

# ENERGY REGULATORY INNOVATION IN HAWAII

Evolution leaps forward...



**1891**  
Hawaiian Electric Company, Ltd. is incorporated on October 13, 1891.

**1915**  
The Legislature grants Hawaiian Electric the right to supply power to the entire island of Oahu.

**1996**  
The Commission institutes a proceeding to investigate competition and possible restructuring for Hawaii's regulated electric utilities (Docket 1996-0493).

**1999**  
The HECO Companies file an application requesting approval of a Performance-Based Regulatory framework to be implemented following their rate case (Docket 1999-0396).

**2009**  
**Approval of the Renewable Energy Infrastructure Program (REIP) Regulatory Mechanism (Docket 2007-0416).**

**2012**  
Reexamination of existing Decoupling Mechanisms (Docket 2013-0141).

**2015**  
Modification of Decoupling Mechanisms, capping annual revenue increases between rate cases and initiated discussion on Performance Incentive Mechanisms (PIMs) (Docket 2013-0141).

**2018**  
**Investigation of Performance-Based Regulation (Docket 2018-0088).**

**2020**  
Terminating the HECO Companies' Mandatory Triennial Rate Cycle (Docket 2008-0274).

1900



2000

2010

2020

**1913**  
**Hawaii Public Utilities Commission (PUC) is established.**

- Act 127 – Governed the Commission's work, and jurisdiction over specific franchises, including Hawaiian Electric's franchise.
- Role of the Commission: (1) Has the power to initiate investigatory proceedings to examine different issues, (2) regulates rates charged by public utilities ("just and reasonable"), (3) approves utilities major capital expenditures, and (4) approves utilities commitments for certain types of financing transactions.

**2004**  
**Act 95 charges the Commission with the following task:**  
"By December 31, 2006, develop and implement a utility ratemaking structure which may include but is not limited to performance-based ratemaking, to provide incentives to Hawaii's electric utility companies to use cost-effective renewable energy resources found in Hawaii to meet the RPS (Renewable Portfolio Standard) established by HRS 269-92..."

**2010**  
**Approval of Decoupling (Docket 2008-0274)**  
Electric rates are delinked from the HECO Companies' revenues from the amount of electricity sold, removing the financial disincentive for energy efficiency and renewable energy efforts, and implementation of other regulatory mechanisms to align the utility with Hawaii's energy policy goals.

- 2017**  
Establishment of:
- **Performance Incentive Mechanisms** for reliability and customer service.
  - **Major Project Interim Recovery (MPIR) guidelines.**
  - A Stand-alone Performance Incentive Mechanism for HECO's Demand Response Program.
  - Shared Savings Mechanism for HECO's renewable energy procurement (Docket 2017-0352), allowing the utility to keep a portion of the net benefits generated through exemplary performance in the procurement of renewables.