

STAND. COM. REP. NO.

1499

Honolulu, Hawaii

MAR 21, 2025

RE: S.B. No. 21
S.D. 2
H.D. 2

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Madame:

Your Committee on Consumer Protection & Commerce, to which was referred S.B. No. 21, S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO WATER CARRIERS,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Authorize the Public Utilities Commission to establish, no later than January 1, 2026, an automatic adjustment mechanism, including a Water Carrier Inflationary Cost Index automatic adjustment mechanism; and
- (2) Authorize the Public Utilities Commission to waive or exempt a water carrier from the Hawaii Water Carrier Act.

Your Committee received testimony in support of this measure from the Department of Transportation; Young Brothers, LLC; Chamber of Commerce Hawaii; Lāna'i Oil Company, Inc.; Hono Heke Corporation, dba Expeditions Ferry; Hawai'i Harbors Users Group; and one individual. Your Committee received comments on this measure from the Department of Commerce and Consumer Affairs; Department of Agriculture; and Public Utilities Commission.

2025-2749 SB21 HD2 HSCR HMSO



Your Committee finds that water carriers engage in the transportation of persons or property by water. These carriers play a crucial role in sustaining each island's economy and community by, among other things, moving essential goods between islands.

Your Committee further finds that water carriers are not immune from existing inflationary pressures. While cargo volumes for these carriers have stagnated, the costs of operation have increased, leading to an ongoing struggle to establish and maintain financial sustainability. This is further exacerbated by the regulatory lag to address increasing costs. This measure authorizes the Public Utilities Commission to develop a mechanism that will flexibly address the increasing costs of these much-needed carriers.

Your Committee has amended this measure by:

- (1) Changing the date for when the Public Utilities Commission is authorized to establish automatic adjustment mechanisms from January 1, 2026, to July 1, 2026;
- (2) Clarifying that the automatic rate adjustment created by the water carrier inflationary cost index automatic adjustment mechanism is tied to the annual percent change in a Product Price Index, as determined by the Public Utilities Commission, instead of the Gross Domestic Product Price Index;
- (3) Requiring the Public Utilities Commission to consider applicable inflation indexes when determining the Product Price index;
- (4) Clarifying that any request to establish an automatic adjustment mechanism can be submitted as part of a rate case application and deleting language that would have specified that the filing does not constitute a rate increase application or request for a general rate increase; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.



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. 21, S.D. 2, H.D. 1, as amended herein, and recommends that it be referred to your Committee on Finance in the form attached hereto as S.B. No. 21, S.D. 2, H.D. 2.

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



SCOT Z. MATAYOSHI, Chair



