West Hawaii Today

# Merger vs. co-op: Both sides in island utility debate lay out cases

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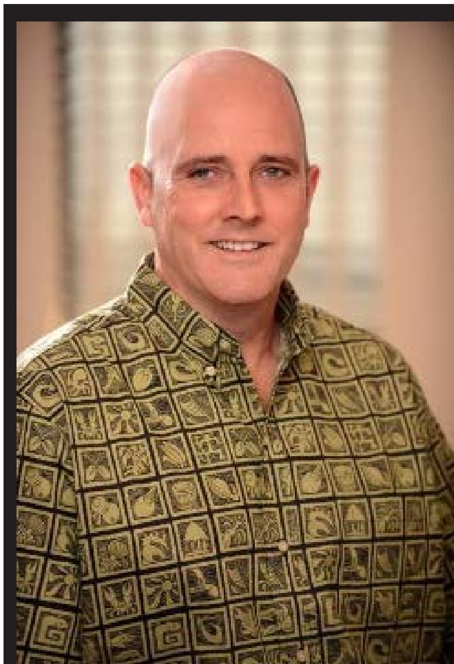
By Bret Yager West Hawaii Today

SOUTH KOHALA — On the face of it, both a fledgling Hawaii Island energy cooperative and the mainland giant NextEra Energy want the same things — lower rates for island residents, more renewable energy and care of an aging grid.

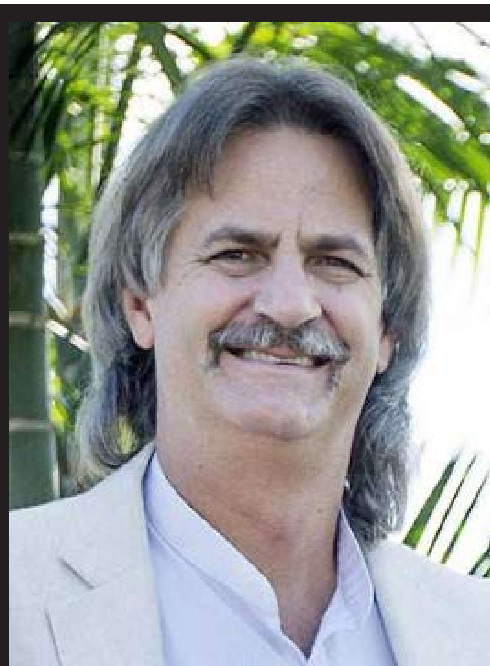
The real questions seem to revolve around how to get there and who is most likely to succeed.

A roomful of Kona-Kohala Chamber of Commerce members got to hear both sides lay out the case for why they are the best choice for future stewardship of the island's utility on Thursday. Marco Mangelsdorf, co-founder of the Hawaii Island Energy Cooperative, at one point took out his checkbook to make the point that he feels he could write a half-billion dollar voucher for purchase of Hawaii Electric Light Co. and has both the financial and technical support of a nationwide network of utility co-ops serving 40 million customers.

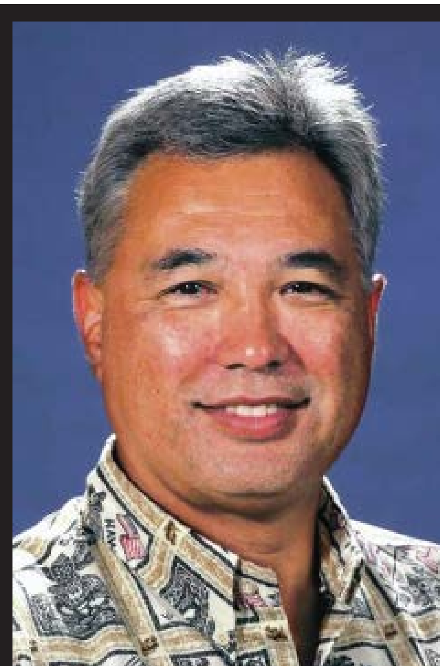
"We feel that what needs to be done here could be done better, faster, cheaper, than what NextEra could do," he said.



