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# 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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