

STAND. COM. REP. NO. 714

Honolulu, Hawaii

March 6, 2009

RE: H.B. No. 244
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 244 entitled:

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

begs leave to report as follows:

The purpose of this bill is to support agriculture by expanding the preferential rates for potable water used for agricultural activities, to include preferential rates for any public utility service used for agricultural activities within agricultural districts.

The Hawaii Crop Improvement Association, Hawaii Farm Bureau Federation, Hawaii Agriculture Research Center, and a concerned individual testified in support of this bill. The Department of Agriculture and Office of Hawaiian Affairs supported the intent of this measure. The Consumer Advocate and Public Utilities Commission (PUC) provided comments.

Section 269-26.5, Hawaii Revised Statutes, provides a mechanism for the establishment of preferential rates for potable water used in agricultural activities. This bill increases the scope of this law to provide preferential rates for any other public utility service used for agricultural activities in agricultural districts, such as electricity and freight transport. While this bill is intended to help Hawaii's agricultural industry remain competitive and self-sustaining, there are concerns because the preferential rates would be subsidized by all other utility

HB244 HD1 HSCR CPC HMS 2009-2477



ratepayers, who may find their higher rates overly burdensome, particularly during economically challenging times. These concerns merit further consideration as this bill moves forward.

Your Committee has amended this bill by:

- (1) Repealing the statutory provision requiring PUC to allow public utilities to recover reasonable, unamortized costs incurred in rate cases initiated pursuant to the establishment of preferential rates for agricultural ratepayers. There were concerns that this provision allows utilities to be indifferent to filing new rate case applications in response to requests for preferential rates; and
- (2) Changing the effective date to January 1, 2090, to encourage further discussion.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 244, as amended herein, and recommends that it pass Third Reading in the form attached hereto as H.B. No. 244, H.D. 1.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



ROBERT N. HERKES, Chair



