

Via Electronic Filing

July 2, 2020

The Honorable Chair and Members
of the Hawai'i Public Utilities Commission
Kekuanao'a Building, First Floor
465 South King Street
Honolulu, Hawaii, 96813
Attention: Caroline Ishida, Esq.

**Re: Tariff Transmittal No. 20-0003 – Application of Young Brothers, LLC for
Approval of Emergency Changes to its Sailing Schedule – Request for Further
Extension of Adjusted Sailing Schedule**

Dear Commissioners and Commission Staff:

This letter serves as Young Brothers, LLC's ("Young Brothers" or "YB") request for Hawaii Public Utilities Commission ("Commission") approval to extend the adjusted sailing schedule approved by Order No. 37166, filed on June 3, 2020 (Order No. 37166) and set to expire on July 12, 2020. For the reasons set forth below, YB requests that the Commission approve this request to extend the currently approved adjusted sailing schedule (currently set to expire on July 12, 2020) for at least 90 days.

As the Commission is aware, on May 4, 2020, the Commission issued Order No. 37128 approving Tariff Transmittal No. 20-0003 for 30 days (i.e., good through June 3, 2020), subject to certain conditions, namely a report to be submitted by YB before May 22, 2020 detailing certain information requested by the Commission ("May 22nd Report").

On May 22, 2020, Young Brothers submitted the May 22nd Report.

On May 26, 2020, Young Brothers submitted a letter to the Commission providing notice of its liquidity crisis and potential suspension of operations ("May 26th Letter").

On May 28, 2020, YB requested an extension of the adjusted sailing schedule approved by Order No. 37128.

On June 3, 2020, as part of its continuing efforts to address customer concerns, YB supplemented its May 28, 2020 request to also request certain modifications to the previously approved adjusted sailing schedule ("June 3 Modification Request").

Also, on June 3, 2020, the Commission issued Order No. 37166 which, in part, approved the sailing schedule proposed in the June 3 Modification Request for 30 days (i.e. good through July 12, 2020), subject to certain conditions, including the filing of a report detailing the costs associated with the sailing schedule changes set forth in YB's June 3 Modification Request.

On June 29, 2020, pursuant to Order No. 37166, YB filed its report detailing the costs associated with the sailing schedule changes set forth in YB's June 3 Modification Request ("June 29th Report").

1) YB's financial condition remains extremely dire and YB's adjusted sailing schedule remains key to mitigating the effects of the impending cash shortfall.

In Order No. 37128, the Commission stated that it would review certain updated information regarding YB's financial condition to determine whether the sailing schedule changes approved pursuant to Tariff Transmittal No. 20-0003 are "justified in continuing beyond the thirty (30) day period set forth in this Order."¹

As demonstrated in the updated volume, cash flow forecasts provided as Attachments 1 and 2 to this letter, Young Brothers' financial condition remains extremely dire, and the continuation of the adjusted sailing schedule is critical and necessary to help mitigate against the impending cash shortfall and the severe losses that Young Brothers is projecting to suffer through at least 2020. Specifically, Young Brothers lost nearly \$10 million on an Earnings Before Interest and Taxes ("EBIT") basis through the month of April May 2020 and is currently projected to lose approximately \$25 million through the end of 2020. The approximate \$4 million in Free Cash Flow that Young Brothers expects to save over the remainder of July through the remainder of 2020 is primarily attributable to this adjusted sailing schedule.² See also Attachment 3.

YB's June 29th Report shows the actual costs associated with the sailing schedule adjustments set forth in YB's June 3 Modification Request have proven to be beneficial to the Company's earnings and related cash position. Attachment 1 from the June 29th Report details approximately \$1.7 million in realized savings to Budget 2020 related to management initiatives in the month of May 2020. A significant portion of these savings are attributable to the sailing schedule modification. Attachment 2 from the filing details the forecasted year June through December 2020 and break out the forecasted savings of roughly \$5.5 million related to management initiatives which include the adjusted sailing schedule. Attachment 4 summarizes the significant savings and importance of the modified sailing schedule.

