

STAND. COM. REP. NO. 794

Honolulu, Hawaii

MAR 03 2023

RE: S.B. No. 479
S.D. 2

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 479, S.D. 1, entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Require a water common carrier to receive approval from the Public Utilities Commission (PUC) before entering into long-term leases of more than five years, instead of three years; and
- (2) Clarify that a water common carrier must receive approval from the PUC before entering into leverage leases for waterborne vessels.

Your Committee received testimony in support of this measure from Young Brothers, LLC; Matson Navigation Company, Inc.; and Hawaii Harbor Users Group. Your Committee received testimony in opposition to this measure from the Department of Commerce and Consumer Affairs and one individual. Your Committee received comments on this measure from the Public Utilities Commission.

Your Committee finds that the ability for residents and business to move goods between the islands at affordable rates is



critical to the neighbor island communities' economic well-being, as they are reliant on the interisland cargo services that water common carriers provide. Long-term leases and leverage lease agreements impact and add to a water common carriers' costs which in turn, are a component of the rates that water common carriers impose on residents and businesses. Under existing law, a water common carrier must receive approval from the PUC before entering into a long-term lease of more than three years or a leverage lease. However, the approval process can impede a water common carrier's ability to timely secure needed equipment or property. This measure would narrow the scope of the types of leases that require approval and provide water common carriers greater flexibility in entering into leases without PUC approval.

Your Committee notes concerns raised in testimony that underscores the importance of the PUC retaining the ability to approve certain leases in order to protect consumers. Therefore, amendments to this measure are necessary to address these concerns.

Accordingly, your Committee has amended this measure by:

- (1) Deleting language that would have required PUC approval for leases longer than five years and leverage leases for leases of water-borne vessels and inserting language exempting from the requirement that a water common carrier secure the prior approval of the PUC to issue stocks and stock certificates and enter long-term leases of more than three years and leverage leases:
 - (A) Land leases from a governmental entity; provided that either the water common carrier or governmental entity provides a letter to the commission outlining terms of the lease agreement in a reasonable timeframe after the agreement is executed; and
 - (B) Leases of any equipment of which the annual cost of the lease is below a threshold as determined by the commission in the most recently approved rate case or other ratemaking proceeding; and



- (2) 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. 479, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 479, S.D. 2.

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



JARRETT KEOHOKALOLE, Chair



