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NextEra Merger Takes Back Seat to Co-op Talk on Big Island

The Public Utilities Commission hears a lot about alternative utility ownership models, but little about a proposed sale of Hawaiian Electric Industries.

By Nathan Eagle

HILO, Hawaii — A handful of Big Island residents spent Tuesday evening under a pop-up tent in the parking lot of Hilo High School giving out buttons, bumper stickers, yard signs and gray T-shirts emblazoned with “Own The Power.”

The residents, including business and community leaders such as Richard Ha and Gerald DeMello, were spreading the word about Hawaii Island Energy Cooperative, a nonprofit created in February to explore forming a locally owned and operated utility.

They set up shop an hour before the Hawaii Public Utilities Commission was scheduled to hold its latest “listening session” in the school cafeteria to hear what the public thinks about the proposed \$4.3 billion sale of Hawaiian Electric Industries to NextEra Energy.



Big Island resident RJ Hampton tells the Public Utilities Commission to investigate NextEra Energy during a public hearing about the company’s proposed merger with Hawaiian Electric on Tuesday at Hilo High School.

“We just think it’d be really impactful if the PUC saw a sea of gray, showing all the people who want an alternative ownership model,” said Ashley Kierkiewicz, who does community outreach for the cooperative, before the session.

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There may have been more gray beards than gray shirts in the audience of about 200 residents, but the message came out clearly during testimony.

Hilo marked the commission's fourth stop on as many islands in a tour that wraps up Oct. 27 on Oahu. The seven planned sessions precede a trial-like evidentiary hearing that starts Nov. 30, after which the PUC will decide whether to approve the buyout.

“We’ve suffered by having distant ownership which isn’t responsive to our local needs.”

— Sen. Russell Ruderman

Unlike the three previous sessions around Maui County, in which opposition was largely centered around the Florida-based energy giant buying one of Hawaii's oldest companies, public testimony during the Hilo hearing was notably more focused on getting rid of the current investor-owned model entirely.

State energy regulators were not there to consider this issue though, as PUC Chair Randy Iwase told the crowd from the outset and politely reminded them as the hearing progressed. The PUC even prepared pamphlets, which were placed at the sign-in table in the cafeteria, that spelled out over a dozen issues at play in the merger docket — alternative ownership models not being one of them.

Nonetheless, Iwase allowed comment after comment about the benefits of the Big Island forming a public utility and taking control of its own energy future. Commissioner Mike Champley sat next to him listening as a few staff members took notes. The third PUC member, Lorraine Akiba, was absent.



PUC Chair Randy Iwase holds up a pamphlet listing the issues the commission is considering in the NextEra merger docket.

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“Our state does not need a bigger and stronger HECO,” said Nelson Ho, who grew up on Oahu and moved to the Big Island in 1979. “We need a different kind of utility with a reformed business model instead.”

HEI owns Hawaii Electric Light Co., which serves the Big Island; Maui Electric Co., which powers Maui, Lanai and Molokai; and Hawaiian Electric Co., which serves Oahu. HELCO serves roughly 83,000 of HEI’s 450,000 customers statewide.

Ho asked the crowd, by a show of hands, how many opposed the merger. Nearly all hands went up, a sentiment comparable to the previous sessions in which only a handful of people spoke in favor.

Dean Au, representing the Hawaii Regional Council of Carpenters, was among the few who testified in support of the proposal Tuesday. He asked who was with him and about a dozen hands went up.

“We’re all tired of paying high electricity rates,” he said, finding common ground with the crowd.

Pointing to the Kauai Model

In June, the state set a goal of 100 percent renewable energy by 2045, although there are some escape clauses in the law that would allow Hawaii to meet that mark with as little as 50 percent of its energy coming from rooftop solar.

Still, the target has been set and the public’s expectation is that Hawaii won’t be burning fossil fuels in 30 years. The question has turned to how best to get there, and what started as an exploration of whether merging with a bigger company would help has broadened to a review of the entire utility ownership model.

Gov. David Ige came out against the proposed merger as it currently stands in large part because he doubts NextEra’s commitment to the state’s energy goals. NextEra and HEI have endeavored to assure him that not only are the companies committed to 100 percent renewable energy, but that NextEra would help Hawaii get there faster because of its size and experience.

Hawaii Island Energy Cooperative, one of 28 parties the PUC approved as intervenors in the docket, has taken no official position on the proposed merger.

