

LATE TESTIMONY

TESTIMONY OF HERMINA MORITA
CHAIR, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

FEBRUARY 8, 2012

MEASURE: H.B. No. 1945 H.D. 1
TITLE: Relating to Public Utilities

Chair Herkes and Members of the Committee:

DESCRIPTION:

This measure proposes to allow preferential rates for all public utility services used by ratepayers engaged in agricultural activities in the State, subject to Commission approval.

POSITION:

The Commission supports the measure's intent to encourage and support bona fide agricultural activities in the State, but it has grave concerns about the measure as drafted and would like to offer the following comments for the Committee's consideration.

COMMENTS:

The Commission's mandate is to ensure the public receives reliable utility services at *just and reasonable* rates, while at the same time allowing a regulated utility the opportunity to earn a fair rate of return. This measure, as written, would have the Commission establish preferential rates for one class of ratepayers for public utility services "including but not limited to potable water, electricity, and freight transport" at the expense of all other ratepayers which would be unfair, discriminatory, and in conflict with other parts of HRS Chapter 269.

LATE TESTIMONY

H.B. No. 1945 H.D. 1
Page 2

The Commission's duty is to ensure that the performance of a utility is aligned with the public interest, and the Commission accommodates that duty by overseeing the utility and ensuring it is operating as efficiently and prudently as possible to minimize cost, which is then allocated to all rate classes.

While we all would like to help Hawaii's agricultural sector, that effort should be as transparent as possible. Subsidies should be given through the form of tax credits or outright grants that can be audited for appropriate application. The use of preferential rates places an unfair burden and a hidden "tax" on the utility ratepayer that does not qualify for the preferential treatment with no real oversight of its application.

In addition, the Commission has questions about the verification of bona fide agricultural activities that would come under this measure. Considering the significant benefit of paying preferential rates for all utility services, this measure will likely prompt many preferential rate claims for activities tenuously related to true, sustained agriculture. The use of Commission and department of agriculture resources to verify all of the increased claims of bona fide agricultural activity could unduly burden vital Commission functions.

In a hearing earlier this legislative session before the House Committee on Agriculture, the Hawaii Farm Bureau expressed a concern that without a stated policy the Commission may revoke Young Brother's "island fresh or locally-produced" tariff, which is a discount of at least 30% off of its regular tariff. While the Commission is not inclined to disallow the tariff, the bill should be narrowly drafted to specifically address this issue if this type of relief is the purpose of this measure. Please find the attached proposed House draft incorporating such amendments.

Again, while the Commission supports the intent of promoting local agriculture, it would ask the Committee to seriously consider possibilities such as maximizing efficiencies to reduce cost first rather than changes to the well-established "just and reasonable" regulatory standard.

Thank you for the opportunity to testify on this measure.

H.B. NO. 1945 HD1 [Proposed HD2]

A BILL FOR AN ACT

RELATING TO PUBLIC UTILITIES.

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

1 SECTION 1. The legislature finds that for Hawaii's farmers
2 and ranchers to remain competitive and self-sustaining, the
3 incentives and mechanisms to reduce costs help to ensure that
4 the State's constitutional mandate to promote diversified
5 agriculture and increase agriculture self-sufficiency are met.
6 The public utilities commission regulates the tariffs set for
7 public utilities that provide essential services to the
8 agriculture industry such as interisland shipping.

9 The purpose of this Act is to allow for preferential water
10 carrier service tariffs for ratepayers engaged in agricultural
11 activities.

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

15 "§269- Preferential water carrier tariffs for
16 agricultural activities. The public utilities commission may
17 provide preferential water carrier service tariffs for

H.B. NO. 1945 HD1 [Proposed HD2]

1 ratepayers that engage in agricultural activities. The process
2 for applications for preferential water carrier service tariffs
3 may be established by the public utilities commission."

4 SECTION 3. New statutory material is underscored.

5 SECTION 4. This Act shall take effect on July 1, 2050.

LATE TESTIMONY

H.B. NO. 1945 HD1

[Proposed HD2]

Report Title:

Public Utilities; Water Carrier; Tariffs; Agriculture

Description:

Authorizes public utilities to provide preferential water carrier service tariffs provided to ratepayers engaged in agricultural activities, subject to approval by the public utilities commission. Effective July 1, 2050. (HB1945 HD2)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.



LATE TESTIMONY

State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512
Phone: (808) 973-9600 FAX: (808) 973-9613

TESTIMONY OF RUSSELL S. KOKUBUN CHAIRPERSON, BOARD OF AGRICULTURE

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE
FRIDAY, JANUARY 27, 2012
8:30 a.m.
Room 312

HOUSE BILL NO. 1945 RELATING TO PUBLIC UTILITIES

Chairperson Tsuji and Members of the Committee:

Thank you for the opportunity to testify on House Bill No. 1945 that amends Section 269-26.5, HRS (preferential water rates for agricultural activities) to authorize the Public Utilities Commission to establish preferential rates for public utility services provided to ratepayers that are engaged in agricultural activities within the public utilities service area. The public utility services for which preferential rates are to be established for qualified agricultural activities include potable water, electricity, and freight transport. Preferential rates are to be subsidized by rates charged to other customers of the public utility.

As a strong advocate for agriculture in Hawaii, the Department supports the intent of this bill that amends Section 269-26.5, HRS that may reduce the cost of electricity to farms and transporting crops and livestock from agricultural operations.



Otherwise, we defer to the Public Utilities Commission (PUC) regarding the reasonableness and feasibility of this measure.