

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

|  |   |                      |
|--|---|----------------------|
| In the Matter of the Application of        | ) |                      |
|  | ) | Docket No. 2019-0117 |
| YOUNG BROTHERS, LLC                        | ) |                      |
|  | ) |                      |
| Application for Approval of a General Rate | ) |                      |
| Increase and Certain Tariff Changes        | ) |                      |
|  | ) |                      |

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**YOUNG BROTHERS, LLC'S MOTION FOR LEAVE AND FOR  
EMERGENCY OR TEMPORARY RATE RELIEF**

**MEMORANDUM IN SUPPORT OF MOTION**

**EXHIBITS A-B**

**DECLARATION OF JEREMIAH ANA**

**DECLARATION OF CHRISTOPHER EDWARDS**

**and**

**CERTIFICATE OF SERVICE**

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Attorneys for Applicant  
YOUNG BROTHERS, LLC



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**YOUNG BROTHERS, LLC’S MOTION FOR LEAVE AND FOR  
EMERGENCY OR TEMPORARY RATE RELIEF**

YOUNG BROTHERS, LLC (“Young Brothers,” “YB,” or the “Company”), by and through its counsel, Watanabe Ing LLP, respectfully requests that the Hawaii Public Utilities Commission (the “Commission”) approve, pursuant to Section 271G-17 of the Hawaii Revised Statutes and Section 16-601-41 of the Hawaii Administrative Rules (“HAR”), an emergency or temporary rate increase to mitigate Young Brothers’ current liquidity crisis and assist the Company to continue its intrastate water carrier of property operations and services until final rate relief is granted herein.<sup>1</sup> This Motion is based on the attached Memorandum in Support of Motion, Declarations of Jeremiah Ana and Christopher Edwards, Exhibits A and B, the record established herein, and the record

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<sup>1</sup> On June 4, 2020, the Commission entered Order No. 37168 Suspending the Docket (“Order No. 37168”), which suspended Docket No. 2019-0117, including all procedural deadlines, for a period of 60 days from the date of the order. As such and by the instant Motion, Young Brothers also respectfully requests leave (to the extent necessary) to file the Motion for Emergency or Temporary Rate Relief in this docket, as the majority of the necessary and relevant information/data supporting such request for emergency or temporary rate relief are already submitted in this proceeding. This is also consistent with Section 16-601-1 (holding that these rules shall be “liberally construed to secure the just, speedy, and inexpensive determination of every proceeding”).

associated with other related docketed and non-docketed proceedings, to the extent relevant and applicable.<sup>2</sup> Young Brothers does not request a hearing on this Motion unless the Commission is inclined to deny the Motion, in which case Young Brothers requests a hearing to develop a complete record of its request for emergency or temporary rate relief.<sup>3</sup>

DATED: Honolulu, Hawaii, July 7, 2020.

/s/ David Y. Nakashima

JEFFREY T. ONO

DAVID Y. NAKASHIMA

JOHN E. DUBIEL

Attorneys for APPLICANT  
YOUNG BROTHERS, LLC

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<sup>2</sup> Pursuant to Section 16-601-76 of the HAR, Young Brother incorporates by reference all information and data, to the extent applicable and relevant, submitted in other related proceedings (e.g., Docket No. 2020-0084 and Tariff Transmittal No. 20-0003).

<sup>3</sup> In light of Young Brothers' financially dire situation as reflected in its Motion, Memorandum in Support of Motion and Supporting Exhibits/Attachments attached hereto, Young Brothers respectfully requests a Commission decision and/or order granting its request for temporary rate increase no later than August 17, 2020, to the extent possible.



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**MEMORANDUM IN SUPPORT OF MOTION**

YOUNG BROTHERS, LLC (“Young Brothers,” “YB,” or the “Company”), by and through its counsel, Watanabe Ing LLP, respectfully submits the following Memorandum in Support of its Motion for Emergency or Temporary Relief (the “Motion”).

**I. RELEVANT BACKGROUND**

**A. Pending Rate Case, Docket No. 2019-0117**

On September 25, 2019, YB filed its Application for Commission approval of a general rate increase of \$26,997,928, which represented a 34.27% increase over intrastate operating revenues of \$78,783,326 at current effective rates. The increase is expected to produce an intrastate revenue requirement of \$105,781,254, which provides for a net operating income of \$8,859,744 that represents a requested 10.70% return on rate base for the 2020 test year.<sup>4</sup> On October 17, 2019, the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs (the

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<sup>4</sup> YB is a common carrier by water, transporting property by barge between the islands of Oahu, Hawaii, Kauai, Maui, Molokai, and Lanai. The Commission granted YB its current operating authority in Decision and Order No. 5682, filed on June 1, 1970, in Docket No. 3633.

“Consumer Advocate”) filed its Statement of Position Regarding Completeness of Application.

On November 7, 2019, the Commission entered Order No. 36744 Suspending Application for Investigation (“Order No. 36744”), noting that YB’s purpose for the requested rate increase was to “sustain Young Brothers’ financial viability to ensure the provision of safe, adequate, economical, and efficient service at reasonable rates . . . and is based on the following main drivers: (1) increased rate base; (2) increased operating expenses; (3) continuing decline in intrastate cargo volume; and (4) an increase in the proposed cost of capital.”<sup>5</sup> Public hearings were held on all the islands where YB provides regulated sailings through the months of December 2019 and January 2020.<sup>6</sup>

On January 23, 2020, the Commission issued certain information requests (“IRs”) to YB (i.e., PUC-YB-IR-101 through PUC-YB-IR-117), which YB responded to on January 31, 2020 and February 6, 2020.<sup>7</sup> On March 6, 2020, the Commission issued Order No. 37030 Granting Parties’ Joint Motion for Enlargement of Time and Approving, as Corrected, the Parties’ Joint Stipulated Procedural Order (“Order No. 37030”). On

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<sup>5</sup> Order No. 36744 at 4.

<sup>6</sup> See Public Meeting Sign-Up Sheet and Written Testimonies (Lanai City), filed December 12, 2019; Public Meeting Sign-Up Sheet and Written Testimonies (Kaunakakai), filed January 6, 2020; Public Meeting Sign-Up Sheet and Written Testimonies (Wailuku), filed January 7, 2020; Public Meeting Sign-Up Sheet and Written Testimonies (Honolulu), filed January 8, 2020; Public Meeting Sign-Up Sheet and Written Testimonies (Lihue), filed January 16, 2020; Public Meeting Sign-Up Sheet and Written Testimonies (Kailua-Kona), filed January 27, 2020; Public Meeting Sign-Up Sheet and Written Testimonies (Hilo), filed January 28, 2020.

<sup>7</sup> See Response of Young Brothers to Public Utilities Commission’s Submission of Information Request PUC-YB-IR-117, filed January 31, 2020; Response of Young Brothers to Public Utilities Commission’s Information Requests (PUC-YB-IR-101 to PUC-YB-IR-116), filed February 6, 2020.

May 19, 2020, the Consumer Advocate formally filed its First, Second, Third, Fourth, Fifth, and Sixth Submission of Information Requests to YB.<sup>8</sup>

On May 19, 2020, the Commission filed Order No. 37143 Instructing Young Brothers to File a Cost Reduction Plan and Customer Service Mitigation Plan (“Order No. 37143”). Order No. 37143 was triggered, at least in part, by YB’s request to adjust its sailing schedule to cut costs, which is discussed further below.<sup>9</sup> On May 21, 2020, the Consumer Advocate filed its Seventh Submission of Information Requests to YB.

On June 3, 2020, YB timely filed its responses to the Consumer Advocate’s First, Second, Third, Fourth, Fifth, and Sixth Submission of Information Requests.<sup>10</sup> On June 4, 2020, the Commission entered Order No. 37168 Suspending the Docket (“Order No. 37168”), which suspended Docket No. 2019-0117, including all procedural deadlines, for a period of 60 days from the date of the order.<sup>11</sup> Order No. 37168 stated that: (1) prior to the expiration of the 60-day suspension period, the Commission will issue another order regarding whether the suspension will be extended; and (2) the Commission will provide direction regarding YB’s future filing of its

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<sup>8</sup> In accordance with the Parties’ Joint Stipulated Procedural Order, which the Commission approved by Order No. 37030, the Consumer Advocate and YB engaged in informal discovery during a rolling period that began on November 17, 2019 and ended on May 21, 2020.

<sup>9</sup> See Order No. 37143 at 3-5.

<sup>10</sup> See Responses of Young Brothers, LLC to the Division of Consumer Advocacy’s First, Second, Third, Fourth, Fifth, and Sixth Submissions of Information Requests, filed on June 3, 2020.

<sup>11</sup> See Order No. 37168 at 1.

Cost Reduction Plan and Customer Service Mitigation Plan, previously required by Order No. 37143, in Docket No. 2020-0084.<sup>12</sup>

On July 2, 2020, YB filed its responses to the Consumer Advocate's Seventh Submission of Information Requests and also its supplemental responses to CA-IR-153, CA-IR-154, CA-IR-155, CA-IR-214, CA-IR-341, and CA-IR-342, to ensure that the docket record is complete and/or updated.

**B. Novel Coronavirus Disease (COVID-19) Pandemic Emergency Proclamation**

Local, national, and international responses to COVID-19 escalated quickly at the beginning of March 2020. On March 4, 2020, David Y. Ige, Governor of the State of Hawaii (the "Governor") issued an emergency proclamation ("Proclamation") in which he determined that the conditions brought about by the COVID-19 pandemic are of such character and magnitude to constitute an emergency or disaster, as contemplated by Hawaii Revised Statutes ("HRS") §§ 127A-2 and 127A-14, and proclaimed an Emergency Period for the purpose of authorizing the expenditure of State monies as appropriated for the speedy and efficient protection and relief of the damages, losses, and suffering resulting from the emergency.<sup>13</sup> The Governor further declared that the disaster emergency period would commence

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<sup>12</sup> Id. at 6-7.

<sup>13</sup> Office of the Governor, Emergency Proclamations, posted March 4, 2020, available at [https://governor.hawaii.gov/wp-content/uploads/2020/03/2003020-GOV-Emergency-Proclamation\\_COVID-19.pdf](https://governor.hawaii.gov/wp-content/uploads/2020/03/2003020-GOV-Emergency-Proclamation_COVID-19.pdf).

immediately and continue through April 29, 2020, or by a separate proclamation, whichever occurs first.<sup>14</sup>

On March 6, 2020, the Hawaii State Department of Health announced the first positive test result for a COVID-19 case in Hawaii.<sup>15</sup> On March 13, 2020, the President of the United States issued a Proclamation on Declaring a National Emergency Concerning the COVID-19 Outbreak.<sup>16</sup>

On March 17, 2020, the Governor announced additional directives intended to slow the spread of COVID-19, including:

- Limit social gatherings to groups of ten people or less to follow Centers for Disease Control and Prevention (“CDC”) guidelines.
- Close bars and clubs.
- Close restaurants or provide drive-thru, take out, pick-up, or delivery.
- Close theatres, entertainment centers and visitor attractions.
- Avoid any discretionary travel.
- Suspend services and activities in places of worship.
- Stay home if you are a high-risk individual and take additional precautionary measures.
- Do not visit nursing homes or retirement or long-term care facilities.
- If someone in your household has tested positive for COVID-19, keep the entire household at home.

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<sup>14</sup> The Governor also authorized and invoked other measures under Hawaii law, including: (1) activating the Major Disaster Fund, (2) suspending, as allowed by federal law, certain state statutes to the extent necessary for county and state agencies to accomplish the emergency management functions contemplated under the Proclamation, (3) as allowed by state law, prohibiting the increase in the selling price of any commodity, whether at the retail or wholesale level, in the area that is the subject of the disaster Proclamation, continuing for the period of the Proclamation, for food, water, medical supplies, personal hygiene, paper or disposable cleaning products and other commodities, and (4) directing all state agencies and officers to cooperate with and extend their services, materials, and facilities as may be required to assist in all efforts to eliminate danger.

<sup>15</sup> State of Hawaii, Department of Health, News Release, COVID-19 Daily Update March 6, 2020, available at <https://health.hawaii.gov/news/corona-virus/covid-19-daily-update-march-6-2020/>.

<sup>16</sup> The White House, Presidential Actions, posted March 13, 2020, available at <https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/>.

The Governor also directed all utilities to take necessary measures to ensure that they can continue to operate in the normal course, and that for both the utilities and essential services, government resources and support can be deployed as necessary.<sup>17</sup>

On March 21, 2020, the Governor issued a Second Supplementary Proclamation, which ordered a mandatory 14-day self-quarantine for all individuals entering the State of Hawaii.<sup>18</sup> On March 23, 2020, the Governor issued a Third Supplementary Proclamation, which ordered the entire State of Hawaii, with the exception of essential workers, to stay at home and work from home starting on March 25, 2020, through April 30, 2020.<sup>19</sup>

On March 31, 2020, the Governor issued a Fourth Supplementary Proclamation, which ordered all residents and visitors traveling between any of the islands in the State of Hawaii to self-quarantine for 14 days, taking effect on April 1, 2020, and extending through April 30, 2020.<sup>20</sup> On April 25, 2020, the Governor issued a

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<sup>17</sup> Office of the Governor, News Release, posted on March 17, 2020, available at <https://governor.hawaii.gov/newsroom/latest-news/proper-use-of-covid-19-tests-imperative-there-is-a-current-shortage-of-hand-sanitizers-and-toilet-paper-in-hawaii-in-part-because-of-the-publics-over-reaction-to-covid-19-the-hawai'i/>.

<sup>18</sup> Office of the Governor, Emergency Proclamations, issued on March 21, 2020, available at [https://governor.hawaii.gov/wp-content/uploads/2020/03/2003152-ATG\\_Second-Supplementary-Proclamation-for-COVID-19-signed.pdf](https://governor.hawaii.gov/wp-content/uploads/2020/03/2003152-ATG_Second-Supplementary-Proclamation-for-COVID-19-signed.pdf).

<sup>19</sup> Office of the Governor, Emergency Proclamations, issued on March 23, 2020, available at [https://governor.hawaii.gov/wp-content/uploads/2020/03/2003162-ATG\\_Third-Supplementary-Proclamation-for-COVID-19-signed.pdf](https://governor.hawaii.gov/wp-content/uploads/2020/03/2003162-ATG_Third-Supplementary-Proclamation-for-COVID-19-signed.pdf).

<sup>20</sup> Office of the Governor, Emergency Proclamations, issued on March 31, 2020, available at [https://governor.hawaii.gov/wp-content/uploads/2020/03/2003248-ATG\\_Fourth-Supplementary-Proclamation-for-COVID-19-distribution-signed.pdf](https://governor.hawaii.gov/wp-content/uploads/2020/03/2003248-ATG_Fourth-Supplementary-Proclamation-for-COVID-19-distribution-signed.pdf).



Sixth Supplementary Proclamation, which extended the 14-day quarantine and stay-at-home order through May 31, 2020.<sup>21</sup>

On May 13, 2020, Kirk W. Caldwell, Mayor of the City and County of Honolulu, issued Emergency Order No. 2020-11, which extended stay at home and work at home requirements for individuals in the City and County of Honolulu, with exceptions for certain essential activities and designated businesses, through June 30, 2020.<sup>22</sup> On May 18, 2020, the Governor issued an Eighth Supplementary Proclamation, which extended the 14-day self-quarantine period for individuals entering the State and traveling between islands through June 30, 2020.<sup>23</sup> On June 10, 2020, the Governor issued a Ninth Supplementary Proclamation, which extended the 14-day self-quarantine period for individuals entering the State through July 31, 2020, but discontinued the 14-day self-quarantine for those persons traveling inter-island only, effective June 16, 2020.<sup>24</sup>

**C. Tariff Transmittal No. 20-0003 – Adjusted Sailing Schedule**

On April 24, 2020, in response to the COVID-19 pandemic emergency and the need to address Young Brothers' dire financial liquidity situation,<sup>25</sup> YB filed

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<sup>21</sup> Office of the Governor, Emergency Proclamations, issued on April 25, 2020, available at [https://governor.hawaii.gov/wp-content/uploads/2020/04/2004144-ATG\\_Sixth-Supplementary-Proclamation-for-COVID-19-distribution-signed.pdf](https://governor.hawaii.gov/wp-content/uploads/2020/04/2004144-ATG_Sixth-Supplementary-Proclamation-for-COVID-19-distribution-signed.pdf).

<sup>22</sup> Office of the Mayor, News Release, issued on May 13, 2020, available at [https://www.honolulu.gov/rep/site/may/may\\_docs/Emergency-Order-No.-2020-11.pdf](https://www.honolulu.gov/rep/site/may/may_docs/Emergency-Order-No.-2020-11.pdf).

<sup>23</sup> Office of the Governor, Emergency Proclamations, issued on May 18, 2020, available at [https://governor.hawaii.gov/wp-content/uploads/2020/05/2005088-ATG\\_Eighth-Supplementary-Proclamation-for-COVID-19-distribution-signed.pdf](https://governor.hawaii.gov/wp-content/uploads/2020/05/2005088-ATG_Eighth-Supplementary-Proclamation-for-COVID-19-distribution-signed.pdf).

<sup>24</sup> Office of the Governor, Emergency Proclamations, issued on June 10, 2020, available at [https://governor.hawaii.gov/wp-content/uploads/2020/06/2006097A-ATG\\_Ninth-Supplementary-Proclamation-COVID-19-distribution-signed.pdf](https://governor.hawaii.gov/wp-content/uploads/2020/06/2006097A-ATG_Ninth-Supplementary-Proclamation-COVID-19-distribution-signed.pdf).

<sup>25</sup> See Letter dated May 26, 2020 from Jay Ana to Hawaii Public Utilities Commission ("May 26<sup>th</sup>

Tariff Transmittal No. 20-0003, a short-notice tariff filing requesting an adjustment to its sailing schedule as follows:

- Kahului, Maui – weekly sailings reduced from three to two;
- Kaunakakai, Molokai – weekly sailings reduced from two to one;
- Hilo, Hawaii – weekly sailings reduced from two to one.<sup>26</sup>

In support of its request, YB stated that, based on initial calculations, it projected to reduce approximately \$6 million in operating expenses through 2020 by immediately changing its weekly sailing schedules as proposed.<sup>27</sup> YB also represented that, based on current cargo volumes, no cargo would be left behind as a result of these schedule changes.<sup>28</sup>

Also on April 24, 2020, following the filing of Tariff Transmittal No. 20-0003, the Commission sent a letter to YB requesting an update regarding: (1) any financial impacts YB has experienced and predicts it will experience in the near-, medium-, and longer-term as a result of the COVID-19 emergency; (2) any suggestions or proposals for financial assistance or relief during that time; and (3) any procedural changes that YB anticipates it may request related to Docket No. 2019-0117 in light of the COVID-19 emergency (“Commission’s April 24<sup>th</sup> Letter”).<sup>29</sup>

On May 4, 2020, the Commission issued Order No. 37128 Approval of Young Brothers’ Temporary, Emergency Changes to its Sailing Schedule (“Order Letter”) at 1.

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<sup>26</sup> See Tariff Transmittal No. 20-0003, filed April 24, 2020, at 1.

<sup>27</sup> Id. at 8.

<sup>28</sup> Id.

<sup>29</sup> See Letter dated April 24, 2020 from the Hawaii Public Utilities Commission to Jay Ana.



No. 37128”), approving the adjusted sailing schedule for 30 days subject to certain conditions.<sup>30</sup>

In letters filed on May 5 and May 22, 2020, YB responded to the Commission’s April 24<sup>th</sup> Letter and Order No. 37128, providing further information on YB’s financial condition and operations, including the financial impacts of the COVID-19 emergency and YB’s efforts to address customer concerns and disruptions.<sup>31</sup> On May 28, 2020, YB filed a request to extend the adjusted sailing schedule approved by Order No. 37128 for a period of at least 90 days, stating that 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 projected to suffer through at least 2020.”<sup>32</sup> The request reiterated that the “approximate \$7 million that Young Brothers expects to save over the remainder of 2020 is primarily attributable to this adjusted sailing schedule,” and that “if the adjusted sailing schedule is not extended beyond June 3, 2020, Young Brothers will be adversely impacted and would likely lose closer to \$31 million by the end of the year, absent any other significant changes to either cargo volumes and operating expenses.”<sup>33</sup>

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<sup>30</sup> See Order No. 37128 at 1.

<sup>31</sup> See Letter dated May 5, 2020 from Jay Ana to Hawaii Public Utilities Commission (“May 5<sup>th</sup> Letter”); Letter dated May 22, 2020 from Jay Ana to Hawaii Public Utilities Commission (“May 22<sup>nd</sup> Letter”).

<sup>32</sup> See Letter dated May 28, 2020 from Jay Ana to Hawaii Public Utilities Commission (“May 28<sup>th</sup> Extension Request”) at 2.

<sup>33</sup> Id.

On June 3, 2020, as part of its continuing efforts to address customer concerns, YB supplemented its May 28<sup>th</sup> Extension Request by requesting to change the current Hilo sailing from Thursday (departs Honolulu on Tuesday) to Monday (departs Honolulu on Saturday).<sup>34</sup> As a result of this Hilo sailing change, YB would: (1) add a sailing that would arrive at Kaunakakai, Molokai on Wednesday afternoon before returning to Honolulu, and (2) change the sailing to Kaunalapau, Lanai to arrive on Wednesday morning before continuing on to Molokai that afternoon.<sup>35</sup> YB explained that by changing the current Hilo sailing from Thursday to Monday, YB would be accommodating Hilo's small businesses and farmers who have traditionally shipped perishable items (i.e., vegetables and tropical fruits) to neighbor islands on the Monday sailing.<sup>36</sup>

On June 3, 2020, the Commission entered Order No. 37166 Approving a Brief Extension and Adjustments to Young Brothers' Temporary, Emergency Changes to its Sailing Schedule ("Order No. 37166"), effectively extending the adjusted sailing schedule, as modified pursuant to YB's June 3<sup>rd</sup> Modification Request, through July 12, 2020.<sup>37</sup>

On July 2, 2020 Young Brothers submitted a letter to the Commission requesting a 90-day extension of the adjusted sailing schedule approved in Order No. 37166. The matter is currently pending before the Commission.