Eric Gleason, President
NextEra Energy Hawaii



Marco Mangelsdorf, Co-founder
Hawaii Island Energy Cooperative



Jay Ignacio, President
HELCO

Eric Gleason, president of NextEra Energy Hawaii, worked to dispel the notion that the Florida-based company will be a slow-moving, unfeeling Goliath, making decisions and lining pockets from far away, should the Public Utilities Commission approve its $4.3 billion merger with Hawaii Electric Industries.

Gleason said NextEra takes criticism for how little rooftop solar there is in Florida, where the company is based. That's because NextEra is able to compete with 55 other utilities in that state to provide electricity at 20 percent below the state average, he said.

"We're at 9.7 cents per kilowatt hour," Gleason said. "When your rates are in the nines, rooftop doesn't make sense."

Nevertheless, NextEra will support residents if they choose to install solar here, he said. In developing future energy plans, the company would involve residents and stakeholders on each island, he said.

"We get it that people want to have a say, we embrace that," he said.

With the state still dependent on oil to produce electricity, rates will remain tied to the price of crude and it is not possible to exactly project how much NextEra will save customers, Gleason said. But the company has the ability to make massive and cheap purchases, has extensive experience with projects, can borrow more cheaply and has "a track record of taking costs out of the business."

And it's on board with the state's renewable energy goals, he said.

HELCO president Jay Ignacio sketched out the challenges of providing electricity here: Infrastructure spread out across a large geographic area, increased exposure to storm damage and challenges managing vegetation.

Mangelsdorf pointed out that HELCO also has only limited control over its rates, because about 60 percent of the power it distributes is bought through long-term power purchase agreements from private generators. Not all of those PPAs are to the benefit of the ratepayer, he said.

Also present at the discussion was David Bissell, president of the Kauai Island Electric Cooperative. Bissell touted local oversight, island relationships and scrappy cost controls in the co-op's ability to keep rate increases on the Garden Isle well below the pace of increases on other islands.

Kauai rates were 70 percent more than Oahu when KIEC formed in 2002. Thirteen years later, the rates are only 30 percent above Oahu, and the percentage of renewable energy has increased on Kauai from 5 percent to around 50 percent.

"It's more than just a theory, it can be done, but it has to be done from the ground up," he said. "There has to be a real groundswell to make it happen."

Numerous speakers favored a cooperative in testimony at a PUC listening session in Hilo in late September.

With hearings set to start at the end of the month, the pending merger has 25 intervenors and NextEra has filed more than 50,000 pages of response to 6,000 questions. The merger is not only the most complex docket the Public Utilities Commission has handled, it's also been called a deal with more profound implications than any other in decades in Hawaii.

But the talk story at the Mauna Lani Bay Hotel wasn't without lighter moments and playful jabs. Besides promising to keep a Hawaii Island management team in place, Gleason also said the company is committed to two years before it does any layoffs.

"So you're good to go, Jay," he said to mild tittering.

"Thanks," Ignacio responded dryly. "That's better than, Jay, you gotta go."

Although his own job might be in jeopardy, Ignacio said he supports the merger anyway because it's the right thing for the island.

"We can do better than we're doing today," he said. "I think NextEra will give us a better chance than if we go it alone."

Frank Latinis, who took in the discussion, recently was cleared to install solar panels on his roof. He said he was glad to hear the support for renewables from both sides.

"When you see someone come in from the mainland, you're always skeptical," he said.

Given that the Big Island has a burdensome infrastructure compared to the number of users it serves, Ed Schulman questioned why it wouldn't be any easy choice for Hawaii Electric Industries and NextEra to spin the Big Island out of the merger, despite the "package deal" in place for all of HEI's utilities.

Schulman said he hadn't heard enough from either side to convince him that real benefit will result from the merger or a co-op.

"I'm getting a sense of 'We're all in this together, but we can't promise you anything except our best efforts,'" Schulman said. "I don't see how anything is going to change for the Big Island."