Public Utilities Commission of the State of Hawaii

Hawaii PUC Staff Proposes Performance-Based Regulation to Achieve State Energy Goals, Deliver Cost Savings to Customers

The Hawaii Public Utilities Commission (PUC) staff has proposed **new performance-based regulations to lower electricity costs** and better align the business interests of the state's largest electric utility with clean energy goals. PUC staff issued a detailed proposal that would encourage the Hawaiian Electric Companies (HECO) to pursue significant cost savings and make smart investments in the state's electricity grid.

Hawaii has the country's highest electricity prices. This is due in part to the state's dependence on imported fossil fuel to generate electricity. This dependency causes high energy bills for residents and businesses, increases air pollution and climate change, and weakens the state during major events, whether natural or manmade.

Hawaii is also a leader in transforming its electric grid to a clean energy system powered by local, renewable sources. In 2015, **Hawaii adopted the first-in-the-nation 100% renewable energy goal**, which will move the state's electricity supply to renewable energy sources by 2045.

But **existing utility regulations are not up to the task of managing this transition**. Traditional regulation rewards electric utilities with more profits based on how much energy they sell and the amount of capital investment they make in the grid and new power plants.

Like any business, utilities need to make investments to maintain quality services and provide customer value. Thoughtful updates to how utilities earn money can align the HECO Companies' business interests with customers' needs and Hawaii's energy goals. These updates will reward HECO for making efficient investments and pursuing new clean energy technologies—all while delivering cost savings to customers.

To support Hawaii's energy goals and ensure this transition benefits all customers, PUC staff have proposed updated performance-based regulations. The staff proposal outlines **common sense changes to utility regulations** intended to help HECO operate more like a business in the competitive marketplace, with performance incentives that steer the utility toward achieving the state's goals at the least cost to customers.

The proposed changes will provide immediate benefits to customers. **Performance-based regulations will deliver significant "day one" savings on customer bills** as soon as the new regulations take effect. Updated regulations will also encourage improvements in customer service and better options to help manage energy use, including electric vehicle charging and faster connection of rooftop solar systems.

In the longer term, the new regulations will **accelerate Hawaii's transition to renewable energy**, reducing the state's dependence on imported oil and increasing investment in clean energy made here in Hawaii. Updated regulations will also improve resilience of the state's communities to withstand severe weather or unexpected events while creating value for Hawaii's residents and businesses.

Performance-based regulations will ensure **Hawaii continues to set the pace and remains a leader in the clean energy transition**.

For questions or more information, please contact: Matthew McDonnell, Commission Counsel to the Hawaii PUC (matthew.t.mcdonnell@hawaii.gov).