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# A BILL FOR AN ACT

RELATING TO ELECTRIC UTILITIES.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

PART I

SECTION 1. The legislature finds that the State's ongoing energy transition from fossil fuels to renewable energy has been driven and supported by certain key energy laws and regulatory policies that were established after years, if not decades, of continued advocacy efforts. These laws and regulatory policies include, among others, the renewable portfolio standards established in chapter 269, Hawaii Revised Statutes; the performance-based regulation framework created by the public utilities commission for electric utilities; and the encouragement and oversight of renewable power purchase agreements by the public utilities commission, which are contractual agreements entered into by electric utilities and independent power producers for, among other things, the development and production of new utility-scale renewable energy projects.



1       The legislature further finds that a bankruptcy or  
2 reorganization proceeding involving an electric utility company  
3 in the State could result in the acquisition, merger, or  
4 consolidation of that electric utility company with an acquiring  
5 entity that could ultimately lead to a change in management and  
6 control. In a worst-case scenario, the acquiring entity may  
7 seek to weaken, alter, or reverse those key state energy laws,  
8 policies, frameworks, and agreements that have greatly  
9 contributed to the State's progress towards meeting its  
10 renewable energy goals, or reduce the electric utility's  
11 capacity to maintain a qualified and knowledgeable workforce  
12 with the ability to support and pursue Hawaii's renewable energy  
13 goals, as well as to ensure the safe, efficient, reliable, and  
14 continuous electric utility service to Hawaii consumers and  
15 communities.

16       Accordingly, the purpose of this part is to:

- 17       (1) Require the public utilities commission to consider or  
18       impose certain conditions of approval on any order  
19       approving, in whole or in part, an application for the  
20       proposed acquisition, merger, or consolidation of an  
21       electric utility company by an acquiring entity;



(2) Establish a process to ensure that when an electric utility is subject to an application for a proposed acquisition, merger, or consolidation by a potential acquiring entity that is an investor-owned utility and seeks approval of the application from the public utilities commission, the electric utility shall demonstrate that it solicited bids from potential acquiring entities that operate under non-investor-owned utilities ownership models; and

(3) Require the electric utility to submit those acceptable bids concurrently with an application by a potential acquiring entity that is an investor-owned utility.

SECTION 2. Chapter 269, Hawaii Revised Statutes, is amended by adding two new sections to be appropriately designated and to read as follows:

**"§269-A Acquisition, merger, or consolidation of electric utility companies; conditions of approval. (a) Notwithstanding sections 269-7.5, 269-18, and 269-19, in any public utilities commission order approving, in whole or in part, an application for the proposed acquisition, merger, or consolidation of an**



1 electric utility company by an acquiring entity, the public  
2 utilities commission shall consider or impose certain conditions  
3 of approval established under this section, including any other  
4 conditions it deems necessary.

5 (b) The acquiring entity shall not terminate any existing  
6 and valid power purchase agreement between the electric utility  
7 company and an independent power producer of energy services  
8 based solely on the completion of the acquisition, merger, or  
9 consolidation; provided that nothing in this subsection shall  
10 prevent the termination of a contractual agreement as permitted  
11 by its terms, subject to approval from the public utilities  
12 commission. The acquiring entity shall not attempt to  
13 renegotiate any material provisions of any existing and valid  
14 power purchase agreement, including but not limited to the  
15 established payment rates for energy or energy storage or other  
16 commercial terms; provided that nothing in this subsection shall  
17 prevent the amending of a contractual agreement as may be  
18 permitted under its terms, subject to approval by the public  
19 utilities commission. Before the completion of the acquisition,  
20 merger, or consolidation of the electric utility company, the  
21 acquiring entity shall not unduly influence the terms of any



1 power purchase agreement that is under negotiation between the  
2 electric utility company and an independent power producer of  
3 energy services.

4 (c) The acquiring entity shall assume and be bound by the  
5 terms and conditions of any existing collective bargaining  
6 agreement in place at the time of the acquisition, merger, or  
7 consolidation, as it applies to covered employees.

8 (d) The acquiring entity shall retain all covered  
9 employees and shall not induce or cause a reduction in force, or  
10 terminate a covered employee, other than for cause consistent  
11 with any applicable collective bargaining agreement.

12 (e) As used in this section:

13 "Acquiring entity" means the entity that acquires all or  
14 some classes of an electric utility company's interests in an  
15 interest exchange, including but not limited to interest in any  
16 road, line, plant, system, or other real or personal property  
17 necessary for the performance of the electric utility company's  
18 duties to the public or any franchise or permit, or right  
19 thereunder.

