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**SENATE COMMERCE AND CONSUMER PROTECTION COMMITTEE**  
**Senator Rosalyn Baker, Chair**  
**Senator Brian Taniguchi, Vice Chair**

**February 4, 2011**  
**9 a.m. Room 229**

**Written Testimony in SUPPORT on SB 99**  
**Relating to the Public Utilities Commission**

Chair Baker, Vice-Chair Taniguchi and members of the Senate Commerce and Consumer Protection Committee:

Thank you this opportunity to provide testimony in support of Senate Bill (SB) 99, Relating to the Public Utilities Commission (PUC).

The PUC is the key to Hawaii's energy future and connecting our islands so we can build a sustainable economy. This restructuring of the PUC will help move our clean energy agenda forward.

I fully support all counties having representation on the PUC, and I am also in support of the additional staff needed to help the PUC carry out its duties expeditiously.

Thank you for this opportunity to provide written testimony in support.

**LATE**

**TESTIMONY OF CARLITO P. CALIBOSO  
CHAIRMAN, PUBLIC UTILITIES COMMISSION  
DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE  
SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION  
FEBRUARY 4, 2011**

**MEASURE:** S.B. No. 99  
**TITLE:** Relating to the Public Utilities Commission.

Chair Baker and Members of the Committee:

**DESCRIPTION:**

This bill:

- Establishes notice and fact-finding requirements for the issuance of certificates of public convenience and necessity for water carriers;
- Expands the composition of the PUC to five members with a representative from each county plus one at-large member;
- Creates specialized subject-matter panels within the PUC;
- Mandates the hiring of sufficient staff; creates the position of executive officer;
- Requires electronic posting of information in connection with applications for certificates of public convenience and necessity; and
- Bars interim or temporary orders for certificates of public convenience and necessity except in state-declared emergencies.

**POSITION:**

The Public Utilities Commission ("Commission") defers to the Legislature on much of the substantive matters of this bill, and offers the following comments.

**COMMENTS:**

On page 6, line 3, in the section on notice for public hearings, the bill reads "Notice under this section shall be effectuated by filing the notice with the commission, which shall make it available for public inspection." The intent of this sentence is unclear, as the bill requires the Commission to provide the notice. All notices of public hearings are available for public inspection.

The bill provides that the number of commissioners will be increased from three to five commissioners and page 7, line 21 of the bill states, "[o]ne commissioner shall be

appointed from each of the counties and one commissioner shall be appointed at-large.” The Commission defers to the Legislature as to how many members should be on the Commission, and how the members of the Commission should be comprised and constituted. This Committee should be aware, however, that increasing the number of commissioners will likely increase the time required to reach decisions. In addition, any residency requirements should be clearly specified, as the word “from” can be open to many interpretations.

In regard to the requirement of the Commission establishing two panels of expertise consisting of two commissioners plus the chairperson, the Commission defers to the Legislature in requiring the Commission to proceed in the proposed panelized structure. However, dockets could take longer to complete as the decision-making process could be prolonged as a result of the panelized decision-making of the Commissioners. Also, energy and water and sewer issues comprise a substantial majority of the commission’s work, so the proposed division may result in lopsided workloads for the two panels.

In regard to the requirement (beginning on page 14, line 13) that the Commission post a link to the front page of the Commission’s website for each application for a certificate of Public Convenience and Necessity (“CPCN”) and the corresponding decision and order, the Commission notes that its staff resources are currently very limited and this action would require substantial time and resources. Our Docket Management System (DMS) already provides access to dockets opened since 1998 and also includes the ability to subscribe to a docket and receive email notification when anything is filed in the docket. Additionally, the public can subscribe to receive the Commission’s daily activity reports. The Commission could place a list of active CPCN applications on its homepage with links to each the dockets (where all the filings for that docket would be available), provided sufficient staff resources are available.

The Commission defers to the Legislature as to whether the State’s policy should be to prohibit the entry of additional water carriers into the market in Hawaii. This bill would make it extremely difficult, if not impossible, for companies to gain entry into the water carrier market in Hawaii. On page 18, line 9, the bill states, “the commission shall not make a finding of public convenience and necessity nor issue a certificate if the evidence in the record indicates that the issuance of the certificate will diminish an existing water carrier’s ability to realize its allowed rate of return or if the certificate would allow an applicant to serve only high-margin or high profit ports or lines of service that are currently served by an existing water carrier.” The Commission defers to the Legislature on what findings should be required to issue a CPCN, but this Committee should be aware that this paragraph, among others, would make it very difficult for any new water carrier to enter the market, which could give consumers other options for shipping goods intrastate.

