



**London Economics International LLC**

# **Community Discussion on Utility Ownership Models**

Prepared for Hawaii Department of Business, Economic Development,  
and Tourism (“DBEDT”)

## The project is legislatively directed

- ▶ **HB1700: The Department of Business, Economic Development, and Tourism shall conduct a study to ...**
  - Evaluate alternative utility and regulatory models including ... cooperative, municipal, and independent distribution system operators;
  - Evaluate the ability of each model to (1) achieve state energy goals, (2) maximize customer cost savings, (3) enable a competitive distribution system, and (4) eliminate or reduce conflicts of interest; and
  - Include a long-term cost-benefit analysis of each model and the steps required to carry out each scenario for each county.

## Today's Facilitators



**Christina Becker-Birck**  
Vice President, Meister Consultants Group



**Sarah Booth**  
Principal, Booth Clean Energy



**Cherrylin Trinidad**  
Managing Consultant, London Economics International

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**Ryan Cook**

Senior Consultant, Meister Consultants Group



**Julie Curti**

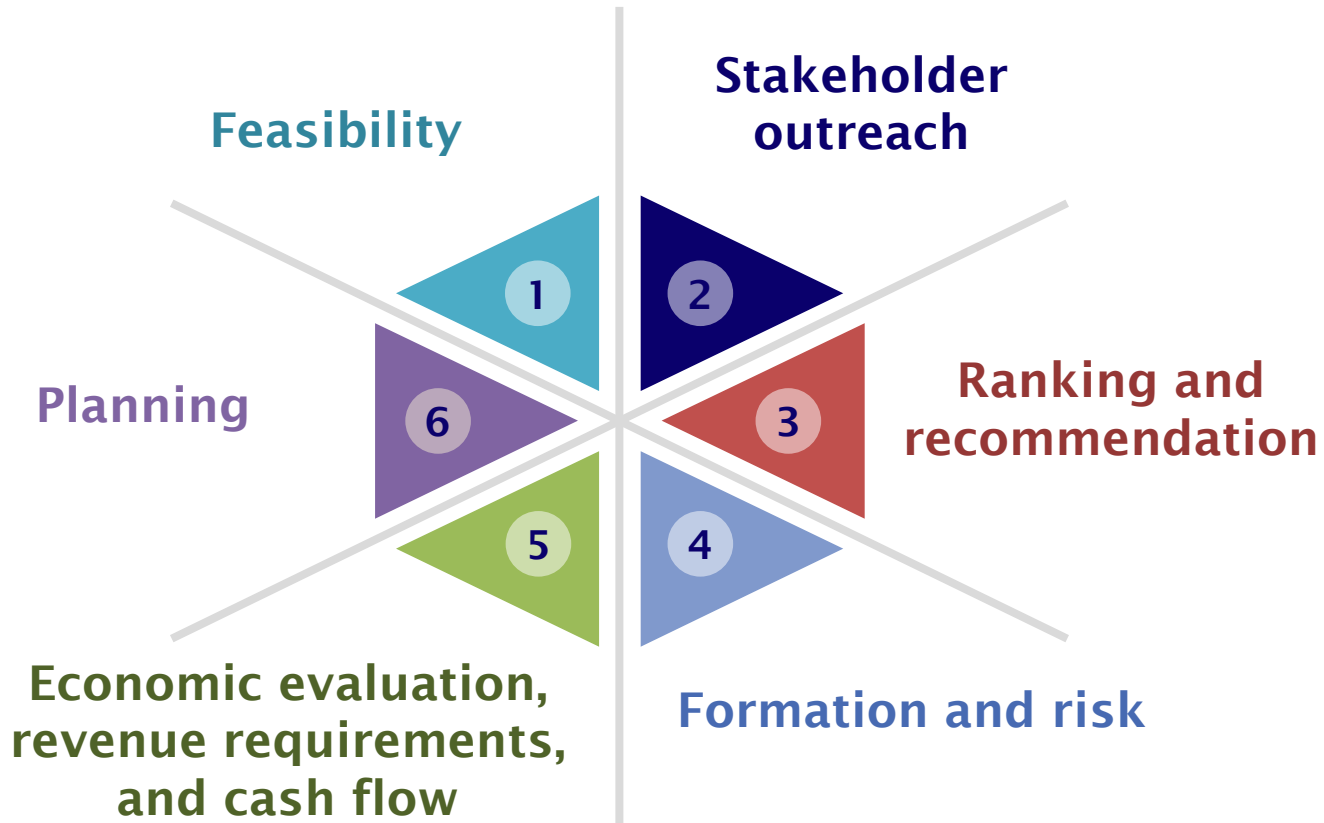
Consultant, Meister Consultants Group



**Gabriel Roumy**

Senior Consultant, London Economics International

# The Project Team will perform multiple analyses of each utility ownership and regulatory model from feasibility to planning





