

JOSH GREEN, M.D.  
GOVERNOR  
KE KIA'ĀINA



EDWIN H. SNIFFEN  
DIRECTOR  
KA LUNA HO'OKELE

Deputy Directors  
Nā Hope Luna Ho'okele  
DREANALEE K. KALILI  
TAMMY L. LEE  
CURT T. OTAGURO  
ROBIN K. SHISHIDO

STATE OF HAWAI'I | KA MOKU'ĀINA 'O HAWAI'I  
DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU  
869 PUNCHBOWL STREET  
HONOLULU, HAWAII 96813-5097

February 6, 2025  
3:00 P.M.  
State Capitol, Room 224



**S.B. 1219**  
**RELATING TO TRANSPORTATION**

Senate Committee on Transportation and Culture and the Arts

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The Department of Transportation (DOT) **supports** this measure that transfers the jurisdiction of the Motor Carrier Law and the Water Carrier Act from the Public Utilities Commission to the DOT.

Should the legislature determine that this proposed transfer of jurisdiction is in the best interest of the state, DOT is prepared to accept these responsibilities. The enforcement responsibility of the Motor Carrier Law was previously transferred to DOT last year by Act 117 (Session Laws of Hawaii 2024). The two-year transition period is adequate to promulgate administrative rules, establish processes, coordinate staff assignments, and communicate with private stakeholders.

Thank you for the opportunity to provide testimony.

JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LT. GOVERNOR



STATE OF HAWAII  
PUBLIC UTILITIES COMMISSION  
465 S. KING STREET, #103  
HONOLULU, HAWAII 96813

LEODOLOFF R. ASUNCION, JR.  
CHAIR

NAOMI U. KUWAYE  
COMMISSIONER

COLIN A. YOST  
COMMISSIONER

Telephone: (808) 586-2020  
Facsimile: (808) 586-2066

Website: [puc.hawaii.gov](http://puc.hawaii.gov)  
E-mail: [puc@hawaii.gov](mailto:puc@hawaii.gov)

## Testimony of the Public Utilities Commission

To the  
Senate Committee on  
Transportation and Culture and the Arts

February 6, 2025  
3:00 p.m.

Chair Lee, Vice Chair Inouye, and Members of the Committee:

**Measure:** S.B. No. 1219  
**Title:** RELATING TO TRANSPORTATION.

### Position:

The Public Utilities Commission ("Commission") supports this measure and offers the following comments and amendments for consideration.

### Comments:

The Commission supports this measure to transfer regulatory oversight of Water Carriers and Motor Carriers from the Commission to the Department of Transportation ("Department" or "DoT").

The Commission observes that Act 117, Session Laws of Hawaii 2024, has already transferred the enforcement responsibilities of the Motor Carrier Law from the Commission to the DoT. Also, the Commission has no concerns if an appropriate agency takes over the robust regulation of Water Carriers and Motor Carriers that have a Certificate of Public Convenience and Necessity ("CPCN") with the Commission. The Commission notes that with the two-year transition in the measure, the Commission will assist the Department in this transition process including but not limited to the transfer of information, processes, documents, rules, etc. The Commission offers that so long as the Department is comfortable with assuming said regulation, setting up the necessary internal resources, and converting or adopting necessary rules, that this transfer is possible.

Furthermore, the Commission will conclude all remaining proceedings within the next two years so that the Department can assume responsibility by the transition date without pending Commission actions. That said, there is nothing mandating that the Department

needs to have the same quasi-judicial role over regulation for Water Carriers and Motor Carriers and defers to the Department as to how the Department will conduct regulation.

The Commission notes that the Committee may want to consider additional language, regarding what funds the Commission will transfer to the Department upon approval date of this measure, and until at which time effective date of the funds transfer occurs. The Commission offers the following amendment for your consideration:

Page 70, Line 6-12

SECTION 22. The public utilities commission shall transfer the total fund balance in the public utilities commission special fund collected against motor carriers and water carriers pursuant to section 269-30, 271-36, and 271G-3, Hawaii Revised Statutes, as of September 15, 2025, and all encumbrances against that fund open and outstanding as of that date, to the state highway fund no later than one hundred eighty days after the effective date of this Act.

The Commission provides that should the above amendment be included, that the Commission may hold and transfer any amounts collected after September 15, 2025, and remit those funds to the Department until 180 days after the enactment of this act.

Thank you for the opportunity to testify on this measure.



