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Testimony of the Department of Commerce and Consumer Affairs

Before the
Senate Committee on Commerce and Consumer Protection
and
Senate Committee on Energy and Intergovernmental Affairs
Monday, February 9, 2026
10:00 a.m.
Via Videoconference

On the following measure:
S.B. 3326, RELATING TO ENERGY

Chair Keohokalole, Chair Wakai, and Members of the Committees:

My name is Michael Angelo, and I am the Executive Director of the Department of Commerce and Consumer Affairs' (Department) Division of Consumer Advocacy. The Department offers comments on this bill.

The purpose of this bill is to: (1) require the Public Utilities Commission (Commission) to initiate the separation of ownership and control of electric energy generation services from transmission and distribution services through the adoption of rules; and (2) require reports to the Legislature.

The Department appreciates the intent of the bill which seeks to facilitate greater opportunity for rapidly and cost-effectively integrating modernized electricity generation by facilitating competition through separating the ownership and control of electric generation services from transmission and distribution services. The Department's Division of Consumer Advocacy (Division) represents, protects, and advances the interests of customers of regulated public utilities within the State by advocating for the

delivery of utility services to be continuously enhanced in the areas of safety, reliability and resilience, affordability and cost effectiveness, customer equity, and progress on the State's clean energy goals.

The Department notes that the legislation intends to authorize the Commission to, among other things, adopt rules to initiate the unbundling and separation of ownership and control of electric generation services from transmission and distribution services and to ensure non-discriminatory access to transmission and distribution facilities. The Department also notes that certain critical consumer protections would likely be needed to help ensure the on-going continued safe and reliable operation of the grid and that electricity is delivered cost-effectively.

In jurisdictions where the ownership and operation of electric generation services and transmission and distribution (electricity delivery) services are separated and there is open access to the transmission system, an independent entity, often referred to as a independent system operator (ISO), manages critical operating and planning aspects related to maintaining the safe and reliable delivery of electricity to customers from independent power producers. While these jurisdictions have utility commissions to help protect the public interest in regulated utility matters, including reliability, the reliable operation of the system is typically entrusted to an ISO. The ISO typically oversees critical aspects of system reliability such as adequate procurement of generation and grid services over various time horizons, managing grid operations, and overseeing electricity system planning.[1]

The Department offers that the current competitive bidding process for procuring electricity generation and identifying locations for interconnecting generation facilities could be modified so that competitive procurement and identifying project sites are not managed by the investor-owned utility, but managed by the Commission with participation from other key stakeholders such as the Division. This may support more cost-effectively procuring electricity generation, enhancing the reliability of the electric system, and integrating more modernized generation on to the system more quickly.

Thank you for the opportunity to testify on this bill.

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[1] *See e.g.*, https://www.caiso.com/about

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GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

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Testimony of the Public Utilities Commission

To the
Senate Committees on
Commerce & Consumer Protection
and
Energy & Intergovernmental Affairs

February 9, 2026
10:00 a.m.

Chairs Keohokalole and Wakai, Vice Chairs Fukunaga and Chang, and Members of the Committees:

Measure: S.B. No. 3326
Title: RELATING TO ENERGY.

Position:

The Public Utilities Commission ("Commission") offers the following comments for consideration.

Comments:

The Commission appreciates the intent of this measure to promote efficiency, innovation, transparency, and competition in the electric energy generation sector while protecting ratepayers and ensuring reliable, affordable, and sustainable electric service.

The Commission has concerns that the separation of ownership and control of electric energy generation services from transmission and distribution services may not be in the public interest for the following reasons: (1) Hawaii's isolated island grids make it extremely challenging to create a truly competitive wholesale electricity market; (2) wholesale electricity price volatility poses risks to both ratepayers and Hawaii's electric public utilities; (3) deregulation of electricity generation has not necessarily resulted in lower retail electricity prices; and (4) the Commission's existing Competitive Bidding Framework, which includes oversight by an Independent Observer, already ensures that any new electricity generation is procured at competitively prices.