20 "Covered employee" means an individual who is employed by  
21 and party to a collective bargaining agreement with an electric



1 utility company immediately prior to an acquisition, merger, or  
2 consolidation approved by the public utilities commission, of  
3 such electric utility company by an acquiring entity.

4 "Electric utility company" means a public utility as  
5 defined in section 269-1, for the production of, conveyance,  
6 transmission, delivery, or furnishing of electric power.

7 **§269-B Acquisition, merger, and consolidation of electric**  
8 **utility companies; investor-owned acquiring entities;**

9 **consideration of alternative applications.** (a) Notwithstanding

10 sections 269-7.5, 269-18, and 269-19, if an electric utility

11 company is subject to an application for a proposed acquisition,

12 merger, or consolidation by a potential acquiring entity that is

13 an investor-owned utility and seeks approval of the application

14 from the public utilities commission, the electric utility

15 company shall demonstrate that it solicited bids from potential

16 acquiring entities that operate under non-investor-owned utility

17 ownership models and specify whether any potential acquiring

18 entities that operate under such an ownership model submitted

19 bids and the reasons why such bids were or were not accepted.

20 Upon receiving an acceptable bid from a potential acquiring

21 entity that operates under a non-investor-owned utilities



1 ownership model, the electric utility company shall present the  
2 bid to the public utilities commission concurrently with an  
3 application by a potential acquiring entity that is an investor-  
4 owned utility.

5 (b) The public utilities commission shall, upon receiving  
6 an application for the acquisition, merger, or consolidation of  
7 an electric utility company, commence a regulatory proceeding to  
8 review the application; provided that any bids submitted  
9 concurrently pursuant to subsection (a) shall be reviewed  
10 concurrently.

11 (c) The electric utility company shall have no obligation  
12 to affirmatively state its position in support of or in  
13 opposition to any pending application.

14 (d) Notwithstanding any law or rule to the contrary, the  
15 public utilities commission shall have the power to consolidate  
16 its review of all submitted applications pursuant to this  
17 section.

18 (e) This section shall not apply to the acquisition of a  
19 not-for-profit enterprise that is not owned by shareholders.

20 (f) For the purposes of this section:



1 "Acquiring entity" has the same meaning as in section 269-

2 A.

3 "Electric utility company" means a public utility as  
4 defined in section 269-1, for the production of, conveyance,  
5 transmission, delivery, or furnishing of electric power.

6 "Non-investor-owned utility ownership model" means a  
7 member-owned cooperative utility or any not-for-profit  
8 enterprise that is not owned by shareholders."

9 PART II

10 SECTION 3. The legislature finds that the public ownership  
11 model for electric utilities has consistently delivered lower  
12 rates, greater reliability, and stronger community control over  
13 energy policy. Across the United States, publicly owned  
14 utilities have outperformed investor-owned utilities in  
15 affordability, service quality, and reinvestment in  
16 infrastructure. Hawaiian Electric Industries, the State's  
17 dominant electricity provider, is an investor-owned utility.  
18 This structure prioritizes shareholder profits over customer  
19 affordability and infrastructure investment. In contrast, the  
20 legislature believes that public utilities should focus on long-





1 term system improvements, reliability, lower rates, and local  
2 accountability.

3 The legislature further finds that by transitioning  
4 Hawaiian Electric to a public ownership model, the State would  
5 be able to lower electricity costs by eliminating profit-driven  
6 rate increases; reinvest revenues into grid modernization and  
7 renewable energy projects; ensure local control over energy  
8 policy to align with state climate goals, such as achieving one  
9 hundred per cent renewable energy by 2045; and enhance  
10 reliability by prioritizing infrastructure resilience rather  
11 than shareholder returns. Public ownership of utilities is a  
12 proven model that aligns with the State's long-term goals of  
13 affordability, sustainability, and energy independence.

14 Therefore, the purpose of this part is to:

- 15 (1) Authorize the issuance of reimbursable general  
16 obligation bonds for the acquisition of Hawaiian  
17 Electric Industries to convert it to a publicly owned  
18 utility;
- 19 (2) Authorize the establishment of a nonbypassable  
20 electric utility conversion charge, collections of  
21 which are to be deposited into a newly established



1 electric utility conversion special fund and used to  
2 recover the debt service on the reimbursable general  
3 obligation bonds; and

4 (3) Appropriate funds out of the electric utility  
5 conversion special fund to acquire Hawaiian Electric  
6 Industries and convert it to a publicly owned utility  
7 and to reimburse the state general fund for payment of  
8 debt service on the reimbursable general obligation  
9 bonds.