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I  
OFFICE OF THE DIRECTOR  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
KA 'OIHANA PILI KĀLEPA  
335 MERCHANT STREET, ROOM 310  
P.O. BOX 541  
HONOLULU, HAWAII 96809  
Phone Number: (808) 586-2850  
Fax Number: (808) 586-2856  
cca.hawaii.gov

JOSH GREEN, M.D.  
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE  
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA

NADINE Y. ANDO  
DIRECTOR | KA LUNA HO'OKELE

DEAN I HAZAMA  
DEPUTY DIRECTOR | KA HOPE LUNA HO'OKELE

**Testimony of the Department of Commerce and Consumer Affairs**

**Before the  
Senate Committee on Transportation and Culture and the Arts  
Thursday, February 6, 2025  
3:00 p.m.  
Conference Room 224**

**On the following measure:  
S.B. 1219, RELATING TO TRANSPORTATION**

Chair Lee and Members of the Committee:

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) transfer the jurisdiction of the Motor Carrier Law from the Public Utilities Commission (Commission) to the Department of Transportation (DOT); (2) transfer the jurisdiction of the Water Carrier Act from the Commission to the DOT; (3) make conforming amendments; and (4) appropriate funds and sets an effective date for the measure as 7/1/2027.

With respect to this bill, the Department focuses on the transfer of the Commission's jurisdiction of the Water Carrier Act, and in turn, the regulation of water carriers, to the DOT.

The Department believes that such a transfer of authority could inadvertently lead to adverse impacts on ratepayers in the form of unregulated rate increases and the lack of a dedicated advocate to address ratepayer concerns.

Under current laws, the Commission protects the public interest by investigating whether the water carrier has been reasonably controlling its costs and operating efficiently. Hawaii Revised Statutes (HRS) § 271G-16(e), provides that the Commission should exercise its power to “prescribe just and reasonable rates, fares, and charges,” to consider the “effect of rates upon the movement of traffic by the carrier,” and “to the need, in the public interest, of adequate and efficient transportation service by the carriers at the lowest cost consistent with furnishing of the service” (emphasis added). Granting rate increases without examining whether underlying costs and investments were reasonably incurred would not be in the public interest. The removal of the Commission as the regulatory body removes regulatory oversight of the reasonableness of rates and efficiency of transportation services.

Additionally, regarding consumer protection, HRS § 271G-3 indicates that any section of HRS Chapter 269 applies where HRS Chapter 271G is silent. The operation of HRS Chapter 271G currently benefits from the augmentation of provisions in HRS Chapter 269. Without that tie there is no provision in HRS Chapter 271G that expressly allows for or requires consumer protection.

Finally, the Department is concerned that all necessary administrative rules may not be in place by the July 1, 2027 date of transfer of regulatory authority to DOT. This is based on the understanding that the DOT does not currently have administrative rules for the procedures and guidelines of setting water carrier tariffs and rates that it can charge customers or process for providing notice of changes in rates to customers and customers having the opportunity to express how they may be affected by possible rate increases.

In summary, enabling rate increases absent of regulatory oversight to help ensure reasonable efforts are being made to control costs and deliver affordable services to Hawaii’s businesses and residents, would result in unnecessarily high rates for

customers. Given the current economic conditions customers need adequate protection to ensure they pay reasonable rates.

Thank you for the opportunity to testify on this bill.



February 6, 2025

Senator Chris Lee, Chair  
Senator Lorraine R. Inouye, Vice Chair  
Senate Committee on Transportation and Culture and the Arts

**RE: Senate Bill 1219 – RELATING TO TRANSPORTATION**  
**Hearing date: February 6, 2025, 3:00 p.m.**

Aloha Chair Lee, Vice Chair Inouye, and Members of the Committee:

Thank you for the opportunity to submit testimony on behalf of Young Brothers, LLC (“YB”)<sup>1</sup>  
**SUPPORTING THE INTENT** of Senate Bill 1219 – Relating to Transportation.

As it pertains to state regulated water carriers, like YB, this measure would transfer the responsibilities and authorities currently assigned to the Public Utilities Commission under Chapter 271G, Hawaii Revised Statutes (the “Water Carrier Act”) to the Department of Transportation.