Hawaii's isolated island grids make creating a truly competitive wholesale electricity market extremely challenging. In mainland wholesale markets, competition is supported by large geographic footprints, diverse and higher capacity energy resource mixes, and the ability to

import power from outside the utility's system during periods of need or stress. Hawaii's unique island geography does not provide such features and therefore may inhibit the development of a truly competitive wholesale electricity market.

Deregulating electricity generation also exposes both electric public utilities and ratepayers to price volatility, which can manifest in different but equally concerning ways. If retail electricity prices are fixed or slow to adjust, utilities may be financially harmed during periods when wholesale prices spike. A well-known example is the 2000–2001 California electricity crisis, where utilities were required to buy power at volatile wholesale prices but were unable to fully recover those costs from customers, contributing to severe financial distress and utility insolvency, as well as degraded service reliability. Conversely, if electric public utilities are permitted to pass through wholesale market costs, ratepayers bear the risk of any price volatility and their subsequent bill impacts.

Furthermore, deregulating electricity generation has not necessarily resulted in lower retail electricity prices. Nineteen states and the District of Columbia have either fully or partially deregulated electricity generation, and these jurisdictions had an average retail electricity price of 16.54 cents/kWh in 2024. Thirty-two states have not deregulated electricity generation, and these jurisdictions had an average retail electricity price of 12.09 cents/kWh in 2024. While many factors influence electricity prices — including fuel costs, geography, and policy choices — these figures suggests that competitive generation markets do not automatically translate into lower retail prices for consumers. This mixed national record suggests caution before assuming that deregulating Hawaii's electricity generation sector would deliver meaningful rate relief.

The Commissions' existing Competitive Bidding Framework already adequately addresses many of the concerns that S.B. 3326 intends to address. Under this framework, electric utilities generally procure new generation resources through open, Commission-supervised solicitations that allow independent power producers and utility-affiliated projects to compete on price and performance. Additionally, the procurement process is monitored by an Independent Observer who reports directly to the Commission. This results in customers receiving the most competitive energy generation available, regardless of whether it is developed by an independent power producer or the electric utility.

At the same time, it is important to recognize why ratepayers may not feel an immediate reduction in their bills despite these competitive procurements. These competitively priced projects are replacing older, higher-cost resources gradually over time. In addition, retail rates reflect not only generation costs, but also investments in transmission, distribution, wildfire mitigation, and resilience projects. As a result, even when new generation is competitively priced, their benefits may feel imperceptible in the short run. Nevertheless, as the state continues to make progress on its renewable portfolio standards goals, the Commission expects that the increased fuel savings from the displacement of costly fossil fuel generation with affordable renewable generation will translate into greater bill savings for ratepayers in the long run.

Thank you for the opportunity to testify on this measure.

State	Deregulated Electricity	2024 Average Retail Price (cents/kWh)[1]
Alabama	No	11.90
Alaska	No	22.17
Arizona	No	12.74
Arkansas	No	9.59
California	Limited	27.04
Colorado	No	12.07
Connecticut	Yes	24.37
Delaware	Yes	13.56
Florida	No	12.53
Georgia	Limited	11.40
Hawaii	No	38.00
Idaho	No	9.51
Illinois	Yes	12.21
Indiana	No	11.38
Iowa	No	9.34
Kansas	No	11.21
Kentucky	No	10.07
Louisiana	No	8.80
Maine	Yes	19.66
Maryland	Yes	15.04
Massachusetts	Yes	23.94
Michigan	Limited	14.16
Minnesota	No	12.35
Mississippi	No	10.93
Missouri	No	11.06
Montana	No	10.83
Nebraska	No	9.07
Nevada	No	11.47
New Hampshire	Yes	20.61
New Jersey	Yes	16.29
New Mexico	No	9.18
New York	Yes	19.66
North Carolina	No	11.65
North Dakota	No	7.93
Ohio	Yes	11.29
Oklahoma	No	9.09
Oregon	Limited	11.11
Pennsylvania	Yes	12.51
Rhode Island	Yes	24.15
South Carolina	No	10.90
South Dakota	No	10.87
Tennessee	No	10.90
Texas	Yes	9.79
Utah	No	9.97
Vermont	No	18.41
Virginia	Limited	10.62
Washington	No	10.13
West Virginia	No	11.05
Wisconsin	No	12.72
Wyoming	No	9.14
District of Columbia	Yes	16.88

[1] https://www.eia.gov/electricity/state/

Competitively bid projects that have been placed into service over the past several years.

