

STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAII'
OFFICE OF THE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
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JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA

NADINE Y. ANDO
DIRECTOR | KA LUNA HO'OKELE

DEAN I. HAZAMA
DEPUTY DIRECTOR | KA HOPE LUNA HO'OKELE

Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Ways and Means
Monday, April 6, 2026
10:32 a.m.
Via Videoconference**

**On the following measure:
H.B. 2386, H.D. 2, S.D. 1, RELATING TO WATER CARRIERS**

WRITTEN TESTIMONY ONLY

Chair Dela Cruz and Members of the Committee:

My name is Michael Angelo, and I am the Executive Officer of the Department of Commerce and Consumer Affairs' (Department) Division of Consumer Advocacy. The Department offers comments on this bill.

The purpose of this bill is to: (1) authorize the Public Utilities Commission (Commission) to establish automatic adjustment mechanisms to address economic factors sua sponte or on application by a water carrier, (2) authorize the Commission to establish a water carrier inflationary cost index automatic adjustment mechanism; (3) authorize the Commission to waive or exempt any water carrier from any requirement under the Hawai'i Water Carrier Act; and (4) insert a sunset date of 7/1/2033.

The Department focuses its comments on the component of the legislation authorizing the Commission to establish a water carrier inflationary cost index (WICI) automatic adjustment mechanism for each water carrier of property after July 1, 2026.

While the Department understands the intent of this bill is to support the water carrier industry which plays a crucial role in sustaining each island's economy and community and the Department recognizes that any disruptions in intrastate water carrier services present significant hardships to customers, especially for communities on the neighbor islands, the Department has significant concerns that establishing a WICI would result in unnecessarily burdening customers with increasing rates on an annual basis without the opportunity to evaluate whether the water carrier has undertaken steps to sufficiently control its costs and operate more efficiently.

To that point, the Commission recently considered whether establishing a WICI for Young Brothers, LLC (YB) was in the public's interest in YB's most recent rate case in Docket No. 2024-0255. The Commission issued its decision in that case on November 17, 2025, approving a rate increase of \$26,085,252, or approximately 25.75%, over previous permanent rates for YB while, among other matters, denying YB's request to establish a WICI. In so doing, the Commission specifically stated that such an adjustment mechanism could be revisited at an appropriate time. The Commission articulated that in establishing any type of automatic rate adjust mechanism YB must first demonstrate that it is prudently operating its business, including managing its expenses and debt, and maximizing operational efficiencies. The Commission noted that without such a demonstration, the automatic rate adjustment mechanism may inadvertently serve to offset inefficiencies in other areas and mask shortcomings in YB's operations, to the detriment of customers who ultimately bear these higher costs. The Department fully agrees with the Commission on this matter.

Additionally, for further context, the Department notes that the Commission already attempted to implement certain regulatory programs that are similar to the mechanism proposed in this bill with the intention of providing the regulated water carrier with flexibility that would allow the water carrier to gradually re-balance its rates so that the rates for less than container load service would better match the cost of providing that service. This flexibility was granted in a zone of reasonableness program, as well as an annual freight rate adjustment program. After the water carrier used both programs to raise rates for all customers as well as file general rate increases to further increase rates, the

Commission terminated both regulatory flexibility programs because they were not being used for their intended purposes.

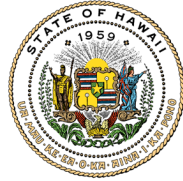
Notwithstanding the above, the Department appreciates the amendment made to the measure exempting customers eligible for preferential agricultural water rates under Hawaii Revised Statutes § 269-26.5 from automatic rate increases that would be enabled through the adjustment mechanism.

In summary, the Department offers that it would be premature for the Commission to establish an automatic rate adjustment for any water carrier of property without first gaining a better understanding of, and potentially improving upon, the water carrier's business model as well as its ability to enact and implement cost control measures. And any such mechanism should be established after careful review of water carrier's operations and processes for efficiencies in a Commission proceeding.

Thank you for the opportunity to testify on this bill.

JOSH GREEN, M.D.
Governor

SYLVIA LUKE
Lt. Governor



State of Hawai'i
DEPARTMENT OF AGRICULTURE & BIOSECURITY
KA 'OIHANA MAHI'AI A KIA'I MEAOLA
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SHARON HURD
Chairperson
Board of Agriculture & Biosecurity

DEAN M. MATSUKAWA
Deputy to the Chairperson

**TESTIMONY OF SHARON HURD
CHAIRPERSON, BOARD OF AGRICULTURE AND BIOSECURITY**

BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS

**MONDAY, APRIL 6, 2026
10:32 AM
CONFERENCE ROOM 211 AND VIDEOCONFERENCE**

**HOUSE BILL NO. 2386, HD2, SD1
RELATING TO WATER CARRIERS**

Chair Dela Cruz, Vice Chair Moriwaki and Members of the Committee:

Thank you for the opportunity to testify on House Bill No. 2386, HD2, SD1 that authorizes the Public Utilities Commission to establish automatic adjustment mechanisms to address economic factors sua sponte or on application by a water carrier. Authorizes the Public Utilities Commission to establish a water carrier inflationary cost index automatic adjustment mechanism. Authorizes the Public Utilities Commission to waive or exempt any water carrier from any requirement under the Hawaii Water Carrier Act.

The Department of Agriculture and Biosecurity (Department) supports this measure that creates stability in interisland shipping, which is essential to Hawaii's agricultural supply chain and food distribution system. Reliable interisland transportation is critical for the timely movement of agricultural goods and inputs including fresh produce, livestock feed, fertilizer, seed and farm equipment. The improved rate predictability and transparency helps the industry plan for and manage costs. Additionally, it maintains Public Utilities Commission oversight while promoting the financial stability of water carriers.

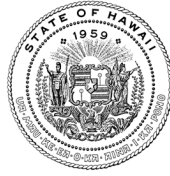
The Department appreciates the amendment to exempt from automatic adjustment mechanisms customers eligible for preferential agricultural water rates as was in the companion measure, SB 2694 SD2.

This measure represents an important step toward ensuring the long-term financial viability and stability of interisland shipping while considering operational flexibility.

Thank you for the opportunity to provide testimony on this measure.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
PUBLIC UTILITIES COMMISSION
465 S. KING STREET, #103
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CHAIR

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Testimony of the Public Utilities Commission

To the
Senate Committee on
Ways and Means

Monday, April 6, 2026
10:32 a.m.

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

Measure: H.B. No. 2386, H.D. 2, S.D. 1
Title: RELATING TO WATER CARRIERS.

Position:

The Public Utilities Commission ("Commission") offers the following comments for consideration.

Comments:

The Commission appreciates the intent of this measure to address annual inflation and regulatory lags water carriers may experience by establishing a Water Carrier Inflationary Cost Index ("WICI") automatic adjustment mechanism¹. As the Committee contemplates the advancement of this measure, the Commission offers the following comments and amendments.

Over the past five years, the two regulated water carriers in the State, Young Brothers and Hone Heke, have filed various applications with the Commission for general rate increases, financing, and automatic adjustment mechanisms. In 2024, Young Brothers included a request for approval of a WICI within their most recent rate case, which was eventually denied.² Given Young Brothers' extraordinary financial situation at the time, the Commission decided that it was not reasonable to allow automatic rate adjustments

¹ The Commission notes that discussions of an automatic adjustment mechanism for water carriers in the State was reflected in the final report of the Hawaii Water Carriers Working Group ("HWCWG"). The HWCWG was formed as a result of Senate Resolution Number 125, Senate Draft 1, 2020 Legislative Session.

² Docket No. 2024-0255, 2025 Test Year Rate Case.

without Commission review. Nevertheless, the Commission did grant Young Brothers a final rate increase of 25.75% over previously approved rates.

The Commission appreciates that the current measure, as currently amended, provides the Commission the flexibility and discretion in establishing an automatic adjustment mechanism for regulated water carriers.

Provided that the measure would exempt preferential agricultural water rates, which is normally intended for water utilities, the Commission believes that the reference to section 269-26.5, Hawaii Revised Statutes ("HRS"), should be HRS § 269-26.6. As such, the Commission offers additional amendments to the measure as follows:

Page 2, Line 8-9, addition in bold and underline:

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

Page 3, Line 3-5, addition in bold and underline, deletions in strike and underline:

(d) Customers' **shipments that are** eligible for preferential **water carrier service rates for** agricultural **activities** ~~water rates~~ under section 269-26.5~~6~~ shall be exempt from any automatic adjustment mechanism authorized by this section.

Thank you for the opportunity to testify on this measure.

Council Chair
Alice L. Lee

Vice-Chair
Yuki Lei K. Sugimura

Councilmembers
K. Kauanoë Batangan
Tom Cook
Gabe Johnson
Tamara Paltin
Keani N.W. Rawlins-Fernandez
Shane M. Sinenci
Nohelani U'u-Hodgins



Director of Council Services
David M. Raatz, Jr., Esq.

Deputy Director of Council Services
Richelle K. Kawasaki, Esq.

COUNTY COUNCIL
COUNTY OF MAUI
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

Type text here

LATE

April 6, 2026

TO: Honorable Donovan M. Dela Cruz, Chair, and Members of the Senate Committee on Ways and Means

FROM: Thomas Cook
Councilmember

A handwritten signature in blue ink, appearing to read "Tom Cook".

DATE: Monday, April 6, 2026
10:32 a.m., Conference Room 211

SUBJECT: **TESTIMONY IN SUPPORT OF HB2386 HD2 SD1,
RELATING TO WATER CARRIERS**

Thank you for the opportunity to testify in **strong support of HB2386 HD2 SD1**, relating to water carriers. This measure 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. And authorizes the public utilities commissions to waive or exempt any water carrier from any requirement under the Hawaii Water Carrier Act.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am testifying in my capacity as an individual member of the Maui County Council and as Chair of its Water & Infrastructure Committee.

I support this measure for the below reasons:

1. Neighbor island communities like Maui, Moloka'i, and Lāna'i depend on interisland shipping for the goods that sustain our daily lives.

Maritime transport shipping companies power our economy and operate the marine highway that connects our islands, allowing businesses to get goods to market and ensuring residents have reliable access to essential supplies.

2. The proposed Water-Carrier Inflationary Cost Index (WICI) would be a substantial improvement over the current system

Instead of waiting years and then facing a large, sudden rate increase, the WICI bill provides a practical tool that allows smaller, more regular adjustments on a set schedule — capped at five percent per year — so rates better reflect real operating costs like fuel and labor.

