



PUBLIC UTILITIES COMMISSION STATE OF HAWAII

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Hawaii PUC Drives Transformation Of Hawaiian Electric With New Performance-Based Regulation

HONOLULU – Hawaii’s Public Utilities Commission (PUC) issued a decision and order today approving a new Performance-Based Regulation (PBR) Framework designed to fundamentally transform Hawaiian Electric and accelerate the drive towards more efficient operations, lower electricity rates, improved services and offerings, and achievement of the State’s clean energy goals.

Building off of Hawaii’s historic, first-in-the-nation commitment to achieve a 100 percent renewable energy portfolio standard by 2045, the PUC has worked closely and collaboratively with Hawaiian Electric and key stakeholders, representing a wide range of interests, to identify ways to improve the regulatory framework governing Hawaiian Electric to better align the Company’s interests with customers’ and the State’s clean energy goals. After more than two and a half years of dedicated, focused work, the PUC today approves a new PBR Framework that will provide immediate customer benefits, including “day one savings,” require Hawaiian Electric to implement cost control efforts, and offer the opportunity for significant financial rewards to the utility for exemplary performance in key areas.

“Today is an historic and exciting day for utility regulation in Hawaii,” said PUC Chair James Griffin. “Utilities and commissions from across the country are watching closely as Hawaii leads the way in transforming public utility regulation and supporting aggressive clean energy goals.”

The PBR Framework is built around a series of revenue adjustment mechanisms that promote cost control, such as a multi-year rate period, during which the utility does not seek a rate increase. Customer benefits are guaranteed through a customer dividend, which annually adjusts the utility’s collected revenues downward as a “down payment” to customers for the benefits that will accrue to the utility as it responds to the cost control incentives of the PBR Framework.

“Under the PBR Framework, Hawaiian Electric will be challenged to quickly become more efficient and control operating costs,” said Commissioner Leo Asuncion, Jr. “PBR represents a significant improvement over the traditional, cost-of-service-regulation, where rates were determined by increasing system costs, rather than improvements in performance.”

Complementing these revenue adjustment mechanisms is a portfolio of performance mechanisms. These performance mechanisms allow the utility to enhance its financial condition based upon measurable improvement in key areas that will improve customers' interactions with the utility, enhance opportunities for customer-side solar and battery storage systems, increase the role of renewable energy in meeting system needs, and accelerating progress towards achieving the State's clean energy goals, such as meeting 100% renewable energy sooner than the 2045 statutory deadline.

"The performance mechanism portfolio presents an exciting opportunity for Hawaiian Electric," said Commissioner Jennie Potter. "Tying financial rewards to achievement of targets that promote exemplary performance represents a win-win scenario for both utility and customers."

The PBR Framework also contains a number of safeguards, including regular annual reviews, to ensure that unforeseen events or inadvertent consequences can be quickly addressed. "The PUC is invested in the success of PBR in Hawaii," said Chair James Griffin. "We look forward to unlocking new opportunities for the utility and customers as Hawaiian Electric grows more comfortable with this new regulatory framework."

Written tariffs to implement the PBR Framework are currently being developed and are expected to go into effect June 1, 2021. The PUC will continue to work with Hawaiian Electric and stakeholders throughout the multi-year period to explore additional PBR mechanisms to incent exceptional performance and support improved customer offerings.

The full text of the Commission's decision may be found on the PUC's website at: <https://puc.hawaii.gov/energy/PBR/>. Further filings related to this investigation are available on the PUC's Document Management System, under Docket No. 2018-0088, at <http://dms.puc.hawaii.gov/dms/>.

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