Hawaiian Electric Company

Project	Capacity (MW)	In-Service Date	Average Energy Price (cents/kWh)
Mililani I Solar	39 MW + 156 MWh storage	07/31/2022	9.99
Waiawa Solar	36 MW + 144 MWh storage	01/11/2023	9.98
AES West Oahu Solar	12.5 MW + 50 MWh storage	03/28/2024	11.53
Kupono Solar	42 MW + 168 MWh storage	06/07/2024	12.38
Ho'ohana Solar 1	52 MW + 208 MWh storage	07/11/2025	4.5

Hawaii Electric & Light Company

Project	Capacity (MW)	In-Service Date	Average Energy Price (cents/kWh)
AES Waikoloa Solar	30 MW + 120 MWh storage	04/21/2023	8.89
Hale Kuawehi	30 MW + 120 MWh storage	03/25/2025	13.65

Maui Electric Company

Project	Capacity (MW)	In-Service Date	Average Energy Price (cents/kWh)
AES Kuihelani	60 MW + 240 MWh storage	05/31/2024	8.05

TESTIMONY BEFORE THE SENATE COMMITTEES ON COMMERCE AND CONSUMER PROTECTION & ENERGY AND INTERGOVERNMENTAL AFFAIRS

SB 3326
Relating to Energy

Monday, February 9, 2026
10:00 AM
State Capitol, Conference Room 229 & Videoconference

Dear Chair Keohokalole and Chair Wakai, Vice Chair Fukunaga and Vice Chair Chang, and Members of the Committees,

Hawaiian Electric is testifying **in opposition** to SB 3326, Relating to Energy. Hawaiian Electric respectfully opposes this measure because it would introduce new operational risks that have yielded mixed results even on large, interconnected mainland systems. On Hawaii's isolated island grids, splitting utility operations poses outsized reliability and implementation risks and would add to customer costs, especially during a period of significant system transition as the company works toward meeting the state's mandate of a 100% renewable portfolio standard by 2045.

The Hawaii Public Utilities Commission (PUC) has previously considered and conclusively declined to pursue electric industry restructuring. After conducting a multi-year study on the matter in the early 2000s, the PUC concluded that "projections of any potential benefits of restructuring Hawaii's electric industry are too speculative and it has not been sufficiently demonstrated that all consumers in Hawaii would continue to receive adequate, safe, reliable, and efficient energy services at fair and reasonable prices." (See Decision and Order No. 20584 issued on October 21, 2003, in Docket No. 96-0493.) Subsequently, in testimony the PUC submitted on a similar bill in the 2012 legislative

session (HB 2400, 2012 Haw. Sess. Laws), the PUC stated that it did not believe that there was any new evidence to significantly alter the PUC's previous findings, and Hawaiian Electric submits that holds true today. The Consumer Advocate also did not support the measure and this Legislature did not act on it. Nothing material has changed to undermine these determinations.

First, mainland electric restructuring models depend on conditions that do not exist in Hawai‘i. While separation of transmission and generation is described in the bill preamble as having various benefits, in practice it has been implemented primarily in systems with characteristics that fundamentally differ from Hawai‘i's electric system. On the mainland, physical interconnection and regional backstops allow power to be imported and redistributed when individual resources fail or demand spikes. The mainland electric grid has a large system scale, redundancy and centralized institutions, such as regional operators or market administrators, that replace vertical integration with continuous, real-time coordination. These features allow mainland systems to absorb the additional complexity created by restructuring. Hawai‘i's island grids lack those buffers. Each island must balance supply and demand internally at all times, without the ability to lean on neighboring systems.