# Project Background: Timeline Overview



## Intro & Ownership Models

Determine the long-term operational and financial costs and benefits of electric utility ownership models to serve each county of Hawaii

## Regulatory Models

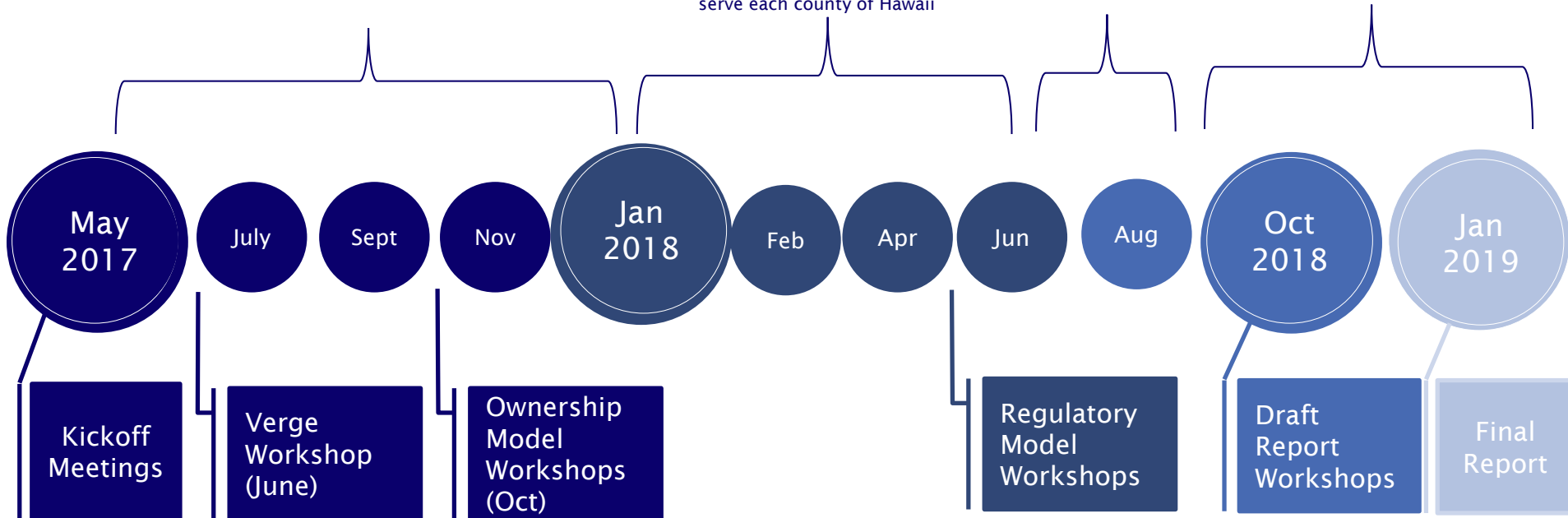
Determine the long-term operational and financial costs and benefits of electric utility regulatory models to serve each county of Hawaii

## Additional Analyses

Provide additional insight and analysis of ownership and regulatory models

## Final Report

Develop and delivery of the executive summary, formal presentation, and final report



# Workshop Goals

## ► Goals of Today's Workshop

- Provide an overview of the attributes of differing ownership models
- Share preliminary insights from the analysis conducted thus far
- Solicit community input on utility ownership models

# Guidance for Discussion

## ► Ground Rules:

- Keep an open mind
- Be respectful of other's ideas
- Step up, step back
- Be present (please step outside for cell phone use)
- Focus on productive discussion



# Roles and Responsibilities of the Utility

## ► Utilities act based on goals and requirements set by the Hawaii Public Utilities Commission (PUC) and the Hawaii legislature:

- Affordability (just and reasonable rates)
- Efficiency in investment and cost allocation
- Quality of service (reduced service outages, customer service)
- Environmental mandates (emissions requirements, air pollution, etc.)

