

AGENDA

WATER CARRIERS WORKING GROUP MEETING

JULY 15, 2021

1:00 – 3:30 PM

VIA ZOOM CONFERENCE MEETING

<https://us02web.zoom.us>

Meeting ID:

Passcode:

I. Welcome

II. Housekeeping

- Corrections to Group Memory from June 17, 2021 meeting solicited

III. Status Reports for Small Groups/Subcommittees

Groups will share their recommendations using the report template.

- Team representative will review any changes to the template made by the small group. For groups using the template for the first time, they can highlight any additions they made
- Questions, comments, or suggestions will be solicited after each report from WCWG members
- Sequence of reporting:
 - i. Pier Space
 - ii. Cargo
 - iii. Subsidized Shipping
 - iv. Sustainability and Profitability
 - v. Rates

(Note: Discussion of recommendations may be raised for WCWG to discuss.)

IV. Discussion of WCWG Member Participation in Writing Draft of Report

- Questions about the process of writing the report and the timeline

V. Suggestions for Meeting on August 19, 2021

VI. Conclude

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The public repository link is as follows:

<https://hawaiioint-my.sharepoint.com>

Password:

## PUC Water Carriers Working Group Meeting

June 17, 2021, 1:00 – 3:00 p.m.

(Virtual Meeting via Zoom)

### Meeting Attendees (in alphabetical order)

P = Present; A= Absent

|   | Name                                 | Title                        | Company                                                                                      |
|---|--------------------------------------|------------------------------|----------------------------------------------------------------------------------------------|
| P | Jay Ana                              | President                    | Young Brothers, LLC                                                                          |
| A | Makale‘a Ane                         | Environmental Coordinator    | County of Maui, Office of the Mayor, Office of Climate Action, Sustainability and Resilience |
| A | Vic Angoco                           | SVP                          | Matson Navigation Company, Inc.                                                              |
| P | Jesse Andrade                        | ILWU Member/Unit 4209 Chair  | International Longshore and Warehouse Union, Local 142                                       |
| P | M. Andrade for Representative Aquino |                              | House District 38 / Chair, House Committee on Transportation                                 |
| A | Henry J.C. Aquino                    | Representative               | House District 38 / Chair, House Committee on Transportation                                 |
| A | Nelisa Asato for Vic Angoco          |                              | Matson Navigation Company, Inc.                                                              |
| P | Jayne Nantkes                        | Committee Clerk              | Office of Representative Aquino                                                              |
| P | Leodoloff (Leo) R. Asuncion          | Commissioner                 | Public Utilities Commission                                                                  |
| A | Jade Butay                           | Director                     | Department of Transportation                                                                 |
| A | Rick Blangiardi                      | Mayor                        | City and County of Honolulu                                                                  |
| P | Michael Caswell                      | SVP                          | Pasha Stevedoring & Terminals L.P.                                                           |
| A | Catherine Awakuni Colón              | Director                     | Department of Commerce and Consumer Affairs                                                  |
| P | Derek J. Chow                        | Deputy Director              | Department of Transportation, Harbors Division                                               |
| P | Stacy Crivello                       | Community Liaison            | Maui County Mayor’s Office                                                                   |
| A | Michael Dahilig                      | Managing Director            | Kauai County – Office of the Mayor                                                           |
| P | Christopher Edwards                  |                              | Young Brothers, LLC                                                                          |
| P | Mary Alice Evans                     | Director, Office of Planning | Department of Business, Economic Development & Tourism                                       |
| P | James P. Griffin                     | Chair                        | Public Utilities Commission                                                                  |



|   |                                |                                                     |                                                                                                      |
|---|--------------------------------|-----------------------------------------------------|------------------------------------------------------------------------------------------------------|
| A | Matthew Gonser                 | Chief Resiliency Officer/Director                   | City and County of Honolulu – Mayor’s Office of Climate Change, Sustainability and Resiliency (CCSR) |
| P | Randy Grune (for Mike Caswell) | PASHA Managing Director                             | Hawaii Stevedores, Inc.                                                                              |
| A | William “Baba” Haole IV        | Division Director of Hawaii Longshore Division      | International Longshore and Warehouse Union, Local 142                                               |
| P | Steven Hunt                    | Deputy Finance Director                             | Hawaii County                                                                                        |
| P | Lauren Imada                   |                                                     | Young Brothers LLC                                                                                   |
| P | Lorraine R. Inouye             | Senator                                             | Senate District 4 / Chair, Senate Committee on Water and Land, Majority Whip                         |
| A | Richard Kamoe                  | Vice Division Director of Hawaii Longshore Division | International Longshore and Warehouse Union, Local 142                                               |
| A | Gilbert S.C. Keith-Agaran      | Senator                                             | Senate District 5 / Senate President designee                                                        |
| A | Mitch Roth                     | Mayor                                               | County of Hawaii                                                                                     |
| P | Keith Kiyotoki                 | Manager of Sales and Marketing                      | Young Brothers LLC                                                                                   |
| P | Brad Knowlton                  | Committee Clerk for Senator Inouye                  | Senate District 4 / Chair, Senate Committee on Water and Land, Majority Whip                         |
| A | Chris Lee                      | Senator                                             | Senate District 25/Chair, Senate Committee on Transportation                                         |
| A | Jennifer Lim                   |                                                     | Young Brothers LLC                                                                                   |
| A | Dr. Matthew Loke               |                                                     | HDOA                                                                                                 |
| A | Chris Martin                   | Director of Operations                              | Young Brothers LLC                                                                                   |
| P | Reiko Matsuyama                | Budget Director                                     | Kauai County – Office of the Mayor                                                                   |
| A | Mike McCartney                 | Director                                            | Department of Business, Economic Development & Tourism                                               |
| P | Kris Nakagawa                  | Vice President of External and Legal Affairs        | Young Brothers LLC                                                                                   |
| P | Mark M. Nakashima              | Representative                                      | House District 1 / House Speaker designee                                                            |
| A | Dean Nishina                   | Executive Director / Consumer Advocate              | Department of Commerce & Consumer Affairs – Division of Consumer Advocacy                            |

|   |                                     |                                                              |                                                                           |
|---|-------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------------------|
| P | Lisa Hiraoka                        |                                                              | Department of Commerce & Consumer Affairs – Division of Consumer Advocacy |
| P | Dori Palcovich (for Mike McCartney) | Administrator for the Small Business Regulatory Review Board | Department of Business, Economic Development & Tourism                    |
| A | Jennifer M. Potter                  | Commissioner                                                 | Public Utilities Commission                                               |
| A | Fred Robins for Baba Haole          |                                                              | ILWU                                                                      |
| P | Stevette Santiago                   | Director of HR                                               | Young Brothers LLC                                                        |
| P | Phyllis Shimabukuro-Geiser          | Chairperson                                                  | Department of Agriculture                                                 |
| A | David Veltry                        |                                                              | Young Brothers LLC                                                        |
| P | Corey Robertson                     |                                                              | Young Brothers LLC                                                        |
| A | Michael P. Victorino                | Mayor                                                        | Maui County                                                               |
| P | Mike Victorino, Jr.                 |                                                              | ILWU                                                                      |
|   | Public Utilities Commission Staff   |                                                              |                                                                           |
| A | Jodi Endo Chai                      | Executive Officer                                            | Public Utilities Commission                                               |
| A | Michael Chapman                     | Economist                                                    | Public Utilities Commission                                               |
| P | Steven Iha                          | Consultant                                                   | Public Utilities Commission                                               |
| A | Layla Kilolu                        | Economist                                                    | Public Utilities Commission                                               |
| P | Carolyn Laborte                     | Chief Auditor                                                | Public Utilities Commission                                               |
| A | Naomi Landgraf                      | District Representative – Maui                               | Public Utilities Commission                                               |
| P | Andrew Okabe                        | Utility Analyst                                              | Public Utilities Commission                                               |
| P | Anand Samtani                       | Supervising Economist                                        | Public Utilities Commission                                               |
| P | Gina Yi                             | Acting Chief Engineer                                        | Public Utilities Commission                                               |
| P | Jackie Young                        | Auditor                                                      | Public Utilities Commission                                               |
| P | Debra Abe                           | Auditor                                                      | Public Utilities Commission                                               |
| A | Caroline Ishida                     | Chief Counsel                                                | Public Utilities Commission                                               |
| P | Dave Parsons                        | Chief, Policy and Research                                   | Public Utilities Commission                                               |
| P | Keira Kamiya                        | PUC Attorney                                                 | Public Utilities Commission                                               |
|   | Independent Facilitation            |                                                              |                                                                           |
| P | Donna R. Ching                      | Facilitator                                                  | Pacific Center for Collaboration                                          |
| P | Jennifer Cornish Creed              | Recorder                                                     | Hawaii Alliance for Nonprofit Organizations (Director of                  |

|  |  |  |                           |
|--|--|--|---------------------------|
|  |  |  | Professional Development) |
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## Welcome

Leo welcomed attendees to the ninth meeting of the Water Carriers Working Group (WCWG) and thanked them for participating.

Senator Inouye introduced her new Committee Clerk, Brad Knowlton.

## Housekeeping

### Group Memory

Donna asked if there were any *additional* corrections to the group memory from the May 20 meeting beyond what have already been made. There were no additional corrections suggested.

## Status Reports for Small Groups/Subcommittees

The groups were invited to share their recommendations using the report template introduced at the May 20<sup>th</sup> meeting. Donna reviewed the form - suggested that as each group representative gives a short review of the material when applying the template - highlighting any additional information that the template generated, they could share their screen if there was anything to view.

## Pier Space

Gina Yi, PUC, shared the following information:

- As before, this is a report rather than recommendations.
- Since nothing was added since the last time, this is the final report.

## Q&A

- **Q = Question, A = Answer, C = Comment**

C: Donna asked the group to conform their final report using the template to create consistency for our report to the legislature.

## Subsidized Shipping

Derek Chow, DOT, shared the following information:

- We made minor changes to the background information since the last time - added some figures. The 7.5% cost of shipping is a national number. It may look a bit high, but we don't have a local number so we had to go with the national number.

- Under Findings, paragraph 3, we added transportation to disadvantaged islands, such as Molokai and Lanai, but we need to correct the terminology to “Essential Air Services.”
- The group does have recommendations now.
  - DOT Harbors Division will continue to lead a group to pursue state and county subsidies. This reflects the incorporation of comments from Senator Inouye at the last meeting when we gave the state and counties a bye because of the current economic situation. She said we should continue to include them so we added them back in.
- Derek will add the information into the template and send to his group for one more review.

## Q&A

- **Q = Question, A = Answer, C = Comment**

C: Donna suggested that the group memory of today’s meeting not be distributed until Derek provides us with his group’s completed template so that it can be attached to the group memory.

C: (Leo) This is one area, Senator Inouye, that we might want to look at a Resolution for. The recommendation is a mid-term suggestion, so there will be an Administration shift before it can be completed. We need something to ensure this continues across Administrations.

Q: (Donna) Should Derek’s recommendation include this information about the Resolution?

A: Yes – I think so.

Q: Because the Resolution would be a short-term action, right?

A: Yes – it’s like a step along the way. The Resolution would likely happen in the next Legislative session.

Q: (Derek) Should I include the rationale for the Resolution in the template?

A: (Donna) Yes – I think what Leo just shared is important and should be included.

C: (Senator Inouye) With regard to the essential air services, you can just add Molokai and Lanai to Kamuela. Also, for any of the materials sent to us, can you make sure there are page numbers please, so when we print them, we can make sure to keep them in the right order?

A: Will do.

## **Cargo**

Keith Kiyotoki, YB, shared the following information:

- The recommendation is the same. We just put it into template format.
- Summary – it's about improving the current reservation system to include all types of cargo. The committee felt the recommendation would benefit customers and improve the water carrier's ability to forecast cargo. It is a mid- to long-term project. We highlighted the pros and cons.
- Pros: Operational efficiencies – we weren't exactly sure what all of them would be, but we felt that there would be better cargo tracking and ability to respond in a more timely fashion to customers. We felt there would be overall improvement to the customer service experience.
- Cons: Initial cost of the development as well as the monthly maintenance and the costs of upgrading the system based on customer and carrier needs.

## Q&A

- **Q = Question, A = Answer, C = Comment**

C: (Jay, YB) You can check with Chris Edwards about the costs. We have a general idea of some cost estimates that could be included.

## **Sustainability and Profitability + Rates** (integrated)

Steve Hunt, Hawaii County, shared the following information:

- We have not met again since the last report.
- We have recommendations that we're trying to figure out how to deal with because we didn't have consensus. We did have a simple majority, so we thought we'd bring the issue to the larger WCWG.
- Reminder that there was a subset of the group that was tasked with looking at the Annual Freight Rate Adjustment (AFRA). This subset included portions of the original Rates group, but not all were included in this smaller group (e.g., labor folks were not).
- In the mid- and long-term, this needs to be revisited. We know we can't look at rates outside of all the other decisions being made. They all have a bearing on rates and affect the sustainability of carrier.

Steve shared the two recommendations the group is bringing forward for a vote from the larger WCWG:

**Recommendation 1:** Water carrier shall be required to submit a formal rate case every three years. The submission shall be made immediately following their most recently negotiated labor contracts.

**Recommendation 2:** In the interim years between rate cases, the water carrier will be afforded an automatic annual inflationary cost index equal to the annual change in the GDPPI. In addition, should this GDPPI index not be reflective of the actual change in operating expenses, the water carrier may submit justification for the recapture of other

costs (i.e. labor, medical premiums, liability insurance, pension requirements, etc.) to the HPUC for consideration. In no event, however, shall the total annual water carrier inflationary cost index (WICI) exceed 5% per year. Fuel surcharges will continue to be separate and apart from the WICI adjustment and will not be counted against the 5% annual adjustment ceiling.

**Note:** The requirements for submitting a request for the second tier adjustment factor and the next procedural steps to implement these proposals will be worked on by the subject matter experts within the Rates Group should these recommendations pass at the WCWG level.

Pros:

- The two-tiered approach addresses labor and fringe costs that may not typically be included in GDPPI.
- Could mean a more timely response as compared to formal rate cases.
- Automatic adjustments can be implemented without substantial effort on the part of the water carrier.
- Avoids large catch-up adjustments.
- Provides opportunity for water carriers to remain out of the red.

Cons:

- May be a disincentive for management with respect to collective bargaining.
- Rates may be rubber stamped.
- Labor is not typically included in calculations around public utilities.

Q&A

- **Q = Question, A = Answer, C = Comment**

C: (Donna) This is open to the larger group now to add your thoughts to the parts of the template that Steve has introduced.

C: (Derek) I want to congratulate Steve and his team – that's an awesome report and took a lot of courage on the part of the team. Our subgroup is trying to help reduce the cost of some of those increases in support of the courageous recommendations.

C: (Donna) They worked really hard on this. Steve is a very good facilitator and wanted the group to reach consensus. I suggested that might not be possible and that he should bring the issues back to the larger group. I think we need to hear all the different opinions and then we'll have to accommodate one another and reach a compromise.

Q: (Lisa) I want to clarify that first recommendation is for a rate case every 3 years to be timed with labor contract?

A: Yes.

Q: But not a mechanism in itself for cost recovery. Just the timing of a rate case?

A: Yes. WC would come before PUC with recent costs and labor contracts to establish base every three years.

C: I just wanted to ensure that we're not talking about a separate mechanism to recover labor costs at this time.

A: No, intent is to establish a base. And from there, consider what we do in the interim, what guideposts and ceilings need to be in place?

A: Rate cases are mechanisms to recover costs. If we can do this during the interim, we won't have to do it during rate case. It's simply to say that it happens every 3 years.

C: I wanted to make sure that I understood that correctly. Thanks.

Q: It doesn't specify how much the rates will increase, it's just a process for how the rates would increase or decrease, depending on circumstances. True?

A: Yes – two parts. First the GDPPI, then rationale/evidence of other cost increases (with the cap of 5%).

Q: What about the elephant in the room – did the group discuss moving rate setting from PUC to another entity like DOT?

A: No, we didn't. Our focus was on the mechanism.