WICI makes shipping rate changes more transparent, making it easier for businesses to budget and plan ahead. For Maui's farmers, retailers, contractors, and small businesses, this kind of consistency matters. The result is that businesses can operate and price goods with confidence that they will not face sudden, steep cost increases.

3. By keeping rates in better sync with changing costs, the bill would ensure that water carriers remain financially sustainable, enabling them to maintain vessels, equipment, and reliable service statewide.

This balanced approach, which maintains oversight and regular rate reviews, delivers what our communities have asked for: more predictable rates for the reliable shipping service they rely on.

Overall, I believe this measure would help sustain the role of interisland shipping in a strong supply chain, and ensure that shipping costs become more predictable over time.

For the foregoing reasons, I respectfully urge your support for **HB2386 HD2 SD1**. Mahalo, for the opportunity to testify. If you have questions relating to this testimony, please contact my office by e-mail at Thomas.Cook@mauicounty.us or by phone at (808) 270-7108.

Council Chair
Alice L. Lee

Vice-Chair
Yuki Lei K. Sugimura

Councilmembers
K. Kauanoē Batangan
Tom Cook
Gabe Johnson
Tamara Paltin
Keani N.W. Rawlins-Fernandez
Shane M. Sinenci
Nohelani U'u-Hodgins



Director of Council Services
David M. Raatz, Jr., Esq.

Deputy Director of Council Services
Richelle K. Kawasaki, Esq.

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April 6, 2026

LATE

Senate Committee on Ways and Means
Senator Donovan Dela Cruz, Chair
Senator Sharon Moriwaki, Vice Chair
Hawai'i State Capitol
Honolulu, HI 96813

Dear Chair Dela Cruz, Vice Chair Moriwaki, and Committee Members:

**SUBJECT: LETTER OF SUPPORT FOR HB 2386, RELATING TO
WATER CARRIERS**

I am writing to support HB 2386 because it would help sustain interisland shipping's role in a strong supply chain and ensure that shipping costs become more predictable over time.

Neighbor island communities like Maui, Moloka'i, and Lāna'i depend on interisland shipping for the goods that sustain our daily lives. Companies like Young Brothers power our economy and operate the marine highway that connects our islands, allowing businesses to get goods to market and ensuring residents have reliable access to essential supplies.

The proposed Water-Carrier Inflationary Cost Index (WICI) would be a substantial improvement over the current system. Instead of waiting years and then facing a large, sudden rate increase, the WICI bill provides a practical tool that allows smaller, more regular adjustments on a set schedule — capped at five percent per year — so rates better reflect real operating costs like fuel and labor.

WICI makes shipping rate changes more transparent, making it easier for businesses to budget and plan ahead. For Maui's farmers, retailers, contractors, and small businesses, this kind of consistency matters. The result is that

April 6, 2026
Page 2

businesses can operate and price goods with confidence that they will not face sudden, steep cost increases.

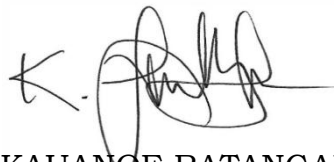
By keeping rates in better sync with changing costs, the bill would ensure that water carriers remain financially sustainable, enabling them to maintain vessels, equipment, and reliable service statewide.

This balanced approach, which maintains oversight and regular rate reviews, delivers what our communities have asked for: more predictable rates for the reliable shipping service they rely on.

For these reasons, I respectfully ask you to join me in supporting WICI and a stronger future for interisland shipping.

This letter of support is provided in my capacity as an individual Councilmember, as the Maui County Council has not taken an official position on this proposed legislation.

Mahalo,

A handwritten signature in black ink, appearing to be 'K. Batangan', written over a horizontal line.

KAUANO'E BATANGAN
Councilmember

cc:



ABC Stores
766 Pohukaina Street
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April 1, 2026

The Honorable Donovan M. Dela Cruz, Chair
The Honorable Sharon Y. Moriwaki, Vice Chair
Senate Committee Members on Ways and Means

Re: HB2386 HD2 SD1 – Relating to Water Carriers

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and members of the committee, ABC Stores respectfully submits testimony **in opposition** to **HB2386 HD2 SD1**. As a retailer operating statewide, ABC Stores relies heavily on interisland water carrier services to move essential goods efficiently and cost-effectively. The reliability, predictability, and affordability of these services are critical to maintaining stable pricing and consistent inventory for Hawai‘i’s residents and visitors.

HB2386 HD2 SD1 would authorize the Public Utilities Commission to establish **automatic adjustment mechanisms** for water carriers, including a **water carrier inflationary cost index** tied to **annual wharfage rate increases**, applied on a recurring basis through an ongoing **three-year cycle**. While we recognize the bill’s intent to address inflationary pressures and regulatory lag, we remain concerned that this framework may enable **regular, automatic rate increases** without the same level of scrutiny, transparency, and stakeholder participation provided through traditional rate case proceedings.

For retailers such as ABC Stores, even incremental increases in interisland shipping costs can compound over time. These added costs place upward pressure on consumer prices and disproportionately affect businesses that depend on frequent interisland freight movement to serve multiple islands. Additionally, allowing rate changes between general rate cases—even with a scheduled review in the third year of the cycle—raises concerns about reduced visibility into cost controls, operational efficiencies, and cumulative impacts to shippers and end consumers.

Hawai‘i’s unique geographic isolation makes water carriers a critical component of the state’s supply chain. Changes to rate-setting policy should therefore be approached cautiously, with balanced consideration of impacts on carriers, businesses, and the communities they serve—not solely the regulatory efficiency of the process itself.

For these reasons, ABC Stores respectfully urges the Committee to hold HB2386 HD2 SD1.



*The
Store
With
Aloha*

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Fax: (808) 591-2039
E-mail: mail@abcstores.com

We appreciate the opportunity to provide testimony and for your consideration.
Mahalo,

John Mark Mageo
ABC Stores
Employee Relations & Government Affairs Manager



2 April 2026

COMMITTEE ON WAYS AND MEANS
Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair

Re: HB2386 HD2, SD1 Relating to Water Carriers

Aloha Chair, Vice Chair, and Members of the Committee:

My name is Garrett W. Marrero, I am the CEO and Co-Founder of Maui Brewing Co., operating locations in Lahaina, Kaanapali, and Kihei on Maui, and Waikiki and Kailua on Oahu. Made in Hawai'i and sold in 6 States and 2 Countries, employing more than 400 teammates across Hawai'i. We strongly oppose HB2386 as a local manufacturer.

Local businesses in Hawai'i already face some of the highest operating costs in the nation. Local manufacturing and agricultural production are burdened by elevated labor costs, energy prices, regulatory compliance, land constraints, and—most significantly—interisland and outbound shipping costs. For many local producers, transportation is not a marginal expense; it is one of the single largest drivers of cost and a major barrier to growth. Furthermore, in the last 5 years we've already seen several massive rate increases as much as 45% for neighbor-island shipping.

Water carriers are essential to our island economy, and we recognize that the interisland shipping system faces real challenges. We also acknowledge that carriers must remain financially viable to continue operating. However, automatically increasing interisland shipping rates without regard to the downstream impacts on local businesses is deeply concerning.

Neighbor island producers already struggle to reach Hawai'i's primary population center on O'ahu due to the high cost of shipping. In many cases, products must be shipped interisland more than once—often routed through Honolulu—forcing local businesses to absorb duplicative freight costs simply to access markets within their own state. These costs are already prohibitive for many small and medium-sized local producers.

HB2386 would further increase costs on local manufacturers, farmers, distributors, and retailers without addressing the underlying inefficiencies and structural issues in the water carrier system. These added costs will not be absorbed by carriers—they will be passed directly to local businesses and, ultimately, to Hawai'i consumers in the form of higher food and goods prices.

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HARD SELTZER

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ISLAND SODA

Handcrafted Ales & Lagers Brewed with Aloha
605 Lipoa Parkway, Kihei, HI 96753 - 808.213.3002

A cost-prohibitive and inefficient interisland shipping system undermines Hawai'i's long-stated goals of increasing local food production, strengthening local manufacturing, supporting neighbor island economies, and reducing reliance on imports. Automatic price increases move us in the opposite direction.

We agree that reforms to the water carrier system are necessary, but price increases should not occur in isolation. Oversight reform—such as the proposed transfer of authority from the Public Utilities Commission to the Department of Transportation under HB1707—should be addressed first to ensure a more coordinated, functional, and accountable system. Additionally finding ways to reduce LCL/pallet shipping consolidation at the docks, allowing YB to focus on container loads to increase efficiency should be investigated. There are several consolidators that can support LCL consolidation outside the dock to allow for this.

Implementing automatic rate increases before fixing systemic issues is unnecessary and harmful. It will further strain local businesses that are already operating at razor-thin margins and increase the cost of living for Hawai'i residents.

For these reasons, we respectfully urge the Committee to oppose HB2386.

Mahalo for the opportunity to provide comments and for your consideration.

Sincerely,



Garrett W. Marrero
CEO and Co-Founder

Garrett@MauiBrewing.com

808.213.3007 office

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Testimony of Matson Navigation Company, Inc.
Support of HB2386, HD2, SD1
Before the Committee on Ways and Means
April 6, 2025

Dear Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

Matson Navigation Company, Inc. supports HB2386, HD2, SD1, which among other things, establishes a water carrier cost inflationary index mechanism.

As an island state, Hawaii is very dependent upon our commercial harbors to ensure the continued and unimpeded flow of cargo in and out of our State. It is estimated that over 90 percent Hawaii's imported goods pass through our commercial harbors, including consumer goods, motor vehicles, construction materials, and fuel. Given the critical role of our commercial harbors, it is imperative that the State support dependable and efficient cargo transportation and handling to service our residents and businesses. This measure will provide for water carriers and rate payers more predictability with respect to establishing rates for regulated, intrastate shipping.

Thank you for considering our testimony in support.



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

**HEARING BEFORE THE SENATE COMMITTEE ON WAYS & MEANS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211
MONDAY, APRIL 6, 2026 AT 10:32 A.M.**

To The Honorable Senator Donovan M. Dela Cruz, Chair
The Honorable Senator Sharon Y. Moriwaki, Vice Chair
Members of the Committee on Ways & Means

STRONGLY OPPOSE HB2386 HD2 SD1 RELATING TO WATER CARRIERS

The Maui Chamber of Commerce is critically concerned about HB2386 HD2 SD1 that authorizes the Public Utilities Commission to establish automatic adjustment mechanisms to address economic factors sua sponte or on application by a water carriers and establishes a water carrier inflationary cost index automatic adjustment mechanism.