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<sup>34</sup> See Letter dated June 3, 2020 from Jay Ana to Hawaii Public Utilities Commission ("June 3<sup>rd</sup> Modification Request") at 1.

<sup>35</sup> Id.

<sup>36</sup> Id. at 2.

<sup>37</sup> See Order No. 37166 at 1-2.

**D. YB's Liquidity Crisis**

On May 26, 2020, YB informed the Commission by letter that its financial situation is extremely dire and that it will face a cash shortfall shortly.<sup>38</sup> The May 26<sup>th</sup> Letter explained that the “COVID-19 pandemic has caused cargo volumes and associated revenues to drop precipitously, while the Company’s costs remain largely fixed.”<sup>39</sup> The May 26<sup>th</sup> Letter further stated that YB lost nearly \$8 million on a total company basis through the month of April and is projected to lose approximately \$25 million through the end of 2020. This projection assumes that YB is allowed to keep its adjusted sailing schedule through the remainder of 2020.<sup>40</sup>

Having covered more than \$21 million in losses for YB from 2018 and 2019, YB’s parent company informed YB that it can no longer afford to provide Young Brothers with the cash infusions necessary to cover the net operating losses without adequate and immediate rate relief, particularly in the COVID-19 economic environment.<sup>41</sup> YB stated that, “absent immediate relief from the State, it will soon be unable to pay its expenses or continue operations.”<sup>42</sup>

On May 29, 2020, YB submitted a letter to the Commission describing its current contingency plans to address its liquidity crisis.<sup>43</sup> Noting that it has already

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<sup>38</sup> See Letter dated May 26, 2020 from Jay Ana to Hawaii Public Utilities Commission (“May 26<sup>th</sup> Letter”) at 1.

<sup>39</sup> Id.

<sup>40</sup> Id.

<sup>41</sup> Id.

<sup>42</sup> Id.

<sup>43</sup> See Letter dated May 29, 2020 from Jay Ana to Hawaii Public Utilities Commission (“May 29<sup>th</sup> Letter”).

implemented a number of cost-cutting measures such as adjusting sailings schedules (i.e., Tariff Transmittal No. 20-0003), reduced gate hours for non-barge days, temporary salary cuts for YB's senior leadership, and deferring non-essential maintenance, YB expressed its intent to initiate several regulatory actions to mitigate the COVID-19 impacts, including without limitation: (1) COVID-19 related tracking mechanisms; (2) partial suspension of less than container load ("LCL") cargo; and (3) emergency or temporary rate relief.<sup>44</sup> YB also described its plans to continue operating under three scenarios: (1) immediate receipt of significant CARES Act funding; (2) delayed receipt of CARES Act funding; and (3) no CARES Act funding.<sup>45</sup> The May 29<sup>th</sup> Letter explained that the level and timing of State's financial funding and/or financial assistance through the CARES Act or other funds will dictate the timing of the aforementioned regulatory actions and the extent of service reductions that will be necessary to continue operations.<sup>46</sup>

On June 22, 2020, the State Legislature commenced its special session. However, as of July 6, 2020, YB has not received any notice or other indication that the Legislature or the Governor will approve any CARES Act funding to YB in the near future. Although YB is still pursuing financial assistance from the State and/or certain Counties, YB is now filing this Motion as a necessary step to mitigate the COVID-19 impacts and its current liquidity crisis.

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<sup>44</sup> Id. at 1-2.

<sup>45</sup> Id. at 5-8.

<sup>46</sup> Id.

**E. Docket No. 2020-0084 – Commission’s Investigative Docket**

On June 1, 2020, the Commission issued Order No. 37156 to investigate YB’s financial condition and to address identified requests for relief that have been filed and may be filed in the future with the Commission, such as (1) YB’s business plan laying out its financial strategy to continue operating and (2) YB’s request for cost deferral accounting for COVID-19 pandemic related costs and lost revenues.<sup>47</sup> The Commission stated that it is “crucial that YB demonstrate its understanding that its continued ability to provide affordable, reliable service to the State is contingent upon YB (1) stabilizing its finances; (2) mitigating the effect of YB’s current and future financial position on customers; and (3) improving its long-term competitive position.”<sup>48</sup> The Commission noted that the “overall story that YB’s financial data tells beginning well before this Pandemic is one of rising operating expenses and falling revenues,” and it is “with the benefit of this recent historical context that the Commission opens this emergency docket to assist Young Brothers in developing solutions to address its current financial condition.”<sup>49</sup>

When describing YB’s recent financial history, the Commission provided a table reflecting YB’s revenues, expenses, and net income, which were based on YB’s annual financial reports, YB’s 12-month trailing cost of service report filed on February 6, 2020 in Docket No. 2013-0032, or YB’s letter response to COVID-19

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<sup>47</sup> See Order No. 37156 at 2 and 17.

<sup>48</sup> Id. at 3.

<sup>49</sup> Id. at 4.

financial and procedural update request filed on May 5, 2020, in the instant docket.<sup>50</sup>

On June 2, 2020, the Commission issued Order No. 37160 Voiding Order No. 37156, filed on June 1, 2020 (“Order No. 37160”) and Order No. 37161 Instituting an Emergency Investigative Proceeding Regarding Young Brothers, LLC’s Financial Condition (“Order No. 37161”). Order No. 37160 stated that the Commission is voiding Order No 37156 because “the table on page 5 of Order No. 37156 inadvertently contained errors in some of the figures.”<sup>51</sup> Order No. 37160 added that Order No. 37161 will contain the corrected figures in the table on page 5, which is reproduced below for your reference:<sup>52 53</sup>

| (000s)   | 2015<br>Actual | 2016<br>Actual | 2017<br>Actual | 2018<br>Actual | 2019<br>Actual | 2020<br>Jan. Budget | 2020<br>April<br>Forecast | 2020<br>May<br>Forecast |
|--|----------------|----------------|----------------|----------------|----------------|---------------------|---------------------------|-------------------------|
| <b>Total<br/>Revenue</b>                       | 119,839        | 115,692        | 114,002        | 119,455        | 121,229        | 120,432             | 102,240                   | 99,590                  |
| <b>Total<br/>Expenses</b>                      | 105,025        | 113,756        | 114,165        | 129,242        | 127,883        | 132,719             | 124,886                   | 123,871                 |
| <b>Net<br/>Operating<br/>Income<br/>(Loss)</b> | <b>14,814</b>  | <b>1,936</b>   | <b>(163)</b>   | <b>(9,787)</b> | <b>(6,654)</b> | <b>(12,287)</b>     | <b>(22,646)</b>           | <b>(24,281)</b>         |

## II. LEGAL STANDARD

HRS § 271G-17(e) states the following:

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<sup>50</sup> Id. at 5.

<sup>51</sup> See Order No 37160 at 1.

<sup>52</sup> See Order No. 37161 at 2.

<sup>53</sup> The data reflects the results of YB's total company operations, which include the non-regulated services (e.g., interstate transport of cargo). In addition, it should be noted that in 2017, YB filed an application seeking Commission approval to increase the Company's intrastate tariff rates that were in effect in 2017. As noted above, the 2017 intrastate tariff rates were non-compensatory result in operating losses in 2017. The matter was address in Docket No. 2017-0363. YB's current intrastate tariff rates were approved in Decision and Order No. 36140 filed on February 1, 2019 in Docket No. 2017-0363. The rates are based on stipulated revenue requirement for the 2018 Test Year.

When a rate increase application is filed, the commission may in its discretion and after public notice, and upon showing by a water carrier of **probable entitlement and financial need, authorize temporary increases in rates, fares, and charges**, provided that the commission shall by order require the carrier to keep accurate account in detail of all amounts received by reason of such increase . . . and upon completion of the hearing and decision by further order require the interested carrier to refund, with interest, to the persons in whose behalf such amounts were paid, such portion of such increased rates or charges by its decision shall be found not justified. The interest to be paid shall be the rate of return authorized in the last general rate case proceedings.<sup>54</sup>

HRS § 271G-17(b) further provides in pertinent part the following:

The commission **may in its discretion and for good cause** shown allow the change [to any rate, fare, charge, or classification specified in any effective tariff] upon notice less than that herein specified or **modify the requirements** of this section with respect to posting and filing of tariffs either in particular instances or by general order applicable to special or peculiar circumstances or conditions.<sup>55</sup>

In addition to the statutory basis set forth in HRS Chapter 271G, there is also Commission precedent for granting temporary rate relief in exigent circumstances. For example, in Docket No. 2008-0115, the Commission *sua sponte* opened a docket and granted temporary rate relief to Molokai water and wastewater utilities (“Utilities”) because they gave notice that they were shutting down their operations, and the potential harm to the public (Molokai customers) would have been too great.<sup>56</sup> In its order initiating the proceeding, the Commission explained:

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<sup>54</sup> HRS § 271G-17(e) (emphasis added).

<sup>55</sup> HRS § 271G-17(b) (emphases added).

<sup>56</sup> In re Molokai Public Utilities, Inc., et al., Docket No. 2008-0115, Order Approving Temporary Rate Relief for Molokai Public Utilities, Inc. and Wai`Ola O Moloka`I, Inc., filed August 14, 2008 (the “MPU Order”), at 1.

[T]o address the Utilities' alleged financial inability to continue utility services beyond August 2008, the commission deems it necessary in these exigent circumstances to initiate, sua sponte, this proceeding to provide temporary rate relief to the Utilities. The rate increases approved herein are to provide only temporary relief to the Utilities, until the County or a third party is ready to take over the Utilities' systems. Thus, the rate increases approved herein shall be effective for a period of six (6) months from the date of an order by the commission approving the increases; unless otherwise ordered by the commission.<sup>57</sup>

After a thorough review of the record and given that the rates were only intended to be a "temporary stop-gap measure to ensure the continuation of essential water and wastewater services to the Utilities' customers," the Commission adopted the Molokai Utilities' proposed temporary rate increases, subject to certain reporting conditions.<sup>58</sup>

Similarly, in Docket No. 96-0202, the Commission approved a temporary rate increase of 60% to passenger fares for Sea Link of Hawaii, Inc. ("Sea Link"), a water carrier between Lahaina, Maui and Kaunakakai, Molokai, after finding that "[w]ithout the requested increase, Sea Link will, in all probability, incur a net loss of a substantial amount in 1996, with a shut-down of its operations a possibility."<sup>59</sup> In Docket No. 2008-0133, the Commission approved another temporary rate increase for Sea Link, in the form of a temporary fuel surcharge, "[b]ased on Sea Link's financial need and its potential abandonment of service."<sup>60</sup>

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<sup>57</sup> In re Molokai Public Utilities, Inc., et al., Docket No. 2008-0115, Order Instituting a Proceeding to Provide Temporary Rate Relief to Molokai Public Utilities, Inc., Wai'ola O Molokai, Inc., and Mosco, Inc., filed on June 16, 2008, at 12-13.

<sup>58</sup> See MPU Order at 16-18.

<sup>59</sup> In re Sea Link of Hawaii, Inc., Docket No. 96-0202, Decision and Order No. 14791, filed July 18, 1996, at 4.

<sup>60</sup> In re Sea Link of Hawaii, Inc., Docket No. 2008-0133, Order Approving Temporary Fuel



### III. DISCUSSION

It is undisputed that our State, country, and the world are still reeling from the devastating impacts of the COVID-19 pandemic.<sup>61</sup> Often characterized as “unprecedented,” this emergency has shut down much of our State’s economy, which, in turn, has caused drastic losses in cargo volumes and revenues for YB, thereby “amplifying the already-existing financial issues described in its Docket No. 2019-0117 Application.”<sup>62</sup> As disclosed in its May 26<sup>th</sup> Letter, YB’s financial situation is extremely dire, and absent immediate relief, it will soon be unable to pay its expenses or continue operations.<sup>63</sup> It is in the midst of this unprecedented emergency that YB is now requesting an emergency or temporary rate increase.

Under HRS § 271G-17(e), YB need only show probable entitlement (i.e., show that it is more likely than not entitled to relief) and financial need in order to qualify for a temporary rate increase. As discussed above, without this temporary rate increase, YB will not be able to continue operations because the present tariff rates are non-compensatory and do not, at a minimum, provide sufficient working capital to pay for the Company’s operating expenses and taxes.

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Surcharge, filed August 1, 2008, at 13; see also In re Lanai Water Company, Inc., Docket No. 94-0365, Decision and Order No. 14151, filed August 22, 1995 (reviewing a request for temporary water rate increase made pursuant to HRS § 269-16(c) and holding that a showing of probable entitlement for a temporary rate increase under HRS § 269-16(c) is less strict than the standard in showing probable entitlement for an interim rate increase under HRS § 269-16(d)).

<sup>61</sup> See Order No. 37161 at 2 (“The Commission opens this docket during a tumultuous period for our State, our country, and the world, given the major public health and economic impacts resulting from the COVID-19 Pandemic.”).

<sup>62</sup> See Order No. 37168 at 3.

<sup>63</sup> See May 26<sup>th</sup> Letter at 1.

By this Motion, YB is seeking an emergency or temporary rate increase of \$30,418,706,<sup>64</sup> which represents the amount forecasted for YB to “break even” for its intrastate operations. The \$30,418,706 is based on the revenue requirement for the 2020 Test Year, adjusted for known and documented changes that are expected to reflect YB's on-going normal operations. In other words, YB is seeking an emergency or temporary rate increase to only cover its normalized operating expenses and taxes for its intrastate operations. As a result, this Motion will focus on YB's normalized revenues and expenses for the 2020 Test Year. YB notes that it is entitled to have a reasonable opportunity to receive a return on investment and reserves deliberation of the matter for its request for permanent rate relief in this docket. In other words, YB is requesting that any decision on YB's capital structure and associated cost and average rate base for the 2020 Test Year and the additional revenues required to provide a reasonable return on rate base be deferred to the request for permanent rate relief in this docket. As further discussed below, this revenue deficiency to cover its operating expenses and break even is \$30,418,706.

#### **A. Operating Losses**

As shown on YB Exhibit G, page 2, the Company projected an operating loss before interest and income taxes of \$13,356,335 on a total company basis, of which \$16,731,142 is for the intrastate operations at YB's present authorized tariff rates. The intrastate operating losses are expected to continue until YB is granted rate relief

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<sup>64</sup> The temporary rate relief requests an increase of \$30,418,706 in intrastate operating revenues, over the updated forecast of \$65,059,605 in intrastate operating revenues at present rates or 46.76% (i.e.,  $\$30,418,706 \div \$65,059,605 = 46.76\%$ ) over revenues at present rates. Young Brothers notes that the Commission is precluded from considering a rate increase in excess of \$26,997,928. As a result of notices to the public, the total amount Young Brothers may receive is restricted to the total amount requested in its application. See Decision and Order No. 13762 filed in Docket No. 7764.

and authorized to increase the rates charged for the transport of intrastate cargo across water between the islands of the State. Furthermore, as noted in Attachment 1 of the May 5<sup>th</sup> and the May 26<sup>th</sup> Letters to the Commission, the current projected losses before interest and income taxes are now expected to be significantly greater due to the drastic downturn in the State's economy resulting from the COVID-19 pandemic and proclamations of the Governor in response to the pandemic.<sup>65</sup>

The operating losses are a clear indication that the present rates are not sufficient to provide Young Brothers with a reasonable opportunity to recover its 2020 Test Year operating expenses and taxes. The present rates are thus non-compensatory. A public utility such as Young Brothers, like any other business, is not able to continuously sustain net operating losses. In order to remain fit, viable, and a going concern, any business must generate a profit. The profit provides the funds necessary to:

- replace equipment when necessary;
- implement measures intended to improve operational efficiencies and reduce operating costs; and
- obtain capital at reasonable rates for such actions.

Before a profit can be realized the business must be able to receive revenues that are equal to the operating costs incurred to provide the service (including non-cash expenses such as depreciation), and pay taxes. Thus, any business must first determine the revenues required to recover its operating and tax expenses. Next,

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<sup>65</sup> See Attachment 1 for the near-term financial forecasts at April 28, 2020 and May 26, 2020, wherein the total company losses before interest and income taxes are now projected to be \$22,539,542 and \$24,816,411, respectively.

the business must determine the profit that it determines is necessary to sustain operations in the long-term. The price that the business must charge to produce the revenues that cover its operating expenses, tax expense, and provide a profit is based on the number of units of product or service that the business expects to sell. In other words, the price is the result of the total revenues divided by the units of expected sale. Such price is expected to be compensatory or the business may face an operating loss, especially when the operating expenses do not vary with the units sold (i.e. costs are fixed).

YB has submitted extensive testimony and exhibits explaining why the Company has reported operating losses<sup>66</sup> and thus needs rate relief based on the operating revenues at present rates and operating expenses and taxes for the 2020 Test Year. There are two primary reasons for the intrastate operating losses that have been reported in 2019 through 2020 to-date and are expected to be incurred beyond, until such time that YB is able to increase the present tariff rates to a level that is compensatory. The two reasons are: (1) the decline in the intrastate cargo volumes from the cargo volumes that were expected to be transported in the Test Year 2018 (i.e., the volumes upon which the current effective rates are based);<sup>67</sup> and (2) the higher operating expenses due primarily to the increase in labor and labor related costs.<sup>68</sup>

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<sup>66</sup> See YB T-7, pages 12-13 for a discussion of the underlying reasons for the losses in reported in 2018 compared to the forecasted 2020 Test Year \$1.1 million earnings before income taxes reflected in the stipulated settlement for Docket No. 2017-0363.

<sup>67</sup> See YB T-5, pages 4-7 of 15 for the discussion of the reasons for the decline in intrastate cargo tonnage and YB T-5, pages 14-15 for the discussion of the reasons for the decline in interstate cargo tonnage transported by YB in 2018 through the 2020 Test Year, from the cargo tonnage assumed to be transported for the 2020 Test Year revenue requirement; see also YB-502, which provides a detailed explanation of the decline in intrastate cargo tonnage transported by YB; see also YB T-7, page 25, line 9 to page 29, line 9 and YB-708, which provides a comparison of the tonnage and associated operating

## **B. Intrastate Cargo Tonnage and Revenues at Present Rates**

As noted in the table below, the actual cargo volume transported by YB has been steadily decreasing, resulting in lower intrastate revenues than the 2018 Test Year revenue requirement and current effective rates approved by the Commission in Decision and Order No. 36140, filed on February 1, 2019 (Decision and Order No. 36140). The lower intrastate revenues YB received in 2018, when compared to the stipulated revenue requirement for the 2018 Test Year and the net operating loss reported for 2018,<sup>69</sup> supported the need for the rate increase granted in Decision and Order No. 36140. The continuing decline in intrastate cargo transported by YB has resulted in further reductions to the intrastate operating revenues, thereby increasing the operating losses reported for YB's intrastate operations.<sup>70</sup> The COVID-19 pandemic and proclamations of the Governor in response to the pandemic has resulted in a significant downturn in the State's economy, resulting in a further decline in the intrastate cargo tonnage to be transported by YB for the 2020 Test Year. The result is a further decline in intrastate revenues for the 2020 Test Year. The reasons for the decline in cargo tonnage transported by YB since 2018 are due to factors that are not

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revenues for 2017 (Actual), 2018 (Actual), 2019 (Forecast) and 2020 (Budget). The differing cargo tonnage also impacts the allocation of YB's common operating expenses between the Company's intra and interstate operations since the current Cost of Service model allocates common cost based on cargo tonnage transported.

<sup>68</sup> See YB T-3, page 23, line 10 to page 26, line 3 for a discussion of the increase in labor and labor related costs for Terminal Operations, as well as YB-305, YB-306, YB-313 and YB-314; see also YB T-4, page 29, YB-407, YB-408, and YB-423 for a discussion of the increase in labor and labor related costs for Marine Operations; see also YB-719 for the comparative Profit and Loss for 2017 through 2020, YB-724 for a comparison of the 2020 and 2018 Test Year forecasts, and YB-725 through YB-727 for comparisons and related explanations of the changes in operating expenses for 2017 through the 2020 Test Year.

<sup>69</sup> See e.g., YB T-7, page 13, line 17 to page 17, line 18.

<sup>70</sup> See YB T-12, written direct testimony of Paul Brewbaker regarding the State's economy and impact on the intrastate cargo tonnage transported by YB.

within Young Brothers' control. The following table is a comparison of the intrastate revenues at present rates.

|                          | 2018 TY  | 2018 Actual | 2019 Forecast | 2020 Forecast DT | 2020 Forecast 4-26-20 | 2020 Forecast 5-26-20 |
|--------------------------|----------|-------------|---------------|------------------|-----------------------|-----------------------|
| Intrastate Cargo Tonnage |          | 3,922       | 3,799         | 3,743            | 3,101                 | 3,072                 |
| Intrastate Revenues      | \$74,432 | \$70,500    | \$71,920      | \$71,537         | \$59,479              | \$58,620              |

Source: Amended Stipulation filed in Docket No. 2017-0363, Exhibit A, page 1 and YB T-7, page 27 of 48, line 7 and YB-708 page 1 of 2.

### **C. Operating Expenses**

As explained in YB's May 14, 2020 letter to the Commission, Young Brothers' operating expenses are primarily fixed--the expenses do not vary in proportion to the cargo tonnage transported by the Company. As shown below, approximately 94% of Young Brothers' operating expenses represent the costs of receiving, loading, transporting, and discharging cargo between the seven ports in the State.