Second, separation does not eliminate coordination—it relocates it. Transmission and generation are operationally inseparable in small, isolated grids. Reliability depends on seamless coordination across resource adequacy and capacity planning, dispatch and congestion management, maintenance scheduling, and emergency operations and system restoration. Mandating structural separation introduces additional interfaces where alignment must occur—often through contracts, compliance processes, and regulatory enforcement rather than direct operational control. This can create (1)

fragmented accountability, where responsibility for outcomes is split across entities; (2) higher transaction and governance costs, including duplicative oversight and dispute resolution; and (3) slower decision-making during contingencies, when speed and clarity are critical. Large mainland systems mitigate these risks through redundancy and institutional depth. Hawai‘i’s island grids do not have that margin for error.

Hawaii’s isolated grids magnify the consequences of misalignment. In Hawai‘i, the loss or delay of a single resource can quickly become a system-wide reliability issue. Planning and operational decisions that might be manageable on the mainland—where there are dozens of alternatives—carry far greater consequences here. Structural separation increases the risk that transmission upgrades and generation additions become misaligned in timing or scope; disagreements over cost responsibility delay critical investments; and system operators must manage emergencies across organizational boundaries rather than within a unified operational structure. These are not theoretical concerns. In isolated systems, coordination failures are felt immediately and locally by customers.

In addition, this bill risks higher costs and slower execution during a critical transition period. Hawaii’s electric system is already navigating overlapping challenges, including changes in resource mix, resilience needs, and evolving operational requirements. Mandated separation would require significant organizational restructuring and new governance frameworks at the same time utilities, regulators, and stakeholders must remain focused on execution. This increases the risk of: implementation delays affecting grid upgrades and resource additions; additional costs from duplicative functions and expanded administrative requirements; and diluted accountability, making

performance oversight more difficult rather than more effective. For an island grid, these risks are magnified and can undermine both reliability and affordability.

In sum, separation of transmission and generation may function in large, interconnected systems that have scale, redundancy, and regional coordination mechanisms. Hawaii's island grids operate under fundamentally different conditions. Introducing structural separation here would add complexity and coordination risk without the physical or institutional backstops that make such models workable elsewhere. The PUC and Legislature have thoroughly examined this issue in the past and found that electric restructuring in Hawaii is not worth the risk, which remains the case today.

Accordingly, Hawaiian Electric **opposes** SB 3326. Thank you for this opportunity to testify.

TESTIMONY OF DAVE ERDMAN, INTERIM PRESIDENT & CEO
RETAIL MERCHANTS OF HAWAII
FEBRUARY 8, 2026
IN SUPPORT OF SB 3326 - RELATED TO ENERGY

Aloha Chair Wakai, Vice Chair Chang, and Members of the Committee:

My name is Dave Erdman, and I am the Interim President and CEO of Retail Merchants of Hawai‘i (RMH), a statewide nonprofit trade association representing retailers, shopping centers, and allied businesses across Hawai‘i.

Retail Merchants of Hawai‘i supports SB 3326 because high and volatile electricity costs remain one of the most significant cost pressures facing Hawai‘i retail businesses and our RMH member working families.

Hawai‘i continues to have the highest electricity prices in the nation. For retailers, energy costs directly affect daily operations, reliability, air conditioning, refrigeration, safety, and overall affordability. These costs flow through the economy, contributing to higher consumer prices and increasing cost-of-living pressures for the retail workforce.

SB 3326 takes a structured and measured approach to addressing long-term energy affordability and reliability by allowing the electric utility to focus on transmission and distribution. A more resilient and modern grid is critical to reducing outages, improving wildfire mitigation, speeding restoration, and expanding interconnection capacity for both commercial and customer-sited energy resources.

Retail Merchants of Hawai‘i also recognizes that competition, when carefully designed and properly regulated, can help promote cost discipline, transparency, and innovation. This bill does not deregulate the electric system, does not bypass the Public Utilities Commission, and does not require an immediate or disruptive restructuring. Instead, it establishes a phased framework with regulatory oversight, workforce protections, and safeguards for reliability and public safety.

