



STATE OF MAINE
PUBLIC UTILITIES COMMISSION

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Testimony of the Maine Public Utilities Commission

Neither For Nor Against

LD 1412, An Act to Increase Contingency Reserves for Maine's Consumer-owned Electric Transmission and Distribution Utilities

April 16, 2025

Senator Lawrence, Representative Sachs, and Distinguished Members of the Joint Standing Committee on Energy, Utilities, and Technology (Committee), my name is Deirdre Schneider, testifying neither for nor against LD 1412 An Act to Increase Contingency Reserves for Maine's Consumer-owned Electric Transmission and Distribution Utilities on behalf of the Public Utilities Commission (Commission).

LD 1412 would allow a consumer-owned utility to keep a contingency reserve fund, half of which may be used for capital purposes, to reflect up to a 50% addition to yearly revenues over the amount required to operate the utility including purchased power supply costs. Current law only allows up to a 25% addition and it excludes purchased power supply costs.

While the Commission understands why this change is being requested, we are concerned that this could represent a sizeable increase in the reserve and could impact rates. A possible solution to this issue is to perhaps allow for a less dramatic increase to provide additional flexibility, such as 35% or require Commission authorization to increase the contingency reserve beyond 25% but less than 50%. It would be helpful to have additional, clear guardrails, considering LD 1412 represents a significant change.

For context, consumer-owned water utilities are permitted by law to have a contingency allowance. Under 35-A M.R.S. § 6112 for a utility with total annual revenues up to \$85,000, the contingency allowance is up to 10% of the revenues required to operate the utility; for a utility with annual revenues in excess of \$85,000 it is 5%. The law also allows for Commission review if the utility has accumulated an amount that is inconsistent with just and reasonable rates and may order the utility to reduce its rates to the appropriate level. Furthermore, if a utility in each of three consecutive years over-collects through rates for a contingency allowance, the utility is required to notify customers, hold a public hearing and provide any customer with the opportunity to testify or question officials on any matters relating to the utility's financial situation.

The Commission has had conversations with the utilities regarding this change and will continue to engage in these discussions to see if a balance can be achieved.

I would be happy to answer any questions or provide additional information for the work session.