#### **Relationship of 2020 Total Company Cargo Handling, Maintenance, and Voyage Expenses to Total Operating Expense Excluding Taxes Other Than Income Taxes (TOTIT) and Income Taxes (IT)** (000s)

|  | Total Company | % of Total |
|--|---------------|------------|
| Cargo Handling Expense                         | \$ 67,208     | 60%        |
| Maintenance Department Expense <sup>71</sup>   | (37)          | 0%         |
| Voyage Expense                                 | \$ 37,572     | 34%        |
| Subtotal                                       | \$104,742     | 94%        |
| Total Operating Expense Excluding TOTIT and IT | \$111,795     | 100%       |

<sup>71</sup> The maintenance department expenses are allocated to the cargo handling and voyage department, thus the negative \$37,439 expense for the 2020 Test Year. As a result, the labor and labor related costs for the maintenance department are reflected in the labor and labor related costs reflected in the cargo handling and voyage expenses.

As shown on YB-715, the Company expects to employ 374 employees in the 2020 Test Year. Of the 374 employees, 322 employees are responsible for performing the day-to-day activities (e.g., cargo handling, maintenance and voyage activities) that are directly related to the transport of cargo. As shown on the table below, the labor and labor related costs for these employees comprise approximately 59% of YB's total company operating expenses for the transport of cargo.

| <b>Operating Expenses Summary (in 000's)</b>  | <b>2020 Budget</b> |
|---|--------------------|
| Total Labor and labor related   | \$ 62,499          |
| Total Non-Labor   | \$ 43,241          |
| Total Operating Expense for Cargo Handling, Maintenance and Voyage                      | \$105,740          |
| <b>Labor as % of Total Operating Expense for Cargo Handling, Maintenance and Voyage</b> | <b>59.1%</b>       |

Source: YB T-7, page 31, lines 16-17.

The above labor and labor related costs are comprised of the direct labor, payroll taxes, and benefits. The benefits reflect the costs of the premiums for the health and welfare insurance coverage for the respective employees, pension contributions and the accrual of the benefits other than pension and the 401k Company matching contribution. Various witnesses have explained the reasons for the increase in labor and labor related costs. Mr. Chris Martin (YB T-3) stated that the increase in the labor and labor related costs for YB's terminal operations (i.e., cargo handling) are primarily due to the increases set forth in the various collective bargaining contracts that cover the employees responsible for the terminal operations. YB-305 provides a comparison of the headcount for 2017 through the 2020. A review of YB-305 reveals that the increase in labor costs for YB's cargo handling operations are not due to an increase in the number of employees performing the cargo handling activities as the total employee

count has remained relatively stable since 2017. Thus, the increase in labor and labor related costs are due to the increase in compensation and benefit costs for these employees, as provided for in the various collective bargaining contracts covering the terminal operations employees for the 2020 Test Year. YB-306, YB-307, and YB-312 provide copies of the union negotiated contracts and the wage schedules covering the terminal operations employees for the 2020 Test Year.

Mr. Michael McDonald (YB T-4) stated that the increase in the labor and labor related costs for YB's marine operations (i.e., voyage costs) are primarily due to the increases set forth in the various collective bargaining contracts that cover the employees responsible for the water transport operations. YB-715 provides a comparison of the headcount for 2017 through 2020 for the marine operations. A review of YB-408 reveals that the increase in labor costs for YB's voyaging operations are not due to an increase in the number of employees performing the voyage activities, as the total employee count has remained relatively stable since 2017.<sup>72</sup> Thus, the increase in labor and labor related costs are primarily due to the increase in compensation and benefit costs for these employees, as provided for in the various collective bargaining contracts covering the voyage operations employees for the 2020 Test Year. YB-406 provides copies of the union negotiated contract and the wage schedules covering the voyaging operations employees for the 2020 Test Year.

**D. Non-Labor and labor related operating expenses.**

YB's witnesses have provided explanations for the change in non-labor

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<sup>72</sup> The increase in the number of employees for 2019 was due to the requirements imposed for the operation of the two new tugs that were placed in service in 2019.



and labor related operating expenses in various exhibits. For example, Exhibits YB-313 and YB-314 provide an explanation of the expense variance in each cargo handling expense from 2017 through the 2020 Test Year. Exhibits YB-407 and YB-408 provide an explanation of the expense variance in each voyaging expense from 2017 through the 2020 Test Year. Exhibit YB-720 provides an analysis of the operating expenses. Exhibits YB-726 and YB-727 provide an explanation of the expense variances for each Administrative and General Expense. Finally, as explained in YB T-7, page 42, line 3 to page 43, line 10, Young Brothers "has, overall, reduced its non-labor costs" in compliance with the Commission's directive in Order No. 36140 for Young Brothers to control its costs. In addition, in Docket No. 2020-0084, Young Brothers provided Attachment 2 in response to PUC-IR-II.A.3i. The Attachment provides a breakdown of YB's cost structure and explains that 63.1% of Young Brothers' costs are fixed costs. Also, in response to PUC-IR-II.B.1.a, filed in Docket No. 2020-0084, Young Brothers provides an explanation for the increase in operating expenses from 2015 to 2020. Attachment 3 of this response provides details to support the explanations.

#### **E. Summary**

As explained in Section III.A. above, the net operating losses resulting from the present non-compensatory tariff rates that were based on a 2018 Test Year cannot continue if Young Brothers is to stabilize its financial situation and become a financially sound business entity.

As explained in Section III.B, the present rates are based on an assumption that Young Brothers would transport a higher volume of intrastate cargo and receive a higher level of intrastate revenue in 2018, the test year for determining

the present rates. The decline in intrastate revenues associated with the cargo tonnage actually transported in 2019 through the 2020 Test Year from the cargo tonnage and associated revenue requirement for the 2018 Test Year are due to factors that are beyond Young Brothers' control. The COVID-19 pandemic (which is also beyond Young Brothers' control) has also resulted in a further decline in intrastate cargo tonnage to be transported by YB. Thus, the operating losses that have been reported and are expected to continue clearly demonstrate that the present rates are currently non-compensatory.

As explained in Section III.C., the increase in labor and labor related costs are primarily due to the terms of the collective bargaining agreements that cover the employees who perform the day-to-day activities that are essential in the transport of cargo between YB's seven ports. The contract terms were negotiated in good faith prior to 2020, and extend beyond the 2020 Test Year. As with the employees covered under collective bargaining contracts covering the State's governmental services, the union contracts provided for annual raises that were deemed reasonable at the time of the negotiations. Certainly, no one could have predicted that in 2020, there would be a severe downturn in the State's economy due to the COVID-19 pandemic.

As explained in Section III.D. YB has, overall, reduced its non-labor costs in response to the Commission's directive in Order No. 36140.

Based on the above, YB should be granted rate relief to address the financial impact of the current non-compensatory tariff rates in light of the current status of the State's economy. The intrastate transport of cargo over water between YB's seven ports is a vital service that is critical to sustaining and revitalizing the State's

economy. In order to sustain this vital service, Young Brothers must be authorized to increase the present intrastate tariff rates. The above clearly demonstrates that the present tariff rates authorized in Decision and Order No. 36140, filed on February 1, 2019, in Docket No. 2017-0363 are currently non-compensatory and unreasonable. As a result, like any business that sustains operating losses, the prices for the product sold must be increased from time to time to adjust for changing conditions. Unlike a non-regulated business who can make such price adjustments in a timely manner, Young Brothers must seek and receive prior Commission approval before the Company can increase the present intrastate tariff rates that are clearly non-compensatory and do not provide Young Brothers with a reasonable opportunity to recover its operating costs at the current projected volume of intrastate cargo expected to be transported.

#### **IV. IMPLEMENTATION OF THE REQUESTED TEMPORARY RATE INCREASE.**

Temporary or interim rate increases have generally been implemented as an across the board percentage that is applied to utility's present tariff rates. Such application, however, would not be practical for Young Brothers because the present rates for the various commodities transported by Young Brothers do not presently reflect the cost of transporting the various commodities. Thus, applying an across-the-board percentage to all of Young Brothers' present rates is not reasonable at the present time. Young Brothers will update the instant Motion with the Company's proposed implementation of the \$30,418,706 temporary rate increase that will better reflect a gradual movement towards the implementation of cost-based rates for each type of commodity transported.

**V. CONCLUSION**

Based on the foregoing, Young Brothers has demonstrated that good cause, probable entitlement, and financial need to justify Commission approval of an emergency or temporary rate increase of \$30,418,706, which represents the amount forecasted for YB to “break even” through the remainder of 2020.

DATED: Honolulu, Hawaii, July 7, 2020.

/s/ David Y. Nakashima

JEFFREY T. ONO

DAVID Y. NAKASHIMA

JOHN E. DUBIEL

Attorneys for Applicant

YOUNG BROTHERS, LLC

**EMERGENCY RATE RELIEF**

Young Brothers, LLC  
Docket No. 2019-0117  
Exhibit A

YOUNG BROTHERS, LLC

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**YOUNG BROTHERS, LLC**

OVERALL FINANCIAL SUMMARY  
FOR THE TEST YEAR ENDING DECEMBER 31, 2020

**EMERGENCY RATE RELIEF**

| LINE<br>NO.           | DESCRIPTION                               | AT CURRENT RATES |                |                 | REQUESTED<br>RATE RELIEF | INTRASTATE<br>AT PROPOSED<br>RATES |
|-----------------------|---|------------------|----------------|-----------------|--------------------------|------------------------------------|
|                       |   | TOTAL COMPANY    | NON-JURIS      | INTRASTATE      |                          |                                    |
| RATE BASE             |   |                  |                |                 |                          |                                    |
| 1                     | Property & Equipment                      | 234,911,627      | 234,911,627    | -               |                          | -                                  |
| 2                     | Less: Allowance for Depreciation          | (95,905,311)     | (95,905,311)   | -               |                          | -                                  |
| 3                     | Net Property & Equipment                  | 139,006,316      | 139,006,316    | -               |                          | -                                  |
|                       |   |                  |                |                 |                          |                                    |
| 4                     | Prepaid Pension & OPEB, Net of Tax        | 8,370,237        | 8,370,237      | -               |                          | -                                  |
| 5                     | Materials & Supplies                      | 3,278,793        | 3,278,793      | -               |                          | -                                  |
| 6                     | Cash Working Capital                      | 4,257,815        | 4,257,815      | -               |                          | -                                  |
| 7                     | Deferred Income Taxes                     | (20,258,313)     | (20,258,313)   | -               |                          | -                                  |
|                       |   |                  |                |                 |                          |                                    |
| 8                     | TOTAL RATE BASE                           | \$ 134,654,847   | \$ 134,654,847 | \$ -            |                          | \$ -                               |
| DEVELOPMENT OF RETURN |   |                  |                |                 |                          |                                    |
| 9                     | Freight Revenue                           | 89,500,484       | 28,754,465     | 60,746,019      | 30,418,706               | 91,164,725                         |
| 10                    | Other Operating Revenue                   | 9,520,372        | 5,206,786      | 4,313,586       |                          | 4,313,586                          |
| 11                    | Total Operating Revenue                   | 99,020,856       | 33,961,251     | 65,059,605      |                          | 95,478,311                         |
|                       |   |                  |                |                 |                          |                                    |
| 12                    | Cargo Handling Expense                    | 66,638,370       | 8,497,999      | 58,140,371      |                          | 58,140,371                         |
| 13                    | Maintenance Department Expense            | (37,439)         | (5,141)        | (32,297)        |                          | (32,297)                           |
| 14                    | Voyage Expense                            | 37,571,727       | 17,484,995     | 20,086,732      |                          | 20,086,732                         |
| 15                    | Administrative & General Expense          | 15,150,738       | 3,884,602      | 11,266,136      |                          | 11,266,136                         |
| 16                    | Other Taxes                               | 2,910,751        | 238,061        | 2,672,690       |                          | 2,672,690                          |
| 17                    | Depreciation                              | 5,585,417        | 2,240,738      | 3,344,679       |                          | 3,344,679                          |
| 18                    | State Income Taxes                        | -                | -              | -               | -                        | -                                  |
| 19                    | Federal Income Taxes                      | -                | -              | -               | -                        | -                                  |
| 20                    | Total Operating Expense                   | 127,819,564      | 32,341,253     | 95,478,311      |                          | 95,478,311                         |
|                       |   |                  |                |                 |                          |                                    |
| 21                    | NET OPERATING (LOSS) INCOME               | \$ (28,798,708)  | \$ 1,619,998   | \$ (30,418,706) |                          | \$ -                               |
|                       |   |                  |                |                 |                          |                                    |
| 22                    | RATE OF RETURN                            | -21.39%          | 1.20%          | 0.00%           |                          | 0.00%                              |
|                       |   |                  |                |                 |                          |                                    |
| 23                    | % INCREASE ABOVE CURRENT INTRASTATE RATES |                  |                |                 |                          | 46.76%                             |

**YOUNG BROTHERS, LLC**

REVENUE REQUIREMENT  
FOR THE TEST YEAR ENDING DECEMBER 31, 2020

**EMERGENCY RATE RELIEF**

| LINE<br>NO. | DESCRIPTION                | SCHEDULE REFERENCE                      | INTRASTATE<br>RESULTS       |
|-------------|----------------------------|---|-----------------------------|
| 1           | Adjusted Rate Base         | SCH-A04 Intrastate Rate Base            | \$ -                        |
| 2           | Proposed Rate of Return    | SCH-A11 Cost of Capital                 | <u>0.00%</u>                |
| 3           | Required Operating Income  |   | \$ -                        |
| 4           | Operating Income           | SCH-A07 Intrastate Net Operating Income | <u>(30,418,706)</u>         |
| 5           | Income Deficiency          |   | \$ 30,418,706               |
| 6           | Revenue Conversion Factor  | SCH-A12 Computation of Tax Factor       | <u>1.0000</u>               |
| 7           | <b>Revenue Requirement</b> |   | <b><u>\$ 30,418,706</u></b> |

**YOUNG BROTHERS, LLC**

ELEMENTS OF RATE BASE  
FOR THE TEST YEAR ENDING DECEMBER 31, 2020

|                       |  | EMERGENCY RATE RELIEF         |                               |                                    |                                     |                                  |
|-----------------------|--|-------------------------------|-------------------------------|------------------------------------|-------------------------------------|----------------------------------|
| LINE                  |  | BALANCE<br>AS OF<br>31-Dec-19 | BALANCE<br>AS OF<br>31-Dec-20 | AVERAGE<br>UNADJUSTED<br>RATE BASE | RMA-1<br>"ACCELERATED"<br>BOOK DEPR | AVERAGE<br>ADJUSTED<br>RATE BASE |
| NO.                   | USoA DESCRIPTION   |                               |                               |                                    |                                     |                                  |
| PROPERTY & EQUIPMENT  |  |                               |                               |                                    |                                     |                                  |
| 1                     | 331 Floating Equipment Vessels                                       | 166,206,292                   | 167,756,292                   | 166,981,292                        | -                                   | 166,981,292                      |
| 2                     | 333 Terminal Property & Equipment                                    | 64,331,071                    | 70,031,071                    | 67,181,071                         | -                                   | 67,181,071                       |
| 3                     | 334 Other Shipping Property & Equipment                              | 749,264                       | 749,264                       | 749,264                            | -                                   | 749,264                          |
| 4                     | TOTAL PROPERTY & EQUIPMENT   | 231,286,627                   | 238,536,627                   | 234,911,627                        | -                                   | 234,911,627                      |
| 5                     | 3310 Allowance for Depreciation; Vessels                             | (45,139,034)                  | (50,726,761)                  | (47,932,897)                       | -                                   | (47,932,897)                     |
| 6                     | 3330 Allowance for Depreciation; Terminal Property & Equipment       | (46,373,514)                  | (47,775,230)                  | (47,074,372)                       | -                                   | (47,074,372)                     |
| 7                     | 3340 Allowance for Depreciation; Other Shipping Property & Equipment | (524,409)                     | (540,692)                     | (532,550)                          | -                                   | (532,550)                        |
| 8                     | Allowance for Depreciation; Not Elsewhere Classified                 | -                             | -                             | -                                  | (365,491)                           | (365,491)                        |
| 9                     | TOTAL ALLOWANCE FOR DEPRECIATION                                     | (92,036,958)                  | (99,042,682)                  | (95,539,820)                       | (365,491)                           | (95,905,311)                     |
| 10                    | TOTAL NET PROPERTY & EQUIPMENT                                       | 139,249,669                   | 139,493,945                   | 139,371,807                        | (365,491)                           | 139,006,316                      |
| PENSION & OPEB        |  |                               |                               |                                    |                                     |                                  |
| 11                    | 389 Prepaid Pension Asset, Net of Tax                                | 15,237,057                    | 13,780,160                    | 14,508,608                         | -                                   | 14,508,608                       |
| 12                    | 556 OPEB Liability, Net of Tax                                       | (5,359,129)                   | (6,917,614)                   | (6,138,372)                        | -                                   | (6,138,372)                      |
| 13                    | TOTAL NET OF TAX PREPAID PENSION & OPEB                              | 9,877,927                     | 6,862,546                     | 8,370,237                          | -                                   | 8,370,237                        |
| WORKING CAPITAL       |  |                               |                               |                                    |                                     |                                  |
| 14                    | 171 Fuel Inventory   | 922,895                       | 922,895                       | 922,895                            | -                                   | 922,895                          |
| 15                    | 171 Spare Parts/Stores Inventory                                     | 2,355,898                     | 2,355,898                     | 2,355,898                          | -                                   | 2,355,898                        |
| 16                    | Allowance for Cash Working Capital                                   |                               |                               | 4,257,815                          | -                                   | 4,257,815                        |
| 17                    | TOTAL WORKING CAPITAL  | 3,278,793                     | 3,278,793                     | 7,536,607                          | -                                   | 7,536,607                        |
| DEFERRED INCOME TAXES |  |                               |                               |                                    |                                     |                                  |
| 18                    | 555 Deferred Income Taxes - Depreciation                             | (21,730,137)                  | (24,229,725)                  | (22,979,931)                       | -                                   | (22,979,931)                     |
| 19                    | 555 Deferred Income Taxes - NOLC (Depreciation)                      | 7,446,466                     | 9,946,054                     | 8,696,260                          | -                                   | 8,696,260                        |
| 20                    | 555 Deferred Income Taxes - Unamortized EDIT                         | (6,535,620)                   | (5,601,907)                   | (6,068,763)                        | -                                   | (6,068,763)                      |
| 21                    | Deferred Income Taxes - Not Elsewhere Classified                     | -                             | -                             | -                                  | 94,121                              | 94,121                           |
| 22                    | TOTAL DEFERRED INCOME TAXES  | (20,819,291)                  | (19,885,578)                  | (20,352,434)                       | 94,121                              | (20,258,313)                     |
| 23                    | TOTAL RATE BASE  | 131,587,099                   | 129,749,706                   | 134,926,217                        | (271,370)                           | 134,654,847                      |