From the retail community's perspective, maintaining the status quo risks continued high costs and ongoing volatility. SB 3326 offers a practical path forward focused on affordability, reliability, and long-term economic stability.

For these reasons, **Retail Merchants of Hawai‘i supports SB 3326**.

Mahalo for the opportunity to provide testimony.

Respectfully submitted,

Dave Erdman
Interim President & CEO
Retail Merchants of Hawai‘i

IBEW1260
EMPOWERING THE PACIFIC

TESTIMONY BEFORE THE COMMITTEES ON COMMERCE AND CONSUMER PROTECTION & ENERGY AND INTERGOVERNMENTAL AFFAIRS

IBEW LOCAL 1260 — TESTIMONY IN OPPOSITION TO SB3326
CPN / EIG Joint Hearing — Monday, February 9, 2026 — 10:00 AM

Aloha Chair Keohokalole, Chair Wakai, Vice Chair Fukunaga, Vice Chair Chang, and Members of the Committees,

The International Brotherhood of Electrical Workers Local 1260 respectfully submits testimony in **opposition** to SB3326.

IBEW Local 1260 represents approximately 3,000 members across Hawai‘i and Guam. Of those members, approximately 1,100 members work with Hawaiian Electric and perform essential electric utility and infrastructure work that keeps our communities safe and powered. These are local skilled workers who live here, raise families here, and respond to emergencies here. While we support Hawai‘i’s clean energy goals and affordability efforts, SB3326 raises concerns regarding protection of union members, collective bargaining agreements, retirement security, medical coverage, and overall workforce stability.

SB3326 mandates structural separation of electric generation from transmission and distribution but does not clearly guarantee that existing collective bargaining agreements will be honored by future generation owners or operators. The measure does not address union recognition, preservation of wages and benefits, seniority protections, or whether employees will be required to transition to new employers under different working conditions. Without clear successor employer protections, workers face real risk of losing long-standing labor protections and job stability.

While we appreciate that the bill references workforce stability and continuity of skilled labor, it does not establish enforceable statutory protections for collective bargaining agreements, union recognition, or long-term workforce standards.

IBEW Local 1260 is also concerned that SB3326 mandates a fundamental restructuring of Hawai‘i’s electric industry without clearly establishing statutory implementation guardrails or transition protections. Major structural changes to critical infrastructure systems should include clear direction on workforce protections, transition obligations, and long-term accountability to ensure stability for workers, customers, and the communities we serve.

IBEW Local 1260 respectfully urges the Committees to defer SB3326. Mahalo for the opportunity to provide testimony.

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COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
Senator Jarrett Keohokalole, Chair
Senator Carol Fukunaga, Vice Chair

COMMITTEE ON ENERGY AND INTERGOVERNMENTAL AFFAIRS
Senator Glenn Wakai, Chair
Senator Stanley Chang, Vice Chair

DATE: Tuesday, February 10, 2026
TIME: 10:00 AM
PLACE: Conference Room 229

SB 3326 Energy (Restructuring the HECO Companies **COMMENTS**

Aloha Chairs Keohokalole & Wakai, Vice Chairs Fukunaga & Chang, and Members of the Committees

Life of the Land is Hawai`i's own energy, environmental and community action group advocating for the people and `aina for 56 years. Our mission is to preserve and protect the life of the land through sound energy and land use policies and to promote open government through research, education, advocacy and, when necessary, litigation.

An apples-to-apples comparison of average monthly residential energy bills may indicate that everyone in the U.S. pays too much, but it does not indicate that Hawaii is an outlier.

Hawaii has higher electricity rates than other states. **But, no one pays rates**. They pay bills.

Two items counterbalance Hawaii`s high electricity rates. Hawaii per capita usage is the lowest in the nation due to our temperate weather and most Americans have a second residential energy bill.

