

Honolulu, Hawaii

APR 05 2024

RE: H.B. No. 2700
H.D. 3
S.D. 2

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

Sir:

Your Committees on Ways and Means and Judiciary, to which was referred H.B. No. 2700, H.D. 3, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO WILDFIRES,"

beg leave to report as follows:

The purpose and intent of this measure is to protect residents from future wildfires in the State.

Specifically, this measure:

- (1) Establishes the Hawaii Wildfire Relief Corporation and the Hawaii wildfire relief fund to provide compensation for property damage resulting from catastrophic wildfires in the State;
- (2) Creates a process for electric utilities to develop and submit wildfire protection plans to the Public Utilities Commission for approval; and
- (3) Authorizes electric utilities to recover the costs and expenses of developing, implementing, and administering the wildfire protection plans while avoiding a disproportionate impact on a specific ratepayer or counties.



Your Committees received written comments in support of this measure from Clearway Energy Group; Ulupono Initiative; International Brotherhood of Electrical Workers, Local Union 1260; Hawaii Farm Bureau; Retail Merchants of Hawaii; Kapolei Chamber of Commerce; Plus Power; Hawaiian Electric; Hawaii Cattlemen's Council; Maui Chamber of Commerce; and more than sixty individuals.

Your Committees received written comments in opposition to this measure from the Kauai Island Utility Cooperative, State Farm, and Hawaii Association for Justice.

Your Committees received written comments on this measure from the Office of the Governor; Attorney General; Department of Commerce and Consumer Affairs, Division of Consumer Advocacy; Public Utilities Commission; Tax Foundation of Hawaii; and Hawaiian Telcom.

Your Committees find that the cost of protracted litigation regarding wildfire damages can impose massive costs on the State, counties, utilities, landowners, and other defendants that may be alleged to have contributed to catastrophic wildfires. Those costs may overwhelm the major institutions in the community, undermining their ability to make investments that the State needs. Accordingly, your Committees find that it is in the public interest to avoid the costs of litigation arising out of catastrophic wildfires in order to protect Hawaii's economy and encourage investment in the State.

Your Committees acknowledge that the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy, has requested that the measure be amended to prohibit a public utility from increasing rates in order to fund contributions to the wildfire relief fund and pay financing costs related to bonds for the issuance of wildfire protection. Your Committees also acknowledge the testimony of the Public Utilities Commission regarding deadlines for the Commission to issue decisions, and how establishing deadlines based upon the last filing, rather than the initial application, will help to ensure that the Commission can develop a sound docket once the docket record is properly developed.



Your Committees further note that provisions added by part II of the measure are intended to apply to electric utility cooperative associations.

Your Committees have amended this measure by:

- (1) Adding definitions for "operation date" and "wildfire relief fund";
- (2) Clarifying that, for the purpose of making a determination of whether insufficient funding exists for the wildfire relief fund, the fund administration shall determine whether the fund will fail to be fully capitalized by the fifth year of operation after the operation date;
- (3) Clarifying that the remaining amount of the supplemental contribution to the wildfire relief fund, but not more than the largest contribution by other contributors, shall be paid by the State, subject to legislative appropriation;
- (4) Clarifying that the fund administrator may permit annual supplemental contributions to the wildfire relief fund instead of a single upfront contribution, subject to the payment of interest;
- (5) Authorizing, under certain circumstances, recovery of an investor-owned utility's contributions to the wildfire relief fund via a securitization transaction;
- (6) Capping the State's loan to the wildfire relief fund following a depletion event;
- (7) Clarifying the terms and time frames for contributor payments to the wildfire relief fund;
- (8) Specifying that eligibility and compensation for property owners from the wildfire relief fund shall be limited to uninsured real or personal property damage;
- (9) Clarifying the time frame in which the fund administrator may declare a depletion event, and



specifying that the depletion percentage shall be based on the financial capacity of the wildfire relief fund;

- (10) Clarifying the rights of property owners or property insurers to seek payments from the wildfire relief fund if a fund depletion event occurs, and establishing a three-year period to true up damages incurred;
- (11) Clarifying policyholder rights and the rights of property insurers to subrogation;
- (12) Exempting electric utility cooperative associations from the wildfire relief fund established by Part I of the measure;
- (13) Clarifying how the Public Utilities Commission shall determine whether a wildfire mitigation plan is reasonable;
- (14) Specifying that electric utility cooperative associations shall recover the costs of a wildfire protection plan through a dedicated, discrete tariff rider;
- (15) Establishing penalties for electric utilities that do not comply with an approved wildfire protection plan;
- (16) Requiring that if an electric utility applies for financing through the Public Utilities Commission to recover any wildfire protection costs, the electric utility shall show net savings to consumers and lower rates compared to traditional financing options;
- (17) Authorizing an electric utility to sell, transfer, assign, or pledge property to a government entity for purposes of lower financing costs through government-issued recovery bonds;
- (18) Capping the total securitization surcharge at five percent of the average residential customer's bill;



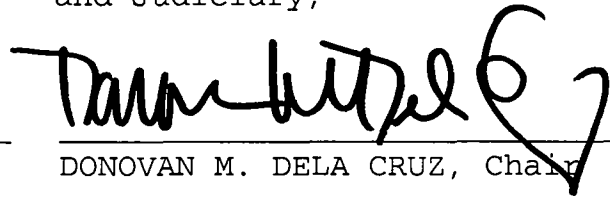
- (19) Clarifying that the issuance of a financing order does not constitute a general obligation of the State or any of its political subdivisions;
- (20) Authorizing an electric utility to sell, assign, or pledge its interest in wildfire protection property for purposes of improved financing; and
- (21) Making technical nonsubstantive amendments for purposes of clarity, consistency, and style.

As affirmed by the records of votes of the members of your Committees on Ways and Means and Judiciary that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 2700, H.D. 3, S.D. 1, as amended herein, and recommend that it pass Third Reading in the form attached hereto as H.B. No. 2700, H.D. 3, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committees on Ways and Means
and Judiciary,



KARL RHOADS, Chair



DONOVAN M. DELA CRUZ, Chair



The Senate
Thirty-Second Legislature
State of Hawai'i

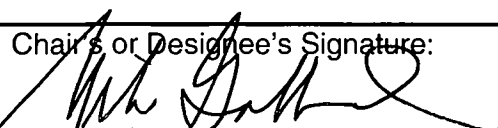
Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 2700 HD3 SD1	CPN, WAM/JDC	3/28/2024		
<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
DELA CRUZ, Donovan M. (C)	X			
MORIWAKI, Sharon Y. (VC)	X			
AQUINO, Henry J.C.	X			
DECOITE, Lynn	X			
HASHIMOTO, Troy N.	X			
INOUYE, Lorraine R.	X			
KANUHA, Dru Mamo				X
KIDANI, Michelle N.	X			
KIM, Donna Mercado	X			
LEE, Chris	X			
SHIMABUKURO, Maile S.L.				X
WAKAI, Glenn	X			
FEVELLA, Kurt	X			
TOTAL	11	0	0	2
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

The Senate
Thirty-Second Legislature
State of Hawai'i

Record of Votes
Committee on Judiciary
JDC

Bill / Resolution No.:* HB 2700 HD3 SD1	Committee Referral: CPN, WAM JDC	Date: 03 28 24		
<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
RHOADS, Karl (C)	✓			
GABBARD, Mike (VC)	✓			
ELEFANTE, Brandon J.C.	✓			
SAN BUENAVENTURA, Joy A.	✓			
AWA, Brenton	✓			
TOTAL	5	—	—	—
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				

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