YOUNG BROTHERS, LLC

JURISDICTIONAL ALLOCATION OF RATE BASE  
FOR THE TEST YEAR ENDING DECEMBER 31, 2020

EMERGENCY RATE RELIEF

| LINE                              | NO.     | USoA | DESCRIPTION  | AVERAGE<br>RATE BASE |          | ADJUSTMENTS | AVERAGE<br>RATE BASE |       | ALLOCATOR | % INTRA | INTRASTATE | NON-JURIS    |
|-----------------------------------|---------|------|--|----------------------|----------|-------------|----------------------|-------|-----------|---------|------------|--------------|
|                                   |         |      |  | UNADJUSTED           | ADJUSTED |             | ADJUSTED             |       |           |         |            |              |
| PROPERTY & EQUIPMENT              |         |      |  |                      |          |             |                      |       |           |         |            |              |
| 1                                 | 331.0.0 |      | Floating Equipment Vessels   | 166,981,292          | -        | -           | 166,981,292          | RBVOY | 0.00%     | -       | -          | 166,981,292  |
| 2                                 | 333.0.0 |      | Terminal Property & Equipment - Voyage                                   | 10,832,112           | -        | -           | 10,832,112           | RBVOY | 0.00%     | -       | -          | 10,832,112   |
| 3                                 | 333.0.0 |      | Terminal Property & Equipment - CH                                       | 50,569,907           | -        | -           | 50,569,907           | RBCH  | 0.00%     | -       | -          | 50,569,907   |
| 4                                 | 333.0.0 |      | Terminal Property & Equipment - A&G                                      | 5,779,052            | -        | -           | 5,779,052            | RBA&G | 0.00%     | -       | -          | 5,779,052    |
| 5                                 | 334.0.0 |      | Other Shipping Property & Equipment - Voyage                             | 261,024              | -        | -           | 261,024              | RBVOY | 0.00%     | -       | -          | 261,024      |
| 6                                 | 334.0.0 |      | Other Shipping Property & Equipment - CH                                 | 448,072              | -        | -           | 448,072              | RBCH  | 0.00%     | -       | -          | 448,072      |
| 7                                 | 334.0.0 |      | Other Shipping Property & Equipment - A&G                                | 40,169               | -        | -           | 40,169               | RBA&G | 0.00%     | -       | -          | 40,169       |
|                                   |         |      | TOTAL PROPERTY & EQUIPMENT   | 234,911,627          | -        | -           | 234,911,627          |       | 0.00%     | -       | -          | 234,911,627  |
| 8                                 | 331.0.1 |      | Allowance for Depreciation; Vessels                                      | (47,932,897)         | -        | -           | (47,932,897)         | RBVOY | 0.00%     | -       | -          | (47,932,897) |
| 9                                 | 333.0.1 |      | Allowance for Depreciation; Terminal Property & Equipment - Voyage       | (8,108,745)          | -        | -           | (8,108,745)          | RBVOY | 0.00%     | -       | -          | (8,108,745)  |
| 10                                | 333.0.1 |      | Allowance for Depreciation; Terminal Property & Equipment - CH           | (33,940,202)         | -        | -           | (33,940,202)         | RBCH  | 0.00%     | -       | -          | (33,940,202) |
| 11                                | 333.0.1 |      | Allowance for Depreciation; Terminal Property & Equipment - A&G          | (5,025,425)          | -        | -           | (5,025,425)          | RBA&G | 0.00%     | -       | -          | (5,025,425)  |
| 12                                | 334.0.1 |      | Allowance for Depreciation; Other Shipping Property & Equipment - Voyage | (68,031)             | -        | -           | (68,031)             | RBVOY | 0.00%     | -       | -          | (68,031)     |
| 13                                | 334.0.1 |      | Allowance for Depreciation; Other Shipping Property & Equipment - CH     | (424,351)            | -        | -           | (424,351)            | RBCH  | 0.00%     | -       | -          | (424,351)    |
| 14                                | 334.0.1 |      | Allowance for Depreciation; Other Shipping Property & Equipment - A&G    | (40,169)             | -        | -           | (40,169)             | RBA&G | 0.00%     | -       | -          | (40,169)     |
| 15                                | 330.1.R |      | Dkt No. 2017-0363 "Accelerated" Book Depreciation                        | -                    |          | (365,491)   | (365,491)            | INTRA | 0.00%     | -       | -          | (365,491)    |
| 16                                |         |      | TOTAL ALLOWANCE FOR DEPRECIATION   | (95,539,820)         |          | (365,491)   | (95,905,311)         |       | 0.00%     | -       | -          | (95,905,311) |
| 17                                |         |      | TOTAL NET PROPERTY & EQUIPMENT   | 139,371,807          |          | (365,491)   | 139,006,316          |       | 0.00%     | -       | -          | 139,006,316  |
| NET OF TAX PREPAID PENSION & OPEB |         |      |  |                      |          |             |                      |       |           |         |            |              |
| 18                                | 389.0.0 |      | Prepaid Pension Asset, Net of Tax - Voyage                               | 1,171,337            | -        | -           | 1,171,337            | RBVOY | 0.00%     | -       | -          | 1,171,337    |
| 19                                | 389.0.0 |      | Prepaid Pension Asset, Net of Tax - CH                                   | 12,985,464           | -        | -           | 12,985,464           | RBCH  | 0.00%     | -       | -          | 12,985,464   |
| 20                                | 389.0.0 |      | Prepaid Pension Asset, Net of Tax - A&G                                  | 351,808              | -        | -           | 351,808              | RBA&G | 0.00%     | -       | -          | 351,808      |
|                                   |         |      | TOTAL PREPAID PENSION ASSET, NET OF TAX                                  | 14,508,608           | -        | -           | 14,508,608           |       | 0.00%     | -       | -          | 14,508,608   |
| 21                                | 556.0.0 |      | OPEB Liability, Net of Tax - Voyage                                      | (495,575)            | -        | -           | (495,575)            | RBVOY | 0.00%     | -       | -          | (495,575)    |
| 22                                | 556.0.0 |      | OPEB Liability, Net of Tax - CH  | (5,493,952)          | -        | -           | (5,493,952)          | RBCH  | 0.00%     | -       | -          | (5,493,952)  |
| 23                                | 556.0.0 |      | OPEB Liability, Net of Tax - A&G   | (148,844)            | -        | -           | (148,844)            | RBA&G | 0.00%     | -       | -          | (148,844)    |
| 24                                |         |      | TOTAL OPEB LIABILITY, NET OF TAX   | (6,138,372)          | -        | -           | (6,138,372)          |       | 0.00%     | -       | -          | (6,138,372)  |
| 25                                |         |      | TOTAL NET OF TAX PREPAID PENSION & OPEB                                  | 8,370,237            | -        | -           | 8,370,237            |       | 0.00%     | -       | -          | 8,370,237    |
| WORKING CAPITAL                   |         |      |  |                      |          |             |                      |       |           |         |            |              |
| 26                                | 171.0.1 |      | Fuel Inventory - Vessels   | 922,895              | -        | -           | 922,895              | RBVOY | 0.00%     | -       | -          | 922,895      |

| LINE                  | NO. USoA        |  | DESCRIPTION   | RATE BASE    |           | ADJUSTMENTS | RATE BASE    |       | ALLOCATOR | % INTRA | INTRASTATE | NON-JURIS    |
|-----------------------|-----------------|--|---|--------------|-----------|-------------|--------------|-------|-----------|---------|------------|--------------|
|                       |                 |  |   | UNADJUSTED   | ADJUSTED  |             | ADJUSTED     |       |           |         |            |              |
| 27                    | 171.0.2         |  | Spare Parts/Stores Inventory - Vessels                | 1,024,995    | -         | -           | 1,024,995    | RBVOY | 0.00%     | -       | -          | 1,024,995    |
| 28                    | 171.0.2         |  | Spare Parts/Stores Inventory - CH                     | 1,330,903    | -         | -           | 1,330,903    | RBCH  | 0.00%     | -       | -          | 1,330,903    |
| 29                    |                 |  | TOTAL MATERIALS & SUPPLIES                            | 3,278,793    | -         | -           | 3,278,793    |       | 0.00%     | -       | -          | 3,278,793    |
| 30                    | CWC.0.0         |  | Cash Working Capital - Voyage                         | 1,283,176    | -         | -           | 1,283,176    | RBVOY | 0.00%     | -       | -          | 1,283,176    |
| 31                    | CWC.0.0         |  | Cash Working Capital - CH                             | 2,406,958    | -         | -           | 2,406,958    | RBCH  | 0.00%     | -       | -          | 2,406,958    |
| 32                    | CWC.0.0         |  | Cash Working Capital - A&G                            | 567,680      | -         | -           | 567,680      | RBA&G | 0.00%     | -       | -          | 567,680      |
| 33                    |                 |  | TOTAL CASH WORKING CAPITAL                            | 4,257,815    | -         | -           | 4,257,815    |       | 0.00%     | -       | -          | 4,257,815    |
| 34                    |                 |  | TOTAL WORKING CAPITAL                                 | 7,536,607    | -         | -           | 7,536,607    |       | 0.00%     | -       | -          | 7,536,607    |
| DEFERRED INCOME TAXES |                 |  |   |              |           |             |              |       |           |         |            |              |
| 35                    | 555.0.1         |  | Deferred Income Taxes - Depreciation - Vessels        | (19,441,582) | -         | -           | (19,441,582) | RBVOY | 0.00%     | -       | -          | (19,441,582) |
| 36                    | 555.0.1         |  | Deferred Income Taxes - Depreciation - Voyage         | (503,154)    | -         | -           | (503,154)    | RBVOY | 0.00%     | -       | -          | (503,154)    |
| 37                    | 555.0.1         |  | Deferred Income Taxes - Depreciation - CH             | (2,936,253)  | -         | -           | (2,936,253)  | RBCH  | 0.00%     | -       | -          | (2,936,253)  |
| 38                    | 555.0.1         |  | Deferred Income Taxes - Depreciation - A&G            | (98,942)     | -         | -           | (98,942)     | RBA&G | 0.00%     | -       | -          | (98,942)     |
| 39                    |                 |  | TOTAL DEFERRED INCOME TAXES - DEPRECIATION            | (22,979,931) | -         | -           | (22,979,931) |       | 0.00%     | -       | -          | (22,979,931) |
| 40                    | 555.0.2         |  | Deferred Income Taxes - NOLC (Depreciation) - Vessels | 7,345,167    | -         | -           | 7,345,167    | RBVOY | 0.00%     | -       | -          | 7,345,167    |
| 41                    | 555.0.2         |  | Deferred Income Taxes - NOLC (Depreciation) - Voyage  | 193,500      | -         | -           | 193,500      | RBVOY | 0.00%     | -       | -          | 193,500      |
| 42                    | 555.0.2         |  | Deferred Income Taxes - NOLC (Depreciation) - CH      | 1,122,162    | -         | -           | 1,122,162    | RBCH  | 0.00%     | -       | -          | 1,122,162    |
| 43                    | 555.0.2         |  | Deferred Income Taxes - NOLC (Depreciation) - A&G     | 35,432       | -         | -           | 35,432       | RBA&G | 0.00%     | -       | -          | 35,432       |
| 44                    |                 |  | TOTAL DEFERRED INCOME TAXES - NOLC (DEPRECIATION)     | 8,696,260    | -         | -           | 8,696,260    |       | 0.00%     | -       | -          | 8,696,260    |
| 45                    | 555.0.3         |  | Deferred Income Taxes - Unamortized EDIT - Voyage     | 32,446       | -         | -           | 32,446       | RBVOY | 0.00%     | -       | -          | 32,446       |
| 46                    | 555.0.3         |  | Deferred Income Taxes - Unamortized EDIT - Vessels    | (5,347,913)  | -         | -           | (5,347,913)  | RBVOY | 0.00%     | -       | -          | (5,347,913)  |
| 47                    | 555.0.3         |  | Deferred Income Taxes - Unamortized EDIT - CH         | (627,869)    | -         | -           | (627,869)    | RBCH  | 0.00%     | -       | -          | (627,869)    |
| 48                    | 555.0.3         |  | Deferred Income Taxes - Unamortized EDIT - A&G        | (125,427)    | -         | -           | (125,427)    | RBA&G | 0.00%     | -       | -          | (125,427)    |
| 49                    |                 |  | TOTAL DEFERRED INCOME TAXES - UNAMORTIZED EDIT        | (6,068,763)  | -         | -           | (6,068,763)  |       | 0.00%     | -       | -          | (6,068,763)  |
| 50                    | 555.1.R         |  | Dkt No. 2017-0363 "Accelerated" Book Depreciation     | -            | 94,121    | 94,121      | 94,121       | INTRA | 0.00%     | -       | -          | 94,121       |
| 51                    |                 |  | TOTAL DEFERRED INCOME TAXES                           | (20,352,434) | 94,121    | 94,121      | (20,258,313) |       | 0.00%     | -       | -          | (20,258,313) |
| 52                    | TOTAL RATE BASE |  |   | 134,926,217  | (271,370) | (271,370)   | 134,654,847  |       | 0.00%     | -       | -          | 134,654,847  |

**YOUNG BROTHERS, LLC**

COMPUTATION OF ALLOWANCE FOR CASH WORKING CAPITAL  
FOR THE TEST YEAR ENDING DECEMBER 31, 2020

**EMERGENCY RATE RELIEF**

| LINE NO.                                 | DESCRIPTION                        | ANNUAL EXPENSE<br>(A) | REVENUE LAG<br>(B) | EXPENSE LEAD<br>(C) | NET LAGS<br>(D) | DAILY EXPENSE<br>(E) | CASH WORKING CAPITAL<br>(F) |
|--|------------------------------------|-----------------------|--------------------|---------------------|-----------------|----------------------|-----------------------------|
| <b>LABOR</b>                             |                                    |                       |                    |                     |                 |                      |                             |
| 1  | Salaries & Hourly Wages            | \$ -                  | 35.1               | 7.6                 | 27.5            | \$ -                 | \$ -                        |
| 2  | Payroll Taxes                      | -                     | 35.1               | 7.6                 | 27.5            | -                    | -                           |
| 3  | Health & Welfare                   | -                     | 35.1               | 26.4                | 8.7             | -                    | -                           |
| 4  | (a) Pension - IBU                  | -                     | 35.1               | 28.9                | 6.2             | -                    | -                           |
| 5  | (a) Other Post Employment Benefits | -                     | 35.1               | 2.0                 | 33.1            | -                    | -                           |
| 6  | 401K Plan - Company Match          | -                     | 35.1               | 9.1                 | 26.0            | -                    | -                           |
| <b>OTHER OPERATION &amp; MAINTENANCE</b> |                                    |                       |                    |                     |                 |                      |                             |
| 7  | Insurance                          | -                     | 35.1               | (71.1)              | 106.2           | -                    | -                           |
| 8  | Equipment Leases                   | -                     | 35.1               | 28.5                | 6.6             | -                    | -                           |
| 9  | Storage Rent & Parking             | -                     | 35.1               | 22.3                | 12.8            | -                    | -                           |
| 10                                       | Wharfage, Dockage & Port Services  | -                     | 35.1               | 28.6                | 6.5             | -                    | -                           |
| 11                                       | All Other Operation & Maintenance  | -                     | 35.1               | 61.0                | (25.9)          | -                    | -                           |
| <b>TAXES OTHER THAN INCOME</b>           |                                    |                       |                    |                     |                 |                      |                             |
| 12                                       | General Excise Tax                 | -                     | 35.1               | 33.3                | 1.8             | -                    | -                           |
| 13                                       | Property Tax                       | -                     | 35.1               | (40.0)              | 75.1            | -                    | -                           |
| 14                                       | PUC Fees                           | -                     | 35.1               | 82.0                | (46.9)          | -                    | -                           |
| <b>INCOME TAXES, CURRENT</b>             |                                    |                       |                    |                     |                 |                      |                             |
| 15                                       | Income Tax - Hawaii                | -                     | 35.1               | 37.8                | (2.7)           | -                    | -                           |
| 16                                       | Income Tax - Federal               | -                     | 35.1               | 37.8                | (2.7)           | -                    | -                           |
| 17                                       | <b>Total Lagged Expenses</b>       | <u>\$ -</u>           |                    |                     | <u>#DIV/0!</u>  |                      | <u>\$ -</u>                 |

(a) IWLU 142 and Salary plans excluded, assuming authorization of Net Prepaid Pension/OPEB Asset in rate base  
IBU is a defined contribution plan

|                                |             |
|--------------------------------|-------------|
| Pension                        | -           |
| Other Post Employment Benefits | -           |
| Total Pension/OPEB Expense     | <u>\$ -</u> |

YOUNG BROTHERS, LLC

NET OPERATING INCOME

SUMMARY OF RATEMAKING ADJUSTMENTS

FOR THE TEST YEAR ENDING DECEMBER 31, 2020

EMERGENCY RATE RELIEF

| LINE | NO. | USoA DESCRIPTION                  |             |                 |            |          |            |           |         |          |         |             | TEST YEAR |            |           |       |   |             |  |
|------|-----|-----------------------------------|-------------|-----------------|------------|----------|------------|-----------|---------|----------|---------|-------------|-----------|------------|-----------|-------|---|-------------|--|
|      |     |                                   | RMA-1       |                 | RMA-2      |          | RMA-3      |           | RMA-4   |          | RMA-5   |             |           | RMA-6      |           | RMA-7 |   | RMA-8       |  |
|      |     |                                   | REMOVE FUEL | REMOVE          | DISALLOWED | SHIPPING | 65% MARGIN | DDOH      | AVERAGE | CASUALTY | AVERAGE | SHRD SVC IT |           | AVERAGE    | RATE CASE | 2020  |   |             |  |
|      |     | 2020                              | BUDGET      | \$1.80 PER GAL. | EXPENSE    |          |            |           |         |          |         |             |           |            |           |       |   |             |  |
| 1    | 600 | Operating Revenues                | 120,431,611 | (3,043,681)     | -          | -        | -          | -         | -       | -        | -       | -           | -         | -          | -         | -     | - | 117,387,929 |  |
| 2    | 720 | Cargo Handling Expenses           | 67,817,241  | (521,827)       | (13,360)   | (47,400) | (26,679)   | -         | -       | -        | -       | -           | -         | -          | -         | -     | - | 67,207,974  |  |
| 3    | 730 | Maintenance Department Expenses   | (36,289)    | -               | (1,150)    | -        | -          | -         | -       | -        | -       | -           | -         | -          | -         | -     | - | (37,439)    |  |
| 4    | 740 | Voyage Expenses                   | 37,958,884  | (2,252,662)     | -          | -        | -          | 1,647,716 | 217,790 | -        | -       | -           | -         | -          | -         | -     | - | 37,571,727  |  |
| 5    | 770 | Administrative & General Expenses | 16,431,432  | -               | (569,431)  | (81,000) | -          | -         | -       | -        | -       | 143,649     | (516,514) | 15,408,135 | -         | -     | - | 15,408,135  |  |
| 6    | 800 | Taxes Other Than Income Taxes     | 3,541,582   | -               | -          | -        | -          | -         | -       | -        | -       | -           | -         | -          | -         | -     | - | 3,541,582   |  |
| 7    | 850 | Depreciation & Amortization       | 7,005,725   | -               | -          | -        | -          | -         | -       | -        | -       | -           | -         | -          | -         | -     | - | 7,005,725   |  |
| 8    | 940 | Other Deductions                  | 46,560      | -               | -          | -        | -          | -         | -       | -        | -       | -           | -         | -          | -         | -     | - | 46,560      |  |

9 EARNINGS BEFORE INTEREST & TAXES (EBIT) (12,333,524) (269,192) 583,941 128,400 26,679 (1,647,716) (217,790) (143,649) 516,514 (13,356,335)

| LINE NO.  | USoA DESCRIPTION |  |  |  |  |   |  |   |  |  |  |  |  | RMA-8E<br>GROUP DEPR<br>ACCUAL RATE<br>EMERGENCY<br>APPLICATION |
|-----------|------------------|--|--|--|--|---|--|---|--|--|--|--|--|---|
|           |                  | RMA-1E<br>COVID-19<br>FREIGHT<br>VOLUMES | RMA-2E<br>BARGE<br>TERM SUPVR<br>WAGES | RMA-3E<br>DOT-H<br>DESIGNATED<br>STORAGE | RMA-4E<br>FOSS SHARED<br>SERVICES<br>ALLOC TO YB | RMA-5E<br>FACILITIES<br>M&R ALLOC<br>& ASSIGN | RMA-6E<br>GROSS<br>EXCISE TAX<br>PASS THRU | RMA-7E<br>CAPEX<br>PLACED IN<br>SVC (5+7) |  |  |  |  |  |   |
| 2019-0117 |                  |  |  |  |  |   |  |   |  |  |  |  |  |   |

18 EARNINGS BEFORE INTEREST & TAXES (EBIT) (13,356,335) 39,214 308,467 211,118 46,279 152,999 (82,313) 1,502,620 (28,798,708)