For Maui County and the other neighbor islands, interisland shipping is not optional—it is the backbone of commerce. Farmers, ranchers, food producers, grocers, construction suppliers, retailers, and more already face significant transportation costs to ship their products across the state. For many businesses, shipping costs are prohibitively expensive.

We understand the intent of this bill was to provide businesses with more stability in their financial projections and assist Young Brothers, given the cost and timeframe to go before the PUC. However, while year one and year two increases are capped at 5% (no cap in SD1), Young Brothers would still go before the PUC in year three, which creates an opportunity for a much higher increase, as seen multiple times in recent years. Without capping increases in year three, businesses and residents in Hawaii will likely see costs go up every single year.

Increasing rates automatically without addressing the root structural issues within the interisland shipping system and so soon after the last major increase will only exacerbate these challenges for Hawaii's residents and businesses. It will raise the cost of goods statewide, intensify food insecurity, our housing crisis, our unfriendly business environment, and hamper our economic diversification efforts, while providing no meaningful reform to improve efficiency, competition, or equity in the system.

Many of the issues we face with interisland shipping today can be traced back to the passage of Act 213 in 2011 that prevents water carriers from engaging in interisland shipping unless they hold a certificate of public convenience. This essentially gives Young Brothers a monopoly. They continuously state the difficulties of providing this crucial service and loss of revenue meriting significant rate increases, as well as suggesting that other carriers do not want to undertake this service but also don't seem to want the state to amend HRS 217G-10 to allow for competition and give others a chance to explore the opportunity.



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

Senate Committee on Ways & Means
April 6, 2026
Page 2.

This bill also subverts the important public process where residents and businesses can share crucial feedback on the proposed rate increases and Young Brothers' services. In fact, the Public Utilities Commission (PUC) denied Young Brothers' request for a Water Carrier Inflationary Cost Index (WICI) in the 2025 approved rate increase and prohibited rate increases for two years, which would take us to January 1, 2028 without this bill. As the PUC has insight into Young Brothers' financial records, some of which are not available to the public, we trust their position and believe this bill undermines their expert authority.

In the words of the PUC in their "Decision and Order No. 42100" on the approval of rate increases for Young Brothers, "Prior to establishing any kind of automatic rate adjustment mechanism, such as a WICI, the Commission finds that YB must first demonstrate that it is prudently operating its business, including managing its expenses and debt and maximizing operational efficiencies. Otherwise, the operation of a WICI may inadvertently serve to offset inefficiencies in other areas and mask shortcomings in YB's operations, to the detriment of customers who ultimately bear these higher costs" and pass those costs on to Hawaii's residents.

The Maui Chamber of Commerce respectfully urges the Committee to support the PUC's recommendations. At this point, we seek deferral of the bill because the issue is complicated on many different levels and we are still awaiting the PUC's report, which we understand is unlikely to be released before this legislative session ends. Given that, we believe the PUC's 2-year freeze on rate increases should be honored by not passing this bill at this time. During the two-year pause, we would like to see Young Brothers, legislators, stakeholders, and customers work together on comprehensive solutions for a unified and progressive way forward before enacting a measure like this. We would be happy to contribute to this effort.

Given the magnitude of this issue, it is important to get it right!

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.



Hawai'i Island Chamber of Commerce

1321 Kino'ole Street - Hilo, Hawai'i 96720

Phone (808) 935-7178 - Fax (808) 961-4435 - Email exec@hicc.biz - www.hicc.biz

Executive Officer

Carla Kuo

2025-2026

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Matthew Pickett

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Jennifer Tobey

Joni Waltjen

Irene Yamanaka

Tracie Yoshimoto

Testimony to the Senate Committee on Ways and Means

Senator Donovan M. Dela Cruz, Chair

Senator Sharon Y. Moriwaki, Vice Chair

Monday, April 6, 2026 at 10:32 AM

RE: HB 2386 HD2 SD1 Relating to Water Carriers - OPPOSE

Aloha e Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

On behalf of the Hawai'i Island Chamber of Commerce, representing more than 350 businesses and individual members primarily on the east side of Hawai'i Island, we respectfully submit testimony in **opposition to HB2386 HD2 SD1 and urge the Legislature to pause further action on this measure.**

Interisland shipping costs directly impact the price of food, construction materials, and everyday goods across Hawai'i. Following the Public Utilities Commission's approval of a 25.75% rate increase for Young Brothers effective January 1, 2026, businesses and residents are still adjusting to significantly higher costs. The PUC also denied a proposed automatic rate adjustment mechanism at that time and imposed a two-year pause on additional increases, an important safeguard that this bill risks undermining.

HB2386 HD2 SD1 would allow automatic rate adjustments as early as July 1, 2026, despite the recent increase and prior regulatory findings. While intended to provide predictability, the bill instead introduces uncertainty through a cycle of automatic adjustments followed by a third-year rate case that could result in even higher increases.

Interisland shipping is essential to Hawai'i's economy, particularly for neighbor island businesses that rely on access to O'ahu markets. Increasing costs without addressing underlying system inefficiencies will further strain local businesses, limit growth, and raise prices for consumers statewide.

Given the magnitude of recent rate increases and the potential long-term impacts of this proposal, we respectfully request that the Legislature defer this measure to allow for a more thorough and deliberate evaluation.

Mahalo for the opportunity to testify.

Sincerely,

Carla Kuo
Executive Officer
Hawai'i Island Chamber of Commerce



Interisland Shipping Costs Matter: Why Water Carrier Legislation Deserves a Pause

Currently, two bills relating to water carriers in the Hawai'i State Legislature, Senate Bill 2694 and House Bill 2386, are moving forward, raising awareness and growing concern for businesses and community organizations.

Higher Costs

Access to affordable goods in Hawai'i is directly tied to interisland shipping costs. When shipping rates rise, the cost of food, housing materials, and everyday necessities increases across all islands, placing additional strain on families and businesses.

In November 2025, the Public Utilities Commission (PUC) approved a **25.75% rate increase** for Young Brothers, the state's primary interisland water carrier, effective January 1, 2026. Businesses and residents are adjusting to this substantial increase while already managing one of the highest costs of living in the nation.

Respect for the Regulatory Process

In November 2025, the PUC approved the rate increase for Young Brothers but denied their request for a Water Carrier Inflationary Cost Index (WICI), which would have allowed automatic annual rate adjustments. The PUC also imposed strict oversight conditions and prohibited additional rate increases for at least two years.

We are concerned that this legislation could enable automatic rate adjustments as early as July 1, 2026, within the same year as a substantial increase took effect. Additionally, the PUC determined that such a mechanism was not appropriate at this time. We believe it's essential to respect the regulatory process and to allow businesses and consumers the two-year pause as promised.

Uncertainty Still Exists

House Bill 2386 allows automatic adjustments in years one and two, tied to economic indicators such as inflationary pressures and changes in wharfage rates. In the current draft, HB 2386 HD2 SD1, the percentage has not been specified. In year three, the water carrier may apply for a rate adjustment subject to regulatory review. This is an ongoing, repeating three-year cycle. If the goal is predictability, uncertainty still exists because the third-year adjustment is not predetermined and could be substantially higher.



Requesting a Pause

As these bills move through the legislature, amendments are producing varied iterations. The consequences of this legislation warrant careful analysis. The urgency of these measures is concerning, particularly following the substantial rate increase that took effect on January 1, 2026. There is no need to rush this legislation.

We request that the legislature pause to allow for a more thoughtful evaluation of the long-term impacts of this legislation on businesses, families, and the overall cost of living in Hawai'i.

Sincerely,

Mitchell Dodo, President, Japanese Chamber of Commerce & Industry of Hawaii

Carla Kuo, Executive Officer, Hawaii Island Chamber of Commerce

Wendy Laros, President & CEO, Kona-Kohala Chamber of Commerce

Ray Michaels, Chairman of the Advisory Board, Construction Industry of Maui

Rick Nava, West Maui Taxpayers Association

Kiran Polk, Executive Director & CEO, Kapolei Chamber of Commerce

Pamela Tumpap, President, Maui Chamber of Commerce

Lauren Zirbel, President & Executive Director, Hawaii Food Industry Association



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**The Thirty-Third Legislature
Senate Committee on Ways and Means
Monday, April 6, 2026
Conference Room 211
10:32 a.m.**

TO: The Honorable Donovan Dela Cruz, Chair
FROM: Keali'i S. López, State Director
RE: Comment on H.B. 2386, HD2, SD1 Relating to Water Carriers

Aloha Chair Dela Cruz, and Members of the Committees:

My name is **Keali'i López**, and I serve as the State Director of **AARP Hawai'i**, representing more than **135,000 members statewide**. Thank you for the opportunity to comment on **H.B. 2386, HD2, SD1**. AARP is a nonprofit, nonpartisan organization dedicated to **empowering people age 50 and older to choose how they live as they age**. Central to that mission is **protecting consumers, especially older adults on fixed incomes from automatic cost increases that reduce affordability and weaken oversight**.

H.B. 2386, HD2, SD1 would require the Public Utilities Commission (PUC) to approve automatic annual rate increases for water carriers of property, tied to Dept of Transportation Harbors wharfage rate adjustments, for two out of every three years, with increases capped at up to 5% per year, and without requiring a full rate case review.

AARP Hawai'i offers the following comments:

1. Automatic rate mechanisms warrant careful consideration.

AARP generally approaches automatic rate adjustment mechanisms with caution because they can shift financial risk from companies to consumers and reduce opportunities for thorough, transparent cost review. Older adults especially those living on fixed incomes, are particularly vulnerable to recurring price increases across essential goods and services.



2. Full rate case reviews are essential for transparency and consumer protection.

Rate cases ensure that requested cost increases are justified, reasonable, tied to prudent expenditures, and accompanied by demonstrated efforts to improve efficiency.

Reducing the frequency of these reviews may limit regulator’s ability to verify that carrier operations are cost-effective and that consumers are not paying for unnecessary or avoidable expenses.

