

NextEra realizes merger not easy

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NextEra Energy Inc.'s foray into Hawaii has turned out to be a tougher slog than anticipated, according to Eric Gleason, president of the Florida-based company's Hawaii division.

Gleason spoke about the difficulties inherent in non-Hawaii businesses trying to come into the state during Wednesday night's Hawaii Island Chamber of Commerce forum. The event, which drew about 100 people, focused on NextEra's proposed acquisition of the electricity utilities operated by Hawaiian Electric Industries, including Hawaii Electric Light Co. on the Big Island.

"There's definitely concern about (off-island ownership). We understand it. We understand it better now than we did when we started down this path," he said. "Talking to people around the state, it's obvious the history of mainland companies coming here and acquiring local companies is not great. Pretty awful. From the examples I've heard, it's hard to find people that have good examples. We realize — not just for getting the merger approved but ultimately for being successful — that we have to break new ground."

Gleason also took issue with the idea the Hawaiian Electric companies are locally owned and a takeover by NextEra would put control in the hands of people off-island.

"What does it mean to be local? Is HEI local? Is HELCO local? ... How much less local does it become by virtue of a change in ownership?" he asked. "Let me give you some background. ... I'm not in any way trying to take away from the points that have been made. I think they're important. But today, HEI is 75 percent held by shareholders that are not in Hawaii. Those are the shareholders that select the board who selects the management who runs the company. Today, we've got a great team here at HELCO, but most of the senior management team at the Hawaiian Electric companies are in Oahu."

Also during the forum, it became clear that so far, state Consumer Advocate Jeffrey Ono remains unimpressed with NextEra's most recent responses to questions posed in the ongoing process before the state Public Utilities Commission, which must greenlight the merger before it can proceed.

As an intervenor in the NextEra-HEI docket before the PUC, it is Ono's job to represent the interests of Hawaii utility consumers, and his department's opinions often weigh heavily on decisions made by the commission. Last month, Ono recommended the PUC reject the NextEra-HEI merger, citing NextEra and HEI's perceived inability to provide in-depth answers regarding how the merger could benefit Hawaii electric ratepayers. On Aug. 31, NextEra filed testimony in response to concerns raised by the consumer advocate and other intervenors.

"We've opposed this merger," Ono said. "And the feeling is that the benefits that they're offering to consumers are just not significant enough.

"Go back to when they filed the application. They offered benefits which they said would be worth \$60 million. That is by forgoing ... the operations and maintenance portion of the rate adjustment mechanism. ... When we analyzed that benefit that they were saying they were going to give us, we felt that it was a loser.

“Now, in their responsive testimony (filed with the PUC on Aug. 31), NextEra has gone back and they have said they are going to actually reduce operation and maintenance expense for four years to give us that \$60 million. Well, I still think this is insignificant,” Ono added.

In response to a question concerning whether a rejection of the merger would impact Hawaii’s ability to achieve its renewable energy goals, Ono was clear that his office expects HEI to live up to its promises, regardless of what happens with the acquisition.

“Hawaiian Electric has always maintained that it is financially capable of moving forward with a renewable energy future,” he said. “In the power supply improvement plan submitted to the Public Utilities Commission (last year) ... Hawaiian Electric laid out for each of its service territories, HECO, HELCO and MECO, a capital plan to get to greater amounts of renewable energy.

“At no time has HEI or Hawaiian Electric ever said ‘This is beyond our capability, we can’t do it.’ We’re counting on that to happen because we’re recommending to the commission to reject this acquisition and we’re counting on Hawaiian Electric to pull this off,” Ono added.

Attendees of the forum at the ‘Imiloa Astronomy Center also heard from Marco Mangelsdorf, a founding member and spokesman for the Hawaii Island Energy Cooperative, which has intervened in the merger in an attempt to pursue the idea of turning HELCO into a nonprofit utility owned by its customers.

Mangelsdorf admitted such an undertaking would require time and money, with many questions that remain to be answered, but argued it ultimately could benefit Hawaii Island consumers by investing profits back into the local community.

“There are about 100-plus million shares of outstanding HEI stock, and Eric (Gleason) was kind enough to note that 75 percent of those 100 million shares are owned by people outside the state, and there’s nothing wrong with that, of course,” Mangelsdorf said. “There are a lot of people in the state who own HEI stock and they appreciate the dividends from HEI stock.

“I just happened to come across the fact recently that last year HEI had a net profit of \$168 million, and that’s after executive bonuses are paid and other bonuses are paid. And where does that profit go? Well, amongst other places, it goes to shareholders ... and if 75 percent of those shareholders are out of state, it stands to reason that a lot of that money is going out of state.

“Contrast that with the co-op model, which is not for profit. Technically, there are no profits in a co-op model, but there are margins between expenses and revenues. And if there are additional margins, which you hope there will be, where does that money go? Does it go to shareholders far and wide? Heck no, it stays on the island, or the service territory. And that’s something that’s appealing to me,” Mangelsdorf said.

Other forum participants included former PUC chairwoman Mina Morita, HELCO President Jay Ignacio and Hawaii County Energy Coordinator Will Rolston. The speakers opined about a variety of issues being discussed in relation to the NextEra-HEI merger. The forum was moderated by Sherry Bracken of Mahalo Broadcasting and Big Island Video News.