Instead, the group is using the opportunity to raise awareness that other utility models exist and position itself to be ready should Hawaiian Electric, or NextEra if the deal goes through, become a willing seller.

Many people have praised Kauai Island Utility Cooperative during the PUC’s listening sessions and other forums as the example that the Big Island, Maui and even Oahu should follow, highlighting how profits go back to members instead of shareholders and the importance of local control in pursuing renewable energy projects.

But the key difference in Kauai’s transformation to a customer-owned utility — having a willing seller — can’t be overstated.

After more than three years of work, KIUC bought Kauai Electric, a subsidiary of Connecticut-based Citizens Communications, in 2002.

The \$215 million purchase was made possible thanks to a willing seller and a loan from the National Rural Utilities Cooperative Finance Corporation, not to mention huge lines of credit from the Federal Emergency Management Agency that came after Hurricane Iniki ravaged the island a decade earlier.

KIUC is governed by a nine-member board of directors elected by its customers, although voter turnout is usually low — 22 percent last election. It took several years and significant shake-ups in the board before the renewable-energy needle really started moving, and electric bills on Kauai were on par with the rest of the state.

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NextEra Energy Hawaii President Eric Gleason, in blue, talks to Hawaii Island Energy Cooperative President Richard Ha, left, and others before the PUC's listening session at Hilo High School.

The Hawaiian Electric companies were collectively at 21 percent renewable energy at the end of 2014, with HELCO leading the way. Big Island residents receive almost 50 percent of their power from renewable sources — mostly geothermal but also solar, hydro and wind.

KIUC's portfolio was at about 20 percent renewable but the co-op has signed contracts that are expected to help it surpass its goal of 50 percent renewable energy by 2023. The latest deal was a power purchase agreement with SolarCity for a utility-scale solar array and battery storage system, the first of its kind in Hawaii.



NextEra consultant Jennifer Sabas talks to PUC member Mike Champley before the PUC's listening session.

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Ready If the Ball Gets Dropped

Sen. Russell Ruderman, who's on HIEC's advisory board, is among those who hold KIUC up as a model.

The Big Island lawmaker has pointed out in letters to the editor in West Hawaii Today that \$30 million has been returned to KIUC members since Kauai residents bought the private utility and formed a co-op 13 years ago. That's profit not going to investors.

"We formed (HIEC) so there would be an entity to pick up the ball if it gets dropped," Ruderman told Civil Beat. "If this NextEra deal does not go through for whatever reason and HEI still wants to sell at least part of their system, then we'll be positioned to buy it."

NextEra estimates that the merger would result in \$1 billion in combined savings to customers and benefits to the local economy. But top officials, including NextEra Energy Hawaii President Eric Gleason, have said they can't promise lower electric bills.

Ruderman said a co-op wouldn't guarantee cheaper electric bills either, but it would mean local control.

"We've suffered by having distant ownership which isn't responsive to our local needs," he said.

Roughly three-fourths of the shares in HEI are owned by people on the mainland, according to filings with the PUC.

"The feeling of many people on the island is they'll be even less responsive if the owners are in Florida," Ruderman said.



[HELCO's Kanoelehua Hill generating station in Hilo.](#)

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By “responsive,” Ruderman doesn’t just mean the power to pursue renewable energy projects that the public supports or address concerns about blackouts. He also means the company being in tune with the struggles that local businesses and residents face due to the high cost of utilities in Hawaii.

“It affects poor people disproportionately,” Ruderman said, citing stories of people being unable to keep their lights on because it was a question of buying food or paying their electric bill.

And as a businessman — Ruderman owns three organic food stores on the Big Island — he said high electricity costs put him and others at a competitive disadvantage.

Hawaii’s electric rates statewide are triple the national average, with the Big Island’s being about 20 percent higher than Oahu’s, he said.

Most months, Ruderman said, the electric bill for his stores — \$15,000 to \$20,000 — is more than his rent.

“It affects our business and our business strategy and our ability to grow and thrive,” said Ruderman, who was honored in May as Hawaii’s Small Business Person of the Year. “It’s not just shipping costs that make food more expensive.”

HIEC board member Noelani Kalipi also points to the KIUC model.

