

Honolulu, Hawaii
, 2026

APR 10

RE: S.B. No. 2694
S.D. 2
H.D. 2

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Madame:

Your Committee on Consumer Protection & Commerce, to which
was referred S.B. No. 2694, 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 require the Public
Utilities Commission to prohibit cross-subsidization involving a
water carrier.

Prior to the hearing on this measure, your Committee posted
and made available for public review a proposed H.D. 2, that:

- (1) Reverts the contents to the S.D. 2 version, which:
 - (A) Authorizes the Public Utilities Commission to
establish automatic adjustment mechanisms to
address economic factors sua sponte or on
application by a water carrier;
 - (B) Requires the Public Utilities Commission to
establish a water carrier inflationary cost index
automatic adjustment mechanism;



- (C) Exempts customers eligible for preferential agricultural water rates from the automatic adjustment mechanisms;
 - (D) Authorizes the Public Utilities Commission to waive or exempt any water carrier from any requirement under the Hawaii Water Carrier Law; and
 - (E) Contains an effective date of July 1, 2050, and a sunset date of July 1, 2033; and
- (2) Further amends the S.D. 2 version by:
- (A) Requiring, rather than authorizing, the Public Utilities Commission to establish automatic adjustment mechanisms;
 - (B) Specifying that the water carrier inflationary cost index automatic adjustment mechanism cannot exceed five percent per year;
 - (C) Deleting language that prohibited a water carrier from establishing an automatic adjustment mechanism for a period of two years following the effective date of a general rate increase; and
 - (D) Changing the sunset date to July 1, 2029.

Your Committee received testimony in support of the proposed H.D. 2 from the Hawai'i Harbors Users Group; Hawaii Pilots Association; Goodwill Hawaii; The Maritime Group; Young Brothers, LLC; Hawaii Transfer Company, Ltd.; MA'O Organic Farms; Hale Makua; Big Island Motors; and two individuals. Your Committee received testimony in opposition to the proposed H.D. 2 from the Grassroot Institute of Hawaii; Hawai'i Island Chamber of Commerce; Hawaii Food Industry Association; Hawaii Island Economic Development Board; Hawaii Leeward Planning Conference; Hawai'i Restaurant Association; Japanese Chamber of Commerce & Industry of Hawaii; Kapolei Chamber of Commerce; Kona-Kohala Chamber of Commerce; Maui Chamber of Commerce; Construction Industry of Maui; West Maui Taxpayers Association; ABC Stores; Maui Brewing Co.; Molokai Chamber of Commerce; Molokai Farm Bureau; and one individual. Your Committee received comments on the proposed H.D. 2 from the



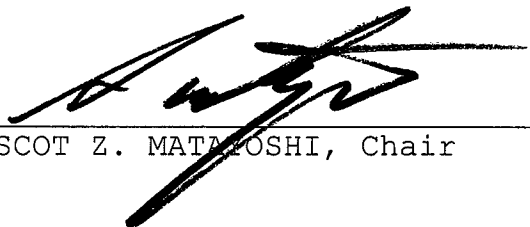
Department of Commerce and Consumer Affairs; Public Utilities Commission; AARP Hawai'i; Hawai'i Farm Bureau; and one individual.

Your Committee finds that the proposed H.D. 2 establishes a structured and predictable framework for automatic adjustment mechanisms, including a water carrier inflationary cost index tied to wharfage rate increases and capped annually, while requiring periodic review through a three-year cycle to ensure continued regulatory oversight. Your Committee also finds that clarifying the process for tariff filings and authorizing the Public Utilities Commission to grant waivers or exemptions enhances administrative efficiency and allows for case-by-case consideration when strict application of the law may be impractical or not in the public interest. Additionally, by exempting certain agricultural customers from automatic adjustments, the proposed H.D. 2 balances the need for economic responsiveness with protections for key sectors, thereby supporting a more stable and efficient water carrier system.

Your Committee has amended this measure by adopting the proposed H.D. 2 and further amending the measure by 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. 2694, S.D. 2, H.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 2694, S.D. 2, H.D. 2.

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



SCOT Z. MATSUMOSHI, Chair



