



Chairman Lawrence

Chairwoman Sachs

Members of the Energy, Utilities & Technology Committee

My name is Greg Sherman, and I serve as the General Manager of the Houlton Water Company (HWC), a consumer-owned electric, water, and sewer utility owned by the Town of Houlton. Originally established in 1880 as a water company, HWC later expanded by acquiring an electric and sewer utility fully unifying these services under one organization in the mid-1930s.

I am here today in support of LD 1412, a bill that, if enacted, would increase the allowable reserve funds for Electric Consumer-Owned Utilities (COUs). Specifically, the legislation proposes raising the reserve cap from 25% to 50% of operating expenses and incorporating power supply costs into the calculation. While this measure exclusively impacts Electric COUs, its implications for our operational stability are significant.

Currently, HWC must exclude 54% of its expenses when calculating reserves, even though these excluded costs remain our responsibility. For instance, HWC procures standard offer supply on behalf of our customers. We have leveraged strategies like load aggregation and long-term contracts in the past to benefit our customers, by taking ownership of power supply and delivering it directly to customers. In 2024, our operating expenses totaled \$8.9 million, with \$4.8 million excluded from reserve calculations despite HWC's obligation to collect and remit those funds to the supplier. This liability, manageable at present, is poised to rise sharply as we face a new contract increasing costs from 6.2 to 8.75 cents per kWh, alongside additional load. Consequently, the annual liability for the standard offer supply could exceed \$10 million, with winter billing for a single month potentially surpassing \$1 million—an amount that could strain our current reserves.

HWC has also faced challenges from rising supply costs and persistent supply chain issues, particularly regarding electric transformers. To address these hurdles, we've increased our on-hand inventory of materials and equipment, but this has restricted our financial flexibility. Additional reserves would provide critical benefits: enabling us to make necessary capital investments and managing cash flow challenges, especially during winters when accounts receivables increase.

It is important to emphasize that Consumer-Owned Utilities are overseen by locally elected boards comprising utility customers and citizens. These local boards are uniquely positioned to balance the financial health of the utility with customer interests. Unlike Investor-Owned Utilities, whose governance is often remote, HWC's board members have no vested interest in return on investment or keeping excessive cash reserves. Instead, the HWC Boards focus solely on maintaining reasonable rates and reliable services. By increasing the reserve amounts this grants local boards greater discretion in setting appropriate reserve levels which



enhances their ability to adapt to evolving operational demands and continue serving the best interests of their communities.

I thank the Committee for considering this bill and the testimony provided. Its passage will empower HWC, as well as future managers and directors, to better serve our customers. HWC prides itself on offering some of the lowest rates in Maine, but affordability must be complemented by reliability and exceptional customer service. Increasing reserve flexibility will ensure we can continue meeting daily operational needs while investing in a robust and resilient electrical system for future generations.