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Chairperson, Board of Agriculture

**PHYLLIS SHIMABUKURO-GEISER**  
Deputy to the Chairperson

**TESTIMONY OF SCOTT E. ENRIGHT  
CHAIRPERSON, BOARD OF AGRICULTURE**

**BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS**

April 2, 2015  
9:30 A.M.  
Room 211

**HOUSE BILL NO. 501, HD 1, SD 1  
RELATING TO AGRICULTURE**

Chairperson Tokuda and Members of the Committee:

Thank you for the opportunity to present testimony on House Bill 501, House Draft 1, Senate Draft 1. The purpose of this measure is to allow the Public Utilities Commission (PUC) to establish preferential rates for water, electricity, and freight transport for agricultural activities subject to PUC approval and requires the PUC to define "qualified agricultural activities" and "bona fide agribusinesses". The Department of Agriculture supports the intent of this measure.

Thank you for the opportunity to comment on this measure.



TESTIMONY OF RANDY IWASE  
CHAIR, PUBLIC UTILITIES COMMISSION  
STATE OF HAWAII  
TO THE  
SENATE COMMITTEE ON  
WAYS AND MEANS

APRIL 2, 2015  
9:30 a.m.

**MEASURE:** H.B. No. 501, H.D. 1, S.D. 1

**TITLE:** Relating to Agriculture

Chair Tokuda and Members of the Committee:

**DESCRIPTION:**

This measure expands the establishment of preferential rates for “potable water” used for agricultural activities to include preferential rates for “water, electricity, and freight transport services” used for agricultural activities. This measure also requires the Public Utilities Commission (“Commission”) to define the terms “qualified agricultural activities” and “bona fide agribusinesses”.

**POSITION:**

The Commission offers the following comments for the Committee’s consideration.

**COMMENTS:**

The Commission notes that the current language in HRS § 269-26.5 was codified pursuant to Act 169 of the 2008 Legislative Session to make water more affordable for farmers who only had access to potable water services and rates. The proposed expansion of preferential rates to “water, electricity, and freight transport services” to be used for agricultural activities would greatly expand this currently narrow preferential treatment. Providing preferential rates for such services would result in subsidization through the rates charged to other customers of these public utility services.

The Commission also notes that, for the purposes of clarity, consistency, and efficiency, Section 3 should be stricken and the terms “qualified agricultural activities” and “bona fide

agribusinesses” should simply be defined in statute. Section 3 would require the Commission to undertake resource consuming administrative rulemaking procedures pursuant to Chapter 91 just to define these two terms.

Thank you for the opportunity to testify on this measure.



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April 2, 2015

HEARING BEFORE THE  
SENATE COMMITTEE ON WAYS & MEANS

TESTIMONY ON HB 501 HD 1 SD 1  
RELATING TO AGRICULTURE

Room 211  
9:30 AM

Aloha Chair Tokuda, Vice Chair Kouchi and Members of the Committee:

I am Christopher Manfredi, President of the Hawaii Farm Bureau Federation (HFB). Organized since 1948, the HFBF is comprised of 1,932 farm family members statewide, and serves as Hawaii's voice of agriculture to protect, advocate and advance the social, economic and educational interests of our diverse agricultural community.

**HFB is in strong support of HB 501 HD 1 SD 1**, which allows public utilities to establish certain discounted utility rates for water, electricity, and freight transport for agricultural activities, subject to PUC approval and requires the PUC to define "qualified agricultural activities" and "bona fide agribusinesses."

Hawaii's agriculture industry is vital to the State's economy. Once viewed as a driving force during the plantation era, Hawaii's agriculture has dwindled and suffered many setbacks with rising overhead production costs that threaten the entire industry. The fluctuating nature of fuel prices and electrical rates, water, and transportation combine to create intense strains upon Hawaii's farmers and ranchers.

Increased self-sufficiency is a priority in the State. Cost containment will enable Hawaii's farmers and ranchers to be more viable and provide food, fiber, flowers and energy that is a cornerstone of self-sufficiency.

During the economic downturn of 2008, one of the most significant expenditures causing hardships to agriculture was energy costs. The enormous fluctuations in cost that could not be directly passed on to customers caused many farms to falter, and in some cases fail.

Farmers and ranchers need not only stability, but low cost of inputs to be competitive in the local and global marketplace. Water pumping and refrigeration represent significant

costs for farms and ranches, and are more impactful during times of drought. Defining affordable utility rates will help provide stability, certainty and competitiveness. Farmers and ranchers often plan crops and herds years in advance. Providing discounted utility rates will help ensure that those plans will be viable and that the yield will be competitive in the marketplace. This is an important factor for food security that bolsters the local economy.

