THE SENATE
THIRTY-THIRD LEGISLATURE, 2026
STATE OF HAWAII

S.B. NO. 2694 S.D. 1

A BILL FOR AN ACT

RELATING TO WATER CARRIERS.

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

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

"**§271G- Automatic adjustment mechanisms; water carrier inflationary cost index automatic adjustment mechanism.** (a) The commission may establish automatic adjustment mechanisms for water carriers subject to this chapter to address inflation, regulatory lag, and other economic factors. These mechanisms may be initiated and established by the commission or upon application by a water carrier. As provided in section 271G-17(f), these mechanisms shall be submitted as a forty-five-day tariff transmittal filing or as part of a general rate case application.

(b) By July 1, 2026, the commission shall establish a water carrier inflationary cost index automatic adjustment mechanism for each water carrier of property. The mechanism shall:

(1) Reflect the applicable annual percentage change in the increase of wharfage rates set by the department of transportation's harbors division, pursuant to applicable administrative rules;

(2) Be applied on an annual basis in accordance with subsection (c); and

(3) Be not more than five per cent per year.

(c) Beginning on July 1, 2026, the mechanism shall be applied at an ongoing, repeating three-year cycle, as follows:

(1) In the first and second years of the three-year cycle, the water carrier inflationary cost index automatic adjustment mechanism shall be applied annually; and

(2) For the third year of the three-year cycle, regardless of whether the water carrier is seeking any rate changes for the transportation of property, the water carrier shall submit an application with the rates, fares, or charges for the transportation of property that the water carrier proposes to be effective in the third year of the three-year cycle. The application shall be subject to the review and process

requirements for a standard rate increase application under subsections 271G-17(d) and (e)."

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

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

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

"**§271G-17 Tariffs of water carriers.** (a) Every water carrier shall file with the [~~public utilities~~] commission, and print, and keep open to public inspection, tariffs showing all the rates, fares, and charges for transportation, and all services in connection therewith, of passengers or property. The rates, fares, and charges shall be stated in terms of lawful money of the United States. The tariffs required by this section shall be published, filed, and posted in [~~such~~] the form and manner, and shall contain [~~such~~] information as the commission by [~~regulations~~] rules shall prescribe[~~; and the~~]. The commission may reject any tariff filed with it [~~which~~] that

is not in consonance with this section and with the [~~regulations.~~] rules. Any tariff so rejected by the commission shall be void and its use shall be unlawful.

(b) No change shall be made in any rate, fare, charge, or classification, or any rule, regulation, or practice affecting the rate, fare, charge, or classification, or the value of the service thereunder, specified in any effective tariff of a water carrier, except after forty-five days' notice of the proposed change filed and posted in accordance with subsection (a); provided that changes to [~~a fuel~~] an automatic adjustment mechanism surcharge approved by the commission may be made after thirty days' notice of the proposed change filed and posted in accordance with subsection (a). The notice shall plainly state the change proposed to be made and the time when it will take effect. The commission may in its discretion and for good cause shown allow the change upon notice less than that [~~herein~~] specified in this section or modify the requirements of this section with respect to posting and filing of tariffs either in particular instances or by general order applicable to special or peculiar circumstances or conditions.

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

(d) Whenever there is filed with the commission any schedule stating a new rate, fare, or charge, for the transportation of passengers or property by a water carrier or any rule, regulation, or practice affecting [~~such~~] the rate, fare, or charge, or the value of the service thereunder, the carrier may on its own initiative, or shall by order of the commission served [~~prior to~~] before the effective date of the schedule, concurrently file a pro forma statement of account [~~which~~] that shall be prepared under the same form and in the same manner as prescribed by the commission's uniform system of accounts.

The commission may upon complaint of any interested person or upon its own initiative at once and, if it so orders, without answer or other formal pleading by the interested carrier or carriers, but upon reasonable notice, enter upon a hearing concerning the lawfulness of the rate, fare, or charge, or the rule, regulation, or practice, and pending the hearing and the

decision thereon the commission, by delivering to the carrier or carriers affected thereby a statement in writing of its reasons therefor, may suspend the operation of the schedule and defer the use of the rate, fare, or charge, or the rule, regulation, or practice. From the date of ordering a hearing to investigate the lawfulness of the rate, fare, or charge, the commission shall have up to six months to complete its investigation. If the commission fails to issue a final order within the six-month period then the changes proposed by the carrier shall go into effect. At any hearing involving a change in a rate, fare, charge, or classification, or in a rule, regulation, or practice, the burden of proof shall be upon the carrier to show that the proposed changed rate, fare, charge, classification, rule, regulation, or practice, is just and reasonable.

(e) When a rate increase application is filed, the commission may in its discretion and after public notice, and upon showing by a water carrier of probable entitlement and financial need, authorize temporary increases in rates, fares, and charges; provided that the commission shall by order require the carrier to keep accurate account in detail of all amounts received by reason of [~~such~~] the increase, specifying by whom

and in whose behalf [~~such~~] the amounts are paid, and upon completion of the hearing and decision by further order require the interested carrier to refund, with interest, to the persons in whose behalf [~~such~~] the amounts were paid, [~~such~~] the portion of [~~such~~] the increased rates or charges by its decision shall be found not justified. The interest to be paid shall be the rate of return authorized in the last general rate case proceedings.

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

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

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

SECTION 5. This Act shall take effect on July 1, 2050, and shall be repealed on July 1, 2033; provided that section 271G-17, Hawaii Revised Statutes, shall be reenacted in the form in which it read on the day before the effective date of this Act.

S.B. NO. 2694 S.D. 1

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

Description:
Authorizes the Public Utilities Commission to establish automatic adjustment mechanisms to address economic factors sua sponte or on application by a water carrier. Requires the Public Utilities Commission to establish a water carrier inflationary cost index automatic adjustment mechanism. Authorizes the Public Utilities Commissions to waive or exempt any water carrier from any requirement under the Hawaii Water Carrier Act. Sunsets 7/1/2033. Effective 7/1/2050. (SD1)

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