¹ See Order No. 37128 at 15-16.

² See May 26th Letter at 1.

In other words, if the adjusted sailing schedule is not extended beyond July 12, 2020, Young Brothers will be adversely impacted and would likely lose closer to \$29 million by the end of the year, absent any other significant changes to either cargo volumes and operating expenses.

2) There is still no clarity on whether YB will receive financial support from the Legislature or other source.

In Order No. 37166, the Commission stated that it would “assess whether to extend the sailing schedule pending receipt of information regarding whether YB will receive the financial support it requests during the upcoming Legislative session, scheduled to open on June 15, 2020, [footnote omitted] which could serve to put YB in an improved position to re-expand its sailing schedule, services, and make additional improvements, to better serve its customers.”³

To date, YB has not received any additional information confirming the potential receipt of financial support by YB from the Hawaii State Legislature or other sources. While YB continues to diligently pursue all potential sources of financial support, YB remains uncertain if, when, or how such financial support will be provided to help YB address its current cash flow issues.

3) YB continues to evaluate potential thresholds and benchmarks that may be useful in informing whether further changes to the sailing schedule are necessary.

It is YB's position that the primary purpose of reducing its sailing schedule is to mitigate the economic impacts YB has experienced since the onset of the COVID-19 pandemic, particularly as these impacts exacerbate the impending cash shortfall issues YB is now facing. Accordingly, YB would not recommend a reversion to its pre-COVID sailing schedule at least until its cash shortfall issues are resolved in the near- to mid-term.

YB also notes that it is aware of public speculation and concern that the currently approved sailing schedule has resulted in a lack of cargo capacity for barges returning to Honolulu from the port of Hilo. With respect to these concerns, YB states that all YB barges, including those sailing to and from the port of Hilo, have sailed, and continue to sail, well within each barge's capacity limits and in accordance with any applicable industry standards.

YB also notes that its operations teams have consistently observed unused deck space on barges returning to Honolulu from Hilo. Please see Attachment 4 to this letter for sample photos of the unused deck space available on barge *Ho'omaka Hou* as observed immediately prior to the June 30, 2020 voyage from Hilo to Honolulu. This visual observation is confirmed by the twenty-foot equivalent units (“TEUs”) recorded for this sailing. The barge *Ho'omaka Hou* has a TEU capacity of 611 TEUs. For this particular sailing there were 432 TEUs loaded onto the barge leaving capacity for 179 more. Furthermore, 342 of the 432 TEUs loaded were

³ See Order No. 37166 at 10.

attributable to empty containers being returned to Honolulu. In short, the barge had ample capacity for additional cargo despite the reduced sailing schedule to Hilo.

Conclusion

For the reasons set forth above, YB believes that, at this time, further extension of the adjusted sailing schedule of 90 days is reasonable and in the public interest.

Thank you for your consideration in this matter. Please contact me if you have any questions.

Sincerely,

Jay Ana
President,
Young Brothers, LLC

Enclosures
c: Division of Consumer Advocacy

Total Revenue Tonnage

Destination	2019 PCP	2020 Trailing	2020 COVID	Variance to 2019 PCP	Variance to 2020 Trailing
	Weeks 13-25	Weeks 2-12, Prior year 50-51			
Hilo	295,393	224,723	196,973	-33.3%	-12.3%
Honolulu	788,954	668,506	570,379	-27.7%	-14.7%
Kahului	420,477	352,235	308,562	-26.6%	-12.4%
Kawaihae	240,792	199,305	192,724	-20.0%	-3.3%
Lanai	38,677	23,865	12,041	-68.9%	-49.5%
Molokai	23,428	17,023	21,399	-8.7%	25.7%
Nawiliwili	269,896	229,815	205,985	-23.7%	-10.4%
Total Tonnage	2,077,618	1,715,471	1,508,062	-27.4%	-12.1%