YOUNG BROTHERS, LLC

JURISDICTIONAL ALLOCATION OF NET OPERATING INCOME  
FOR THE TEST YEAR ENDING DECEMBER 31, 2020

| LINE NO.                        | USoA    | DESCRIPTION   | 2020        |             |             | 2020         |             |           | EMERGENCY |             |             | EMERGENCY RATE RELIEF |  |
|---------------------------------|---------|---|-------------|-------------|-------------|--------------|-------------|-----------|-----------|-------------|-------------|-----------------------|--|
|                                 |         |   | BUDGET      | ADJUSTMENTS | TEST YEAR   | COVID-19     | APPLICATION | ALLOCATOR | % INTRA   | INTRASTATE  | NON-JURIS   |                       |  |
| OPERATING REVENUES              |         |   |             |             |             |              |             |           |           |             |             |                       |  |
| 1                               | 610.1.1 | Intrastate Freight Revenue                              | 71,537,098  | -           | 71,537,098  | (12,916,928) | 58,620,169  | INTRA     | 100.00%   | 58,620,169  | -           | -                     |  |
| 2                               | 610.1.2 | Intrastate General Excise Tax                           | 2,553,874   | -           | 2,553,874   | (428,025)    | 2,125,850   | INTRA     | 100.00%   | 2,125,850   | -           | -                     |  |
| 3                               | 610.1.3 | Intrastate Fuel Surcharge                               | 2,003,039   | (2,003,039) | -           | -            | -           | INTRA     | 100.00%   | -           | -           | -                     |  |
| 4                               | 615.2.1 | Interstate Freight Revenue                              | 33,141,487  | -           | 33,141,487  | (4,559,262)  | 28,582,225  | NON       | 0.00%     | -           | 28,582,225  | -                     |  |
| 5                               | 615.2.2 | Interstate General Excise Tax                           | 222,048     | -           | 222,048     | (49,808)     | 172,240     | NON       | 0.00%     | -           | 172,240     | -                     |  |
| 6                               | 615.2.3 | Interstate Fuel Surcharge                               | 1,040,643   | (1,040,643) | -           | -            | -           | NON       | 0.00%     | -           | -           | -                     |  |
| 7                               | 630.2.0 | Charter Revenue   | 3,399,970   | -           | 3,399,970   | -            | 3,399,970   | NON       | 0.00%     | -           | 3,399,970   | -                     |  |
| 8                               | 650.1.0 | Terminal Operation Revenues - Storage                   | 849,709     | -           | 849,709     | -            | 849,709     | INTRA     | 100.00%   | 849,709     | -           | -                     |  |
| 9                               | 660.2.0 | Cargo Handling Revenues - Stevedore                     | 121,420     | -           | 121,420     | -            | 121,420     | NON       | 0.00%     | -           | 121,420     | -                     |  |
| 10                              | 670.1.0 | Other Shipping Revenue - Intrastate Cargo Insurance     | 2,295,206   | -           | 2,295,206   | (378,768)    | 1,916,438   | INTRA     | 100.00%   | 1,916,438   | -           | -                     |  |
| 11                              | 670.2.1 | Other Shipping Revenue - Interstate Cargo Insurance     | 372,726     | -           | 372,726     | (34,282)     | 338,444     | NON       | 0.00%     | -           | 338,444     | -                     |  |
| 12                              | 670.2.2 | Other Shipping Revenue - NI Commercial                  | 1,346,952   | -           | 1,346,952   | -            | 1,346,952   | NON       | 0.00%     | -           | 1,346,952   | -                     |  |
| 13                              | 690.1.1 | Miscellaneous - Detention                               | 1,201,429   | -           | 1,201,429   | -            | 1,201,429   | INTRA     | 100.00%   | 1,201,429   | -           | -                     |  |
| 14                              | 690.1.2 | Miscellaneous - Misc Rev                                | 346,011     | -           | 346,011     | -            | 346,011     | INTRA     | 100.00%   | 346,011     | -           | -                     |  |
| 15                              |         | TOTAL OPERATING REVENUES                                | 120,431,611 | (3,043,681) | 117,387,929 | (18,367,073) | 99,020,856  |           | 55.42%    | 65,059,605  | 33,961,251  |                       |  |
| CARGO HANDLING EXPENSES         |         |   |             |             |             |              |             |           |           |             |             |                       |  |
| 16                              | 721.0.0 | Wages   | 27,948,938  | -           | 27,948,938  | (39,214)     | 27,909,723  | CCH       | 87.31%    | 24,367,136  | 3,542,587   |                       |  |
| 17                              | 722.0.0 | Payroll Taxes   | 1,915,944   | -           | 1,915,944   | -            | 1,915,944   | CCH       | 87.31%    | 1,672,753   | 243,191     |                       |  |
| 18                              | 723.0.0 | Contributions, Welfare Plans                            | 12,473,760  | -           | 12,473,760  | -            | 12,473,760  | CCH       | 87.31%    | 10,890,463  | 1,583,297   |                       |  |
| 19                              | 724.0.0 | Fuel and Power  | 2,852,034   | (521,827)   | 2,330,207   | -            | 2,330,207   | CCH       | 87.31%    | 2,034,434   | 295,774     |                       |  |
| 20                              | 725.0.0 | Repairs and Maintenance                                 | 10,061,646  | -           | 10,061,646  | -            | 10,061,646  | CCH       | 87.31%    | 8,784,520   | 1,277,127   |                       |  |
| 21                              | 726.0.0 | Other Cargo Handling                                    | 10,804,083  | (60,760)    | 10,743,323  | (308,467)    | 10,434,855  | CCH       | 87.31%    | 9,110,357   | 1,324,498   |                       |  |
| 22                              | 726.1.0 | Other Cargo Handling - Intrastate Cargo Insurance Prem. | 1,514,836   | (22,952)    | 1,491,884   | (246,199)    | 1,245,685   | INTRA     | 100.00%   | 1,245,685   | -           | -                     |  |
| 23                              | 726.2.0 | Other Cargo Handling - Interstate Cargo Insurance Prem. | 245,999     | (3,727)     | 242,272     | (22,284)     | 219,989     | NON       | 0.00%     | -           | 219,989     |                       |  |
| 24                              |         | TOTAL CARGO HANDLING EXPENSE                            | 67,817,241  | (609,267)   | 67,207,974  | (616,164)    | 66,591,810  |           | 86.46%    | 58,105,348  | 8,486,462   |                       |  |
| MAINTENANCE DEPARTMENT EXPENSES |         |   |             |             |             |              |             |           |           |             |             |                       |  |
| 25                              | 731.0.1 | Wages - Maintenance Shoreside                           | 2,836,748   | -           | 2,836,748   | -            | 2,836,748   | CCH       | 87.31%    | 2,476,679   | 360,069     |                       |  |
| 26                              | 731.0.2 | Wages - Maintenance Vessel                              | 1,788,397   | -           | 1,788,397   | -            | 1,788,397   | CVOY      | 53.46%    | 956,119     | 832,278     |                       |  |
| 27                              | 732.0.1 | Payroll Taxes - Maintenance Shoreside                   | 212,366     | -           | 212,366     | -            | 212,366     | CCH       | 87.31%    | 185,410     | 26,956      |                       |  |
| 28                              | 732.0.2 | Payroll Taxes - Maintenance Vessel                      | 137,125     | -           | 137,125     | -            | 137,125     | CVOY      | 53.46%    | 73,310      | 63,815      |                       |  |
| 29                              | 733.0.1 | Contributions, Welfare Plans - Maintenance Shoreside    | 1,442,015   | -           | 1,442,015   | -            | 1,442,015   | CCH       | 87.31%    | 1,258,980   | 183,035     |                       |  |
| 30                              | 733.0.2 | Contributions, Welfare Plans - Maintenance Vessel       | 907,871     | -           | 907,871     | -            | 907,871     | CVOY      | 53.46%    | 485,369     | 422,502     |                       |  |
| 31                              | 734.0.1 | Repair and Maintenance - Shoreside                      | (5,048,677) | -           | (5,048,677) | -            | (5,048,677) | CCH       | 87.31%    | (4,407,848) | (640,830)   |                       |  |
| 32                              | 734.0.2 | Repair and Maintenance - Vessel                         | (3,250,520) | -           | (3,250,520) | -            | (3,250,520) | CVOY      | 53.46%    | (1,737,804) | (1,512,715) |                       |  |
| 33                              | 735.0.1 | Rents - Maintenance Shoreside                           | 172,215     | -           | 172,215     | -            | 172,215     | CCH       | 87.31%    | 150,356     | 21,859      |                       |  |
| 34                              | 735.0.2 | Rents - Maintenance Vessel                              | 51,718      | -           | 51,718      | -            | 51,718      | CVOY      | 53.46%    | 27,650      | 24,068      |                       |  |
| 35                              | 736.0.1 | Other Maintenance Department Expenses - Shoreside       | 350,045     | (1,000)     | 349,045     | -            | 349,045     | CCH       | 87.31%    | 304,741     | 44,304      |                       |  |
| 36                              | 736.0.2 | Other Maintenance Department Expenses - Vessel          | 364,408     | (150)       | 364,258     | -            | 364,258     | CVOY      | 53.46%    | 194,741     | 169,517     |                       |  |
| 37                              |         | TOTAL MAINTENANCE DEPARTMENT EXPENSES                   | (36,289)    | (1,150)     | (37,439)    | -            | (37,439)    |           | 86.27%    | (32,297)    | (5,141)     |                       |  |

| LINE                              | 2020     |   | 2020       |             | COVID-19  | EMERGENCY  |             | % INTRA | INTRASTATE | NON-JURIS  |
|-----------------------------------|----------|---|------------|-------------|-----------|------------|-------------|---------|------------|------------|
|                                   | NO. USoA | DESCRIPTION   | BUDGET     | ADJUSTMENTS |           | TEST YEAR  | APPLICATION |         |            |            |
| VOYAGE EXPENSES                   |          |   |            |             |           |            |             |         |            |            |
| 38                                | 741.0.0  | Wages   | 9,683,217  | -           | -         | 9,683,217  | CVOY        | 53.46%  | 5,176,876  | 4,506,341  |
| 39                                | 742.0.0  | Payroll Taxes   | 731,954    | -           | -         | 731,954    | CVOY        | 53.46%  | 391,320    | 340,634    |
| 40                                | 743.0.0  | Contributions, Welfare Plans                                | 2,420,852  | -           | -         | 2,420,852  | CVOY        | 53.46%  | 1,294,245  | 1,126,607  |
| 41                                | 744.0.0  | Subsistence   | 249,001    | -           | -         | 249,001    | CVOY        | 53.46%  | 133,122    | 115,879    |
| 42                                | 745.0.0  | Store, Supplies and Equipment                               | 938,186    | -           | -         | 938,186    | CVOY        | 53.46%  | 501,576    | 436,610    |
| 43                                | 747.0.0  | Fuel  | 7,515,397  | (2,252,662) | -         | 5,262,735  | CVOY        | 53.46%  | 2,813,582  | 2,449,152  |
| 44                                | 748.0.0  | Repairs and Maintenance                                     | 6,101,266  | 1,647,716   | -         | 7,748,982  | CVOY        | 53.46%  | 4,142,788  | 3,606,193  |
| 45                                | 749.0.0  | Insurance, Hull and Machinery                               | 2,631,264  | -           | -         | 2,631,264  | CVOY        | 53.46%  | 1,406,736  | 1,224,528  |
| 46                                | 751.0.0  | Charter Hire  | 2,672,344  | -           | -         | 2,672,344  | CVOY        | 53.46%  | 1,428,698  | 1,243,646  |
| 47                                | 752.0.0  | Other Vessel Expenses                                       | 915,323    | 217,790     | -         | 1,133,113  | CVOY        | 53.46%  | 605,789    | 527,324    |
| 48                                | 753.0.0  | Wharfage and Dockage  | 792,081    | -           | -         | 792,081    | CVOY        | 53.46%  | 423,465    | 368,616    |
| 49                                | 756.0.0  | Tug Expenses  | 3,308,000  | -           | -         | 3,308,000  | CVOY        | 53.46%  | 1,768,535  | 1,539,465  |
| 50                                |          | TOTAL VOYAGE EXPENSES                                       | 37,958,884 | (387,157)   | -         | 37,571,727 |             | 53.46%  | 20,086,732 | 17,484,995 |
| ADMINISTRATIVE & GENERAL EXPENSES |          |   |            |             |           |            |             |         |            |            |
| 51                                | 771.0.1  | Salaries of Officers  | 1,032,072  | (495,171)   | -         | 536,901    | CA&G        | 75.22%  | 403,869    | 133,032    |
| 52                                | 772.0.1  | Other Administrative and General Salaries                   | 3,188,267  | -           | -         | 3,188,267  | CA&G        | 75.22%  | 2,398,285  | 789,983    |
| 53                                | 772.0.2  | Other Administrative and General Salaries - YB Boathouse    | 1,114,174  | -           | -         | 1,114,174  | CVOY        | 53.46%  | 595,664    | 518,510    |
| 54                                | 773.0.1  | Payroll Taxes   | 273,996    | -           | -         | 273,996    | CA&G        | 75.22%  | 206,106    | 67,890     |
| 55                                | 773.0.2  | Payroll Taxes - YB Boathouse                                | 82,057     | -           | -         | 82,057     | CVOY        | 53.46%  | 43,869     | 38,187     |
| 56                                | 774.0.1  | Contributions, Welfare Plans                                | 1,042,883  | -           | -         | 1,042,883  | CA&G        | 75.22%  | 784,479    | 258,404    |
| 57                                | 774.0.2  | Contributions, Welfare Plans - YB Boathouse                 | 238,206    | -           | -         | 238,206    | CVOY        | 53.46%  | 127,351    | 110,855    |
| 58                                | 775.0.1  | Outside Services  | 1,216,958  | -           | -         | 1,216,958  | CA&G        | 75.22%  | 915,423    | 301,536    |
| 59                                | 775.0.2  | Outside Services - YB Boathouse                             | 10,250     | -           | -         | 10,250     | CVOY        | 53.46%  | 5,480      | 4,770      |
| 60                                | 775.1.0  | Outside Services - Rate Case Expense                        | 1,210,300  | (516,514)   | -         | 693,786    | INTRA       | 100.00% | 693,786    | -          |
| 61                                | 776.0.1  | Communication Expenses                                      | 144,089    | -           | -         | 144,089    | CA&G        | 75.22%  | 108,387    | 35,702     |
| 62                                | 776.0.2  | Communication Expenses - YB Boathouse                       | 1,000      | -           | -         | 1,000      | CVOY        | 53.46%  | 535        | 465        |
| 63                                | 777.0.1  | Office Supplies, Stationery and Printing                    | 129,644    | -           | -         | 129,644    | CA&G        | 75.22%  | 97,521     | 32,123     |
| 64                                | 777.0.2  | Office Supplies, Stationery and Printing - YB Boathouse     | 13,899     | -           | -         | 13,899     | CVOY        | 53.46%  | 7,431      | 6,468      |
| 65                                | 778.0.1  | Rent, Light and Power                                       | 274,166    | -           | -         | 274,166    | CA&G        | 75.22%  | 206,234    | 67,932     |
| 66                                | 778.0.2  | Rent, Light and Power - YB Boathouse                        | 99,228     | -           | -         | 99,228     | CVOY        | 53.46%  | 53,050     | 46,178     |
| 67                                | 779.0.1  | Membership Dues and Subscriptions                           | 86,146     | (1,835)     | -         | 84,311     | CA&G        | 75.22%  | 63,420     | 20,890     |
| 68                                | 779.0.2  | Membership Dues and Subscriptions - Port Operations         | 400        | -           | -         | 400        | CCH         | 87.31%  | 349        | 51         |
| 69                                | 781.0.1  | Traveling Expenses  | 100,624    | -           | -         | 100,624    | CA&G        | 75.22%  | 75,692     | 24,932     |
| 70                                | 781.0.2  | Traveling Expenses - YB Boathouse                           | 124,000    | -           | -         | 124,000    | CVOY        | 53.46%  | 66,293     | 57,707     |
| 71                                | 782.0.0  | Insurance - YB Boathouse                                    | 175        | -           | -         | 175        | CVOY        | 53.46%  | 94         | 81         |
| 72                                | 784.0.0  | Postage   | 71,285     | -           | -         | 71,285     | CA&G        | 75.22%  | 53,622     | 17,663     |
| 73                                | 786.0.1  | Advertising - Maintenance Shoreside                         | 1,000      | -           | -         | 1,000      | CCH         | 87.31%  | 873        | 127        |
| 74                                | 786.0.2  | Advertising - Maintenance Vessel                            | 1,000      | -           | -         | 1,000      | CVOY        | 53.46%  | 535        | 465        |
| 75                                | 786.0.3  | Advertising - Customer Service, Port Ops                    | 5,125      | (4,525)     | -         | 600        | CCH         | 87.31%  | 524        | 76         |
| 76                                | 786.0.4  | Advertising - Institution, Promotion                        | 20,400     | (20,400)    | -         | -          | CA&G        | 75.22%  | -          | -          |
| 77                                | 786.1.0  | Advertising - Charitable Gratis Shipping                    | -          | (49,000)    | -         | (49,000)   | INTRA       | 100.00% | (49,000)   | -          |
| 78                                | 787.0.1  | Maintenance of Office Building and Equipment                | 1,230,145  | -           | (40,240)  | 1,189,905  | CA&G        | 75.22%  | 895,073    | 294,832    |
| 79                                | 787.0.2  | Maintenance of Office Building and Equipment - YB Boathouse | 160,000    | -           | 40,240    | 200,240    | CVOY        | 53.46%  | 107,053    | 93,187     |
| 80                                | 788.0.1  | Allocated Expenses - Foss Shared Services                   | 2,864,199  | 143,649     | (211,118) | 2,796,729  | CA&G        | 75.22%  | 2,103,761  | 692,968    |
| 81                                | 788.0.2  | Allocated Expenses - IntraCo Cross Charges                  | (18,434)   | -           | (46,279)  | (64,713)   | CA&G        | 75.22%  | (48,679)   | (16,034)   |



| LINE NO.                               | USoA    | DESCRIPTION  | 2020 BUDGET         | ADJUSTMENTS        | 2020 TEST YEAR      | COVID-19            | EMERGENCY APPLICATION | ALLOCATOR | % INTRA | INTRASTATE          | NON-JURIS        |
|--|---------|--|---------------------|--------------------|---------------------|---------------------|-----------------------|-----------|---------|---------------------|------------------|
| 82                                     | 788.0.3 | Allocated Expenses - YB Boathouse                                  | (634,687)           | -                  | (634,687)           | -                   | (634,687)             | CVOY      | 53.46%  | (339,318)           | (295,368)        |
| 83                                     | 790.0.1 | Miscellaneous  | 2,299,418           | (47,500)           | 2,251,918           | -                   | 2,251,918             | CA&G      | 75.22%  | 1,693,942           | 557,976          |
| 84                                     | 790.0.2 | Miscellaneous - YB Boathouse                                       | 49,445              | -                  | 49,445              | -                   | 49,445                | CVOY      | 53.46%  | 26,434              | 23,011           |
| 85                                     | 790.1.0 | Miscellaneous - Employee Gratis Shipping                           | -                   | (32,000)           | (32,000)            | -                   | (32,000)              | INTRA     | 100.00% | (32,000)            | -                |
| 86                                     |         | TOTAL ADMINISTRATIVE & GENERAL EXPENSE                             | 16,431,432          | (1,023,296)        | 15,408,135          | (257,398)           | 15,150,738            |           | 73.12%  | 11,266,136          | 3,884,602        |
| <b>TAXES OTHER THAN INCOME TAXES</b>   |         |  |                     |                    |                     |                     |                       |           |         |                     |                  |
| 87                                     | 801.0.0 | Gross Excise Tax   | 152,999             | -                  | 152,999             | (152,999)           | -                     | GETX      | 92.00%  | -                   | -                |
| 88                                     | 801.1.0 | Gross Excise Tax - Intrastate Rev                                  | 2,553,874           | -                  | 2,553,874           | (428,025)           | 2,125,850             | INTRA     | 100.00% | 2,125,850           | -                |
| 89                                     | 801.2.0 | Gross Excise Tax - Interstate Rev                                  | 222,048             | -                  | 222,048             | (49,808)            | 172,240               | NON       | 0.00%   | -                   | 172,240          |
| 90                                     | 802.0.0 | Real Property Tax  | 200,145             | -                  | 200,145             | -                   | 200,145               | RPTX      | 67.11%  | 134,325             | 65,820           |
| 91                                     | 804.1.0 | Public Utility Commission Fee                                      | 412,516             | -                  | 412,516             | -                   | 412,516               | INTRA     | 100.00% | 412,516             | -                |
| 92                                     |         | TOTAL TAXES OTHER THAN INCOME TAXES                                | 3,541,582           | -                  | 3,541,582           | (630,831)           | 2,910,751             |           | 75.47%  | 2,672,690           | 238,061          |
| <b>DEPRECIATION &amp; AMORTIZATION</b> |         |  |                     |                    |                     |                     |                       |           |         |                     |                  |
| 93                                     | 851.0.1 | Depreciation; Floating Vessels - Towing Tugs                       | 3,111,227           | -                  | 3,111,227           | (887,270)           | 2,223,957             | CVOY      | 53.46%  | 1,188,980           | 1,034,977        |
| 94                                     | 851.0.2 | Depreciation; Floating Vessels - Harbor Tugs                       | 127,490             | -                  | 127,490             | (58,890)            | 68,601                | CVOY      | 53.46%  | 36,675              | 31,925           |
| 95                                     | 851.0.3 | Depreciation; Floating Vessels - Deck Barges                       | 2,349,009           | -                  | 2,349,009           | (386,904)           | 1,962,105             | CVOY      | 53.46%  | 1,048,988           | 913,118          |
| 96                                     | 853.0.1 | Depreciation; Terminal Property and Equipment - CH                 | 858,592             | -                  | 858,592             | (125,821)           | 732,771               | CCH       | 87.31%  | 639,760             | 93,011           |
| 97                                     | 853.0.2 | Depreciation; Terminal Property and Equipment - Generators, Ramps  | 74,651              | -                  | 74,651              | 3,489               | 78,140                | CVOY      | 53.46%  | 41,775              | 36,364           |
| 98                                     | 853.0.3 | Depreciation; Terminal Property and Equipment - YB Boathouse       | 23,611              | -                  | 23,611              | (14,143)            | 9,468                 | CVOY      | 53.46%  | 5,062               | 4,406            |
| 99                                     | 853.0.4 | Depreciation; Terminal Property and Equipment - Admin, GNA         | 444,862             | -                  | 444,862             | 47,470              | 492,331               | CA&G      | 75.22%  | 370,343             | 121,989          |
| 100                                    | 854.0.1 | Depreciation; Other Shipping Property and Equipment - CH           | 9,035               | -                  | 9,035               | 69                  | 9,104                 | CCH       | 87.31%  | 7,948               | 1,156            |
| 101                                    | 854.0.2 | Depreciation; Other Shipping Property and Equipment - YB Boathouse | 7,248               | -                  | 7,248               | -                   | 7,248                 | CVOY      | 53.46%  | 3,875               | 3,373            |
| 102                                    | 854.0.3 | Depreciation; Other Shipping Property and Equipment - Admin, GNA   | -                   | -                  | -                   | 1,693               | 1,693                 | CA&G      | 75.22%  | 1,273               | 419              |
| 103                                    |         | TOTAL DEPRECIATION & AMORTIZATION EXPENSE                          | 7,005,725           | -                  | 7,005,725           | (1,420,308)         | 5,585,417             |           | 47.74%  | 3,344,679           | 2,240,738        |
| <b>OTHER DEDUCTIONS</b>                |         |  |                     |                    |                     |                     |                       |           |         |                     |                  |
| 104                                    | 953.0.0 | Allowance for Doubtful Accounts                                    | 46,560              | -                  | 46,560              | -                   | 46,560                | CA&G      | 75.22%  | 35,023              | 11,537           |
| 105                                    |         | TOTAL OTHER DEDUCTIONS   | 46,560              | -                  | 46,560              | -                   | 46,560                |           | 75.22%  | 35,023              | 11,537           |
| 106                                    |         | <b>EARNINGS BEFORE INTEREST &amp; TAXES (EBIT)</b>                 | <b>(12,333,524)</b> | <b>(1,022,812)</b> | <b>(13,356,335)</b> | <b>(15,442,373)</b> | <b>(28,798,708)</b>   |           |         | <b>(30,418,706)</b> | <b>1,619,998</b> |
| <b>INCOME TAXES</b>                    |         |  |                     |                    |                     |                     |                       |           |         |                     |                  |
| 107                                    | 961.0.0 | Federal Income Taxes - Current                                     | -                   | -                  | -                   | -                   | -                     |           | -       | -                   | -                |
| 108                                    | 962.0.0 | State Income Taxes - Current                                       | -                   | -                  | -                   | -                   | -                     |           | -       | -                   | -                |
| 109                                    | 965.0.0 | Provision for Deferred Federal Income Taxes                        | -                   | -                  | -                   | -                   | -                     |           | -       | -                   | -                |
| 110                                    | 966.0.0 | Provision for Deferred State Income Taxes                          | -                   | -                  | -                   | -                   | -                     |           | -       | -                   | -                |
| 111                                    |         | TOTAL INCOME TAXES   | -                   | -                  | -                   | -                   | -                     |           | -       | -                   | -                |
| 112                                    |         | <b>NET (LOSS) INCOME</b>   | <b>(13,356,335)</b> |                    | <b>(13,356,335)</b> |                     | <b>(28,798,708)</b>   |           |         | <b>(30,418,706)</b> | <b>1,619,998</b> |

