Hawai’i needs Hawaiian Electric Industries and NextEra merger

By Dr. Richard Kelley

By now I’m sure almost everyone in Hawai’i is aware that the State of Hawai’i and Hawaiian Electric Industries (HEI), the state’s largest public utility, are in discussions over a proposed merger of HEI and Florida-based NextEra Energy.

It is probably no overstatement to say that these discussions involve the most important proposed corporate transaction in Hawai’i’s history. It’s not every day that the world’s largest producer of renewable electricity offers $4.3 billion to buy one of the state’s largest and most critically important companies, a transaction that will directly or indirectly affect every resident of Hawai’i.

Our political leaders and the Public Utilities Commission are carefully vetting this proposed merger, as they should. At the same time, NextEra, the parent company of Florida Power & Light, is doing everything it can to explain why the merger is not only good for Hawai’i residents and utility customers but why it is essential in order to bring the state’s aging electrical grid, infrastructure and energy management up to modern standards.

After consideration of both sides of the issue, I land on the side of approving the merger. Why? Because this is an extraordinary opportunity to bring Hawai’i’s electric utilities up to state-of-the-art industry standards, an outcome that Hawaiian Electric on its own is simply unable to achieve. And, realistically, there aren’t any other suitors lining up to save the day. NextEra, with facilities and power plants in 27 states and Canada, is uniquely positioned to help Hawai’i.

Hawai’i’s antiquated electrical grid and oil-fired power plants are on borrowed time. The current state of the grid, despite Hawaiian Electric Company’s efforts to improve it with the introduction of smart meters and other new technologies, leaves Hawai’i incredibly vulnerable.

Widespread and prolonged power failures are fresh in our minds. In 2006, the Kiholo earthquake knocked out power on O’ahu, leaving thousands of customers in the dark for more than 14 hours. Two years later, a post-Christmas Day islandwide blackout left O’ahu residents and visitors, including then President-elect Barack Obama and his family, without power for up to 24 hours.

Last August, Tropical Storm Iselle knocked out power for about 33,000 Big Island residents, one-third of Hawaiian Electric Light Company (HELCO) customers. It took more than three weeks for HELCO to fully restore everyone’s power.

The fact is, Hawai’i is just one big hurricane, tropical storm, earthquake, tsunami or downed generator away from disaster. Hawai’i’s Travel & Tourism industry is particularly vulnerable to power outages and brownouts. Yes, Outrigger hotels have backup generators, but those are not designed to run indefinitely. Hotels, restaurants and other facilities need an electrical system they can depend on because the visitor industry is the state’s economic engine and its largest source of tax revenue.
Merger ... << From 1

There are more than 160 lodging properties in Hawai‘i with more than 50,000 rooms. Outrigger Resorts alone has eight properties in Waikīkī and more on the neighbor islands. Because the visitor and lodging industry is so important to Hawai‘i, the state’s electrical systems must be robust, resilient and reliable. Sadly, they are not.

I’m not holding out the Travel & Tourism industry as the only reason our utilities must be upgraded. The hundreds of thousands of residential and commercial utility customers in Hawai‘i need and deserve a reliable and affordable source of power. For hospitals, reliable power is a matter of life and death.

Unfortunately, Hawaiian Electric’s power grid has become increasingly unreliable because the utility does not have sufficient capital to make the needed improvements, let alone lead the state to its goal of achieving 100 percent renewable energy by 2045.

Hawaiian Electric Industries board member Barry Taniguchi recently submitted a letter to the PUC explaining this. “Hawaiian Electric and Hawaiian Electric Light Co. need the financial resources, the external capital that NextEra can bring to invest in their grid and their power plants,” Taniguchi said in the letter. “This will propel Hawaiian Electric and Hawaiian Electric Light forward to be more efficient, to be able to accept more renewables onto the grid, to reduce our dependency on imported oil and to reduce electricity rates.”

With its $4.3 billion merger offer, NextEra is the only green-energy suitor approaching Hawai‘i with a well-capitalized plan to create state-of-the-art power generation and distribution. About 95 percent of the electricity NextEra Energy Resources generates in its North American markets comes from clean or renewable sources, including wind, solar, natural gas and nuclear power. While nuclear is not an option for Hawai‘i, NextEra’s expertise in generating clean energy through renewable sources, with the financial resources to back it, is in line with Hawai‘i’s clean energy goals.

We all realize that a proposal as important as the NextEra/HEI merger must be soundly vetted to ensure it is in the best long-term interest of Hawai‘i. But there may come a point where unified opposition and continual public denunciation of an out-of-state company will cause other businesses to think twice before seeking to invest in Hawai‘i’s energy future.

While the state’s goal of 100 percent renewable energy by 2045 is a worthy aspiration, no state in the country has yet achieved that. NextEra is our best chance to reach that goal. And while keeping our eye on that goal, NextEra has the ability and capital to bring Hawaii’s grid up to industry standards, lower customer rates through renewables, and ensure reliability.

We should applaud Hawaiian Electric, which has proudly served Hawai‘i for 124 years, for recognizing its limitations and for its willingness to partner with a nationally respected company such as NextEra, for the good of Hawai‘i, its residents and our millions of visitors.