



FY20 Navy Electricity Cost Increase in Hawaii - *PPV Resident Meeting Oahu*

Residents of Hickam Communities and Ohana Military Communities:

As of Oct. 1, 2019, the Department of the Navy will implement budget reforms that will result in an increase in the electricity cost that it charges its customers. The FY20 cost increase will directly affect residents living in Public-Private Venture (PPV) housing. This increase is based on the implementation of a new burdened electrical cost rate structure, and although costs will be higher than FY19 rates, they will NOT be higher than the rates charged to residents living in non-PPV housing by the Hawaiian Electric Company (HECO). Those costs are estimated to be approximately \$0.32 per kilowatt-hour (kWh) based on the current HECO residential rate—which is a 68% increase from the FY 19 rate of \$0.19 per kWh.

This change in electricity costs is the result of a Navy-wide transformation in how Naval Facilities Engineering Command (NAVFAC) is funded. NAVFAC will no longer operate as a Navy Working Capital Fund (NWCF) organization; instead, it is transitioning to a General Fund (GF) organization.

What this means to you

Electrical rates under NWCF that remained constant throughout the fiscal year even as market conditions fluctuated. This will be replaced with costs that reflect closer to the cost the Navy actually pays the commercial electrical utility company from month-to-month. It will also include corresponding overhead costs required to manage, operate, maintain, and recapitalize the Navy's electrical grid that delivers electricity to your home. The change in electricity cost will affect your October month's usage and therefore, will be reflected in the October statement that you will receive on or about Nov. 15, 2019.

**Joint Base Pearl Harbor-Hickam and Naval Facilities Engineering Command Hawaii will host two town halls regarding this change: *September 23, 2019, Monday, 6 p.m. at Memorial Theater, JBPHH*
*September 24, 2019, Tuesday, 6 p.m. at Memorial Theater, JBPHH***

How this change may affect your monthly bills

- For HC residents participating in the Air Force Utilities Allowance Program (UAP): The impact will depend on how your usage compares to the monthly usage of your Profile Group. If you are over the average, your payment will increase based on applying the increased rate. Conversely, if you are below the average, your rebate will increase
- For OMC residents participating in the Resident Energy Conservation Program (RECP): The impact on monthly bills will depend on how your usage compares to the average monthly usage of your Like-Type Group (LTG). If your usage falls within the 10% buffer for the month, you will not be affected. If you are over the buffer, your payment will increase. Conversely, if you are below the buffer, your energy credits will increase. To learn more about RECP and energy conservation tips, visit www.cnic.navy.mil/RECP.
- For HC and OMC residents paying full electric utilities: The impact will be an increase in the billing amount based on applying the new electricity costs.

How can you reduce your electricity consumption?

The easiest way to reduce your electricity usage is by regulating your thermostat to minimize cooling requirements. Wise use of hot water, lighting and appliances can also contribute significantly to energy savings. You can request the property manager perform an energy audit to identify energy savings strategies specific to your home.

POCs

- Navy Region Hawaii Housing Electrical Usage: Ricky Sizemore, ricky.w.sizemore@navy.mil, 808-474-1804
- Naval Facilities Engineering Command Hawaii: Joe Simpkins, william.simpkins@navy.mil, 808-471-3926
- Hickam Communities – UAP: Hale Na Koa - halenakoa@hickamcommunities.com, 808-853-3791 / Earhart Village - earhart@hickamcommunities.com, 808-853-3790 / Officer Field/Onizuka - officer_field@hickamcommunities.com, 808-853-3792
- Hunt Companies – RECP: eastrso@huntcompanies.com, 808-839-8620 / westrso@huntcompanies.com, 808-839-8640, southrso@huntcompanies.com, 808-839-8630 / centralrso@huntcompanies.com, 808-839-8670



FY20 Electricity Costs Increase
Public-Private Venture (PPV) Residents
Town Hall Meeting
October 2019



