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Testimony of the Department of Commerce and Consumer Affairs

Before the
House Committee on Energy & Environmental Protection
and
House Committee on Labor
Thursday, March 19, 2026
9:30 a.m.
Via Videoconference

On the following measure:
S.B. 3326, S.D. 2, RELATING TO ENERGY

Chair Lowen, Chair Sayama, 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 study the separation of ownership and control of electric energy generation services from transmission and distribution services; and (2) authorize 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.

The Department understands that this bill provides the Commission the authority to investigate whether separating the ownership and control of electric generation from electricity delivery services (transmission and distribution) is an effective means to stimulate competition for electricity generation and thereby integrate modernized generation into the grid more rapidly and cost-effectively. The Department also

understands that the bill authorizes the Commission to restructure the electric utility industry by separating the ownership and control of the generation and electricity delivery (transmission and distribution system).

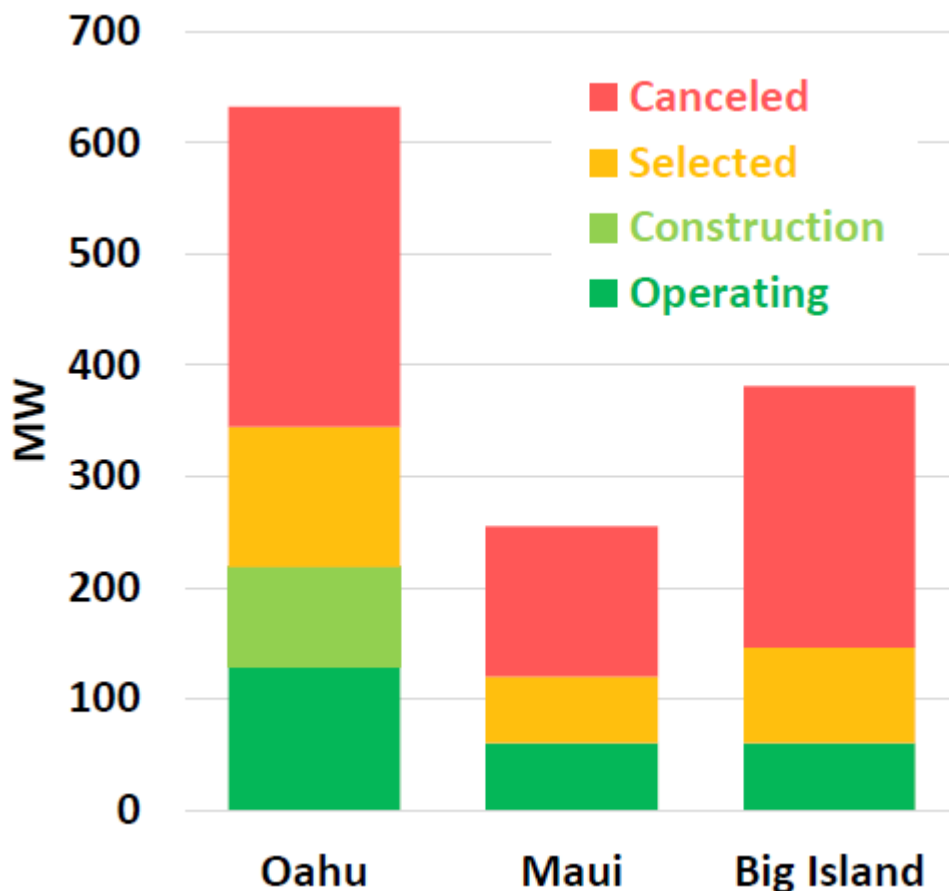
The Department's Division of Consumer Advocacy (Division) represents, protects, and advances the interests of customers of regulated public utilities within the State by advocating for the delivery of utility services to be continuously enhanced in the areas of safety, reliability and resilience, affordability and cost effectiveness, customer equity, and progress on the State's clean energy goals.

