

STAND. COM. REP. NO.

3349

Honolulu, Hawaii

MAR 22 2024

RE: H.B. No. 2700
H.D. 3
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred H.B. No. 2700, H.D. 3, entitled:

"A BILL FOR AN ACT RELATING TO WILDFIRES,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Establish the Hawaii Wildfire Relief Fund and Hawaii Wildfire Relief Fund Corporation to provide compensation for property damage resulting from catastrophic wildfires in the State;
- (2) Require the Corporation's board to report to the Legislature; and
- (3) Appropriates funds.

Your Committee received testimony in support of this measure from Hawaiian Electric, Hawaiian Telcom, International Brotherhood of Electrical Workers Local 1260, Hawai'i Farm Bureau, Clearway Energy Group, Ulupono Initiative, Kona-Kohala Chamber of Commerce, AES Hawai'i, Par Hawaii, Kapolei Chamber of Commerce, Chamber of Commerce Hawaii, Maui Chamber of Commerce, Retail Merchants of Hawaii, and forty-six individuals.



Your Committee received testimony in opposition to this measure from the State Farm Mutual Automobile Insurance Company and Hawaii Association for Justice.

Your Committee received comments on this measure from the Office of the Governor, Department of Commerce and Consumer Affairs, Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, Office of the Auditor, Public Utilities Commission, Tax Foundation of Hawaii, and Kaua'i Island Utility Cooperative.

Your Committee finds that the rise of global temperatures associated with climate change have increased the risk of catastrophic wildfires around the globe, costing approximately \$50 billion in annual average costs, according to the World Economic Forum. As insurance markets have been roiled by the rising frequency of catastrophic wildfires and floods, new and innovative strategies for loss mitigation and cost recovery are necessary to supplement traditional insurance risk management approaches. Your Committee finds that collectively, the State, counties, utilities, private companies, and large property owners can share their capacities and resources to capitalize, as a supplemental form of self-insurance, a relief fund that can help address the risk of future catastrophic wildfires in Hawaii, and therefore this measure establishes the Hawaii Wildfire Relief Fund and Hawaii Wildfire Relief Fund Corporation to provide community-contributed compensation for property damage resulting from wildfires.

Your Committee notes the concerns raised by testifiers that the measure as written includes certain limitations on claims against contributors or their affiliates, employees, agents, or insurers, which could preclude all property damage claims against fund contributors for any disaster in the future caused by the contributors. Your Committee finds that this issue merits further consideration and respectfully requests that subsequent Committees to which this measure is referred consider this issue should they choose to deliberate on this measure.

Your Committee further finds that it is imperative that electric utilities develop, implement, and administer effective plans for wildfire risk mitigation. During 2019 and 2020, a resilience working group, convened to identify resilience threat scenarios and potential grid impacts, key customer and



infrastructure sector capabilities and needs following a severe event and loss of power, and gaps and priorities in grid and customer capabilities following a severe event and loss of power. The resilience working group identified wildfires as one of five types of severe events of utmost importance to consider for achieving a resilient grid and provided resilience options for utilities to consider.

Your Committee finds that securitization may be the most efficient, least-cost way to finance wildfire risk mitigation costs and expenses because utility rate securitization transactions have an extensive track record of success. Bonds securitized by the right to recover rates receive investment grade credit ratings from credit rating agencies and thus provide a means of securing capital at a lower interest rate than those currently available to utilities, in particular utilities without an investment grade credit rating. Therefore, your Committee finds it necessary to create a process whereby electric utilities develop and submit effective risk-based wildfire risk protection plans that are approved, and if necessary modified by, the Public Utilities Commission, which enable electric utilities to timely recover the prudently incurred costs and expenses of developing, implementing, and administering those plans and the costs and expenses are not borne disproportionately by any particular ratepayer or county.

Accordingly, your Committee has amended this measure by:

- (1) Clarifying that the Auditor shall conduct an annual "financial" audit of the Hawaii Wildfire Relief Fund Corporation and Wildfire Relief Fund, and further clarifying that the audit required shall be conducted using both generally accepted accounting principles and the generally accepted government auditing standards, rather than using both generally accepted accounting principles and the statutory accounting principles published by the National Association of Insurance Commissioners;
- (2) Removing telecommunications service providers from the list of entities identified as being able to participate in the Wildfire Relief Fund as contributors;



- (3) Authorizing the Public Utilities Commission to determine a cap on the percentage of a public utility's contributions to the Wildfire Relief Fund, including initial and supplemental contributions, that may be recovered from its customers in rates, unless the Commission directs otherwise;
- (4) Inserting as a new Part II of this measure, language recently developed by the Department of the Attorney General in consultation with the State Bond Counsel to develop a potential alternative financing mechanism to securitization that could potentially be used to fund the Hawaii Wildfire Relief Fund Corporation and Wildfire Relief Fund;
- (5) Amending section 1 to further clarify its intended purpose; and
- (6) 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 Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2700, H.D. 3, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 2700, H.D. 3, S.D. 1, and be referred to your Committees on Ways and Means and Judiciary.

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



JARRETT KEOHOKALOLE, Chair



The Senate
Thirty-Second Legislature
State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:*	Committee Referral:	Date:
HB2700, HD3	CPN, WAM/JDC	3/21/24

The Committee is reconsidering its previous decision on this measure.
If so, then the previous decision was to: _____

The Recommendation is:

Pass, unamended 2312 Pass, with amendments 2311 Hold 2310 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
KEOHOKALOLE, Jarrett (C)	✓			
FUKUNAGA, Carol (VC)	✓			
MCKELVEY, Angus L.K.				✓
RICHARDS, III, Herbert M. "Tim"	✓			
AWA, Brenton				✓
TOTAL	3			2

Recommendation: Adopted Not Adopted

Chair's or Designee's Signature:
Carol Fukunaga

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*Only one measure per Record of Votes