Top 3 Questions from Residents

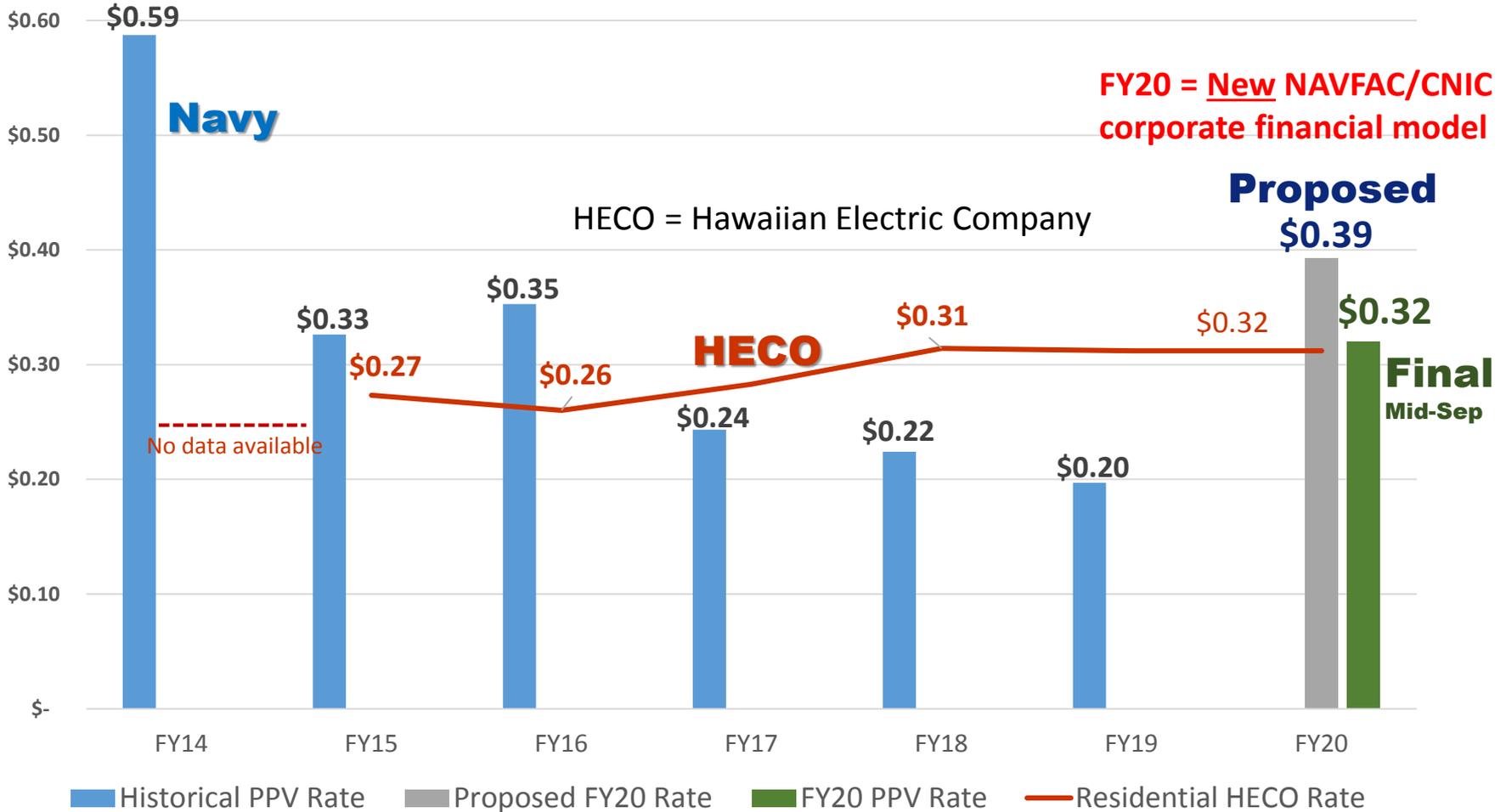


- 1. Why is our electricity cost increasing in FY20?**
- 2. Why were we not told about this cost increase sooner?**
- 3. What can be done about this cost increase?**



Historical & Proposed Electricity Costs

Electricity Rates (\$/MW)



NAVFAC Hawaii buys power from HECO and distributes to Navy/Air Force/Marine customers.



Electricity Cost Comparison



Where you live affects your residential electricity rate.

