
A BILL FOR AN ACT

RELATING TO WATER CARRIERS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Chapter 271G, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "~~§271G-~~ Automatic adjustment mechanisms; rules. (a)
5 The commission may establish automatic adjustment mechanisms for
6 water carriers subject to this chapter to address inflation,
7 regulatory lag, and other economic factors. The commission
8 shall initiate a proceeding for the adoption of rules pursuant
9 to chapter 91 to establish the framework, guidelines, and
10 conditions for any automatic adjustment mechanism prior to the
11 approval of any application by a water carrier.

12 (b) The rules adopted pursuant to subsection (a) shall
13 include:

14 (1) Strict financial and operational due diligence
15 requirements that a water carrier must meet prior to
16 the approval of any automatic adjustment mechanism;



- 1 (2) A maximum allowable percentage for any annual rate
2 increase implemented through the automatic adjustment
3 mechanism;
- 4 (3) A maximum duration or time period for which the
5 automatic adjustment mechanism may be applied before
6 the water carrier is required to submit a general rate
7 case application;
- 8 (4) A requirement that the water carrier demonstrate the
9 complete and transparent accounting separation of
10 regulated intrastate shipping functions from all
11 unregulated functions and parent company operations;
- 12 (5) A requirement that the commission evaluate the water
13 carrier's long-term commitment to the State, which
14 shall include an assessment of workforce stability,
15 retention of Hawaii-based personnel, and sustained
16 investment in local operations;
- 17 (6) A prohibition on the issuance of dividend payments or
18 other financial distributions to a parent company or
19 shareholders during the years in which the automatic
20 adjustment mechanism is applied;



- 1 (7) A mandatory two-year cooling-off period immediately
2 following the effective date of any rate increase
3 approved by the commission through a general rate
4 case, during which the water carrier shall be
5 prohibited from using the automatic adjustment
6 mechanism;
- 7 (8) Specific performance metrics regarding service
8 reliability, on-time delivery, and cargo handling
9 efficiency that the water carrier must maintain;
- 10 (9) Mandatory community outreach and public engagement
11 requirements, ensuring that the water carrier provides
12 regular updates to consumers and stakeholders on the
13 neighbor islands regarding operational performance,
14 financial health, and any anticipated rate
15 adjustments;
- 16 (10) A prohibition on the issuance of bonuses or increases
17 in compensation packages to executive officers of the
18 water carrier during the years in which the automatic
19 adjustment mechanism is applied;
- 20 (11) Strict biosecurity compliance requirements,
21 stipulating that any water carrier found to be



1 non-compliant with the department of agriculture and
2 biosecurity rules or other applicable state
3 biosecurity laws shall be prohibited from docking or
4 discharging cargo at any state harbor until full
5 compliance is verified;

6 (12) Annual reporting requirements for compliance with any
7 conditions established; and

8 (13) Procedures for corrective actions if the water carrier
9 is not in compliance.

10 (c) Notwithstanding any other law to the contrary, the
11 rules adopted under this section shall be presented to, and
12 subject to the approval of, the governor. If the governor
13 approves the rules, the governor shall sign the rules, and the
14 rules shall be adopted as provided in section 91-3. If the
15 governor does not approve the rules, the governor may return the
16 rules to the commission with the governor's reasons for
17 disapproval. The governor shall have twenty-one days to
18 consider the rules after the rules are presented to the
19 governor, and if the rules are neither signed nor returned by
20 the governor within that time, the rules shall be adopted as if
21 the governor had signed them. If the rules are returned to the



1 commission, the commission may start anew the rule-making
2 process set forth in subsection (a).

3 (d) Any request by a water carrier to establish an
4 automatic adjustment mechanism shall be submitted as a
5 forty-five-day tariff transmittal filing or as part of a general
6 rate case application, subject to the rules adopted pursuant to
7 subsection (a).

8 (e) Customers eligible for preferential agricultural rates
9 under section 269-26.5 shall be exempt from any automatic
10 adjustment mechanism authorized by this section."

11 SECTION 2. Section 271G-5, Hawaii Revised Statutes, is
12 amended by adding a new definition to be appropriately inserted
13 and to read as follows:

14 ""Automatic adjustment mechanism" means any rate adjustment
15 mechanism that allows a water carrier to change rates between
16 rate cases."

17 SECTION 3. Section 271G-17, Hawaii Revised Statutes, is
18 amended to read as follows:

19 **"§271G-17 Tariffs of water carriers.** (a) Every water
20 carrier shall file with the [~~public utilities~~] commission, and
21 print, and keep open to public inspection, tariffs showing all



1 the rates, fares, and charges for transportation, and all
2 services in connection therewith, of passengers or property.
3 The rates, fares, and charges shall be stated in terms of lawful
4 money of the United States. The tariffs required by this
5 section shall be published, filed, and posted in [~~such~~] the form
6 and manner, and shall contain [~~such~~] information [~~as the~~]
7 prescribed by the commission by [~~regulations shall prescribe,~~
8 ~~and the~~] rules. The commission may reject any tariff filed with
9 it [~~which~~] that is not in consonance with this section and with
10 the [~~regulations.~~] rules. Any tariff so rejected by the
11 commission shall be void and its use shall be unlawful.

