
A BILL FOR AN ACT

RELATING TO ENERGY.

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

1 SECTION 1. (a) The public utilities commission shall
2 conduct a study on the desirability of the separation of
3 ownership and control of electric energy generation services in
4 Hawaii from transmission and distribution services.

5 (b) The study, at a minimum, shall review and examine how
6 the separation of ownership and control of electric generation
7 services from transmission and distribution services could:

8 (1) Affect the existing labor workforce employed in these
9 services;

10 (2) Create positive or negative impacts for the neighbor
11 islands;

12 (3) Create savings for ratepayers;

13 (4) Ensure customer rate stability;

14 (5) Impact system reliability on each affected island
15 grid;

16 (6) Align with the State's climate and environmental
17 goals; and



1 (7) Affect market concentration and competitiveness in the
2 Hawaii energy generation sector.

3 (c) The public utilities commission shall submit an
4 initial report on any preliminary findings or conclusions from
5 this study no later than twenty days prior to the convening of
6 the regular session of 2027.

7 (d) The public utilities commission shall submit its final
8 report on the study required by this Act and any proposed
9 legislation no later than twenty days prior to the convening of
10 the regular session of 2028.

11 SECTION 2. Chapter 269, Hawaii Revised Statutes, is
12 amended by adding a new section to be appropriately designated
13 and to read as follows:

14 "§269- Separation of electric generation services from
15 transmission and distribution services; requirements. (a)

16 Following the completion and submission to the legislature of a
17 final report studying the desirability of the separation of
18 ownership and control of electric energy generation services in
19 Hawaii from transmission and distribution services, the public
20 utilities commission may adopt rules to require separate
21 ownership and control of electric generation services from



1 transmission and distribution services in the State, in
2 furtherance of and pursuant to this chapter.

3 (b) The commission may establish and implement a
4 restructured electric industry in which electric generation
5 services are open to competition and are provided by entities
6 that are not under common ownership or control, directly or
7 indirectly, with the electric utility, its parent holding
8 company, or any affiliated entity, and that do not have any
9 direct or indirect ownership interest, management role,
10 governance rights, or material financial interest in electric
11 generation services within the electric utility or its
12 affiliated entities, while transmission and distribution service
13 to end-use consumers shall continue to be provided by the
14 electric utility as regulated monopoly services.

15 (c) In implementing this section, the commission, at a
16 minimum, shall:

17 (1) Ensure nondiscriminatory access to transmission and
18 distribution facilities on just and reasonable terms
19 for all providers of electric generation services,
20 consistent with electric system reliability and public
21 safety;



- 1 (2) Require and enforce accounting, operational, and code
2 of conduct requirements sufficient to promote
3 transparency and prevent cross-subsidization, undue
4 preference, or discrimination between transmission and
5 distribution operations and any generation-related
6 interests;
- 7 (3) Ensure preservation of electric system reliability,
8 continuity of service, and universal service
9 obligations during and after any implementation of the
10 separation of ownership and control authorized by this
11 section;
- 12 (4) Ensure the provision of the fair and reasonable
13 recovery, through lawful regulatory mechanisms, of
14 prudently incurred costs associated with existing
15 electric generation assets, including but not limited
16 to stranded assets that may result from the separation
17 authorized by this section, consistent with the public
18 interest and protection of ratepayers;
- 19 (5) Preserve all existing statutory programs and
20 protections for customers, including consumer
21 protection, energy efficiency, renewable energy,



1 demand response, customer self-generation, and
2 distributed energy resource programs, unless expressly
3 modified by the legislature;
4 (6) Require phased or staged implementation of the
5 separation of ownership and control authorized by this
6 section, including sequencing or transitional steps as
7 appropriate to maintain electric system reliability,
8 continuity of service, and public safety;
9 (7) Provide for interim arrangements, as appropriate,
10 governing the provision of electric generation,
11 transmission, and distribution services during any
12 transition period, including consideration of existing
13 contracts and obligations, to reduce financial and
14 operational risk and to support system stability
15 during implementation;
16 (8) Protect and support workforce stability and continuity
17 of skilled labor necessary to maintain electric system
18 reliability, public safety, and continuity of service
19 during and after the transition, including the
20 protection of existing labor and collective bargaining
21 agreements;



- 1 (9) Require improvements in transmission and distribution
2 investment, including grid hardening, wildfire
3 mitigation, outage prevention, faster restoration, and
4 expanded interconnection capacity for utility-scale
5 and distributed renewable generation;
- 6 (10) Ensure coordination between the electric utility and
7 providers of electric generation services during any
8 transition period to support operational continuity,
9 resource adequacy, and electric system reliability;
- 10 (11) Provide for transparency and meaningful stakeholder
11 participation in the rulemaking and implementation
12 process, consistent with chapter 91;
- 13 (12) Require the separation of ownership and control of
14 electric generation assets and generation procurement
15 functions from transmission and distribution
16 operations, including provisions governing the
17 disposition or transfer of existing generation assets
18 and contracts, consistent with electric system
19 reliability, the public interest, and the protection
20 of ratepayers;



1 (13) Address the treatment of existing and future power
2 purchase agreements with independent power producers;
3 provided that the rules shall preserve and not impair
4 existing contractual rights, lender protections, and
5 step-in agreements established under state law,
6 including protections established pursuant to part XI
7 of this chapter; provided further that any rules
8 adopted pursuant to chapter 91 shall ensure that,
9 following any implementation of the separation of
10 ownership and control authorized by this section, the
11 electric utility providing transmission and
12 distribution service is not the long-term contracting
13 party for electric generation, except as necessary on
14 a transitional basis or to support default service,
15 electric system reliability, or resource adequacy;
16 provided further that the rules shall not require the
17 renegotiation or modification of existing power
18 purchase agreements, except by mutual agreement of the
19 parties; provided further that the rules may provide
20 for the assignment, novation, or other lawful transfer
21 of existing power purchase agreements, or alternative



1 contractual arrangements, in a manner that preserves
2 existing financing structures, credit support
3 arrangements, and electric system reliability, and
4 minimizes financial risk to ratepayers; and

5 (14) In adopting rules pursuant to chapter 91, consider at
6 a minimum, the impacts of the authorized separation on
7 electric system reliability, resource adequacy,
8 affordability for ratepayers, transition costs,
9 workforce stability, wildfire and public safety risk,
10 and the need for coordinated system planning during
11 and after implementation.

12 (d) The public utilities commission may establish
13 milestones or benchmarks, as appropriate, to measure progress
14 toward any implementation of the separation of ownership and
15 control authorized by this section.

16 (e) This section shall not apply to an electric utility
17 organized and operating as an electric cooperative."

18 SECTION 3. New statutory material is underscored.

19 SECTION 4. This Act shall take effect on July 1, 2026.



Report Title:

PUC; Electric Utilities; Generation Services; Transmission and Distribution Services; Separation Authorized; Rules; Study

Description:

Requires the Public Utilities Commission to study the separation of ownership and control of electric energy generation services from transmission and distribution services. Authorizes the Commission to adopt rules to effect the separation of ownership and control of these services after conducting and submitting to the Legislature a final report on the study. (SD2)

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