

Honolulu, Hawaii

APR 10, 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 Consumer Protection & Commerce, to which was referred S.B. No. 2487, S.D. 1, H.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



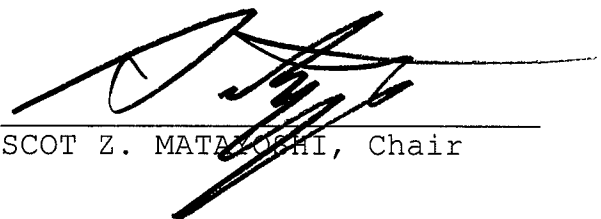
utility's allowed revenues based on consideration of the utility's costs.

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

Your Committee finds that the traditional cost-of-service regulatory structure bases utility revenues on recovering historic and projected costs plus a rate of return on capital investment. However, under this model, utilities lack robust financial incentives to limit spending or advance cost-effective alternatives such as accelerating adoption of utility-scale renewable energy or customer-owned distributed energy resources. Performance-based regulation, on the other hand, ties a portion of utility revenue to performance on clear, measurable outcomes, including cost containment, reliability, and customer satisfaction. This measure therefore provides clear legislative direction for performance-based regulation that emphasizes cost control and prevents backsliding to a traditional, cost-of-service paradigm that could lead to higher rates and poor alignment with customer protection.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2487, S.D. 1, H.D. 1, and recommends that it pass Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



SCOT Z. MATAOSHI, Chair