Q: For the sake of having this be a comprehensive conversation, is that something an existing group should consider or should a new group be formed?

C: (Donna) Are you suggesting that this should be part of the recommendation?

A: Yes, or the work of another subgroup.

C: There was some concern about the timeliness of decisions. We're not sure which entity can be timelier.

C: (Donna) Are there any suggestions relative to Derek's idea? In terms of how this might be administered?

C: (Derek) I've had some discussions within DOT and with the carriers. Based on what we saw in the last Legislative session where they were open to giving DOT the responsibility to set the rates, we wouldn't oppose it outright. We'd be open to the discussion and to determining how to do it. We suspect there would be opposition. We would need the same resources as the PUC to do it. But the belief is that since DOT is in business of transportation that we'd be more in tune with the issues.

C: (Donna) I don't think that these recommendations should go into too much detail at this time. We might include a section about what Derek is bringing up. That a group will have to administer this process and that DOT might be a potential entity to do that.

C: That's good because at least it would keep the conversation alive.

Q: (Jesse) There's already an entity in place that's getting this done. Is there a way to continue with the PUC but have DOT contribute as part of the current structure?

C: (Derek) I like that idea. With DOT in a consulting role?

A: Yes.

C: If we take up/down vote on either of the two recommendations, then it kicks back to Rates group to decide. At that point, we can make adjustments to the metrics, etc., and what process we go by.

C: (Lorraine) When we talk about changes to rates, there's a statute. So, it isn't only looking at setting the rates, the review of current statute would have to be looked at. Another responsibility is **reviewing the current statutes** about setting rates.

A: We would bring back at what needs to change legislatively.

C: We can build into the recommendation that a next step is to review the statutes and see if legislation has to be proposed to make this change.

Q: (Donna) Is there anyone in the group who has a problem with Steve's group moving forward with Recommendation #1 and fine-tuning Recommendation #2? (There wasn't anyone.)

Q: (Donna) Does anyone have a problem with Recommendation #2 (interim rate adjustment)?

A: (Lisa) We sent back to the Rates committee what would need to be filed on the part of WC in terms of documentation and metrics.

C: A majority mirror AFRA metrics. The one we struggled with was labor. How to measure labor efficiency...?

C: As long as the Rates group has the opportunity to fine tune the adjustment, then we're fine.

A: We will have an additional opportunity.

C: (Mary Alice) I'm in strong support of the annual adjustment proposal.

C: Steve remains in charge of the Rates group.

Q: (Donna) Can we hope to see significant progress on the next steps at the next meeting?

A: I'm hopeful we can.

C: We're hoping that by August we'll be beginning serious drafting of the report to the Legislature. Groups should be ready by August to put their stamp on our recommendations so that we can ensure a realistic timetable to complete our report.



C: Steve is hoping for one to two more meetings to get this done by the July meeting.

Q: (Donna) Are there any significant challenges to the 2nd recommendation?

C: (Phyllis) – I just have a comment. We've been focusing on keeping the WC sustainable, but I hope there's also a focus on affordability, especially in rural communities.

C: There's lots of movement on the federal level. ARPA – some money is still unaccounted for.

Q: Who's going to be involved? If funds have come to the state that haven't been committed, should we be working with the deputy AG? A one-shot injection. Was trying to give Derek the Ag. side of subsidies available.

C: I hear what Phyllis is saying – [ARPA funds that HDOT received is not paying for operations, but rather for facilities, hardware, etc. Looking at the federal government for this.

Q: (Donna) Steve – would you willing to open your group's upcoming meetings to Phyllis or any other WCWG members who represents stakeholder groups affected by this issue that want to participate? This might create a more diverse group of those impacted by what's happening?

C: (Lorraine) ARPA is no different from the initial funding from Congress. If we look at Derek's finding, maritime is not added. Perhaps a conversation with Senator Schatz about adding maritime in? We have to get across that maritime should be treated no differently than air transportation and rail.

C: (Phyllis) In the long-term, we need to talk with the Secretary and Undersecretary to advocate. This is a long game, if we can really get the delegation involved.

C: NCSL – involved with at national levels. I'm on the task force – we come up with resolutions and adopt them at the end of the year to deliberate on. We need all that partnership. My recommendation is that we have to go through the legislative process. I'm going to be submitting narrative. If there is anything you want to add to the Ag legislation, let me know.

Q: Is this something that should be sent to the Congressional delegation to highlight that they need to be included?

A: We can put them on notice or inform them, but we need to give them specific language that we would want them to pay attention to.

Q: (Jesse) Wasn't anything allocated specifically for maritime? Is there something we can do outside of this forum? We're trying to solve another problem that is beyond this resolution that is trying to help with shipping.

A: Any of our delegation can create a bill and send to their money committees and then get it passed. Many programs do exist under pandemic relief plans, whether for health and human services, rental relief, etc., but nothing for maritime.

Second recommendation can be moved forward and add more detail.

### **Discussion of WCWG Member Participation in Writing Draft of Report**

- Once we get templates to a really good place, then the group can make some decisions about whether or not the recommendation represent the WCWG. Then, in August, we'll start to have some of the groups help with drafting the report.
- Once we have things in the template, we can take and drop information into the draft of the report. The meat is the recommendations. If we can get this done in the July timeframe, by the September meeting it will be possible to have the report draft ready and we can make comments and refinements then. We'll use October to wrap up. By November we'll have the final version. We want to get it to the Legislature sooner rather than later.

Donna asked if there were any questions about that process between now and November in terms of getting the report written. There were none.

### **Suggestions for Meeting on July 15, 2021**

(Donna) Everyone has their marching orders and the template is available.

- **Several of the groups are going to be giving us more updated templates with recommendations.**
  - The group that is doing Cargo will have more up-to-date material.
  - Pier group will put their material in the template.
  - The Subsidies group have more detail on the 2 recommendations by the next meeting.

We'll see everyone in July and we'll send you the updated reports attached to the group memory. Any last comments?

(Kris). I wanted to thank Senator Inouye's office for coordinating the tour on June 29. At that tour, we'll have regulators and county administrators mostly. However, if any WG members want to have a tour, we can arrange a separate one. We would be willing to do tours on neighbor islands as well. There's an open invitation.

### **Next Steps**

- The next meeting will be on July 15.

### **GROUP AGREEMENTS:**

- There were no specific group agreements made at this meeting.

### ACTIONS:

(Listed in **blue** in the document)

- **Several of the groups are going to be giving us more updated templates with recommendations for the July 15 meeting.**
  - The group that is doing Cargo will have more up-to-date material.
  - Pier group will put their material in the template.
  - The Subsidies group have more detail on the 2 recommendations by the next meeting.

## Cargo Carrier Services Subgroup

### Summary of Recommendation

The committee recommends improving the current reservation system to accommodate all cargo types (e.g., straightload equipment, automobiles and roll-on roll-off equipment, and less than container load cargo). The committee arrived at this recommendation through various meetings and felt that implementation would enhance the overall customer experience when shipping with Young Brothers, as well best serve the community by continuing the present line of services (e.g., straightload equipment, automobiles and roll-on roll-off equipment, and less than container load cargo). The committee also felt that this recommendation would improve the water carrier's ability to forecast cargo volume and also provide cargo visibility for its customers.

#### 1. Justification/Compelling Reason

Improving the current reservation system to accommodate all cargo types will enhance shipping efficiencies and improve cargo movement and transparency for consumers. The improved reservation system should be implemented in phases and flexible and will improve cargo visibility to both the consumer and the carrier.

#### 2. Mid-term or Long-Term

Mid to Long-term

#### 3. Pros/Cons

Pros: Operational efficiencies with implemented new and/or updated policies will assist with the accuracy of booking reservations, ultimately resulting in a committed customer base as well as seeing an overall improvement in cargo tracking and the scheduling of gate hours and service offerings. Reservations for all cargo will provide company with cargo data to analyze and improve upon the inefficiencies where customers currently show up half days.

Overall improvement of the customer service experience, providing known availability for both shipping and transporting. Tracking will be a benefit so customers can schedule when to drop-off and pickup. This is expected to assist in real time tracking and availability to help save and schedule time. Allow for planning and scheduling in terms of the amount of time customers must wait in port. Incentivization of customers for scheduling reservations as it would provide them with a shorter waiting line for drop-offs and a resulting commitment from them.

Cons: Cost will be initially high to develop and implement. Long term costs to maintain and have continuous improvement as the business and industry changes. Customers, especially one-time customers will need time to adjust.

#### 4. Identify any preceding steps to undertake or outstanding items to address, if any

Provide a customer survey that will assist the company in understanding customer needs, implement a pilot program for three to six months, and gather accurate data and feedback with

minimum impact to labor costs in order to compile comprehensive and accurate information to assist in determining the best possible actions to take.

Implementation will need to occur in phases to reduce the impact on customers and allow for changes and improvement throughout the project.

5. Impact to agencies/entities

None

6. Costs (if any or readily estimated)

The initial cost to improve the current reservation system to include bookings for all lines of service along with a customer service portal would cost approximately \$400K in the initial startup and implementation. Monthly maintenance fees and any enhancements to improve the customer experience would be approximately \$10K to 15K.

## Rates Subgroup

### Summary of Recommendation

The committee recommends a two-tiered interim annual rate adjustment for regulated cargo rates along with the requirement for the water carrier to submit a general rate case every three years. The two-tiered annual adjustment factor, which the committee named the Water-carrier Inflationary Cost Index (WICI), will have an automatic rate adjustment component that is tied to the annual percent change in the Gross Domestic Product Price Index (GDPPI) as the first tier and an expense justified second tier that must be applied for by the water carrier and approved by the Hawai'i Public Utilities Commission (HPUC). The automatic annual adjustment factor shall be applied to the regulated cargo rates regardless of whether the factor is a positive or negative percentage change. The second-tier adjustment will require additional justification from the water carrier to recapture costs as well as their submission of performance measures showing there has been no material decline in levels of operation, safety, or customer service. The total annual WICI adjustment factor shall not exceed 5% per year. Fuel surcharges will continue to be separate and apart from the WICI adjustment and will not be counted against the 5% annual adjustment ceiling. Similarly, should the water carrier, for any reason, find it necessary to seek a temporary/emergency rate adjustment, that application process to the HPUC shall remain separate from the 3-year general rate case submission requirement. WICI does not account for water carrier's new capital investment.

#### 1. Justification/Compelling Reason

General rates cases tend to be time consuming to both the water carrier and the HPUC. As a result, regulated cargo rates do not typically get adjusted annually and are sometimes subject to relatively large rate increases when the cases are completed. Having the WICI interim rate adjustment combined with a regular cadence for general rate case submissions will reduce the administrative burden to the water carrier and provide a more contemporaneous means of pairing regulated cargo rates with inflation adjusted expenses. One of our committee's primary objectives was to ensure the profitability and sustainability of the water carrier. We believe implementing these recommendations will be a significant step forward with respect to achieving the profitability and sustainability of the water carrier.

#### 2. Mid-term or Long-Term

Our committee sees these recommendations as a potential solution for not only the short-term, but also for the mid-term and long-term as well. General rate cases tend to be a good mechanism for setting (or resetting) regulated cargo base rates; however, the process is a bit cumbersome and does not work well in responding to inflationary changes in a timely manner.

#### 3. Pros/Cons

Pros: First-tier provides an automatic adjustment, that if sufficient to annual expense changes, can be implemented without substantial efforts to the water carrier

Second-tier allows the water carrier to also address expenses that are real, such as labor and fringe costs, but may (or may not) follow changes in annual inflation-based indices such as the GDPPI

It's a timelier response to operational expense changes as compared with the less periodic general rate cases

Mitigates the likelihood of sometimes large increases to rates

Most importantly, it provides an opportunity for water carrier to become financially sustainable and potentially profitable

Cons: Recommendations may be perceived as a disincentive for management to actively control costs if those increases can be recaptured through the WICI adjustment factor

Recommendations may be perceived as a disincentive for management to seek volume growth

Public may feel that rate increases have become "rubber stamped" by HPUC

Labor is typically not something that is subject to an annual index for public utilities

WICI increases may impact consumers, particularly farmers and ranchers, ability to afford services

WICI increases may result in above authorized rate of return between general rate cases

4. Identify any preceding steps to undertake or outstanding items to address, if any

The two aforementioned recommendations could be implemented by amendments to Hawai'i Revised Statutes, Legislative Resolutions, Hawai'i Administrative Rules, or by Commission order. The committee considers implementation by Commission order to be the most expedient method of effectuating our recommendations.

5. Impact to agencies/entities

Impacts to those agencies and entities involved are unknown at this time

6. Costs (if any or readily estimated)

Unknown

## Water Carriers Working Group

### Pier Space Subgroup: Report (Template Form)

June 17, 2021

#### 1. Justification/Compelling Reason

The goal or objective the Water Carriers Working Group: "Pier Space" Subgroup was to clarify the use of Pier 41 pier and yard space. The Department of Transportation Harbors (DOTH) provided information and clarified that the DOTH allocates cargo yards and approves berthing requests to piers, and controls berths at the Pier 41 pier.

The DOTH is responsible for managing state harbor lands through its rules and statutes.

#### 2. Mid-term or Long-Term Recommendation

The issue presented and discussed with the Water Carriers Working Group: "Pier Space" Subgroup, was the availability of space for the water carrier to efficiently move, load and unload cargo between the islands. The Subgroup agreed that having safe and modern pier space and cargo yard has a significant impact on the Water Carriers' ability to successfully ensure effective, efficient, and continuous water carrier service throughout the state of Hawaii.

The Subgroup asked about the availability of space for the water carrier. The DOTH shared that it had made a portion of the recently completed Kapalama Container Terminal (KCT), Phase I yard, available to the water carrier as early as September 2020 for the water carriers use for autos, LCL, and or other needs. To-date the water carrier is planning to use the space. The DOTH also stated that believes that the 77 acres of cargo yard at KCT has enough space for the water carrier to use as well as space for the new overseas tenant to construct its maintenance and office facilities, say through 2023.

The DOTH stated that Pier 41, when completed on or about January 2024, will allocate space to the water carrier for the use of Pier 41. The DOTH also noted that due to the financial impact of COVID-19 to the DOTH, repairs to Pier 39 and 40 are delayed. The DOTH noted and the Subgroup acknowledged that conducting repairs while the water carrier is currently operating will negatively impact their efficiency. It's like having two teams playing a college basketball game usually played on full court only at half-court.

The DOTH also discussed how scheduling of the water carriers' vessels at Pier 41 will occur. The water carrier will request berthing through Portcall.com, the DOTH's web-based vessel scheduling system. By Hawaii Administrative Rule and through the Harbor Masters Notice, all request for use of a pier is through the web-based vessel electronic scheduling system to replace facsimile requests for vessel reservation.



### 3. Pros/Cons

There is no issue. The water carrier requested clarification and the DOTH hopes its response as re-stated below is sufficient to addressing and clarifying the water carrier's concerns. The authority for the DOTH to allocate space for cargo needs currently exist.

The DOTH stated that it is authorized to manage state harbor lands through its rules and statutes. The DOTH, through its Harbors Administrative rules, issues its Harbors Masters Notice, allocates cargo space.

### 4. Identify any preceding steps to undertake or outstanding items to address, if any

The DOTH stated that the DOTH controls the use of Pier 41 pier and yard space, pursuant to its authority of its Hawaii Administrative Rules. DOTH will allocate space to the water carrier for the use of Pier 41. The Water Carriers Working Group: "Pier Space" Subgroup believes the desired outcome was achieved.

Additional understanding regarding the time and use of Pier 41 should be helpful to the water carrier with planning its business. Also having information regarding the DOTH plans to repair Pier 39 and 40 was also helpful to the water carrier with planning its business.

### 5. Impact to agencies/entities

Exclusive authority to a private party is not permitted by the terms of the non-taxable bonds that is contributing to the construction of KCT and Pier 41 and prohibits the exclusive use and control by a private party. Therefore, the DOTH in compliance with its bond covenants and its rules allocates cargo yards and approves berthing requests to piers.