The Department notes that the legislation appears to envision the Commission establishing administrative rules, which would need to address issues of access to the delivery and also critically ensure the reliable operation of the grid, which includes both operating the grid in real time and planning for its operations into the future. The Department observes that the legislation does not appear to directly address this aspect and notably the entity ultimately responsible and accountable for maintaining the reliable operation and planning of the full electrical system (generation + delivery). 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, referred to as a independent system operator (ISO) or regional transmission operator (RTO), 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, the reliable operation of the system is typically entrusted to the ISO/RTO. These entities typically oversee 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 It is not clear that administrative rules alone would address these needs.

The Department offers that an alternative that would be more easily implemented in the near-term is to require the Commission to investigate the current competitive bidding process for procuring electricity generation and identifying locations for

¹ See e.g., <https://www.caiso.com/about>

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. There is clearly an issue with bringing modernized generation onto the grid, which has been emphasized by the Hawaii Natural Energy Institute (shown below demonstrating the significant amount of capacity that has been canceled).² The bottlenecks and hurdles to procuring and interconnecting generation that is found to be cost-effective need to be identified so that renewable modernized generation can be brought online more effectively.



Thank you for the opportunity to testify on this bill.

² Figure adapted from Hawaii Natural Energy Institute Presentation to the Hawaii Energy Policy Forum, "Advancing Solar Development, on January 13, 2026, (Slide 9).

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Testimony of the Public Utilities Commission

To the
House Committees on
Energy & Environmental Protection
and
Labor

March 19, 2026
10:30 a.m.

Chairs Lowen and Sayama, Vice Chairs Perruso and Lee, and Members of the Committees:

Measure: S.B. No. 3326, S.D.2
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 study the separation of ownership and control of electric energy generation services from transmission and distribution services.

The Commission recognizes and shares the Legislature's concerns regarding the high cost of electricity in Hawai'i and the importance of ensuring that the State's energy system delivers reliable, affordable, and increasingly clean energy to ratepayers. The Commission is actively engaged in a wide range of proceedings and initiatives designed to address these challenges, including performance-based regulation, competitive procurement of renewable resources, and enhanced oversight of utility planning and operations.

The Commission previously studied the separation of ownership and control of electric energy generation services from transmission and distribution services in Docket No. 96-0493. On October 21, 2003, the Commission found in Decision and Order No. 20584 that the benefits of restructuring Hawaii's electricity industry were too speculative and insufficiently demonstrated cost benefits for ratepayers based upon the experience of

restructuring in other states and therefore concluded that restructuring the electric industry was not in the public interest.

Nothing has materially changed since 2003. The Commission continues to believe 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 in other states 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.

Nevertheless, should the Legislature wish to further explore the desirability of the separation of ownership and control of electric energy generation services in Hawaii from transmission and distribution services, the Commission is prepared to conduct the study required by Section 1 of this measure. The Commission respectfully requests an amendment to the bill to include an appropriation for the study.

Thank you for the opportunity to testify on this measure.



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COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

Rep. Nicole E. Lowen, Chair

Rep. Amy A. Perruso, Vice Chair

March 19, 2026

9:30 a.m.

Conference Room 325

SB 3326 Transmission & Distribution Separation Authorized. COMMENT

Aloha Chair Lowen, Vice Chair Perruso, and Members of the Committee

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.

This bill provides no funds, no new staff, and no resources to initiate a complex, 8-10-year deregulation process, that would necessitate altering multiple ongoing regulatory proceedings, and numerous existing policies.

To understand why adding structural separation rulemaking is so consequential, consider that the Public Utilities Commission is concurrently managing numerous electric regulatory proceedings.

Performance Based Regulation (PBR), Integrated Grid Planning (IGP), Community Based Renewable Energy (CBRE), Waiiau Repower, Wildfire Mitigation Plans, Disconnection Policies, Energy Equity, Electrification of Transportation (EoT), Distributed Energy Resources (DER) & Grid Services Programs, Electricity Wheeling, Hawaii Electric and Reliability Administrator (HERA), and 'Ūkiu Energy Power Purchase Agreement

Now toss in Executive Order 25-01, the JERA proposal, and then add a structural separation rulemaking to this stack. This is not merely adding one more docket — it is adding meta-proceedings that would change multiple other proceedings.