Weekly Average Revenue Tonnage

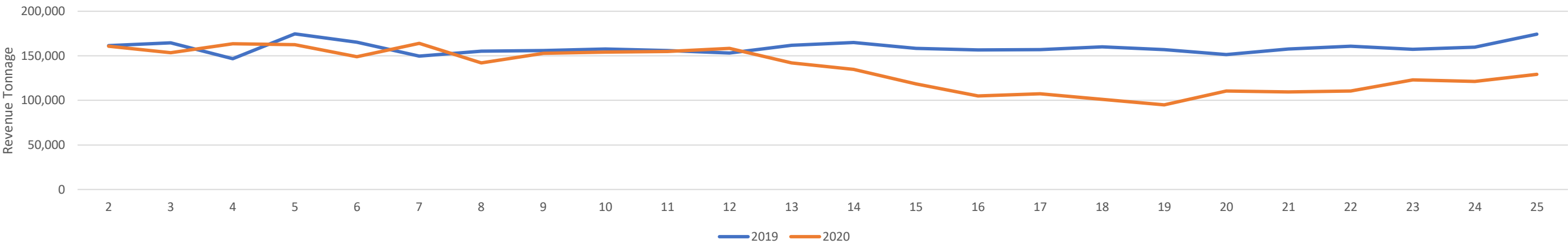
Destination	2019 PCP	2020 Pre-COVID	2020 COVID	Variance to 2019 PCP	Variance to 2020 YTD
	Weeks 13-25	Weeks 2-12			
Hilo	22,723	20,429	15,152	-33.3%	-25.8%
Honolulu	60,689	60,773	43,875	-27.7%	-27.8%
Kahului	32,344	32,021	23,736	-26.6%	-25.9%
Kawaihae	18,522	18,119	14,825	-20.0%	-18.2%
Lanai	2,975	2,170	926	-68.9%	-57.3%
Molokai	1,802	1,548	1,646	-8.7%	6.4%
Nawiliwili	20,761	20,892	15,845	-23.7%	-24.2%
Total Tonnage	159,817	155,952	116,005	-27.4%	-25.6%

