

**HB 1945 HD1**

**RELATING TO PUBLIC UTILITIES**

**JOEL K. MATSUNAGA  
CHIEF OPERATING OFFICER & EXECUTIVE VP  
HAWAII BIOENERGY, LLC**

**February 8, 2012**

Chair Herkes and Members of the House Committee on Consumer Protection & Commerce:

I am Joel Matsunaga, testifying on behalf of Hawaii BioEnergy in support of HB 1945 HD1, "Relating to Public Utilities."

**SUMMARY**

Hawaii BioEnergy, LLC ("HBE") supports HB 1945 HD1, which authorizes public utilities to propose preferential rates for public utility services provided to ratepayers engaged in agricultural activities in agricultural districts. The proposed measure could help to reduce costs and improve the competitiveness of agriculturally-based enterprises in Hawaii and help to revitalize the agricultural sector which is a major contributor to the Islands' economy and level of self-sufficiency.

**HAWAII BENEFITS FROM LOCAL BIOFUELS PRODUCTION**

Hawaii BioEnergy is a local company dedicated to strengthening the state's energy future through sustainable biofuel production from locally grown feedstocks. Among its partners are three of the larger land owners in Hawaii. HBE and its partners would like to use significant portions of our land to address Hawaii's existing and growing energy needs.

Understanding the urgency of these needs and anticipating growing demand, HBE has dedicated the last several years to feedstock trials, extensive technology evaluation and detail financial modeling of various production pathways in an effort to ensure HBE's ultimate production is as productive, efficient and sustainable as possible. HBE's own research, development and demonstration (RD&D) efforts have been accelerated by funding from the US

government's Defense Advanced Research Projects Agency (DARPA), Office of Naval Research, as well as a Congressional Appropriation administered through the Air Force Research Laboratory. Collectively, this analysis has enabled HBE to clearly understand the production potential and challenges associated with Hawaii's unique natural resource base, geography, climate, market and infrastructure.

While Hawaii holds tremendous potential to produce a range of advanced, high-density biofuels from locally produced feedstocks and innovative next generation technologies, the industry is still in its infancy and faces a myriad of cost and development challenges. Many of these challenges are attributed to the fact that Hawaii's agricultural and otherwise productive lands are relatively small, non-contiguous parcels with varying microclimates and other conditions which limit scale and increase operational costs. Such limitations and cost impacts are particularly pronounced in Hawaii where the cost of doing business is already disproportionately high relative to the mainland. Providing preferential rates to the agricultural industry for essential services such as water, interisland shipping, and electricity would help to offset these costs and improve the competitiveness of agriculture and biomass-based industries, facilitating the production of both food and fuel for Hawaii at lower cost to producers and consumers.

#### **CONCLUDING REMARKS**

HBE is moving forward with advanced, bio-based energy projects from locally grown feedstocks that will help provide a local, renewable source of energy for Hawaii. HBE believes that HB 1945 HD1 could help to accelerate and expand Hawaii's bio-based renewable energy economy and help to reinvigorate the state's agricultural sector more broadly. Based on the aforementioned, Hawaii BioEnergy respectfully requests your support for HB 1945 HD1.

Thank you for the opportunity to testify.

**HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE  
THE HONORABLE ROBERT N. HERKES, CHAIR  
THE HONORABLE RYAN I. YAMANE, VICE CHAIR**

**HOUSE BILL NO. 1945, HOUSE DRAFT 1, scheduled for hearing on February 8, 2012**

**Testimony of Roy Catalani, Vice President of Strategic Planning and Government Affairs, and  
Sandra Hoshida, Manager of Government Affairs, Young Brothers, Limited**

Chair Herkes, Vice Chair Yamane, and Members of the House Consumer Protection &  
Commerce Committee:

Thank you for the opportunity to testify on House Bill No. 1945, House Draft 1 (*HB1945 HD1*).

**Young Brothers, Limited (*Young Brothers*) is in support of this bill.**

HB1945 HD1 proposes to authorize public utilities to provide preferential rates for public utility services provided to rate payers engaged in agricultural activities. The bill provides for an amendment to section 269-26.5, Hawaii Revised Statutes, which currently authorizes only preferential water rates for agricultural activities.

In the context of its water transportation services, Young Brothers has been providing local farmers and ranchers with a discount for shipments of island agricultural products for over 20 years. Today, Young Brothers offers a discount of 35 percent for full container loads of island agricultural products and a discount of 30 percent for all other island agricultural product shipments. These discounts applicable to shipments of island agricultural products are consistent with the State's policy of promoting locally grown produce. We refer you to Haw. Const. of 1993, art. XI, § 3, which provides in relevant part:

The State shall conserve and protect agricultural lands, promote diversified agriculture, increase agricultural self-sufficiency and assure the availability of agriculturally suitable lands. The legislature shall provide standards and criteria to accomplish the foregoing.

Thank you for the opportunity to testify.



**Hawaii Farm Bureau**  
F E D E R A T I O N

2343 Rose Street • Honolulu, Hawaii 96819  
Phone: (808) 848-2074 • Neighbor-Islands: (800) 482-1272  
Fax: (808) 848-1921 • Email: [info@hfbf.org](mailto:info@hfbf.org)  
[www.hfbf.org](http://www.hfbf.org)

February 8, 2012

HEARING BEFORE THE  
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

TESTIMONY ON HB 1945, HD1  
RELATING TO STATE-OWNED BANK

Room 325  
2:00 PM

Chair Herkes, Vice Chair Yamane, and Members of the Committee:

I am Brian Miyamoto, Chief Operating Officer and Government Affairs Liaison for the Hawaii Farm Bureau Federation (HFBF). Organized since 1948, the HFBF is comprised of 1,800 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 strongly supports HB 1945, HD1, directing the PUC to establish preferential rates for ratepayers engaged in agricultural activities.

Sustainability, self-sufficiency and growing agriculture are popular concepts seen in the media in many of the measures before the legislature. Those of us in agriculture live it. We work every day to provide various products to increase our level of self-sufficiency and sustainability. While agriculture may be a popular concept it is a difficult industry with significant risks. Weather, pests, markets all can create severe havoc on farmers and ranchers with dire consequences. While the number of farms may have grown over time, there have also been many farms that have gone out of business since the 2008 economic downturn. We need to identify causes and implement solutions.

Costs for services covered by the PUC are significant for farmers and ranchers. It can mean power for refrigeration or transportation of goods between islands. To date agriculture has received a discount from YB for interisland service of raw agricultural products. Yet during YB rate hearings, we have heard the PUC urge YB to move towards a compensatory rate structure. This will mean that each line of service must pay its' own way. Our discounts are subsidized by other lines of service. Taken literally, this can mean that our discounts could someday be in jeopardy by existing law.

Electrical costs for farmers and ranchers are significant. Containing these costs will significantly contribute to improving agricultural viability. This measure does not require the PUC to provide the discounts but rather authorizes them to provide them if they see that it is justified. These investments by the people of Hawaii to reduce risks endured by farmers and ranchers make good sense.

We respectfully request your strong support of this measure as written.

I can be reached at (808) 848-2074 if you have any questions. Thank you for the opportunity to testify.