

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

FEBRUARY 12, 2013
8:30 a.m.

MEASURE: H.B. No. 1148, H.D. 1

TITLE: Relating to Public Utilities

Chair Lee and Members of the Committee:

DESCRIPTION:

This measure proposes to provide preferential rates for energy used in agricultural activities, subject to the issuance of rules or a decision and order by the Public Utilities Commission (“Commission”). Requests for preferential energy rates would be processed by a public utility and presented to the Commission for approval. In addition, the Department of Agriculture shall also receive preferential rates for “eligible agricultural activities.”

POSITION:

The Commission supports policies that encourage and support agricultural activities in the State. However, the Commission cannot support this bill, as it would establish a discriminatory regulatory practice.

COMMENTS:

H.B. No. 1148, H.D. 1 requires the Commission to establish preferential rates for one class of ratepayer and a single state agency for energy used in agricultural activities at the expense of all other ratepayers, which would be unfair, discriminatory and in conflict with other parts of Chapter 269, Hawaii Revised Statutes. The use of preferential rates places an unfair burden and a hidden “tax” on the utility ratepayer who does not qualify for the preferential treatment, and such a practice would have no real accompanying oversight of its application. While we all would like to help Hawaii’s agricultural sector,

that effort should be as transparent as possible. The Commission continues to believe that subsidies should be given through the form of tax credits or outright grants that can be audited for appropriate application.

Given the high cost of electricity in the State, it is likely that a large number of preferential rate requests from agricultural enterprises, bona fide or otherwise, would result from this measure. The Commission is concerned about the potential drag on resources of both the Commission and utilities in having to verify agriculture-related rate requests, despite the Commission's ability under this measure to establish, in consultation with the Department of Agriculture, "additional criteria for energy used for agricultural activities."

A main objective of the Commission is to stabilize and reduce cost for all ratepayers by ensuring efficiently run utilities. Off-peak rates, a form of rate reduction, should be offered to any ratepayer that can make the electric system more efficient during periods when electricity or usage is low and resources must be curtailed. Such a focus, rather than preferential rates, could be more beneficial to all ratepayers.

Finally, it is not clear what would qualify as "eligible agricultural activities" for the Department of Agriculture in order to qualify for preferential rates. The standing committee report from the House Committee on Agriculture on H.B. No. 1148 is not clear on what these eligible activities could include.¹ The Commission would ask the Committee, should this measure be passed, to amend the added subsection (c) found on page 2, line 7 to line 8, of this bill to read as follows:

(c) Preferential rates shall also be extended to eligible agricultural activities at the department of agriculture, as determined by the public utilities commission. (emphasis added)

Thank you for the opportunity to testify on this measure.

¹See Standing Committee Report No. 124, Regarding H.B. No. 1148, H.D. 1; House of Representatives of the State of Hawaii, Committee on Agriculture; February 6, 2013.



Email: communications@uluponoinitiative.com

HOUSE COMMITTEES ON ENERGY & ENVIRONMENTAL PROTECTION/AGRICULTURE
February 12, 2013 — 8:30 a.m. — Room 325

Ulupono Initiative Strongly Supports HB1148 HD1, Relating to Public Utilities

Chairs Lee & Wooley, Vice Chairs and Members of the Committees:

My name is Kyle Datta and I am General Partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase renewable energy, and reduce/recycle waste. Ulupono invests in projects that have the potential to create large-scale, innovative change.

Ulupono strongly supports HB 1148 HD1, which encourages the Hawai'i Public Utilities Commission (PUC) to create preferential rates that could be used by agriculture. We have suggested amendments to the original bill based on issues raised by the Public Utilities Commission.

This bill retains the commission's regulatory flexibility, while proposing the PUC look at the whole system. There are many ways that the PUC could define rates that both lower the costs to agricultural users, and simultaneously improve the way the system operates so that rates would be lower for all ratepayers.

For example, the PUC could offer the agricultural sector specific off-peak rates or time-of-use rates, which is consistent with how utility commissions set rates in states with large amounts of renewable power that would otherwise be curtailed, such as Nebraska. In Hawai'i, a lot of renewable energy is currently lost due to utility curtailment or restriction of wind and solar producers. This energy source — which is currently wasted — could be used instead to move irrigation water, pump groundwater, chill food-storage facilities and power other agricultural uses. Agricultural users could shift these activities to the off-peak hours if they were offered the right rate incentives by the PUC, avoiding the need to limit or curtail renewable energy.

