

SB 2641

DAVID Y. IGE
Governor

SHAN S. TSUTSUI
Lt. Governor



SCOTT E. ENRIGHT
Chairperson, Board of Agriculture

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

**BEFORE THE SENATE COMMITTEES ON WATER, LAND, AND AGRICULTURE
AND TRANSPORTATION AND ENERGY**

February 9, 2016
2:45 P.M.
CONFERENCE ROOM 229

**SENATE BILL NO. 2641
RELATING TO PUBLIC UTILITIES**

Chairpersons Gabbard and Inouye and Members of the Committees:

Thank you for the opportunity to testify on Senate Bill No. 2641 that requires the Public Utilities Commission (PUC) to establish preferential rates for the purchase of all forms of regulated energy to be used for agricultural activities, and require 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 COMMITTEES ON
WATER, LAND, AND AGRICULTURE
&
TRANSPORTATION AND ENERGY

February 9, 2016
2:45 PM

MEASURE: S.B. No. 2641

TITLE: RELATING TO PUBLIC UTILITIES

Chair Gabbard, Chair Inouye, and Members of the Committees:

DESCRIPTION:

This measure would require the Public Utilities Commission (“Commission”) to establish, by rule pursuant to Chapter 91, preferential rates for “the purchase of energy that is used or consumed for agricultural activities”. Public utilities would be required to present requests for such preferential rates to the public utilities commission for approval.

This measure would also require the Commission to require each electric and gas utility to develop an incentive program “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 set forth.

POSITION:

The Commission offers the following comments for the Committees’ consideration.

COMMENTS:

The Commission notes that providing preferential rates and an incentive program for agricultural users as contemplated in this measure would result in subsidization through the rates charged to all other utility customers.

The Commission also notes that the administrative rulemaking process pursuant to Chapter 91 is typically a lengthy process that would require significant Commission resources. Therefore, the Commission respectfully requests that the language regarding the Chapter 91 rulemaking process be struck from this measure so that the Commission has the flexibility and discretion to select the most efficient and appropriate method to establish preferential rates, should the legislature determine that a policy of preferential rates is appropriate.

Thank you for the opportunity to testify on this measure.



Hawaii Cattlemen's Council, Inc.

SENATE COMMITTEE ON WATER, LAND & AGRICULTURE

SENATOR MIKE GABBARD, CHAIR

SENATOR CLARENCE K. NISHIHARA

COMMITTEE ON TRANSPORTATION AND ENERGY

SENATOR LORRAINE R. INOUE, CHAIR

SENATOR MIKE GABBARD, VICE CHAIR

DATE: Tuesday, February 9, 2016

TIME: 2:45 PM

PLACE: Conference Room 229

SB 2641 – RELATING TO PUBLIC UTILITIES

Requires the PUC to establish preferential 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.

Chair Gabbard, & Vice Chair Nishihara, Chair Inouye and Members of the Committees:

My name is Dale Sandlin, and I am Managing Director of the Hawaii Cattlemen's Council. The Hawaii Cattlemen's Council, Inc. (HCC) is the Statewide umbrella organization comprised of the five county level Cattlemen's Associations. Our 140+ member ranchers represent over 60,000 head of beef cows; more than 75% of all the beef cows in the State. Ranchers are the stewards of approximately 25% of the State's total land mass.

The Hawaii Cattlemen's Council **strongly supports** SB 2641 as this bill will provide critical support for agricultural production in Hawaii.

The cost of electricity is well known to be one of the highest in the nation and the cost of electricity for agricultural production is a critical concern for farmers and ranchers in the state. This bill would provide preferential rates for electricity that is proven for use in agricultural pursuits. These rates would allow the PUC, in consultation with the Department of Agriculture to establish additional criteria for these preferred rates.

Also this bill will provide an agricultural energy storage incentive program. This would allow many farmers and ranchers the ability to purchase the necessary storage equipment to provide light for expanded production and security of their operations. This also will allow for a reduction in demand from the existing electrical grid and the expansion of electrical availability in currently underserved areas.

