

Testimony of Laurie Webber of Matinicus Island Plantation  
In Support of  
LD 1913, An Act to Allow Matinicus Isle Plantation to Issue a Revenue Bond for Urgently  
Needed Repairs to the Plantation's Electric Power Generating Facility  
Before the Committee On Energy, Utilities and Technology

Senator Lawrence, Representative Sachs and members of the Committee on Energy, Utilities and Technology, my name is Laurie Webber. I am one of the Assessors of Matinicus Isle Plantation and I am providing testimony in support of LD 1913 on behalf of the Plantation. Matinicus is a small working island 22 miles off midcoast Maine. The community, which the USDA classifies as distressed, has seen a steady decline in its population. Failing infrastructure and high electricity prices are primary drivers behind this decline.

LD 1913 seeks changes to the 1975 Act that authorized Matinicus to establish and operate an electric power generating facility. The changes will reconcile inconsistencies in the 1975 Act that have prevented Matinicus from borrowing money through the issuance of general obligation bonds to the Maine Municipal Bond Bank.

Matinicus has operated and maintained its power generating facility since passage of the 1975 Act, and the facility is a critical part of the island's infrastructure. Power is currently generated by 43-year-old diesel generators combined with switchgear that is over 50 years old. There is no interconnection to the mainland.

The power plant is in urgent need of substantial upgrades. The Island experienced multiple brownouts and power failures last summer. Numerous residents and businesses lost expensive electrical equipment due to power quality issues. This year, the existing power plant will not be able to meet demand from mid-June onwards. The switchgear is broken beyond repair.

Electricity rates on Matinicus are among the highest in the United States. Officially, the rates are \$0.3045 per kwh, but that figure does not include the surcharge for the cost of the diesel fuel. During the last 12 months the average monthly fuel surcharge has been \$0.522 per kWh. In January 2023, winter residents faced fuel surcharges of \$1.15 per kwh which meant paying almost \$1.50 per kwh in total. The upgrades will provide efficiencies that will help reduce rates,

Matinicus has filed an application with the Maine Municipal Bond Bank for long-term financing to pay for the needed improvements. These improvements are currently underway using temporary financing provided by a local bank at an 8% interest rate. The temporary financing matures on November 30, 2025.

The closing on the long-term financing was originally scheduled for this month as part of the Bond Bank's spring issue. Bond counsel for the Bond Bank determined that the 1975 Act contains contradictory provisions that compromise the Plantation's ability to issue fully

compliant general obligation bonds backed by the full faith and credit of the Plantation and its tax base. Specifically, Section 4 of the Act authorizes the issuance of general obligation bonds, but Section 5 of the Act limits the “general obligation” (the tax base contribution) to a maximum of 50% of the debt service payments.

This means that the bonds cannot fully qualify as general obligation bonds. Bond counsel for the Bond Bank is requiring that the bonds fully qualify as general obligations in order to provide greater assurance of repayment, given the economics of the Island’s small user base. The amendments also clarify the Plantation’s ability to issue revenue obligation bonds in case that option is useful in the future.

Section 7101 of Title 30-A authorizes plantations to issue general obligation bonds in the same manner as towns. Section 5 of the 1975 Act contains a limitation of this authority in the case of bonds issued to finance improvements to the power plant. Matinicus currently has the authority to issue general obligation bonds for capital improvement projects that do not involve the power plant.

The Plantation’s application to the Bond Bank was tabled by the Bond Bank’s Board of Trustees to provide time for the Legislature to consider this bill. After substantial discussion and a vote by the Assessors, Matinicus is seeking the proposed changes prior to reactivating its Bond Bank application at the August deadline for participation in the fall issue.

We are also requesting an amendment to the proposed language you have before you. An additional change to strike the last sentence of Section 4 of the 1975 Act would remove the confusing requirement that a repayment schedule must be in compliance with the rules and regulations of the Public Utilities Commission. The rules and regulations for debt service schedules that might apply are not specified or easily identified, and compliance with any such rules and regulations would be difficult for bond counsel to certify. I have included the specific language as an attachment to my testimony and we have shared this request with Representative Geiger.

In closing, LD 1913 will amend the 1975 Act authorizing Matinicus to establish an electric power generating facility by clarifying that (1) Matinicus can raise and appropriate an amount annually that is sufficient to cover the principal and interest payments on the long-term financing, rather than an amount not to exceed 50% of that cost, (2) Matinicus is further authorized to issue revenue obligation bonds which would be supported by user rates and charges, and (3) Matinicus has clear authority to regulate and fix rates and fees in relation to the facility.

These changes are critically necessary to the Island’s power generating facility. With new and improved infrastructure in place, the Plantation will have a firm foundation on which its community can grow and thrive.

Thank you for your time and your consideration.

## Proposed Amendment to LD 1913

Add to the existing statutory changes in lines 11 through 24:

**Sec. 4. P&SL 1975, c. 25 § 4** is amended to read:

**Sec. 4.** The plantation is also authorized to issue general obligation bonds, not to exceed the general law, to pay the cost of the acquisition, construction, reconstruction, improvement, extension and enlargement of, and equipment for, the electric power generating facility. ~~Schedules for the payment of the principal and interest on the bonds shall be established in conformance with the rules and regulation of the Public Utilities Commission.~~