If it is the Legislature’s intent to effectively and significantly improve the Commission’s resources and structure so that it can implement the State’s policies set forth by the Legislature and prevent history from repeating itself year after year, the Legislature must correct and repeal the statutory provision that provides for an automatic annual raid on

the Commission's Special Fund, which are funds primarily made up of monies paid by regulated public utilities, and which they collect from their customers to fund regulatory efforts. Chapter 269-33(d) HRS provides: "All monies in excess of \$1,000,000 remaining on balance in the public utilities special fund on June 30 of each year shall lapse to the credit of the general fund." Millions of dollars from the Commission's special fund lapse into the general fund every year because of this statute. Further, a budget ceiling is imposed on the Commission's budget, which caps the amount of money that the Commission can use during the fiscal year, since any amounts not expended by the Commission in excess of \$1,000,000, is automatically transferred to the General Fund every year to help balance the State's budget. Last year, over 67% of the Special Fund lapsed into the General Fund. This severely handicaps the Commission in its ability to control and use its own funding. Repealing section 33(d) in Chapter 269 HRS and increasing the budget ceiling would enable the Commission to maintain a higher level of resources that is required to fulfill its statutory duties in today's more complex and demanding regulatory arena.

Thank you for the opportunity to testify.

LATE



NEIL ABERCROMBIE  
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BRIAN SCHATZ  
LT. GOVERNOR

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TO THE SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

THE TWENTY-SIXTH LEGISLATURE  
REGULAR SESSION OF 2011

FRIDAY, FEBRUARY 4, 2011  
9:00 A.M.

TESTIMONY OF JEFFREY T. ONO, EXECUTIVE DIRECTOR,  
DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND  
CONSUMER AFFAIRS, TO THE HONORABLE ROSALYN H. BAKER, CHAIR, AND  
MEMBERS OF THE COMMITTEE

**SENATE BILL NO. 99 – RELATING TO THE PUBLIC UTILITIES COMMISSION.**

**DESCRIPTION:**

This measure establishes notice and fact-finding requirements for the issuance of a certificate of public convenience and necessity ("CPCN") for water carriers; expands the composition of the PUC to five members, with a representative from each county plus one at-large member; creates specialized subject-matter panels within the PUC; mandates the hiring of sufficient staff; creates the position of executive officer; requires electronic posting of information in connection with applications for CPCNs; bars interim or temporary orders for CPCNs except in state-declared emergencies.

**POSITION:**

The Consumer Advocate supports SB 99 with reservations concerning some of the provisions.

COMMENTS:

Neighbor Island Representation

The Consumer Advocate is sensitive to the concerns of this legislature and administration that the neighbor islands have not been fairly represented and heard on matters before the Public Utilities Commission. This legislation proposes to address these concerns by having the Commission composed of five (5) members with one member from each county and one at-large member. It further states that public hearings will be held on each island in which the water carrier proposes to provide services or will be affected by the proposed service. The role of the Consumer Advocate is to represent the interests of all consumers in all counties.

With the respect to the change in the composition of the Commission, the Consumer Advocate would like to point out that the island of Oahu has a population roughly three times the population of all the neighbor islands combined. Moreover, according to DBEDT's 4<sup>th</sup> quarter report for 2010, the relative percentages of general excise and use tax revenues (as an indicator of dollars generated) is 84.6% for Oahu, 5.7% for Hawaii, 7.1% for Maui and 2.6% for Kauai. The concern is that the interests of the consumers on Oahu would then become under-represented if three commissioners are from the neighbor islands and only one is from Oahu. In addition, there is some concern that expanding the Commission could expand the time necessary for the Commission to file its decision and orders as well as increase the required resources for both the Commission and Consumer Advocate in order to accommodate the proposed modifications.

As to public hearings on each affected island, the Consumer Advocate supports such a measure.

Findings for CPCN for Water Carriers

In general, the Consumer Advocate supports the provisions in this legislation that require specific findings based on the evidence by the Commission as to applications for a CPCN by water carriers. The Consumer Advocate has concerns over the provision in the last paragraph of section 271G-10(e), which states as follows:

"The commission shall not make a finding of public convenience and necessity nor issue a certificate if the evidence in the record indicates that the issuance of the certificate will diminish an existing water carrier's ability to realize its allowed rate of return or if the certificate would allow an applicant to serve only high-margin or high-profit ports or lines of service that are currently served by an existing carrier."