### 6. Costs (if any or readily estimated)

N/A

## **SR 125 Water Carriers Working Group – Subsidies Subgroup Recommendations June 2021**

### **Recommendation 1**

Recommend that the State legislature pass a resolution directing the Hawaii Department of Transportation to convene a working group(s) to create and recommend federal, state, and county subsidies for the transport of waterborne cargo and provide update on the status of creating these programs to the Hawaii State Legislature no later than 20 days ahead of the start of the 2023 legislative session.

Hawaii's communities are mostly dependent on the import of goods. Over 80% of goods consumed in Hawaii are imported. Of that imported, over 98% is transported as waterborne cargo.

Unlike communities in the continental US that have alternative means of transporting goods by truck and rail, Hawaii relies on transport by water carrier.

The cost of shipping is reflected in the cost of imported goods consumed in Hawaii. The shipping of goods to and within Hawaii can be as much as 7.5% (per a 2015 study) of the cost of the goods and generally higher than the cost of goods in the US mainland.

To reduce the cost of imported goods, a broad subsidy for trans-Pacific and interisland cargo is being sought by the Subsidies Subgroup. Sources of the subsidies may be from existing or newly created federal, state, and county government programs.

Due to Hawaii's dependency on the import of goods, maritime support to ensure food security in the state is required.

## **SR 125 Water Carriers Working Group – Subsidies Subgroup Recommendations June 2021**

### **Recommendation 2**

Recommend that the Hawaii Department of Transportation lead a committee to continue working and consulting with the US Department of Transportation (USDOT) in the establishment of a federal waterborne cargo subsidies program, including the drafting of legislative language.

#### **1. Justification/Compelling Reason**

Hawaii's communities are mostly dependent on the import of goods. Over 80% of goods consumed in Hawaii are imported. Of that imported, over 98% is transported as waterborne cargo.

The cost of shipping is reflected in the cost of imported goods consumed in Hawaii. Shipping of goods to Hawaii can be as much as 7.5% (per a 2015 study) of the cost of the goods.

Unlike communities in the continental US that have alternative means of transporting goods by truck and rail, Hawaii relies on transport by water carrier.

To reduce the cost of imported goods, a broad subsidy for trans-Pacific and interisland cargo is being sought by the Subsidies Subgroup. Sources of the subsidies may be from existing or newly created federal, state, and county government programs.

The Subsidies Subgroup met with the Office of the Secretary of Transportation, USDOT, MARAD, FAA, and FHWA representatives to investigate whether federal subsidies for waterborne cargo are available, and if not, the steps to creating such a federal program.

The federal representatives acknowledged there are no federal subsidies specifically for waterborne cargo. There is a federal subsidy for aircraft transportation to disadvantaged areas such as the islands of Molokai and Lanai, and part of the Big Island. The USDOT Essential Air Services (EAS) Payment to Air Carrier program requires an air carrier to apply to the USDOT and win a bid for the program.

The federal representatives agreed to provide advice and assistance where possible in the creation of a federal program to provide broad and directed federal subsidies for waterborne cargo transportation to and within Hawaii. The program for waterborne cargo subsidies will require legislation in Congress before the USDOT makes it available.

Currently, there are federal subsidies for certain agricultural products. Agricultural subsidies programs include:

- Reimbursement Transportation Cost Payment (RTCP)  
[www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/FactSheets/rtcp\\_facts\\_sheet.pdf](http://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/FactSheets/rtcp_facts_sheet.pdf). See attachment.
- Micro-Grant Program for Small-Scale Agriculture link to the news release with information and a link to the grant portal: <https://hdoa.hawaii.gov/blog/main/small-scale-ag-grants/>
- [Fsa.usda.gov/state-offices/Hawaii/programs/index](http://Fsa.usda.gov/state-offices/Hawaii/programs/index)
  - Emergency Conservation Program (ECP)
  - Noninsured Crop Disaster Assistance Program (NAP)
  - Livestock Forage Program (LFP)
  - Livestock Indemnity Program (LIP)

- Emergency Assistance for Livestock, Honey Bees, & Farm-raised Fish (ELAP)
- Supplemental Assistance Revenue Payment (SURE)
- Tree Assistance Program (TAP)
- Conservation Reserve Program (CRP)
- Grassland Reserve Program (GRP)
- Environmental Quality Incentive Program (EQIP) administered through the USDA Natural Resources Conservation Service
- Third Coronavirus Food Assistance Program (CFAP 3) pending in March 2021.  
[www.farmers.gov/cfap](http://www.farmers.gov/cfap)

There is a federal subsidy for aircraft travel service to the islands of Molokai and Lanai, and small community of Kamuela on the island of Hawaii. The program is the:

- USDOT Essential Air Service program.

While there are agricultural specific and aircraft to remote destination subsidies, subsidies do not currently exist for general cargo transport to and within Hawaii. Due to Hawaii's dependency on the import of goods, maritime support to ensure food security in the state is required.

2. Mid-term or Long-Term
  - Given the need to compose legislative language in consultation with the federal agency and congressional offices, it is anticipated that the creation of a federal subsidy program will take a lot of effort and time. This is believed to be a long-term solution.
3. Pros/Cons
  - Pros
    - Reduces cost of goods for Hawaii consumers.
  - Cons
    - Reduced costs of goods for Hawaii cargo will be borne by the taxpayer.
4. Identify any preceding steps to undertake or outstanding items to address, if any
  - Consult with the USDOT in the preparation of federal program and to ensure implementation is feasible.
5. Impact to agencies/entities
  - The USDOT will have to administer this program, including determining eligibility and approval.
  - The Hawaii DOT will likely have to submit regular applications for these program grants that will also require documentation collected from the water carrier and cargo economic studies.
6. Costs (if any or readily estimated)
  - Costs of this waterborne cargo subsidy program will be determined at the implementation of such a program.

## **SR 125 Water Carriers Working Group – Subsidies Subgroup Recommendations June 2021**

### **Recommendation 3**

Recommend that the Hawaii Department of Transportation lead a committee to work and consult with the Hawaii Congressional Delegation to sponsor a bill to establish a federal waterborne cargo subsidies program within the USDOT.

#### **1. Justification/Compelling Reason**

Hawaii's communities are mostly dependent on the import of goods. Over 80% of goods consumed in Hawaii are imported. Of that imported, over 98% is transported as waterborne cargo.

The cost of shipping is reflected in the cost of imported goods consumed in Hawaii. Shipping of goods to Hawaii can be as much as 7.5% (per a 2015 study) of the cost of the goods.

Unlike communities in the continental US that have alternative means of transporting goods by truck and rail, Hawaii relies on transport by water carrier.

To reduce the cost of imported goods, a broad subsidy for trans-Pacific and interisland cargo is being sought by the Subsidies Subgroup. Sources of the subsidies may be from existing or newly created federal, state, and county government programs.

The Subsidies Subgroup met with the Office of the Secretary of Transportation, USDOT, MARAD, FAA, and FHWA representatives to investigate whether federal subsidies for waterborne cargo are available, and if not, the steps to creating such a federal program.

The federal representatives acknowledged there are no federal subsidies specifically for waterborne cargo. There is a federal subsidy for aircraft transportation to disadvantaged areas such as the islands of Molokai and Lanai, and part of the Big Island. The USDOT Essential Air Services (EAS) Payment to Air Carrier program requires an air carrier to apply to the USDOT and win a bid for the program.

The federal representatives agreed to provide advice and assistance where possible in the creation of a federal program to provide broad and directed federal subsidies for waterborne cargo transportation to and within Hawaii. The program for waterborne cargo subsidies will require legislation in Congress before the USDOT makes it available.

While there are agricultural specific and aircraft to remote destination subsidies, subsidies do not currently exist for general cargo transport to and within Hawaii. Due to Hawaii's dependency on the import of goods, maritime support to ensure food security in the state is required.

#### **2. Mid-term or Long-Term**

- Given the need to compose legislative language in consultation with the federal agency and congressional offices, it is anticipated that the creation of a federal subsidy program will take a lot of effort and time. This is believed to be a long-term solution.

#### **3. Pros/Cons**

- Pros
  - Reduces cost of goods for Hawaii consumers.

- Cons
  - Reduced costs of goods for Hawaii cargo will be borne by the taxpayer.
- 4. Identify any preceding steps to undertake or outstanding items to address, if any
  - Consult with the USDOT in the preparation of federal program and to ensure implementation is feasible.
- 5. Impact to agencies/entities
  - The USDOT will have to administer this program, including determining eligibility and approval.
  - The Hawaii DOT will likely have to submit regular applications for these program grants that will also require documentation collected from the water carrier and cargo economic studies.
- 6. Costs (if any or readily estimated)
  - Costs of this waterborne cargo subsidy program will be determined at the implementation of such a program.

## **SR 125 Water Carriers Working Group – Subsidies Subgroup Recommendations June 2021**

### **Recommendation 4**

Recommend that the Hawaii Department of Transportation lead a committee to work and consult with the Hawaii Senate and House transportation committees, county departments of transportation and county councils in the establishment of local waterborne cargo subsidies program, including the drafting of legislative language.

#### **1. Justification/Compelling Reason**

Hawaii's communities are mostly dependent on the import of goods. Over 80% of goods consumed in Hawaii are imported. Of that imported, over 98% is transported as waterborne cargo.

The cost of shipping is reflected in the cost of imported goods consumed in Hawaii. Shipping of goods to Hawaii can be as much as 7.5% (per a 2015 study) of the cost of the goods.

Unlike communities in the continental US that have alternative means of transporting goods by truck and rail, Hawaii relies on transport by water carrier.

To reduce the cost of imported goods, a broad subsidy for trans-Pacific and interisland cargo is being sought by the Subsidies Subgroup. Sources of the subsidies may be from existing or newly created federal, state, and county government programs.

The Subsidies Subgroup met with the Office of the Secretary of Transportation, USDOT, MARAD, FAA, and FHWA representatives to investigate whether federal subsidies for waterborne cargo are available, and if not, the steps to creating such a federal program.

The federal representatives acknowledged there are no federal subsidies specifically for waterborne cargo. There is a federal subsidy for aircraft transportation to disadvantaged areas such as the islands of Molokai and Lanai, and part of the Big Island. The USDOT Essential Air Services (EAS) Payment to Air Carrier program requires an air carrier to apply to the USDOT and win a bid for the program.

Aside from a federal subsidies program, the state and county should establish a waterborne cargo subsidies program as state and county communities will directly benefit. A state and county waterborne cargo subsidies will require legislation by the State Legislature and County Councils.

While the State and counties are in poor financial situations because of the COVID 19 pandemic, the Subsidies Subgroup still recommends State and county subsidies be investigated and developed that may be implemented in the future.

While there are agricultural specific and aircraft to remote destination subsidies, subsidies do not currently exist for general cargo transport to and within Hawaii. Due to Hawaii's dependency on the import of goods, maritime support to ensure food security in the state is required.

#### **2. Mid-term or Long-Term**

- Given the need to compose legislative language in consultation with the state and county agencies, that must be enacted into law by the State Legislature and County

Councils, it is anticipated that the creation of a state and county subsidy program will take a lot of effort and time. This is believed to be a long-term solution.

3. Pros/Cons

- Pros
  - Reduces cost of goods for Hawaii consumers.
- Cons
  - Reduced costs of goods for Hawaii cargo will be borne by the state and county taxpayers.
- 4. Identify any preceding steps to undertake or outstanding items to address, if any
  - Consult with the State DOT, DBEDT, DB&F, and county transportation, economic and budget agencies, in the preparation of the state and county programs and to ensure implementation is feasible.
- 5. Impact to agencies/entities
  - The State and county transportation, economic, and budget agencies will have to administer this program, including determining eligibility and approval.
  - The Hawaii DOT will likely have to submit regular applications for these program grants that will also require documentation collected from the water carrier and cargo economic studies.
- 6. Costs (if any or readily estimated)
  - Costs of this waterborne cargo subsidy program will be determined at the implementation of such a program.



**From:** [Okabe, Andrew J](#)  
**To:** [Hunt, Steven](#); [Senator Lorraine R. Inouye](#); [Dean Nishina](#); [Lisa M. Hiraoka](#); [Evans, Mary Alice](#); [Jay Ana](#); [Kris Nakagawa](#); [Chris Edwards](#); [Jesse Andrade](#); [Kilolu, Layla M](#); [Stephanie Crivello](#); [Baba](#); [Laborte, Carolyn L](#); [Steven Iha](#)  
**Subject:** RE: Drafts of revised recommendations in both actionable form and report format  
**Date:** Wednesday, June 23, 2021 11:28:00 AM

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Hello Rates Group Members,

To assist the group on the current reporting requirements of performance measures, I have reviewed Docket No. [2013-0032](#) Order No. [33640](#). YB submitted [supplemental information](#) (on July 18, 2016), as required by Order No. 33640. YB has also provided updated performance measure reports in their past rate cases including the 2018 Test Year Rate Case Docket No. [2017-0363](#) ([Refiled Application Vol. II](#) YB-201 at pdf page 35 to 59) and 2020 Test Year Rate Case Docket No. [2019-0117](#) ([Application Vol. I](#) YB-201 at pdf page 315 to 340).

As portrayed in Order No. [33640](#), and Ordered by the Commission to be present in Docket No. [2019-0117](#) (by Order No. [36140](#) in Docket No. [2017-0363](#) at page 7), the current performance measures reported are the adopted measures currently expected for current reporting.

The currently adopted performance measures include:

- Safety: Recordable Incident Rate (see Order No. [33640](#), at page 20-23)
  - The performance standard is a three-year average of recordable incident rates for (a) shoreside personnel, and (b) marine personnel.
- Safety: Lost Time Incident Rate (see Order No. [33640](#), at page 23-24)
  - The performance standard is a three-year average of lost time incident rates for (a) shoreside personnel, and (b) marine personnel.
- Safety: Workers' Compensation Insurance Claims (see Order No. [33640](#), at page 25)
  - The performance standard is (a) three-year average of total number of worker's compensation insurance claims, and (b) three-year average of the total dollar value of YB's workers' compensation insurance claims.
- Safety: Hazardous Materials (see Order No. [33640](#), at page 25-26)
  - The performance standard is (a) three-year average of total of YB's hazardous materials incidents, and (b) three-year average of the total monetary expenses associated with YB's hazardous materials incidents.
- **Efficiency: Labor Efficiency** (see Order No. [33640](#), at page 26-28)
  - The performance standard is (a) three-year average of actual revenue tons, divided by the total shoreside (terminal) labor hours, and (b) three-year average of the dollar value of such total shoreside (terminal) labor hours.
- Efficiency: Fuel Efficiency (shoreside and marine use) (see Order No. [33640](#), at page 28-30)
  - The performance standard is (a) three-year average of shoreside fuel efficiency, Shoreside fuel efficiency shall be measured by the actual revenue tons (as referenced in the Labor Efficiency metric) divided by the total fuel consumed by shoreside equipment, and
  - (b) three-year average of marine fuel efficiency, Marine fuel efficiency shall be measured by the actual revenue tons (as referenced in the Labor Efficiency metric), divided by the total fuel consumed by marine equipment.

- Service: On-Time Barge Arrival (see Order No. [33640](#), at page 30-33)
  - The performance standard is seventy-five percent (75%) on-time barge arrivals, measured “by dividing the number of barges that arrive on-time by the total number of sailings annually[,]” with “on-time arrival” defined as the barge being tied up alongside the pier and ready for unloading operations to commence by the time the port's gates are scheduled to open for business at 7:30 a.m.
- Service: Customer Wait Time for Freight (see Order No. [33640](#), at page 33-38)
  - The performance standard is "trucker wait time" which is measured "upon entry to the Honolulu yard" until "exiting the secured gate" with "an annual average of 45 minutes or less at palletized dry and reefer queues at the port of Honolulu.”
  - This is clarified that “trucker wait time” should be separately measured for (a) freight drop-off, and (b) freight pick-up by customer.
  - The Commission also found expansion to cover drop-off and pick-up at all ports were warranted, but directed YB to provide additional information to these findings, YB filed their [supplemental information](#) on July 18, 2016.
- Service: Caller Wait Time (see Order No. [33640](#), at page 38-39)
  - The performance standard is ninety percent (90%) of all calls answered within sixty (60) seconds.
- Service: Customer Dropped Calls (see Order No. [33640](#), at page 39-40)
  - The performance standard is customer dropped calls which are "the calls that are not answered by a company before the caller hangs up”
  - The performance standard also is a “dropped call ratio of 5% or less.”
- Service: Completed Sailings (see Order No. [33640](#), at page 40-41)
  - The performance standard is completed sailings of ninety-nine percent (99%) of YB’s scheduled and regulated round-trip sailings.
- Service: Cargo Insurance Loss Ratio (see Order No. [33640](#), at page 41-42)
  - The performance standard is YB’s (a) three-year average of its cargo insurance loss ratio, and (b) three-year average of the number of cargo-damage claims.