Viable agriculture in Hawaii is also dependent upon an efficient, reliable, and affordable transportation system. With individual islands separated by vast expanses of water, and given that agricultural production areas are distant from population centers, our State goal of increased self-sufficiency is dependent upon a sound and affordable transportation system. Transportation costs for farmers and ranchers can be significant. HFB continues to pursue methods that will improve shipping and we encourage any dialogue that could result in reduced rates to all farmers and ranchers. Shipping costs for farmers and ranchers are a major component of our cost of goods, which contributes to our challenges of market competitiveness.

Preferential rates for agriculture is not unprecedented. For example, Young Brothers already offers an island agricultural product discount of 30 to 35 percent, which applies to locally grown products and Pacific Gas and Electricity provides agricultural rates to their agricultural 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.

This measure sets into law a commitment by the State to support agriculture within 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.

HFB 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 the opportunity to testify in support of HB 501 HD 1 SD 1.



March 31, 2015

Senator Jill Tokuda, Chair  
Senator Ronald D. Kouchi, Vice Chair  
Senate Committee on Ways and Means

**Testimony in Support of HB 501, HD1, SD1, Relating to Agriculture (Allows Public Utilities to Establish Certain Discounted Rates for Water, Electricity and Freight Transport for Agricultural Activities, Subject to PUC Approval.)**

**Thursday, April 2, 2015, 9:30 a.m., in Conference Room 211**

The Land Use Research Foundation of Hawaii (LURF) is a private, non-profit research and trade association whose members include major Hawaii landowners, developers and a utility company. LURF's mission 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 **comments and support of HB 501, HD1, SD1**, 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. Preferential utility rates for ratepayers engaged solely in agricultural activities may also require subsidization by the rates charged to other ratepayers, if required, as determined by the Public Utilities Commission ("PUC"). The bill conveys the need for collaboration amongst diverse sectors of the community – the general public, business, government, and agricultural stakeholders - and the importance for them to work together cooperatively to implement agricultural 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 501, HD1, SD1.** This bill provides that the PUC may, upon receipt of a bona fide request, establish preferential rates for water, electricity, or freight transport services to be used for agricultural activities on lands within an agricultural district. In reviewing the proposed preferential rates, the PUC, in consultation with the Department of Agriculture, may establish additional criteria for to qualify bona fide agribusinesses for public utility services used solely for agricultural activities. The PUC is also required to define “qualified agricultural activities” and “bona fide agribusinesses” for purposes of this measure.

**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 promote the long-term viability of agriculture by expanding the existing IAL program by establishing additional incentives for farmers, agricultural operators and landowners engaged in agricultural activities.

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 IAL 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 501, HD1, SD1, which is to support agriculture and aid agriculture-related businesses, and believes that the bill is consistent with the purpose and intent of the 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.

While LURF supports preferential public utility rates, it also recognizes that utility service providers and the PUC may have concerns relating to costs and other issues relating to implementation of such an incentive. Preferential utility rates for agricultural activities may result in the need for subsidization by rates charged to other public utility customers. LURF respectfully urges the legislature to work with the public utility companies and the PUC to determine how this bill will affect the operational costs and revenues of those companies; and if warranted, to amend this bill to also allow said companies to adjust their other rates as a result of the impact of this agricultural incentive.

Passage of the long-awaited IAL legislation would be meaningless without implementation of these incentives such as these, 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 501, HD1, SD1 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.





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SENATE COMMITTEE ON WAYS & MEANS  
Thursday, April 2, 2015 — 9:30 a.m. — Room 211

**Ulupono Initiative Strongly Supports HB 501 HD 1 SD 1, Relating to Agriculture**

Dear Chair Tokuda, Vice Chair Kouchi, 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 company 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 clean, renewable energy, and waste reduction. We believe that self-sufficiency is essential to our future prosperity, and will help shape a future where economic progress and mission-focused impact can work hand in hand.

**Ulupono strongly supports HB 501 HD 1 SD 1**, which allows the Public Utilities Commission (PUC) to establish discount utility rates for agricultural activities, because it aligns with our goal of providing more locally produced food.

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

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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.

As Hawai'i's local food issues become more complex and challenging, organizations need additional resources and support to address and overcome them. We appreciate this committee's efforts to look at policies that support local food production.

We believe that by collaborating 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