The states with the largest share of all-electric homes in 2020 were Florida, at 77 per cent of homes, and Hawaii, at 72 per cent … With its limited supply and distribution network, Hawaii has both the lowest total natural gas consumption in the nation and the lowest per capita consumption.[1]

Over one-quarter of U.S. households use electricity as the only source of energy[2]

U.S. Household Energy Use (2020)	Percent
Only electricity	26
Only electricity and gas	55
only electricity and propane	5
only wood and electricity	3
only fuel oil and electricity	2
three or more types of energy	9

[1] U.S. EIA, State Energy Data System, Table C16, Natural Gas Consumption Estimates, Total and per Capita, Ranked by State, 2022

[2] (1) Hawaii Analysis (2025) U.S. Energy Information Administration https://www.eia.gov/states/HI/analysis; (2) U.S. EIA, State Energy Data System, Table C11, Energy Consumption Estimates by End Use Sector, Ranked by State, 2022. U.S. Energy Information Administration https://www.eia.gov/state/seds/sep_sum/html/rank_use.html; (3) New Report Shows what Americans Really Pay for Utilities (2025) https://www.doxo.com/w/insights/new-report-shows-what-americans-really-pay-for-utilities/

1996 PUC Investigation on Restructuring HECO

The Public Utilities Commission instituted a proceeding to identify and examine the issues surrounding electric competition and to determine the impact of competition on the electric utility infrastructure in Hawaii in 1996. All docket files are available on the PUC website only for proceedings opened in or after 1998.

The parties and participants in docket no. 1996-0493 were HECO, MECO, HELCO, KIUC, Consumer Advocate, U.S. Department of Defense, Hawaii Counties excluding Honolulu, Life of the Land, DBEDT, AES-BP, Enserch Development Corporation; GTE Hawaiian Tel; Hawaii Renewable Energy Alliance, IBEW Local 1260; Puna Geothermal Ventures; Waimana Enterprises, and Association for Competition in Electricity.

Life of the Land advocated that the HECO Companies would become two independent companies. Shareholders would wind up owning a generation company and an energy delivery company.

HECO asserted, "Competition can be said to be potentially feasible if effective competition in the market is likely to develop, and the introduction of further competition is likely to decrease the cost of providing electric service to customers in Hawaii. These economic efficiency criteria, along with cost/benefit and policy considerations, can then be used to determine if competition (or further competition) is feasible and in the public interest."

"The analyses performed by HECO that are described in subpart C indicate that the Hawaii markets are too small and are likely to remain too concentrated to permit effective competition to develop or to permit multiple service providers to achieve

economics of scale in the markets. Given the conclusions stated above, HECO has not attempted to analyze the costs of implementing restructuring, which would be necessary to do a cost/benefit analysis, or the practical difficulties in restructuring the Hawaii markets to provide for a less concentrated generation market."

SB3326

SB3326 is built on several contestable assumptions and has several technical, economic, and legal weaknesses.

Over-optimistic causal chain: The bill assumes that legal/ownership unbundling of generation from T&D will itself "promote efficiency, innovation, transparency, and competition" and lead to more renewable deployment and lower rates. These skips over how resource adequacy, grid services, T&D planning, and cost allocation will actually be governed in Hawaii's small, isolated systems, where textbook wholesale competition models are hard to implement.

No clear market design: The bill requires separation of ownership and control but does not define the new market structure: whether there will be an Independent System Operator Regional Transmission Organization (ISO/RTO, a single buyer, competitive bilateral markets, or administratively set tariffs for generators. Without this, the Legislature is mandating a corporate surgery without a functioning replacement market design.

Scale and system-size blind: The logic appears borrowed from large interconnected continental systems (Federal Energy Regulatory Commission-style unbundling, ISO markets) and then applied to Hawaii, which has small, islanded grids with limited participants and constrained interconnection. This raises a serious mismatch between the problem statement and the chosen remedy.

It assumes competition will be robust: The bill predicates benefit on "competition in electric energy generation services," but on each island there are a limited number of developable sites, interconnection constraints, and already-signed Power Purchase Agreements (PPAs). The ownership separation may create transaction costs without material competitive pressure.

