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**TESTIMONY**  
**HB591 HD1**  
**LATE**

**HB 591 HD1  
RELATING TO PUBLIC UTILITIES**

**PAUL T. OSHIRO  
MANAGER – GOVERNMENT RELATIONS  
ALEXANDER & BALDWIN, INC.**

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**MARCH 18, 2009**

Chair Hee, Chair Gabbard, and Members of the Senate Committees on Water, Land, Agriculture & Hawaiian Affairs and Energy & Environment:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) and its agricultural company Hawaiian Commercial & Sugar Company on HB 591 HD1, "A BILL FOR AN ACT RELATING TO PUBLIC UTILITIES." We support this bill.

Hawaiian Commercial & Sugar Company (HC&S) has been in operation for over 125 years. While Hawaii's many other sugar companies have shut down over the years, HC&S has been fortunate, through significant investments in our agricultural infrastructure and operations and the implementation of our diversified bio-production program, to have sustained our operations and continue as a major employer in the State of Hawaii. Today, as we face increasingly lower margins from raw sugar production because of flat commodity prices along with increasing production costs, HC&S is in the process of transitioning from a primary producer of commodity sugar into the production of specialty sugar and bio-based products. In addition to being the sole supplier of Sugar In The Raw, the little brown packets of sugar seen at restaurants and coffee shops across the nation, HC&S is also expanding production of our specialty Maui Brand Sugar.

In addition, HC&S generates biomass produced electricity for its sugar milling, irrigation pumping, and other internal operations and also provides electricity to Maui Electric Company (MECO). This biomass electricity is primarily produced by burning bagasse, the residual fiber of the sugar cane plant, as a fuel to generate steam for the production of power. In addition to providing approximately 7% of MECO's electricity, HC&S also serves as a firm power source to MECO, and has played a significant role in the restoration of MECO's electrical service during power outages.

This bill authorizes the Public Utilities Commission to provide preferential rates for the purchase of renewable energy produced in conjunction with agricultural activities. We believe that this bill will assist in providing farmers with an additional means of sustaining their agricultural operations. We envision that these preferential renewable energy rates will also enhance the prospects of attracting new agriculture related renewable energy producers as well as retaining those presently in production. The overall result will be the lowering of Hawaii's dependence on fossil fuel imports, increase the prospects of Hawaii's future energy security, and to help sustain agriculture in Hawaii.

This is a particularly critical juncture for agriculture in Hawaii. The prolonged drought and the rapidly deteriorating economy are having a significant negative impact upon the agricultural industry in Hawaii. As a result of the last two years of drought, it is our understanding that the losses in pasture, livestock, floral, and foliage crops will total over \$50 million. With farms that have survived for generations reportedly on the brink of closing their doors, the loss of critical mass in the agricultural industry will continue to

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be of significant concern. This bill will help to support the continuation and growth of agriculture in this State.

Based on the aforementioned, we respectfully request your favorable consideration on this bill. Thank you for the opportunity to testify.

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**TESTIMONY OF CARLITO P. CALIBOSO  
CHAIRMAN, PUBLIC UTILITIES COMMISSION  
DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEES ON  
WATER, LAND, AGRICULTURE, AND HAWAIIAN AFFAIRS AND  
ENERGY AND ENVIRONMENT  
MARCH 18, 2009**

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**MEASURE: H.B. No. 591 H.D. 1**  
**TITLE: Relating to Public Utilities**

Chairs Hee and Gabbard, and Members of the Committees:

**DESCRIPTION:**

This bill amends chapter 269, Hawaii Revised Statutes ("HRS"), by including a new section to establish preferential rates for renewable energy produced in conjunction with agricultural activities.

**POSITION:**

The Commission appreciates the intent of this bill, but has several comments and concerns as follows.

**COMMENTS:**

- With respect to this proposed incentive, it is unclear as to what is meant by "in conjunction with agricultural activities."
- Section 269-27.2, HRS, currently requires rates paid by a utility to a producer of non-fossil fuel generated electricity be no more than the utility's avoided cost. Since this is true for all renewable electricity producers, a preferential rate for producers in conjunction with agricultural activities, as opposed to other producers, may be precluded by Section 269-27.2 if it is higher than the utility's avoided cost.
- Finally, this Committee should be aware that any "preferential rate" that is higher than would otherwise normally be paid to energy producers will have to be borne by ratepayers.

Thank you for the opportunity to testify.

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**Committee on Water, Land, Agriculture and Hawaiian Affairs and Committee on Energy**  
**and Environment**  
**RE: HB 591HD1 RELATING TO PUBLIC UTILITIES**

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Chair Hee, Chair Gabbard and Members of the Committees:

My name is Warren Watanabe and I am a Field Representative of HFBF and the Executive Director of Maui County Farm Bureau. Hawaii Farm Bureau Federation is Hawaii's general agriculture advocacy organization. We represent farmers and ranchers across the State. HFBF is in **strong support** of HB 591HD1 as amended, authorizing a preferential rate for electricity purchased by electric utilities from renewable energy producers associated with agricultural activities.

Hawaii was a world leader in renewable energy production up to the 1980s. Other countries came to Hawaii to see how it was done. Rural areas of Hawaii obtained most of their energy from agriculture ...the sugarcane companies not only produced energy to meet their own needs but to provide for the community as well. This provides the model we need to increase our level of energy self sufficiency. Our farms and ranches all need energy ...whether it be to run refrigeration to cool their produce or processing plants as many of our ranches look to vertically integrate to process their own beef. The excess energy could be sold to the utility as in the sugarcane model.

By producing their own energy, our farms and ranches would reduce the loading on the utility company. The proposed preferential rate would incentivize our farms and ranches to move in this direction. Kahua Ranch on the Big Island is an example. It utilizes various forms of energy production ..solar, wind, PV to provide for its operations as well as for the residences on the ranch. They are a true model of self sufficiency.

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Agriculture does not just happen. It happens because there are farmers and ranchers. Farmers and ranchers must be viable to remain in business. This bill provides a means to increase their viability by increasing their revenue base. Opponents may say that it favors one industry over another. Article XI Section 3 of our State Constitution recognizes the importance of agriculture to the State of Hawaii. This provides the framework for supporting and cultivating the industry to provide our daily food and fiber not only for today but for future generations. When planes stop flying or ships stop coming to the islands, it is too late to say "We must support ag". Whenever, there is a strike or other catastrophic emergency, there are loud outcries about the need for self sufficiency. It cannot happen over night We need your strong support of measures such as this today to ensure that agriculture is strong and viable to meet everyone's needs tomorrow.

We have come before you on other matters relating to the Public Utilities Commission. In all of the other hearings, we have been told that if we desire a position by the PUC, it should be stated in law. Another question may be about the measure's impact on the consumer ...after all, the ratepayers will need to pay for the difference in price. When oil prices rise to levels about \$150 everyone wishes there was more local production. This investment provides one of the means to increase **both energy and food self sufficiency**.

The intent of this measure is to help agricultural operations. It is important that entities must be involved directly in the production of crops or livestock. We support the changes in HD1 clarifying the intent of this measure. We have met with personnel from Hawaiian Electric Company and expect to continue working with them to make this measure practical and meeting the intent of promoting commercial agricultural viability.

We respectfully **request your strong support of this measure , as amended, to increase our level of energy and food self sufficiency** and to support the long term future of a strong and viable agricultural industry. Thank you for this opportunity to provide comments on this matter.

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