AARP agrees with the Department of Commerce and Consumer Affairs (DCCA), which stated in comments at a previous committee hearing:

“It is premature to enable any automatic rate adjustment through this bill without first gaining a better understanding of, and potentially improving upon, the water carrier’s business model as well as its ability to enact and implement cost control measures. And, rather than through a bill, such a mechanism should be established after careful review of YB’s operations and processes for efficiencies in a Commission proceeding.” (DCCA testimony on HB 2386)

AARP aligns with DCCA’s call for evaluating efficiencies before implementing automatic adjustments. AARP supports this approach, which places transparency, operational review, and consumer protection at the forefront of any future rate adjustment mechanism.

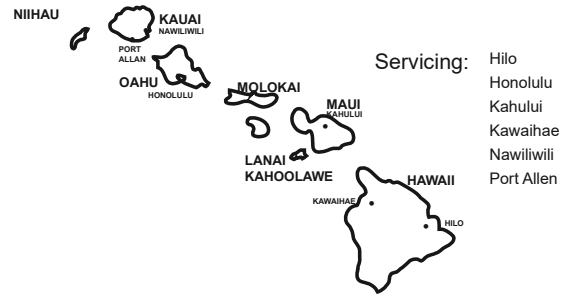
AARP Hawai’i appreciates the opportunity to provide comments on H.B.2386,HD2, SD1. We respectfully urge the Committee to ensure that any changes to water carrier rate-setting processes preserve strong oversight, transparency, and consumer protection, particularly for older adults and residents who are most sensitive to increases in the costs of essential goods.

Mahalo for your consideration and for your ongoing commitment to safeguarding Hawai’i consumers.

HAWAII PILOTS ASSOCIATION

P.O. Box 721 • Honolulu, Hawaii 96808

Telephone: (808) 532-7233



April 2, 2026

Senate Committee on Ways and Means

Senator Donovan M. Dela Cruz, Chair

Senator Sharon Y. Moriwaki, Vice Chair

RE: HB 2386, HD2, SD1 – RELATING TO WATER CARRIERS

Hearing date: Monday, April 6, 2026, 10:32 a.m.

Aloha Chair Dela Cruz, Vice Chair Moriwaki and Members of the Committees:

Mahalo for the opportunity to submit testimony in support of HB 2386, HD2, SD1.

I am Sinclair Brown, a Harbor Pilot for Hawaii Pilots Association, writing to express strong support of the above measure. Hawaii Pilots Association (HPA) is dedicated to providing safe, reliable and efficient pilotage services for all commercial ports throughout the Hawaiian Islands. Similarly, HPA also recognizes that YB is the only maritime shipping company authorized to safely, frequently and reliably transport freight between the major island ports on a weekly basis. Thus, without timely and adequate rate relief, interisland commerce may be in jeopardy.

Maritime organizations like HPA across the state rely on Young Brothers to fulfill their vital work in service of the island communities they serve. When Young Brothers can operate in a way that is financially sustainable, the Pilots benefit from the strengthened supply chain and the company's ability to safely and reliably transport cargo between the island communities as well as to support the Pilots when necessary. HB 2386 creates a more incremental and structured approach to setting shipping rates, with greater transparency about when and how they will change. Capped annual adjustments, with regular rate reviews, are a common-sense, customer-centric approach to ensuring shipping rates stay in sync with cost increases to provide the service. It would also ensure that Young Brothers can maintain the interisland shipping services our state needs.

Mahalo,

Sinclair Brown

Harbor Pilot / Hawaii Pilots Association



HAWAII TRANSFER
COMPANY, LTD.
MOVING FORWARD WITH HAWAII

April 2, 2026

Senate Committee on Ways and Means
Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair

RE: HB 2386, HD2, SD1 – RELATING TO WATER CARRIERS
Hearing date: Monday, April 6, 2026, 10:32 a.m.

Aloha Chair Dela Cruz, Vice Chair Moriwaki and Members of the Committees:

Mahalo for the opportunity to submit testimony in support of HB 2386, HD2, SD1.

My name is Russ Anguay, President of Hawaii Transfer Company Limited writing to express our support of House Bill 2386, HD1, relating to Water Carriers, on behalf of Hawaii Transfer.

As a local transportation, warehouse, and freight consolidation company that relies heavily on interisland shipping to distribute goods throughout Hawai'i, we understand firsthand the importance of ensuring that water carriers remain financially sustainable and able to provide reliable, consistent service.

Ocean shipping remains the most cost-effective and efficient way for businesses to move goods to market, manage inventory, and operate seamlessly across the islands. For companies like ours that depend on interisland shipping, the ability to more accurately forecast shipping rates would represent a meaningful and much-needed improvement.

We support the proposed annual rate adjustment mechanism modeled after the Hawai'i Department of Transportation framework for adjusting the fees shippers pay to maintain Hawai'i's commercial harbors. This approach would promote increased transparency, predictability, and stability in shipping rates, enabling businesses to better manage operating costs and maintain competitive pricing for consumers.

Importantly, this updated structure would also strengthen the long-term viability of interisland shipping by promoting regulatory efficiency and financial sustainability for water carriers. A stable and sustainable maritime system is essential to Hawai'i's economy and to the businesses and communities that depend on it every day.

Mahalo,

Russ Anguay

President

Hawaii Transfer Company Limited

**Central Pacific Youth Athletic Club
Tough Man Hawaii**

April 3, 2026

Senate Committee on Ways and Means

Senator Donovan M. Dela Cruz, Chair

Senator Sharon Y. Moriwaki, Vice Chair

RE: HB 2386, HD2, SD1 – RELATING TO WATER CARRIERS

Hearing date: Monday, April 6, 2026, 10:32 a.m.

Aloha Chair Dela Cruz, Vice Chair Moriwaki and Members of the Committees:

Mahalo for the opportunity to submit testimony in support of HB 2386, HD2, SD1.

I am Walter Carvalho, writing on behalf of the Central Pacific Youth Athletic Club (CPYAC) and Tough Man Hawai'i to express strong support for Young Brothers' Community Shipping Program and to respectfully request that the Commission not impose modifications that would limit its impact on the communities we serve.

I founded CPYAC in 1999 after recognizing the need for mentorship, structure, and opportunity for young people in East Hawai'i. Since then, the club has grown into a community-driven institution that provides academic support, athletic training, mentorship, and life-skills development. Our approach combines athletic discipline with mentorship, teaching youth that true strength includes not only physical ability but also resilience, discipline, and mental fortitude. For many participants, CPYAC has been a path away from substance abuse, disengagement, and disconnection, and toward a brighter future built on hard work, self-respect, and opportunity.

Nonprofit organizations across the state — particularly those on the neighbor islands — rely on Young Brothers to fulfill their vital work in service of the communities they serve.

When Young Brothers can operate in a way that is financially sustainable, nonprofits like us benefit from the strengthened supply chain and the company's ability to give back through financial and gratis shipping to support our mission and the positive impact we have.

YB's Community Shipping Program has been vital in helping us sustain and expand this mission across islands. Shipping equipment in-kind allows us to provide opportunities to youth from neighbor islands that would otherwise be out of reach due to cost. Restricting this program would create not only financial hardship but also limit our ability to respond in times of need. YB's consistent and dependable leadership during Hawai'i's greatest challenges, from delivering food

Central Pacific Youth Athletic Club Tough Man Hawaii

and supplies during the pandemic to supporting relief efforts during the Maui wildfires are invaluable. Their reliable services are a lifeline for organizations like ours and for the broader community.

This measure creates a more incremental and structured approach to setting shipping rates, with greater transparency about when and how they will change. Capped annual adjustments, with regular rate reviews, are a common-sense, customer-centric approach to ensuring shipping rates stay in sync with cost increases to provide the service. It would also ensure that Young Brothers can maintain the interisland shipping services our state needs and support our mission and the work of countless other community service organizations.

The additional transparency about the process and what to expect helps nonprofits and businesses plan for the future. That is critically important when many nonprofits' budgets rely on grants and other funding sources that were secured based on information provided months or years earlier.

I respectfully urge the Commission to recognize the positive and far-reaching impacts of this program and to preserve it in its current form. Young Brothers' support goes beyond logistics; it is a symbol of connection and care for our island communities, no matter how geographically separated they may be.

Thank you for your consideration and for supporting programs that strengthen Hawai'i's keiki and our shared future.

Mahalo,

Walter Carvalho
Founder & Head Coach
Central Pacific Youth Athletic Club / Tough Man Hawaii



April 6, 2026

Senate Committee on Ways and Means

Senator Donovan M. Dela Cruz, Chair

Senator Sharon Y. Moriwaki, Vice Chair

Senate Committee on Transportation

RE: HB 2386 – RELATING TO WATER CARRIERS

Hearing date: Monday, April 6, 2026, 10:30 a.m.

Chair Keohokalole, Chair Inouye, and Members of the Committees

Mahalo for the opportunity to submit testimony in support of HB 2386.

Hale Makua is a 501(c)(3) nonprofit organization established in 1946 as a nursing home, and we are honored to be celebrating 80 years of service. Our mission has always been to care for Maui's Kupuna, and today we operate two facilities in Wailuku and Kahului, offering 378 skilled nursing beds. In addition, we provide Home Health Services, Adult Day Health Programs, and Care Navigation to help ensure that our elders receive the support they need to live with dignity and comfort.

Nonprofit organizations across the state — particularly those on the neighbor islands — rely on Young Brothers to fulfill their vital work in service of the communities they serve.

When Young Brothers can operate in a way that is financially sustainable, nonprofits like us benefit from the strengthened supply chain.

HB 2386 creates a more incremental and structured approach to setting shipping rates, with greater transparency about when and how they will change. Capped annual adjustments, with regular rate reviews, are a common-sense, customer-centric approach to ensuring shipping rates stay in sync with cost increases to provide the service. It would also ensure that Young Brothers can maintain the interisland shipping services our state needs and support our mission and the work of countless other community service organizations.



Hale Makua

eph

The additional transparency about the process and what to expect helps nonprofits and businesses plan for the future. That is critically important when many nonprofits' budgets rely on grants and other funding sources that were secured based on information provided months or years earlier.

Mahalo,

A handwritten signature in black ink, appearing to read 'Wesley Lo', with a long, sweeping flourish extending upwards and to the right.

Wesley Lo
CEO



Testimony in **SUPPORT** for HB 2386 HD2 SD1, Relating to Water Carriers

Senate Committee on Ways and Means
April 6, 2026

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and members of the committee,

The Hawaii Harbors Users Group is in strong support of HB 2386 HD2 SD1, relating to water carriers.

