

Hawaii energy co-op moves closer to possible utility takeover

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Duane Shimogawa, reporter

The Hawaii Island Energy Cooperative has moved a big step closer to becoming an operating nonprofit utility serving the Big Island, one of its directors confirmed to Pacific Business News Monday.

HIEC was recently granted tax exempt nonprofit status by the Internal Revenue Service, joining the 900-plus member-owned, community-based businesses serving 42 million energy customers across the U.S., including the Kauai Island Utility Cooperative.

“This is particularly important as both [Hawaii Electric Light Co.] and [Hawaiian Electric Co.] roll out new electric rate increases,” Marco Mangelsdorf, director and spokesman for HIEC, said. “Cost control and efficiency are core to a cooperative, not shareholder profits. As the holidays approach we at HIEC remain committed to helping Hawaii Island residents and pledge that, given the opportunity, we would do all we can to keep rates as low as possible.”

Hawaiian Electric unveiled its proposal to raise base rates by nearly 7 percent on Oahu late Friday.

When asked by PBN if HIEC is in discussions to buy HELCO, Mangelsdorf said that any business to be done would be behind closed doors.

“We take the confidentiality of an such discussions very seriously and will have no further comment at this time,” he said. “We can say that we look forward to contributing to the upcoming research and report which will take place under [the state Department of Business, Economic Development and Tourism] that will explore electric utility structures and ownership model.”

In October, DBEDT released a request for proposals seeking to find a firm to come up with a study to evaluate alternative utility and regulatory models including cooperative, municipal and independent distribution system operators, as first reported by PBN.

DBEDT is leading the state’s clean-energy program through its state Energy Office with the objective of driving Hawaii to its 100 percent clean-energy goal by 2045.

The winner of the RFP is scheduled to be announced on Jan. 18, according to Mangelsdorf, who said that DBEDT has announced that the maximum bid can be no more than \$1 million. “Spending this kind of sum will allow for a broad and deep analysis of electric utility models in the state,” he said. “HIEC is excited to be a contributor to this very worthwhile project.”

Mangelsdorf also noted that the Hawaii Public Utilities Commission’s recent rejection of NextEra Energy Inc.’s proposed \$4.3 billion acquisition of Hawaiian Electric opens the door for other utility ownership options, including co-op models like HIEC and KIUC.

“When combined with the imminent submission by the Hawaiian Electric Cos. of their power supply improvement plans and pending rate increases, the consideration of the cooperative ownership structure is timely, relevant and presents an opportunity to make critically important decisions about how Hawaii Island will meet our state’s clean energy objectives in the most cost effective way possible,” he said.

Hawaiian Electric’s Power Supply Improvement Plans are expected to set the framework for the energy industry in the future.

“We first sought to get a seat at the table in early 2015 as the docket on the [HECO]-NextEra [deal] was opened,” Richard Ha, president of HIEC, said. “Those of us who founded HIEC were convinced that the tumblers had fallen into place for us to do all that we could to try and replicate the success that Kauai Island Utility Cooperative has been achieving on the Garden Island. We got our seat and are excited about the future.”

HIEC has said that it would move the Big Island faster and at a lower cost towards the state’s 100 percent renewable energy goal, which would be done years ahead of the 2045 target date.

The HIEC plan includes new solar, wind and energy storage resources, as well as not using liquefied natural gas as a replacement for oil for fuel supply.

Whether, where and when more geothermal energy will be brought on line will be left to the cooperative board, according to the plan. The Big Island is the only island in Hawaii that currently utilizes geothermal energy for power.

HIEC has said that it could save Big Island ratepayers up to \$234 million if HELCO is converted to a nonprofit cooperative.

Duane Shimogawa covers energy, commercial real estate and development for Pacific Business News.