**YOUNG BROTHERS, LLC**

COMPUTATION OF INCOME TAXES  
FOR THE TEST YEAR ENDING DECEMBER 31, 2020

|                          |   |              |                |         | EMERGENCY RATE RELIEF |             |
|--------------------------|---|--------------|----------------|---------|-----------------------|-------------|
| LINE NO.                 | DESCRIPTION                                       | 2020 TY      | ALLOCATOR      | % INTRA | INTRASTATE            | NON-JURIS   |
| INTEREST SYNCHRONIZATION |   |              |                |         |                       |             |
| 1                        | Rate Base   | 134,654,847  |                |         | -                     | 134,654,847 |
| 2                        | Cost of Debt                                      | 0.000%       |                |         | 0.000%                | 0.000%      |
| 3                        | Interest Tax Deduction                            | -            |                |         | -                     | -           |
| TAXABLE INCOME           |   |              |                |         |                       |             |
| 4                        | Earnings Before Interest & Taxes (EBIT)           | (28,798,708) | CALC           | 105.63% | (30,418,706)          | 1,619,998   |
| 5                        | Interest Tax Deduction                            | -            |                |         | -                     | -           |
| 6                        | Meals & Entertainment (50% Deductible)            | -            | EBIT           | 105.63% | -                     | -           |
| 7                        | TOTAL TAXABLE INCOME                              | (28,798,708) | CALC           | 105.63% | (30,418,706)          | 1,619,998   |
| STATE INCOME TAX         |   |              |                |         |                       |             |
| 8                        | Taxable Income - State                            | (28,798,708) |                |         | (30,418,706)          | 1,619,998   |
| 9                        | State Tax Rate                                    | 0.000%       |                |         | 0.000%                | 0.000%      |
| 10                       | State Income Tax Provision                        | -            |                |         | -                     | -           |
| 11                       | Investment Tax Credit Adjustment - Hawaii         | -            | TAXABLE INCOME | 105.63% | -                     | -           |
| 12                       | TOTAL STATE INCOME TAXES                          | -            |                |         | -                     | -           |
| FEDERAL INCOME TAX       |   |              |                |         |                       |             |
| 13                       | Taxable Income                                    | (28,798,708) |                |         | (30,418,706)          | 1,619,998   |
| 14                       | State Income Tax Deduction                        | -            |                |         | -                     | -           |
| 15                       | Taxable Income - Federal                          | (28,798,708) |                |         | (30,418,706)          | 1,619,998   |
| 16                       | Federal Tax Rate                                  | 0.000%       |                |         | 0.000%                | 0.000%      |
| 17                       | Federal Income Tax Provision                      | -            |                |         | -                     | -           |
| 18                       | Excess Deferred Income Tax Amortization - Federal | -            | TAXABLE INCOME | 105.63% | -                     | -           |
| 19                       | TOTAL FEDERAL INCOME TAXES                        | -            |                |         | -                     | -           |



**YOUNG BROTHERS, LLC**

HAWAII INVESTMENT TAX CREDIT  
FOR THE TEST YEAR ENDING DECEMBER 31, 2020

**EMERGENCY RATE RELIEF**

| LINE<br>NO. | VINTAGE  | ELIGIBLE<br>INVESTMENTS<br>(A) | TAX GRANT<br>(B) = (A) x 4% | BALANCE<br>AS OF<br>DEC. 31, 2019 | AMORTIZATION | ADDITIONS | BALANCE<br>AS OF<br>DEC. 31, 2020 |
|-------------|----------|--------------------------------|-----------------------------|-----------------------------------|--------------|-----------|-----------------------------------|
| 1           | Pre-2005 |                                |                             | 15,870                            | (7,998)      | -         | 7,872                             |
| 2           | 2005     | 5,097,542                      | 203,902                     | -                                 | -            | -         | -                                 |
| 3           | 2006     | 12,489,972                     | 499,599                     | 30,105                            | (15,053)     | -         | 15,053                            |
| 4           | 2007     | 36,122,565                     | 1,444,903                   | 387,078                           | (48,668)     | -         | 338,410                           |
| 5           | 2008     | 21,726,361                     | 869,054                     | 356,875                           | (20,537)     | -         | 336,338                           |
| 6           | 2009     | 755,696                        | 30,228                      | 220                               | (44)         | -         | 176                               |
| 7           | 2010     | 1,453,461                      | 58,138                      | 5,306                             | (5,306)      | -         | -                                 |
| 8           | 2011     | 3,458,668                      | 138,347                     | 27,669                            | (13,835)     | -         | 13,835                            |
| 9           | 2012     | 1,268,046                      | 50,722                      | 13,843                            | (4,749)      | -         | 9,095                             |
| 10          | 2013     | 3,647,512                      | 145,900                     | 38,524                            | (17,896)     | -         | 20,628                            |
| 11          | 2014     | 2,437,670                      | 97,507                      | 45,545                            | (10,092)     | -         | 35,453                            |
| 12          | 2015     | 1,916,054                      | 76,642                      | 43,383                            | (7,742)      | -         | 35,641                            |
| 13          | 2016     | 5,369,212                      | 214,768                     | 142,996                           | (23,924)     | -         | 119,072                           |
| 14          | 2017     | 1,678,358                      | 67,134                      | 51,904                            | (7,615)      | -         | 44,289                            |
| 15          | 2018 *   | 41,427,112                     | 1,657,084                   | -                                 | -            | -         | -                                 |
| 16          | 2019 *   | 45,000,000                     | 1,800,000                   | -                                 | -            | -         | -                                 |
| 17          | 2020 *   | 7,000,000                      | 280,000                     | -                                 | -            | -         | -                                 |
| 18          |          |                                |                             | 1,159,319                         | (183,457)    | -         | 975,861                           |

\* Young Brothers is in an NOL position, therefore the ITC grant for the tax year represents a Deferred Tax Asset (DTA)

**YOUNG BROTHERS, LLC**

EXCESS FEDERAL DEFERRED INCOME TAXES (TCJA)  
AMORTIZATION SCHEDULE

**EMERGENCY RATE RELIEF**

**EXCESS DEFERRED INCOME TAXES** **\$ (7,444,121)**  
WEIGHTED AVERAGE REMAINING LIFE 13.9

**ANNUAL AMORTIZATION**  
PER DOCKET NO. 2017-0363 \$ 1,090,202  
TRUED UP TO CORRECT WTD AVG REMAINING LIFE \$ 464,246

| LINE<br>NO. | FOR THE TWELVE MONTHS ENDING   | AMORTIZATION | BALANCE        |
|-------------|--|--------------|----------------|
| 1           | December 31, 2017  | \$ -         | \$ (7,444,121) |
| 2           | December 31, 2018  | -            | (7,444,121)    |
| 3           | December 31, 2019 Dkt No. 2017-0363 Order Effective 3/1/2019             | 908,501      | (6,535,619)    |
| 4           | December 31, 2020 Assumes Rates in Dkt No. 2019-0066 Effective 10/1/2020 | 933,713      | (5,601,907)    |
| 5           | December 31, 2021  | 464,246      | (5,137,660)    |
| 6           | December 31, 2022  | 464,246      | (4,673,414)    |
| 7           | December 31, 2023  | 464,246      | (4,209,167)    |
| 8           | December 31, 2024  | 464,246      | (3,744,921)    |
| 9           | December 31, 2025  | 464,246      | (3,280,675)    |
| 10          | December 31, 2026  | 464,246      | (2,816,428)    |
| 11          | December 31, 2027  | 464,246      | (2,352,182)    |
| 12          | December 31, 2028  | 464,246      | (1,887,935)    |
| 13          | December 31, 2029  | 464,246      | (1,423,689)    |
| 14          | December 31, 2030  | 464,246      | (959,443)      |
| 15          | December 31, 2031  | 464,246      | (495,196)      |
| 16          | December 31, 2032  | 464,246      | (30,950)       |
| 17          | December 31, 2033  | 30,950       | -              |

**YOUNG BROTHERS, LLC**

PROPOSED COST OF CAPITAL  
FOR THE TEST YEAR ENDING DECEMBER 31, 2020

**EMERGENCY RATE RELIEF**

| LINE<br>NO. | DESCRIPTION  | SHARE          | COST   | WEIGHTED<br>COST |
|-------------|--|----------------|--------|------------------|
| 1           | Short-Term Debt  | 0.00%          | 0.00%  | 0.00%            |
| 2           | Long-Term Debt   | 40.00%         | 6.50%  | 2.60%            |
| 3           | Common Equity  | 60.00%         | 13.50% | 8.10%            |
| 4           | <b>COST OF CAPITAL</b>                                       | <b>100.00%</b> |        | <b>10.70%</b>    |
| 5           | <b>AS REFLECTED IN APPLICATION FOR EMERGENCY RATE RELIEF</b> |                |        | <b>0.00%</b>     |

**YOUNG BROTHERS, LLC**

COMPUTATION OF REVENUE CONVERSION FACTOR  
FOR THE TEST YEAR ENDING DECEMBER 31, 2020

| LINE<br>NO. | DESCRIPTION  | EMERGENCY RATE RELIEF |                |
|-------------|--|-----------------------|----------------|
|             |  |                       |                |
| 1           | Operating Revenue Percentage                                 |                       | 100.00%        |
| 2           | Less: Hawaii Corporate Income Tax                            |                       | <u>6.015%</u>  |
| 3           | Operating Revenue Percentage After State Taxes               | Line 1 - Line 2       | 93.99%         |
| 4           | Federal Income Tax Rate                                      |                       | <u>21.000%</u> |
| 5           | Federal Income Tax   | Line 3 x Line 4       | 19.74%         |
| 6           | Operating Income After Federal Income Tax                    | Line 3 - Line 5       | 74.25%         |
| 7           | Gross Revenue Conversion Factor                              | 1 / Line 6            | <b>1.3468</b>  |
| 6           | <b>AS REFLECTED IN APPLICATION FOR EMERGENCY RATE RELIEF</b> |                       | <b>1.0000</b>  |

**YOUNG BROTHERS, LLC**

JURISDICTIONAL ALLOCATION FACTORS  
FOR THE TEST YEAR ENDING DECEMBER 31, 2020

| LINE<br>NO.              | DESCRIPTION  | ALLOCATOR | EMERGENCY RATE RELIEF    |                          |
|--------------------------|--|-----------|--------------------------|--------------------------|
|                          |  |           | INTRASTATE %             |                          |
|                          |  |           | GENERAL RATE<br>INCREASE | EMERGENCY<br>RATE RELIEF |
| <b>Rate Base</b>         |  |           |                          |                          |
| 1                        | Voyage   | RBVOY     | 56.65%                   | 0.00%                    |
| 2                        | Cargo Handling   | RBCH      | 81.87%                   | 0.00%                    |
| 3                        | Administrative & General   | RBA&G     | 73.55%                   | 0.00%                    |
| 4                        | Rate Base Total  | RBT       | 61.57%                   | 0.00%                    |
| <b>Operating Expense</b> |  |           |                          |                          |
| 5                        | Voyage Expense   | CVOY      | 55.08%                   | 53.46%                   |
| 6                        | Cargo Handling Expense, Less Cargo Insurance Premium               | CCH       | 83.44%                   | 87.31%                   |
| 7                        | Administrative & General, Less Rate Case and Gratis Contra Expense | CA&G      | 73.55%                   | 75.22%                   |
| 8                        | GET Tax Expense  | GETX      | 92.00%                   | 92.00%                   |
| 9                        | Real Property Expense  | RPTX      | 67.11%                   | 67.11%                   |
| 10                       | Operating Expense Total, Excluding Income Tax                      | OET       | 73.06%                   | 74.64%                   |
| <b>Direct Assignment</b> |  |           |                          |                          |
| 11                       | Intrastate   | INTRA     | 100.00%                  | 100.00%                  |
| 12                       | Non-Jurisdictional   | NON       | 0.00%                    | 0.00%                    |

**EXPLANATION OF ADJUSTMENTS MADE TO YOUNG BROTHERS' 2020 TEST YEAR REVENUE REQUIREMENT SHOWN ON EXHIBIT G, PAGE 2, FOR PURPOSES OF DETERMINING THE INCREASE IN OPERATING REVENUES TO SUPPORT THE REQUEST FOR TEMPORARY RATE INCREASE**

**General**

On September 25, 2019, Young Brothers ("Young Brothers", "YB", or "the Company") filed an Application in Docket No. 2019-0117 seeking Commission approval for a \$26,997,928 increase in intrastate revenues over the \$78,783,326 of intrastate operating revenues at the Company's present tariff rates. Based on a proposed 10.7% rate of return on the average Test Year rate base, Young Brothers determined that it should be provided a reasonable opportunity to receive \$105,781,254 of intrastate operating revenues. The above was based on the revenue requirement elements for the 2020 Test Year ("2020 TY" or "Test Year").

Included in the \$78,783,326 of intrastate operating revenues is \$71,537,098 of intrastate revenue that is to be received for the transport of intrastate cargo between Young Brothers' seven ports in the State. The \$71,537,098 represents the then forecast of intrastate cargo tonnage to be transported in the 2020 Test Year times the Company's present tariff rates. As noted above, in order to receive the \$105,781,254 of intrastate operating revenues, Young Brothers would need to increase the present rates to a price/tariff rate that would produce the additional \$26,997,928 of intrastate operating revenues.

In determining the above intrastate operating revenues, Young Brothers presented the Company's forecast of the operating expenses that would be incurred for the 2020 Test Year. The operating expenses represent the total company costs that

Young Brothers incurs to support the Company's intrastate (i.e., regulated) and interstate (i.e., non-regulated) operations. The allocation of the total company common costs between the intra and interstate operations reflects the results of the Cost of Service model discussed in YB T-9. This model was developed in response to the criticism raised by the Commission and Consumer Advocate with the prior Marsoft cost of service model previously used for the allocation of the total company common costs.

### **Request for Emergency or Temporary Rate Increase**

The request for Emergency or Temporary Rate Increase is limited to the increase in revenue requirement that will allow Young Brothers to "break even." As a result, for purposes of the Emergency or Temporary Rate Increase request, Young Brothers is not seeking an increase in revenue requirement that will provide the Company with a reasonable opportunity to earn a return on the Test Year rate base (i.e., net income). Thus, the increase in revenue requirement for purposes of determining the Emergency or Temporary Rate Increase does not include Income Taxes. Young Brothers reserves consideration of rate base, a return on rate base, and Income Taxes for determination in the permanent increase and permanent tariff rates requests originally filed in this docket.

### **Process by which Young Brothers determined the 2020 Test Year Operating Revenue and Operating Expenses for purposes of determining the Temporary Rate Increase.**

To-date, Young Brothers has responded to, among other things, over 350 discovery requests (aka, information requests or IRs) submitted by the Consumer

Advocate during the course of the Consumer Advocate's review of Young Brothers' Application and supporting documents in this proceeding.<sup>1</sup> Later, Young Brothers also submitted supplemental responses to many of these discovery requests to further update the record. Based on these types of information and updates in the current record, Young Brothers determined its projected intrastate revenues and operating expenses for the 2020 Test Year, as described below.

### **Intrastate Revenues**

As discussed in the Motion for Emergency or Temporary Rate Relief, current forecast of intrastate cargo tonnage to be transported by Young Brothers resulting from the COVID-19 pandemic is significantly lower than the cargo tonnage upon which the \$71,537,098 intrastate revenues was based. As discussed in great detail in the Motion for Emergency or Temporary Rate Relief, the cargo tonnage expected to be transported in the 2020 Test Year will serve as the basis for determining the per unit tariff rate that YB must charge in order to receive the 2020 Test Year revenue requirement. If the cargo tonnage overstates the actual tonnage that will be transported by Young Brothers, the per unit tariff rate will be understated, resulting in a revenue shortfall. This was the situation with the difference between the estimated and actual intrastate cargo tonnage transported by Young Brothers in 2019 and 2020 to-date, contributing to the net operating losses reported by the Company. Thus, given the lower cargo tonnage to be

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<sup>1</sup> In addition, Young Brothers also responded to approximately 50 discovery requests submitted by the Consumer Advocate and the Commission in Docket No. 2020-0084. As part of this proceeding, Young Brothers also met with the Consumer Advocate's consultants in the conduct of their on-site interviews to gather additional information and better understand Young Brothers' operations and the basis for the projected 2020 Test Year revenue requirement elements.



transported as a result of the COVID-19 pandemic, Young Brothers contends that it is appropriate to reflect the lower cargo tonnage in determining the present intrastate revenues and per unit tariff rate that should be charged to provide Young Brothers with a reasonable opportunity to receive the 2020 Test Year revenue requirement.

Attachment 1 of this Exhibit B reflects the current cargo tonnage that YB expects to transport on a normal on-going basis.

The revised volume forecast of 6,954,417 cargo tonnage for the 2020 Test Year (i.e., 3,702,099 intrastate + 3,882,318 interstate) is generally an optimistic prediction based on a variety of assumptions most notably the projected freight revenues are the result of a Monte Carlo probabilistic simulation process to assess likely outcomes given a variety of detailed assumptions by major customer category and cargo types across time. The Company expects COVID-19 volume impacts will most certainly continue beyond 2020, however, the Company's expectations are that approximately 1/3 of peak impacts (forecasted in April, May June of 2020) will occur at the end of year and carry into 2021. This forecast is often referred to as the "swoosh" recovery.

### **Total Company Operating Expenses**

In determining the total company operating expenses needed on a normal on-going basis, Young Brothers re-analyzed each response to the applicable discovery requests submitted by the Commission and Consumer Advocate in the instant docket and in Docket No. 2020-0084. The Company then first identified all adjustments to YB's pre-filed revenue requirement elements that were discussed in said responses. Next, Young Brothers categorized the adjustments as follows:

- adjustments to correct the pre-filed data;
- adjustments to reflect current information; and
- adjustments that represent measures that are temporarily being implemented to address the Company's dire financial situation and the need to preserve the available cash on hand.

Attachment 2 of this Exhibit B lists: (1) the adjustments identified by the Company, (2) the discovery request discussing the adjustments, (3) the quantification of the adjustment, (4) the disposition of each adjustment, and (5) a brief statement as to why the adjustment was not considered in determining the increase in revenue requirement for purposes of the Temporary Rate increase, if applicable.

After incorporating the adjustments reflected on Attachment 2 of Exhibit B to the amounts shown on YB Exhibit G, page 2, the Company then applied the updated cost of service ("COS") model allocation factors to derive the intrastate operating expenses upon which the request for Emergency or Temporary Rate Relief is based.

### **COS Model**

As explained in Attachment 3 of Exhibit B, the COS model allocation factors were adjusted to incorporate the changes to which Young Brothers agreed in the Company's response to the Consumer Advocate's discovery requests. In addition, adjustments were made to reflect changes that were identified by during internal review of the model while incorporating changes agreed to in the responses to the Consumer Advocate's information request. Last, the allocation factors were revised to reflect the updated cargo tonnage that YB expects to transport on a normalized basis for the 2020 Test

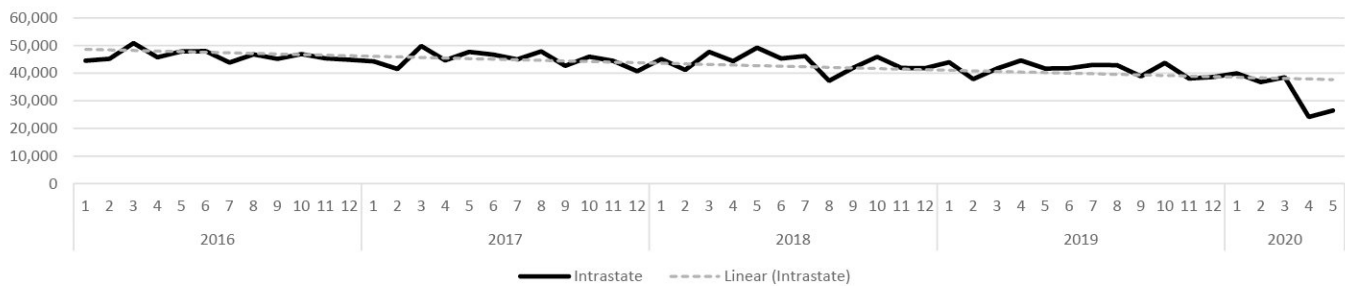
Year. The results of the above are reflected in Attachment 3, which also provides a comparison of the current revised allocation factors to the factors upon which Young Brothers' pre-filed revenue requirement was based.

