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The Town of Bar Harbor respectfully submits that the proposed water rate adjustment was developed through a structured, public, and statutorily compliant process consistent with Title 35-A M.R.S. §6104. The Town has requested that the increase be effective by April 1, 2026.

The need for a rate adjustment was identified through a formal rate case study conducted with the Town's consultant in response to a documented structural deficit in the Water Enterprise Fund. That deficit is driven primarily by non-discretionary obligations, including debt service associated with a voter approved infrastructure bond and ongoing system operations. As presented publicly, the majority of system costs are fixed and must be supported regardless of water usage.

The Town formally presented this matter at a public meeting of the Town Council on January 6, 2026, where staff and our professional consultant outlined the system's financial condition and potential rate approaches. The Council then initiated the statutory process by scheduling a public hearing for February 17, 2026. As required by the PUC, the Initial Rate filing was uploaded one month prior to the public hearing. A second public meeting of the Town Council was held on January 20, 2026, where additional details were provided on customer impacts, rate design, and implementation options. These deliberations were all conducted in a public setting with an advanced noticed agenda. Consistent with statutory requirements, the Town filed its rate case with the Commission and mailed notice to all water customers in late January. That notice outlined the proposed changes, the basis for the adjustment, and customers' rights, including the right to request information, participate in a public hearing, and petition the Commission for review.

The required public hearing was then held on February 17, 2026. The Town Council closed the public hearing and entered into council deliberations where Town staff, the consultant, and the Town Manager responded to questions regarding cost structure, rate design, and customer impacts. These deliberations addressed the relationship between consumption and cost and the allocation of revenue responsibility across users. The Town Council concluded its deliberations and then voted 6-1 to enact an ordinance amendment with the explicit understanding that any rate change would be contingent upon final approval by the Maine Public Utilities Commission. The Town has not attempted to implement rates outside of Commission review.

The Town also evaluated several alternative approaches, including a flat rate. Based on its analysis, and in consultation with its rate expert, the Town determined that such an approach could not reliably recover fixed system costs without the necessity to significantly increase the minimum billing, which would disproportionately impact lower-use customers. The proposed rate structure incorporates two tiers as part of the Town's effort to transition away from the historically declining block structure while maintaining a balanced distribution of costs. This approach reduces reliance on minimum charges while still ensuring recovery of fixed costs and limiting disproportionate

impacts on lower-use customers. The rates that were formally filed represent an equitable way to raise the needed revenue to keep making improvements and funding base costs.

The complaint also raises concerns regarding the Town's fund balance. The Town notes that the water utility operates as an enterprise fund and does not carry the size of the balance alleged in the complaint, and that the utility has significant ongoing obligations, including debt service, capital investment, and system operations. As reflected in the adopted budget, current revenues are not sufficient to meet those obligations without the proposed rate adjustment. Fund balances within the enterprise must be evaluated in the context of these obligations and are necessary to maintain continuity of operations in order to meet these ongoing financial commitments. Viewed in that context, the presence of a fund balance does not indicate excess or discretionary funds, but rather it reflects the timing and structure of revenue and expenditures within the system. Certain balances reflect restricted funds associated with bond financing and capital obligations and are not available for general operating expenses. These obligations include ongoing infrastructure investments such as the water tank, Cromwell waterline, and Glen Mary waterline.

This disagreement, as reflected in the complaint, ultimately centers on a question of public policy regarding how to best structure rates to equitably allocate the cost of providing water service. The complaint advances the position that a single per-gallon rate (volumetric rate) is the only approach that can achieve that outcome. The Town does not share that view. Many water systems with very large users utilize the declining tier rate structure. To minimize the impact to the residential customers, Bar Harbor combined the tiers and formed only two tiers. This increases the relative contribution of higher-volume users while limiting impacts on lower-use customers.

Based on the analysis presented during the public process and in consultation with its rate expert, the Town determined that a hybrid rate structure more appropriately reflects the cost characteristics of this utility system while also maintaining fiscal stability and reliability.

Taken together, the record demonstrates a deliberate and compliant process that included analysis from a professional consultant, public meetings, formal notice, a public hearing, and Town Council action subject to final Maine Public Utilities Commission approval.

It is worth noting that this complaint does not include a cost-based analysis or other supporting information demonstrating that the proposed rate structure is unjust, unreasonable, or unduly discriminatory. To the extent the complaint asserts a lack of process or procedural deficiency, the Town respectfully disagrees. The record reflects that the statutory process was followed. The issue before the Commission is whether the proposed rate structure is just and reasonable in light of the system's financial and operational realities, and the Town believes it has met its statutory obligations.

Respectfully Submitted,


James L. Smith
Town Manager
Bar Harbor