

Honolulu, Hawaii

APR 05 2019

RE: H.B. No. 452
H.D. 1
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

Sir:

Your Committees on Commerce, Consumer Protection, and Health, Agriculture and Environment, and Ways and Means, to which was referred H.B. No. 452, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO PREFERENTIAL ELECTRICITY RATES FOR PROTECTED AGRICULTURE,"

beg leave to report as follows:

The purpose and intent of this measure is to authorize the Public Utilities Commission to establish preferential electricity rates for agricultural activities that utilize protected agriculture to produce fruits or vegetables for distribution.

Your Committees received testimony in support of this measure from the Hawai'i Farm Bureau, Ulupono Initiative, MetroGrow Hawaii, Costco Wholesale Corporation, O'ahu County Democrats Legislative Priorities Committee, and one individual. Your Committees received comments on this measure from the Department of Commerce and Consumer Affairs; Department of Agriculture; Public Utilities Commission; and Hawaiian Electric Company, Inc.

Your Committees find that Hawaii continues to import approximately seventy-five percent of its food requirements. Increasing the local food supply and decreasing the State's reliance on imports are in the public interest and in turn can increase jobs and decrease food prices. However, decreases in



arable land, the changing climate, reduction of fresh water availability, and the tremendous pest pressures in Hawaii complicate local food production. Therefore, protected agriculture and technological innovation can supplement traditional growing systems to increase local food production and move the State toward food self-sufficiency. According to testimony received by your Committees, indoor hydroponic farms, such as vertical farms, are able to produce vegetables in a fraction of the space with approximately five to ten percent of the water required for traditional agriculture. Protected agriculture also negates unpredictable weather conditions, minimizes pest and disease problems, and prevents contamination from chemical or biological agents.

However, your Committees further find that protected agriculture, such as vertical farms, requires substantial technology and equipment to operate and is energy intensive. Electricity for lighting and climate control are major expenses. Your Committees note that the Public Utilities Commission is already authorized to establish preferential water rates for potable water service and electricity rates for the purchase of renewable energy from energy producers connected with agricultural activities to support agricultural undertakings in the State. Accordingly, your Committees find that preferential rates should be a part of the State's policy to support increased agricultural production. This measure authorizes the Public Utilities Commission to establish preferential electricity rates for agricultural activities that specifically utilize protected agriculture to produce fruits or vegetables for distribution.

Your Committees note the concerns raised in the testimony from Hawaii Electric Company, Inc., that preferential electric rates have the potential to create subsidies for which other customers must pay. Considering the State's already high prices for electricity, amendments to this measure are necessary to incorporate consensus language from interested stakeholders to address these concerns.

Your Committees have amended this measure by:

- (1) Clarifying that preferential electricity rates may be established for protected agriculture that includes

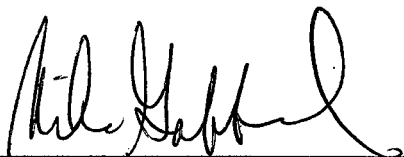


reasonable efforts to incorporate cost effective renewable energy sources and energy efficiency measures;

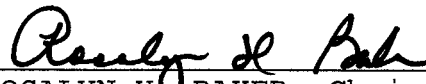
- (2) Requiring the Public Utilities Commission, in its consideration of preferential rates, to ensure that any subsidization being paid by other customers is limited and reasonable and to periodically review and adjust the rate, if necessary; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Commerce, Consumer Protection, and Health, Agriculture and Environment, and Ways and Means that are attached to this report, your Committees are in accord with the intent and purpose of H.B. No. 452, H.D. 1, as amended herein, and recommend that it pass Second Reading in the form attached hereto as H.B. No. 452, H.D. 1, S.D. 1, and be placed on the calendar for Third Reading.

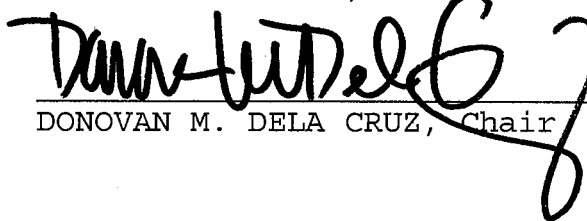
Respectfully submitted on behalf of the members of the Committees on Commerce, Consumer Protection, and Health, Agriculture and Environment, and Ways and Means,



MIKE GABBARD, Chair



ROSALYN H. BAKER, Chair



DONOVAN M. DELA CRUZ, Chair



The Senate
Thirtieth Legislature
State of Hawai'i


Record of Votes
Committee on Commerce, Consumer Protection, and Health
CPH

Bill / Resolution No.:*	Committee Referral:	Date:		
HR 452, HD1	CPH/AEN/WAM	4/2/19		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
CHANG, Stanley (VC)	✓			
KEOHOKALOLE, Jarrett		✓		
NISHIHARA, Clarence K.	✓			
RUDERMAN, Russell E.				✓
THIELEN, Laura H.	✓			
FEVELLA, Kurt		✓		
TOTAL	4	2		1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes

The Senate
Thirtieth Legislature
State of Hawai'i

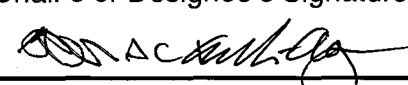
Record of Votes
Committee on Agriculture and Environment
AEN

Bill / Resolution No.:*	Committee Referral:	Date:		
HB452, HD1	CPH/AEN/WAM	04.02.2019		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
<input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
GABBARD, Mike (C)	X			
RUDERMAN, Russell E. (VC)				X
RHOADS, Karl				X
THIELEN, Laura H.	X			
FEVELLA, Kurt		←		
TOTAL	2	1		2
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

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The Senate
Thirtieth Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* HB 452, HD 1	Committee Referral: CPH/AEN/WAM	Date: 4/2/19		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
KEITH-AGARAN, Gilbert S.C. (VC)	X			
ENGLISH, J. Kalani	X			
HARIMOTO, Breene				X
INOUYE, Lorraine R.	X			
KAHELE, Kaiali'i	X			
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.	X			
MORIWAKI, Sharon Y.	X			
RIVIERE, Gil				X
SHIMABUKURO, Maile S.L.	X			
TANIGUCHI, Brian T.	X			
FEVELLA, Kurt		X		
TOTAL	10	1		2
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

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