## ► PUC oversight:

- PUC reviews the costs incurred by the utility and approves of rates that meet its incurred costs (often called “rate cases”).
- PUC reviews transitions in ownership structure to ensure that they meet regulatory standards (e.g. public interest).
- PUC ensures that utilities provide reliable service at just and reasonable rates

A utility is an entity which is entitled to earn a fair return through charging regulated rates for an essential service in return for assuming an obligation to serve

# Types and Models of Utility Ownership

## Utility Ownership Can Impact...

Utility management and leadership

Access to capital, and types of financing available

Relationship of the utility with its customers

How some aspects of customer rates are determined

## Utility Ownership May Not Directly Impact...

Renewable energy targets

Required actions under state law and regulation

# Landscape of Electric Utilities in Hawaii

Generation



Transmission and Distribution



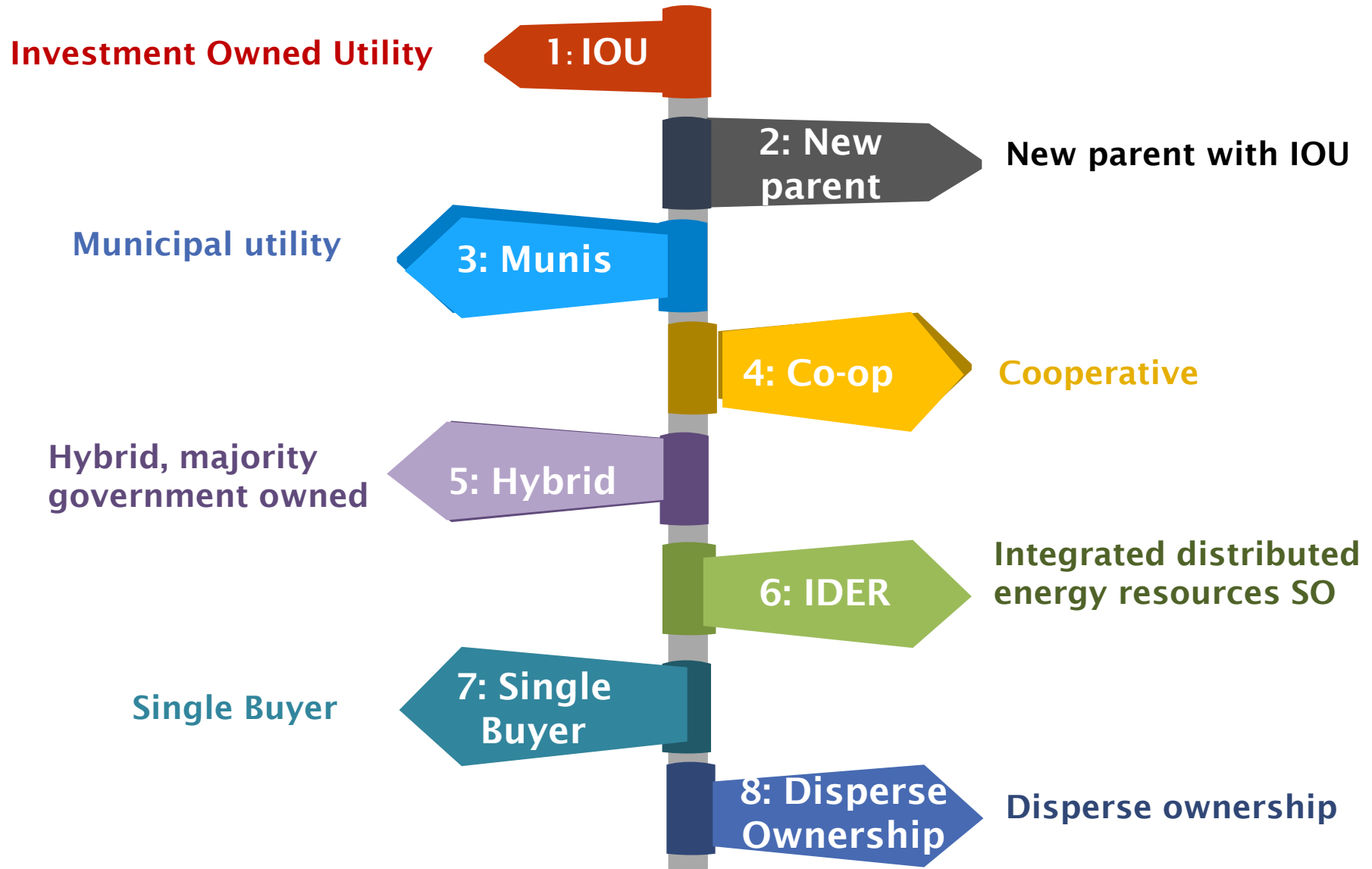
	Hawaiian Electric	Hawai'i Electric Light	Maui Electric	Kauai
<b>Islands served</b>	Oahu	Hawaii	Maui, Molokai, Lanai	Kauai
<b>Accounts Served</b>	304,000	85,000	71,000	34,000
<b>Capacity</b>	2,321 MW	427 MW	466 MW	200 MW
<b>% Renewable (2016)</b>	35%	43%	41%	42%

