

STAND. COM. REP. NO. 3372

Honolulu, Hawaii

MAR 3 0 2026

RE: H.B. No. 2386
H.D. 2
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Sir:

Your Committees on Commerce and Consumer Protection and Transportation, to which was referred H.B. No. 2386, H.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO WATER CARRIERS,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Authorize the Public Utilities Commission to establish automatic adjustment mechanisms to address economic factors sua sponte or on application by a water carrier;
- (2) Require the Public Utilities Commission to establish a water carrier inflationary cost index automatic adjustment mechanism;
- (3) Authorize the Public Utilities Commission to waive or exempt any water carrier from any requirement under the Hawaii Water Carrier Act; and
- (4) Require the Public Utilities Commission to appoint a special overseer by July 1, 2026.

Your Committees received testimony in support of this measure from the Department of Transportation; Department of Agriculture



and Biosecurity; College of Tropical Agriculture and Human Resilience of the University of Hawai'i at Mānoa; two members of the Maui County Council; Young Brothers, LLC; Matson Navigation Company, Inc.; Hawaii Pilots Association; The Maritime Group; Hawai'i Harbors Users Group; Central Pacific Youth Athletic Club and Tough Man Hawaii; Big Island Motors; Mana Up; Hone Heke; Hawaii Lions District 50; and nine individuals.

Your Committees received testimony in opposition to this measure from the Grassroot Institute of Hawaii, Hawaii Food Industry Association, Maui Chamber of Commerce, Hawai'i Restaurant Association, Lanikai Brewing Company, Magics Beach Grill, ABC Stores, Maui Brewing Co., Hawai'i Island Chamber of Commerce, Japanese Chamber of Commerce and Industry of Hawaii, Kona-Kohala Chamber of Commerce, Hawai'i Farmers Union United, Construction Industry of Maui, and four individuals.

Your Committees received comments on this measure from the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, Public Utilities Commission, AARP Hawai'i, Local Food Coalition, Hawai'i Farm Bureau, Hawai'i Food Bank, and one individual.

Your Committees find that the current water carrier rate case method can be rigid and inefficient, often resulting in large rate increases that occur following extended periods without adjustment. This measure would facilitate incremental rate adjustments to provide certainty and stability for carriers while retaining transparency and appropriate protections for consumers.

Your Committees note that the companion to this measure, S.B. No. 2694, S.D. 2 (2026), which was previously heard by your Committee, contains preferential language that exempts customers that qualify for agricultural water rates and does not require the Public Utilities Commission to appoint a special overseer to monitor the financial and operational performance of any water carrier of property. Amendments to this measure are therefore necessary to include this exemption.

Your Committees have amended this measure by:

- (1) Inserting language to clarify that, after July 1, 2026, the Public Utilities Commission may, rather than shall,



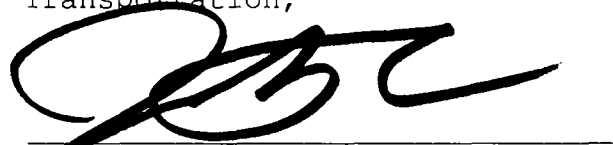
establish a water carrier inflationary cost index automatic adjustment mechanism for each water carrier of property;

- (2) Replacing the five percent annual water carrier inflationary cost index automatic adjustment mechanism cap with a blank annual percentage cap;
- (3) Inserting language to clarify that customers eligible for preferential agricultural water rates under section 269-26.5, Hawaii Revised Statutes, shall be exempt from any automatic adjustment mechanism authorized by this section;
- (4) Deleting language that would have required the Public Utilities Commission to appoint a special overseer to monitor the financial and operational performance of any water carrier of property;
- (5) Inserting a repeal date of July 1, 2033; and
- (6) Making a technical, nonsubstantive amendment for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Commerce and Consumer Protection and Transportation that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 2386, H.D. 2, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 2386, H.D. 2, S.D. 1, and be referred to your Committee on Ways and Means.

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


LORNAINE R. INOUYE, Chair


BARRETT KEOHOKALOOLE, Chair



The Senate
Thirty-Third Legislature
State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 2386	HD2 CPN/TRS, WAM	03/25/2026		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KEOHOKALOLE, Jarrett (C)	✓			
FUKUNAGA, Carol (VC)	✓			
LAMOSAO, Rachele	✓			
MCKELVEY, Angus L.K.		✓		
AWA, Brenton	✓			
TOTAL	4	1		
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center;"><i>Carol Fukunaga</i></div>				
Distribution: Original Yellow Pink File with Committee Report Committee Drafting Agency				

*Only one measure per Record of Votes

