

Hawaii utility co-op says it could save \$234M, better option than NextEra sale

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By Duane Shimogawa, Reporter Pacific Business News

The Hawaii Island Energy Cooperative said Wednesday that it could save Big Island ratepayers up to \$234 million if Hawaiian Electric Light Co. is converted to a nonprofit cooperative, as opposed to being acquired by NextEra Energy Inc. as part of the Florida firm's proposed \$4.3 billion acquisition of Hawaiian Electric Co.

NextEra Energy proposes that Hawaiian Electric Cos.'s customers are expected to save about \$400 each over a five-year period if the sale goes through. In terms of customer savings. On the Big island, the savings would equate to \$373 per customer.

In total, NextEra Energy says Hawaii will gain a total of about \$1 billion when combining the customer savings and economic benefits figures.

The HIEC, a newly-formed cooperative, is spearheaded by Richard Ha, owner of Hamakua Springs Country Farms, who once led an unsuccessful attempt to acquire the Hawaiian Electric Cos., Marco Mangelsdorf, president of ProVision Solar, Wally Ishibashi Jr., senior advisor for the Office of Mauna Kea Management at the University of Hawaii Hilo and Gerald DeMello, a retired community liaison for the University of Hawaii Hilo.

The nonprofit co-op said that its financial analysis found that Big Island ratepayers 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.

Other proposed advantages of going this route, include that HIEC would be able to access low-cost debt capital and be more nimble and quick in integrating more and cost-effective renewable energy sources, according to HIEC, which also noted that the cooperative network of 900 utilities has equivalent, and perhaps better, buying power and economies of scale for technology, administration, pensions and insurance.

Rob Gould, spokesman for NextEra Energy, told PBN that, while it 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.



Marco Mangelsdorf (left), president of ProVision Solar, and Richard Hu (right) owner of Hamakua Springs Country Farms, are both directors of the Hawaii Island Energy Cooperative

“That said, we know from our experience that out of the 50 non-profit, 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 Co.,” he said. “Moreover, within the state of Hawaii, customers of the co-op utility on Kauai pay significantly higher rates than customers of the Hawaiian Electric Cos. typically do.”

Gould pointed out that 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.

“Co-ops typically are not among the industry leaders in these attributes,” he said. “Finally, it is important to note that the idea of a co-op utility acquiring Hawaii Electric Light Co. 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 [Public Utilities Commission].”

The Kauai Island Utility Cooperative, which oversees the electricity market on the island of Kauai, is the only one of its kind in Hawaii.

The HECO Cos. control the power service territories on Oahu, Maui, the Big Island, Lanai and Molokai.

Maui County and Oahu are currently looking into municipally owned utility structures.

The proposed sale of Hawaiian Electric to NextEra Energy is currently going through the regulatory process, with the Hawaii Public Utilities Commission possibly making a decision on the deal by June 2016 or later.