This bill is a critical step toward ensuring the financial sustainability and operational stability of Hawai'i's interisland shipping transportation sector. Our state depends on a reliable and efficient hub-and-spoke intrastate water carrier system to move goods, supplies, and essential resources between our island communities. Each aspect of the supply chain is vital to our state's economy. However, without a modernized regulatory framework, intrastate carriers of passengers and property are forced to navigate an outdated rate-setting process that does not timely account for inflationary pressures or the rising costs of operation. Establishing a Water Carrier Inflationary Cost Index Mechanism will provide much-needed predictability and transparency, allowing carriers to continue serving our island communities without disruption, and offers a more incremental approach to adjusting intrastate rates, helping local families and businesses absorb cost increases over time and ensuring that rates keep up with rising costs.

The Water Carrier Working Group, convened under Senate Resolution No. 125, SD1 (2020), has studied the challenges facing our interisland shipping sector and identified regulatory lag as a primary issue. The current ratemaking process does not facilitate rate adjustments in a timely manner, making it difficult to respond to rising costs and market fluctuations due to increased competition. This bill provides the Public Utilities Commission with the necessary flexibility and authority to grant waivers and adopt cost-adjustment mechanisms, ensuring that our interisland water carriers remain financially viable while continuing to provide safe, efficient, and affordable service to all businesses and residents. Without these changes, our supply chain will face increasing strain, potentially leading to service reductions and higher long-term costs for consumers.

While this measure makes meaningful progress toward updating Hawai'i's outdated regulatory framework for interisland shipping and supporting more stable, predictable rates, we recognize that subsequent revisions were made in response to stakeholder

concerns. To ensure the bill continues to advance its original intent while addressing those concerns, we respectfully request the following limited amendments:

- Restore the language from the prior draft that would require the Public Utilities Commission to establish a water carrier inflationary cost index automatic adjustment mechanism by July 1, 2026.
- Restore the Hawai'i Water Carrier Working Group's recommended 5% cap on annual interim inflationary adjustments.

Mahalo for the opportunity to testify in strong support of this bill.

April 3, 2026

RE: **Oppose HB 2386 HD2 SD1: Relating to Water Carriers**

Dear Chair Dela Cruz, Vice Chair Moriwaki, and members of the Senate Committee on Ways and Means,

Since 1968, the Kona-Kohala Chamber of Commerce has advanced the quality of life on the west side of Hawai'i Island by supporting a strong, sustainable regional economy. Representing more than 460 member businesses and organizations, we serve as the leading voice for the West Hawai'i business community and advocate for policies that support long-term community stability and regional economic resilience.

The Kona-Kohala Chamber **opposes** HB 2386 HD2 SD1: Relating to Water Carriers, which would authorize the Public Utilities Commission (PUC) to establish automatic adjustment mechanisms and require the PUC to establish a water carrier inflationary cost index.

We challenge increased regulation that creates unnecessary burdens, hinders investment, or threatens economic growth. We support strong oversight of government processes to ensure accountability, efficiency, and transparency.

Businesses on Hawai'i Island rely on inter-island transportation to move food, goods, construction materials, and other essentials. Neighbor island communities are particularly affected by high shipping costs, as many goods must first pass through O'ahu, which increases both costs and logistical complexity. For neighbor island businesses, continued increases in inter-island shipping costs compound existing cost pressures and hinder economic growth.

With the PUC-approved 25.75% rate increase that took effect on January 1, 2026, we believe **this is not the time** to establish mechanisms that will further increase shipping costs. Higher transportation costs not only place additional strain on local businesses but also on working families and the broader community. Maintaining a strong and resilient economy is essential to preserving the quality of life for our residents and ensuring that future generations have the opportunity to thrive in our island communities.

We have also partnered with other chambers and business associations statewide, **requesting that the Hawai'i State Legislature pause** to allow for a more thoughtful evaluation of the long-term impacts of this legislation on businesses, families, and the overall cost of living in Hawai'i. Please see the full message below.

Sincerely,



Wendy J. Laros, President and CEO
Kona-Kohala Chamber of Commerce



April 2, 2026

Interisland Shipping Costs Matter: Why Water Carrier Legislation Deserves a Pause

Currently, two bills relating to water carriers in the Hawai'i State Legislature, Senate Bill 2694 and House Bill 2386, are moving forward, raising awareness and growing concern for businesses and community organizations.

Higher Costs

Access to affordable goods in Hawai'i is directly tied to interisland shipping costs. When shipping rates rise, the cost of food, housing materials, and everyday necessities increases across all islands, placing additional strain on families and businesses.

In November 2025, the Public Utilities Commission (PUC) approved a **25.75% rate increase** for Young Brothers, the state's primary interisland water carrier, effective January 1, 2026. Businesses and residents are adjusting to this substantial increase while already managing one of the highest costs of living in the nation.

Respect for the Regulatory Process

In November 2025, the PUC approved the rate increase for Young Brothers but denied their request for a Water Carrier Inflationary Cost Index (WICI), which would have allowed automatic annual rate adjustments. The PUC also imposed strict oversight conditions and prohibited additional rate increases for at least two years.

We are concerned that this legislation could enable automatic rate adjustments as early as July 1, 2026, within the same year as a substantial increase took effect. Additionally, the PUC determined that such a mechanism was not appropriate at this time. We believe it's essential to respect the regulatory process and to allow businesses and consumers the two-year pause as promised.



Uncertainty Still Exists

House Bill 2386 allows automatic adjustments in years one and two, tied to economic indicators such as inflationary pressures and changes in wharfage rates. In the current draft, HB 2386 HD2 SD1, the percentage has not been specified. In year three, the water carrier may apply for a rate adjustment subject to regulatory review. This is an ongoing, repeating three-year cycle. If the goal is predictability, uncertainty still exists because the third-year adjustment is not predetermined and could be substantially higher.

Requesting a Pause

As these bills move through the legislature, amendments are producing varied iterations. The consequences of this legislation warrant careful analysis. The urgency of these measures is concerning, particularly following the substantial rate increase that took effect on January 1, 2026. There is no need to rush this legislation.

We request that the legislature pause to allow for a more thoughtful evaluation of the long-term impacts of this legislation on businesses, families, and the overall cost of living in Hawai'i.

Sincerely,

Mitchell Dodo, President, Japanese Chamber of Commerce & Industry of Hawaii
Jacqui Hoover, Executive Director & COO, Hawaii Island Economic Development Board & President, Hawaii Leeward Planning Conference
Carla Kuo, Executive Officer, Hawaii Island Chamber of Commerce
Wendy Laros, President & CEO, Kona-Kohala Chamber of Commerce
Sheryl Matsuoka, President & CEO, Hawaii Restaurant Association
Ray Michaels, Chairman of the Advisory Board, Construction Industry of Maui
Rick Nava, West Maui Taxpayers Association
Kiran Polk, Executive Director & CEO, Kapolei Chamber of Commerce
Pamela Tumpap, President, Maui Chamber of Commerce
Lauren Zirbel, President & Executive Director, Hawaii Food Industry Association

April 3, 2026

Senate Committee on Ways and Means

Senator Donovan M. Dela Cruz, Chair

Senator Sharon Y. Moriwaki, Vice Chair

RE: HB 2386, HD2, SD1 – RELATING TO WATER CARRIERS

Hearing date: Monday, April 6, 2026, 10:32 a.m.

Aloha Chair Dela Cruz, Vice Chair Moriwaki and Members of the Committees:

Mahalo for the opportunity to submit testimony in support of HB 2386, HD2, SD1.

I am Meli James, Co-Founder of Mana Up, a unique business accelerator program designed to fuel an economic growth engine that can generate success for the local economy, support the high cost of living in Hawaii, create jobs for locals, and support local entrepreneurs as they grow and scale their product businesses globally. Through workshops, mentorship, funding, and more, Mana Up is dedicated to helping local small businesses along their journeys of growth.

Since 2022, YB has been a Voyage Partner of Mana Up. Our values align with the initiatives YB implements not only in Partnership with us, but through their work every day to support economic resilience. YB is pivotal in driving scale and viability for small businesses across our islands making them invaluable to ensure that local businesses are supported and thriving, which will only strengthen our local economy. To continue our partnership in making a significant and impactful difference for local businesses and our economy. YB must be financially stable and sustainable.

Nonprofit organizations across the state — particularly those on the neighbor islands — rely on Young Brothers to fulfill their vital work in service of the communities they serve.

When Young Brothers can operate in a way that is financially sustainable, nonprofits like us benefit from the strengthened supply chain and the company's ability to give back through financial and gratis shipping to support our mission and the positive impact we have.

This measure creates a more incremental and structured approach to setting shipping rates, with greater transparency about when and how they will change. Capped annual adjustments, with regular rate reviews, are a common-sense, customer-centric approach to ensuring shipping rates stay in sync with cost increases to provide the service. It would also ensure that Young



Brothers can maintain the interisland shipping services our state needs and support our mission and the work of countless other community service organizations.

The additional transparency about the process and what to expect helps nonprofits and businesses plan for the future. That is critically important when many nonprofits' budgets rely on grants and other funding sources that were secured based on information provided months or years earlier.

Mahalo,



Meli James
Cofounder, Mana Up



April 6, 2026

Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair
Senate Committee on Ways and Means

RE: HB 2386, H.D. 2, S.D. 1 – RELATING TO WATER CARRIERS
Hearing date: April 6, 2026, 10:32 a.m.

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

Thank you for the opportunity to submit testimony on behalf of Young Brothers, LLC offering **STRONG SUPPORT** for **HB 2386 H.D. 2, S.D. 1**. As drafted, this measure would:

- 1) Grant the Public Utilities Commission (“PUC”) discretionary authority and additional flexibility to establish rate-adjustment mechanisms for water carriers to address inflation, regulatory lag, and other economic factors, including explicit authority to establish a capped water carrier inflationary cost index (“WICI”) annual rate-adjustment mechanism after July 1, 2026, coupled with mandated rate reviews for water carriers every three years.
- 2) Grant the PUC discretionary authority and flexibility to waive certain requirements for water carriers.
- 3) Inserting a repeal date of July 1, 2033.