Labor Efficiency was not included in the below list.

I do not take a position on whether or not it should be included in any performance measures going forward as part of WICI, I am simply pointing out that it is part of the currently adopted performance measures required by YB to be displayed on its website (<https://htbyb.com/performance17/>) as well as updated and submitted in Docket No. [2017-0363](#) and Docket No. [2019-0117](#). I am also unable to state as to what adjustments should be made, or what changes that may be acceptable to the Commission.

Let me know if anyone has any questions about the above information.

I can also provide compressed files / excerpts through email for anyone who is having trouble opening the very large rate case files through the links above.

Thanks,  
Andrew Okabe

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**From:** Hunt, Steven <*redacted*>

**Sent:** Tuesday, June 22, 2021 12:42 PM

**To:** Senator Lorraine R. Inouye <redacted>; Dean Nishina <redacted>; Lisa M. Hiraoka <redacted>; Evans, Mary Alice <redacted>; Jay Ana <redacted>; Kris Nakagawa <redacted>; Chris Edwards <redacted>; Jesse Andrade <redacted>; Kilolu, Layla M <redacted>; Stephanie Crivello <redacted>; Okabe, Andrew J <redacted>; Baba <redacted>; Laborte, Carolyn L <redacted>; Steven Iha <redacted>

**Subject:** [EXTERNAL] Drafts of revised recommendations in both actionable form and report format

Aloha Rates Group Members,

Attached are my attempt to summarize our recommendations in an actionable form as well as in the suggested reporting format to the WCWG. Since we have some time between now and our July 9<sup>th</sup> Rates Group meeting, please review these documents and provide any comments, concerns, or suggested edits. I'm certain the "pros" and "cons" section of the draft report can use more feedback.

I'm also relying on YB and HPUC to go over the following list (below) of performance measures to make sure they both on are on the same page in terms of what's expected in a second-tier WICI rate adjustment request.

- Performance measures supporting the WICI rate adjustment must be reported to Commission and should include:
  - Safety: Recordable Incident Rate
  - Safety: Lost Time Incident Rate
  - Safety: Workers' Compensation Insurance Claims
  - Safety: Hazardous Materials
  - Efficiency: Fuel Efficiency (shoreside and marine use)
  - Service: On-Time Barge Arrival
  - Service: Customer Wait Time for Freight
  - Service: Caller Wait Time
  - Service: Customer Dropped Calls
  - Service: Completed Sailings
  - Service: Cargo Insurance Loss Ratio

Mahalo,  
Steven A. Hunt  
*Deputy Director of Finance*  
County of Hawai'i  
Department of Finance  
*redacted*  
*redacted* \_\_\_\_\_

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BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of)

YOUNG BROTHERS, LIMITED )

DOCKET NO. 2013-0032

For Approval to Institute an Annual)

Freight Rate Adjustment Pilot )

Program )

ORDER NO.      3 1 6 5 1

RECEIPT AND APPROVAL, WITH MODIFICATIONS,  
OF ANNUAL FREIGHT RATE ADJUSTMENT TARIFF

FILED  
2013 NOV 14 P 1:39  
PUBLIC UTILITIES  
COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

|                                      |                        |
|--------------------------------------|------------------------|
| In the Matter of the Application of) |                        |
| YOUNG BROTHERS, LIMITED )            | Docket No. 2013-0032   |
| For Approval to Institute an Annual) | Order No. <b>31651</b> |
| Freight Rate Adjustment Pilot )      |                        |
| Program )                            |                        |
| _____)                               |                        |

RECEIPT AND APPROVAL, WITH MODIFICATIONS,  
OF ANNUAL FREIGHT RATE ADJUSTMENT TARIFF

By this Order, the commission acknowledges receipt of YOUNG BROTHERS, LIMITED ("YB") Annual Freight Rate Adjustment ("AFRA") tariff, Rule No. 215, filed and effective on October 15, 2013, in accordance with the commission's approval of the AFRA pilot program by Decision and Order No. 31493, filed on October 11, 2013. The commission approves the AFRA tariff subject to the modification set forth below. Specifically, the following language shall be added to the AFRA tariff:

"The AFRA shall be computed by:

Step 1. Determining the revenue requirement

Operating Expenses (based on YB's most recent test year)  
+ (Rate Base x Rate of Return)  
Revenue Requirement

Step 2. Determine amount of rate adjustment

Revenue Requirement  
 - Revenues at Current Rates  
 Net Revenue via Rate Increase/Decrease

Step 3. Determine percentage increase to freight rates

Net Revenue via rate increase or decrease  
 ÷ General freight revenue (last calendar year)  
 Percentage increase/decrease to freight rates

More specifically, the AFRA will be calculated as follows:

$$(F) \text{ Amount To Be Collected (Refunded) } = (A + B + C + D - E)$$

where:

$$(A) = \text{Test Year ("TY") Rate Base} \times \text{Return on Rate Base}$$

$$(B) = \text{TY Income Tax Expense}$$

$$(C) = \text{TY Labor Hours} \times \text{AFRA Year Contract Rates:}$$

$$\begin{aligned} & \text{TY Labor Expenses} \\ & + [\text{AFRA Year Increase of TY Labor Expenses} - \text{Productivity} \\ & \quad \text{Factor}] \end{aligned}$$

$$(D) = \text{AFRA Year Non-Labor Expenses:}$$

$$\begin{aligned} & \text{TY Non-Labor Expenses} \\ & + \text{AFRA Year Increase of TY Non-Labor Expenses} \\ & ([\text{TY Non-Labor Expenses} - \text{Fuel} - \text{GET} - \text{Depreciation}] \times \\ & \quad \text{inflation factor (Consumer Price Index - Honolulu)}) \end{aligned}$$

$$(E) = \text{AFRA Year Actual General Freight Revenues:}$$

$$\text{AFRA Year Revenues} - \text{Fuel Price Adjusted ("FPA") Revenue}$$

AFRA Percentage Calculation:

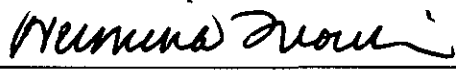
$$(G) \text{ AFRA Year Actual General Freight Revenues}$$

$$(H) \text{ AFRA Percentage Increase/Decrease} = F/G$$

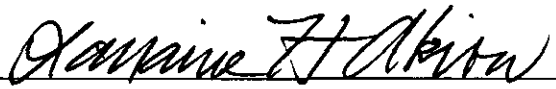
Within ten (10) days of this Order, YB shall file an amended AFRA tariff with the commission reflecting the modifications set forth herein.

DONE at Honolulu, Hawaii NOV 14 2013.

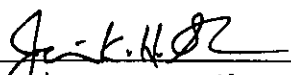
PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By   
Hermina Morita, Chair

By   
Michael E. Champley, Commissioner

By   
Lorraine H. Akiba, Commissioner

APPROVED AS TO FORM:

  
Jamie K. H. Sheu  
Commission Counsel

2013-0032.do



CERTIFICATE OF SERVICE

The foregoing order was served on the date of filing by mail, postage prepaid, and properly addressed to the following parties:

JEFFREY T. ONO  
EXECUTIVE DIRECTOR  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
DIVISION OF CONSUMER ADVOCACY  
P. O. Box 541  
HONOLULU, HI 96809

ROY CATALANI  
VICE PRESIDENT OF STRATEGIC PLANNING & GOV'T AFFAIRS  
YOUNG BROTHERS, LIMITED  
PIER 40, P.O. BOX 3288  
HONOLULU, HI 96801

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of)

YOUNG BROTHERS, LIMITED )

DOCKET NO. 2013-0032

For Approval to Institute an )  
Annual Freight Rate Adjustment )  
Pilot Program )  
\_\_\_\_\_ )

ORDER NO. 33640

ADOPTING PERFORMANCE METRICS AND STANDARDS  
FOR THE ANNUAL FREIGHT RATE ADJUSTMENT PILOT PROGRAM

FILED  
2016 APR 13 PM 1:17  
PUBLIC UTILITIES  
COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

|                                      |   |                        |
|--------------------------------------|---|------------------------|
| In the Matter of the Application of) | ) |                        |
| YOUNG BROTHERS, LIMITED              | ) | Docket No. 2013-0032   |
|                                      | ) |                        |
| For Approval to Institute an         | ) | Order No. <b>33640</b> |
| Annual Freight Rate Adjustment       | ) |                        |
| Pilot Program                        | ) |                        |
| _____                                | ) |                        |

ADOPTING PERFORMANCE METRICS AND STANDARDS  
FOR THE ANNUAL FREIGHT RATE ADJUSTMENT PILOT PROGRAM

By this Order, the commission adopts the performance metrics and standards set forth herein, to govern YOUNG BROTHERS, LIMITED's Annual Freight Rate Adjustment Pilot Program.<sup>1</sup>

I.

Background

Young Brothers is a water carrier authorized to transport property by barge between the islands of Oahu, Hawaii, Kauai, Maui, Molokai, and Lanai. Young Brothers provides both interstate and intrastate water-carrier transportation services;

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<sup>1</sup>The Parties to this proceeding are YOUNG BROTHERS, LIMITED ("Young Brothers" or "YB") and the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate" or "CA").

however, only its intrastate water-carrier operations are subject to the commission's jurisdiction.<sup>2</sup>

On December 16, 2011, in Docket No. 2010-0171, the commission approved a general rate increase for Young Brothers, with an increase in intrastate revenues of \$10,574,932, or approximately 16.58 percent over intrastate revenues at then-existing rates.<sup>3</sup> The approved increase was based on a rate of return of 10.25 percent and a total intrastate revenue requirement of \$74,342,455 for the 2011 calendar test year.<sup>4</sup>

At that time, Young Brothers justified its request for a general rate increase citing, among other things, "the need for rate relief to sustain Young Brothers' ability to serve" and "cargo volume that has fallen short of the Company's forecasts[.]"<sup>5</sup>

Fourteen months after approval of the general rate increase in Docket No. 2010-0171, on February 11, 2013,

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<sup>2</sup>In general, "intrastate" cargo both originates, and is destined for delivery, in Hawaii. On the other hand, "interstate" cargo either originates outside of Hawaii and is destined for delivery in Hawaii, or originates in Hawaii and is destined for delivery outside of Hawaii. See In re YOUNG BROTHERS, LIMITED, For Approval of a General Rate Increase and Certain Tariff Changes, Docket No. 2010-0171, Decision and Order No. 30024, filed on Dec. 16, 2011 ("Order No. 30024") at 3 n.4.

<sup>3</sup>Order No. 30024 at 1.

<sup>4</sup>Order No. 30024 at 1.

<sup>5</sup>Order No. 30024 at 5.

Young Brothers filed an Application for Approval to Institute an Annual Freight Rate Adjustment ("AFRA") Pilot Program.<sup>6</sup>

Young Brothers sought to "implement a streamlined, ratemaking process for the purpose of determining whether its proposed rate changes (i.e., increases or decreases [not to exceed 5.5%]) are just, reasonable, and consistent with the public interest" and "prolong the time period between filing applications for a general rate case"<sup>7</sup> and "save the utility, and ultimately its customers, the time, costs and resources" to conduct frequent rate cases.<sup>8</sup>

In reviewing the proposed AFRA Pilot Program, the commission stated that a "streamlined ratemaking process, in conjunction with the establishment of performance metrics/indices, can serve as a tool to potentially" "create the same efficiency incentives as those experienced in competitive markets while maintaining service quality[,]" "provide Young Brothers with a reasonable opportunity to recover

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<sup>6</sup>Application of Young Brothers, Limited For Approval To Institute An Annual Freight Rate Adjustment Pilot Program, filed on Feb. 11, 2013, as amended on Feb. 13, 2013 ("Application").

<sup>7</sup>In re YOUNG BROTHERS, LIMITED, For Approval To Institute An Annual Freight Rate Adjustment Pilot Program, Docket No. 2013-0032, Decision and Order No. 31493, filed on Oct. 11, 2013 ("Order No. 31493"), at 18.

<sup>8</sup>Order No. 31493 at 20.

its prudently incurred costs, including a fair rate of return[,]” and “allow YB’s customers to share in the benefits of a streamlined ratemaking process.”<sup>9</sup>

The commission stated that “performance metrics should be established at the outset in order to assist the commission and Consumer Advocate in evaluating the value of the AFRA program” and that “absent performance metrics established at the beginning of a streamlined ratemaking pilot program, the commission and the Consumer Advocate would be deprived of a valuable tool to assess the effectiveness of the program.”<sup>10</sup>

The commission approved the AFRA Pilot Program and “conclude[d] that the requirement of performance standards and potential penalties if certain standards are not maintained or reached serves to make YB’s proposed AFRA reasonable.”<sup>11</sup>

## II.

### The Parties’ Proposed Performance Metrics and Standards

With respect to the adoption of performance metrics and standards, the commission previously directed the Parties to “file proposed stipulated performance metrics/indices, or in the

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<sup>9</sup>Order No. 31493 at 20.

<sup>10</sup>Order No. 31493 at 26.

<sup>11</sup>Order No. 31493 at 28.

alternative, separate proposed performance metrics, for the commission's review and approval[,]” which were to include:

- a. the performance categories, including safety, performance, reliability, and market access;
- b. the standard/benchmark of each category to be met by Young Brothers;
- c. how each standard is to be measured; and
- d. the penalties to be applied if the standards/benchmarks are not met.<sup>12</sup>

A.

The Consumer Advocate's Proposal

In its submission of proposed performance metrics, the Consumer Advocate stated that “since YB is allowed to obtain annual rate increases through the use of a formula derived revenue requirement, YB should strive to achieve improved performance in its operations as well as financial results.”<sup>13</sup>

Therefore, the Consumer Advocate argued, the “performance metrics that will be imposed upon YB as a result of the AFRA pilot program should not be standards that YB has already achieved. Instead, the performance metrics should be

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<sup>12</sup>Order No. 31493 at 30.

<sup>13</sup>Division of Consumer Advocacy's Submission of its Proposed Performance Metrics, filed on Dec. 2, 2013 (“CA Submission”), Attachment 1 at 6. The Consumer Advocate related that the Parties were “unable to reach agreement” on the performance metrics, standards, and penalties. Id. at 21.

standards that will provide significant and quantifiable improvement to its operations and customer service."<sup>14</sup>

With regard to the area of "Safety," the Consumer Advocate proposed performance metrics in addition to Young Brothers' recordable incident rate and lost-time incident rate:

(a) The number and dollar value of workers' compensation insurance claims;<sup>15</sup>

(b) The number and dollar value of insurance claims "filed relating to damages to customers or customer vehicles while on YB property as well as to YB property;"<sup>16</sup>

(c) The number of safety violations cited by the U.S. Coast Guard and OSHA;<sup>17</sup> and

(d) The number of events involving hazardous materials.<sup>18</sup>

With regard to the area of "Cost Control/Performance," the Consumer Advocate proposed the performance metrics of:

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<sup>14</sup>CA Submission, Attachment 1 at 6.

<sup>15</sup>CA Submission, Attachment 1 at 8.

<sup>16</sup>CA Submission, Attachment 1 at 8.

<sup>17</sup>CA Submission, Attachment 1 at 9.

<sup>18</sup>CA Submission, Attachment 1 at 9.