Revenue Tonnage by Week

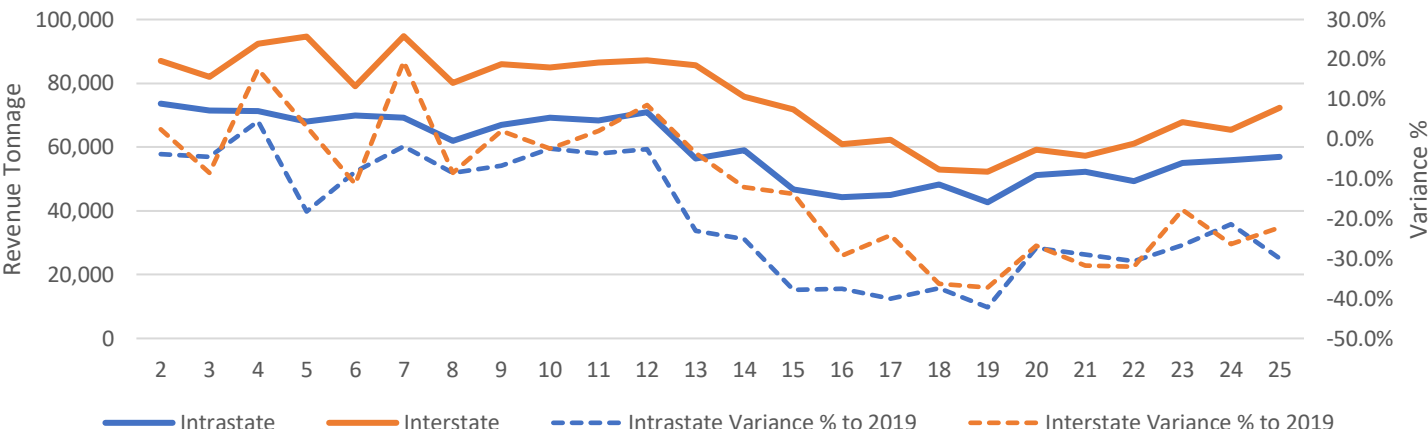
Week	2019	2020	Variance %	2020 Dates	
				Start	End
2	161,361	160,612	-0.5%	1/5/2020	1/11/2020
3	164,467	153,500	-6.7%	1/12/2020	1/18/2020
4	146,753	163,616	11.5%	1/19/2020	1/25/2020
5	174,644	162,539	-6.9%	1/26/2020	2/1/2020
6	165,307	149,005	-9.9%	2/2/2020	2/8/2020
7	149,844	163,999	9.4%	2/9/2020	2/15/2020
8	155,281	142,072	-8.5%	2/16/2020	2/22/2020
9	155,935	152,895	-1.9%	2/23/2020	2/29/2020
10	157,769	154,089	-2.3%	3/1/2020	3/7/2020
11	155,750	154,904	-0.5%	3/8/2020	3/14/2020
12	153,221	158,241	3.3%	3/15/2020	3/21/2020
13	161,955	142,097	-12.3%	3/22/2020	3/28/2020
14	165,073	134,920	-18.3%	3/29/2020	4/4/2020
15	158,305	118,497	-25.1%	4/5/2020	4/11/2020
16	156,723	105,112	-32.9%	4/12/2020	4/18/2020
17	157,088	107,316	-31.7%	4/19/2020	4/25/2020
18	160,205	101,239	-36.8%	4/26/2020	5/2/2020
19	157,118	94,967	-39.6%	5/3/2020	5/9/2020
20	151,350	110,493	-27.0%	5/10/2020	5/16/2020
21	157,548	109,606	-30.4%	5/17/2020	5/23/2020
22	160,865	110,417	-31.4%	5/24/2020	5/30/2020
23	157,410	122,842	-22.0%	5/31/2020	6/6/2020
24	159,808	121,305	-24.1%	6/7/2020	6/13/2020
25	174,169	129,252	-25.8%	6/14/2020	6/20/2020
Total Tonnage	3,817,950	3,223,534	-15.6%		

By Jurisdiction	2019	2020	Variance %
Intrastate	1,769,507	1,424,006	-19.5%
Interstate	2,048,443	1,799,528	-12.2%
Total	3,817,950	3,223,534	-15.6%

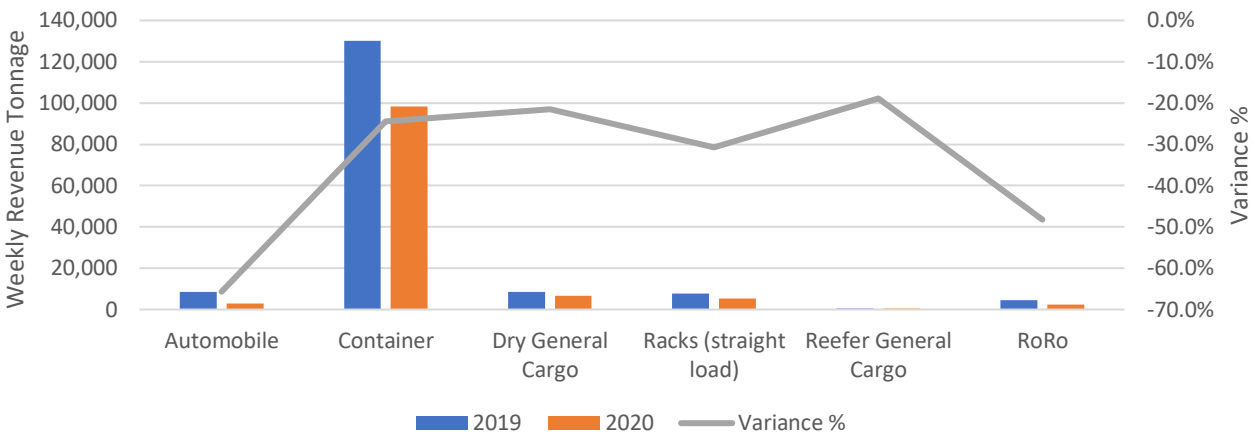
Weekly Revenue Tonnage - YTD Trend vs. PCP



