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PUC voices doubts about NextEra's pledges for change

Randy Iwase, chairman of the state Public Utilities Commission, said Wednesday some commitments offered by NextEra Energy Inc. to win support for its proposed purchase of Hawaiian Electric Industries aren't any different than what the Hawaii utility would do on its own.

"In some cases, the commitment isn't necessarily a commitment to do something new," Iwase said. Next¬Era is offering "to continue to do what (Hawaiian Electric Co.) is already doing."

Iwase made the comments on Wednesday, during the seventh of 12 scheduled hearings to review NextEra's planned $4.3 billion purchase of Hawaii's largest utility. The PUC must approve the sale for it to close.

Iwase asked Colton Ching, vice president of energy delivery at HECO, about what changes NextEra would make to HECO's clean-energy plans.

In NextEra's application to the PUC, the company listed 85 binding commitments, including saving customers $60 million over the next four years.

Iwase focused on seven commitments that he said were really no different than what HECO had been planning. Those included strengthening and accelerating the state's clean-energy transformation efforts; including the PUC and the public when adjusting those plans; and meeting the state's clean-energy goal of 100 percent renewable electric power by 2045.

Iwase said he wanted to know whether there were any substantial differences between NextEra's taking over and HECO remaining as it is.

"I asked the question to see what commitments changed," Iwase said. "How would the commitments be different under the different scenario?"

One commitment Iwase asked about was HECO's installation of a system-wide smart-meter program by 2019.

Ching said installation of a system-wide smart-meter program would happen faster with NextEra.

"With Hawaiian Electric it would take five years," Ching said. "(NextEra) brings it from five to three years."

Ching has said NextEra would reduce the $350 million cost of switching to smart meters by 4 percent.

PUC Commissioner Mike Champley said he did not find the 4 percent savings to be a great benefit to customers.

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"It's not significant," Champley said. "That benefit was cited as a major contribution. … From my experience, 4 percent is low for the range of project. When you estimate a major project, a 4 percent difference is within the range of estimating error."

In addition to Ching, Tayne Sekimura, HECO's chief financial officer, testified Wednesday.

PUC Chief Counsel Tom Gorak questioned Sekimura about the $60 million savings for HECO customers over four years if the sale were to close. Sekimura said the savings were guaranteed but with conditions.

"You are not guaranteeing that at the end of the four-year rate moratorium that every dollar of the $60 million will flow through to the ratepayer?" Gorak asked.

"I'm not guaranteeing that," Sekimura said.

Also Wednesday, Hawaii Island Energy Cooperative, one of the groups involved in the review of NextEra's purchase of HEI, said converting the electric utility on Hawaii island to a nonprofit cooperative would deliver greater savings than those promised by NextEra.

The group said that the cooperative could save Hawaiian Electric Light Co. customers $234 million over a four-year period.

"By lowering the cost of capital, eliminating federal income taxes and the profit margin built into Hawaii Electric Light Company's rates, the financial analysis found that Big Island customers could save as much as $113 million on the existing HELCO rate base and up to $234 million including investments to modernize the grid over a four-year period," HIEC said in a news release. "This compares to $60 million in savings estimated by (NextEra) for customers on all five islands served by (HEI) over a four-year period."

Rob Gould, spokesman for NextEra, said that the analysis HIEC put together is not complete.

"While we can't speak to what a co-op would mean for a specific community in Hawaii, it appears that the analysis conducted by HIEC is incomplete and does not demonstrate that a co-op ownership model could deliver lower rates for Hawaii island customers than an investor-owned utility ownership model," he said. "We know from our experience that out of the 50 nonprofit munis and co-ops in Florida, all charge their customers higher rates and none report the high level of reliability or customer service that we provide our customers at our utility, Florida Power &Light Company."

This week's hearings at the Neal S. Blaisdell Center will continue today and Friday. They will resume next week on Monday and Tuesday, and conclude on Wednesday. Iwase has said the hearings will likely continue into January and, possibly, February.