(a) Young Brothers' fuel efficiency, separately measured for shoreside and marine operations;<sup>19</sup>

(b) The "electricity usage at its shoreside facilities and establishing energy efficiency goals;"<sup>20</sup>

(c) For labor costs, the "relative ratio of the increase in YB's salary and wage rates in comparison to both Hawaii and national averages;"<sup>21</sup>

(d) Employee absenteeism rates, in comparison to the industry standard, since "a high absenteeism rate can also result in higher labor costs, as it relates to overtime and temporary employees hired to cover absent employees;"<sup>22</sup>

(e) Employee overtime hours and costs, in comparison to the industry standard;<sup>23</sup>

(f) The hours and costs of temporary hires;<sup>24</sup>

(g) Increases in non-labor expenses, as compared to the commission-approved inflation index, because if "YB's non-labor

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<sup>19</sup>CA Submission, Attachment 1 at 10-11.

<sup>20</sup>CA Submission, Attachment 1 at 11.

<sup>21</sup>CA Submission, Attachment 1 at 11.

<sup>22</sup>CA Submission, Attachment 1 at 11-12.

<sup>23</sup>CA Submission, Attachment 1 at 12-13.

<sup>24</sup>CA Submission, Attachment 1 at 13.

expenses are [increasing] at a rate faster than the CPI" this may suggest "YB is not exercising sufficient cost control measures;"<sup>25</sup>

(h) Port turnaround time, which is the "time measured between when the ship (or barge) arrives in port and sails for its next destination;"<sup>26</sup>

(i) "Dwell time" which is the "number of days that a container changed from one status to another such as from an inbound load to empty and then from empty to outbound;"<sup>27</sup>

(j) The "amount of labor hours per cargo ton" which "facilitates a determination [of] whether the Company is taking steps to ensure that it is using its laborers and equipment efficiently to load and unload its cargo;"<sup>28</sup>

(k) The "empty miles factor or load ratio" which "measures the number of loaded miles as compared to empty miles;"<sup>29</sup>

(l) The "return by barge" which is "the total revenues generated by each barge divided by the [barge's] total capacity;"<sup>30</sup>

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<sup>25</sup>CA Submission, Attachment 1 at 13.

<sup>26</sup>CA Submission, Attachment 1 at 13.

<sup>27</sup>CA Submission, Attachment 1 at 14.

<sup>28</sup>CA Submission, Attachment 1 at 14.

<sup>29</sup>CA Submission, Attachment 1 at 14.

<sup>30</sup>CA Submission, Attachment 1 at 15.

(m) The "availability of its marine assets" reported by "the number of hours, both planned and unplanned, that each barge and tug is not available for service;"<sup>31</sup>

(n) A "measure that evaluates the Company's performance as it relates to Hawaii's economy" because if "the ratio suggests that the Company's CPE [(amount of cargo volume measured by container/platform equivalents)] is decreasing even when [Hawaii's Gross Domestic Product (GDP)] is increasing or that the CPE is increasing even though the GDP is decreasing, this will be illustrative that YB's assertions and the reasonableness of the AFRA should be reassessed;"<sup>32</sup> and

(o) The "Company's operating ratio" "to measure the amount of non-productive expenses and whether it is a reasonable level as compared to the total revenues."<sup>33</sup>

The Consumer Advocate proposed the following performance metrics in the area of "Reliability/Customer Service":

(a) Customer satisfaction surveys as to customer service, condition of cargo, and cargo drop-off and pick-up;<sup>34</sup>

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<sup>31</sup>CA Submission, Attachment 1 at 15.

<sup>32</sup>CA Submission, Attachment 1 at 15-16.

<sup>33</sup>CA Submission, Attachment 1 at 16.

<sup>34</sup>CA Submission, Attachment 1 at 17.

(b) Complaints received by Young Brothers;<sup>35</sup>

(c) The amount of time to resolve all complaints;<sup>36</sup>

(d) A standard of 90% of all customer calls answered within 60 seconds;<sup>37</sup> and

(e) The "total number of reported damage claims and the dollar value of the claims related to the cargo that was handled by the Company."<sup>38</sup>

For "Market Access" performance metrics, along with the completion of regulated sailings, the Consumer Advocate proposed:

(a) Young Brothers' total gate hours and the number of vehicles per gate hour;<sup>39</sup> and

(b) That Young Brothers provide a recurring report "on competition in the interisland shipping market" to "evaluate all transport modes, air and sea" because "YB should be required to demonstrate that the market in which it competes is very competitive" "[s]ince YB is essentially the only interisland water carrier and its affiliate Aloha Air Cargo is the dominant cargo carrier by air in Hawaii's market" and "the Commission

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<sup>35</sup>CA Submission, Attachment 1 at 17.

<sup>36</sup>CA Submission, Attachment 1 at 17-18.

<sup>37</sup>CA Submission, Attachment 1 at 18.

<sup>38</sup>CA Submission, Attachment 1 at 18.

<sup>39</sup>CA Submission, Attachment 1 at 19.

appears to have granted the AFRA in part because of the perception that YB operated in a very competitive market[.]”<sup>40</sup>

The Consumer Advocate proposed the penalties of:

(a) If the study on competition in the interisland market “is not performed” or suggests that the “market share controlled by YB or its affiliates is representative of a high concentration” then “AFRA should be terminated until the study is provided or market conditions suggest” it is “highly competitive;”<sup>41</sup>

(b) If there is no correlation between Young Brothers’ cargo volume and Hawaii’s GDP, “AFRA should be suspended until it can be determined” it is still “reasonable to allow the AFRA to continue;”<sup>42</sup> and

(c) “For all other metrics, if a metric is not met, that the total increase allowed under the AFRA for that year would be limited to 2.25%. If YB does not meet all metrics in the subsequent year, [YB] should not be able to recover any increase in rates until all metrics are met.”<sup>43</sup>

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<sup>40</sup>CA Submission, Attachment 1 at 19.

<sup>41</sup>CA Submission, Attachment 1 at 20.

<sup>42</sup>CA Submission, Attachment 1 at 21.

<sup>43</sup>CA Submission, Attachment 1 at 21.

B.

Young Brothers' Proposal

Young Brothers "propose[d] to focus on organization-wide performance standards that relate to the purposes of regulation, which [Young Brothers] understand to be (a) providing service at specified levels and (b) reasonable rates."<sup>44</sup> Along with the "adoption of two indicators proposed by the Consumer Advocate: (1) response to customer calls and (2) dropped customer calls[,] "<sup>45</sup> Young Brothers proposed the following performance metrics:

(a) Safety - "Recordable and lost time incident rates;"<sup>46</sup>

(b) Cost Control - budgeted labor hours and costs versus actual labor hours and costs, as the performance standard of controlling labor costs;<sup>47</sup>

(c) Fuel Efficiency - a benchmark of 2.2 tons of cargo transported per gallon of fuel consumed;<sup>48</sup>

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<sup>44</sup>Response of Young Brothers, Limited to Information Request of the Hawaii State Public Utilities Commission (PUC-IC-102 to PUC-IR-106), filed on Aug. 19, 2013 ("PUC IR"), YB Response to PUC-IR-102 at page 4.

<sup>45</sup>Young Brothers, Limited Submittal of (1) Proposed Performance Metrics and (2) Response to Performance Metrics Proposed by the Division of Consumer Advocacy Filed Under Transmittal No. 13-0005, filed on Nov. 27, 2013 ("YB Submittal"), at 6.

<sup>46</sup>YB Submittal, YB-Ex-01 at 1.

<sup>47</sup>YB Submittal, YB-Ex-01 at 2.

<sup>48</sup>YB Submittal, YB-Ex-01 at 3.

(d) Reliability/Customer Service - a benchmark of 75% on-time barge arrivals;<sup>49</sup>

(e) Reliability/Customer Service - freight delivery and pick-up with a benchmark of 45 minutes for trucker waiting time where "security personnel clock the times entering and exiting YB facility;"<sup>50</sup> and

(f) Market Access - a benchmark of 99% completion of regulated sailings.<sup>51</sup>

With regard to potential penalties, Young Brothers maintained that its "performance be evaluated, through application of each metric and comparison with related benchmarks, in the context of its next general rate case."<sup>52</sup>

C.

Additional Comments on the Parties' Proposals

The commission subsequently directed the Parties to submit "additional comments and suggested refinements" "to the performance standards and metrics under the AFRA Pilot Program."<sup>53</sup>

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<sup>49</sup>YB Submittal, YB-Ex-01 at 7.

<sup>50</sup>YB Submittal, YB-Ex-01 at 7.

<sup>51</sup>YB Submittal, YB-Ex-01 at 8.

<sup>52</sup>YB Submittal at 12.

<sup>53</sup>Docket No. 2013-0032, Order No. 32913 "GRANTING JOINT MOTION OF YOUNG BROTHERS, LIMITED AND DIVISION OF CONSUMER ADVOCACY AND

Young Brothers identified two substantive revisions from its prior proposal. First, for labor efficiency, "YB's original proposal used its budgeted labor hours and dollars as the standard. YB's revised standard proposed to add an efficiency measure of amount of cargo moved per labor hour."<sup>54</sup> Second, for the metric of response to customer calls, Young Brothers explains that it:

previously agreed with CA that this is an appropriate metric and stated it would work with the CA on the standard. CA's proposal of all calls answered within 60 seconds, with 95% of all calls answered before hang-up by YB's "customer call center[.]" YB has no customer call center, only clerks with multiple duties. YB submits its standards [(90% of customer calls answered, with average wait time of 90 seconds)] are ambitious and noted that it seeks to achieve these standards without expending the funds necessary to establish a call center.<sup>55</sup>

The Consumer Advocate argued that:

granting Young Brothers the potential for annual revenue increases through the AFRA Pilot Program should result in significant improved performance. Given the potential for annual revenue increases, the AFRA Pilot Program provides a clear benefit to Young Brothers. In exchange for this benefit, Young Brothers should be required to strive for exceptional performance that benefits its

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APPROVING A ONE YEAR EXTENSION OF THE ANNUAL FREIGHT RATE ADJUSTMENT PILOT PROGRAM" and "DISSENTING OPINION OF RANDALL Y. IWASE, CHAIR[.]" filed on June 16, 2015, at 12.

<sup>54</sup>Young Brothers, Limited Submittal of Comments on and Suggested Refinements to Proposed Performance Standards and Metrics, filed on Sept. 14, 2015 ("YB Refinements"), at 3.

<sup>55</sup>YB Refinements at 4.



customers. Furthermore, Young Brothers should be required to quantify its performance with robust performance metrics.<sup>56</sup>

The Consumer Advocate further advocated that "[i]n conjunction with its review of the proposed performance metrics" the commission should review Young Brothers' "monthly financial reports for the reported return on rate base and return on common equity since the inception of the AFRA Pilot Program."<sup>57</sup> The Consumer Advocate contended that the amount of Young Brothers' "returns call into question the reasonableness of the AFRA Pilot Program; therefore, further scrutiny should be given to the AFRA Pilot Program, the absence of any downward adjustment to the authorized rate of return to reflect the decrease in risk associated with the AFRA, and any future requests for AFRA percentage increases."<sup>58</sup>

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<sup>56</sup>Division of Consumer Advocacy's Submission of Comments and Refinements for Proposed Performance Metrics, filed on Sept. 14, 2015 ("CA Refinements"), at 2.

<sup>57</sup>CA Refinements at 2.

<sup>58</sup>CA Refinements at 4.

## III.

Findings and Conclusions

## A.

Adoption of Performance Metrics and Standards

Initially, the commission makes the following general findings and conclusions with respect to the AFRA Pilot Program:

1. The commission has "general supervision" "over all public utilities"<sup>59</sup> and "shall have power to examine into the condition of each public utility, the manner in which it is operated with reference to the safety or accommodation of the public, the safety, working hours, and wages of its employees, the fares and rates charged by it," "the amount and disposition of its income, and all of its financial transactions, . . . and all matters of every nature affecting the relations and transactions between it and the public or persons or corporations."<sup>60</sup>

2. In approving the AFRA Pilot Program, the commission concluded that "any changes that result in an increase of YB's revenues, whether due to economic changes or a prior AFRA

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<sup>59</sup>Hawaii Revised Statutes (HRS) § 269-6(a) (2007 Repl.).

<sup>60</sup>HRS § 269-7(a) (2007 Repl.); see also HRS § 271G-7(1) (2007 Repl.) ("The general duties and powers of the [commission] shall be . . . [t]o regulate water carriers, and to that end the commission shall have and utilize the investigative powers set forth in section 269-7 as well as all of the duties and powers specifically enumerated in this chapter[.]").

increase, should result in lowering the percentage in the next AFRA filing" and "as the program progresses, the commission may at any time terminate the AFRA should this rate adjustment mechanism be found not to be reasonable or in the public interest."<sup>61</sup>

3. Hence, "to ensure, among other things, that the ratepayers affected by the instant proceeding are protected and that the implementation of the AFRA is consistent with HRS chapter 271-G[,]" the commission reserved the right to, upon its own initiative or motion, "reopen this docket or open a separate docket at any time to institute an investigation or other proceedings."<sup>62</sup>

4. As the commission stated when the AFRA Pilot Program was originally approved, "the requirement of performance standards and potential penalties if certain standards are not maintained or reached serves to make YB's proposed AFRA reasonable" and such "performance metrics should be established at the outset in order to assist the commission and Consumer Advocate in evaluating the value of the AFRA program."<sup>63</sup>

5. Since the commission first approved the AFRA Pilot Program, Young Brothers has benefitted from an

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<sup>61</sup>Order No. 31493 at 22, 23.

<sup>62</sup>Order No. 31493 at 30.

<sup>63</sup>Order No. 31493 at 26.

AFRA tariff increase of 5.5 percent effective November 29, 2013; an AFRA tariff increase of 2.21 percent effective November 29, 2014; and no AFRA tariff increase effective November 29, 2015. The commission finds that Young Brothers cannot accept the benefit of annual freight rate increases, while deferring the assessment of its performance obligations that were, among other things, intended to "create the same efficiency incentives as those experienced in competitive markets while maintaining service quality[,] and to "allow YB's customers to share in the benefits of a streamlined ratemaking process."<sup>64</sup>

6. Inasmuch as "one of the purposes of an AFRA is to reduce the regulatory burden associated with processing rate cases" the commission reaffirms that Young Brothers must submit accurate filings and detailed supporting documentation that "include clear and transparent information that enables a timely audit of the filing with a minimal expenditure of time on the part of the commission and Consumer Advocate."<sup>65</sup> The failure to adhere to such standards creates inefficiencies that detract from one of

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<sup>64</sup>Order No. 31493 at 20.

<sup>65</sup>In re YOUNG BROTHERS, LIMITED, For an Annual Freight Rate Adjustment Pursuant to Decision and Order No. 31493 and Rule 215 of Young Brothers, Limited Local Freight Tariff No. 5A, Transmittal No. 13-0005, Order No. 31722 "ACCEPTING, WITH MODIFICATIONS, ANNUAL FREIGHT RATE ADJUSTMENT," filed on Nov. 27, 2013, at 6.

Young Brothers' asserted benefits of AFRA, and may thus constitute grounds to reconsider the virtues of the AFRA Pilot Program, and also grounds to reject a proposed AFRA tariff increase.

7. To assist the commission in assessing whether the AFRA mechanism, in its current form, continues "to be reasonable or in the public interest[,]"<sup>66</sup> Young Brothers shall report its various financial calculations (e.g., revenue, expenses, net income, rate of return, and return on equity) for (a) total company operations, (b) intrastate operations, and (c) interstate operations. In addition, Young Brothers shall provide a detailed description of the basis for the allocation of each major expense category to either intrastate or interstate operations.

8. This detailed reporting requirement for (a) total company operations, (b) intrastate operations, and (c) interstate operations shall also apply to Young Brothers' annual and monthly financial reports that it regularly files with the commission.