May 2019 Data - Cents/kWh

Lowest Electricity Rates

Rank	State	May Rate kWh
1	Washington	9.81
2	Arkansas	10.19
3	Louisiana	10.19
4	Idaho	10.37
5	Oklahoma	10.42
6	Utah	10.5
7	Tennessee	10.99
8	Kentucky	11.18
9	Oregon	11.25
10	North Dakota	11.41

Highest Electricity Rates

Rank	State	May Rate kWh
1	Hawaii	33.43
2	Connecticut	23.35
3	Alaska	22.65
4	Massachusetts	22.27
5	Rhode Island	20.95
6	New Hampshire	20.72
7	California	18.89
8	Maine	18.14
9	Vermont	17.39
10	New York	17.38



Impact to Residents



- Residents in Hawaii pay the **HIGHEST** electricity costs in the country.
- PPV residents will continue to **ONLY** pay for their electricity use **ABOVE** the various baselines in accordance with Navy and Marine Corps Energy Conservation programs. These costs per kilowatt hour will be capped at the local utility residential rates/kWh (*same as your neighbors not in PPV*). If use is **AT** baselines, no out of pocket expenses and if use is **BELOW** baselines, credit/rebate increases proportional to rate increase.
- Electricity kilowatt hour costs will be **ADJUSTED** month-to-month based on HECO residential charges. Monthly fluctuations occur with changes in the oil market and resident usage.
- Marine Corps Base Hawaii and NAVFAC Hawaii along with the PPV partners understand this change is an additional cost burden to residents and will do whatever possible to help you conserve and use energy more efficiently in order to reduce your out of pocket expenses.



How Does This Change Affect My Bill?

The following subject matter experts are here tonight to help explain

- **Navy Facilities Engineering Command Hawaii**
CAPT Marc Delao (USN)
- **Marine Corps Base Hawaii Family Housing**
Lydia Caldwell, Deputy Director
Freda Nakamoto, Housing Specialist
Jon Ibarra, Engineering Technician
- **Ohana Military Communities (OMC) for Manana & Camp Smith housing**
Molly Koerperich, Community Director
Justin Witty, Utilities Project Manager





Military Housing Privatization Initiative

- 1996 MHPI legislation authorized privatization of family housing throughout DoD
 - Public/private program whereby private sector developers own, operate, maintain, improve & maintain responsibility
 - Allowed military to focus resources on core war-fighting mission while eliminating a \$20B housing-maintenance backlog
- 2004/06-Marine Corps/Navy Hawaii partnership formed with Ohana Military Communities (OMC)
- Privatization Partners manage projects using rental income: Rent = Basic Allowance for Housing (BAH)
 - Project expenses paid following strict cash flow: operating expenses, debt loan payments, set fees, and reserve accounts to fund long-term recapitalization projects
- Military Services provide oversight and advocate for military members

Benefits of Housing Privatization



Camp Smith Before and After

Benefits of Housing Privatization



Manana Before and After



Why PPV Residents Pay for Electricity

- In 1998, DoD directed Military Departments to incorporate DoD's energy conservation goals and objectives into housing privatization projects:
 - Establish an allowance based on a reasonable estimate of average consumption that would permit residents to pay for utilities.
 - Residents who conserve utilities would be able to keep the difference between the allowance and the actual cost; whereas those who exceed the allowance would pay out-of-pocket for excessive usage.
- Marine Corps Resident Energy Program (RECP) is administered by Ohana Military Communities (OMC) with Marine Corps oversight.
- OMC has hired Minol, a nation-wide utility billing company to collect meter readings, to calculate baselines and issue billing statements.

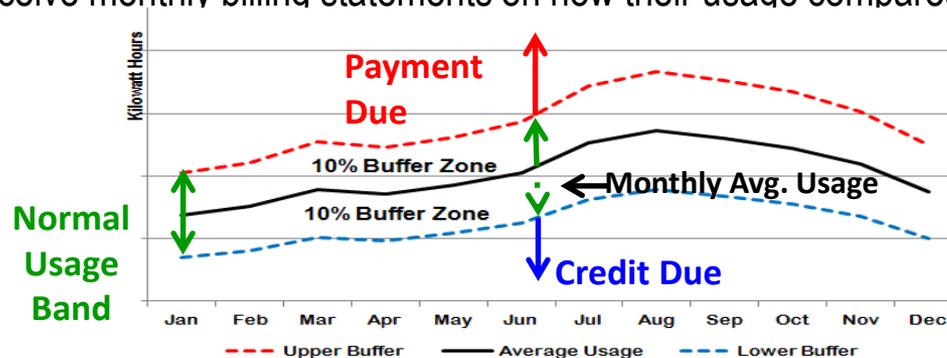


Resident Energy Conservation Program

RECP establishes like-type groups (LTG) of housing based on similar characteristics, such as age, # of BDRs/floors; type of structure, new or renovated, energy efficiency, etc.

