

STAND. COM. REP. NO.

2724

Honolulu, Hawaii

FEB 16 2024

RE: S.B. No. 2922
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 2922 entitled:

"A BILL FOR AN ACT RELATING TO PUBLIC UTILITIES,"

begs leave to report as follows:

The purpose and intent of this measure is to establish and implement the Catastrophic Wildfire Securitization Act, to allow public utilities to securitize rates in order to raise capital that can be used to pay for costs and expenses arising out of catastrophic wildfires.

Your Committee received testimony in support of this measure from Hawaiian Electric; International Brotherhood of Electrical Workers Local Union 1260; Kaua'i Island Utility Cooperative; Kona-Kohala Chamber of Commerce; Hawai'i Island Chamber of Commerce; Hawaii Leeward Planning Conference; Ulupono Initiative; Mālama Learning Center; AES Hawai'i; Puna Geothermal Venture-Ormat; Par Hawaii; Kalaeloa Partners, L.P.; and seventy-nine individuals.

Your Committee received comments on this measure from the Office of the Governor, Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, Department of the Attorney General, Public Utilities Commission, Department of Budget and Finance, and Maui Chamber of Commerce.



Your Committee finds that securitization is a form of financing that helps finance wildfire recovery and mitigation projects at a lower cost to customers than traditional utility financing. Generally, securitization proceeds can be used to reimburse a public utility for certain costs and expenses related to wildfires, using bonds collateralized by recovery property, which is the right to impose, collect, and receive from utility customers the amounts necessary to pay principal and interest on the recovery bonds, as well as other ongoing expenses. Your Committee finds that, in the wake of the August 2023 Maui wildfire, public utilities must raise the capital to fund near-term costs and expenses to develop and implement effective plans for wildfire risk mitigation, contribute to disaster relief funds, and, as necessary, fund litigation and settlements. Therefore, this measure provides a framework to allow public utilities in Hawaii to securitize rates to pay for catastrophic wildfire related expenses.

Your Committee has amended this measure by:

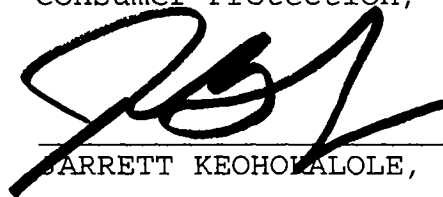
- (1) Inserting language to clarify that as a condition to issue a financing order, the Public Utilities Commission shall authorize the recovery of costs and expenses, which shall be limited to certain eligible categories;
- (2) Inserting language to require that as a condition to issue a financing order, when recovery bonds are issued, fixed recovery charges and associated taxes and bonds shall result in net savings to ratepayers;
- (3) Inserting language that as a condition to issue a financing order, requires public utilities to provide, and the Public Utilities Commission to approve, a reorganization plan that satisfies certain conditions;
- (4) Amending from one hundred eighty days to an unspecified number of days the time period required for the Public Utilities Commission to issue a financing order after determining that the amounts identified in an application are recovery costs;
- (5) Inserting an effective date of July 1, 2040, to encourage further discussion; and



- (6) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2922, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2922, S.D. 1, and be referred to your Committees on Ways and Means and Judiciary.

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



BARRETT KEOHOKALOLE, Chair