10 SECTION 4. The director of finance is authorized to issue  
11 reimbursable general obligation bonds in the sum of  
12 \$1,000,000,000 or so much thereof as may be necessary and the  
13 same sum or so much thereof as may be necessary is appropriated  
14 for fiscal year 2025-2026 for the purpose of acquiring ownership  
15 in Hawaiian Electric Industries for the conversion of the  
16 utility to a publicly owned utility and the same sum shall be  
17 deposited into the electric utility conversion special fund.

18 SECTION 5. There is appropriated out of the electric  
19 utility conversion special fund the sum of \$1,000,000,000 or so  
20 much thereof as may be necessary for fiscal year 2025-2026 to



1 finance the acquisition of Hawaiian Electric Industries and  
2 convert it to a publicly owned utility.

3 The sum appropriated shall be expended by the department of  
4 budget and finance for the purposes of this part.

5 SECTION 6. There is appropriated out of the electric  
6 utility conversion special fund the sum of \$ or so  
7 much thereof as may be necessary for fiscal year 2025-2026 for  
8 the reimbursement of the state general fund for the payment of  
9 debt service on the reimbursable general obligation bonds.

10 The sum appropriated shall be expended by the department of  
11 budget and finance for the purposes of this part.

12 SECTION 7. The Hawaii Revised Statutes is amended by  
13 adding a new chapter to be appropriately designated and to read  
14 as follows:

15 **"CHAPTER**

16 **PUBLICLY OWNED ELECTRIC UTILITY**

17 **§ -1 Electric utility conversion special fund. (a)**

18 There is established the electric utility conversion special  
19 fund to be administered by the department of budget and finance.

20 (b) All electric utility conversion charges collected  
21 pursuant to section -2 shall be deposited into the special



1 fund. All interest earned on the moneys in the special fund  
2 shall be credited to the special fund.

3 (c) Moneys in the electric utility conversion special fund  
4 shall be expended to reimburse the state general fund for  
5 payment of debt service on reimbursable general obligation bonds  
6 issued to acquire Hawaiian Electric Industries and convert it to  
7 a publicly owned utility.

8 (d) The electric utility conversion special fund shall be  
9 exempt from the central service expenses of section 36-27 and  
10 departmental administrative expenses of section 36-30.

11 (e) Upon reimbursement to the state general fund of all  
12 debt service on reimbursable general obligation bonds issued to  
13 acquire Hawaiian Electric Industries and convert Hawaiian  
14 Electric Utilities to a publicly owned utility, any unencumbered  
15 and unexpended moneys in the electric utility conversion special  
16 fund shall be transferred to .

17 § -2 **Electric utility conversion charge.** The public  
18 utilities commission may create, pursuant to an application from  
19 an electric utility, a nonbypassable charge referred to as an  
20 electric utility conversion charge, which shall be applied to  
21 reimburse the state general fund for payment of debt service on



1 reimbursable general obligation bonds issued to acquire Hawaiian  
2 Electric Industries and convert it to a publicly owned utility."

3 PART III

4 SECTION 8. In codifying the new sections added by section  
5 2 of this Act, the revisor of statutes shall substitute  
6 appropriate section numbers for the letters used in designating  
7 the new sections in this Act.

8 SECTION 9. If any provision of this Act, or the  
9 application thereof to any person or circumstance, is held  
10 invalid, the invalidity does not affect other provisions or  
11 applications of the Act that can be given effect without the  
12 invalid provision or application, and to this end the provisions  
13 of this Act are severable.

14 SECTION 10. New statutory material is underscored.

15 SECTION 11. This Act shall take effect on July 1, 3000.



**Report Title:**

Public Utilities Commission; Electric Utility Companies; Acquisitions; Mergers; Consolidations; Conditions of Approval; Application Review Process; Alternative Applications; Hawaiian Electric Industries; Non-Investor-Owned Utilities; GO Bonds; Appropriation

**Description:**

Part I: Requires the Public Utilities Commission to impose certain conditions of approval on any order approving, in whole or in part, an application for the proposed acquisition, merger, or consolidation of an electric utility company by an acquiring entity. Establishes a process to ensure that when an electric utility is subject to an application for a proposed acquisition, merger, or consolidation by a potential acquiring entity that is an investor-owned utility and seeks approval of the application from the Public Utilities Commission, it must demonstrate that it solicited bids from potential acquiring entities that operate under a non-investor-owned utility ownership model. Requires the electric utility to submit those acceptable bids concurrently with an application by a potential acquiring entity that is an investor-owned utility. Part II: Authorizes the issuance of reimbursable GO bonds for acquiring Hawaiian Electric Industries and converting it to a publicly owned utility. Authorizes the establishment of a non-bypassable electric utility conversion charge, to be deposited into the new Electric Utility Conversion Special Fund. Appropriates Funds. Effective 7/1/3000. (HD2)

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