Weekly Revenue Tonnage by Jurisdiction - YTD Trend



Weekly Revenue Tonnage by Cargo Type - Weeks 13 - 23



Young Brothers, LLC
2020 - Free Cash Flow (FCF) Monthly Detail

ADJUSTED SAILING SCHEDULE (CURRENT)

YB FCF Analysis \$ in 000's	Actual Jan	Actual Feb	Actual Mar	Actual Apr	Actual May	Forecast Jun	Forecast Jul	Forecast Aug	Forecast Sep	Forecast Oct	Forecast Nov	Forecast Dec	Forecast 2020
EBITDA	(791.4)	(830.5)	(798.9)	(1,968.7)	(1,595.4)	(1,795.5)	(1,769.8)	(1,559.9)	(1,448.8)	(605.0)	(1,910.3)	(1,709.6)	(16,783.8)
Less: Change in NWC	1,404.6	90.9	(523.0)	790.6	(2,856.5)	578.9	818.1	(110.5)	(36.6)	(1,346.2)	1,481.7	(224.0)	(244.9)
Less: Capex	(6.1)	(155.8)	(185.0)	(281.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(628.4)
Free Cash Flow	\$607.1	(\$895.4)	(\$1,506.9)	(\$1,459.6)	(\$4,451.9)	(\$1,216.6)	(\$951.7)	(\$1,670.4)	(\$1,485.4)	(\$1,951.2)	(\$428.6)	(\$1,933.6)	(\$17,657.1)

ORIGINAL SAILING SCHEDULE WITH 12 SAILINGS PER WEEK

YB FCF Analysis \$ in 000's	Actual Jan	Actual Feb	Actual Mar	Actual Apr	Actual May	Forecast Jun	Forecast Jul	Forecast Aug	Forecast Sep	Forecast Oct	Forecast Nov	Forecast Dec	Forecast 2020
EBITDA	(791.4)	(830.5)	(798.9)	(1,968.7)	(1,595.4)	(1,795.5)	(2,457.0)	(2,260.3)	(2,149.9)	(1,280.2)	(2,580.0)	(2,379.4)	(20,887.2)
Less: Change in NWC	1,404.6	90.9	(523.0)	790.6	(2,856.5)	578.9	818.1	(110.5)	(36.6)	(1,346.2)	1,481.7	(224.0)	(244.9)
Less: Capex	(6.1)	(155.8)	(185.0)	(281.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(628.4)
Free Cash Flow	\$607.1	(\$895.4)	(\$1,506.9)	(\$1,459.6)	(\$4,451.9)	(\$1,216.6)	(\$1,638.9)	(\$2,370.8)	(\$2,186.4)	(\$2,626.4)	(\$1,098.3)	(\$2,603.3)	(\$21,760.5)

Additional Cash <Usage>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$687.2)	(\$700.4)	(\$701.1)	(\$675.3)	(\$669.7)	(\$669.7)	(\$4,103.3)
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Young Brothers, LLC
Financial Overview

