



**NAVFAC HAWAII PUBLIC AFFAIRS INTERNAL NEWSGRAM**  
(Approved for internal distribution)

**May 28, 2013**

---

**Newsgram 4: NAVFAC Hawaii Electricity Rate Increases Set for FY14,  
Conservation Efforts Must be Encouraged**

The electricity rate increase anticipated for FY14 has been set by the Navy and will begin for all Naval Facilities Engineering Command (NAVFAC) Hawaii customers on Oct. 1, 2013. The rate significantly increases from FY13's rate of \$263.47 per MWH to \$587.43 per MWH on the island of Oahu. As required, a surcharge will be added to this rate for non-Department of Defense (DoD) Federal and private party customers.

“As we projected, the rate is high for FY14 and conservation is in everyone's best interest,” said Capt. Michael Williamson, NAVFAC Hawaii commanding officer. “We met with customers at a Town Hall meeting in February to give them a heads up about what we believed was going to be a significant, directed increase to recover losses from previous years. We've heard their objections and understand their concerns over this significant rate hike. It is just one more reason why we all need to double our efforts to do the right thing by conserving energy.”

As a Navy Working Capital Fund activity, NAVFAC Hawaii stabilized billing rates are based on DoD Financial Management Regulations (FMR) and policies. The stabilized billing rate for each commodity is adjusted each year to cover the projected costs of providing services to its customers. The FMR also requires NAVFAC Hawaii to escalate an individual commodity's budget to recover financial losses attributed to that commodity in prior years.

From FY07 – FY12, NAVFAC Hawaii customers paid less for electricity than Hawaiian Electric Company (HECO) was actually charging the Navy. This is because customers are billed an approved stabilized rate that does not change during the fiscal year to avoid electricity rate volatility and so customers can plan their annual budgets accordingly. However, the stabilized electricity billing rates in the past few years for Hawaii resulted in large losses, and according to DoD financial management policies and regulations these financial losses have to be recovered through rate increases, just as over-charging must be returned to customers through lowered rates in future years.

To put the NAVFAC Hawaii losses incurred into perspective, the cost of electricity purchased from HECO increased by 68 percent between 2008 and 2012; whereas, NAVFAC Hawaii customer electricity billing rates only increased 18 percent. The loss amounts to tens of millions of dollars that are required to be recovered.

- more -

## **2-2-2-2 NAVFAC Hawaii Electricity Rate Increases Set for FY14, Conservation Efforts Must be Encouraged**

“While the official annual stabilized electricity rate has been set at \$587.43 per MWH, which is high because we are recovering prior year losses, we should see rates realign with projected market costs of purchased utilities beginning in FY15,” said Melinda Rollo, NAVFAC Hawaii Comptroller. “This return to alignment with the market will make it easier for our customers to plan for their future utility costs and requirements. We also need to remind our non-DoD Federal and private party customers that the required surcharge will be added to this stabilized billing rate.”

Non-DoD Federal customers and private party customers are required to reimburse the Navy for overhead not already included in the electricity billing rate. In order to do this, a surcharge is added to the electricity billing rate. NAVFAC Hawaii recognizes this adds to the pain of the rate increase; but is required to bill accordingly.

“We now know the FY14 rate increase is set and customers are receiving this information officially via letter/email,” said Williamson. “Should anything change, which is unlikely, we will keep our customers informed. We have worked at being upfront with this issue and want to emphasize that everyone has the ability to ease the impact of the increase by working with their personnel in conserving energy and reducing consumption as much as possible. There are many ways each person can conserve and we are available to assist in education along these lines.”

---

For information about NAVFAC Hawaii, visit the command’s website at [www.navfac.navy.mil](http://www.navfac.navy.mil) or call Denise Emsley, Public Affairs Officer, at 808-471-7300 ([denise.emsley@navy.mil](mailto:denise.emsley@navy.mil)). Become a Fan at [www.facebook.com/navfac](http://www.facebook.com/navfac) and follow us at [www.twitter.com/navfac](http://www.twitter.com/navfac), or visit our Photostream on Flickr at <http://www.flickr.com/photos/navfac>.