Assumes lower costs without quantification: Publicly available descriptions do not show any quantitative analysis of rate impacts, stranded cost magnitudes, or transaction/transition costs to ratepayers. The narrative asserts that efficiency and innovation will improve but does not compare those hypothetical gains to costs of restructuring, new regulatory overhead, and financing impacts.

Assumes more renewable deployment from unbundling alone: Hawaii already has aggressive RPS targets and heavy renewable penetration under a vertically integrated/PBR framework. The bill's theory that unbundling is a precondition for "increased deployment of renewable energy resources" ignores that constraints are now more about grid stability, land use, social acceptance, and interconnection queues than about vertical integration per se.

Vague PUC mandate: The bill "requires the Public Utilities Commission to initiate the separation of ownership and control" but, in the public text summaries, does not specify: (1) timeline; (2) criteria for approving divestitures; (3) rules for asset valuation; or (4) how to treat stranded costs and undepreciated plant. That invites prolonged, litigation-heavy dockets and uncertainty.

Unclear treatment of existing PPAs and contracts: Hawaii has a large portfolio of long-term PPAs and cost-recovery mechanisms premised on integrated utility structures. The bill does not clearly explain whether the restructured T&D entity will step into

existing contracts, how risk will be reallocated, or whether renegotiation/termination rights are triggered, raising substantial legal and credit-risk questions.

No explicit coordination with existing Performance-Based Ratemaking (PBR) framework: Hawaii's PBR dockets and mechanisms already realign incentives away from rate-based growth and toward performance outcomes. The bill does not reconcile how its ownership separation directive interacts with existing Performance Incentive Mechanisms (PIMs), revenue caps, or cost trackers, raising the risk of overlapping or conflicting incentive structures.

Governance of system operations is not fully specified: If generation is separated, someone must do integrated resource planning, unit commitment, dispatch, and reliability coordination. The bill does not clearly define whether the Public Utilities Commission, a new independent system operator, or the T&D utility will be responsible, nor how neutrality will be guaranteed.

Stranded cost and credit impacts under-analyzed: Separation of generation and T&D will affect utility balance sheets, debt covenants, and credit ratings, which in turn affect borrowing costs and rates. The bill, as described, lacks a framework for: (1) How stranded fossil generation or uneconomic assets are valued and recovered; and (2) How to protect ratepayers from paying twice (through stranded-cost surcharges and new capacity payments).

Transaction cost and complexity risks: Experience in other jurisdictions suggests that restructuring requires expensive advisory, legal, information technology, and organizational changes; those appear unaccounted for in the legislative findings. For a small system like Hawaii, per-customer transaction costs are likely higher, weakening the premise that restructuring will reduce bills.

Financing new T&D and non-wires solutions: The bill leans on "expanded transmission and distribution investment" to unlock renewables, but does not address how an unbundled T&D monopoly with altered risk profile will finance large, lumpy grid upgrades, non-wires alternatives, or storage, nor how those costs will be allocated to different islands or customer classes.

New transmission corridors are costly. They take several years to develop. The regulatory process can be intense.

Taking and due process risks: Forced divestiture or forced functional separation of generation assets can raise takings arguments if the statute is read to compel sales at below-market values or under coercive conditions. The bill text, as summarized, does not clearly spell out protections, valuation standards, or recourse for investors.

Potential conflict with existing franchise obligations: Existing franchises and PUC orders were issued under a vertically integrated paradigm; abrupt statutory restructuring may conflict with prior regulatory commitments and expectations. This could invite litigation around whether the Legislature is retroactively impairing contracts.

Weak tailoring to Hawaii wildfire and resilience context: Given the Maui wildfire experience and concurrent vegetation-management legislation, a strong bill would tightly link structural reforms to wildfire risk reduction, resilience, and climate adaptation. SB3326's findings, as reported, emphasize abstract efficiency and competition rather than concrete resilience outcomes or wildfire-specific governance reforms.