Proposed S.D. 2 (April 6, 2026):

The original version of this measure reflected a reasonable first step toward modernizing an outdated and inefficient regulatory framework, while promoting more predictable rates and improved financial stability. That said, we understand that additional changes were introduced in response to concerns raised during the legislative process. To address these concerns while still preserving the core intent of the legislation, YB requests the following limited changes to the S.D. 1 (See attached for a proposed S.D. 2):

- 1) Restore the language from the prior draft that would require the PUC to establish a water carrier inflationary cost index automatic adjustment mechanism by July 1, 2026.***
- 2) Restore the Hawaii Water Carrier Working Group recommended 5% cap on annual interim inflationary adjustments.***

Who is Young Brothers, LLC (“YB”)?

Young Brothers, LLC (“YB”) is a water carrier that transports cargo by tug and barge between the islands of O’ahu, Hawai’i, Kaua’i, Maui, Moloka’i, and Lāna’i. Since 1900, customers across the state have utilized YB’s frequent and regular sailings to serve as the “marine highway” that connects all island communities in this state. YB is currently the only water carrier statutorily authorized¹ to ship cargo from point-to-point within the state. As a regulated water carrier, YB is currently subject to the regulatory oversight of the Hawaii Public Utilities Commission (“PUC”).

How is YB currently regulated?

As a PUC regulated cargo water carrier, unlike other water carriers, YB is required to secure PUC approval before making changes to rates, service offerings, or sailing schedule. Securing approval to make such adjustments typically requires YB to undergo a quasi-judicial rate review process conducted by the PUC and the State Consumer Advocate to justify that YB’s cost and investment decisions were reasonable and in the public interest. This process, known as a **general rate case**, is rigorous, time-consuming (often multi-year), contentious, and extraordinarily expensive under the current regulatory framework. In other words, absent PUC approval following a rate case, **YB is required to maintain its PUC approved services and sailings at the previously approved rates – regardless of the effects of external pressures beyond YB’s control (e.g., inflation) and regardless of whether YB makes a profit.**

Is the current regulatory framework sustainable for water carriers and the customers they serve?

No. The current regulatory framework was first codified for Hawaii Water Carriers in 1974. Since then, technology, competition, and prevailing economic conditions affecting the interisland water carrier industry have changed significantly, throwing this existing regulatory framework out of balance, and compromising the sustainability of regulated water carriers in the state. Competition from air freight, freight forwarders, and national and international water carriers have increased, coupled with the advent of online shipping services and the highest inflationary period the nation has experienced since the 1980s. For YB, regulated cargo volumes have stagnated, and its costs have concurrently risen, leading to a repeating and worsening cycle of financial deterioration:

- 1) Reasonably incurred costs rise faster than rates are adjusted, creating a widening gap between actual costs and PUC-approved revenues;
- 2) Necessary expenses and investments are delayed in favor of cheaper short-term fixes that ultimately result in increased operating costs over time;
- 3) The resulting higher operating costs necessitate the filing of larger, more contentious rate cases, yet concerns about rate-shock and affordability often result in limited rate increases or mandatory multi-year “stay-out” periods before further rate adjustments can be filed – further entrenching the cycle of financial instability.

¹ Under Chapter 271G, Hawaii Revised Statutes (“HRS”) (i.e., the Hawaii Water Carrier Act).

In the current iteration of this cycle, the PUC recently approved an imposing rate increase of 25.75%, which took effect on January 1, 2026. YB is extremely appreciative to the PUC for its recognition of the need to extend this lifeline and to its customers for bearing the brunt of this considerable increase. However, the PUC coupled this approval with a 2-year “stay-out” period (i.e., a prohibition on rate increases) – which, absent any mitigating action, threatens to send YB and the customers who rely on our service on a path to repeat this same cycle of financial instability.

What can be done to break the cycle of financial instability?

First and foremost, YB recognizes that YB must play the largest part in breaking the cycle by transforming our business in a way that is thoughtful and effective, with cost control and the customers and communities we serve at top of mind. Indeed, under new leadership by seasoned shipping and logistics industry professionals, YB is aggressively pursuing additional transformational initiatives to effectively and efficiently change the business and rehabilitate the severe financial deterioration the company has experienced in recent years. However, these efforts will take time, outreach and flexibility. While those efforts are ongoing, it must be acknowledged that there are inflationary pressures beyond the control and reach of a regulated water carrier – yet these pressures have tangible effects on YB’s costs and revenues. Changes to the regulatory framework that has led to this repeating cycle must also be made.

Fortunately, during the 2020 legislative session, the Hawaii State Senate adopted Senate Resolution No. 125, S.D. 1 (2020), requesting the PUC to convene a working group to discuss and recommend solutions to ensure continuous water carrier service throughout the State, balanced with the need for water carriers to maintain financial sustainability. Said working group (the Hawaii Water Carriers Working Group, hereinafter “HWCWG”) was comprised of 18 key stakeholders from both the public and private sectors and met 13 times from August 2020 through October 2021 to gather background information on water carriers, Hawaii’s harbor system, and regulatory oversight of water carriers.

What did the Hawaii Water Carriers Working Group recommend?

In the HWCWG’s final report summarizing its findings and recommendations, the HWCWG recommended the WICI mechanism, an interim annual rate adjustment for regulated cargo rates, along with the requirement for the water carrier to submit a general rate case every three years.² **The working group found that WICI, combined with a regular three-year cadence for general rate cases, would reduce the administrative burden associated with rate adjustments, provides a more contemporaneous means of pairing regulated cargo rates with inflation adjusted expenses, and be a “significant step forward” with respect to ensuring water carrier service throughout the State and supporting the financial sustainability of the water carrier.**³ YB also contends that its customers will greatly benefit from the ability to plan for **smaller more predictable cadenced rate increases** rather than the less frequent, but less predictable and likely much larger rate increases necessitated under the current ratemaking system.

Does the WICI mechanism proposed in this measure differ from previous proposals?

² See Final Report of the HWCWG (December 27, 2021), available at: <https://puc.hawaii.gov/wp-content/uploads/2021/12/Final-Water-Carriers-Working-Group-Report-12-01-2021.pdf>

³ Id. at 15-17.

Yes. Previous versions of WICI proposed an annual rate adjustment tied to GDPPI to address the impact of inflation. Concerns were raised regarding the potential inapplicability of GDPPI or any such national index to a water carrier in Hawaii. **Instead, this version now addresses these concerns and ties the WICI annual rate adjustment to an annual inflation based increase that is already applied by the State of Hawaii in the exact same industry, to the exact same customers, for the exact same cargo: that is, the annual increases to the wharfage rates that are assessed by DOT-Harbors under Section 19-44-73, Hawaii Administrative Rules (“HAR”) to fund improvements to the local harbors that harbor users like YB must operate from.** See the attachment to this testimony for a comparative illustration of how an annual inflationary increase indexed to wharfage would work.

Why should the legislature take action on this measure at this time?

YB has sought implementation of the WICI mechanism through the PUC twice, and both times the PUC has elected to decline implementation:

- On April 5, 2024, YB filed an application with the PUC seeking implementation of the first tier of the WICI mechanism.⁴ On December 12, 2024, the PUC dismissed the application before beginning its independent substantive review, citing to, among other things, concerns over a lack of direct legal authority to support the Commission’s review of YB’s WICI application outside of a general rate case.⁵
- In response, YB included an identical request seeking the implementation of the first tier of the WICI mechanism as part of its recently completed rate case (Docket No. 2024-0255). Again, the PUC declined YB’s request, stating that “[s]hould YB return to a state of financial stability, and the Commission develops confidence in YB’s ability to reasonably control its costs, it may re-visit whether a WICI is appropriate at that time.”⁶

While YB acknowledges that aggressive cost control is a critical area of focus on YB’s path to financial sustainability, YB hopes that the legislature can see how WICI, a long-standing recommendation from a broad group of government and industry stakeholders is also a critical component of the solution. There is no reason to delay implementation any longer and risk putting YB and the customers and communities it serves through yet another iteration of the cycle of financial instability.

Further, by generally granting the PUC discretionary authority and flexibility to establish rate-adjustment mechanisms outside of a general rate case and waive certain requirements for water carriers, the legislature would be creating a more modern and adaptable regulatory framework that can mitigate the magnitude of rate increase requests, reduce the amount of time

⁴ See YB’s Application for Approval of the First Tier of the WICI Mechanism, available at: <https://shareus11.springcm.com/Public/DownloadNative/25256/12e77d0e-75f3-ee11-b843-48df377ee718/54312051-83f3-ee11-b843-48df377ee718>

⁵ See Order No. 41249 at 9-10, available at: <https://shareus11.springcm.com/Public/DownloadNative/25256/a9ccf1a8-d3b8-ef11-b848-48df377ee710/8bf3e05c-e3b8-ef11-b848-48df377ee710>

⁶ See Order No. 42100 at 51, available at: <https://shareus11.springcm.com/Public/DownloadNative/25256/f1753d11-afe6-4002-a7fe-2d8794bc1aa5/fd077520-e4c3-f011-b84a-48df377ee718>

Senate Committee on Ways and Means

April 6, 2026

Page 5

and resources that must be dedicated to such requests, and to establish and maintain financial sustainability in an evolving and increasingly competitive operating environment.

For the reasons stated above, YB offers **STRONG SUPPORT** for this measure, as amended.

Thank you for your service to the State of Hawaii, and for the opportunity to testify offering comments on this measure.

Sincerely,

Kris Nakagawa
Vice President, External and Legal Affairs

SECURING HAWAII'S SUPPLY CHAIN:

More Responsive & Predictable Shipping Rates

Young Brothers supports legislation to modernize the regulation of state water carriers, allowing for more **timely**, **transparent**, and **predictable** rate adjustments based on real-world changes in costs.

REGULATORY LAG THREATENS STATEWIDE INTERISLAND SHIPPING

As Hawaii's only regulated interisland water carrier for property, Young Brothers operates under the oversight of the Public Utilities Commission (PUC) and must seek approval for rate adjustments to recover changes in costs and investments necessary to sustain reliable service. That process is complex, costly, and can take years to complete.

While this oversight protects customers, it also means rate changes lag rising costs for months or years. During these long periods of under-recovery, Young Brothers experiences mounting financial distress until rates are adjusted, often requiring customers to cope with large, disruptive increases.