“This is probably, truly, the only chance in our lifetime to change our public utility and impact our future generations so positively.” — Richard Ha

“The investor-owned utility model is not bad,” she said in a letter to West Hawaii Today. “However, let’s look at homegrown alternatives that allow us to turn to power sources that suit us best. Renewable, environmentally friendly and cost-effective sources.”

Ha, who serves as president of HIEC’s board of directors, has been emphatic about the public speaking up at the PUC’s listening sessions. He was among dozens wearing “Own The Power” shirts and buttons Tuesday evening.

“This is probably, truly, the only chance in our lifetime to change our public utility and impact our future generations so positively,” he wrote in a Sept. 18 blog post on his Hamakua Springs Country Farms website. Three generations of his family have worked at the 600-acre farm.

“If you only ever do something like this once, this is the time,” Ha said.

At least attendee, Lei Kalamau, said she came out Tuesday because of Ha’s words, adding that she trusts him even though she’s never met him.

Kalamau, who lived on Kauai from 1986 to 2003, experienced as a ratepayer the utility’s change to a co-op.

“The transition was really smooth. I did not feel any strain on my electric bill,” she said. “I felt that being a Hawaiian girl, born and raised in Hawaii, the local feeling of this co-op made this transition good because I didn’t feel like a takeover was coming again.”

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HELCO President Jay Ignacio, right, listens as Big Island resident Lei Kalamau testifies before the PUC.

The Discussion is Happening

While there's disagreement over which utility model would best serve the needs of each island, the discussion is happening. Despite criticism that it's a distraction from the merger, efforts to seriously review such a fundamental change are moving forward.

Maui County has hired a private firm to study alternative utility ownership models, and a group of 41 state and county lawmakers have banded together to do something similar.

Rep. Chris Lee, who worked to unite the group of lawmakers last month, said they are in the process of getting back proposals from third parties to do a study of alternative utility options, which is expected to include a legal and financial analysis of a public utility option. He said the study will likely begin in the coming weeks.

Some say all the discussion about forming co-ops or municipally owned utilities has rattled NextEra and HEI officials.

Former PUC Chair Mina Morita recently criticized Life of the Land, an intervenor in the merger docket, for petitioning the PUC to open an investigation on different business models and utility structures.

"If people want to argue the merits/demerits of a publicly or municipal utility do it before the State Legislature or County Councils," she wrote in her Energy Dynamics blog Tuesday.

"If the merits outweigh the negatives, then those elected officials should lay out the game plan for eminent domain and other legal ramifications before bringing the ownership transfer issue to the PUC."

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Morita has underscored local governance as one of the issues that's extremely important to consider in the proposed merger.

NextEra has committed to creating a local Hawaiian Electric advisory board that will include members from Oahu, Maui and Hawaii counties. It also committed to ensuring Hawaiian Electric will have the same independent authority as NextEra's other two principal businesses in approving capital expenditures up to \$20 million without additional approvals.

NextEra also plans to preserve the Hawaiian Electric name and the local headquarters and management.

But critics note that the ultimate corporate control would still be in Florida, with a board beholden to the company's shareholders.



Ashley Kierkiewicz, second from left, passes out shirts, signs and buttons in support of Hawaii Island Energy Cooperative before the PUC's listening session started.

Some say all the discussion about forming co-ops or municipally owned utilities has rattled NextEra and HEI officials, pointing at the latest round of information requests in the PUC docket.

NextEra and HEI are asking KIUC to answer dozens of questions seemingly aimed at proving why NextEra would offer more benefits than a co-op.

In an information request filed Sept. 24, NextEra asks the head of KIUC, David Bissell, to explain what he perceives to be the process to replace the existing electric utilities with a cooperative if HEI and/or the shareholders of the existing electric utilities are unwilling to merge or be acquired by a cooperative.

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So far, KIUC has only responded to two of the 10 information requests.

The docket, which already contains tens of thousands of pages of questions and answers among the parties involved, is expected to balloon further in the coming days. The PUC recently decided to allow another round of written cross-examination before the evidentiary hearing begins, setting an Oct. 16 deadline for testimony.

After introducing himself to folks at HEIC's pop-up tent and talking story with others who have become familiar faces, Gleason told Civil Beat that NextEra is squarely focused on the information requests at this point.

He sat attentively during the listening session in Hilo, much as he did at the one on Maui, taking in all the comments and occasional theatrics of the testifiers.

The PUC went to Kona on Wednesday for a listening session there. Kauai is next, with a meeting set for Oct. 21.