12 (b) No change shall be made in any rate, fare, charge, or
13 classification, or any rule, regulation, or practice affecting
14 the rate, fare, charge, or classification, or the value of the
15 service thereunder, specified in any effective tariff of a water
16 carrier, except after forty-five days' notice of the proposed
17 change filed and posted in accordance with subsection (a);
18 provided that changes to [~~a fuel~~] an automatic adjustment
19 mechanism surcharge approved by the commission may be made after
20 thirty days' notice of the proposed change filed and posted in
21 accordance with subsection (a). The notice shall plainly state



1 the change proposed to be made and the time when it will take
2 effect. The commission may in its discretion and for good cause
3 shown allow the change upon notice less than that [~~herein~~]
4 specified in this section or modify the requirements of this
5 section with respect to posting and filing of tariffs either in
6 particular instances or by general order applicable to special
7 or peculiar circumstances or conditions.

8 (c) No water carrier shall engage in the transportation of
9 passengers or property unless the rates, fares, and charges upon
10 which the same are transported by the water carrier have been
11 filed and published in accordance with this chapter.

12 (d) Whenever there is filed with the commission any
13 schedule stating a new rate, fare, or charge [~~7~~] for the
14 transportation of passengers or property by a water carrier or
15 any rule, regulation, or practice affecting [~~such~~] the rate,
16 fare, or charge, or the value of the service thereunder, the
17 water carrier may on its own initiative, or shall by order of
18 the commission served [~~prior to~~] before the effective date of
19 the schedule, concurrently file a pro forma statement of account
20 [~~which~~] that shall be prepared under the same form and in the



1 same manner as prescribed by the commission's uniform system of
2 accounts.

3 The commission may, upon complaint of any interested person
4 or upon its own initiative at once and, if it so orders, without
5 answer or other formal pleading by the interested water carrier
6 or water carriers, but upon reasonable notice, enter upon a
7 hearing concerning the lawfulness of the rate, fare, or
8 charge[7] or the rule, regulation, or practice, and pending the
9 hearing and the decision [~~thereon~~] by the commission, by
10 delivering to the affected water carrier or water carriers
11 [~~affected thereby~~] a statement in writing of its reasons
12 therefor, may suspend the operation of the schedule and defer
13 the use of the rate, fare, or charge[7] or the rule, regulation,
14 or practice. From the date of ordering a hearing to investigate
15 the lawfulness of the rate, fare, or charge, the commission
16 shall have up to six months to complete its investigation. If
17 the commission fails to issue a final order within the six-month
18 period then the changes proposed by the water carrier shall go
19 into effect. At any hearing involving a change in a rate, fare,
20 charge, or classification[7] or in a rule, regulation, or
21 practice, the burden of proof shall be upon the water carrier to



1 show that the proposed changed rate, fare, charge,
2 classification, rule, regulation, or practice[7] is just and
3 reasonable.

4 (e) When a rate increase application is filed, the
5 commission may in its discretion and after public notice, and
6 upon showing by a water carrier of probable entitlement and
7 financial need, authorize temporary increases in rates, fares,
8 and charges; provided that the commission shall by order require
9 the water carrier to keep accurate account in detail of all
10 amounts received by reason of [~~such~~] the increase, specifying by
11 whom and in whose behalf [~~such~~] the amounts are paid, and upon
12 completion of the hearing and decision by further order require
13 the interested carrier to refund, with interest, to the persons
14 in whose behalf [~~such~~] the amounts were paid, [~~such~~] the portion
15 of [~~such~~] the increased rates or charges by its decision shall
16 be found not justified. The interest to be paid shall be the
17 rate of return authorized in the last general rate case
18 proceedings.

19 (f) Notwithstanding subsections (a) through (e), any
20 request to establish an automatic adjustment mechanism made by a
21 water carrier shall be submitted as a forty-five-day tariff



1 transmittal filing or as part of a general rate case
2 application.

3 (g) Notwithstanding any provision of this chapter or any
4 law, decision, order, or rule to the contrary, the commission,
5 upon the application of a water carrier, may waive or exempt a
6 water carrier from any or all requirements of this chapter or
7 any applicable decision, order, rule, or other law upon a
8 determination or demonstration that any requirement or
9 requirements should not be applied to water carriers or are
10 otherwise unjust, unreasonable, or not in the public interest."

11 SECTION 4. Statutory material to be repealed is bracketed
12 and stricken. New statutory material is underscored.

13 SECTION 5. This Act shall take effect on July 1, 2026, and
14 shall be repealed on July 1, 2032; provided that section
15 271G-17, Hawaii Revised Statutes, shall be reenacted in the form
16 in which it read on the day before the effective date of this
17 Act.



Report Title:

PUC; Water Carriers; Tariffs; Automatic Adjustment Mechanism;
Rate Adjustments; Rules

Description:

Authorizes the Public Utilities Commission to establish automatic adjustment mechanisms by rules that include specified criteria. Grants Governor veto-authority over the rules. Authorizes the Public Utilities Commission to waive or exempt any water carrier from any requirement under the Hawaii Water Carrier Act. Repeals 7/1/2032. (SD2)

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