The institutional bandwidth problem is solvable — but only if it is treated as a first-order legislative design question, not an administrative afterthought. Without explicit resource mandates in the bill itself, the separation rulemaking will consume the Commission and the clean energy transformation could seriously be delayed.

Mahalo

Henry Curtis

Executive Director



**Hawaiian
Electric**

**TESTIMONY BEFORE THE HOUSE COMMITTEES ON
ENERGY AND ENVIRONMENTAL PROTECTION & LABOR**

**SB 3326, SD2
Relating to Energy**

Thursday, March 19, 2026
9:30 AM

State Capitol, Conference Room 325 & Videoconference

Dear Chair Lowen and Chair Sayama, Vice Chair Perruso and Vice Chair Lee, and Members of the Committees,

Hawaiian Electric is testifying in **strong opposition** to SB 3326, SD2, Relating to Energy. Hawaiian Electric respectfully opposes this measure because the proposed structural separation of transmission and generation would:

- Increase costs for customers during a period of major system transition toward 100% renewable energy by 2045;
- Introduce new operational risks that have yielded mixed results even on large, interconnected mainland grids, with far greater consequences on Hawaii's isolated island systems; and
- Create reliability and implementation risks by splitting utility operations on small, stand-alone island grids.

A study on this topic is unnecessary, as the bill fails to earmark funds or otherwise identify the potential cost of such study or where the resources for the study would come from, especially given the need to balance competing State policy priorities. 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), 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 or warrant an expensive study to reaffirm these findings.

Structural separation of the company would increase costs for customers during a period of major system transition toward 100% renewable energy by 2045

Structural separation is unlikely to deliver the lower customer bills or improved outcomes that the bill envisions. More than half of the costs reflected in customer rates—fuel and purchased power—would remain unchanged under a separated model, and Hawaii’s isolated island grids make it extremely difficult to create a competitive wholesale market capable of driving down prices. Hawaii already achieves robust competition through the PUC’s competitive bidding framework, where 40–50% of all new generation is procured from independent power producers through transparent and regulated processes designed to secure the lowest reasonable cost for ratepayers. Given these factors, mandating structural separation would introduce unnecessary risk while providing little, if any, benefit to customers.

There are several additional considerations that weigh against moving this bill forward. First, mainland electric restructuring models depend on conditions that do not exist in Hawaii. 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. Hawaii’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.

Structural separation would introduce new operational risks that have yielded mixed results even on large, interconnected mainland grids, with far greater consequences on Hawaii’s isolated island 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. Hawaii’s island grids do not have that margin for error.

Structural separation would create reliability and implementation risks by splitting utility operations on small, stand-alone island grids

Hawaii's isolated grids magnify the consequences of misalignment. In Hawaii, 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, separating transmission and generation 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 majority of the costs that underlie customer bills would not be impacted by the restructuring proposed by this bill, and Hawaii already has a robust competitive bidding process for new generation overseen by the PUC and an Independent Observer, thus any cost decreases envisioned by the bill are unlikely to be realized. 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 and does not warrant an expensive study to confirm what we already know.

Accordingly, Hawaiian Electric **strongly opposes** SB 3326, SD2. Thank you for this opportunity to testify.



**TESTIMONY BEFORE THE HOUSE COMMITTEES ON
ENERGY & ENVIRONMENTAL PROTECTION AND LABOR**

**IBEW LOCAL 1260 — TESTIMONY IN OPPOSITION TO SB3326 SD2
EEP/LAB Hearing — Thursday, March 19, 2026 — 9:30 AM**

Aloha Chairs Lowen and Sayama, Vice Chairs Perruso and Lee, and Members of the Committees,

On behalf of the International Brotherhood of Electrical Workers Local 1260, we are submitting testimony in **opposition** to SB3326 SD2. IBEW Local 1260 acknowledges the language added to the SD1 recognizing the importance of protecting and supporting workforce stability and continuity of skilled labor, including the protection of existing labor and collective bargaining agreements. The SD2 now requires the Public Utilities Commission to study the effects of the proposed separation of services on the existing labor workforce, and there is still nothing in the bill that guarantees the continued protections of employee rights.

