

TESTIMONY OF HERMINA MORITA
CHAIR, PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE
HOUSE COMMITTEE ON AGRICULTURE
JANUARY 27, 2012

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

Chair Tsuji and Members of the Committee:

DESCRIPTION:

This measure proposes to provide 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 of encouraging and supporting bond 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.

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.

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.



Hawaii Farm Bureau
F E D E R A T I O N

2343 Rose Street • Honolulu, Hawaii 96819
Phone: (808) 848-2074 • Neighbor-Islands: (800) 482-1272
Fax: (808) 848-1921 • Email: info@hfbf.org
www.hfbf.org

JANUARY 26, 2012

HEARING BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE

TESTIMONY ON HB 1945
RELATING TO PUBLIC UTILITIES

Room 312
9:00 AM

Chair Tsuji, Vice Chair Hashem, and Members of the Committee:

I am Mae Nakahata, Government Affairs Co-chair for the Hawaii Farm Bureau Federation (HFBF). Organized since 1948, the HFBF is comprised of 1,800 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interest of our diverse agricultural community.

HFBF strongly supports HB1945 directing the PUC to establish preferential rates for ratepayers engaged in agricultural activities.

Sustainability, self-sufficiency and growing agriculture are popular concepts seen in the media in many of the measures before the legislature. Those of us in agriculture live it. We work every day to provide various products to increase our level of self-sufficiency and sustainability. While agriculture may be a popular concept it is a difficult industry with significant risks. Weather, pests, markets all can create severe havoc on farmers and ranchers with dire consequences. While the number of farms may have grown over time, there have also been many farms that have gone out of business since the 2008 economic downturn. We need to identify causes and implement solutions.

Costs for services covered by the PUC are significant for farmers and ranchers. It can mean power for refrigeration or transportation of goods between islands. To date agriculture has received a discount from YB for interisland service of raw agricultural products. Yet during YB rate hearings, we have heard the PUC urge YB to move towards a compensatory rate structure. This will mean that each line of service must pay its' own way. Our discounts are subsidized by other lines of service. Taken literally, this can mean that our discounts could someday be in jeopardy by existing law.

Electrical costs for farmers and ranchers are significant. Containing these costs will significantly contribute to improving agricultural viability. This measure does not require the PUC to provide the discounts but rather authorizes them to provide them if they see that it is justified. These investments by the people of Hawaii to reduce risks endured by farmers and ranchers make good sense.

We respectfully request your strong support of this measure as written.

Thank you for this opportunity to address this important issue. If there are questions, please contact Brian Miyamoto, Chief Operating Officer and Government Affairs Liaison at (808) 848-2074.



January 25, 2012

Representative Clift Tsuji, Chair
Representative Mark J. Hashem, Vice Chair
House Committee on Agriculture

Support of HB 1945 Relating to Public Utilities (Directs public utilities to establish preferential rates for services provided to ratepayers engaged in agricultural activities.)

Friday, January 27, 2012, 8:30 a.m., in CR 312

My name is Dave Arakawa, and I am the Executive Director of the Land Use Research Foundation of Hawaii (LURF), a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. One of LURF's missions is to advocate for reasonable, rational and equitable land use planning, legislation and regulations that encourage well-planned economic growth and development, while safeguarding Hawaii's significant natural and cultural resources and public health and safety.

LURF appreciates the opportunity to express its **support of HB 1945**, and to offer encouragement to the various agricultural stakeholder groups who defend the goals of viable agricultural operations, and the conservation and protection of important agricultural lands (IAL) in Hawaii. The bill conveys the need for collaboration amongst diverse sectors of the community - business, government, and agricultural stakeholders - and the importance for them to work together cooperatively to implement IAL incentives in order to attain results which may prove beneficial and significant to all parties.

In strong support of the use of agricultural lands for purposes allowed under state and county laws and ordinances, LURF has partnered with the Hawaii Farm Bureau Federation (HFBB) and other agricultural stakeholders to pass the IAL legislation, which provides for the voluntary and government designation of IAL, loans for qualified agricultural expenses and other incentives to support productive and sustainable farming operations on agricultural lands. LURF and HFBB have also supported legislation to provide irrigation water and other incentives to agricultural lands and farmers.

HB 1945. This bill directs public utilities to establish preferential rates for public utility services provided to ratepayers engaged in agricultural activities in agricultural districts.

