



## **PUBLIC UTILITIES COMMISSION STATE OF HAWAII**

**FOR IMMEDIATE RELEASE**  
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### **PUC Opens Proceeding to Investigate Performance-Based Regulation for the Hawaiian Electric Companies**

HONOLULU – The Hawaii Public Utilities Commission (“PUC”) has opened a proceeding to investigate performance-based regulation for the Hawaiian Electric Companies. Performance-based regulation (“PBR”) includes a set of alternative regulatory mechanisms intended to focus utilities on performance and desired outcomes, such as increased renewable energy, lower cost, and improved customer service.

The electricity industry in Hawaii is in a period of dramatic transition, from centralized fossil-fuel based generation to renewable energy and distributed technologies. In addition, changing customer preferences and expectations require the State’s electric utilities to adapt and develop new ways to meet customer needs and achieve the State’s energy goals.

Traditional regulatory approaches may not provide appropriate incentives to utilities to meet the challenges of a renewable and distributed energy future, or to fully capture the opportunities in this transformation. PBR can help utilities create value for both customers and utility investors, while reducing regulatory barriers and bringing benefits to market participants. By providing rewards for specific outcomes and objectives, PBR can provide utilities with the opportunity to earn fair compensation, based on a business model that is well aligned with the public interest.

“Performance-based regulation is a set of tools that can spark innovation, reduce costs, and enable utilities to better serve their customers,” said PUC Chairman Randy Iwase. “It is not a one-size-fits-all approach. It should be carefully tailored to the specific needs of Hawaii.”

The PUC intends to provide a forum to evaluate the current regulatory environment; identify which elements, if any, may not be adequately aligned with the public interest; and collaboratively develop modifications or new components to better align utility and customer interests. In addition, the PUC intends to explore, and provide opportunities for stakeholders to propose, a variety of PBR frameworks and mechanisms. Careful consideration of the potential benefits, rewards, and risks of PBR will be central to this investigation. The PUC will enable stakeholders to participate through workshops, technical conferences, written comments, and other opportunities to share their views.

This proceeding will be divided into two phases, with Phase 1 focused on assessment and evaluation of the current regulatory framework in Hawaii, as well as identifying specific areas of utility performance that should be targeted for improvement. Having identified areas of utility performance that should be improved, as well as metrics for measuring successful outcomes in those areas, Phase 2 will explore and develop new PBR frameworks, including performance incentives, to further enhance the alignment between the utilities' financial interests and those of customers.

The full text of the order opening the investigation may be found on the PUC's website at: <https://puc.hawaii.gov/main/puc-opens-pbr-investigation/>. Further filings related to this investigation will be available on the PUC's Document Management System, under Docket No. 2018-0088, at <https://dms.puc.hawaii.gov/dms/>.

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