YB understands that the services it provides are vital to local communities around our state, and thus understands the importance of having fair and impartial regulation to promote the safe, adequate, economical, and efficient service among water carriers. YB is in an unusual, if not unique position amongst both water carriers in the industry and other regulated public utilities in the state. Unlike most domestic water carriers of property, YB must adhere to strict regulatory requirements and an established regulatory framework that are rooted in years of regulatory principles and history that were developed for application to traditional public utilities, such as electric utilities. For example, YB is currently subject to a ratemaking process that is nearly identical to the rigorous ratemaking processes that are currently applied to traditional public utilities, such as electric utilities, while other domestic water carriers of property are subject to a relatively simple and flexible form of economic regulation enforced by the federal Surface Transportation Board. Furthermore, unlike other domestic water carriers of property, YB is also required, by law, to adhere to a mandated sailing schedule and to carry a wide array of cargo types that most, if not all, water carriers of property in the industry are unable or unwilling to ship. Accordingly, due to its unusual, if not unique, position amongst both water carriers in the industry and other regulated public utilities in the state, YB

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<sup>1</sup> YB is a common carrier by water, transporting property by tug and barge between the islands of O‘ahu, Hawai‘i, Kaua‘i, Maui, Moloka‘i, and Lāna‘i. YB is currently the only water carrier authorized to transport property under Chapter 271G, Hawaii Revised Statutes (“HRS”) (i.e., the Hawaii Water Carrier Act), subject to the regulatory authority of the Public Utilities Commission of the State of Hawaii (“PUC”). Since 1900, customers across Hawaii have relied on YB’s frequent, regular, and universal sailings to serve as the bridge that connects all communities in this island-state.

supports the intent of transferring regulatory authority of YB's operations to a department that has experience rooted in maritime transportation or similar fields.

YB acknowledges that DOT may not have the same ratemaking expertise offered by the PUC. However, YB also notes that, pursuant to Senate Resolution No. 125 S.D. 1 (2020), a working group was formed to recommend mid-term and long-term solutions to balance the need for continuous interisland water carrier service throughout the State with the need for water carriers to maintain financial sustainability. The final report of the findings and recommendations reached through this working group were published on December 27, 2021,<sup>2</sup> and include several findings and recommendations regarding the establishment of regulatory processes or mechanisms that are tailored specifically to the needs of regulated water carriers and their customers and allow the flexibility to meet the unique operational challenges faced by YB and other potential intrastate water carriers of property. YB supports the review and consideration of these recommendations by any regulatory commission charged with oversight of water carriers within the State. Any rates set by DOT under this new regulatory framework should be based on the understanding that the water carrier needs compensatory rates to allow such carrier to be financially healthy, continue to be a going concern, and able to earn its authorized return, including meeting its applicable debt service obligations.

For the reasons stated above, YB **SUPPORTS THE INTENT** of this measure.

Thank you for your service to the State of Hawaii, and for the opportunity to testify offering comments on this measure.

Sincerely,

Kris Nakagawa  
Vice President, External and Legal Affairs

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<sup>2</sup> Available at: <https://puc.hawaii.gov/wp-content/uploads/2021/12/Final-Water-Carriers-Working-Group-Report-12-01-2021.pdf>

**SB-1219**

Submitted on: 2/5/2025 4:31:49 PM

Testimony for TCA on 2/6/2025 3:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Christopher Redlew	Testifying for Pacific Transfer LLC	Support	Written Testimony Only

Comments:

Pacific Transfer supports this bill as it will transfer responsibility for ensuring safety and regulatory compliance to an agency with a tangential relationship with the motorized transportation industry in which the motor carrier law applies. Passage of this bill allows the PUC to more sharply focus on actual public utility markets (which are oligopolistic in nature) rather than dedicating resources to the fully competitive and highly saturated motor carrier industry. It is Pacific Transfer's position that the Department of Transportation is better equipped and configured to ensure all motor carriers are operating under a valid PUC certificate and to provide actual enforcement as compared to the current status quo.

**LATE**

**SB-1219**

Submitted on: 2/5/2025 6:50:35 PM

Testimony for TCA on 2/6/2025 3:00:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
kelvin kohatsu	Testifying for Hawaii Transportation Association	Oppose	Remotely Via Zoom

Comments:

Good Afternoon Senate Transportation Committee

Chair Chris Lee,

Vice Chair Lorraine R. Inouye,

Members Brandon J.C. Elefante, Dru Mamo Kanuha, and Samantha DeCorte,

I'm Kelvin Kohatsu, Hawaii Transportation Association (HTA) Managing Director representing over 330 transportation companies across our State of Hawaii.

HTA opposes SB1219.

The laws and the mechanisms, via the Public Utilities Commission, for administering and enforcing those laws necessary for regulating the motor carrier industry in a manner that protects the interests of our residents, businesses, and the industry, already exist. The HTA and its transportation industry members support these existing laws and the PUC's authority for regulatory oversight and administration with the support of the DOT through its enforcement activities.

We endeavor to insure that the PUC and DOT, in their existing capacities, are adequately staffed and funded to perform their respective duties and responsibilities.

Thank you for your consideration, and I'll be available for questions.

Kelvin Kohatsu