

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

JANUARY 31, 2013
9:00 a.m.

MEASURE: H.B. No. 1148
TITLE: Relating to Public Utilities

Chair Wooley 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.

POSITION:

The Commission supports policies that encourage and support agricultural activities in the State. However, the Commission cannot support H.B. No. 1148, as it would establish a discriminatory regulatory practice.

COMMENTS:

H.B. No. 1148 requires the Commission to establish preferential rates for one class of ratepayer 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 HRS Chapter 269. 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."

Thank you for the opportunity to testify on this measure.

onishi1-Jerry

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, January 30, 2013 9:38 AM
To: AGRtestimony
Cc: gottlieb@hawaii.rr.com
Subject: *Submitted testimony for HB1148 on Jan 31, 2013 09:00AM*

HB1148

Submitted on: 1/30/2013

Testimony for AGR on Jan 31, 2013 09:00AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Alan Gottlieb	Hawaii Cattlemen's Council	Support	Yes

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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onishi1-Jerry

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, January 30, 2013 12:15 AM
To: AGRtestimony
Cc: OccupyHiloMedia@yahoo.com
Subject: Submitted testimony for HB1148 on Jan 31, 2013 09:00AM

HB1148

Submitted on: 1/30/2013

Testimony for AGR on Jan 31, 2013 09:00AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Kerri Marks	Individual	Support	No

Comments: I support this bill so long as it's intent is to support small and mid scale farmers growing food for consumption here in the islands. Food costs are very high and the cost of refrigeration is one of the largest costs for farmers. This bill should not benefit large agribusiness corporations or any energy producer or biofuel feedstock producer.

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January 31, 2013

**TESTIMONY
COMMITTEE ON AGRICULTURE**

Rep. Jessica Wooley, Chair
Rep. Richard Onishi, Vice Chair

TESTIMONY ON HB 1148
RELATING TO PUBLIC UTILITIES
Room 312
9:00 AM

Chair Wooley, Vice Chair Onishi 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**, 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.

onishi1-Jerry

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, January 30, 2013 8:43 AM
To: AGRtestimony
Cc: hawaiiifish@gmail.com
Subject: Submitted testimony for HB1148 on Jan 31, 2013 09:00AM

HB1148

Submitted on: 1/30/2013

Testimony for AGR on Jan 31, 2013 09:00AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Ron Weidenbach	Hawaii Aquaculture & Aquaponics Association	Support	No

Comments: Electricity is typically a critical component of land-based aquaculture, as well as for aquaponics, in that electricity is typically used to power the essential life support systems of water and aeration, as well as other components necessary for the production of many aquatic species. Electricity is therefore a major cost factor in most aquaculture and aquaponic operations. Preferential rates for the purchase of energy that is used or consumed by such agricultural or aquacultural activities would there support these farms and encourage more local food production.

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Email: communications@uluponoinitiative.com

HOUSE COMMITTEE ON AGRICULTURE
January 31, 2013 — 9 a.m. — Room 312

Ulupono Initiative Strongly Supports HB1148, Relating to Use of Energy by Agriculture

Dear Chair Wooley, Vice Chair Onishi and Members of the Committee:

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, which encourages the Hawai'i Public Utilities Commission (PUC) to create preferential rates that could be used by agriculture.

The PUC has great flexibility in how it establishes rates. This bill retains that regulatory flexibility, while guiding the commission to 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 the combination of lower renewable energy prices to the utility and improved system efficiency. Better still, by supporting the integration of renewable energy and agriculture, this will help to eliminate waste and lower food costs for all residents.

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

Respectfully,

Kyle Datta
General Partner