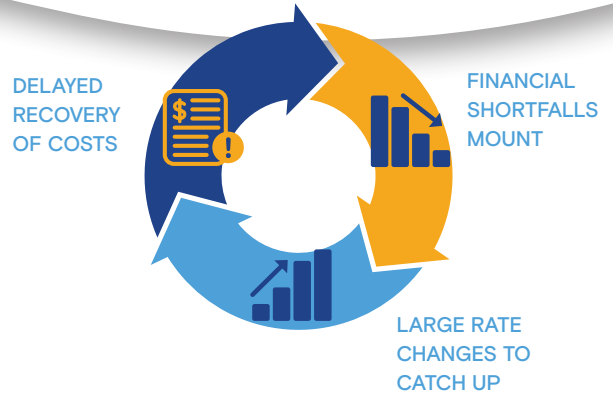
HOW THE WATER CARRIER INFLATIONARY COST INDEX (WICI) ADJUSTMENT WORKS

Building on the recommendation of the State Water Carrier Working Group, proposed legislation directs the PUC to create a new rate adjustment mechanism for water carriers by July 1, 2026. To provide consistency and transparency, customer rates will be adjusted each year based on an existing inflationary framework (i.e. 3% or Consumer Price Index (CPI), whichever is greater) administered by the Department of Transportation's (DOT) by rule (HAR § 19-44-73) to maintain port infrastructure.

By allowing smaller, more frequent adjustments, WICI helps avoid the cycle of prolonged under-recovery followed by sudden, disruptive rate increases. It also helps maintain the strength of Hawaii's supply chain and statewide interisland shipping by ensuring water carriers can operate in a financially sustainable way.

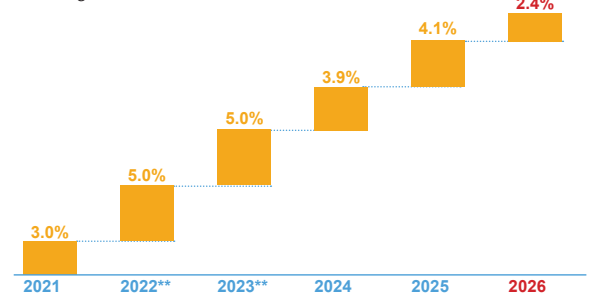
BENEFITS FOR CUSTOMERS

- **Smaller, more predictable rate adjustments** help businesses and families plan and reduce the risk of disruptive "catch-up" rate resets.
- Annual rate increases (i.e. 3% or CPI, whichever is greater) are **capped at 5%**.
- **PUC maintains all oversight powers**, and a full rate review is required every three years.

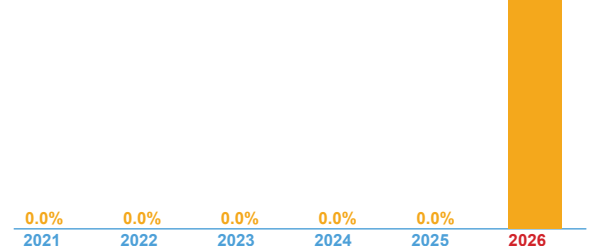


ILLUSTRATIVE* ANNUAL INCREASE TIED TO MARITIME INDEX (HAWAII DOT WHARFAGE) YIELDS SMALLER MORE PREDICTABLE RATE INCREASES VS. ONE-TIME GENERAL RATE

Annual Inflationary Increases 2021 - 2025 (Indexed to Hawaii DOT Wharfage) + 2026 General Rate Increase (GRI)



No Annual Inflationary Increases 2021 - 2025 + 2026 GRI



*For illustrative purposes only - (1) Actual WICI Cycle will include a mandatory rate review and reset every 3rd year in place of an inflationary increase. (2) Force Majeure events (fire, war, etc.) beyond water carrier's control may necessitate emergency rate increases.

Source: <https://hidot.hawaii.gov/harbors/harbor-users/admin-rules/>
** 2022 and 2023 actual wharfage increase of 6% and 5.2% respectively were adjusted to proposed inflationary metric cap of 5%

MORE INFORMATION

Kim Yoshimoto | Imanaka Asato | kyoshimoto@imanaka-asato.com | (808) 292-2387

David Veltri | Associate General Counsel, Young Brothers | dveltri@htbyb.com | (808) 543-9493



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, harbors division, pursuant to applicable administrative rules;

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

(3) Be no more than 5% 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 section 271G-17(d) and (e).

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

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~~] prescribed by the commission by [~~regulations shall prescribe; and the~~] rules. 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 water 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[~~r~~] 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 water 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 water carrier or water carriers, but upon reasonable notice, enter upon a hearing concerning the lawfulness of the rate, fare, or charge[~~r~~] or the rule, regulation, or practice, and pending the hearing and the decision [~~thereon~~] by the commission, by

delivering to the affected water carrier or water 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[~~r~~] 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 water carrier shall go into effect. At any hearing involving a change in a rate, fare, charge, or classification[~~r~~] or in a rule, regulation, or practice, the burden of proof shall be upon the water carrier to show that the proposed changed rate, fare, charge, classification, rule, regulation, or practice[~~r~~] 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 water 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 general 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, 3000, 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.



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e-mail info@hfbf.org; www.hfbf.org

April 6, 2026

HEARING BEFORE THE
SENATE COMMITTEE ON WAYS AND MEANS

**TESTIMONY ON HB 2386, HD2, SD1
RELATING TO WATER CARRIERS**

Conference Room 211 & Videoconference
10:32 AM

Aloha Chair Dela Cruz, Vice-Chair Moriwake, and Members of the Committee:

I am Brian Miyamoto, Executive Director of the Hawai'i Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,800 farm family members statewide and serves as Hawai'i's voice of agriculture to protect, advocate, and advance the social, economic, and educational interests of our diverse agricultural community.

The Hawai'i Farm Bureau offers comments on HB 2386, HD2, SD1, which would require the Public Utilities Commission to establish a mandatory automatic adjustment mechanism for water carrier rates.

Interisland shipping is one of the most significant cost drivers for Hawai'i's agricultural producers. Farmers and ranchers must ship essential inputs such as feed, fertilizer, equipment, and packaging materials, as well as transport finished products to market. Most producers are price takers and cannot pass increased transportation costs on to consumers.

The measure would authorize and require the Public Utilities Commission (PUC) to establish automatic adjustment mechanisms for water carrier rates, including a water carrier inflationary cost index. While we understand the need for regulatory certainty and mechanisms to address inflationary pressures, transitioning to an automatic adjustment structure raises concerns regarding cumulative cost impacts on agriculture.

Last year, the Public Utilities Commission approved a 25.75 percent rate increase for Young Brothers, effective January 1, 2026, to preserve interisland shipping services. Many agricultural producers are still adjusting to these higher operating costs. Even annual adjustments capped at five percent compound over time and could substantially increase transportation expenses across the agricultural sector.

HFB appreciates Young Brothers' Island Agricultural Product shipping discount, which provides reduced shipping rates for locally grown agricultural products. That program has been meaningful for many producers. However, increases to base shipping rates can quickly offset or diminish the benefit of those discounts, particularly for small and neighbor island farmers operating on thin margins.

HFB notes that the Senate companion, SB 2694, was amended in the WAM Committee, which includes language that exempts customers eligible for preferential agricultural water rates from any automatic adjustment mechanism.

The Senate Committees on Commerce and Consumer Protection and Transportation recognized this issue and retained language in SB 2694 to exempt agricultural customers from the automatic adjustment mechanism.

Accordingly, HFB respectfully requests that HB 2386, HD2, SD1 be amended to include the following:

- **An exemption for customers eligible for preferential agricultural water rates under section 269-26.5, Hawaii Revised Statutes, from any automatic adjustment mechanism.**

This amendment would provide a critical safeguard for Hawai'i's agricultural producers, who are uniquely vulnerable to transportation cost increases and are essential to the State's food security and local economy

HFB values the critical role that interisland shipping plays in our economy and appreciates the longstanding partnership between Young Brothers and the agricultural community. At the same time, it is important to ensure that policies do not unintentionally place additional financial strain on local agricultural production.

Thank you for the opportunity to provide testimony.



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info@hawaiiifood.com

Executive Officers

Kit Okimoto, Okimoto Corp., *Chair*
Jayson Watts, Mahi Pono, *Vice Chair*
Jill Tamura, Tamura Super Market, *Secretary/Treas.*
Lauren Zirbel, HFIA, *President and Executive Director*
Paul Kosasa, ABC Stores, *Advisor*
Toby Taniguchi, KTA Superstores, *Advisor*
Joe Carter, Coca-Cola Bottling of Hawaii, Odom, *Advisor*
Eddie Asato, Pint Size Hawaii, *Advisor*
Gary Okimoto, Safeway, *Advisor*
Maile Miyashiro, C&S Wholesale, *Immediate Past Chair*

TO: Committee on Ways and Means
FROM: HAWAII FOOD INDUSTRY ASSOCIATION
Lauren Zirbel, Executive Director

DATE: April 6, 2026
TIME: 10:32am

RE: HB2386 HD2 SD1 Relating to Water Carriers
Position: Oppose

The Hawaii Food Industry Association is comprised of two hundred member companies representing retailers, suppliers, producers, manufacturers and distributors of food and beverage related products in the State of Hawaii.

We acknowledge there are many different iterations of these bills moving through the legislature, and we appreciate efforts to amend the bill; however, we are concerned about rushing legislation with major cost-of-living impacts when one in three people already can't afford enough food. There is no need to rush this legislation.

The PUC very recently approved a plan of action to improve accountability and stability of interisland shipping in their recent decision, including appointing a special overseer. Let's allow them time to put this plan into action, and let's allow businesses and their consumers the two-year pause that was promised.

April 6, 2026, 10:32 a.m.
Hawaii State Capitol
Conference Room 211 and Videoconference

To: Senate Committee on Ways and Means
Sen. Donovan M. Dela Cruz, Chair
Sen. Sharon Y. Moriwaki, Vice Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

RE: TESTIMONY OPPOSING HB2386 HD2 SD1 — RELATING TO WATER CARRIERS

Aloha Chair, Vice Chair and other Committee Members,

The Grassroot Institute of Hawaii **opposes** [HB2386 HD2 SD1](#), which would allow the Public Utilities Commission to adopt an automatic price adjustment mechanism for water carriers.

Ideally, local water carriers would operate in an open market and be able to respond to changing conditions in a competitive context. However, interisland shipping in Hawaii is not an open market, and the Public Utilities Commission must act as a check on escalating shipping costs. At present, the PUC's role exists in part to address the concerns of local businesses and consumers regarding shipping rates.