Source: Hawaiian Electric Companies' Power Supply Improvement Plan Update Report

## Group Discussion

► What do you want to see in your utility?

# We evaluated various ownership models



# Types and Models of Utility Ownership

## Who Owns the Utility?

Investor-Owned Utilities (IOUs)	Single Entity
	Corporate Parent
	Public-Private Partnership

Cooperative Utilities

Municipal Utilities

## What Does the Utility Own?

Power Plants & Wires

“Vertically Integrated”

Wires Only

Single Buyer

Integrated Distributed Energy Resource Operator

Disperse Ownership

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IOUs account for roughly 70% of the United States utility sector

IOUs report to a board of directors, which has a fiduciary duty to its shareholders

IOUs are closely regulated by state agencies, who must approve rates and utility activities

IOUs often have access to capital and can often finance larger investments than other types of utilities



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Co-ops are common in rural areas, accounting for just over 10% of electric sales but covering over 70% of the country by area

Co-ops are owned by members-customers and governed by the principal of “one member, one vote”

Co-ops have access to special federal financing programs. They do not have equity other than the retained earnings.

Mobilizing funds can be more challenging than it is for IOUs

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Munis are owned by cities and towns

Muni leaders are either elected directly or appointed by local government officials

As governmental entities, Munis often finance energy improvements with government bonds; they also benefit from access to tax exempt debt financing and they may also be tax exempt

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# Types and Models of Utility Ownership

Historically, most utilities have been responsible for generating power, transporting, and delivering it to customers

The advantage of Vertically Integrated utilities is that a single entity can control and coordinate all of the electricity infrastructure in a given area

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# Types and Models of Utility Ownership

In a number of states, “wires” utilities only own the transmission and/or distribution grid, and not power plants

As technology changes, non-traditional ownership models may become more feasible

This system creates a more competitive market for generation, and allows more actors to participate

Typically, the utility or another central actor is responsible for coordinating power production