Senate Bill No. 99  
Senate Committee on Commerce and Consumer Protection  
Friday, February 9, 2011, 9:00 a.m.  
Page 3

This provision is overly broad, vague, and sets no standard by which to apply this provision. For example, it does not indicate to what extent the existing carrier's rate of return is to be diminished. Is any diminution in the rate of return sufficient to deny another water carrier's CPCN? The Consumer Advocate's concern is that this provision could be used to prevent a passenger/vehicle water carrier from entering the market.

Thank you for this opportunity to testify.



SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION  
THE HONORABLE Rosalyn H. Baker, CHAIR  
THE HONORABLE VICE CHAIR Brian T. Taniguchi  
SENATE BILL NO. 99 scheduled for hearing on February 4, 2011 at 9 a.m.

Testimony in Support of Senate Bill No. 99

We strongly support Senate Bill No. 99. As a merchant doing business on Molokai, public hearings should be held on islands affected by or which will be affected by any proposed service by a water carrier. We also believe that our county should be represented on the PUC.

We heavily depend on this service for our business. This is a major cost in doing business on Molokai. This bill will have a positive outcome to our business, but most important to our community.

Sonya Yuen  
Kualapuu Market, Ltd.  
Secretary/Treasurer



# HAWAII RENEWABLE ENERGY ALLIANCE

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## TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII RENEWABLE ENERGY ALLIANCE BEFORE THE SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

### SB 99, RELATING TO THE PUBLIC UTILITIES COMMISSION

February 4, 2011

Chair Baker, and Vice-Chair Taniguchi and members of the Committee, I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance ("HREA"). HREA is an industry-based, nonprofit corporation in Hawaii established in 1995. Our mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically-sound future for Hawaii. One of our goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

The purposes of SB 99 are to: (i) establish notice and fact-finding requirements for the issuance of certificates of public convenience and necessity for water carriers; (ii) expand the composition of the PUC to five members with a representative from each county plus one at-large member; (iii) create specialized subject-matter panels within the PUC; (iv) mandate hiring of sufficient staff; (v) create the position of executive officer; (vi) require electronic posting of information in connection with applications for certificates of public convenience and necessity; and (vii) bars interim or temporary orders for certificates of public convenience and necessity except in state-declared emergencies.

HREA **supports the intent** of this measure and offer comments on Sections 1 and 3, and defer to others on the remaining sections:

- (1) Section 1. Based on HREA participation in 20+ electric utility dockets since 1996, we observe that the overall performance/ productivity of the Commission has improved, and most dramatically, in spite of severe limitations in funding and staffing, since 2003, including innovations in:
  - Process, such as use of panel hearings, allowance of intervention without the traditional requirement of legal counsel, and posting docket filings on the PUC's web-site.
  - Policy, such as implementation of legislative directives and the HCEI Energy Agreement, which has required encouraging consensus on complex issues, and balanced decisions to move us forward towards achievement of our clean energy objectives.
- (2) Section 3. In addition to potential cost impacts, we believe:
  - Decision-making with an increased number of Commissioners is likely to be more difficult and require more time.
  - The Proposed Panel Organization approach will unnecessarily limit Commission management discretion, and thus we recommend the use of said panels be the prerogative of the Commission.
  - Regardless of the island homes of the Commissioners, public outreach (including public meetings) should be increased.

Finally, we recommend the Commission be given discretion to implement alternate approaches to the traditional adjudicatory process.

Thank you for this opportunity to testify.



**SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION**

February 4, 2011, 9:00 A.M.

Room 229

**(Testimony is 5 pages long)**

**TESTIMONY IN SUPPORTING INTENT OF SB 99 WITH AMENDMENTS**

Chair Baker and members of the Committee:

The Blue Planet Foundation supports the intent of SB 99, a measure to significantly restructure the public utilities commission (PUC). This measure seeks to structurally address some of the issues impeding the PUC's ability to fully execute their diverse and extensive duties. Blue Planet's testimony is directed solely at the energy obligations of the PUC.

Blue Planet generally supports many of the proposed changes in SB 99, including:

- Expanding PUC membership to five individuals;
- Bifurcating the PUC into two issue panels; and
- Creating an executive officer for the PUC.

