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Deputy to the Chairperson

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

**BEFORE THE HOUSE COMMITTEES ON AGRICULTURE AND ECONOMIC
DEVELOPMENT AND BUSINESS**

February 12, 2015
8:30 A.M.
Room 312

**HOUSE BILL NO. 501
RELATING TO AGRICULTURE**

Chairpersons Tsuji and Kawakami and Members of the Committees:

Thank you for the opportunity to present testimony on House Bill 501. The purpose of this measure is to allow the Public Utilities Commission (PUC) to establish preferential rates for public utility services including water, electricity and freight transport that are provided to ratepayers engaged in agricultural activities on lands within an agricultural district. The Department of Agriculture supports the intent of this measure and offers comments.

The definition of "qualified agricultural activities" (page 2, line 15) and "bona fide agribusinesses" (page 3, line 2) is important to ensure that preferential rates are offered only to ratepayers who are actively, substantially, and gainfully using their land in agricultural production including crop, livestock, and aquaculture.

Thank you for the opportunity to comment on this measure.



TESTIMONY OF RANDY IWASE
CHAIR, PUBLIC UTILITIES COMMISSION
STATE OF HAWAII
TO THE
HOUSE COMMITTEE ON
AGRICULTURE

February 12, 2015
8:30 a.m.

MEASURE: H.B. No. 501
TITLE: RELATING TO AGRICULTURE

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

DESCRIPTION:

This measure amends Section 269-26.5, Hawaii Revised Statutes, to expand the requirements for preferential rates for potable water service used in agricultural activities to include all “public utility services” used in agricultural activities.

POSITION:

The Commission offers the following comments for the Committees consideration.

COMMENTS:

The Commission is concerned with the expansion of preferential rates proposed by this measure. The current language in HRS 269-26.5 allows for establishment of preferential rates exclusively for potable water service to be used for agricultural activities. This language was codified pursuant to Act 169 of the 2008 Legislative Session to make water more affordable for farmers who only had access to residential water rates provided by public utilities. The proposed expansion of preferential rates to all “public utility services” to be used for agricultural activities greatly expands this narrow preferential treatment. “Public utility services” could include water service, wastewater service, motor carrier services, water carrier services, telecom service, electricity service, gas service, and more. The Commission also notes that providing preferential rates for such a broad range of public utility services would result in subsidization through the rates charged to other customers of such public utility services.

Thank you for the opportunity to testify on this measure.



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February 12, 2015

HEARING BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE

TESTIMONY ON HB 501
RELATING TO AGRICULTURE

Room 312
8:30 AM

Aloha Chair Tsuji, Vice Chair Onishi, 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, which directs public utilities to establish discounted utility rates for agricultural activities.

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.

From: mailinglist@capitol.hawaii.gov
Sent: Tuesday, February 10, 2015 12:25 PM
To: AGRtestimony
Cc: gottlieb@hawaii.rr.com
Subject: Submitted testimony for HB501 on Feb 12, 2015 08:30AM

HB501

Submitted on: 2/10/2015

Testimony for AGR on Feb 12, 2015 08:30AM in Conference Room 312

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

Comments: Electrical costs are a significant expenditure for Hawai'i's farmers and ranchers. Any reduction in operating costs for producers are critical for long-term viability. Bona fide farmers and ranchers provide local people with local food and are currently provided a special agricultural water rate. Similarly, lower electricity rates should also be established for Hawai'i's agriculture producers.

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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February 10, 2015

Representative Clift Tsuji, Chair
Representative Richard H.K. Onishi, Vice-Chair
House Committee on Agriculture

Representative Derek S.K. Kawakami, Chair
Representative Sam Satoru Kong, Vice Chair
House Committee on Economic Development & Business

Testimony in Support of HB 501, Relating to Agriculture (Directs Public Utilities to Establish Discounted Rates for Agricultural Activities).

Thursday, February 12, 2015, 8:30 a.m., in Conference Room 312

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**, 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 in agricultural activities may also require the adjustment of utility rates for other ratepayers. 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. This bill requires the Public Utilities Commission (“PUC”) to direct public utilities to establish preferential rates for the purchase of public utility services provided to ratepayers engaged in agricultural activities. In reviewing the proposed preferential rates, the PUC, in consultation with the Department of Agriculture, may establish additional criteria for public utility services used solely for agricultural activities.

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, 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 the energy companies and PUC may have concerns relating to costs and other issues relating to implementation of such an incentive. Preferential energy rates for agricultural activities will probably result in the need for rate adjustments for other rate payers. LURF respectfully urges the legislature to work with the public utility companies and PUC to determine how this bill will affect the operational costs and revenues of the energy companies; and if warranted, to amend this bill to also allow public utility companies to adjust their other rates as a result of the impact of this agricultural incentive on the energy companies.

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 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.

onishi3 - Timothy

From: mailinglist@capitol.hawaii.gov
Sent: Wednesday, February 11, 2015 9:52 AM
To: AGRtestimony
Cc: carl.campagna@kamakagreen.com
Subject: *Submitted testimony for HB501 on Feb 12, 2015 08:30AM*

HB501

Submitted on: 2/11/2015

Testimony for AGR on Feb 12, 2015 08:30AM in Conference Room 312

Submitted By	Organization	Testifier Position	Present at Hearing
Carl Campagna	Individual	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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