Utility DIVE

Hawaii regulators pushed to consider co-op as alternative to HECO merger

By Herman K. Trabish | July 24, 2015

Dive Brief:

- The Hawaii Island Energy Cooperative (HIEC) filed testimony with state regulators this week, urging them to consider the electric cooperative utility model as an alternative to the investor-owned utility model in its deliberations on the proposed acquisition of the Hawaii Electric Companies (HECO) with NextEra Energy (NextEra).
- The HIEC filing was made possible after the Hawaii Public Utilities Commission (PUC) granted the fledgling cooperative intervenor status in the merger proceeding. Finding HIEC's cooperative model in the public's interest would be "a once-in-a-many-lifetimes opportunity to achieve something truly transformational on Hawaii Island," HIEC co-founder Marco Mangelsdorf wrote in the filing.
- HIEC would initially obtain management services from the established Kauai Island Utility Cooperative (KIUC) in the same way that HECO presently manages its Hawaii Electric Light Co. (HELCO) unit on the Big Island. KIUC assistance would include accounting, billing and collection, customer service, IT and project support.

Dive Insight:

Mangelsdorf testified that HIEC does not explicitly oppose the proposed $4.3 billion HECO-NextEra merger and acknowledged that HELCO is not presently for sale by the holding company.

He asked the PUC to consider cooperative benefits to 194,000 Big Island residents, such as potentially lower costs and rates by shifting from a shareholder to a member focus, local and representational decision-making about the Big Island's energy future, and the realization of Hawaii's goals of more renewables and distributed generation.

HIEC could get up and running at a lower cost than the $10.8 million HECO is currently billing HELCO and at the same time give KIUC ratepayers significant benefit by providing remuneration for KIUC services, he argued.

HIEC is working toward a 10-year financial analysis that would identify and quantify potential savings, debt service, and other costs for operating a utility. Mangelsdorf asked commissioners for guidance on the usefulness of such analysis to its deliberations.

The filing marks the first time regulators have formally been asked to consider a co-op as an alternative to the sale of Hawaii's dominant electric provider. Earlier this week, Hawaii Gov. David Ige announced his opposition to the NextEra acquisition, saying he was not confident that the Florida-based company shared his vision and commitment for renewables-based future in Hawaii.

Regulators are still hearing collecting comments from the relevant stakeholders in the case and may not issue a final ruling before next summer.