We believe, however, that further policy changes are necessary for the PUC to effectively navigate Hawaii's transition to clean energy. We iterate some of those changes later in this testimony and hope that they can be incorporated into future drafts of this measure.

*Major changes in Senate Bill 99*

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The two major energy-related changes in SB 99 are the expansion of the PUC to five members and the establishment of two issue panels. While we are neutral on expanding the PUC to five members, we understand the value in increasing the number of voices and expertise on the commission, particularly to avoid situations where two members effectively control energy policy in Hawai'i. We also appreciate the desire to have the major islands represented on the commission, but we believe that specifying a minimum number of neighbor island members (perhaps two of the five) would be sufficient.

We also support the intent behind creating two focused issue panels to give these subjects more dedicated attention. We are concerned, however, about the ability of the whole commission to be knowledgeable enough on each issue to be able to make informed decisions

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if the individual panels are solely immersed in their subject area. We support the establishment of an executive officer position, much like the Land Use Commission, to guide the process and reduce the tasks of the chair of the commission.

### *Challenges requiring policy solutions within the Commission*

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Navigating the major transition to Hawaii's clean energy future requires a significant change in the regulatory structure. New policies are needed to align utility profitability with Hawaii's clean energy future, provide independent oversight of grid reliability and interconnection, and other changes.

Hawaii's electric utilities are currently regulated such that their fiduciary responsibility to advance the interests of their shareholders puts their goals at odds with the public interest in moving as rapidly as possible toward energy self-sufficiency. Existing laws give the utility little economic incentive to pursue clean energy projects. Long-term utility profits are tied mostly to capital investments that the utility makes, encouraging them to purchase expensive new plants or undertake major upgrades to existing ones. Since third-party renewable energy projects displace the need for utility investments, and energy efficiency reduces electricity use, the utility does not profit directly from such clean energy initiatives.

Further, adding substantial amounts of renewable energy and energy efficiency will render existing fossil generation facilities useless, leaving the utility holding the bag with "stranded" investments on their books. Finally, when the utility purchases power from independent power producers, like large solar farms, the utility is exposed to additional financial risk (something it can't afford, given its current credit rating of triple-B minus, one notch above junk bond status). These institutional barriers—decreasing sales on top of increasing costs to enable a system that doesn't help their bottom line—makes change incredibly difficult for the utility.

What's needed here is "institutional acupuncture." The Public Utilities Commission (PUC) should be directed to implement a "performance incentive mechanism" to reward the utility for achieving clean energy goals. This will give Wall Street reasons to invest in the utility and help fund Hawaii's clean energy transition. The PUC should also be given guidance to adopt a policy allowing for the recovery of the utility's "stranded assets," preventing these facilities from becoming anchors that restrain clean energy progress.

Changes also need to be made on a broader scale. Hawaii's current utility regulatory structure is a holdover from the 19<sup>th</sup> century. A vertically integrated monopoly that controls all aspects of electricity generation, transmission, and distribution no longer makes sense in a world where entrepreneurial independent power producers (including homeowners and business owners), enabled by technological advances, can develop Hawaii's renewable energy resources.

Hawaii's electric utilities control the economic conditions and pace at which clean energy investments occur in Hawai'i. The following problems arise:

- *Market signals.* There is a lack of transparent market price signals in Hawai'i because renewable energy projects can sell power only to utilities. This slows and hampers clean energy investment.
- *Utility control.* Utilities manage the price, terms and conditions and pace at which renewable projects are developed through control of Power Purchase Agreement (PPA) negotiations and competitive bidding processes.
- *New technologies.* Utilities determine when, at what pace, and the terms and conditions new technologies can be utilized to accommodate additional renewable generation (e.g., Demand Response and storage, which can be used to provide ancillary services and supply capacity).

Change cannot and will not happen under the existing regulatory structure. Therefore, changes to the state's electricity markets must be undertaken with the goals of removing utility control over who gets to generate electricity and replacing it with control by a neutral entity the goal of which is to establish rules that will lead to energy self-sufficiency for Hawaii.

