Hawaii electric co-op says it could save consumers $234M as alternative to NextEra deal

By Herman K. Trabish | December 11, 2015

DIVE BRIEF:

- As the Hawaii Public Utilities Commission (PUC) continues to hear testimony on the proposed $4.3 billion takeover of Hawaiian Electric Industries (HEI) by NextEra Energy, the Hawaii Island Energy Cooperative (HIEC) told Pacific Business News this week that it can provide similar or better savings for ratepayers.
- If the PUC rejects the merger and Hawaii Electric Light Co. (HELCO), HEI's Hawaii Island subsidiary, becomes a non-profit cooperative, HIEC claims it can save ratepayers "as much as $113 million on the existing HELCO rate base and up to $234 million including investments to modernize the grid over four years."
- NextEra filings in the takeover proceeding promise savings of $400 per HEI customer over five years and $373 per HELCO customer over five years, with approximately $1 billion in customer savings and economic benefits to ratepayers state-wide.

DIVE INSIGHT:

HIEC assumes a cooperative can beat HELCO rates because it doens't need to demonstrate a profit margin like an investor-owned utility and has access to lower-cost capital through national cooperative lending institutions. Its status as a non-profit would also mean a cooperative would not have to pay federal income taxes.

HIEC argues that the cooperative structure will also allow it "to accelerate the island's clean energy transformation" to meet Hawaii's 100% renewables mandate by 2045 mandate

The HIEC analysis does not demonstrate it can deliver lower rates, NextEra spokesperson Rob Gould told Pacific Business News.

"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.

Customers of the co-op utility on the Hawaiian island of Kauai also tend to pay higher rates than those offered by HEI utilities in the state, Gould added. He and other merger backers argue NextEra offers economies of scale, technical and managerial expertise, and a strong balance sheet that would give Hawaii's utilities financial stability and investment capital.

HEIC says the national 900-utility cooperative network "has equivalent, and perhaps better, buying power and economies of scale for technology, administration, pensions and insurance," HIEC said.

Last month, Hawaii regulators rejected Hawaiian Electric's Power Supply Implementation Plan, saying it did not align with the state's clean energy goals. The utility has promised to update it, but observers told Utility Dive that if it or NextEra cannot come up with a plan quickly that satisfies the regulators, it could spell trouble for the acquisition.

Soon after, Wells Fargo downgraded its odds on merger approval to 50-50. It had previously given the deal a 75% chance of going through.