Insufficient comparative analysis: The measure appears to cite generic benefits of unbundling without acknowledging mixed results in other jurisdictions (e.g., volatility, market power, resource adequacy crises). A stronger analysis would distinguish what went wrong elsewhere and why Hawaii's design would avoid those failures.

No explicit equity or affordability analysis: While it references protecting ratepayers and affordable service, there is no visible distributional analysis of bill impacts by income group, island, or customer class, nor any design for rate safeguards during transition.

Over-reliance on ownership separation as a proxy for good governance: The bill treats structural unbundling as the central lever for innovation and transparency, rather than addressing more direct tools such as enhanced PUC oversight, data-sharing mandates, open access interconnection rules, public planning processes, or targeted reforms to PBR mechanisms.

Mahalo

Henry Curtis
Executive Director

LATE

Testimony of
Pacific Resource Partnership

Hawai'i State Legislature
Honorable Members of the House Committees on Commerce and Consumer Protection (CPN) and Energy and Intergovernmental Affairs (EIG)
Tuesday, Feb. 10, 2026

Subject: Support for SB3326 – Relating to Energy

Aloha Chairs Keohokalole and Wakai, Vice Chairs Fukunaga and Chang, and members of the committees:

Pacific Resource Partnership (PRP) is a nonprofit organization that represents the Hawai'i Regional Council of Carpenters, the largest construction union in the state with approximately 6,000 members, in addition to more than 250 diverse contractors ranging from mom-and-pop owned businesses to national companies.

PRP Hawai'i submits this testimony in support of SB3326, which directs the Public Utilities Commission (PUC) to adopt rules requiring the separation of ownership and control of electric generation services from transmission and distribution services. This unbundling will promote competition in generation while maintaining regulated transmission and distribution as monopoly services, ultimately leading to lower electricity costs for Hawai'i residents and helping alleviate our state's notoriously high cost of living.

Hawai'i residents face the highest electricity rates in the nation, often exceeding 40 cents per kilowatt-hour — more than double the national average. These exorbitant costs burden families, small businesses, and our overall economy, exacerbating housing affordability challenges and forcing many to make difficult choices between essentials like food, rent, and utilities. By unbundling generation from transmission and distribution, SB3326 allows competitive entities to enter the generation market, fostering innovation, efficiency, and price reductions through market forces. This structural reform will enable the PUC to ensure nondiscriminatory access to transmission infrastructure, prevent cross-subsidization, and prioritize investments in grid reliability and renewable integration — all while protecting ratepayers during a phased transition.

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Evidence from other U.S. jurisdictions demonstrates that unbundling and deregulation of electricity generation have successfully lowered prices and improved service. In Texas, where about 85% of the state operates under a deregulated electricity market, competition among retail electric providers has driven down rates and expanded consumer choices, with residents benefiting from innovative plans and lower costs compared to regulated areas. Similarly, in Illinois, deregulation has helped maintain some of the lowest electricity prices in the country, with industrial and residential customers enjoying rate stability and increased options. Ohio's experience shows that unbundling led to lower prices, with nearly 60% of consumers switching providers by 2014, resulting in significant savings and greater competition. In Pennsylvania, deregulation aimed to reduce the state's high annual electricity expenditures (over $10 billion), and it has encouraged efficiency and better service through competitive retail markets.

Across these states, the introduction of competition in generation — while keeping transmission and distribution regulated — has not only lowered average rates but also spurred improvements in customer service, plan flexibility, and renewable energy adoption. These successes align with Hawai'i's unique needs, where unbundling can accelerate the deployment of affordable renewables, reduce reliance on volatile fossil fuels, and enhance grid resilience against outages and climate risks. By focusing utilities on transmission and distribution investments, SB3326 will free up resources for modernization, supporting local jobs and economic growth while directly addressing our cost-of-living crisis.

PRP Hawai'i urges the committees to pass SB3326 and advance this critical reform for a more affordable, sustainable energy future.

Respectfully submitted,

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