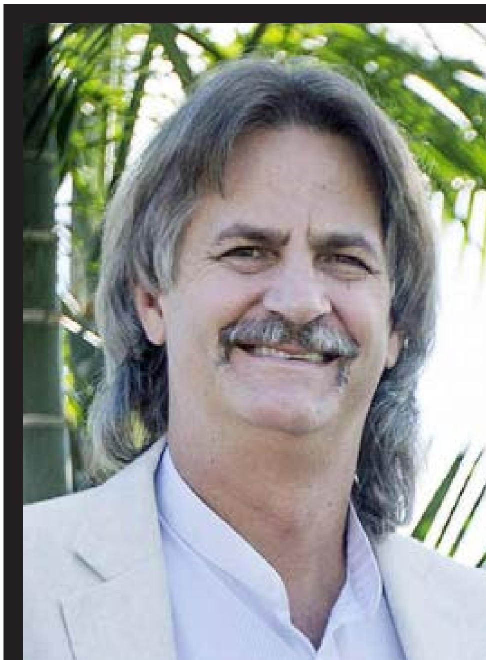
Hawaii Tribune Herald

Co-op claims it could save ratepayers more; HIEC touts Big Island savings that would eclipse NextEra's

By COLIN M. STEWART Hawaii Tribune-Herald

Published December 10, 2015 - 1:30am



HIEC Director Marco Mangelsdorf

As NextEra Energy Inc. continues to seek approval of its $4.3 billion acquisition of the Hawaiian Electric companies, organizers behind a movement to pursue a nonprofit utility on the Big Island say their business model could save Hawaii Electric Light Co. customers as much as $113 million on their electricity rate base in a four-year period.

The result of a recent financial analysis by Hawaii Island Energy Cooperative adviser Bill Collet, the number stands in stark contrast to the $60 million figure NextEra has touted as savings it could bring to ratepayers across the state, should the Hawaii Public Utilities Commission approve the merger, Collet said.

A Kansas City-based investment banker who served as an adviser to the Kauai Island Utility Cooperative in its 2002 acquisition of Kauai Electric, Collet said he wanted to prepare an easy-to-understand breakdown of the differences between the cooperative and the for-profit model of NextEra.

"One of the advantages we see in a co-op alternative for the Big Island is that if you have a dollar of rate base, the cost to you as a consumer on the Big Island will be less in your electric bill to finance that dollar of rate base than under an investor-owned utility model," he said in a phone interview.

By lowering the cost of capital, eliminating federal income taxes and eliminating the profit margin built into Hawaii Electric Light Co.'s rates, the financial analysis found that Big Island customers alone could save very nearly twice the amount NextEra predicts it will save ratepayers throughout the state. Meanwhile, HELCO customers could end up saving $234 million once factoring in investments to modernize the grid during a four-year period, HIEC organizers say.

As an intervenor in the regulatory review of the proposed NextEra/Hawaiian Electric merger, HIEC has argued that in addition to saving customers more money, the nonprofit model could accelerate the island's clean energy transformation "faster and with more focus than a mainland-based investor-owned utility," the release states.

"For Hawaii Island, the reality is that the 190,000-plus residents of the island would be better served by a cooperative," said HIEC director and spokesman Marco Mangelsdorf. "Beyond the lower cost of capital and the lower electric bills that follow, the benefits of a co-op include local, demographic ownership and control of one of the most important infrastructures on the island."

In response to the co-op's findings, NextEra Vice President and Chief Communications Officer Robert Gould said Wednesday that his company couldn't speak directly to what the nonprofit model would mean for a specific community in Hawaii.

Hawaii Tribune Herald

However, he wrote in an emailed response, "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."

As an example, he said all 50 of the nonprofit, municipally owned utilities and co-ops in Florida charge their customers higher rates than NextEra's Florida Power & Light Company.

"Moreover, within the state of Hawaii, customers of the co-op utility on Kauai pay significantly higher rates than customers of the Hawaiian Electric Companies typically do," he said.

Last year, the average cost for residential electricity customers on Kauai was 43 cents per kilowatt hour, with an average monthly bill of $199, according to a November report by the Hawaii State Energy Office. Meanwhile, customers on Hawaii Island paid 42 cents per kilowatt hour, with an average monthly bill of $192.

Meanwhile, customers on Oahu paid 35 cents per kilowatt hour, and customers on Maui paid 38 cents.

"Generating clean, affordable and reliable energy requires economies of scale, a deep bench of technical and managerial expertise, and an extremely strong balance sheet that provides financial stability and an ability to invest in new technology," Gould said. "Co-ops typically are not among the industry leaders in these attributes. Finally, it is important to note that the idea of a co-op utility acquiring Hawaii Electric Light Company is purely theoretical at this point, as no such proposal has been made to or is under consideration by Hawaiian Electric or NextEra Energy, nor is one pending before the Hawaii PUC."

HELCO spokeswoman Rhea Lee-Moku added that HIEC's analysis focused mainly on the cost of capital, "which is just one of several factors that should be used in the evaluation of a cooperative model."

"It doesn't appear to take into account the cost of actually acquiring the utility or other savings for customers from economies of scale and other expertise that would be available if Hawaii Electric Light was part of the NextEra family of companies," she wrote in an email response.