Since the rate structure would allow recovery of the utility costs for transmission and distribution, this would increase utility revenues. Renewable energy providers currently bid prices to the utility that include an expectation of curtailment, so those bids are higher than if they operated under the rate structure set forth under this bill. For the agricultural users, the lower rates would be an added inducement to shift their loads to the off-peak hours. Further, by lowering demand during peak hours, we can avoid using the most expensive generation units on the system, which would lower rates for everyone. This is just one example of how preferential rates for agriculture can benefit the entire system.

Rates to all customers would decline because of combination of lower renewable energy prices to the utility and greater utility system utilization. Better still, by supporting the integration of renewable energy and agriculture, this will help to eliminate waste and lower food costs for all residents.

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We believe legislation is required, because neither the PUC nor the utility have taken much-needed steps to optimize the entire system by creating innovative rate structures for agriculture that would lower both electrical rates and food costs to all consumers.

Ulupono has joined with a diverse group of organizations who have come together for the first time as the Local Food Coalition to support proposals designed to help grow more local food. The coalition brings together farmers, ranchers, livestock producers, investors and other organizations. The idea is that putting more local food on local plates can best be accomplished by bringing people and organizations together who can work on the entire food value chain in a systematic way.

We believe that working together we can help produce more local food, support an economically strong homegrown agriculture industry, which strengthens our community with fresh, healthy food. Thank you for this opportunity to testify.

Respectfully,

Kyle Datta
General Partner



HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

February 12, 2013, 8:30 A.M.

Room 325

(Testimony is 2 pages long)

TESTIMONY IN SUPPORT OF HB 1148

Chair Lee, Vice-Chair Thielen, and members of the Committee:

The Blue Planet Foundation **supports** HB 1148, authorizing the Public Utilities Commission to establish preferential rates for energy used for agricultural activities. Blue Planet **requests one amendment**, to ensure that a preferential rate structure is implemented only in such a way that it benefits all ratepayers through improved system operation.

This bill allows the Public Utilities Commission (“PUC”) to retain its flexibility to determine optimal electricity rates for Hawai‘i, while simultaneously empowering the PUC to establish a rate structure that benefits agriculture – the industry that feeds us. Moreover, this bill allows the PUC to establish that rate structure in such a way that it *both* lowers the effective rate for agricultural users, *and* enables our energy system to operate more efficiently, thus benefitting all ratepayers.

Most simply, this would be in the form of a dynamic energy pricing, or “time-of-use” rate. Under such a regime, energy consumed during days or times when more energy is available (such as when the wind is blowing and powering wind farms, or at night when electrical demand is low) can be priced more favorably than when less energy is available (such as during our daily “peak demand” from 6-9 p.m.).

Time-of-use rates should be available for all energy users, because such rates incentivize energy use that is more optimally matched to supply. However, to date such rates have been offered only in limited contexts. Agricultural energy users are a prime candidate for time-of-use rates, because many agricultural energy demands, such as pumping water, can be timed to coincide with optimal times. Thus, by matching agricultural operations to the time-of-use

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structure, agricultural energy users could benefit from lower overall energy costs. At the same time, this more efficient use of energy can benefit the entire system, and if implemented properly, **spur savings for all energy ratepayers.**

Blue Planet believes that HB 1148 can prompt the PUC and our energy utilities to push dynamic pricing further up the state's energy agenda, and we respectfully request that the committee forward this bill, with one amendment.

Blue Planet Requests One Amendment:

Although Blue Planet supports a preferential rate structure for agricultural users, we believe that this can and **should be implemented in a way that benefits all ratepayers.** Simply lowering the standard rate for agricultural uses would be a lost opportunity. We also believe that requests for preferential rates should be made public, and that public comment should be considered on such a request. Thus, we suggest the following amendment to the proposed text to be added to Haw. Rev. Stat. Ch. 269:

(b) Upon receipt of a bona fide request for the purchase of energy to be used or consumed for agricultural activities and proof that the energy will be used or consumed for agricultural activities, a public utility shall present the request for preferential rates to the commission for approval. In reviewing the proposed preferential rates, the commission, in consultation with the department of agriculture, may establish additional criteria for energy used for agricultural activities. The commission shall notify the public of the request for preferential rates, shall consider public comment in accordance with commission rules, and shall approve the request only if the commission determines that the requested preferential rate will provide a benefit to ratepayers via improved system operation or other impacts.



