

Honolulu, Hawaii

MAR 24, 2026

RE: S.B. No. 2487
S.D. 1
H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Madame:

Your Committee on Energy & Environmental Protection, to which
was referred S.B. No. 2487, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE PUBLIC UTILITIES
COMMISSION,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Require the Public Utilities Commission to establish performance-based incentives, including revenue adjustment mechanisms, cost control mechanisms, and reward and penalty mechanisms on or before January 1, 2027;
- (2) Clarify that the Public Utilities Commission is authorized to adopt alternative ratemaking procedures to establish electric utility rates and performance-based incentives; and
- (3) Require the Public Utilities Commission to apply a presumption in favor of considering historical cost trends and external indices that reflect incentives to control costs if the Commission resets an electric



utility's allowed revenues based on consideration of the utility's costs.

Your Committee received testimony in support of this measure from Earthjustice and Ulupono Initiative. Your Committee received comments on this measure from the Department of Commerce and Consumer Affairs; Public Utilities Commission; Life of the Land; and Hawaiian Electric.

Your Committee finds that Act 5, Session Laws of Hawaii 2018, provided that electric utility rates would be considered just and reasonable only if they are derived from a performance-based model for determining utility revenues. Your Committee further finds that this marked a needed shift away from the traditional focus on utility costs to a more modern focus on performance. Your Committee recognizes that recent developments, including the Public Utilities Commission's recent adoption of a cost-of-service rate to "re-base" a utility's allowed revenues, threaten a shift away from the performance-based model. This measure provides certain clarifications and guidance to ensure that the Public Utilities Commission continues to utilize performance-based regulatory frameworks.

Your Committee has amended this measure by:

- (1) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Energy & Environmental Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2487, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2487, S.D. 1, H.D. 1, and be referred to your Committee on Consumer Protection & Commerce.



Respectfully submitted on
behalf of the members of the
Committee on Energy &
Environmental Protection,



NICOLE E. LOWEN, Chair



Record of Votes of the Committee on Energy & Environmental Protection

Bill/Resolution No.: SB 2487 SDI	Committee Referral: EEP, CPC	Date: 3/19/26
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The committee is reconsidering its previous decision on the measure.

The recommendation is to: Pass, unamended (as is) Pass, with amendments (HD) Hold
 Pass short form bill with HD to recommit for future public hearing (recommit)

EEP Members	Ayes	Ayes (WR)	Nays	Excused
1. LOWEN, Nicole E. (C)	✓			
2. PERRUSO, Amy A. (VC)	✓			
3. CHUN, Cory M.	✓			
4. KAHALOA, Kirstin	✓			
5. KUSCH, Matthias	✓			
6. QUINLAN, Sean				✓
7. MATSUMOTO, Lauren	✓			
TOTAL (7)	6			1

The recommendation is: Adopted Not Adopted
 If joint referral, _____ did not support recommendation.
committee acronym(s)

Vice Chair's or designee's signature: *Amy Perruso*