Hawaii PUC Approves Portfolio of Performance Mechanisms for Hawaiian Electric

HONOLULU – The Hawaii Public Utilities Commission (PUC) issued a decision and order approving a portfolio of new Performance Incentive Mechanisms (“PIMs”), Scorecards, and Reported Metrics. The portfolio of performance mechanisms goes into effect today, June 1, 2021.

Performance mechanisms are key components of the Performance-Based Regulation (PBR) Framework for the Hawaiian Electric Companies. The PBR Framework was approved by the PUC in December 2020, and includes a Customer Dividend, which will automatically provide approximately $12.6 million in rate reduction in 2021, and is estimated to provide approximately $69.9 million in total rate reductions through 2025. The rate reduction in 2021 is equivalent to approximately $1.27 per month for a typical residential customer.

Building on the historic transformation of the electricity industry in Hawaii, this portfolio of Performance Mechanisms offers additional financial incentives and penalties targeting exemplary performance in achieving the State’s clean energy goals. The PUC continued the collaborative process utilized to develop the PBR Framework, and worked with a wide variety of stakeholders to finalize the critical details of the performance mechanisms.

“This decision underscores our commitment to transforming Hawaii’s energy future,” said PUC Chair James Griffin. “Though we faced challenges developing these first-of-their-kind performance mechanisms, we all understand the importance in completing this part of the PBR Framework and ensuring the regulatory structure is well-rounded and balanced.”

This new portfolio contains a suite of PIMs to incentivize: accelerated achievement of the State’s renewable energy goals; faster interconnection of small scale Distributed Energy Resource systems; increased procurement of grid services from customer-based programs; improved collaboration with Hawaii Energy to reach low-to-moderate income customers and promote energy saving measures; and improved utilization of next generation grid modernization infrastructure, which is currently being rolled out by Hawaiian Electric.

“We are very excited about this portfolio of PIMs,” said Commissioner Jennie Potter. “We wanted to develop PIMs that address a range of issues and incentivize exemplary performance across
the board for the utility. Hawaiian Electric has the opportunity to financially benefit from taking on some challenging areas and delivering excellent service, which is a win-win-win for the utility, customers, and Hawaii's renewable energy future.

In addition to these PIMs, the PUC’s decision approves a host of Scorecards and Reported Metrics, which will track utility performance across a wide range of performance areas, collecting valuable data that can support future planning efforts and improve system operations and outreach to customers.

“This portfolio of PIMs, Scorecards, and Reported Metrics rounds out the PBR Framework approved in December and sets the foundation for future improvements in utility performance,” said Commissioner Leo Asuncion, Jr. “On one hand, you have revenue adjustment mechanisms ensuring that the utility keeps costs down, and on the other, you have a portfolio of performance mechanisms pushing the utility to continuously improve.”

Written tariffs to implement the portfolio of new PIMs goes into effect today, 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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