Hawaii Farm Bureau
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February 12, 2013

HEARING BEFORE THE
HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

TESTIMONY ON HB 1148,HD1
RELATING TO PUBLIC UTILITIES

Room 325
8:30 A.M.

Chair Lee, Vice Chair Thielen, and Members of the Committee:

I am Dean Okimoto, President of the Hawaii Farm Bureau Federation (HFBF). Organized since 1948, the HFBF is comprised of 1,950 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 respectfully requests your strong support of HB 1148, HD1, authorizing the Public Utilities Commission to grant preferential rates for electricity to qualified agricultural producers.

Increased self sufficiency is a priority in the State, starting with the Governor's New Day initiative and by policymakers in various public statements. Containment of expenses is a basic requirement to enable our farmers and ranchers to be viable and provide food, fiber and energy that is a cornerstone to self-sufficiency.

During the economic downturn of 2008, one of the most significant expenditure causing hardship to agriculture was electrical expenses. The enormous fluctuations in cost that could not be directly passed on to customers caused many farms to falter, and in some cases go out of business. Pumping and refrigeration are among the major uses of power.

Preferential rates is not unprecedented. For example, Pacific Gas and Electricity provides agricultural rates to their ag customers in California and Oregon.

It should be noted that this measure does not dictate the terms of the preferential rate but rather authorizes the PUC to establish by rule or decision and order such rates. Traditionally compensatory rates are common terms used in determining rates set by PUC. This measure sets into law a commitment by the State to support agriculture as in the public interest. By authorizing a preferential rate, the PUC implements the State's Constitutional Mandate that agriculture must be preserved and protected for the people of Hawaii.

HFBF is willing to work with the PUC and utility companies on this measure to identify language that will meet our mutual needs. We humbly request your support in passing this measure for further discussion.

Thank you for this opportunity to provide our opinion on this important matter.



January 31, 2013

**TESTIMONY
COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION**

TESTIMONY ON HB 1148, HD1
RELATING TO PUBLIC UTILITIES
Room 325
8:30 AM

Chair Lee, Vice Chair Thielen and Members of the Committee:

Maui County Farm Bureau on behalf of our commercial farm and ranch families and organizations working to increase Hawaii's level of self sufficiency, **STRONGLY SUPPORTS** HB1148, HD1 authorizing the PUC to establish preferential electric rates for agriculture..

A consistent theme during the opening days of the Legislature has been self sufficiency and sustainability. Increased levels of self sufficiency cannot be achieved without a viable agricultural industry. This measure addresses one of the weak links in the industry --- widely fluctuating electricity rates.

Food safety requirements, fresh flowers, product integrity to market all of these needs require electricity. Consumer costs increase as electricity costs rise but our farmers and ranchers do not see equivalent increases in revenues to offset costs. As an import dependent state, our farmers and ranchers struggle to compete with colleagues on the Continent and foreign countries that have lower costs. This measure seeks to provide a move to parity with competition outside of the State and in so doing increase our local production.

MCFB respectfully requests your support moving towards implementing measures to increase our farmer and rancher viability. Please support this measure. Thank you for this opportunity to provide our opinion on this matter. If there are questions, please contact Warren Watanabe at 2819718. Thank you.

thielen3 - Charles

From: mailinglist@capitol.hawaii.gov
Sent: Saturday, February 09, 2013 7:54 AM
To: EEPtestimony
Cc: gottlieb@hawaii.rr.com
Subject: *Submitted testimony for HB1148 on Feb 12, 2013 08:30AM*

HB1148

Submitted on: 2/9/2013

Testimony for EEP on Feb 12, 2013 08:30AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Alan Gottlieb	Hawaii Cattlemen's Council	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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