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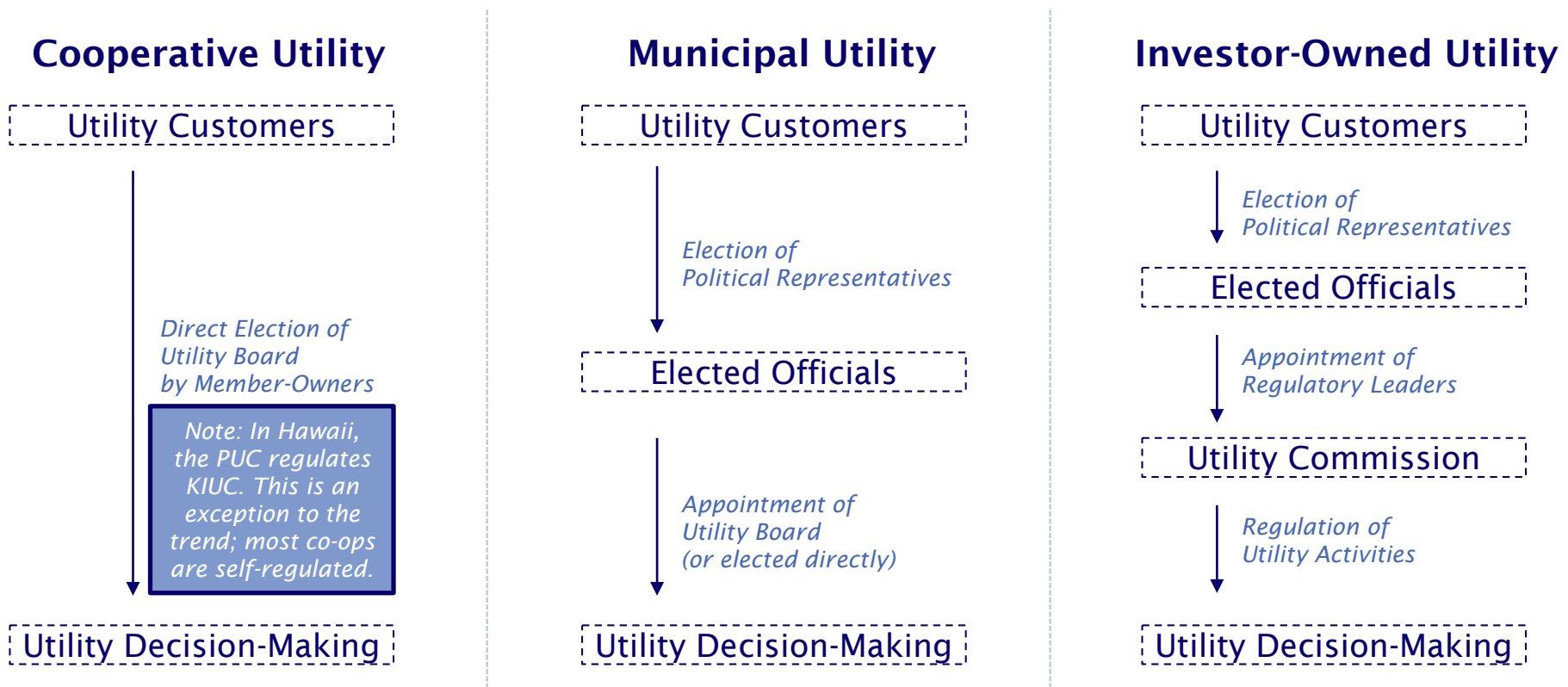
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Disperse Ownership

# Utility Oversight and Control

## ► Utility customers have varying degrees of influence on utility operations in each ownership model



# Comparing Ownership Models

- While there is no “best” form of utility ownership, there are some key differences between models

	Investor-Owned	Municipal	Cooperative
<b>Access to Capital</b>	Has access to capital through private markets	May be limited by municipal credit rating and bond capacity	Low-cost lending available through federal and cooperative programs
<b>Degree of Customer Influence</b>	Indirect, structured through utility oversight	Semi-direct, leadership elected or appointed by political leaders	Direct elections of utility board members
<b>Profit motivation</b>	For profit	Profits partly fund city budget, depending on how it is structured	Returns profits to members
<b>Regulator</b>	PUC	City Council	Self or PUC for some co-ops
<b>Stability of Utility Leadership</b>	Generally stable, depending on board leadership	Subject to impact from political officeholders	May vary depending on board leadership



## ► Guiding questions for small groups:

- What benefits do you see from different models?
- What drawbacks do you see from different models?
- What is accomplished by different models of utility ownership? Does it address your priorities?
- What are the key challenges to changing to this utility ownership model?
- Do you have any additional feedback, questions, or concerns?

## How to Engage

- ▶ **We encourage you to submit your feedback and input throughout the stakeholder engagement process:**
  - During the event, please fill out your worksheet to the best of your ability during discussion with your colleagues. After this event, we plan to collect your worksheets to gather input for our study.
  - We will also be available for feedback up to an hour after the event if you would like to provide additional comments.
  - You can also submit feedback via the following email:  
[dbedt.utilitybizmodstudy@hawaii.gov](mailto:dbedt.utilitybizmodstudy@hawaii.gov)
  - Finally, the presentation will be available at:  
<https://energy.hawaii.gov/utility-model>
  
- ▶ **Questions? Concerns? Contact Us:**
  - Cherrylin Trinidad, [cherrylin@londoneconomics.com](mailto:cherrylin@londoneconomics.com)