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Public Utility or Power Monopoly? Let's Hear Both Options

NextEra continues to refine its offer, while some elected officials are exploring benefits of the co-op model. The end result could be a better deal for Hawaii ratepayers.

By The Civil Beat Editorial Board

Ask Big Island residents about NextEra Energy's proposed acquisition of Hawaiian Electric Industries, and you won't find much interest. But ask about a locally, perhaps publicly owned and operated energy utility — well, now you've got a conversation on your hands.

Public Utilities Commission members learned as much last week at the halfway point of their seven-stop listening tour as they attempted to sound out Hawaii Islanders on the proposed $4.3 billion acquisition. Though commissioners tried to focus the conversation on the Big Deal, Big Islanders wanted to focus instead on alternatives to a for-profit utility monopoly.

And why wouldn't they? Hawaii Island residents are getting used to energy innovation: About half of their power already comes from renewable sources, for instance — geothermal, solar, hydro and wind.

And as Nelson Ho, a Big Island resident for the past 36 years, told commissioners, "Our state does not need a bigger and stronger HECO. We need a different kind of utility with a reformed business model instead."

Hawaii Electric Light Company President Jay Ignacio, right, listens as resident Lei Kalamau testifies before the Public Utilities Commission at the PUC's recent hearing on the Big Island.

It's a sentiment expressed by a growing number of Hawaii ratepayers, and they're hardly limited to the Big Island.

State Rep. Chris Lee led a group of 41 elected officials from across Hawaii last month in announcing a commitment to explore the potential of public utilities across the state. Kauai is currently the only island not reliant on Hawaiian Electric Industries or one of its subsidiaries for power; the Garden Island is powered instead by the Kauai Island Utility Cooperative.

Individual groups on each island are working now to raise awareness of and support for the possibility of a similar co-op or other type of publicly owned utility. Lee and others are interested in hiring a reputable third-party analyst to conduct a rigorous review of the economics of such an approach and what it would mean to consumers.

"We want to vet the options and see how they pencil out in the short term and long term," Lee told the Civil Beat Editorial Board last month. "Going to a public or co-op utility potentially represents more than four times the savings that NextEra is saying they could provide."

NextEra has estimated cost reductions of $400 per ratepayer spread over the next five years, translating to a modest monthly reduction of about $6.70; comparatively, the approaches Lee and others point to supposedly could save about $26.70 monthly, though they don't yet have the details to back up that claim.

Perhaps even more valuable, though, might be the interest of a co-op or public utility in enthusiastically encouraging alternative energy innovation. HECO has been criticized for dragging its feet on solar energy and other renewables; NextEra has a relatively small number of customers in Florida with rooftop solar, though the electric rates are low enough that solar doesn't make as much sense as in Hawaii.

But compare both those examples to Kauai, where the utility has been reliant for years on diesel generators to support peak energy consumption each day from 5 p.m. to 10 p.m. The Kauai co-op announced last month a 20-year agreement with SolarCity to create the nation's first utility-grade solar array and battery storage system to replace the generator use; the project is expected to be in commercial operation by the end of 2016 and will both lower the use of fossil fuels and reduce greenhouse gas emissions.

While it's too early to tell what the analysis of public and co-op utility scenarios might reveal, it's critical to have that information as a comparison to what NextEra has put on the table and for the credibility of the analysis to be above reproach.

KIUC followed that announcement two weeks later with the unveiling of a pilot program that will provide smart meters to 300 customers to facilitate their shifting energy use to daylight hours to take better advantage of solar power. Participants in the Time-of-Use Solar Pilot Program will receive a 25 percent discount on energy consumed from 9 a.m. to 3 p.m., which could add up to substantial monthly savings for the average customer. The program launches early next year, and KIUC, which already offers smart meters, will use data from the project to determine whether to extend it to all customers.

HECO has been piloting smart meters since last year, but doesn't plan to make smart grid technology fully available on Maui, Hawaii Island and Oahu for several more years.

NextEra has committed to speeding the pace by as much as two years, with “full smart meter deployment to all customers” by Dec. 31, 2019, according to its filings. But it only made that pledge after a long list of organizations, community leaders, Hawaii’s consumer advocate and, most notably, Gov. David Ige, harshly criticized its initial proposal as unacceptable and the company’s commitment to Hawaii’s 100 percent renewable energy goal “vague and noncommittal, to say the least.”

The fact-finding and analysis process being undertaken by Lee and others is expected to yield results by the end of 2015. That should be several months before the state Public Utilities Commission makes a final decision on the NextEra-HECO deal.

While it’s too early to tell what the analysis of public and co-op utility scenarios might reveal, it’s critical to have that information as a comparison to what NextEra has put on the table. It could provide more leverage in extracting a better proposal from the company, but it might also address whether the NextEra-HECO merger over the long haul is really the best option for ratepayers who are shouldering the nation’s highest energy costs.

It’s imperative that ratepayers and elected officials examine all of the above as thoroughly and critically as possible. As we’ve already seen, NextEra’s response to criticism of its initial proposal added 31 new beneficial commitments to its original pledges, raising to 85 the number of promises the company has now publicly made.

Similar scrutiny applied to any analysis and/or proposal put forth by the coalition led by Lee is only likely to improve it. The quality of the options that the PUC considers in this matter will have long-lasting consequences.