Under the circumstances, automatic price increases would be harmful to local businesses and could contribute to the ever-rising cost of living and price of doing business in Hawaii. While the system as a whole might need reform, automatic price increases are not the answer.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

HB-2386-SD-1

Submitted on: 4/5/2026 5:06:03 PM

Testimony for WAM on 4/6/2026 10:32:00 AM



Submitted By	Organization	Testifier Position	Testify
Steve Haumschild	Testifying for Lanikai Brewing Company	Oppose	Written Testimony Only

Comments:

To: Hawaii State Legislature

Re: HB2386 HD2 SD1

Dear Chair, Vice Chair, and Members of the Committee,

My name is Steve Haumschild, and I am a business owner of Lanikai Brewing Company, serving both residents and visitors in our community. I am writing in strong opposition to HB2386 HD2 SD1 due to the significant negative impacts it will have on small, locally owned businesses like ours.

As a Hawaii-based craft brewery, we already operate within a uniquely challenging environment defined by high costs, geographic isolation, and heavy reliance on imported goods. Measures such as HB2386 HD2 SD1 introduce additional burdens that disproportionately affect small businesses without providing clear, offsetting benefits.

Of particular concern is the bill's reliance on automatic adjustments tied to shipping costs from what is effectively a monopoly carrier serving Hawaii. When rate structures or fees are indexed to a single dominant shipping provider, local businesses are left fully exposed to price increases over which we have no control, no negotiating power, and no viable alternatives. This creates a one-sided dynamic where costs can escalate automatically, regardless of broader economic conditions or a business's ability to absorb them.

For companies like ours, shipping is not optional—it is foundational. Ingredients, packaging materials, equipment, and replacement parts all depend on ocean freight. When automatic adjustments are layered on top of an already monopolistic system, it compounds cost volatility and makes long-term planning extremely difficult. Unlike larger mainland competitors, we cannot diversify shipping options or leverage volume to offset these increases.

Additionally, these automatic cost escalations will inevitably be passed through the supply chain, resulting in higher prices for consumers, reduced competitiveness for local producers, and downward pressure on wages and hiring. Rather than stabilizing the market, this approach risks amplifying inflationary pressures within Hawaii's already fragile small business ecosystem.

More broadly, HB2386 HD2 SD1 risks reducing economic activity by increasing operational costs and administrative complexity. Small, locally owned businesses like Lanikai Brewing

Company play a critical role in supporting local agriculture, tourism, and community identity. Policies that constrain our ability to operate efficiently ultimately diminish these broader economic contributions.

Finally, the bill may unintentionally disadvantage Hawaii-based businesses relative to out-of-state competitors. Increasing costs through mechanisms tied to a monopoly shipping system shifts the playing field further away from local operators and toward imported products and large mainland corporations.

We respectfully urge the Committee to reconsider this approach and to avoid policies that tie automatic cost increases to systems where local businesses have no control or recourse. We would welcome the opportunity to work collaboratively on solutions that address the Legislature's goals without placing undue burden on Hawaii's small business community.

For these reasons, I strongly urge you to defer HB2386 HD2 SD1.

Mahalo for the opportunity to testify.

Sincerely,
Steve Haumschild
Lanikai Brewing Company



April 4, 2026

Senate Committee on Ways and Means

Senator Donovan M. Dela Cruz, Chair

Senator Sharon Y. Moriwaki, Vice Chair

RE: HB 2386, HD2, SD1 , HD2, SD1 – RELATING TO WATER CARRIERS

Hearing date: Monday, April 6, 2026, at 10:32 a.m.

Chair Dela Cruz, Vice Chair Moriwaki, Members of the Committee

I am Wayne De Luz, President of Big Island Motors, writing to submit testimony in support of HB 2386, HD2, SD1 .

As a business that relies on the timely transportation of vehicles, machinery, and essential parts, we depend on YB's inter-island shipping services to keep our operations running smoothly and to meet customer demand across Hawai'i. Any disruptions in YB's services could lead to inventory shortages, project delays, and increased costs, ultimately affecting businesses and the broader economy. Without a reliable shipping network, dealerships and equipment suppliers across the islands would struggle to maintain adequate supply levels, limiting economic growth and job stability in our industry.

Ocean shipping offers the most cost-effective way for businesses to move goods to market, manage inventory, and operate across the islands. For businesses that rely on interisland shipping to distribute goods, being able to more accurately forecast shipping rates would be a critical improvement.

HB 2386, HD2, SD1 creates a more incremental and structured approach to setting shipping rates, with greater transparency about when and how they will change. Capped annual adjustments, with regular rate reviews, are a common-sense, customer-centric approach to ensuring shipping rates stay in sync with cost increases to provide the service. The benefits would include increased transparency and stability in shipping rates, allowing businesses to better manage costs and offer competitive pricing.

By allowing for smaller, predictable rate modifications, this approach creates a more stable rate case cycle, enabling Big Island Motors to plan effectively, mitigate sudden cost surges, and maintain competitive pricing for our customers. YB is essential to all business operations and is critical to our supply chain since we ship over 1500 vehicles a year!

Mahalo,
Wayne K. De Luz
President
Big Island Motors



Sales • Leasing • Parts • Service

My name is Steven Hunt, and I am submitting testimony **in support** of this measure in my capacity as the former Chair of the Hawai'i Water Carriers Working Group (HWCWG) small group on Rates. For context, the HWCWG small group on Rates was formed in late 2020, with the goal of coming up with recommendations that would support the sustainability and profitability of the water carrier, minimize the need for large adjustments between formal rate cases, and provide safeguards for consumers with respect to runaway or unreasonable automatic increases for the water carrier. I want to reiterate why our committee strongly advocated for the Water Carrier Inflationary Cost Index (WICI) mechanism, which was ultimately adopted as Recommendation No. 1 in the HWCWG Final Report.

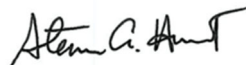
First, the current rate case method that's facilitated by the Hawai'i Public Utilities Commission tends to be slow, cumbersome, costly, and inefficient as the outcomes often result in large rate spikes that are necessary following extended periods without adjustment, rather than more contemporary incremental adjustments. Adhering to this current rate adjustment methodology discourages future capital investment, puts the water carrier at financial risk by having to incur unsustainable short-term debt to subsidize losses, and raises the ire of consumers that view these less frequent and large rate adjustments as being exorbitant.

Second, WICI is not meant to replace the general rate case process but rather provide a means for more timely, but limited, rate adjustments during the periods between burdensome and resource consuming rate cases. For example, keeping in mind that inflation could potentially be highly volatile, the small group on Rates recommended the annual rate adjustment have a cap of 5% to provide consumers with some level of price protection as well as hold the water carrier accountable for controlling their expenses.

Finally, as a safeguard for consumers against the potential for runaway automatic increases, the WICI mechanism also contemplated that rate cases would be *mandatory* at a consistent cadence (every third year) to reconcile any excessive adjustments *and* to account for costs and investments not covered by WICI.

As of 2026, it's clear that the concerns WICI was meant to address have not only persisted but have evolved, continuing to impact the industry. While I recognize that there have been many factors at play, it's worth considering whether earlier implementation of this recommendation might have helped mitigate some of the challenges the State's water carrier system is facing today.

Thank you for the opportunity to provide public comments on this issue.



Steven A, Hunt

Monday, April 6, 2026

Measure: H.B. 2386

Title: RELATING TO WATER CARRIERS

Submitted to the Hawaii State Legislature

COMMITTEE ON WAYS AND MEANS

To Chair Kila, Vice Chair Miyake, and Members of the committee,

I AM IN SUPPORT OF THIS BILL

My name is Captain Edward Enos. I have more than 45 years of professional experience in Hawaii's maritime transportation industry. Since 1977 I have served as a U.S. Coast Guard-licensed deck officer aboard deep-sea cargo ships and tankers worldwide, and as a crew member in Hawaii's inter-island tug-and-barge fleet. For the past 32 years I have been a State-licensed Port Pilot, safely guiding hundreds of vessels each year into and out of every commercial harbor in Hawaii. In that role I routinely depend on the ship-assist tugs owned and operated by Young Brothers (YB) at the neighbor-island ports.

I support the proposed rate adjustments for Young Brothers. I agree with recent testimony that the current rate-review process is overly time-consuming and difficult for local businesses to navigate. Large, infrequent rate increases create unnecessary budget shock. I therefore endorse the shift to smaller, more frequent adjustments with adequate advance notice. My own maritime business successfully implemented this model years ago—annual cost-of-living adjustments tied to the U.S. Bureau of Labor Statistics—because our customers demanded predictability. The approach has proven effective for other maritime operators in Hawaii.

I also recognize the legitimate concerns raised about customer service and terminal wait times. The majority of the requested increase is tied to less-than-container-load (LCL) cargo, which requires significantly more union longshore labor, sorting time, and pier space than containerized freight. At YB's Honolulu terminal (Piers 39 and 40), this results in daily truck and vehicle backups extending onto Nimitz Highway. Hawaii's commercial ports have severely limited land area and cannot expand indefinitely. Encouraging freight consolidators to operate at convenient off-port locations would reduce terminal congestion, improve efficiency, and maintain service levels—often at no net additional cost to the shipping public.

Young Brothers' recent investments in new tugs, barges, and equipment are not discretionary. They are essential due to the accelerated corrosion and wear caused by Hawaii's salt air and demanding marine environment. Replacement cycles here are simply shorter than in most other ports.

In summary, **I strongly support YB's request** for rate relief and the accompanying operational modifications. I urge the Committee to approve the proposed adjustments promptly. I further recommend a fresh regulatory review of the obligation to handle LCL cargo, which, in my experience, remains the single most inefficient and costly element of the present system.

Thank you for the opportunity to testify based on a lifetime of service in Hawaii's maritime transportation industry. I am available to answer any questions the Committee may have.

Respectfully submitted,

Capt. Edward Enos

State-Licensed Port Pilot #16

U.S. Coast Guard–Licensed Master Mariner

(808) 479-1022

Kailua, Hawaii

HB-2386-SD-1

Submitted on: 4/5/2026 9:26:39 AM

Testimony for WAM on 4/6/2026 10:32:00 AM

Submitted By	Organization	Testifier Position	Testify
Glen Kagamida	Individual	Oppose	Written Testimony Only

Comments:

STRONG OPPOSE!!!

Rate increase requests should be justified and scrutinized for not only input costs, but also operation efficiency.

If anything should be automatic, it should be automatic DECREASES if deflationary conditions occur. For example, a decrease in the price of oil should trigger an automatic review of rates.

Mahalo!