

STAND. COM. REP. NO. **1776**-24

Honolulu, Hawaii

, 2024

MAR 22

RE: S.B. No. 2922
S.D. 2
H.D. 2

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committees on Consumer Protection & Commerce and
Judiciary & Hawaiian Affairs, to which was referred S.B. No. 2922,
S.D. 2, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO PUBLIC UTILITIES,"

beg leave to report as follows:

The purpose of this measure is to create a process whereby
electric utilities are able to timely recover the prudently
incurred costs and expenses of developing, implementing, and
administering wildfire protection plans and ensure those costs and
expenses are not borne disproportionately by any particular
ratepayer or county.

Your Committees received testimony in support of this measure
from the Office of the Governor; Public Utilities Commission;
International Brotherhood of Electrical Workers Local 1260; Life
of the Land; Longroad Energy; Clearway Energy Group; Kaua'i Island
Utility Cooperative; Ulupono Initiative; Hawaiian Electric; Land
Use Research Foundation of Hawaii; and numerous individuals. Your
Committees received testimony in opposition to this measure from
the Hawaii Association for Justice and one individual. Your
Committees received comments on this measure from the Department
of Commerce and Consumer Affairs; Department of the Attorney

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General; Department of Budget and Finance; Hawaii State Energy Office; and Maui Chamber of Commerce.

Your Committees find that the Hawaii State Energy Office conducted a comprehensive energy system risk assessment for Oahu on the interdependencies within the energy sector supply chain and the interdependencies of the energy sector with Federal Emergency Management Agency Community Lifeline services that are essential to the response and recovery from hazard events. The Office found that wildfire is one of the top two most significant threats to the State's critical energy infrastructure and the emergency response sectors that depend on it. At the same time, power infrastructure in red flag conditions can also be the cause of wildfire.

Your Committees further find that as wildfire risk has increased in a warming climate, many states are starting to adopt best practices for wildfire mitigation or protection plans. These plans are widely available and have been largely based on California's laws and regulations. These laws and regulations may serve as a model for the State and can potentially be adapted to suit the State's unique geography, culture, and overall landscape through workshops, hosted by either the electric utilities or the Public Utilities Commission. This measure moves the State forward to implement best practices in mitigating wildfire risk and by providing a mechanism for electric utilities to finance wildfire mitigation projects.

Your Committees have amended this measure by:

- (1) Incorporating the contents of S.B. No. 2997, S.D. 2, H.D. 1, a measure that:
 - (A) Creates a process whereby electric utilities develop and submit effective risk-based wildfire protection plans to the Public Utilities Commission for approval and the Commission evaluates those plans and either approves them or does so with modifications; and
 - (B) Requires public utilities to report wildfires caused by or occurring in connection with their operations;



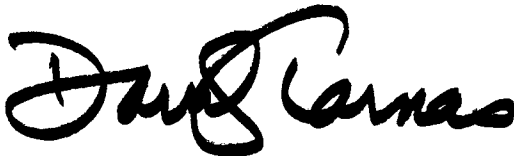
- (2) Amending various definitions;
- (3) Amending the required contents of the wildfire protection plans;
- (4) Clarifying that the Public Utilities Commission (Commission) is to determine the reasonable costs to develop, implement, and administer a wildfire protection plan, including establishing a mechanism to recover these costs in rates;
- (5) Limiting the liability of electric utilities, the State, and the Commission and its commissioners, employees, and agents with respect to any action taken under the measure;
- (6) Integrating the Commission's consideration of penalties with the existing Performance Based Regulation process;
- (7) Prohibiting the admissibility of the Commission's determination that an electric utility materially failed to comply with an approved wildfire protection plan in certain lawsuits and other actions;
- (8) Amending the requirements for an electric utility to apply to the Commission for a financing order to issue bonds, including:
 - (A) Amending the factors the Commission must consider when determining whether to approve or deny an application for a financing order;
 - (B) Clarifying that the Commission must issue a financing order within one hundred twenty days of the filing of an application for wildfire protection costs that are paid or obligated to be paid;
 - (C) Authorizing an electric utility to include in its application a request for authorization to sell, transfer, assign, or pledge recovery property to a governmental financing entity in certain circumstances;



- (D) Prohibiting the Commission from issuing a financing order if the wildfire protection charges under all issued financing orders constitute more than five percent of the average residential customer bill;
 - (E) Specifying the actions the State and its agencies are prohibited from taking regarding financing orders and bonds; and
 - (F) Amending the Commission's procedure for periodic true-up adjustments to wildfire protection charges;
- (9) Permitting wildfire protection property to be sold or assigned by certain parties upon default under the terms of a recovery bond; and
- (10) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the records of votes of the members of your Committees on Consumer Protection & Commerce and Judiciary & Hawaiian Affairs that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2922, S.D. 2, H.D. 1, as amended herein, and recommend that it be referred to your Committee on Finance, in the form attached hereto as S.B. No. 2922, S.D. 2, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committees on Consumer
Protection & Commerce and
Judiciary & Hawaiian Affairs,



DAVID A. TARNAS, Chair



for MARK M. NAKASHIMA, Chair



