

LATE TESTIMONY



Hawaii Agriculture Research Center

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TESTIMONY BEFORE THE HOUSE COMMITTEE ON

CONSUMER PROTECTION AND COMMERCE

HOUSE BILL 591 Relating to Public Utilities

February 23, 2009

Chairman Herkes and Members of the Committee:

My name is Stephanie Whalen. I am Executive Director of the Hawaii Agriculture Research Center (HARC). I am testifying today on behalf of the center and our research and support staff.

HARC strongly supports House Bill 591 relating to public utilities.

HARC concurs with the Hawaii Farm Bureau's position authorizing preferential rates to those who produce renewable energy for their own operations and sell the excess to the public utility.

Thank you for the opportunity to testify in support of Hawaii's agricultural needs.

LATE TESTIMONY

**HB 591
RELATING TO PUBLIC UTILITIES**

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

FEBRUARY 23, 2009

Chair Herkes and Members of the House Committee on Consumer Protection & Commerce:

I am Paul Oshiro, testifying on behalf of Alexander & Baldwin, Inc. (A&B) and its agricultural company Hawaiian Commercial & Sugar Company on HB 591, "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 establish incentives for public utilities to provide preferential rates for the purchase of renewable electrical energy from a renewable energy producer who is also associated with agricultural activities. While we support this bill in its present form, we have attached language to limit the applicability of the preferential rates to renewable energy produced in conjunction with agricultural activities. Your consideration to incorporate the attached language into this bill will be greatly appreciated.

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

Thank you for the opportunity to testify.

HB 591 HD1 (PROPOSED)

RELATING TO PUBLIC UTILITIES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. The legislature finds that public utilities in Hawaii are required to meet renewable portfolio standards. These standards require twenty per cent of each electric utility's sales to come from renewable energy by 2020. The Hawaii Clean Energy Initiative proposes to increase this renewable energy requirement to forty per cent by 2030. Additionally, the Constitution of the State of Hawaii identifies increased agricultural self-sufficiency as being in the public interest.

The legislature finds that renewable energy creates the maximum benefit to the State when it is locally produced. The legislature further finds that renewable energy sources that complement the production of agricultural products are especially desirable. These sources provide for food and fiber self-sufficiency while also providing electricity. The legislature finds that it is in the interest of the State to encourage the synergy between agricultural production and renewable energy production. The legislature further finds that preferential rates for electrical energy produced in conjunction with agricultural activities, which includes compensation to the

agricultural energy producer for their costs and a reasonable return on investment, will support the long term viability of renewable energy produced by agricultural producers. The legislature concludes that this will serve two policy goals of the state --- increased energy self sufficiency and increased agricultural sustainability.

The purpose of this Act is to authorize and encourage the establishment of preferential rates for renewable electrical energy produced in conjunction with agricultural activities.

SECTION 2. Chapter 269, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

§269- Preferential renewable energy rates;
agricultural activities. It is the policy of the State to promote the long-term viability of agriculture by establishing mechanisms that provide for preferential rates for the purchase of renewable energy produced in conjunction with agricultural activities. The public utilities commission shall have the authority to establish preferential rates for the purchase of renewable energy produced in conjunction with agricultural activities.

Upon receipt of a bona fide request for preferential rates for the purchase of renewable energy produced in conjunction with agricultural activities, and proof that the renewable

energy is produced in conjunction with agricultural activities, a public utility shall forward the request for preferential rates to the public utilities commission for approval."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect upon its approval.

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