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# 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; water carrier  
5 inflationary cost index automatic adjustment mechanism. (a) No  
6 later than July 1, 2026, for each water carrier subject to this  
7 chapter, the commission may establish automatic adjustment  
8 mechanisms to address, among other things, inflation and  
9 regulatory lag and, at a minimum, a water carrier inflationary  
10 cost index automatic adjustment mechanism. The water carrier  
11 inflationary cost index automatic adjustment mechanism shall  
12 create an automatic rate adjustment that is tied to the annual  
13 per cent change in a Product Price Index, as determined by the  
14 commission. In doing so, the commission shall consider  
15 applicable inflation indexes, including those reported by the  
16 Bureau of Economic Analysis of the United States Department of  
17 Commerce.



1        (b) The water carrier inflationary cost index automatic  
2 adjustment mechanism shall:

3        (1) Be applied on an annual basis, regardless of whether  
4 the factor is a positive or negative per cent change;

5        (2) Be capped at plus or minus five per cent per year; and

6        (3) Be applied at an ongoing three-year cadence, with the  
7 water carrier inflationary cost index automatic  
8 adjustment mechanism being applied annually for two  
9 consecutive years, with the third year requiring a  
10 general rate case."

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 commission by [~~regulations~~] rules shall prescribe[~~;~~ and the].  
8 The commission may reject any tariff filed with it [~~which~~] that  
9 is not in consonance with this section and with the  
10 [~~regulations.~~] rules. Any tariff so rejected by the commission  
11 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 carrier have been filed  
11 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, 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 carrier may on its own initiative, or shall by order of the  
18 commission served [~~prior to~~] before the effective date of the  
19 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 carrier or  
6 carriers, but upon reasonable notice, enter upon a hearing  
7 concerning the lawfulness of the rate, fare, or charge, or the  
8 rule, regulation, or practice, and pending the hearing and the  
9 decision thereon the commission, by delivering to the carrier or  
10 carriers affected thereby a statement in writing of its reasons  
11 therefor, may suspend the operation of the schedule and defer  
12 the use of the rate, fare, or charge, or the rule, regulation,  
13 or practice. From the date of ordering a hearing to investigate  
14 the lawfulness of the rate, fare, or charge, the commission  
15 shall have up to six months to complete its investigation. If  
16 the commission fails to issue a final order within the six-month  
17 period then the changes proposed by the carrier shall go into  
18 effect. At any hearing involving a change in a rate, fare,  
19 charge, or classification, or in a rule, regulation, or  
20 practice, the burden of proof shall be upon the carrier to show



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

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

18 (f) Notwithstanding subsections (a) to (e), any request to  
19 establish an automatic adjustment mechanism made by a water  
20 carrier shall be submitted as a forty-five-day tariff  
21 transmittal filing or as part of a rate case application. The



1 commission shall have broad discretion in its application of any  
2 aspect of this section or its applicable rules as it may relate  
3 to any request to establish or modify any automatic adjustment  
4 mechanism made by a water carrier.

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

13 SECTION 4. Statutory material to be repealed is bracketed  
14 and stricken. New statutory material is underscored.

15 SECTION 5. This Act shall take effect on July 1, 3000.



**Report Title:**

PUC; Water Carriers; Tariffs; Water Carrier Inflationary Cost Index; Automatic Adjustment Mechanism; Rate Adjustments

**Description:**

Authorizes the Public Utilities Commission to establish, no later than 7/1/2026, a Water Carrier Inflationary Cost Index automatic adjustment mechanism and waive or exempt any water carrier from any requirement under the Hawaii Water Carrier Act. Effective 7/1/3000. (HD2)

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