Young Brothers, LLC  
Comparative Volume Summary

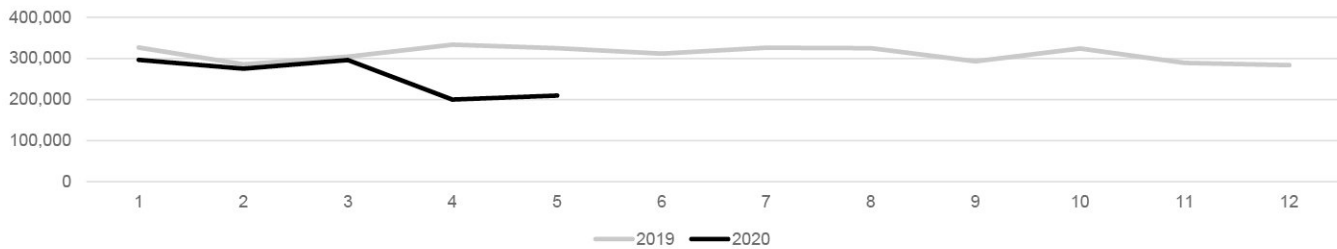
| Intrastate      | Actual<br>2017 | Actual<br>2018 | Actual<br>2019 | Average<br>2017 - 2019 | Forecast<br>2020 | Variance<br>Forecast vs 2018 | Variance<br>Forecast vs 2019 | Variance<br>Forecast vs Avg |
|-----------------|----------------|----------------|----------------|------------------------|------------------|------------------------------|------------------------------|-----------------------------|
| Revenue Tonnage | 3,711,021      | 3,922,280      | 3,726,287      | 3,786,530              | 3,072,099        | -21.68%                      | -17.56%                      | -18.87%                     |
| Freight Revenue | \$ 69,790,594  | \$ 70,499,562  | \$ 70,883,338  | \$ 70,391,165          | \$ 58,620,169    | -16.85%                      | -17.30%                      | -16.72%                     |
| Interstate      | Actual<br>2017 | Actual<br>2018 | Actual<br>2019 | Average<br>2017 - 2019 | Forecast<br>2020 | Variance<br>Forecast vs 2018 | Variance<br>Forecast vs 2019 | Variance<br>Forecast vs Avg |
| Revenue Tonnage | 4,267,498      | 4,225,277      | 4,403,302      | 4,298,692              | 3,882,318        | -8.12%                       | -11.83%                      | -9.69%                      |
| Freight Revenue | \$ 31,184,096  | \$ 31,297,675  | \$ 35,117,424  | \$ 32,533,065          | \$ 28,582,225    | -8.68%                       | -18.61%                      | -12.14%                     |

Young Brothers, LLC  
Volume Trend Charts

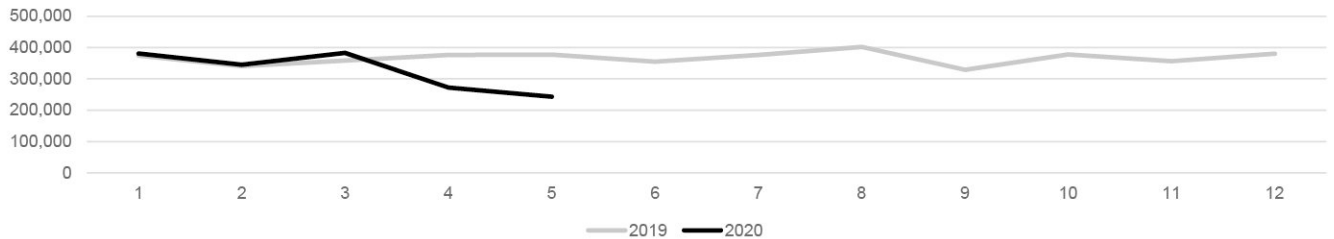
Monthly Unit Piece Count



Intrastate Monthly Revenue Tonnage - 2020 vs. 2019



Interstate Monthly Revenue Tonnage - 2020 vs. 2019



Workpaper

Piece Count by Customer Category

| Year | Month | Intrastate | Interstate | Grand Total |
|------|-------|------------|------------|-------------|
| 2016 | 1     | 44,481     | 6,303      | 50,784      |
|      | 2     | 45,216     | 5,669      | 50,885      |
|      | 3     | 50,866     | 6,373      | 57,239      |
|      | 4     | 45,697     | 6,171      | 51,868      |
|      | 5     | 47,868     | 6,306      | 54,174      |
|      | 6     | 47,986     | 5,791      | 53,777      |
|      | 7     | 43,775     | 5,353      | 49,128      |
|      | 8     | 46,764     | 5,778      | 52,542      |
|      | 9     | 45,152     | 7,429      | 52,581      |
|      | 10    | 46,853     | 8,299      | 55,152      |
|      | 11    | 45,300     | 8,599      | 53,899      |
|      | 12    | 44,833     | 6,930      | 51,763      |
| 2017 | 1     | 44,271     | 5,770      | 50,041      |
|      | 2     | 41,479     | 5,736      | 47,215      |
|      | 3     | 49,850     | 6,764      | 56,614      |
|      | 4     | 44,628     | 5,700      | 50,328      |
|      | 5     | 47,708     | 5,908      | 53,616      |
|      | 6     | 46,704     | 5,816      | 52,520      |
|      | 7     | 44,973     | 5,466      | 50,439      |
|      | 8     | 47,838     | 5,722      | 53,560      |
|      | 9     | 42,619     | 5,071      | 47,690      |
|      | 10    | 45,928     | 5,674      | 51,602      |
|      | 11    | 44,458     | 5,601      | 50,059      |
|      | 12    | 40,671     | 5,516      | 46,187      |
| 2018 | 1     | 45,071     | 5,506      | 50,577      |
|      | 2     | 41,127     | 5,496      | 46,623      |
|      | 3     | 47,657     | 5,638      | 53,295      |
|      | 4     | 44,334     | 5,800      | 50,134      |
|      | 5     | 49,202     | 6,185      | 55,387      |
|      | 6     | 45,280     | 5,571      | 50,851      |
|      | 7     | 46,183     | 5,527      | 51,710      |
|      | 8     | 37,195     | 6,131      | 43,326      |
|      | 9     | 41,883     | 5,152      | 47,035      |
|      | 10    | 45,899     | 5,677      | 51,576      |
|      | 11    | 41,899     | 5,714      | 47,613      |
|      | 12    | 41,762     | 6,066      | 47,828      |
| 2019 | 1     | 43,915     | 6,483      | 50,398      |
|      | 2     | 37,849     | 5,290      | 43,139      |
|      | 3     | 41,669     | 5,789      | 47,458      |
|      | 4     | 44,577     | 6,112      | 50,689      |
|      | 5     | 41,637     | 6,616      | 48,253      |
|      | 6     | 41,776     | 5,955      | 47,731      |
|      | 7     | 42,960     | 6,063      | 49,023      |
|      | 8     | 42,849     | 6,547      | 49,396      |
|      | 9     | 38,847     | 5,431      | 44,278      |
|      | 10    | 43,682     | 6,221      | 49,903      |
|      | 11    | 38,090     | 6,075      | 44,165      |
|      | 12    | 38,611     | 6,250      | 44,861      |
| 2020 | 1     | 39,943     | 6,138      | 46,081      |
|      | 2     | 36,759     | 5,758      | 42,517      |
|      | 3     | 38,481     | 5,860      | 44,341      |
|      | 4     | 24,133     | 4,340      | 28,473      |
|      | 5     | 26,412     | 3,898      | 30,310      |

Revenue Tonnage by Customer Category

| Year          | Month | Intrastate | Interstate | Grand Total |
|---------------|-------|------------|------------|-------------|
| 2016          | 1     | 293,059    | 381,122    | 674,181     |
|               | 2     | 288,066    | 359,890    | 647,956     |
|               | 3     | 313,191    | 395,767    | 708,958     |
|               | 4     | 314,244    | 373,262    | 687,506     |
|               | 5     | 318,756    | 371,473    | 690,229     |
|               | 6     | 327,502    | 365,065    | 692,567     |
|               | 7     | 288,478    | 333,197    | 621,675     |
|               | 8     | 330,081    | 366,974    | 697,054     |
|               | 9     | 313,222    | 397,805    | 711,027     |
|               | 10    | 317,766    | 426,869    | 744,635     |
|               | 11    | 299,707    | 434,828    | 734,535     |
|               | 12    | 305,961    | 424,152    | 730,113     |
| 2017          | 1     | 308,344    | 366,462    | 674,805     |
|               | 2     | 276,752    | 343,491    | 620,243     |
|               | 3     | 320,179    | 400,913    | 721,092     |
|               | 4     | 300,591    | 349,565    | 650,156     |
|               | 5     | 321,867    | 372,680    | 694,547     |
|               | 6     | 319,337    | 361,378    | 680,714     |
|               | 7     | 314,850    | 351,708    | 666,558     |
|               | 8     | 338,021    | 362,772    | 700,793     |
|               | 9     | 292,697    | 313,591    | 606,288     |
|               | 10    | 311,544    | 351,719    | 663,263     |
|               | 11    | 306,571    | 360,244    | 666,815     |
|               | 12    | 300,271    | 332,974    | 633,245     |
| 2018          | 1     | 331,208    | 349,126    | 680,334     |
|               | 2     | 295,045    | 340,401    | 635,446     |
|               | 3     | 347,458    | 356,431    | 703,889     |
|               | 4     | 332,791    | 356,373    | 689,164     |
|               | 5     | 349,222    | 376,104    | 725,327     |
|               | 6     | 340,816    | 340,617    | 681,433     |
|               | 7     | 345,181    | 345,910    | 691,091     |
|               | 8     | 304,632    | 375,102    | 679,735     |
|               | 9     | 308,166    | 314,411    | 622,577     |
|               | 10    | 350,176    | 345,615    | 695,792     |
|               | 11    | 309,675    | 351,879    | 661,554     |
|               | 12    | 307,910    | 373,306    | 681,216     |
| 2019          | 1     | 326,445    | 374,117    | 700,562     |
|               | 2     | 285,402    | 340,523    | 625,925     |
|               | 3     | 304,339    | 358,216    | 662,555     |
|               | 4     | 333,521    | 376,319    | 709,840     |
|               | 5     | 324,750    | 377,416    | 702,166     |
|               | 6     | 311,600    | 354,612    | 666,212     |
|               | 7     | 325,888    | 376,085    | 701,974     |
|               | 8     | 324,794    | 402,186    | 726,980     |
|               | 9     | 292,830    | 329,088    | 621,918     |
|               | 10    | 324,069    | 377,901    | 701,970     |
|               | 11    | 289,021    | 356,186    | 645,207     |
|               | 12    | 283,628    | 380,652    | 664,280     |
| 2020          | 1     | 296,549    | 380,890    | 677,439     |
|               | 2     | 274,972    | 345,298    | 620,270     |
|               | 3     | 295,921    | 382,960    | 678,881     |
|               | 4     | 199,616    | 271,876    | 471,493     |
|               | 5     | 209,699    | 243,228    | 452,927     |
| 2020 Forecast | 6     | 238,429    | 286,755    | 525,184     |
|               | 7     | 240,923    | 315,844    | 556,768     |
|               | 8     | 254,039    | 313,469    | 567,508     |
|               | 9     | 256,990    | 311,274    | 568,264     |
|               | 10    | 278,533    | 362,622    | 641,155     |
|               | 11    | 252,280    | 328,520    | 580,800     |
|               | 12    | 274,147    | 339,582    | 613,729     |

Data sources:

- Historical volumes originate from FACE.
- Historical revenues originate from SAP.
- 2020 Forecasted volumes reflect the volumes associated with the company's forecasted revenues.

| Adj.#     | Docket No. | Reference | Description  | USoA    | USoA Description                           | Included in Temporary Rate Increase |                        | Excluded from Temporary Rate Filing |   | Comment  |
|-----------|------------|-----------|--|---------|--|-------------------------------------|------------------------|-------------------------------------|---|--|
|           |            |           |  |         |  | Amount                              | True-Ups & Corrections | Temporary Rate Adj's                | Total Adjustment in Temporary Rate Filing |  |
| 2019-0117 | CA-R-176   |           | Bank Charges   | 726.0.0 | Other Cargo Handling                       | (48,790)                            |                        |                                     | -   | (48,790) The bank credit card service charges budgeted for 2020 include a proxy for potential increased bank credit card service charges in the latter part of 2020. The Company increased the fourth quarter budget by 20-percent. The proxy was used primarily due to a trending increase in bank fees that Young Brothers experienced from 2016 through 2019, as well as the potential for a rate increase, which would increase credit card charges that in turn increase credit card bank charges assessed to Young Brothers. The Company is excluding this adjustment from temporary rate increase, as 2020 year-to-date charges are on track with budget. |
| 2019-0117 | CA-R-183   |           | Barge Terminal Supervisor - Wage Rate Correction     | 721.0.0 | Wages                                      | (39,214)                            | (39,214)               |                                     | (39,214)                                  | (19,998) Not considered for temporary rate relief filing, as the reorganization will not result in any changes to YB-direct expenses.  |
| 2019-0117 | CA-R-201   |           | Shared Svcs - IT Director                            | 788.0.1 | Allocated Expenses - Foss Shared Services  | (19,998)                            |                        |                                     | -   |  |
| 2019-0117 | CA-R-327   |           | Shared Svcs - 2020 Budget Revisions                  | 788.0.1 | Allocated Expenses - Foss Shared Services  | (31,105)                            | (31,105)               |                                     | (31,105)                                  |  |
| 2019-0117 | CA-R-202   |           | Shared Svcs - IT Ops Allocation Methodology          | 788.0.1 | Allocated Expenses - Foss Shared Services  | (133,558)                           |                        |                                     | (133,558)                                 |  |
| 2019-0117 | CA-R-335   |           | Shared Svcs - IT Ops Allocation Methodology          | 788.0.1 | Allocated Expenses - Foss Shared Services  | (46,455)                            | (46,455)               |                                     | (46,455)                                  |  |
| 2019-0117 | CA-R-212   |           | "H&M Marine Package" Insurance Exp                   | 749.0.0 | Insurance, Hull and Machinery              | NQ                                  |                        |                                     | -   |  |
| 2019-0117 | CA-R-228   |           | CGET Amortization - Refundable Tax Credit            | 966.0.0 | Provision for Deferred State Income Taxes  | (136,447)                           |                        |                                     | -   | (136,447) Not to be considered for temporary rate relief, as there is no earned return; therefore no income tax expense to offset. The Company includes this for reference and to be considered in the general rate case permanent increase.   |
| 2019-0117 | CA-R-271   |           | General Excise Tax                                   | 801.0.0 | Gross Excise Tax                           | (152,999)                           | (152,999)              |                                     | (152,999)                                 |  |
| 2019-0117 | CA-R-285   |           | DOT-H Designated Storage                             | 726.0.0 | Other Cargo Handling                       | (308,467)                           | (308,467)              |                                     | (308,467)                                 |  |
| 2019-0117 | CA-R-285   |           | Self-reported Containers                             | 726.0.0 | Other Cargo Handling                       | (1,068,000)                         |                        |                                     | -   | (1,068,000) The 2020 budget includes approximately \$89,000 per month (approximately \$1,068,000 per year) for self-reported containers storage costs related to H&R \$19-44-4.3. The Company is obligated to pay the storage costs to the DOT-H. However, Young Brothers is finalizing its internal reporting and currently accruing these costs, but has not remitted payment. As such, this amount is excluded from the temporary rate relief filing, as it remains an obligation of the Company.   |
| 2020-0084 | CA-R-10    |           | FMC-HI Tow Agreement                                 | 756.0.0 | Tug Expenses                               | (73,075)                            |                        |                                     | -   | (73,075) Estimate of presently known savings, resulting from temporary vendor rate reduction received due to present dire financial conditions. Not considered for temporary rate relief as not expected to be permanent reduction.  |
| 2020-0084 | CA-R-10    |           | In-Source Select Shared Svcs Functions - Acc. & Fin. | 788.0.1 | Allocated Expenses - Foss Shared Services  | (660,000)                           |                        |                                     | -   | (660,000) Estimate of savings resulting from transition of Young Brothers work from Foss Shared Services employees to Young Brothers employees. Evaluation of Young Brothers staff levels to sustain this work is needed in order to determine long-term sustainability. Therefore, not included in temporary rate filing since reduction in shared services will be offset by increase in YB costs to perform the services no longer provided by Shared Services. Such costs have not yet been determined.  |
| 2020-0084 | CA-R-10    |           | Negotiated Vendor Discounts                          | 775.0.1 | Outside Services                           | (91,095)                            |                        |                                     | -   | (91,095) Estimate of presently known savings, resulting from temporary vendor rate reduction received due to present dire financial conditions. Not considered for temporary rate relief as the cost reductions are not expected to be permanent reduction.  |
| 2020-0084 | CA-R-10    |           | Negotiated Vendor Discounts                          | 796.0.1 | Other Maintenance Department Expenses -    | (29,779)                            |                        |                                     | -   | (29,779)   |
| 2020-0084 | CA-R-10    |           | Negotiated Vendor Discounts                          | 779.0.1 | Membership Dues and Subscriptions          | (19,200)                            |                        |                                     | -   | (19,200)   |
| 2020-0084 | CA-R-10    |           | Negotiated Vendor Discounts                          | 751.0.0 | Charter Hire                               | (30,500)                            |                        |                                     | -   | (30,500)   |
| 2020-0084 | CA-R-10    |           | Negotiated Vendor Discounts                          | 781.0.1 | Traveling Expenses                         | (15,000)                            |                        |                                     | -   | (15,000)   |
| 2020-0084 | CA-R-11    |           | Employee Layoffs, Deferred Hiring & Reorganization   | 721.0.0 | Wages                                      | (177,000)                           |                        |                                     | -   | (177,000)  |
| 2020-0084 | CA-R-11    |           | Employee Layoffs, Deferred Hiring & Reorganization   | 722.0.0 | Payroll Taxes                              | (13,541)                            |                        |                                     | -   | (13,541)   |
| 2020-0084 | CA-R-11    |           | Employee Layoffs, Deferred Hiring & Reorganization   | 723.0.0 | Contributions, Welfare Plans               | (48,410)                            |                        |                                     | -   | (48,410)   |
| 2020-0084 | CA-R-11    |           | Employee Layoffs, Deferred Hiring & Reorganization   | 731.0.1 | Wages - Maintenance Shoreline              | (76,500)                            |                        |                                     | -   | (76,500)   |
| 2020-0084 | CA-R-11    |           | Employee Layoffs, Deferred Hiring & Reorganization   | 731.0.2 | Wages - Maintenance Vessel                 | (51,000)                            |                        |                                     | -   | (51,000)   |
| 2020-0084 | CA-R-11    |           | Employee Layoffs, Deferred Hiring & Reorganization   | 732.0.1 | Payroll Taxes - Maintenance Shoreline      | (5,852)                             |                        |                                     | -   | (5,852)  |
| 2020-0084 | CA-R-11    |           | Employee Layoffs, Deferred Hiring & Reorganization   | 732.0.2 | Payroll Taxes - Maintenance Vessel         | (3,902)                             |                        |                                     | -   | (3,902)  |
| 2020-0084 | CA-R-11    |           | Employee Layoffs, Deferred Hiring & Reorganization   | 733.0.1 | Contributions, Welfare Plans - Maintenance | (20,923)                            |                        |                                     | -   | (20,923)   |
| 2020-0084 | CA-R-11    |           | Employee Layoffs, Deferred Hiring & Reorganization   | 733.0.2 | Contributions, Welfare Plans - Maintenance | (13,949)                            |                        |                                     | -   | (13,949)   |
| 2020-0084 | CA-R-11    |           | Employee Layoffs, Deferred Hiring & Reorganization   | 741.0.0 | Wages                                      | (818,913)                           |                        |                                     | -   | (818,913)  |
| 2020-0084 | CA-R-11    |           | Employee Layoffs, Deferred Hiring & Reorganization   | 742.0.0 | Payroll Taxes                              | (62,647)                            |                        |                                     | -   | (62,647)   |
| 2020-0084 | CA-R-11    |           | Employee Layoffs, Deferred Hiring & Reorganization   | 743.0.0 | Contributions, Welfare Plans               | (223,973)                           |                        |                                     | -   | (223,973)  |
| 2020-0084 | CA-R-11    |           | Employee Layoffs, Deferred Hiring & Reorganization   | 772.0.1 | Other Administrative and General Salaries  | (575,050)                           |                        |                                     | -   | (575,050)  |
| 2020-0084 | CA-R-11    |           | Employee Layoffs, Deferred Hiring & Reorganization   | 773.0.1 | Payroll Taxes                              | (43,991)                            |                        |                                     | -   | (43,991)   |
| 2020-0084 | CA-R-11    |           | Employee Layoffs, Deferred Hiring & Reorganization   | 774.0.1 | Contributions, Welfare Plans               | (157,276)                           |                        |                                     | -   | (157,276)  |