IBEW Local 1260 represents approximately 3,000 members across Hawai'i and Guam, including approximately 1,100 members who work in Hawai'i's electric utility system. These are local skilled workers who live here, raise families here, and respond to emergencies here. Our members are deeply committed to maintaining safe, reliable, and affordable electric service and supporting the State's clean energy transition.

While SD2 turned into a study, the measure is still working against current employee's interests. It still proposes a fundamental restructuring of Hawai'i's electric industry while leaving key workforce protections to future rulemaking and uncertainty. Although the bill directs the Public Utilities Commission to protect workforce stability and continuity, it does not establish clear, enforceable statutory protections regarding successorship, union recognition, preservation of wages and benefits, pension and healthcare continuity, or employee transition obligations if generation assets are transferred to new owners. Without these protections clearly established in statute, workers face uncertainty regarding long-term employment conditions and bargaining rights.

Structural separation of generation from transmission and distribution inherently carries workforce risks, including fragmentation across multiple employers, potential erosion of bargaining power, and uncertainty regarding job continuity. Moreover, we would be required to engage with multiple employers, rather than the single employer that we have been working with for over 100 years. These risks exist regardless of intent language and are not fully addressed through general directives to regulators. Major structural changes to critical infrastructure systems should include explicit statutory guardrails to ensure workforce stability is not left to future regulatory interpretation.

IBEW Local 1260 opposes a study of this restructuring proposal. First it should establish clear, enforceable labor protections before mandating structural changes to the industry. Doing so would provide certainty for workers, employers, regulators, and the communities that rely on safe and reliable electric service.

IBEW Local 1260 opposes this measure and urges the Committee to hold SB3326 SD2. Mahalo for the opportunity to provide testimony.

LATE



SIERRA CLUB
OF HAWAI'I

**HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
HOUSE COMMITTEE ON LABOR**

March 19, 2026

9:30 AM

Conference Room 325

In OPPOSITION to SB3326 SD2: RELATING TO Energy

Aloha Chair Lowen, Chair Sayama, Vice Chair Perruso, Vice Chair Lee, and Members of the Committees,

On behalf of our over 20,000 members and supporters, the Sierra Club of Hawai'i **OPPOSES** SB3326 SD2, which threatens to significantly delay our development of reliable, renewable, and cheaper energy infrastructure with a duplicative, costly, and unnecessary study on the separation of energy transmission and generation.

As pointed out by a number of experienced and expert testifiers in on this measure, the issue of separating energy generation and distribution has already been thoroughly evaluated and determined to be unfeasible, and all but certain to lead to unintended and costly consequences for Hawai'i consumers. Additional complications and concerns, including but not limited to the erosion of labor protections and workers' rights, only further counsel against any further state investment in such a proposal. **By requiring the Public Utilities Commission (PUC) to once again expend its extremely limited resources on an exceedingly complex and costly study, this measure is unlikely to lead to any helpful insights, and will only take away already-strained PUC staff capacity needed to facilitate renewable energy infrastructure development, and to address other critical issues, including skyrocketing disconnection rates among our most vulnerable residents.**

The Sierra Club of Hawai'i emphasizes that this may also be a particularly inappropriate time to add to the PUC's already overloaded plate. Well-known staffing challenges have already led to the effective abandonment of the PUC's long-needed energy equity docket, and its new leadership will need to overcome a steep learning curve to take on the wide-ranging and highly technical matters subject to the PUC's oversight. To the extent the Committee may feel that the proposed study would in fact be a worthwhile investment, mandating one at this time could have a particularly negative impact on the PUC's important work.

Accordingly, the Sierra Club of Hawai'i respectfully but strongly urges the Committees to **HOLD** SB3326 SD2. Mahalo nui for the opportunity to testify.