#### *Regulatory solutions within the commission to accelerate clean energy*

Policy solutions are available—and modeled elsewhere—to achieve the important regulatory objectives of the commission. These include:

- Establishment of a formal independent process to establish reliability and interconnection standards for clean energy;
- Legislative policy direction supporting the recovery of costs for "stranded assets, to create a "performance incentive mechanism" to reward the utility for achieving clean energy goals;
- Unbundling ancillary services and perhaps electricity transmission and generation; and
- Adequate funding, staffing, and resources for the commission.

#### *Independent reliability and interconnection standards*

Ensuring reliable electricity while enabling private clean energy producers to access Hawaii's power grids requires the establishment of formal, objective, and verifiable reliability and interconnection standards. This is best achieved by replacing utility control of grid access with control by a neutral entity tasked with establishing reliability and interconnection rules that encourage clean energy development in all appropriate forms. Such a third-party oversight model for grid access has succeeded elsewhere in democratizing power production.

Hawaii's main utility is the only major electric utility system in the United States that is not subject to any formal and transparent bulk power electric reliability standards. Hawai'i was exempted from federal mandatory electric reliability standards applicable to all mainland electric utilities established by the North American Electric Reliability Corporation (NERC) and approved by the Federal Energy Regulatory Commission (FERC). Today there are no reliability standards

upon which to objectively assess impact of additional renewable energy projects, such as new distributed solar projects.

Hawaii's main utility's systems are not currently planned and operated according to NERC-equivalent reliability standards. Virtually all electric systems in the continental United States operate under NERC reliability standards. Hawaii's utility's systems are basically the same as other United States systems operating under NERC reliability standards insofar as all systems must maintain adequate voltage, balance supply and demand in real time, and maintain system stability. The experience of the Electricity Reliability Council of Texas and New Zealand demonstrates that formal reliability standards are appropriate and utilized not only in North America, but on isolated electric grids similar to those in Hawai'i.

Historically, a compelling need did not exist for formal bulk power electric reliability standards in Hawai'i, as Hawai'i was not electrically interconnected with the mainland, nor were individual island grids interconnected to each other. But with the increase in distributed power systems, the need for reliability and interconnection standards is clear.

Formal bulk power electric reliability standards and measures are essential to objectively assess grid reliability impacts for any electric utility and to insure reliable grid operation. The standards will:

- Provide an objective basis by which to measure the level of and trend in system reliability in general; and
- Provide an objective basis to measure the reliability impacts, if any, of incorporating increasing quantities of intermittent renewable energy resources.

Due to the absence of formal reliability standards, the Hawaii's main utility is at present under no requirement to publish official reports concerning compliance with standards. Reporting on compliance with formal reliability standards will allow verification and increased knowledge and understanding about reliability issues by the Public Utility Commission (PUC) and stakeholders.

Hawaii's clean energy transformation requires formal and transparent bulk power electric reliability standards. Since the potential exists for trade-offs between system reliability and greater utilization of renewable energy, it is essential to have bulk power electric reliability standards in place to provide a benchmark to measure over time the impacts of additional renewable energy integration. Further, formal and transparent electric reliability standards provide the reliability and operational rules of the road for various stakeholders: utilities, independent power producers, renewable energy developers, regulators, and others.

The process used by NERC to establish and maintain bulk power reliability standards is open, transparent and utilizes significant stakeholder involvement to develop and modify the standards. The hallmark of the NERC standard-setting process is that an entity other than the local utility manages the process and maintains an open and transparent process with substantial stakeholder participation. This also ensures that interested parties that may make

important substantive contributions to the standards and capacity determinations are not excluded from the process.

Reliability standards could be established by an independent council attached to the PUC, through a contract administered similar to the Public Benefits Fund for efficiency, or some other arrangement—as long as the standards are developed in a formal, objective, and independent manner. These standards for grid interconnection should then apply to all producers of clean energy who wish to access the electricity grid.

### *Aligning utility incentives with clean energy*

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To encourage greater utility support for integrating non-fuel renewable energy onto Hawaii's electricity grids, a policy should be established to allow for the recovery of the utility's "stranded assets"—existing power plants and other fossil facilities—preventing these facilities from becoming anchors that restrain clean energy progress. Further, the PUC should be required to consider a "performance incentive mechanism" to reward the utility for achieving clean energy goals. This will align the financial decision making within the organization with achievement of Hawaii's aggressive clean energy goals. It will also give Wall Street reasons to invest in the utility and help fund Hawaii's clean energy transition.

