interest earnings as well as directs the use of excess funds should they occur. Allowing this increase in reserves will ensure that these small, locally owned, and operated utilities can respond to situations with which they are confronted. These could be weather events such as wind, snow or ice, infrastructure events like transformer failures or other simple mechanical breakdowns.

Several years ago in Madison, we had a major transformer failure on Christmas Day that had a price tag of over \$1 million to replace. Bucket trucks that once cost \$150,000 are now over \$300,000. As the costs of repair and equipment replacement increase, the additional level of savings will be critical for their long-term stability and survival.

I would urge you to move Ought to Pass for this commonsense request. Thank you for your time and attention. I would be happy to answer any questions, however, there are others from the utilities who will be best suited to respond.

Cordially,


Jack Ducharme