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March 16, 2012

HEARING BEFORE THE
SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

TESTIMONY ON HB 2644
RELATING TO THE PUBLIC UTILITIES COMMISSION

Room 229
9:00 AM

Chair Baker 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 is in strong support of HB2644 that seeks to implement best practices in procedures within the Public Utilities Commission. We respectfully request consideration of an additional amendment within this measure.

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.

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 as without farms and ranches increasing Hawaii's level of self sufficiency and sustainability become mere concepts.

We respectfully request consideration for addition of the attached language to this bill. It will provide PUC with the authority to consider agricultural discount rates. The decision can be made based on how critical the measure is to achieve the State's Constitution Mandate to protect agriculture to increase our level of self sufficiency and sustainability.

HFBF strongly supports passage of this measure including the attached amendment. Thank you for this opportunity to provide testimony on this important measure.

Attachment 1: Proposed insertion in SB2644 SD1

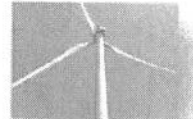
[+]§269-26.5[+] **Preferential ~~[water]~~ public utility rates for agricultural activities.** (a) It is the policy of the State to promote the long-term viability of agriculture by establishing mechanisms that provide for preferential rates for ~~[potable water~~ public utility services that are provided to ratepayers that engage in agricultural activities[-] on land within agricultural districts. The public utilities commission shall have the authority to establish preferential rates for ~~[potable water]~~ public utility services that are used by ratepayers for agricultural activities on land within agricultural districts in a public utility's service area.

(b) Upon receipt of a bona fide request for preferential rates for ~~[potable water]~~ any public utility service to be used for agricultural activities[-] on lands within an agricultural district, and proof that the customer engages in agricultural activities[-] on lands within an agricultural district, a public utility ~~[shall]~~ may provide proposed preferential rates for ~~[potable water]~~ the requested public utility service, including but not limited to potable water, electricity, and freight transport, to be used only for qualified agricultural activities subject to the public utilities commission for approval. All such rates approved by the

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public utilities commission shall be subsidized by the [potable water] rates charged to other customers of the public utility, if required, as determined by the public utilities commission. In reviewing the proposed preferential rates, the public utilities commission, in consultation with the department of agriculture, may establish additional criteria to qualify bona fide agribusinesses for [water] public utility services used solely for agricultural activities [~~For rate cases initiated pursuant to this section, the public utilities commission shall allow the recovery of any reasonable unamortized costs incurred by the public utility in its previous rate case; provided however, upon full amortization of these costs, rates shall be adjusted accordingly.] on lands within an agricultural district."~~

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SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

March 16, 2012, 9:00 A.M.

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(Testimony is 2 pages long)

TESTIMONY IN SUPPORT OF HB 2644 HD 2

Chair Baker and members of the Committee:

The Blue Planet Foundation supports HB 2644 HD 2, a measure that requires the Public Utilities Commission (PUC) to implement best practices in the areas of regulatory frameworks, rules and procedures, and information technology and public access, and appropriates funds for such purposes. We support this measure as a smart step in providing some “institutional acupuncture” to modernize the PUC.

As you are aware, the PUC is charged with developing and enforcing policies that govern the lifeblood of Hawaii’s economy: electricity. They need to be operating effectively and properly funded to successfully navigate the multi-billion dollar transition to a clean energy future. The utility regulation landscape is changing dramatically and new approaches to effective regulatory oversight and policymaking need to be integrated. House Bill 2644 would accomplish this by requiring the PUC to implement:

1. The use of innovative regulatory frameworks to solve utility issues and concerns resulting from economic, technological, and policy changes;
2. The making and updating of rules and procedures that streamline the internal and external procedures of the commission, in particular streamlining and shortening the timeframe of procedural actions; and
3. The use of information technology to improve internal workflow, transparency, and public access to filings and data.

Additionally, HB 2644 provides additional funding to the PUC to hire consultants to assist in the development of best practices for utility regulation. Blue Planet supports providing the PUC with the full amount of revenue generated in the PUC special fund.

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Currently, the PUC is funded through the PUC special fund which collects funding from various sources, most significantly an annual fee of one-half of one per cent of the gross income of the public utility's previous year's business. About half of the revenue in this special fund—which receives around \$17.5 million annually—is diverted to the state's general fund, however. The PUC is currently deliberating dockets that will fundamentally reshape Hawaii's electric utility sector. Smart grid, energy efficiency portfolio standards, integrated resource planning—these dockets require thorough deliberation, research, and expert input. The PUC must have the talent and resources to adequately investigate and develop the right policies for Hawaii's 21st century electricity industry. The total funding available to them through their revenues should be available for their work.

Thank you for the opportunity to testify.