We respectfully ask that SB 2641 be passed by these committees and we appreciate the opportunity to provide this testimony.





LAND USE RESEARCH
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February 4, 2016

Senator Mike Gabbard, Chair
Senator Clarence K. Nishihara, Vice Chair
Senate Committee on Water, Land, and Agriculture

Senator Lorraine R. Inouye, Chair
Senator Mike Gabbard, Vice Chair
Senate Committee on Transportation and Energy

Comments in Support of SB 2641 Relating to Public Utilities (Requires PUC to establish preferential 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.)

Tuesday, February 9, 2016, 2:45 p.m., in Conference Room 229

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 SB 2641**, 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 energy rates for agricultural activities may also require the adjustment of energy 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.

To promote 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.

SB 2641. This bill requires the Public Utilities Commission (“PUC”) to establish preferential rates for the purchase of energy that is used or consumed for agricultural activities, and also directs the PUC to require electric and gas utilities to develop energy storage technology incentives to agricultural customers to acquire energy storage technology for use at the agricultural customers’ sites. In reviewing the proposed preferential rates, the PUC, in consultation with the Department of Agriculture, may establish additional criteria for energy used 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 SB 2641, 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 energy rates for agricultural uses, it also recognizes that the energy companies and the PUC may have concerns relating to costs and other issues relating to implementation of such an incentive. Preferential energy rates for agricultural activities may likely result in the need for rate adjustments for other rate payers. LURF respectfully urges the legislature to work with the energy 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 energy 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, SB 2641 assists in the removal of a significant impediment to economically viable agriculture in Hawaii.

Thank you for the opportunity to present testimony **in support** of this bill.



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February 9, 2016

HEARING BEFORE THE
SENATE COMMITTEE ON WATER, LAND AND AGRICULTURE
SENATE COMMITTEE ON TRANSPORTATION AND ENERGY

TESTIMONY ON
SB2641 RELATING TO PUBLIC UTILITIES

Room 229
2:45 PM

Aloha Chair Gabbard, Chair Inouye, 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.

HFBF is in **strong support of SB2641** seeking to authorize PUC to create a preferential rate structure for qualified agricultural enterprises in the the State of Hawaii. 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 investments 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.

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



Email: communications@ulupono.com

SENATE COMMITTEES ON WATER, LAND, & AGRICULTURE AND TRANSPORTATION &
ENERGY

Tuesday, February 9, 2016 — 2:45 p.m. — Room 229

Ulupono Initiative Strongly Supports SB 2641 with Amendments, Relating to Public Utilities

Dear Chair Gabbard, Vice Chair Nishihara, Chair Inouye, 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 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 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, 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.

The two amendments that we are proposing include:

- 1) Adding the words “off-peak” between “preferential” and “rates” on page 1, line 16.
- 2) Adding “The commission shall notify the public of the request for preferential rates, shall consider public comment, 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.” After the sentence that ends on page 2, line 9.

For the first amendment, adding “off-peak” would help focus a discounted energy rate for farmers and ranchers at a time of the day when the agricultural sector could be disproportionately beneficial to help stabilizing the energy consumption demand.

For the second amendment, the additional language would reiterate a fair, transparent, and non-discriminatory process. The agricultural sector would be given the opportunity to demonstrate why it makes economic and technical sense for them to be given a lower energy rate relative to other sectors of the economy.

Investing in a Sustainable Hawai'i

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.

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, 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

From: mailinglist@capitol.hawaii.gov
To: [WLA Testimony](#)
Cc: ashman.janet@gmail.com
Subject: *Submitted testimony for SB2641 on Feb 9, 2016 14:45PM*
Date: Monday, February 08, 2016 2:28:23 PM

SB2641

Submitted on: 2/8/2016

Testimony for WLA/TRE on Feb 9, 2016 14:45PM in Conference Room 229

Submitted By	Organization	Testifier Position	Present at Hearing
J. Ashman	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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