9. Certain performance metrics utilize a standard or benchmark of the most current three-year average of Young Brothers' historical performance as to that metric (i.e., when comparing Young Brothers' performance from calendar year 2015, the most

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<sup>66</sup>Order No. 31493 at 23.

current three-year average would be the results from Young Brothers' performance in calendar years 2012, 2013, and 2014) ("three-year average"). Such three-year average will then be compared to Young Brothers' current performance in the latest available twelve-month trailing period (i.e., for Young Brothers' initial reporting as required by this Order, the twelve-month trailing period shall be Young Brothers' performance in calendar year 2015) ("twelve-month trailing period").

10. As may be applicable, Young Brothers shall provide the commission with the relevant information and documentation to establish both the performance standard of the three-year average, and the current performance in the twelve-month trailing period.

B.

Performance Metrics and Standards

11. The commission adopts the following performance metrics and standards, which shall apply to the current AFRA Pilot Program of Young Brothers.

1.

Safety: Recordable Incident Rate

12. The commission adopts the performance metric of recordable incident rate, which is "the number of employees

per 100 full-time employees who have been injured or suffered an illness required to be recorded under OSHA rules[.]”<sup>67</sup> Generally, an injury or illness is considered “recordable” if it results in any of the recording criteria of death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, and/or loss of consciousness.<sup>68</sup>

13. Young Brothers states that recordable incident rate is “currently being used internally” to evaluate its “provision of timely, frequent, and universal service in a safe manner and efficient manner in fulfillment of its customer and regulatory objectives”<sup>69</sup> and that it “measures separately safety rates for its shoreside and its marine personnel.”<sup>70</sup>

14. With regard to a performance standard or benchmark, Young Brothers proposes the national industry average for a recordable incident rate of 7.0, as reported by the U.S. Bureau of Labor Statistics in the Survey of Occupational Injuries and Illnesses.<sup>71</sup> For the first half of 2015, Young Brothers reports that it already meets this proposed standard, with recordable

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<sup>67</sup>YB Refinements at 8.

<sup>68</sup>YB Refinements at 9.

<sup>69</sup>YB Refinements at 7.

<sup>70</sup>YB Refinements at 9.

<sup>71</sup>YB Refinements at 10.

incident rates of 5.26 (shoreside) and 0.0 (marine).<sup>72</sup> Young Brothers explains that while "it has met, and aims to continue to meet or exceed, these benchmarks, the Company's corporate family goal, nonetheless, has always been to have zero injuries."<sup>73</sup>

15. While Young Brothers appears to meet the industry average of 7.0, the commission declines to adopt this figure because a performance standard "should not be standards that YB has already achieved" and should instead serve to "provide significant and quantifiable improvement to its operations"<sup>74</sup> -- in this case, to work towards Young Brothers' "corporate family goal" which "has always been to have zero injuries."<sup>75</sup>

16. As such, the commission adopts the performance standards of Young Brothers' three-year average of its recordable incident rates for (a) shoreside personnel, and (b) marine personnel.<sup>76</sup> Young Brothers' current performance

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<sup>72</sup>YB Refinements at 10.

<sup>73</sup>YB Refinements at 11.

<sup>74</sup>CA Submission, Attachment 1 at 6.

<sup>75</sup>YB Refinements at 11.

<sup>76</sup>If Young Brothers' three-year average is greater than the national industry average of 7.0, the commission will thereafter determine the performance standard for recordable incident rate.



of its recordable incident rates in the twelve-month trailing period shall be compared to these performance standards.

2.

Safety: Lost Time Incident Rate

17. The commission adopts the performance metric of lost time incident rate, which is "the number of employees per 100 full-time employees who have been involved in recordable incidents in which a workday (or more) was lost within the specified time period."<sup>77</sup> "An injury is considered a lost-time incident if it results in one or more days away from work."<sup>78</sup>

18. As with the recordable incident rate, Young Brothers already tracks its lost time incident rate and separately tracks the rates for its shoreside and marine personnel, with a "corporate family goal" of "zero injuries."<sup>79</sup>

19. With regard to a performance standard or benchmark, Young Brothers proposes the national industry average for a lost time incident rate of 3.7, as reported by the U.S. Bureau of Labor Statistics in the Survey of Occupational Injuries and

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<sup>77</sup>YB Refinements at 8.

<sup>78</sup>YB Refinements at 7.

<sup>79</sup>YB Refinements at 7, 9, 11.

Illnesses.<sup>80</sup> For the first half of 2015, Young Brothers reports that it already meets this proposed standard, with lost time incident rates of 1.50 (shoreside) and 0.0 (marine).<sup>81</sup>

20. For the same reasons as with the recordable incident rate, the commission declines to adopt the national average of 3.7 as the performance standard for the lost time incident rate because it is a standard that Young Brothers has "already achieved" and thus insufficient in light of its goal of "zero injuries."

21. As such, the commission adopts the performance standard of Young Brothers' three-year average of its lost time incident rates for (a) shoreside personnel, and (b) marine personnel.<sup>82</sup> Young Brothers' current performance of its lost time incident rates in the twelve-month trailing period shall be compared to these performance standards.

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<sup>80</sup>YB Refinements at 10.

<sup>81</sup>YB Refinements at 10.

<sup>82</sup>If Young Brothers' three-year average is greater than the national industry average of 3.7, the commission will thereafter determine the performance standard for lost time incident rate.

3.

Safety: Workers' Compensation Insurance Claims

22. The commission adopts the performance metric of workers' compensation insurance claims. The commission agrees with the Consumer Advocate that, in addition to the recordable incident rate and lost time incident rate, the total number and dollar value of Young Brothers' workers' compensation insurance claims "would be good indicators of YB's safety performance" and provide "the likely dollar impact on YB's operations"<sup>83</sup> along with the severity of the compensable injuries.

23. As such, the commission adopts the performance standards of Young Brothers' (a) three-year average of the total number of its workers' compensation insurance claims, and (b) three-year average of the total dollar value of its workers' compensation insurance claims. Young Brothers' performance in the twelve-month trailing period shall be compared to these performance standards.

4.

Safety: Hazardous Materials

24. The commission adopts the performance metric of hazardous materials incidents. The commission agrees with the

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<sup>83</sup>CA Submission, Attachment 1 at 8.

Consumer Advocate in finding value with a metric "to track YB's record with respect to handling hazardous materials either used by the Company or transported by the Company."<sup>84</sup> A spill involving hazardous materials may result in severe impacts to the community, the environment, the safety of Young Brothers' employees, along with the related expenses for containment and remediation.

25. As such, the commission adopts the performance standards of Young Brothers' (a) three-year average of the total number of its hazardous materials incidents, and (b) three-year average of the total monetary expenses associated with its hazardous materials incidents (e.g., fines, damages or claims, costs of containment and remediation). Young Brothers' performance in the twelve-month trailing period shall be compared to these performance standards.

5.

Efficiency: Labor Efficiency

26. The commission adopts the performance metric of labor efficiency. The commission agrees with Young Brothers that "labor hours is a more directly informative efficiency measure

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<sup>84</sup>CA Submission, Attachment 1 at 9.

than labor costs[,]” and more so if labor hours are “tied to the movement of cargo.”<sup>85</sup> Young Brothers explains that

finding an applicable industry-wide standard poses a difficulty. The Company’s regulatory and customer obligations (frequent, regular, and universal service to our customers) and role in the State’s “just in time” method of inventory management often require different considerations than those employed by water carriers that are not utilities.<sup>86</sup>

27. As a performance standard, Young Brothers proposes 0.58 Container/Platform Equivalents (CPEs) moved per each labor hour expended by shoreside (terminal) personnel, which is “derived by dividing the total number of CPEs transported over a given period of time by the total number of shoreside (terminal) labor hours expended.”<sup>87</sup> The labor hours “are derived from hours used in calculating YB’s safety metrics, with adjustments to exclude time not associated with cargo-handling activities.”<sup>88</sup>

28. Absent a cogent description as to Young Brothers’ specific methodology to convert various less-than-container-load

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<sup>85</sup>YB Refinements at 16.

<sup>86</sup>YB Refinements at 16.

<sup>87</sup>YB Refinements at 15. Young Brothers defines “CPEs” as a “unit of volume measurement approximately equivalent to the volume of cargo that would fit into a 20-foot container or that has the same footprint as a 20-foot platform or flatrack.” Id. at 15 n.22. The figure of 0.58 is the actual “average labor efficiency rate for the period of 2009 to 2014.” Id. at 16.

<sup>88</sup>YB Refinements at 17.

cargo to an equivalent CPE, the commission declines to adopt the use of CPE as a cargo unit along with the proposed standard of 0.58 CPEs moved per each labor hour of shoreside personnel.

29. Rather than rely on a "unit of volume measurement approximately equivalent to the volume of cargo that would fit into a 20-foot container or that has the same footprint as a 20-foot platform or flatrack[,] "<sup>89</sup> given the diversity of cargo transported, the commission concludes that a more accurate measurement is based on actual revenue tons.

30. As such, the commission adopts the performance standards of Young Brothers' (a) three-year average of actual revenue tons, divided by the total shoreside (terminal) labor hours, and (b) three-year average of the dollar value of such total shoreside (terminal) labor hours. Young Brothers' performance in the twelve-month trailing period shall be compared to these performance standards.

6.

Efficiency: Fuel Efficiency

31. The commission adopts the performance metric of fuel efficiency, separately measured for shoreside and

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<sup>89</sup>YB Refinements at 15 n.22.

marine activities, by taking the actual revenue tons divided by the total fuel consumed by either shoreside or marine equipment.

32. The commission agrees with the Consumer Advocate that fuel efficiency should be distinguished between shoreside and marine use.<sup>90</sup> If this metric was based on the total fuel consumed by both shoreside and marine activities, as proposed by Young Brothers,<sup>91</sup> the determination of tons moved per gallon of fuel would provide only a broad indicator of fuel efficiency.

33. This is because, in the movement of cargo, fuel is consumed in two distinct activities -- shoreside and marine -- with corresponding equipment that is unique to each function. For example, the fuel consumed by shoreside equipment provides a more accurate indication of fuel efficiency with respect to cargo handling activities. In comparison, the use of fuel by marine equipment is more relevant to fuel efficiency with respect to cargo transport activities.

34. Hence, combining shoreside and marine fuel consumption would dilute the usefulness of this metric to assess Young Brothers' management of "all of its resources" and to "identify potential areas that might require improvement."<sup>92</sup>

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<sup>90</sup>See CA Submission, Attachment 1 at 10.

<sup>91</sup>See YB Refinements at 12-15.

<sup>92</sup>CA Submission, Attachment 1 at 10.

35. As such, the commission concludes that fuel efficiency shall be separately measured for shoreside and marine activities. Shoreside fuel efficiency shall be measured by the actual revenue tons (as referenced in the Labor Efficiency metric), divided by the total fuel consumed by shoreside equipment. Marine fuel efficiency shall be measured by the actual revenue tons (as referenced in the Labor Efficiency metric), divided by the total fuel consumed by marine equipment.

36. The commission adopts the performance standards of Young Brothers' (a) three-year average of shoreside fuel efficiency, as calculated by the method above, and (b) three-year average of marine fuel efficiency, as calculated by the method above. Young Brothers' performance in the twelve-month trailing period shall be compared to these performance standards.

7.

Service: On-Time Barge Arrival

37. The commission adopts the performance metric of on-time barge arrival. Young Brothers contends that "on-time arrival is the most important metric for service reliability" recognizing that "neighbor islands need frequent and timely service to maintain their just-in-time methods of inventory



and distribution" and "on-time sailings are also especially important to shipping local agricultural goods[.]"<sup>93</sup>

38. Young Brothers proposes a performance standard of seventy-five percent (75%) on-time barge arrivals, measured "by dividing the number of barges that arrive on-time by the total number of sailings annually."<sup>94</sup> In addition, Young Brothers would define "on-time arrival" as the "arrival of a barge at its neighbor island destination port by the time the port's gates are scheduled to open for business, which is 7:30 a.m."<sup>95</sup>

39. For the purpose of this calculation, "any recorded barge arrival after 7:30 a.m. is counted as a delay" and "voyages negatively affected by factors not within its control" are included "as part of determining an acceptable on-time arrival percentage."<sup>96</sup> Moreover, delays "that are foreseeable and unavoidable, such as those caused by severe weather, are also counted as delays despite the fact that YB provides advance notice to all customers when such later arrivals are significant and foreseen."<sup>97</sup>

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<sup>93</sup>YB Refinements at 18-19.

<sup>94</sup>YB Refinements at 19.

<sup>95</sup>YB Refinements at 19.

<sup>96</sup>YB Refinements at 19.

40. The commission agrees with the performance standard of seventy-five percent (75%) on-time barge arrivals. However, the commission modifies the definition of "on-time arrival" whereby an "arrival" shall be when the barge is tied up alongside the pier and ready for unloading operations to commence.

41. Young Brothers ambiguously defines "on-time arrival" as being the "arrival of a barge at its neighbor island destination port by the time the port's gates are scheduled to open for business, which is 7:30 a.m."<sup>98</sup> Under this definition, affixing a consistent "arrival" time is problematic given that "arrival" could widely range from the barge's arrival at the harbor entrance, to the barge being tied up alongside the pier and ready for unloading to commence.

42. In light of Young Brothers' goals of "service reliability" and facilitating "just-in-time methods of inventory and distribution[,] "<sup>99</sup> the commission finds that defining "arrival" to be when the barge is tied up alongside the pier and ready for unloading to commence, would be more relevant for the analysis of timely service for Young Brothers' customers.

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<sup>97</sup>YB Refinements at 20.

<sup>98</sup>YB Refinements at 19.

<sup>99</sup>YB Refinements at 18-19.

43. The commission adopts the performance standard of seventy-five percent (75%) on-time barge arrivals, measured "by dividing the number of barges that arrive on-time by the total number of sailings annually[,]" with "on-time arrival" defined as the barge being tied up alongside the pier and ready for unloading operations to commence by the time the port's gates are scheduled to open for business at 7:30 a.m. "[A]ny recorded barge arrival after 7:30 a.m. is counted as a delay." Young Brothers' current performance in the twelve-month trailing period shall be compared to this performance standard.

8.

Service: Customer Wait Time for Freight

44. The commission adopts the performance metric of customer wait time for freight drop-off and pick-up. Young Brothers explains that the "efficient flow of traffic in YB's yard affects customers' ability to meet their own schedules and to use their time optimally[.]"<sup>100</sup>

45. Thus, Young Brothers "proposes as its freight delivery metric the time in minutes taken by a sample of truckers, upon entry to the Honolulu yard, dropping off dry or refrigerated palletized [less than container load (LCL)] cargo, and exiting the

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<sup>100</sup>YB Refinements at 21.

secured gate" -- with a "proposed benchmark for trucker wait time" of "an annual average of 45 minutes or less at palletized dry and reefer queues at the port of Honolulu."<sup>101</sup>

46. Young Brothers proposes to focus "on wait times for palletized LCL cargo in its hub and busiest port, Honolulu" because it contends that "longer waiting times are associated with LCL cargo (although containerized cargo constitutes well over half of YB's combined intra-state and interstate cargo volume and LCL makes up a significantly smaller fraction)."<sup>102</sup>

47. The current twice-monthly sampling methodology "comprises one week of data collection for the dry LCL queue and one week for the refrigerated, or reefer, LCL line. The result is 12 weeks of data collection for each palletized LCL queue annually, all of which are then averaged."<sup>103</sup> Specifically, the security personnel "at YB's Honolulu facility randomly select trucks carrying LCL cargo (both dry and refrigerated pallets). Only one truck is selected roughly every hour for the LCL line

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<sup>101</sup>YB Refinements at 22.

<sup>102</sup>YB Refinements at 21.