LURF's Position. The purpose of this bill is consistent with the underlying intent and objectives of the IAL laws (Hawaii Revised Statutes [HRS], Sections 205-41 to 52), which were enacted to fulfill the mandate in Article XI, Section 3 of the Hawaii State Constitution, "to conserve and protect agricultural lands, promote diversified agriculture, increase agricultural self-sufficiency and assure the availability of agriculturally suitable lands." The IAL laws established a new paradigm which avoids requirements and mandates, and instead focuses on

promoting agricultural viability by providing incentives for farmers and landowners to designate lands as IAL, and to build necessary infrastructure. This bill is thus an effort to expand the existing IAL program by establishing additional incentives for landowners to preserve and maintain IAL.

As noted in HRS Section 205-41, the intent of Act 183 (2005) was to develop agricultural incentive programs to promote agricultural viability, sustained growth of the agricultural industry, and the long-term use and protection of important agricultural lands for agricultural use concurrently with the process of identifying important agricultural lands as required under the Act. Such incentives and programs are identified in HRS 205-41, and specifically include amongst other things, incentives that promote investment in agricultural businesses or value-added agricultural development, which would most certainly include the provision of special rates for public utility services provided to those engaged in the agriculture industry.

LURF appreciates the underlying intent of HB 1945, which is to support agriculture and aid agriculture-related businesses, and believes that the bill is consistent with the purpose and intent of the Important Agricultural Lands (IAL) laws which focuses on promoting agricultural viability by providing incentives for farmers and landowners to designate lands as IAL, and to develop necessary infrastructure.

Passage of the long-awaited IAL legislation would be meaningless without implementation of these incentives which require the cooperation and support of the business and economic community, including providers of essential public utilities. Cooperation and consideration by these providers, and the establishment of special and reasonable utility rates applicable to ratepayers engaged in agricultural activities, are critically needed to support viable agricultural activity in this state. It is therefore hoped and anticipated that efforts will be made and all appropriate legislative measures be taken to fully effectuate the intent and objectives of the IAL laws.

By recognizing the significance of, and need to address public utility rate issues within the local agriculture industry, HB 1945 removes a significant impediment to economically viable agriculture in Hawaii.

Thank you for the opportunity to present testimony regarding this matter, in support of this bill.

**HOUSE COMMITTEE ON AGRICULTURE
THE HONORABLE CLIFT TSUJI, CHAIR
THE HONORABLE MARK J. HASHEM, VICE CHAIR**

HOUSE BILL NO. 1945, scheduled for hearing on January 27, 2012

**Testimony of Roy Catalani, Vice President of Strategic Planning and Government Affairs, and
Sandra Hoshida, Manager of Government Affairs, Young Brothers, Limited**

Chair Tsuji, Vice Chair Hashem, and Members of the House Agriculture Committee:

Thank you for the opportunity to testify on House Bill No. 1945 (*HB1945*).

Young Brothers, Limited (*Young Brothers*) is in support of this bill.

HB1945 proposes preferential rates for public utility services provided to rate payers engaged in agricultural activities. The bill provides for an amendment to section 269-26.5, Hawaii Revised Statutes, which currently authorizes only preferential water rates for agricultural activities.

In the context of its water transportation services, Young Brothers has been providing local farmers and ranchers with a discount for shipments of island agricultural products for over 20 years. Today, Young Brothers offers a discount of 35 percent for full container loads of island agricultural products and a discount of 30 percent for all other island agricultural product shipments. These discounts applicable to shipments of island agricultural products are consistent with the State's policy of promoting locally grown produce. We refer you to Haw. Const. of 1993, art. XI, § 3, which provides in relevant part:

The State shall conserve and protect agricultural lands, promote diversified agriculture, increase agricultural self-sufficiency and assure the availability of agriculturally suitable lands. The legislature shall provide standards and criteria to accomplish the foregoing.

Thank you for the opportunity to testify.



Poamoho Organic Produce
PO Box 728
Waiialua HI 96791
808-637-4555
info@poamoho-organic.com

January 26, 2012

To: House Committee on Agriculture
Re: Hearings on January 27, 2012, 8:30 am, Rm #312
Subject: Testimony regarding HB2093, HB2245 and HB1945

Aloha Committee Chair and Committee Members,

I am an organic farmer on the North Shore of Oahu and President of the Hawaii Center for Organic Farming. Please accept my testimony on the subject Bills.

HB2093: I can not support Section 3 of HB2093 that calls for a UH pilot program to subject school gardens to food safety certification by the Department of Agriculture. Although there is significant uncertainty as to what effect the Food Safety Modernization Act (FSMA) will have on our food systems, it is absolutely clear that: 1) the FSMA will be implemented through our Department of Health (DoH), not DoA; 2) that the existing food safety program administered by DoA and taught by UH CTAHR cannot be trusted as it has diverges greatly from the broadly accepted good agricultural practices (GAPs); and 3) that a working group that convened this summer of farmers from across the State, the farm bureau and representatives from DoH and DoA all agreed that the existing system did not meet the needs of either farmer or consumers. Therefore, please delete Section 3 from the text.