RECP measures the average usage of each LTG every month.

- For LTG's of 20 or more, the top and bottom 5% of homes are excluded from the average
- A 10% buffer is added above and below the average to create a 20% Normal Usage Band (NUB)
- Residents receive monthly billing statements on how their usage compares to the NUB.



- Residents using less than the NUB receive a credit for the difference between the NUB and their usage
- Residents using more than the NUB will pay for the excess usage
- Residents whose usage is within the NUB will not be billed or receive a credit

Effective 1 October 2019, the billing for payments and credits will be based on \$0.32 kWh—adjusted monthly.



Impact to Resident Electric Bills

How does this rate increase affect my electric bill?

- The methodology for both programs DID NOT change, only the electricity rate changed.
 - Residents will receive credits/rebates and bill payments based on the new rate \$0.32
 - Residents whose usage is within the RECP Normal Usage Band will continue to not receive a credit or bill
- Current trend of the RECP residents:
 - 1/3 receive a credit/rebate and the average credit/rebate is \$40—this will increase
 - 1/3 do not have a bill or credit/rebate
 - 1/3 have a bill to pay and the average bill is ~\$50—this will increase

Residents paying market rent and 100% of electricity consumption will be billed based on the \$0.32 kWh rate.



Energy Programs Responsibility



Who is responsible for ensuring the programs operate as designed?

Ohana Military Communities is responsible.

Navy Region Hawaii and Marine Corps Base housing offices provide government oversight and track monthly billing records.

- Navy and Marine Corps approved the LTGs with recurring reviews as needed.
- Assist residents with questions and concerns.
- Homes are moved into temporarily LTGs when phased improvements occur.



Energy Conservation Benefits

How does the project benefit from residents paying for electricity?

- When residents conserve energy, the project pays less for NAVFAC Hawaii's total monthly electricity bill.
- OMC's average monthly kWh/home usage in 2010 was 1,272 kWh
 - Average monthly kWh/home in 2018 was 1,188 kWh
- Generated savings are reinvested to fund future recapitalization work or shared with residents.
 - RECP saved \$7 million



Benefits of PPV Housing



What are reasons to remain in my home?

HECO's rate \$0.32 kWh for residents on Oahu is the same as your new rate.

- If a home's monthly consumption under RECP was 1,200 kWh and equaled the monthly LTG average, the electric bill would be \$0.
 - The cost for 1,200 kWh/month in town is \$384 (+ \$120/month for water/sewer)
- Paying for a portion of electricity vs paying for 100% electricity, water, and sewer services.
- Additional commute cost and time to work/NEX/commissary; child's school/friends.
- Rent in arrears vs rent in advance.
- Rental deposits (upwards of one month's rent).
- Utility deposits (upwards of \$400 for HECO).
- Preference for air conditioning; pets allowed policy; free home/yard maintenance and amenities.



Home Energy Assessment

How can I have an energy assessment done on my home?

- Contact Minol Resident Relations Center's to conduct a phone energy audit at the following:
 - (888) 636-0493
 - Telephone hours of operations is Monday through Friday from 7:00 a.m. to 7:00 p.m. central standard time
 - customerservice@minolusa.com
- If the phone energy audit does not resolve your concerns, then contact the OMC Resident Services Office to schedule an appointment.



Key Points to Remember



- ✓ OMC is dedicated to provide quality, safe, healthy and sustainable communities for military members and families.
- ✓ The Base commander and the housing office advocate for residents.
- ✓ RECP is a DoD-wide programs designed to incentivize residents to conserve energy—residents are conserving.
- ✓ The NAVFAC rate is capped at the HECO residential rate for FY20.
- ✓ The program allowance means residents who have a bill only pay a portion of the home's electric bill (free water/sewer services).
- ✓ The increase in rate is significant to the project as well as to residents with a bill.
- ✓ We encourage residents to be mindful of their energy usage and apply energy conservation tips.



Questions?