Opex Items Considered



| Adj.#       | Docket No. | Reference | Description                                  | USoA    | USoA Description                             | Increase        |                        | Total Adjustment in  |                       | Filing            |                       |
|-------------|------------|-----------|--|---------|--|-----------------|------------------------|----------------------|-----------------------|-------------------|-----------------------|
|             |            |           |  |         |  | Amount          | True-Ups & Corrections | Temporary Rate Adj's | Temporary Rate Filing | Temporary Savings | No Adjustment Comment |
| 7           | 2020-0084  | CAIR-20   | Revised Capital Forecast (5+7)               | 851.0.1 | Depreciation; Floating Vessels - Towing Tugs | (33,271)        | (33,271)               |                      | (33,271)              |                   |                       |
| 7           | 2020-0084  | CAIR-20   | Revised Capital Forecast (5+7)               | 851.0.2 | Depreciation; Floating Vessels - Harbor Tugs | (231)           | (231)                  |                      | (231)                 |                   |                       |
| 7           | 2020-0084  | CAIR-20   | Revised Capital Forecast (5+7)               | 851.0.3 | Depreciation; Floating Vessels - Deck Barges | 20,610          | 20,610                 |                      | 20,610                |                   |                       |
| 7           | 2020-0084  | CAIR-20   | Revised Capital Forecast (5+7)               | 851.0.1 | Depreciation; Terminal Property and Equipn   | 50,462          | 50,462                 |                      | 50,462                |                   |                       |
| 7           | 2020-0084  | CAIR-20   | Revised Capital Forecast (5+7)               | 853.0.2 | Depreciation; Terminal Property and Equipn   | 3,489           | 3,489                  |                      | 3,489                 |                   |                       |
| 7           | 2020-0084  | CAIR-20   | Revised Capital Forecast (5+7)               | 853.0.3 | Depreciation; Terminal Property and Equipn   | (12,854)        | (12,854)               |                      | (12,854)              |                   |                       |
| 7           | 2020-0084  | CAIR-20   | Revised Capital Forecast (5+7)               | 853.0.4 | Depreciation; Terminal Property and Equipn   | 52,346          | 52,346                 |                      | 52,346                |                   |                       |
| 7           | 2020-0084  | CAIR-20   | Revised Capital Forecast (5+7)               | 854.0.1 | Depreciation; Other Shipping Property and I  | 69              | 69                     |                      | 69                    |                   |                       |
| 7           | 2020-0084  | CAIR-20   | Revised Capital Forecast (5+7)               | 854.0.3 | Depreciation; Other Shipping Property and I  | 1,693           | 1,693                  |                      | 1,693                 |                   |                       |
| 8           | 2020-0084  | CAIR-20   | Depreciation Accrual Rates - Settlement      | 851.0.1 | Depreciation; Floating Vessels - Towing Tugs | (853,999)       |                        | (853,999)            |                       |                   |                       |
| 8           | 2020-0084  | CAIR-20   | Depreciation Accrual Rates - Settlement      | 851.0.2 | Depreciation; Floating Vessels - Harbor Tugs | (58,658)        |                        | (58,658)             |                       |                   |                       |
| 8           | 2020-0084  | CAIR-20   | Depreciation Accrual Rates - Settlement      | 851.0.3 | Depreciation; Floating Vessels - Deck Barges | (407,514)       |                        | (407,514)            |                       |                   |                       |
| 8           | 2020-0084  | CAIR-20   | Depreciation Accrual Rates - Settlement      | 853.0.1 | Depreciation; Terminal Property and Equipn   | (176,283)       |                        | (176,283)            |                       |                   |                       |
| 8           | 2020-0084  | CAIR-20   | Depreciation Accrual Rates - Settlement      | 853.0.3 | Depreciation; Terminal Property and Equipn   | (1,289)         |                        | (1,289)              |                       |                   |                       |
| 8           | 2020-0084  | CAIR-20   | Depreciation Accrual Rates - Settlement      | 853.0.4 | Depreciation; Terminal Property and Equipn   | (4,876)         |                        | (4,876)              |                       |                   |                       |
| 2020-0084   | CAIR-2     |           | Reduced Sailing Schedule                     | 721.0.0 | Wages  | (6,362,652)     |                        |                      |                       | (6,362,652)       |                       |
| 2020-0084   | CAIR-2     |           | Reduced Sailing Schedule                     | 722.0.0 | Payroll Taxes                                | (486,743)       |                        |                      |                       | (486,743)         |                       |
| 2020-0084   | CAIR-2     |           | Reduced Sailing Schedule                     | 731.0.1 | Wages - Maintenance Shoreside                | (527,238)       |                        |                      |                       | (527,238)         |                       |
| 2020-0084   | CAIR-2     |           | Reduced Sailing Schedule                     | 731.0.2 | Wages - Maintenance Vessel                   | (264,632)       |                        |                      |                       | (264,632)         |                       |
| 2020-0084   | CAIR-2     |           | Reduced Sailing Schedule                     | 732.0.1 | Payroll Taxes - Maintenance Shoreside        | (40,334)        |                        |                      |                       | (40,334)          |                       |
| 2020-0084   | CAIR-2     |           | Reduced Sailing Schedule                     | 732.0.2 | Payroll Taxes - Maintenance Vessel           | (20,244)        |                        |                      |                       | (20,244)          |                       |
| 2020-0084   | CAIR-2     |           | Reduced Sailing Schedule                     | 741.0.0 | Wages  | (1,329,497)     |                        |                      |                       | (1,329,497)       |                       |
| 2020-0084   | CAIR-2     |           | Reduced Sailing Schedule                     | 742.0.0 | Payroll Taxes                                | (101,707)       |                        |                      |                       | (101,707)         |                       |
| 2020-0084   | CAIR-2     |           | Reduced Sailing Schedule                     | 743.0.0 | Contributions, Welfare Plans                 | (331,171)       |                        |                      |                       | (331,171)         |                       |
| 2020-0084   | CAIR-19(a) |           | Freeze Wage Increases: Non-BU Employees      | 721.0.0 | Wages  | (49,504)        |                        |                      |                       | (49,504)          |                       |
| 2020-0084   | CAIR-19(a) |           | Freeze Wage Increases: Non-BU Employees      | 731.0.1 | Wages - Maintenance Shoreside                | (10,923)        |                        |                      |                       | (10,923)          |                       |
| 2020-0084   | CAIR-19(a) |           | Freeze Wage Increases: Non-BU Employees      | 731.0.2 | Wages - Maintenance Vessel                   | (7,282)         |                        |                      |                       | (7,282)           |                       |
| 2020-0084   | CAIR-19(a) |           | Freeze Wage Increases: Non-BU Employees      | 772.0.1 | Other Administrative and General Salaries    | (95,919)        |                        |                      |                       | (95,919)          |                       |
| 2020-0084   | CAIR-19(a) |           | Freeze Wage Increases: Non-BU Employees      | 722.0.0 | Payroll Taxes                                | (3,787)         |                        |                      |                       | (3,787)           |                       |
| 2020-0084   | CAIR-19(a) |           | Freeze Wage Increases: Non-BU Employees      | 732.0.1 | Payroll Taxes - Maintenance Shoreside        | (836)           |                        |                      |                       | (836)             |                       |
| 2020-0084   | CAIR-19(a) |           | Freeze Wage Increases: Non-BU Employees      | 732.0.2 | Payroll Taxes - Maintenance Vessel           | (557)           |                        |                      |                       | (557)             |                       |
| 2020-0084   | CAIR-19(a) |           | Freeze Wage Increases: Non-BU Employees      | 773.0.1 | Payroll Taxes                                | (6,605)         |                        |                      |                       | (6,605)           |                       |
| 2020-0084   | CAIR-19(b) |           | Temporary Salary Cuts: Executive Leadership  | 721.0.0 | Wages  | (8,240)         |                        |                      |                       | (8,240)           |                       |
| 2020-0084   | CAIR-19(b) |           | Temporary Salary Cuts: Executive Leadership  | 731.0.1 | Wages - Maintenance Shoreside                | (4,017)         |                        |                      |                       | (4,017)           |                       |
| 2020-0084   | CAIR-19(b) |           | Temporary Salary Cuts: Executive Leadership  | 731.0.2 | Wages - Maintenance Vessel                   | (2,678)         |                        |                      |                       | (2,678)           |                       |
| 2020-0084   | CAIR-19(b) |           | Temporary Salary Cuts: Executive Leadership  | 741.0.0 | Wages  | (9,100)         |                        |                      |                       | (9,100)           |                       |
| 2020-0084   | CAIR-19(b) |           | Temporary Salary Cuts: Executive Leadership  | 771.0.1 | Salaries of Officers                         | (41,803)        |                        |                      |                       | (41,803)          |                       |
| 2020-0084   | CAIR-22    |           | Postpone Maintenance & Repair - Kalamia      | 745.0.0 | Repairs and Maintenance                      | (320,000)       |                        |                      |                       | (320,000)         |                       |
| 2020-0084   | CAIR-22    |           | Postpone Maintenance & Repair - Kapena-3 & 4 | 745.0.0 | Repairs and Maintenance                      | (75,000)        |                        |                      |                       | (75,000)          |                       |
| Grand Total |            |           |  |         |  | \$ (16,765,663) | \$ (675,765)           | \$ (1,502,620)       | \$ (2,178,385)        | \$ (12,652,043)   | \$ (1,093,235)        |

Temporary savings reflect measures that were put into place to address Young Brothers' current dire financial situation resulting and the need to preserve the Company's available cash reserves until such time that Young Brothers is authorized to increase the present intrastate tariff rates that are non-compensatory rates and result in a NOL. The sailing schedule changes are not meant to continue if and when the Company receives a general rate increase authorizing Young Brothers to charge compensatory rates for the transport of intrastate cargo between YB's seven ports.

Represents annual savings resulting from the temporary removal of the 3% merit increase that was included in budget for non-bargaining employees. The adjustment is not considered in temporary rate relief filing as this temporary measure is not a sustainable action in the long-term. This measure was implemented due to Young Brothers' present dire financial situation requiring the need to preserve the Company's available cash reserves. The temporary measure is not expected to continue when Young Brothers is able to charge compensatory rates for the transport of intrastate cargo between the seven ports in the State.

Represents annual savings resulting from the temporary cut off of executive compensation. The adjustment is not considered in temporary rate relief filing as this temporary measure is not a sustainable action in the long-term. This measure was implemented due to Young Brothers' present dire financial situation requiring the need to preserve the Company's available cash reserves. The temporary measure is not expected to continue when Young Brothers is able to charge compensatory rates for the transport of intrastate cargo between the seven ports in the State.

Represents maintenance costs included in 2020 budget that are being deferred until 2021. The adjustments are not considered for Temporary Rate Relief as this is not a permanent savings and the deferral is only being made due to dire financial condition of the Company resulting from non-compensatory rates.

## MEMORANDUM

**TO:** Jay Ana  
Chris Edwards  
Kris Nakagawa  
**Young Brothers, LLC**

**FROM:** Warren Fischer, C.P.A.  
Gus Ankum  
*QSI Consulting, Inc.*

**DATE:** July 7, 2020

**RE:** YB\_BIP COS Jurisdictional Cost Allocation Factor Changes

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### I. EXECUTIVE SUMMARY

**Objective:** To calculate revised jurisdictional cost allocation factors for the revenue requirement calculation, to be filed in Young Brothers' Motion for Leave and For Emergency or Temporary Rate Relief in Docket No. 2019-0117.

The revised jurisdictional cost allocation factors reflect the following:

1. All changes to which Young Brothers agreed in its responses to information requests propounded by the Division of Consumer Advocacy ("Consumer Advocate") in the case;
2. Additional changes identified by internal review while incorporating changes in accordance the Consumer Advocate's information requests; and
3. Revised cargo revenue tonnage by commodity, reflecting the revised TY2020 volume forecast.

Of the 38 total adjustments made to the Young Brothers Business Intelligence Platform Cost of Service ("YB\_BIP COS") model, 24 were to implement changes identified by the Consumer Advocate and 14 were the result of internal review while researching the mechanics of making the Consumer Advocate's adjustments. The cumulative impact of these changes on regulated operating expenses and the resulting jurisdictional cost factors are summarized in the table below.



## MEMORANDUM

### YB\_BIP COS Jurisdictional Cost Allocation Factor Changes

| CHANGES TO REGULATED EXPENSES FROM ORIGINAL APPLICATION       | CUMULATIVE REGULATED OPERATING EXPENSE INCREASE (DECREASE) | CUMULATIVE REGULATED COST ALLOCATION FACTOR INCREASE (DECREASE) |
|---|--|---|
| RESPONSES TO CA-IRS (244, 245, 249, 263, 351, and 352)        | \$ 3,066,030   | 2.35%   |
| INTERNAL REVIEW + CA-IRS                                      | \$ 3,442,525   | 2.63%   |
| REVISED CARGO VOLUMES BY COMMODITY + INTERNAL REVIEW + CA-IRS | \$ 2,076,146   | 1.59%   |

The changes in regulated operating expense factors by operating expense category are summarized in the table below.

| DESCRIPTION  | ALLOCATOR | REVISED RATIO | AS FILED RATIO | DIFFERENCE RATIO |
|--|-----------|---------------|----------------|------------------|
| <b>Operating Expense</b>   |           |               |                |                  |
| Voyage Expense   | CVOY      | 53.46%        | 55.08%         | -1.62%           |
| Cargo Handling Expense, Less Cargo Insurance Premium               | CCH       | 87.31%        | 83.44%         | 3.87%            |
| Administrative & General, Less Rate Case and Gratis Contra Expense | CA&G      | 75.22%        | 73.55%         | 1.67%            |
| GET Tax Expense  | GETX      | 92.00%        | 92.00%         | 0.00%            |
| Real Property Expense  | RPTX      | 67.11%        | 67.11%         | 0.00%            |
| Operating Expense Total, Excluding Income Tax                      | OET       | 74.64%        | 73.06%         | 1.59%            |

## II. CHANGES IN ACCORDANCE WITH CONSUMER ADVOCATE INFORMATION REQUESTS

Most of the revised jurisdictional cost allocation factors incorporate adjustments made to address questions raised by the Consumer Advocate in its Third, Fifth, and Sixth Submissions of Information Requests to Young Brothers, in which it probed the following:

1. The assignment of equipment costs to the commodity and contract combinations (“COM\_CONs”)<sup>1</sup> used in the YB\_BIP COS model, and
2. Adjustments made to revenue tonnage to account for the impact of non-containerized cargo on the utilization of barge deck space.

Specifically, the Consumer Advocate identified various forklifts, containers, flat racks, and platforms that should either be assigned to, or removed from, specific commodities handled by

<sup>1</sup> COM\_CONs are used to jurisdictionally allocate voyage and cargo handling costs between regulated and unregulated operations.

## MEMORANDUM

### *YB\_BIP COS Jurisdictional Cost Allocation Factor Changes*

the (1) Barge, Load & Discharge and (2) Freight Consolidation & Handling functions within Young Brothers' shoreside operations. The Consumer Advocate also challenged the application of barge deck space adjustment and high-cube container<sup>2</sup> adjustment factors to certain COM\_CONs used in calculating both voyage and cargo handling costs. The Consumer Advocate maintained that these factors should, instead, have been applied to voyage costs only. Young Brothers agreed with each of these changes and incorporated the results in revised runs of YB\_BIP COS in response to CA-IR-308 and CA-IR-356.

Three of the 24 individual adjustments to the YB\_BIP COS Model that the Consumer Advocate recommended (produced as Confidential Attachment 1 to CA-IR-356) accounted for virtually all of the increase in regulated operating expenses. They are:

1. The assignment of 40-ton forklift equipment costs to 20-foot containers in addition to 40-foot and 45-foot containers, 40-foot flat racks, and ISO tanks;
2. Removing assignment of 35-ton forklift equipment costs from Matson and Pasha 40-foot and 45-foot containers (since these containers must be moved by 40-ton forklifts); and
3. The assignment of 20-ton, 27-ton, 35-ton, and 40-ton forklift costs to all commodities moved on flat racks in both the Barge, Load & Discharge and Freight Consolidation & Handling functions.

The remaining 21 Consumer Advocate adjustments are smaller in magnitude, and their impacts essentially offset one another in total.

### III. INTERNAL REVIEW ADJUSTMENTS

Of the 38 total adjustments made to the YB\_BIP COS model, 14 were identified after further internal review of YB\_BIP COS model inputs and assumptions. One of these adjustments – the elimination of the deck space adjustment factor applied to flat racks – accounted, however, for virtually all of the increase in regulated expenses. This impact can be understood by noting that the vast majority of the revenue tonnage associated with the flat rack commodities was

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<sup>2</sup> As described in YB T-9, p. 57, high-cube containers are 40-foot containers that are 9.5 feet high rather than the standard 8.5 feet which results in a revenue tonnage value of 76 rather than the 68 revenue tons associated with standard 40-foot containers. Young Brothers' Freight and Container Equipment system ("FACE") system uses 68 revenue tons for all 40-foot containers without distinction between standard and high-cube containers. The high-cube adjustment factor on YB\_BIP COS adjusts revenue tonnage associated with high-cube containers to 76.

## MEMORANDUM

### *YB\_BIP COS Jurisdictional Cost Allocation Factor Changes*

attributable to Young Brothers' unregulated customers. As a result, a reduction of revenue tonnage associated with the unregulated customers shifts costs to the regulated operations.

#### IV. FORECASTED REDUCTION IN CARGO VOLUME

Due to the adverse impact of COVID-19, Young Brothers is forecasting a 13.6% decline in revenue tonnage for the full year 2020 (6,954,417<sup>3</sup> vs. 8,048,780, filed with the TY2020 application). Revenue tonnage serves as a jurisdictional allocator of voyage, Barge, Load & Discharge, and Freight Consolidation & Handling costs within the YB\_BIP COS model.

In its original application, Young Brothers used 2018 actual cargo volumes as a baseline to forecast its TY2020 cargo volumes. The TY2020 growth factors used to adjust 2018 volumes were calculated by contract type in its Volumetric Freight Model (see YB-1501) as follows.

| Name          | Adjusted Tonnage | Target Tonnage   | Variance | Factor |
|---------------|------------------|------------------|----------|--------|
| Public Tariff | 3,702,925        | 3,742,783        | 0        | -4.54% |
| USPS          | 39,858           |                  |          | -4.54% |
| Pasha         | 3,567,130        | 3,567,130        | 0        | 2.70%  |
| Matson        | 373,043          | 373,043          | 0        | -5.57% |
| AML           | 206,647          | 206,647          | 0        | 3.78%  |
| Sause         | 150,999          | 150,999          | 0        | 1.49%  |
| HQ SDDC       | 8,178            | 8,178            | 0        | -0.32% |
| <b>Total</b>  | <b>8,048,780</b> | <b>8,048,780</b> | <b>0</b> |        |

The revised Volumetric Freight Model, provided as CA-IR-12 Att. 1 in response to CA-IR-12 in Docket No. 2020-0084 (the Emergency Investigative Proceeding), produced the following growth factors by contract type.<sup>4</sup>

<sup>3</sup> See FACE 118 - 2020 Emergency Docket 07022020.xlsx.

<sup>4</sup> The growth factors for Young Brothers' unregulated carrier customers were calculated uniformly as Interstate or Unregulated in the Volumetric Freight Model instead of being forecast by individual carrier.

## MEMORANDUM

### *YB\_BIP COS Jurisdictional Cost Allocation Factor Changes*

| Name          | Adjusted Tonnage | Target Tonnage   | Variance | Factor  |
|---------------|------------------|------------------|----------|---------|
| Public Tariff | 3,039,383        | 3,072,099        | 0        | -21.64% |
| USPS          | 32,716           |                  |          | -21.64% |
| Pasha         | 3,192,039        | 3,882,318        | 0        | -8.10%  |
| Matson        | 363,027          |                  |          | -8.10%  |
| AML           | 182,982          |                  |          | -8.10%  |
| Sause         | 136,730          |                  |          | -8.10%  |
| HQ SDDC       | 7,540            |                  |          | -8.10%  |
| <b>Total</b>  | <b>6,954,417</b> | <b>6,954,417</b> | <b>0</b> |         |

The revised revenue tonnage after applying these new growth factors was copied into the Microsoft Excel workbook used to produce Attachment 1 to CA-IR-356 (the YB\_BIP COS model version incorporating all adjustments prior to the revised forecast).<sup>5</sup> It was then distributed to the COM\_CONs used to jurisdictionally separate voyage and cargo handling costs between regulated and unregulated operations as well as the related General & Administrative costs.<sup>6</sup> The original TY2020 operating expenses were used for the recalculation instead of revised expenses Young Brothers has calculated in response to Consumer Advocate information requests and operational changes due to its current financial circumstances. The revised operating expenses are being accounted for as ratemaking adjustments outside of the jurisdictional cost factor allocation process.

<sup>5</sup> See tab FACE 118 by Sailing Route.

<sup>6</sup> See tabs Report 10101, Report 10102, and Report 11104.



BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of

YOUNG BROTHERS, LLC

Application for Approval of a General Rate  
Increase and Certain Tariff Changes

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)  
) Docket No. 2019-0117  
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)

**DECLARATION OF JEREMIAH ANA**

I, JEREMIAH ANA, declare and state as follows:

1. I am the President of YOUNG BROTHERS, LLC ("Young Brothers," "YB," or the "Company").

2. I make this Declaration based on my personal knowledge and am competent to testify as to the matters stated herein.

3. I have reviewed Young Brothers, LLC's Motion for Leave and for Emergency or Temporary Rate Relief, the attached Memorandum in Support of Motion and Supporting Exhibits/Attachments, and hereby verify the factual contents of said Motion and that the same are true to the best of my knowledge, information, and belief.

I, JEREMIAH ANA, do declare under penalty of law that the foregoing is true and correct.

DATED: Honolulu, Hawaii, July 7, 2020.

  
\_\_\_\_\_  
JEREMIAH ANA

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

|  |   |                      |
|--|---|----------------------|
| In the Matter of the Application of        | ) | Docket No. 2019-0117 |
|  | ) |                      |
| YOUNG BROTHERS, LLC                        | ) |                      |
|  | ) |                      |
| Application for Approval of a General Rate | ) |                      |
| Increase and Certain Tariff Changes        | ) |                      |
| <hr/>                                      | ) |                      |

**DECLARATION OF CHRISTOPHER EDWARDS**

I, CHRISTOPHER EDWARDS, declare and state as follows:

1. I am the Director of Finance for YOUNG BROTHERS, LLC ("Young Brothers," "YB," or the "Company").
2. I make this Declaration based on my personal knowledge and am competent to testify as to the matters stated herein.
3. Attached hereto as Exhibit A is the 2020 Test Year Revenue Requirement supporting the Temporary rate increase in the amount of \$30,418,706.
4. Attached hereto as Exhibit B is the underlying support for the adjustments made to Young Brothers' pre-filed revenue requirement in order to determine the Temporary rate increase revenue requirement that would provide the Company with a reasonable opportunity to recover its operating costs and taxes, and "break-even."
5. I have reviewed Young Brothers, LLC's Motion for Leave and for Emergency or Temporary Rate Relief, the attached Memorandum in Support of Motion and Supporting Exhibits/Attachments referenced above, and hereby verify the factual

contents therein and that the same are true to the best of my knowledge, information, and belief.

I, CHRISTOPHER EDWARDS, do declare under penalty of law that the foregoing is true and correct.

DATED: Honolulu, Hawaii, July 7, 2020.



CHRISTOPHER EDWARDS

**CERTIFICATE OF SERVICE**

I (we) hereby certify that copies of the foregoing document were duly served on the following parties by having said copies delivered as set forth below:

DEPARTMENT OF COMMERCE AND CONSUMER  
AFFAIRS  
DIVISION OF CONSUMER ADVOCACY  
335 Merchant Street, Room 326  
Honolulu, Hawaii 96813  
[consumeradvocate@dcca.hawaii.gov](mailto:consumeradvocate@dcca.hawaii.gov)  
[dnishina@dcca.hawaii.gov](mailto:dnishina@dcca.hawaii.gov)

Via E-Mail

DATED: Honolulu, Hawaii, July 7, 2020.

/s/ David Y. Nakashima

JEFFREY T. ONO  
DAVID Y. NAKASHIMA  
JOHN E. DUBIEL

Attorneys for Applicant  
YOUNG BROTHERS, LLC



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COMMISSION

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