HB2245: this appears to be an excellent bill to institutionalize the connection between farms and schools. In order to ensure that this connection includes the majority of Hawaii's farms – its small farmers, I highly recommend that the task force also include a representative from the Hawaii Farmers Union United.

HB1945: as a farmer I appreciate the intent of this bill to reduce the costs of utilities for active farming enterprises. I noted in the draft that the words related to "water" were deleted in favor of "public utility services" and am concerned that these words may only refer to publicly owned, government controlled resources and will not apply to privately held water companies or even "irrigation water". I suggest the words be changed to include all utility companies providing services to any farm operation on Ag lands.

Mahalo,

Al Santoro

HB 1945

RELATING TO PUBLIC UTILITIES

**JOEL K. MATSUNAGA
CHIEF OPERATING OFFICER & EXECUTIVE VP
HAWAII BIOENERGY, LLC**

January 27, 2012

Chair Tsuji and Members of the House Committee on Agriculture:

I am Joel Matsunaga, testifying on behalf of Hawaii BioEnergy in support of HB 1945, "Relating to Public Utilities."

SUMMARY

Hawaii BioEnergy, LLC ("HBE") supports HB 1945, which directs public utilities to establish preferential rates for public utility services provided to ratepayers engaged in agricultural activities in agricultural districts. The proposed measure would help to reduce costs and improve the competitiveness of agriculturally-based enterprises in Hawaii and help to revitalize the agricultural sector which is a major contributor to the Islands' economy and level of self-sufficiency.

HAWAII BENEFITS FROM LOCAL BIOFUELS PRODUCTION

Hawaii BioEnergy is a local company dedicated to strengthening the state's energy future through sustainable biofuel production from locally grown feedstocks. Among its partners are three of the larger land owners in Hawaii. HBE and its partners would like to use significant portions of our land to address Hawaii's existing and growing energy needs.

Understanding the urgency of these needs and anticipating growing demand, HBE has dedicated the last several years to feedstock trials, extensive technology evaluation and detail financial modeling of various production pathways in an effort to ensure HBE's ultimate production is as productive, efficient and sustainable as possible. HBE's own research, development and demonstration (RD&D) efforts have been accelerated by funding from the US government's Defense Advanced Research Projects Agency (DARPA), Office of Naval

Research, as well as a Congressional Appropriation administered through the Air Force Research Laboratory. Collectively, this analysis has enabled HBE to clearly understand the production potential and challenges associated with Hawaii's unique natural resource base, geography, climate, market and infrastructure.

While Hawaii holds tremendous potential to produce a range of advanced, high-density biofuels from locally produced feedstocks and innovative next generation technologies, the industry is still in its infancy and faces a myriad of cost and development challenges. Many of these challenges are attributed to the fact that Hawaii's agricultural and otherwise productive lands are relatively small, non-contiguous parcels with varying microclimates and other conditions which limit scale and increase operational costs. Such limitations and cost impacts are particularly pronounced in Hawaii where the cost of doing business is already disproportionately high relative to the mainland. Providing preferential rates to the agricultural industry for essential services such as water, interisland shipping, and electricity would help to offset these costs and improve the competitiveness of agriculture and biomass-based industries, facilitating the production of both food and fuel for Hawaii at lower cost to producers and consumers.

CONCLUDING REMARKS

HBE is moving forward with advanced, bio-based energy projects from locally grown feedstocks that will help provide a local, renewable source of energy for Hawaii. HBE believes that HB 1945 will help to accelerate and expand Hawaii's bio-based renewable energy economy and help to reinvigorate the state's agricultural sector more broadly. Based on the aforementioned, Hawaii BioEnergy respectfully requests your support for HB 1945.

Thank you for the opportunity to testify.

hashem1 - Julie

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, January 25, 2012 6:49 PM
To: AGRtestimony
Cc: gypsieme@hotmail.com
Subject: Testimony for HB1945 on 1/27/2012 8:30:00 AM

Testimony for AGR 1/27/2012 8:30:00 AM HB1945

Conference room: 312
Testifier position: Support
Testifier will be present: No
Submitted by: teri nguyen
Organization: Individual
E-mail: gypsieme@hotmail.com
Submitted on: 1/25/2012

Comments:
Farmers deserve every form of assistance available.