

MAINE STATE LEGISLATURE

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115th MAINE LEGISLATURE

FIRST REGULAR SESSION-1991

Legislative Document

No. 426

S.P. 171

In Senate, February 7, 1991

Reference to the Committee on Utilities suggested and ordered printed.

A handwritten signature in cursive script, reading "Joy J. O'Brien".

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator VOSE of Washington

Cosponsored by Senator CARPENTER of York, Representative CLARK of Millinocket and Representative MORRISON of Bangor.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY-ONE

An Act to Regulate Water Utility Contingency Reserve Funds.

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 35-A MRSA §6105, sub-§4, ¶E, as amended by PL 1989, c. 59, §2, is repealed and the following enacted in its place:

E. To provide for a contingency reserve fund allowance as provided in section 6111; and

Sec. 2. 35-A MRSA §6111 is enacted to read:

§6111. Contingency reserve fund

1. Annual contingency allowance. A consumer-owned water utility may provide for an annual contingency allowance by including in rates an amount up to 5% of the revenues required to operate the water utility. Each year any contingency allowance, which may not exceed 5% of the prior year's total revenue, must be credited to a contingency reserve fund. Other revenue may not be credited to the account.

2. Contingency reserve fund maximum. The maximum amount that may be accumulated in a contingency reserve fund is as follows:

A. For utilities with annual revenues between \$125,001 and \$250,000, the maximum amount is 15% of the most recent year's annual revenues plus \$12,500;

B. For utilities with annual revenues between \$250,001 and \$375,000, the maximum amount is 5% of the most recent year's annual revenues plus \$37,500; and

C. For utilities with annual revenues in excess of \$375,000, the maximum amount is 15% of the most recent year's annual revenues.

Any contingency allowance collected when the contingency reserve fund is at the maximum amount permitted must be credited to the unappropriated retained earnings account and treated in the same manner as any other surplus produced by a consumer-owned utility.

3. Use of contingency reserve fund. The contingency reserve fund may be used only to pay for operating losses resulting from insufficient revenues to meet operating expenses and debt service costs, including, but not limited to, principal and interest repayment.

2 4. Transition. Any contingency reserve fund accumulated
3 and expended prior to January 1, 1991 may not be considered in
4 determining whether a utility has reached its maximum amount
5 under subsection 2.

6
7
8 **STATEMENT OF FACT**

10 This bill clarifies the provisions governing the operation
11 of contingency reserve funds by consumer-owned water utilities.
12 In 1988, the Public Utilities Commission adopted chapter 670 of
13 its rules regulating contingency reserve funds. In the context
14 of adopting this rule, certain questions have arisen about the
15 Legislature's intent in authorizing contingency reserve funds.
16 This bill attempts to address those issues.