

STAND. COM. REP. NO.

230

Honolulu, Hawaii

FEB 06 , 2025

RE: H.B. No. 982
H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Madame:

Your Committee on Energy & Environmental Protection, to which was referred H.B. No. 982 entitled:

"A BILL FOR AN ACT RELATING TO WILDFIRES,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Establish the Wildfire Recovery Fund; and
- (2) Allow for securitization for electric utilities.

Your Committee received testimony in support of this measure from the Hawai'i Climate Advisory Team; Kalaeloa Partners LP; Plus Power; Ulupono Initiative; International Brotherhood of Electrical Workers Local Union 1260; Hawaii Cattlemen's Council, Inc.; Sustainable Energy Hawai'i; Par Hawaii; Kauai'i Island Utility Cooperative; Hawaiian Electric; Retail Merchants of Hawaii; Hawai'i Farm Bureau; Chamber of Commerce Hawaii; Ameresco; Land Use Research Foundation of Hawaii; Hawai'i Island Chamber of Commerce; Clearway Energy Group; AES Hawai'i; Kapolei Chamber of Commerce; North Kohala Community Resource Center; Kona-Kohala Chamber of Commerce; Hawaii Fire Fighters Association; Maui Chamber of Commerce; and numerous individuals. Your Committee received testimony in opposition to this measure from Hawaii Insurers Council; Hawaii Regional Council of Carpenters; Pacific Resource

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Partnership; and Hawaii Association for Justice. Your Committee received comments on this measure from the Office of the Governor; Department of the Attorney General; Department of Commerce and Consumer Affairs; Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs; Public Utilities Commission; and Life of the Land.

Your Committee finds that the increasing risk of catastrophic wildfires in Hawaii has heightened the threat of property damage, and the litigation process for compensation is costly and inefficient. To address this, an administrative claims process will provide a faster, low-cost alternative for claimants while preserving their right to litigation and ensuring the financial stability of regulated utilities. This measure also supports securitization as an efficient funding mechanism, balancing wildfire recovery efforts with the long-term resilience of Hawaii's utility infrastructure.

Your Committee has amended this measure by:

- (1) Expanding the definition of "catastrophic wildfire" to include wildfires that, for an electric cooperative with less than fifty thousand residential members, cause a certain dollar amount of potential claims to be determined by Executive Director of the Wildfire Recovery Fund;
- (2) Clarifying that the definition of "qualified damages" means economic damages;
- (3) Requiring a person or entity to provide a comparison of costs for current commercial insurance coverage compared to wildfire property damage and loss, in order to be eligible to participate as a contributor;
- (4) Changing the initial contributions from investor-owned electric utilities to be \$500,000,000, to be recovered from customers, and \$505,000,000 to be funded by shareholders;
- (5) Clarifying that an error resulting from the failure of a system, process, or program to prevent the error could qualify as a basis for a finding of imprudence;



- (6) Requiring the Executive Director of the Wildfire Recovery Fund to submit an annual report regarding the Wildfire Recovery Fund to the Public Utilities Commission in addition to the Legislature;
- (7) Amending the definition of "financing costs" to mean reasonable costs to issue, service, repay, or refinance bonds and include costs related to the engagement of services of a financial advisor by the Public Utilities Commission;
- (8) Removing professional fees, consultant fees, redemption premiums, tender premiums, and other costs incurred by the electric utility in using proceeds of bonds to acquire outstanding securities from the definition of "wildfire recovery costs";
- (9) Clarifying that an application for a financing order shall include only a description of how wildfire recovery costs will be allocated among consumers;
- (10) Requiring the Public Utilities Commission to issue approval or denial of any application for a financing order within ninety days of the last filing in the applicable docket;
- (11) Requiring the Public Utilities Commission to consider whether the issuance of bonds and imposition and collection of wildfire recovery charges are consistent with the public interest;
- (12) Clarifying that wildfire recovery charges and any associated fixed recovery tax amounts will be imposed only on existing and future customers in the utility service territory of the electric utility subject to such financing order;
- (13) Clarifying that section B-3(b), Hawaii Revised Statutes, relating to wildfire recovery financing order, shall not preclude actions that would not adversely affect the interests of the electric utility, assignees of wildfire recovery property, and bondholders;



- (14) Requiring periodic true-up adjustments to wildfire recovery charges to consider interest on ratepayer investments into the Wildfire Recovery Fund;
- (15) Authorizing the Public Utilities Commission to engage the services of a financial advisor to assist in its consideration of an application for a financing order;
- (16) Clarifying that the Legislature authorizes the issuance of special revenue bonds for costs that require an allocation of the annual state ceiling for private activity bonds;
- (17) Authorizing project agreements entered into in connection with the issuance of special purpose revenue bonds to finance costs to include a project agreement with an affiliate of an electric or gas utility;
- (18) Clarifying that the Legislature authorizes the allocation of the annual state ceiling to the issuance of bonds that require allocation in order for the interest on the bonds to be tax-exempt;
- (19) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (20) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

Your Committee notes the concerns raised in the testimony submitted by the Department of Commerce and Consumer Affairs regarding the need for Hawaiian Electric to issue further evidence and quantitative analysis regarding how it reached the \$1.005 billion initial contribution amount.

Your Committee recognizes that there is a need to determine when it is appropriate for the Wildfire Recovery Fund to end, should the insurance market and the public utility's credit rating stabilize, and how, upon the Fund ending, ratepayers would get refunded.

As affirmed by the record of votes of the members of your Committee on Energy & Environmental Protection that is attached to this report, your Committee is in accord with the intent and



purpose of H.B. No. 982, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 982, H.D. 1, and be referred to your Committees on Consumer Protection & Commerce and Judiciary & Hawaiian Affairs.

Respectfully submitted on
behalf of the members of the
Committee on Energy &
Environmental Protection,

Nicole E. Lowen

NICOLE E. LOWEN, Chair



Record of Votes of the Committee on Energy & Environmental Protection

Bill/Resolution No.: HB 982	Committee Referral: EEP, CPC/JHA, FIN	Date: 02/05/2025		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
EEP Members	Ayes	Ayes (WR)	Nays	Excused
1. LOWEN, Nicole E. (C)	✓			
2. PERRUSO, Amy A. (VC)	✓			
3. KAHALOA, Kirstin	✓			
4. KUSCH, Matthias	✓			
5. QUINLAN, Sean				✓
6. WARD, Gene				✓
TOTAL (6)	4			2
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <small>committee acronym(s)</small>				
Vice Chair's or designee's signature: <u>Amy Perruso</u>				
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