March 19, 2026

Representative Nicole E. Lowen, Chair
Representative Amy A. Perruso, Vice Chair
House Committee on Energy & Environmental Protection

Representative Jackson D. Sayama, Chair
Representative Mike Lee, Vice Chair
House Committee on Labor

Opposition to SB 3326, SD2 RELATING TO ENERGY (Requires the Public Utilities Commission [PUC] to study the separation of ownership and control of electric energy generation services from transmission and distribution services. Authorizes the PUC 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])

**Thursday, March 19, 2026, at 9:30 a.m.
State Capitol, Conference Room 325, and VIA VIDEOCONFERENCE**

The Land Use Research Foundation of Hawai'i (LURF) is a private research and trade association founded in 1979, whose members include major Hawai'i landowners, developers, utility companies, and land use professionals. LURF's mission is to research, educate, and advocate for reasonable, rational, and equitable land use planning, laws, and regulations that encourage well-planned and sustainable economic growth in agriculture, housing, renewable energy, commercial and industrial uses, and tourism, while safeguarding Hawai'i's significant natural, environmental, historic, and cultural resources, public health, and safety.

Over the past 46 years, LURF members have provided energy (electricity and gas) and collectively built the most affordable housing units and mixed-use projects in the Hawai'i, working collaboratively with the community, government agencies, administrations, and elected officials.

While LURF appreciates the concerns that prompted the introduction of this bill, and that it has been amended to require a study by the PUC, LURF still has major concerns and must respectfully **oppose SB 3326, SD2**, which would require the PUC to study the separation of ownership and control of electric energy generation services from transmission and distribution services and authorizes the PUC to adopt rules to effect the separation of ownership and control of these services after conducting and submitting a final report on the study to the Legislature.

LURF's Position. Among other things, **LURF's concerns and objections** to this measure are summarized as follows:

- **The study is unnecessary, because issues to be addressed in the proposed study have already been analyzed by the PUC in prior studies reviewed by the Consumer Advocate and the Legislature, and all have declined to pursue restructuring of the electric industry.** LURF understands that there are no new substantial facts that would change that analysis.
- **The study may not be relevant to Hawai'i's unique circumstances and challenges, like comparing "apples" (Mainland electrical operations) to "oranges" (Hawai'i).** While the "separate utility" concepts and models proposed to be studied in this bill may work in some places on the Mainland, Hawai'i has isolated electrical power grids with major constraints and conditions that are different from the Mainland. The testimony relating to this bill confirms the major differences between the Mainland and Hawai'i:
 - The Mainland electrical grids are regionally interconnected and have backstops that allow power to be imported and distributed when demand spikes, during emergencies, or when individual utility resources fail.
 - In Hawai'i, the electrical systems on each island are not interconnected, and must manage their own power issues without the ability to lean on interconnected systems in neighboring counties or states.
 - The Mainland systems are large scale and have the redundancy and centralization of resources and contractors, which do not exist in Hawai'i.
- **Based on the prior PUC studies and reviews by the Consumer Advocate and Legislature, it is not likely that a new study will conclude that restructuring of Hawai'i's energy utilities will result in cost savings for ratepayers and developers.** LURF understands that the majority of the costs in customer bills would not be substantially impacted by the restructuring proposal, and that under restructuring, the current electrical generation and transmission equipment and facilities may need to be purchased by new entities, which could actually increase costs.
- **The study is unnecessary, because the costs of new generation are already subject to a robust PUC competitive bidding process and is also overseen by an independent Observer, which helps protect the interests of ratepayers and customers.**
- **The study will likely confirm that restructuring at this time will add complexity, coordination problems, and additional costs during this time of transition to LNG as part of Hawai'i's renewable energy initiatives.**

Based on the above, LURF **opposes SB 3326, SD1, and respectfully requests that your Committees defer this measure.**

Aloha Chairs Lowen, Vice Chairs Perruso, and Members of the EEP and LAB Committees,

I'm writing in strong support of SB3326 SD2. As Dr. Fripp so eloquently conveyed at the EEP's LNG informational hearing last week, the resulting regulatory system is failing to yield the most affordable electricity prices. As families struggle to pay for basic needs such as energy, we owe it to them to research ways to make living in Hawai'i more affordable.

In undertaking this study, researchers would likely discover a better regulatory system that would lower electricity bills for all thus helping households and local businesses.

In addition, Dr. Fripp's analysis showed that adding more renewables to the grid would lower costs. Therefore, a new regulatory regime could improve our environmental health in addition to lowering electricity costs.

Mahalo for the opportunity to testify,

Paul Bernstein

Honolulu