Finally, the PUC should be required to direct the electric utilities to "unbundle" or separate ancillary services and procure those services from non-fossil fuel sources. The Federal Energy Regulatory Commission (FERC) defines ancillary services as those "necessary to support the transmission of electric power from seller to purchaser given the obligations of control areas and transmitting utilities within those control areas to maintain reliable operations of the interconnected transmission system." Unbundling of such ancillary services is commonplace in other utility markets. This measure will create competitive markets that will most efficiently determine the suppliers and prices for many ancillary services. The bill also helps to foster Hawaii's clean energy future by requiring electric utilities to purchase ancillary services derived from sources other than fossil fuel (including but not limited to energy storage and demand response measures)—if feasible and reasonably economical.

Of course, none of the important PUC policy and regulatory work will be complete without proper funding and resources. Blue Planet fully supports allocating 100% of the Public Utilities Commission special fund to the PUC.

Please forward SB 99 with these added critical policy changes to help Hawaii create a robust, modern power system that fosters innovation and puts Hawaii's clean, indigenous, and renewable energy sources to work for Hawaii's people. ***We are more than happy to work with these committees to draft amendments to clarify or restructure this measure to achieve the same outcomes.***

Thank you for the opportunity to testify.



Aloha Sen Baker and committee members

**LATE**

I strongly support SB99-Relating to the PUC.

The recent Pasha/Young Brothers case show the present structure of the PUC to be inadequate to address the needs of the outer islands.

Richard Ha  
President  
Mauna Kea Banana Company



LATE

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January 31, 2011

## TESTIMONY

### COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

### RE: SB 99: RELATING TO THE PUBLIC UTILITIES COMMISSION

Chair Baker and Members of the Committee:

Hawaii Farm Bureau Federation on behalf of our commercial farm and ranch families and organizations across the State **strongly supports** SB99, clarifying the decisionmaking process for water carriers by the PUC.

We appreciate the leadership by this body to pursue this issue and conduct an informational briefing to gather information. You listened and acted. We need more to do the same. Thank you.

Since 2009, HFBF has commented on the certificate of convenience application by Pasha Hawaii to the PUC. All of our comments were in vain and there was no indication that they were considered. We strongly agree with the preface statements to the measure. In agriculture, we have seen our transportation needs change. .

In addition to just in time delivery, food safety regulations are evolving. There have been many bills introduced in the past and this year, focused on farms and ranches. However, food safety is farm to table, meaning the transportation is a critical part of the process. Temperature controls during product transport are important...do items sit in the sun between the farmer delivering his product to when the transportation company places it in the refrigerator? RFID tags to monitor temperature throughout the process is coming. The tags will log temperatures throughout the delivery process, identifying breaches in control. This means transportation companies will need to invest in their operations.

Agricultural viability is dependent upon affordable inputs. This means the transportation system I have described above must be affordable. In the past PUC has allowed for subsidization of Island Fresh agricultural product transport by other lines of service to accommodate Hawaii's Constitutional Mandate to increase local self sufficiency. Recent decisions have urged movement toward compensatory pricing - this will put some neighbor island farms out of business. During the last price hike by YB, several of our neighbor island farms on the Big

Island and Maui closed down. This happened as YB applied for the rate hike. The farmers found themselves in a position where the risk of another cost could not be borne and left the business before they faced bankruptcy.

I don't think our story is unique to farming. We believe many small businesses across the State may be in the same situation.

The suggested amendments requiring PUC to better address neighbor island needs are critical for the economy. We strongly support this amendment. We were very frustrated as we did not believe the PUC abided by the policies set forth in Hawaii's Water Carrier Act in its' latest decisionmaking. The current proposal requires the PUC staff to investigate compliance. We believe it may help the process if there is also a requirement to include this in the application of the certificate of need. To meet this end, we respectfully suggest the following amendment to HRS §271G-10(e)(3)

(3) The proposed service will provide demonstrated and quantifiable benefits to the general public, business community, and the economy of all islands that are entitled to notice under section 271G- , **including demonstrated and quantifiable benefits with respect to reliability, affordability and security of the service line;**

This clarifies that the applicant must show that they know that they are part of a public utility system that has a responsibility to deliver reliable and affordable service. This change will also facilitate staff's ability to better evaluate compliance with the HWCA.

We respectfully request your support in passing this measure with the suggested amendments. HFBBF is willing to work with you to improve our transportation system for the people of Hawaii. If there are any questions please contact Warren Watanabe at 2819718. Thank you.