

Honolulu, Hawaii

FEB 18 2022

RE: S.B. No. 2756
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2022
State of Hawaii

Sir:

Your Committee on Transportation, to which was referred S.B. No. 2756 entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Create a two-tier rate adjustment for water carriers based on automatic annual increases or a justified increase based on actual costs and performance;
- (2) Establish a water carrier agricultural cargo shipping subsidy with an annual rate increase; and
- (3) Appropriate funds.

Your Committee received testimony in support of this measure from Young Brothers, LLC. Your Committee received comments on this measure from the Department of the Attorney General; Public Utilities Commission; Department of Commerce and Consumer Affairs; Department of Budget and Finance; Hawai'i Farm Bureau; Maui County Farm Bureau; and Hawaii Cattlemen's Council, Inc.

Your Committee finds that the water carrier industry plays a crucial role in sustaining each island's economy and supporting Hawaii's agricultural industry by making shipping more affordable



for consumers. Due to recent economic events and increasing operating costs, it is necessary to balance the need for continuous interisland water carrier service throughout the State with the need for water carriers to maintain financial stability. General rate cases tend to be time consuming for both water carriers and the Public Utilities Commission. The collaborative efforts by the Water Carrier Working Group, formed in response to Senate Resolution No. 125, S.D. 1 (2020), developed recommendations focusing on annual rate adjustments, improving customer service, and establishing broad subsidies for trans-Pacific and interisland cargo, among other issues, including the recommendation to establish the water carrier inflationary cost index, which is reflected in this measure. A two-tier rate adjustment mechanism will help reduce administrative burdens and provide a more contemporaneous means of pairing regulated cargo rates with inflation-adjusted expenses. Further, the agriculture cargo shipping subsidy program will make shipping agricultural goods more affordable and help mitigate further increases for customers.

Your Committee has heard the concerns raised in testimony that this measure, as currently drafted, fails to incorporate certain audit findings that recommended no inflation adjustment be requested prior to 2023, and that any such proposal for increasing rates be subject to the water carrier demonstrating measurable improvements in cost containment. Therefore, amendments to this measure are necessary to address these and other concerns raised in testimony.

Accordingly, your Committee has amended this measure by:

- (1) Clarifying that, before January 1, 2024, the Public Utilities Commission shall establish a two-tier water carrier inflationary cost index by which water carrier rates shall be annually adjusted;
- (2) Specifying that, for tier one, an automatic rate adjustment for each calendar year shall be calculated by increasing or decreasing the water carrier rate in effect through the end of the previous calendar year by the percentage increase or decrease in the consumer price index for that year;



- (3) Clarifying that, for tier two, the Public Utilities Commission shall grant approval of an expense justified rate increase based on proof of performance measures demonstrating that there has been no material decline in the water carrier's operations, safety, or customer service levels;
- (4) Clarifying that the total water carrier inflationary cost index rate adjustment shall exclude surcharges and shall not exceed five percent per calendar year;
- (5) Requiring the water carrier agriculture cargo shipping subsidy program to be administered consistent with the standards and qualifications for making subsidies as previously enacted for other administrative grant programs in the State;
- (6) Inserting language appropriating \$200,000 to the Public Utilities Commission to establish a water carrier inflationary cost index rate adjustment;
- (7) Inserting a \$750,000 appropriation amount for the Department of Transportation for the interstate water carrier agriculture subsidies program;
- (8) Inserting an effective date of January 1, 2050, to encourage further discussion;
- (9) Amending section 1 to reflect its amended purpose and to clarify that the interstate water carrier agriculture subsidies program is for a public purpose to alleviate costs associated with transportation and service across the State, primarily for small communities reliant on shipment of goods by barge, and providing universal support to water carriers, cargo users, and consumers; and
- (10) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Transportation that is attached to this report, your Committee is in accord with the intent and purpose of S.B.



No. 2756, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2756, S.D. 1, and be referred to your Committees on Commerce and Consumer Protection and Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Transportation,

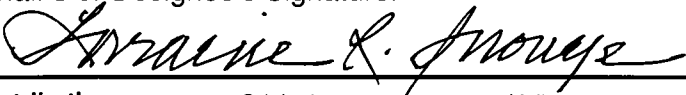


CHRIS LEE, Chair



The Senate
Thirty-First Legislature
State of Hawai'i

Record of Votes
Committee on Transportation
TRS

Bill / Resolution No.:* SB 2756	Committee Referral: TRS, CPN/WAM	Date: 2/15/22		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
LEE, Chris (C)	✓			
INOUYE, Lorraine R. (VC)	✓			
DECOITE, Lynn	✓			
SHIMABUKURO, Maile S.L.				✓
FEVELLA, Kurt	✓			
TOTAL	4	0	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes