

SB2641 SD1

Measure Title:	RELATING TO PUBLIC UTILITIES.
Report Title:	Public Utilities Commission; Preferential Energy Rates; Agricultural Activities; Incentives; Energy Storage Technology
Description:	Requires the PUC to establish preferential off-peak rates for the purchase of energy that is used or consumed for agricultural activities. Requires the PUC to require electric and gas utilities to develop energy storage technology incentive programs to provide incentives to agricultural customers to acquire energy storage technology for use at the agricultural customers' sites. (SD1)
Companion:	HB1995
Package:	None
Current Referral:	WLA/TRE, CPH
Introducer(s):	GABBARD, RUDERMAN, Shimabukuro, Taniguchi, Wakai

DAVID Y. IGE
Governor

SHAN S. TSUTSUI
Lt. Governor



State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512
Phone: (808) 973-9600 FAX: (808) 973-9613

SCOTT E. ENRIGHT
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 COMMERCE, CONSUMER PROTECTION
AND HEALTH

February 26, 2016
10:30 A.M.
CONFERENCE ROOM 229

SENATE BILL NO. 2641 SD1
RELATING TO PUBLIC UTILITIES

Chairperson Baker and Members of the Committee:

Thank you for the opportunity to testify on Senate Bill No. 2641 SD1 that requires the Public Utilities Commission (PUC) to establish preferential off-peak rates for the purchase of all forms of regulated energy to be used for agricultural activities, and provide incentives for agricultural customers to acquire energy storage technology to support the viability of agricultural activities. Senate Draft 1 proposes preferential off-peak rates that would encourage agricultural users to shift their peak energy demands to off-peak (late evening/early morning) hours. The Department of Agriculture supports the intent of incentivizing energy storage technology in support of agricultural production, but has strong concerns about limiting the proposed preferential rates for the purchase of all forms of regulated energy by qualified agricultural activities to "off-peak" hours.

Unless agricultural users confirm they are able to accommodate a radical shift in their daily operations throughout the year to accommodate "off-peak" preferential energy rates, the Department of Agriculture proposes the following amendments to Section 2 (page 1 line 14 to page 2, line 17):

Deletions are bracketed and stricken, additions are bold and double underscored:

"SECTION 2. Chapter 269, Hawaii Revised Statutes, is amended by adding a new section to part I to be appropriately designated and to read as follows:



"§269- **Preferential energy rates; agricultural activities.** (a) The public utilities commission shall establish preferential [~~off-peak~~] rates for the purchase of energy that is used or consumed for agricultural activities.

(b) Upon receipt of a bona fide request for preferential [~~off-peak~~] rates for 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 a request for preferential [~~off-peak~~] rates to the public utilities commission for approval. In reviewing the proposal for preferential [~~off-peak~~] rates, the commission in consultation with the department of agriculture may establish additional criteria for energy used or consumed for agricultural activities; provided that the public utilities commission shall:

(1) Notify the public of the request for preferential [~~off-peak~~] rates;

(2) Consider public comments; and

(3) Approve the request [~~only~~] if the public utilities commission determines that the requested preferential [~~off-peak~~] rates will provide a benefit to ratepayers through [~~improved system operations~~] **increased food self-sufficiency** or other impacts."

This measure also requires electric and gas utilities to develop and provide incentives to agricultural customers to acquire effective, available, and clean energy storage technology for use at the agricultural customer's sites. The PUC may consult with the Department of Agriculture to establish criteria for energy used or consumed for agricultural activities. The Department of Agriculture supports the intent of this measure which intends to reduce the cost of energy used for agricultural production by lowering energy rates and incentivizing the use of energy storage technology.

Thank you for the opportunity to submit our testimony.

TESTIMONY OF RANDY IWASE
CHAIR, PUBLIC UTILITIES COMMISSION
STATE OF HAWAII
TO THE
SENATE COMMITTEE ON
COMMERCE, CONSUMER PROTECTION, AND HEALTH

February 26, 2016
10:30 AM

MEASURE: S.B. No. 2641, S.D. 1
TITLE: RELATING TO PUBLIC UTILITIES

Chair Baker and Members of the Committee:

DESCRIPTION:

This measure requires the Public Utilities Commission (“Commission”) to establish “preferential off-peak rates for the purchase of energy that is used or consumed for agricultural activities.” This measure sets forth the details of the process and other requirements for the Commission and a public utility to follow when a customer requests preferential off-peak rates.

This measure also requires the Commission to require each electric and gas utility to develop an incentive program, no later than January 1, 2017 “to provide incentives to an agricultural customer to acquire energy storage technology for use at the agricultural customer’s site.” Requirements for storage technologies eligible for the incentive program are also set forth.

POSITION:

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

COMMENTS:

The Commission notes that providing preferential rates and a storage incentive program exclusively to agricultural users, as contemplated by this measure, would likely result in subsidization through the rates charged to all other utility customers.

The Commission also notes that the “off-peak” rate provisions in Section 2 of this measure appear to be directing the Commission to establish a time-of-use like tariff exclusively for agricultural activities. The Commission notes that a thorough review of time-of-use policies, including policies that could offer benefits to both agricultural activities and all other ratepayers, is already underway as part of the Commission’s Distributed Energy Resources investigation in Docket No. 2014-0192.

Thank you for the opportunity to testify on this measure.



P.O. Box 253, Kunia, Hawai'i 96759
Phone: (808) 848-2074; Fax: (808) 848-1921
e-mail info@hfbf.org; www.hfbf.org

February 26, 2016

HEARING BEFORE THE
SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION, AND HEALTH

TESTIMONY ON SB 2641, SD1
RELATING TO PUBLIC UTILITIES

Room 229
10:30 AM

Aloha Chair Baker, Chair Kidani, and Members of the Committees:

I am Randy Cabral, President of the Hawaii Farm Bureau (HFB). Organized since 1948, the HFB is comprised of 1,900 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.

HFB is in support of SB 2641, SD1, which requires the PUC to establish preferential off-peak rates for the purchase of energy that is used or consumed for agricultural activities. Requires the PUC to require electric and gas utilities to develop energy storage technology incentive programs to provide incentives to agricultural customers to acquire energy storage technology for use at the agricultural customers' sites.

HFB respectfully requests that SB 2641, SD1 be amending with the original bill language from SB 2641 by replacing the term "preferential off-peak rates" with "preferential rates".

Utility costs are among the highest variable costs associated with agricultural operations in the State. As costs rise, many of our farmers and ranchers are not able to pass on these costs to customers as done by other businesses including airlines and other commercial enterprises. Most recently the Food Safety Modernization measure has been issued by the Food and Drug Administration. Keeping produce and other agricultural products at critical temperatures are a key part of this measure along with water treatment and other requirements. All of these practices will require utility services in most farms. This further exacerbates the state of our farmers and ranchers as they try to be competitive in the market place.

Forecasts suggest that Hawaii will enter into severe drought events. This means more pumping where groundwater resources are available or to move water into areas that are not normally irrigated. While renewable resources such as solar and wind are tools, conventional power sources may be needed.

This measure does not immediately allow discounted rates. It authorizes the PUC to set such rates after identifying what is included as a qualified agricultural enterprise and bona fide agribusinesses. We support the clear articulation of these definitions as these discounts should be viewed as an investment by the rest of the ratepayers in Hawaii as a means to ensure viable agriculture enterprises to not only increase our capacity for self sufficiency as needed but to add into the overall tax base provides funds into the general fund, utilized by everyone.

HFB respectfully requests your support in moving his measure forward. Thank you



**Testimony to the Senate Committee on Commerce, Consumer Protection, and
Health
Friday, February 26, 2016 10:30 am
Conference Room 229, State Capitol
RE: Senate Bill 2641 SD1**

Chair Baker, Vice Chair Kidani and Members of the Committee on Commerce, Consumer Protection, and Health:

Hawaii Gas provides the following comments on SB 2641 SD1, which requires the Hawaii Public Utilities Commission to establish preferential off-peak rates for the purchase of energy that is used or consumed for agricultural activities, and requires the Hawaii Public Utilities Commission to require electric and gas utilities to develop energy storage technology incentive programs to provide incentives to agricultural customers to acquire energy storage technology for use at the agricultural customers' sites.

Hawaii Gas supports the intent of this Bill, but suggests further discussions such that all parties can better understand what utility infrastructure and energy storage devices exist today and how they can be used going forward to support agriculture. The following points are highlighted:

- Preferential off-peak rates can be developed for gas, but those customers engaged in agricultural activities may not be connected to existing utility pipelines, which would require investment in infrastructure.
- Hawaii Gas' energy storage systems currently include propane tanks and our synthetic natural gas pipeline on Oahu. However, the production of hydrogen from grid-connected electricity could also be developed in the future, but more work is needed in this area to assess reliability and cost effectiveness.

Hawaii Gas supports efforts to promote local agricultural activities and looks forward to working with the Public Utilities Commission to clarify the role of the gas utility.

Thank you for the opportunity to testify.



Email: communications@ulupono.com

SENATE COMMITTEE ON COMMERCE, CONSUMER PROTECTION, & HEALTH
Friday, February 26, 2016 — 10:30 a.m. — Room 229

Ulupono Initiative Strongly Supports SB 2641 SD 1, Relating to Public Utilities

Dear Chair Baker, Vice Chair Kidani, 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 produced food; increase affordable, clean, renewable energy; and reduce waste. 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 SB 2641 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

Investing in a Sustainable Hawai'i

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.

This bill also requires the PUC to have the electric and gas utility to develop an energy storage incentive program for agricultural customers. Energy storage will be a valued supplemental component in further supporting lower energy costs for agricultural enterprises. Agricultural users are often located in rural areas and have much land at their disposal to house a viable energy storage system. Energy storage will allow the utility to add more clean renewable energy that will further reduce energy costs for all ratepayers.

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 and support an economically robust homegrown agriculture industry, which strengthens our community with fresh, healthy food. Thank you for this opportunity to testify.

Respectfully,

Kyle Datta
General Partner