



YOUR CONSUMER OWNED ELECTRIC UTILITY SINCE 1893

Chairman Lawrence

Chairwoman Sachs

Members of the Energy, Utilities & Technology Committee

My name is Anna Henderson. I am the General Manager of the Kennebunk Light & Power District ("KLPD"), which was founded in 1893. KLPD was later incorporated by the 95th Legislature in 1951, and serves approximately 7,600 meters in parts of Kennebunk, Lyman, Wells and Arundel. I am here today to urge the Legislature to increase the level of cash reserves that KLPD can maintain to meet the needs of its ratepayers.

In order for any utility to meet its statutory obligations to provide safe, reasonable, and adequate facilities and service, it must be financially healthy. Utilities must be able to fund operational expenses, pay for debt service, and make prudent capital investments to meet current and future needs. An essential component of this financial health includes contingency reserves. For KLPD, these reserves are used to cover cash-working capital and regulatory lag, as well as unforeseen expenses or emergencies. For example, unexpected storm expenses could be covered by these cash reserves.

I am motivated to seek this change because the low cash reserve levels create an unacceptable financial risk for KLPD and may jeopardize KLPD's ability to attract capital on reasonable terms. KLPD's last rating by Standard & Poor's revised KLPD's outlook from stable to negative due in part to the legal limitation on the amount of cash reserves, stating: "By our calculations, we consider the amount of cash that will be held as thin relative to the operational needs of the utility". The rating noted that it includes purchase power expense when evaluating reserves levels. A strong financial future is especially critical as KLPD embarks on a replacement project for its Water Street Substation that was constructed in the early 1950s.

It is common practice in many businesses to have enough cash reserves to cover three to six months, or 25% to 50%, of annual operating expenses. KLPD's annual operating expense was roughly \$13 million in 2024. Under the current statutory language, the utility is limited to approximately \$1.6 million in contingency reserves. This equates to only 12%, or 42 days, of operating expenses because purchase power is excluded from the equation. KLPD seeks a minimum of \$3.25 million (25% or roughly 90 days) in contingency reserves.

The current language contemplates that contingency reserves can also be used, in part, for capital projects. KLPD, and other COUs, are requesting that the statute be amended to allow for a ceiling of 50% for contingency reserves. If the statute is set equal to KLPD's minimum contingency reserve target, KLPD would not have adequate reserves available for capital expenditures as the language intends.

KLPD recognizes these cash reserve limits exist to prevent an excessive cash balance and encourage an appropriate debt/equity ratio. Raising the cash reserve limits will not diminish the PUCs existing authority to determine appropriate rate levels, including cash reserve levels.

In closing, I encourage this Committee to vote ought to pass on LD 1412, which I believe is necessary to ensure the financial health of KLPD and will ensure that we can continue to serve our ratepayers and the community for years to come. I would note that even if LD 1412 was enacted today, it will take years for KLPD to build up a healthy level of cash reserves as we balance the need to invest in aging infrastructure with the rate levels charged to our customers.

Thank you for your time and attention. I'd be happy to answer any questions you may have.