	A	B	C	D	E			
Revenue	2020 Budget	Non-COVID-19 Impact	Fav / (UnFav) vs. Budget	COVID-19 Impacts	Fav / (UnFav) vs. Budget	Operational Changes	Fav / (UnFav) vs. Budget	June 24 Forecast
Intrastate General Freight	\$ 76,094,011	\$ (1,273,513)	(1.7%)	\$ (12,173,688)	(16.0%)	\$ -	0.0%	\$ 62,646,809
Interstate General Freight	\$ 34,404,178	\$ (526,075)	(1.5%)	\$ (4,128,500)	(12.0%)	\$ -	0.0%	\$ 29,749,602
Charter Revenue	\$ 3,399,970	\$ (491,497)	(14.5%)	\$ (2,170,439)	(63.8%)	\$ -	0.0%	\$ 738,034
Other Revenue	\$ 6,533,452	\$ 574,336	8.8%	\$ (887,572)	(13.6%)	\$ -	0.0%	\$ 6,220,216
Total Revenue	\$ 120,431,611	\$ (1,716,750)	(1.4%)	\$ (19,360,200)	(16.1%)	\$ -	0.0%	\$ 99,354,661
Operating Expense								
Cargo Handling	\$ 57,755,594	\$ 104,226	(0.2%)	\$ (248,078)	0.4%	\$ (4,520,846)	7.8%	\$ 53,090,896
Voyage	\$ 31,857,618	\$ (5,053)	0.0%	\$ (345,658)	1.1%	\$ (1,915,081)	6.0%	\$ 29,591,826
Maintenance	\$ 16,126,624	\$ (125,720)	0.8%	\$ -	0.0%	\$ (578,850)	3.6%	\$ 15,422,054
Total Operating Expense	\$ 105,739,836	\$ (26,547)	0.0%	\$ (593,736)	0.6%	\$ (7,014,777)	6.6%	\$ 98,104,776
Contribution Margin	\$ 14,691,774	\$ (1,690,202)	(11.5%)	\$ (18,766,464)	(127.7%)	\$ 7,014,777	47.7%	\$ 1,249,885
Contribution Margin %	12.2%							1.3%
G&A Expense	\$ 19,973,013	\$ (1,508,977)	7.6%	\$ (340,334)	1.7%	\$ (610,801)	3.1%	\$ 17,512,901
Non-Op Income (Expense)	\$ 46,560	\$ 4,799	(10.3%)	\$ 305,500	(656.1%)	\$ 163,955	(352.1%)	\$ 520,815
EBITDA	\$ (5,327,799)	\$ (186,024)	(3.5%)	\$ (18,731,630)	(351.6%)	\$ 7,461,623	140.1%	\$ (16,783,831)
Depreciation & Amortization	\$ 7,005,725	\$ (0)	0.0%	\$ -	0.0%	\$ -	0.0%	\$ 7,005,725
EBIT	\$ (12,333,524)	\$ (186,024)	(1.5%)	\$ (18,731,630)	(151.9%)	\$ 7,461,623	60.5%	\$ (23,789,556)
Interest income	\$ -	\$ -		\$ -		\$ -		\$ -
Income tax expense	\$ -	\$ -		\$ -		\$ -		\$ -
NET PROFIT (LOSS)	\$ (12,333,524)	\$ (186,024)	(1.5%)	\$ (18,731,630)	(151.9%)	\$ 7,461,623	60.5%	\$ (23,789,556)
NET PROFIT (LOSS) %	-10.2%							-23.9%

A Internal management reporting package presentation of Board approved annual budget. See Exhibit No. YB-707.

B Non-COVID actual YTD May variances and continuation of YTD May non-COVID actual trends.

C YTD May actual results and forecast based on decreasing volumes due to COVID-19 impacts.

D Forecast based on operational changes resulting from business response to COVID-19 including most recent RIF

E Summation of Non-COVID-19, COVID-19 and Business Response to COVID impacts based on YTD May actuals and June - Dec 2020 forecast (**E = A + B + C + D**).

Young Brothers, LLC
Financial Overview

	A		B		C		D		E	
Revenue	2020 Budget	Non-COVID-19 Impact	Fav / (UnFav) vs. Budget	COVID-19 Impacts	Fav / (UnFav) vs. Budget	Operational Changes	Fav / (UnFav) vs. Budget	June 24 Forecast		
Intrastate General Freight	\$ 76,094,011	\$ (1,273,513)	(1.7%)	\$ (12,173,688)	(16.0%)	\$ -	0.0%	\$ 62,646,809		
Interstate General Freight	\$ 34,404,178	\$ (526,075)	(1.5%)	\$ (4,128,500)	(12.0%)	\$ -	0.0%	\$ 29,749,602		
Charter Revenue	\$ 3,399,970	\$ (491,497)	(14.5%)	\$ (2,170,439)	(63.8%)	\$ -	0.0%	\$ 738,034		
Other Revenue	\$ 6,533,452	\$ 574,336	8.8%	\$ (887,572)	(13.6%)	\$ -	0.0%	\$ 6,220,216		
Total Revenue	\$ 120,431,611	\$ (1,716,750)	(1.4%)	\$ (19,360,200)	(16.1%)	\$ -	0.0%	\$ 99,354,661		
Operating Expense										
Cargo Handling	\$ 57,755,594	\$ 104,226	(0.2%)	\$ (248,078)	0.4%	\$ (1,820,485)	3.2%	\$ 55,791,256		
Voyage	\$ 31,857,618	\$ (5,053)	0.0%	\$ (345,658)	1.1%	\$ (1,033,891)	3.2%	\$ 30,473,017		
Maintenance	\$ 16,126,624	\$ (125,720)	0.8%	\$ -	0.0%	\$ (152,625)	0.9%	\$ 15,848,278		
Total Operating Expense	\$ 105,739,836	\$ (26,547)	0.0%	\$ (593,736)	0.6%	\$ (3,007,001)	2.8%	\$ 102,112,551		
Contribution Margin	\$ 14,691,774	\$ (1,690,202)	(11.5%)	\$ (18,766,464)	(127.7%)	\$ 3,007,001	20.5%	\$ (2,757,890)		
Contribution Margin %	12.2%							-2.8%		
G&A Expense	\$ 19,973,013	\$ (1,525,754)	7.6%	\$ (340,334)	1.7%	\$ (498,454)	2.5%	\$ 17,608,472		
Non-Op Income (Expense)	\$ 46,560	\$ 4,799	(10.3%)	\$ 305,500	(656.1%)	\$ 163,955	(352.1%)	\$ 520,815		
EBITDA	\$ (5,327,799)	\$ (169,248)	(3.2%)	\$ (18,731,630)	(351.6%)	\$ 3,341,500	62.7%	\$ (20,887,177)		
Depreciation & Amortization	\$ 7,005,725	(0)	0.0%	\$ -	0.0%	\$ -	0.0%	\$ 7,005,725		
EBIT	\$ (12,333,524)	\$ (169,248)	(1.4%)	\$ (18,731,630)	(151.9%)	\$ 3,341,500	27.1%	\$ (27,892,902)		
Interest income	\$ -	\$ -		\$ -		\$ -		\$ -		
Income tax expense	\$ -	\$ -		\$ -		\$ -		\$ -		
NET PROFIT (LOSS)	\$ (12,333,524)	\$ (169,248)	(1.4%)	\$ (18,731,630)	(151.9%)	\$ 3,341,500	27.1%	\$ (27,892,902)		
NET PROFIT (LOSS) %	-10.2%							-28.1%		

A Internal management reporting package presentation of Board approved annual budget. See Exhibit No. YB-707.

B Non-COVID actual YTD May variances and continuation of YTD May non-COVID actual trends.

C YTD May actual results and forecast based on decreasing volumes due to COVID-19 impacts.

D Forecast based on operational changes resulting from business response to COVID-19 including most recent RIF. Return of regulated sailing schedule 7.1.2020.

E Summation of Non-COVID-19, COVID-19 and Business Response to COVID impacts based on YTD May actuals and June - Dec 2020 forecast (**E = A + B + C + D**).

ATTACHMENT 4

ATTACHMENT 4





ATTACHMENT 4

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PUBLIC UTILITIES
COMMISSION

The foregoing document was electronically filed with the State of Hawaii Public Utilities Commission's Document Management System (DMS).