<sup>103</sup>YB Refinements at 22. For the first half of 2015, Young Brothers reports an average wait time of 41 minutes. Id. at 23.

being measured that week. Trucks are clocked in once they enter the facility and clocked out upon their exit from the facility."<sup>104</sup>

48. As explained by Young Brothers, the value of surveying wait times is that the "data collected informs YB as to wait times that exceed standards and allows management personnel to analyze data and react accordingly. The data (i.e., date, time, type of service) would allow a manager or superintendent to determine the factor or factors on a given day that may have accounted for a delay."<sup>105</sup> Young Brothers further explains:

The surveys inform that a trucker's time within the Honolulu port is, on average, less than 30 minutes during the earlier morning period, or until roughly 9:30 a.m. As the day progresses to 11:00 a.m., the cut-off time to accept cargo for that day's sailing, the length of time a trucker is in the port increases to roughly 60 minutes because of the higher volume of customers on base. The afternoon truck traffic for the delivery of cargo is observed to be very substantially less than in the morning hours (primarily because, although cargo is still accepted during this afternoon period, it may not be loaded to that particular day's sailing after the 11:00 a.m. cut-off time).<sup>106</sup>

49. At this time, the commission adopts the performance standard of "trucker wait time" which is measured "upon entry to

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<sup>104</sup>YB Refinements at 22 n.28.

<sup>105</sup>YB Refinements at 24.

<sup>106</sup>YB Refinements at 24.

the Honolulu yard" until "exiting the secured gate" with "an annual average of 45 minutes or less at palletized dry and reefer queues at the port of Honolulu."<sup>107</sup> The commission clarifies that "trucker wait time" should be separately measured for (a) freight drop-off, and (b) freight pick-up by customers.<sup>108</sup> Young Brothers' current performance in the twelve-month trailing period shall be compared to these standards.

50. The commission further directs Young Brothers to develop a more comprehensive measurement of customer wait time for freight drop-off and pick-up, beyond dry or refrigerated palletized less than container load cargo at the port of Honolulu.

51. Young Brothers has stated that the "efficient flow of traffic in YB's yard affects customers' ability to meet their own schedules and to use their time optimally[,] "<sup>109</sup> and that the

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<sup>107</sup>YB Refinements at 24.

<sup>108</sup>It appears that Young Brothers may have omitted freight "pick-up" from its most recent submittal. Compare YB Submittal, YB-Ex-01 at 7 (proposing a performance metric of "Freight delivery and pick-up" with a benchmark of 45 minutes for trucker waiting time), and PUC IR, YB Response to PUC-IR-102 at page 21 ("YB proposes a performance standard under which the wait times for truckers picking-up and delivering dry and refrigerated pallets in Honolulu shall be an average of 45 minutes or less." (bolded emphases omitted)), with YB Refinements at 22 ("Young Brothers proposes as its freight delivery metric the time in minutes taken by a sample of truckers, upon entry to the Honolulu yard, dropping off dry or refrigerated palletized cargo, and exiting the secured gate.").

<sup>109</sup>YB Refinements at 21.

"neighbor islands need frequent and timely service to maintain their just-in-time methods of inventory and distribution" which is "an essential component of reducing the costs of goods by, e.g., efficient trucking practices, minimizing warehousing costs, and avoiding the cost to develop and maintain warehouses for refrigerated goods."<sup>110</sup> Moreover, Young Brothers has endorsed the operational value that such data collection provides because it "informs YB as to wait times that exceed standards and allows management personnel to analyze data and react accordingly."<sup>111</sup>

52. In this light, the commission finds that Young Brothers' performance with regard to customer wait time should, in the future, be expanded to measure freight drop-off and pick-up at all ports, and for all cargo. The commission also notes that measuring the trucker wait time "upon entry to the Honolulu yard" until "exiting the secured gate"<sup>112</sup> may not account for wait times endured while outside of the Honolulu yard and awaiting entry.

53. As such, the commission directs Young Brothers to develop more a comprehensive assessment to address these considerations, and within ninety (90) days, provide the

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<sup>110</sup>YB Refinements at 18-19.

<sup>111</sup>YB Refinements at 24.

<sup>112</sup>YB Refinements at 22.

commission with its proposed refinements for the measurement of customer wait time for freight drop-off and pick-up.

9.

Service: Caller Wait Time

54. The commission adopts the performance metric of caller wait time "as an indicator of service to [Young Brothers'] customers."<sup>113</sup> Young Brothers currently "measures its call response performance using data from its telephone system software" which "provides YB managers with real-time behavior and status of calls, as well as the capability to compile information required in computing performance measurements."<sup>114</sup>

55. To assess this performance metric, Young Brothers proposes, for all ports, "to calculate (1) answered call rate, which is the percentage of total shipment-related calls offered to each port that are answered and (2) the average wait time customers must wait before such calls are answered."<sup>115</sup>

56. As a performance standard, Young Brothers suggests "90 percent or more calls answered, with an average wait-time of

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<sup>113</sup>YB Refinements at 26.

<sup>114</sup>YB Refinements at 28.

<sup>115</sup>YB Refinements at 26.



90 seconds or less."<sup>116</sup> For the first half of 2015, Young Brothers has exceeded this standard and "achieved a call response rate of 92 percent, with calls answered on average within 71 seconds."<sup>117</sup>

57. The commission declines to adopt Young Brothers' proposed standard because its current performance already exceeds this benchmark, and it therefore would not "provide significant and quantifiable improvement to its operations."<sup>118</sup>

58. As suggested by the Consumer Advocate, the commission adopts the performance standard of ninety percent (90%) of all calls answered within sixty (60) seconds.<sup>119</sup> Young Brothers' current performance in the twelve-month trailing period shall be compared to this standard.

# 10.

## Service: Customer Dropped Calls

59. The commission adopts the performance metric of customer dropped calls which are "the calls that are not answered by a company before the caller hangs up."<sup>120</sup> The commission adopts

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<sup>116</sup>YB Refinements at 26.

<sup>117</sup>YB Refinements at 28.

<sup>118</sup>CA Submission, Attachment 1 at 6.

<sup>119</sup>See CA Submission, Attachment 1 at 18.

<sup>120</sup>See CA Submission, Attachment 1 at 18. Young Brothers previously agreed with the establishment of this performance

the Consumer Advocate's performance standard of a "dropped call ratio of 5% or less."<sup>121</sup> Young Brothers' current performance in the twelve-month trailing period shall be compared to this standard.

11.

Service: Completed Sailings

60. The commission adopts the performance metric of completed sailings. According to Young Brothers, sailing completion rate "is the percentage of its annual scheduled and regulated round-trip sailings that are completed" and is derived by "extracting data from YB's twelve weekly departures and arrivals to confirm the number of completed round-trip sailings on an annual basis and then dividing this number by the total of YB's annual scheduled and regulated round-trip sailings to determine the percentage of completed sailings."<sup>122</sup>

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metric. See YB Submittal at 6, YB-Ex-01 at page 8 (stating that Young Brothers "proposes adoption of two indicators proposed by the Consumer Advocate: (1) response to customer calls and (2) dropped customer calls;" "YB agrees with this performance metric" and "proposes to work toward a benchmark rather than proposing one without sufficient analysis").

<sup>121</sup>See CA Submission, Attachment 1 at 18.

<sup>122</sup>YB Refinements at 29-30.

61. The commission adopts Young Brothers' performance standard for completed sailings of ninety-nine percent (99%) of its scheduled and regulated round-trip sailings.<sup>123</sup> Young Brothers' current performance in the twelve-month trailing period shall be compared to this standard.

12.

Service: Cargo Insurance Loss Ratio

62. The commission adopts the performance metric of cargo insurance loss ratio. In addition to on-time barge arrival, customer wait time for freight drop-off and pick-up, caller wait time, customer dropped calls, and completed sailings, a vital element of customer service is the safe and proper handling of customer cargo. Put another way, a barge's on-time arrival may be academic if the customer's cargo is damaged while under the care of Young Brothers and is rendered unusable.

63. To that end, the commission finds that a performance metric in this area furthers Young Brothers' stated goal of "fulfill[ing] the neighbor islands' need for frequent and timely service to maintain their just-in-time methods of inventory

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<sup>123</sup>See YB Refinements at 30.

and distribution" which is "an essential factor in reducing the cost of goods[.]"<sup>124</sup>

64. The commission instructs Young Brothers to establish a performance metric of cargo insurance loss ratio, which is the dollar amount of cargo-damage claims paid, divided by the insurance premiums collected. The performance standards shall be Young Brothers' (a) three-year average of its cargo insurance loss ratio, and (b) three-year average of the number of cargo-damage claims. Young Brothers' performance in the twelve-month trailing period shall be compared to these standards.

#### C.

##### Rate of Return and Return on Equity

65. As previously stated, at the time the AFRA Pilot Program was originally approved, the commission directed that "any changes that result in an increase of YB's revenues, whether due to economic changes or a prior AFRA increase, should result in lowering the percentage in the next AFRA filing."<sup>125</sup>

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<sup>124</sup>See YB Refinements at 30. The Consumer Advocate also recommended that Young Brothers "report statistics on how well it treats its customers' cargo" and "the total number of damage claims and the dollar value of the claims related to the cargo that was handled by" Young Brothers. CA Submission, Attachment 1 at 18.

<sup>125</sup>Order No. 31493 at 23.

66. The commission concludes that, although providing a mechanism for annual freight rate adjustments, the AFRA Pilot Program is nonetheless constrained by the rate of return and the return on common equity, as set in Young Brothers' most recent general rate case (Docket No. 2010-0171). Inasmuch as the AFRA Pilot Program must "allow YB's customers to share in the benefits of a streamlined ratemaking process" and also "create the same efficiency incentives as those experienced in competitive markets[,] "<sup>126</sup> the commission observes that the AFRA Pilot Program should not be a means to bypass these commission-approved revenue limitations, and does not obviate the need for responsible cost-control measures.

67. The commission agrees with the Consumer Advocate that Young Brothers should "report its rate of return and return on equity for its total operations as well as for its intrastate operations."<sup>127</sup> As noted in Section III.A., Young Brothers shall report its various financial calculations (e.g., revenue, expenses, net income, rate of return, and return on equity) for (a) total company operations, (b) intrastate operations, and (c) interstate operations, and this reporting requirement shall also apply to Young Brothers' annual and monthly financial

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<sup>126</sup>Order No. 31493 at 20.

<sup>127</sup>CA Submission at 2.

reports that it regularly files with the commission. In addition, Young Brothers shall provide a detailed description of the basis for the allocation of each major expense category to either intrastate or interstate operations.

D.

Future Performance Assessment Measures

68. Insofar as one purpose of the AFRA Pilot Program is to "create the same efficiency incentives as those experienced in competitive markets while maintaining service quality[,]"<sup>128</sup> although not adopted as performance metrics at this time, the commission directs Young Brothers to develop appropriate measurements to assess its performance in the areas below for submission in their next rate case filing.

1.

Efficiency: Container Utilization

69. The commission is generally concerned as to whether Young Brothers' rate base represents the optimal level for efficient operations. Containers and their attendant equipment (e.g., container chassis) may represent a substantial portion of Young Brothers' rate base. Accordingly, the less-than efficient

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<sup>128</sup>Order No. 31493 at 20.

use of containers may unnecessarily increase the size of the rate base, and in turn, overstate Young Brothers' revenue requirement when compared to that needed for an optimally-sized rate base.

70. In this regard, the commission is aware that Young Brothers' general practice is to allow customers a certain free period of time to hold a container for the purpose of loading and unloading cargo, after which certain detention charges may be assessed. Unless the detention charges are strictly enforced, overdue assets can measurably increase the inventory of containers and attendant equipment that are necessary to sustain operations.

71. The commission instructs Young Brothers to provide, within ninety (90) days, the proportion of its rate base that is represented by containers and their attendant equipment (e.g., container chassis), the amount of detention charges assessed and collected in relation to the number and duration of overdue containers, identify the information and methodology to regularly track container turnaround times and overdue container assets, and to submit its proposed performance standard in this area.

## 2.

### Efficiency: Barge Utilization

72. To assess whether Young Brothers efficiently utilizes its assets, the Consumer Advocate "recommends that a

benchmark should be established to measure the return by barge. This metric should divide the total revenues generated by each barge divided by the total capacity of the barge."<sup>129</sup>

73. In response, Young Brothers states that this "would not be useful as a performance measure for a regulated utility with obligations to provide universal, frequent, and regular service and to be ready with long lead time assets to meet anticipated demand. YB provides a statewide (i.e., universal) service, with higher utilization ports subsidizing lower utilization ports."<sup>130</sup> "Each barge is not assigned to a specific port, the destination port determining return on asset (e.g., barge destined for Kahului would earn a return greater than a barge destined for Molokai)."<sup>131</sup> "YB cannot maximize profit by using its assets to serve only profitable ports and lines of service or to set frequency by profitability. Because of its obligation to provide regular and frequent service, YB cannot delay sailings to achieve maximum barge capacity utilization (tons per sq. ft. basis)."<sup>132</sup>

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<sup>129</sup>CA Submission, Attachment 1 at 14-15.

<sup>130</sup>YB Refinements, YB-Ex-PM02 at 4.

<sup>131</sup>YB Refinements, YB-Ex-PM02 at 4.

<sup>132</sup>YB Refinements, YB-Ex-PM02 at 4.



74. The commission agrees with the Consumer Advocate that a metric for the efficient use of barge assets may have value for future regulatory policy considerations regarding Young Brothers' service offerings. However, the commission disagrees that performance should be measured based on revenue per barge. As noted by Young Brothers, its frequent sailing schedule may pose challenges in achieving "maximum barge capacity utilization" and the different rates assigned to different cargo may skew the comparison of revenues.

75. The commission instructs Young Brothers to provide, in their next rate case filing, the proportion of its rate base that is represented by its barges, to identify the information and methodology to track the volume of revenue tons loaded per barge, and to submit its proposed performance standard in this area.

E.

Usage of Performance Metrics and  
Standards from the AFRA Pilot Program

76. The commission will monitor the adopted AFRA Pilot Program performance metrics and standards. The results of the AFRA Pilot Program performance metrics and standards will be reported to the commission and the Consumer Advocate by Young Brothers and non-confidential and non-proprietary

information regarding the results will be posted on the Young Brothers' website.

77. The data collected in connection with Young Brothers' performance for the past three year period during which the AFRA Pilot Program has been in effect will be examined to assess Young Brothers' performance in the next rate case filing. Young Brothers' performance results may be analyzed for any upward or downward adjustments to Young Brothers' rate of return as appropriate in establishing new rates in the future.

78. Should Young Brothers request that the AFRA Pilot Program be instituted again after the next rate case, the commission will also address in connection with that request the establishment of potential penalties for non-performance.

#### IV.

##### Orders

###### THE COMMISSION ORDERS:

1. The commission adopts the performance metrics and standards, as set forth herein, to govern the current AFRA Pilot Program.

2. The data collected in connection with Young Brothers' performance for the past three year period during which the AFRA Pilot Program has been in effect will be examined to assess Young Brothers' performance in the next rate case filing.

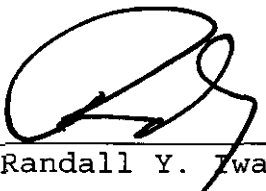
3. Young Brothers shall post on its website these performance metrics and standards and non-confidential and non-proprietary information regarding the results to provide transparency regarding Young Brothers' performance.

4. The commission, upon its own initiative or motion, reserves the right to modify the performance metrics and standards, adopted herein.

5. Young Brothers shall submit the supplemental information as required by this Order.

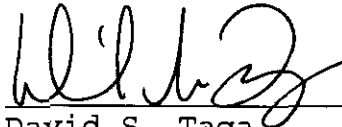
DONE at Honolulu, Hawaii APR 13 2016.

PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By   
Randall Y. Iwase, Chair

By   
Michael E. Champley, Commissioner

APPROVED AS TO FORM:

  
David S. Taga  
Commission Counsel

By   
Lorraine H. Akiba, Commissioner

2013-0032.ljk

CERTIFICATE OF SERVICE

The foregoing order was served on the date of filing by mail,  
postage prepaid, and properly addressed to the following parties:

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**YOUNG BROTHERS, LIMITED**  
**2017 PERFORMANCE RESULTS**

The Commission's Order No. 33640, *Adopting Performance Metrics and Standards for the Annual Freight Rate Adjustment Pilot Program*, issued on April 13, 2016, in Docket No. 2013-0032 ("Order No. 33640"), adopted certain performance metrics and standards to govern Young Brothers, Limited's ("Young Brothers", "YB" or the "Company") Annual Freight Rate Adjustment ("AFRA") Pilot Program. For most performance metrics, the Commission utilized "a standard or a benchmark of the most current three-year average of Young Brothers' historical performance as to that metric (i.e., when comparing Young Brothers' performance from calendar year 2015, the most current three-year average would be the results from Young Brothers' performance in calendar years 2012, 2013, and 2014) ("three-year average")."<sup>1</sup> Further, the Commission stated that the three-year average should "then be compared to Young Brothers' current performance in the latest available twelve-month trailing period (i.e., for Young Brothers' initial reporting as required by this Order, the twelve-month trailing period shall be Young Brothers' performance in calendar year 2015) ("twelve-month trailing period")."<sup>2</sup>

On March 14, 2017, YB submitted its Status Update on Performance Metrics and Standards for the AFRA Pilot Program in Docket No. 2013-0032 ("2016 Performance Results"), which provided YB's 2016 performance results.<sup>3</sup> Therein, YB proposed to submit its next update with its next base rate application.<sup>4</sup> The Commission approved YB's proposal in Decision and Order No. 34535, filed in Docket No. 2016-0014, on May 4, 2017.<sup>5</sup>

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<sup>1</sup> Order No. 33640 at 19-20.

<sup>2</sup> Order No. 33640 at 20.

<sup>3</sup> The 2016 Performance Results were submitted as Exhibit A to YB's Letter from S. Larsen, dated March 14, 2017, filed in Docket No. 2013-0032 on March 14, 2017.

<sup>4</sup> See 2016 Performance Results at 2.

<sup>5</sup> See Decision and Order No. 34535 at 14.

Young Brothers hereby submits its updated and current Performance Results. Because this update is being filed before the end of 2017, YB's performance results cover the twelve-month trailing period from November 2016 to October 2017, and does not include YB's performance for November and December 2017, as those results are not yet available or still being calculated at this time. Young Brothers will provide the Commission with updated performance results to cover the full 2017 calendar year, when those results are available. Accordingly, for purposes of this update and for ease in reference, YB hereinafter refers to the 12-month trailing time period from November 2016 to October 2017 as "2017", although it does not include November and December 2017, and refers to this update as "2017 Performance Results."

In accordance with Order No. 33640, Young Brothers provides for each metric, the Company's performance standard (i.e., YB's most current three-year average of historical performance as to that metric or a fixed performance standard, as applicable), together with the Company's performance results in 2017. The metrics have been categorized below to follow the performance areas identified in Order No. 33640: Safety, Efficiency, and Service.

## **I.** **PERFORMANCE METRICS AND RESULTS**

### **A. Safety: Recordable Incident Rate**

The performance metric of recordable incident rate is based on:

The number of employees per 100 full-time employees who have been injured or suffered an illness required to be recorded under OSHA rules[.] Generally, an injury or illness is considered "recordable" if it results in any of the recording criteria of death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, and/or loss of consciousness.<sup>6</sup>

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<sup>6</sup> Order No. 33640 at 20-21 (quotations and footnotes omitted); see also 29 C.F.R. § 1904.7(b)(2)-(6).



For this performance metric, the Commission adopted “the performance standards of Young Brothers’ three-year average of its recordable incident rates for (a) shoreside personnel, and (b) marine personnel[,]” and further, stated that Young Brothers’ “recordable incident rates in the twelve-month trailing period shall be compared to these performance standards.”<sup>7</sup>

The table below sets forth the Company’s performance standards for this metric (i.e., average of YB’s 2014, 2015, and 2016 recordable incident rates) for both shoreside and marine personnel, as well as Young Brothers’ 2017 performance.

| <b>Recordable Incident Rate<sup>8</sup></b> |                             |                              |
|---------------------------------------------|-----------------------------|------------------------------|
| <b>Personnel<sup>9</sup></b>                | <b>Performance Standard</b> | <b>YB’s 2017 Performance</b> |
| Shoreside                                   | 5.07 or lower               | 6.52                         |
| Marine                                      | 0.87 or lower               | 2.20                         |

As shown, the Company did not meet the performance standards for either shoreside or marine personnel.

Young Brothers undertakes to provide a place of employment for its personnel that is the safest possible in the challenging marine environment. Safety is YB’s top responsibility, and the Company focuses on building a safety culture that aims at zero incidents. In particular, the Company maintains accident prevention programs and systems, requires employees to be familiar with safe working practices and emergency response procedures, and complies with applicable state and federal rules and regulations.

<sup>7</sup> Order No. 33640 at 22-23 (footnote omitted).

<sup>8</sup> The rate is calculated by multiplying the number of recordable incidents by 200,000 (i.e., number of base hours that 100 full-time employees working 40 hours a week for 50 weeks would accumulate), and then dividing that product by the Company’s total number of work hours for the year.

<sup>9</sup> Shoreside personnel include non-sea-going salaried employees and those employees covered under a collective bargaining agreement, including all maintenance staff. Marine personnel include all sea-going salaried employees and those employees covered under a collective bargaining agreement, including dispatch staff (management level personnel other than tug captains are excluded).

The Company's recordable incident rate increased in 2017 for both categories. For some perspective, it should be noted that in 2016, for marine personnel, the Company had a recordable incident rate of only 0.66, which significantly lowered the 2016 performance standard of 2.25 to 0.87 in 2017. Had the 2016 performance standard of 2.25 been in place, Young Brothers would have met the performance standard for marine personnel.

For informational purposes, the Company also provides below, YB's performance for this metric for the last four years (i.e., 2014 to 2017), which includes the period from which the three-year averages were derived.

| <b>Recordable Incident Rate</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> |
|---------------------------------|-------------|-------------|-------------|-------------|
| Shoreside                       | 5.24        | 5.51        | 4.47        | 6.52        |
| Marine                          | 0.64        | 1.30        | 0.66        | 2.20        |

**B. Safety: Lost Time Incident Rate**

The performance metric of lost time incident rate is based on:

The number of employees per 100 full-time employees who have been involved in recordable incidents in which a workday (or more) was lost within the specified time period. An injury is considered a lost-time incident if it results in one or more days away from work.<sup>10</sup>

For this performance metric, the Commission adopted "the performance standard of Young Brothers' three-year average of its lost time incident rates for (a) shoreside personnel, and (b) marine personnel[.]" and further, stated that Young Brothers' "lost time incident rates in the twelve-month trailing period shall be compared to these performance standards."<sup>11</sup>

<sup>10</sup> Order No. 33640 at 23 (quotations and footnotes omitted); see also 29 C.F.R. § 1904 7(b)(3).

<sup>11</sup> Order No. 33640 at 22-23 (footnote omitted).



The table below sets forth the Company's performance standards for this metric (i.e., average of YB's 2014, 2015, and 2016 lost time incident rates) for both shoreside and marine personnel, as well as Young Brothers' 2017 performance.

| <b>Lost Time Incident Rate<sup>12</sup></b> |                             |                              |
|---------------------------------------------|-----------------------------|------------------------------|
| <b>Personnel<sup>13</sup></b>               | <b>Performance Standard</b> | <b>YB's 2017 Performance</b> |
| Shoreside                                   | 2.79 or lower               | 5.21                         |
| Marine                                      | 0.22 or lower               | 0.73                         |

As shown, the Company is above and did not meet its performance standard for shoreside or marine personnel.

For informational purposes, the Company also provides below, YB's performance for this metric for the last four years (i.e., 2014 to 2017), which includes the period from which the three-year averages were derived.

| <b>Lost Time Incident Rate</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> |
|--------------------------------|-------------|-------------|-------------|-------------|
| Shoreside                      | 3.37        | 2.94        | 2.06        | 5.21        |
| Marine                         | 0.00        | 0.00        | 0.66        | 0.73        |

#### C. Safety: Workers' Compensation Insurance Claims

In Order No. 33640, the Commission adopted the performance metric of workers' compensation insurance claims.<sup>14</sup> For this performance metric, the Commission adopted "the performance standards of Young Brothers' (a) three-year average of the total number of its workers' compensation insurance claims, and (b) three-year average of the total dollar value of its workers' compensation insurance claims" and further, stated that Young Brothers'

<sup>12</sup> Similar to the recordable incident rate, the rate is calculated by multiplying the number of lost time incidents by 200,000 (i.e., number of base hours that 100 full-time employees working 40 hours a week for 50 weeks would accumulate), and then dividing that product by the Company's total number of work hours for the year.

<sup>13</sup> See *supra* n.9.

<sup>14</sup> See Order No. 33640 at 25.

“performance in the twelve-month trailing period shall be compared to these performance standards.”<sup>15</sup>

The table below sets forth the Company’s performance standards for this metric (i.e., average of YB’s 2014, 2015, and 2016 workers’ compensation claims) for both total number of claims and total dollar value of claims, as well as Young Brothers’ 2017 performance.

| <b>Workers’ Compensation Claims</b>  |                             |                              |
|--------------------------------------|-----------------------------|------------------------------|
| <b>Description</b>                   | <b>Performance Standard</b> | <b>YB’s 2017 Performance</b> |
| Number of Claims                     | 40 claims or lower          | 40 claims                    |
| Dollar Value of Claims <sup>16</sup> | \$1,765,966 or lower        | \$1,147,565                  |

As shown, the Company met its performance standards for both number of workers’ compensation insurance claims and total dollar value of such claims.

For informational purposes, the Company also provides below, YB’s performance for this metric for the last four years (i.e., 2014 to 2017), which includes the period from which the three-year averages were derived.

| <b>Workers’ Compensation Claims</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> |
|-------------------------------------|-------------|-------------|-------------|-------------|
| Number of Claims                    | 50          | 40          | 29          | 40          |
| Dollar Value of Claims              | \$2,265,117 | \$1,671,206 | \$1,361,396 | \$1,147,565 |

As noted in several filings made by the Company, Young Brothers continues to maintain that workers’ compensation insurance claim data and statistics are not a meaningful measure of YB’s safety performance.<sup>17</sup> This is especially true given that the number of claims and their dollar value are often influenced by external factors outside of the Company’s control

<sup>15</sup> Order No. 33640 at 25.

<sup>16</sup> Dollar value of claims consists of amounts that have actually been paid out on workers’ compensation insurance claims during the calendar year.

<sup>17</sup> See Young Brothers, Limited’s Submission of Supplemental Information as Required by Order No. 33640, filed on July 12, 2016, in Docket No. 2013-0032 (“Supplemental Submission”), at 38-39; see also 2016 Performance Results at 5.

(e.g., claims and injury management processes, nature of litigants, potential for legal involvement) as compared to real changes or improvement in safety performance.

D. Safety: Hazardous Materials

In Order No. 33640, the Commission adopted the performance metric of hazardous materials incidents.<sup>18</sup> For this performance metric, the Commission adopted “the performance standards of Young Brothers’ (a) three-year average of the total number of its hazardous materials incidents, and (b) three-year average of the total monetary expenses associated with its hazardous materials incidents (e.g., fines, damages or claims, costs of containment and remediation)” and further, stated that Young Brothers’ “performance in the twelve-month trailing period shall be compared to these performance standards.”<sup>19</sup>

Young Brothers does not have accurate and/or complete data on either the total number of, or the total monetary expenses associated with, hazardous materials incidents for the years 2014 to 2015 (or earlier). Young Brothers only recently, in June 2015, achieved International Organization for Standardization (“ISO”)-14001 certification<sup>20</sup>, and 2016 was the first full year that YB operated with the ISO-14001 Environmental Management System. Since that time, Young Brothers has trained its personnel on environmental compliance goals, lowered the reporting threshold for spills, improved tracking of near-misses, and pursued root causes and corrective actions for spills to prevent recurrences. Concurrently, greater emphasis and focus was placed on tracking and reporting hazardous spills, which has resulted in incidents and costs

<sup>18</sup> See Order No. 33640 at 25.

<sup>19</sup> Order No. 33640 at 26.

<sup>20</sup> ISO 14000 is a family of standards related to environmental management that exists to help organizations: (a) minimize how their operations (i.e., processes, etc.) negatively affect the environment; (b) comply with applicable laws, regulations, and other environmentally oriented requirements; and (c) continually improve in the above. ISO 14001 sets out the criteria for an Environmental Management System, which can be used by any organization to improve resource efficiency, reduce waste, and drive down costs.



being tracked more diligently than in prior years. Prior to 2016, such information was not always tracked or reported internally and was either unavailable or, if available, incomplete.

Accordingly, and due to the unavailability of accurate and/or complete information for earlier years, Young Brothers has provided in the table below the total number of hazardous materials incidents and total monetary expenses associated with these incidents for 2016 and 2017 only.

| Hazardous Materials Incidents                             |                       |                       |
|-----------------------------------------------------------|-----------------------|-----------------------|
| Description                                               | YB's 2016 Performance | YB's 2017 Performance |
| Number of Incidents <sup>21</sup>                         | 16 incidents          | 10 incidents          |
| Monetary Expenses Associated with Incidents <sup>22</sup> | \$97,802              | \$68,741              |

As compared to YB's 2016 performance, the Company's 2017 performance improved for both number of incidents and monetary expenses associated with those incidents. The Company will continue to track and report on this metric and will be able to provide the Commission with a three-year average once three years' worth of data has been collected.

E. Efficiency: Labor Efficiency

In Order No. 33640, the Commission adopted the performance metric of labor efficiency.<sup>23</sup> For this performance metric, the Commission chose not to adopt Container/Platform Equivalents ("CPEs") moved per labor hour expended as proposed by Young Brothers, and instead, adopted "the performance standards of Young Brothers' (a) three-year average of actual revenue tons, divided by the total shoreside (terminal) labor hours, and

<sup>21</sup> YB counts hazardous materials incidents as only those incidents that are reportable to external agencies. In other words, if a spill is so small or insignificant that it is not reportable to an external agency, then Young Brothers does not include that incident for purposes of this performance metric.

<sup>22</sup> Monetary expenses associated with YB's hazardous materials incidents include readily identifiable invoices and expenses directly associated with such spills, and do not include internal labor or other costs that are difficult to isolate from other aggregated operational expenses.

<sup>23</sup> See Order No. 33640 at 26.

(b) three-year average of the dollar value of such total shoreside (terminal) labor hours. Young Brothers' performance in the twelve-month trailing period shall be compared to these performance standards."<sup>24</sup>

The table below sets forth the Company's performance standards for this metric (i.e., average of YB's 2014, 2015, and 2016 data), as well as Young Brothers' 2017 performance.

| <b>Labor Efficiency</b>                              |                             |                              |
|------------------------------------------------------|-----------------------------|------------------------------|
| <b>Description</b>                                   | <b>Performance Standard</b> | <b>YB's 2017 Performance</b> |
| Revenue Tons/<br>Shoreside Labor Hours <sup>25</sup> | 15.61 tons/hour or higher   | 15.08 tons/hour              |
| Dollar Value of<br>Shoreside Labor Hours             | \$16,309,722 or lower       | \$18,342,836                 |

As shown, the Company did not meet the performance standards for either revenue tons moved per labor hour expended by shoreside personnel or dollar value of shoreside labor hours.

For informational purposes, the Company provides below, its performance in this area for the last four years (i.e., 2014 to 2017), which includes the period from which the three-year averages were derived. Young Brothers also provides below, its performance in this area in terms of CPEs moved per total shoreside labor hours.

| <b>Labor Efficiency</b>                  | <b>2014</b>  | <b>2015</b>  | <b>2016</b>  | <b>2017</b>  |
|------------------------------------------|--------------|--------------|--------------|--------------|
| Revenue Tons/Shoreside Labor Hours       | 16.37        | 15.69        | 14.77        | 15.08        |
| Dollar Value of Shoreside Labor Hours    | \$14,919,960 | \$15,534,018 | \$18,475,189 | \$18,342,836 |
| CPEs/Shoreside Labor Hours <sup>26</sup> | 0.59         | 0.56         | 0.53         | 0.54         |

<sup>24</sup> Order No. 33640 at 28.

<sup>25</sup> Cargo volumes from YB's combined intrastate and interstate lines of business are used to derive revenue tons. Only "loaded" cargo is counted and empty shipping devices are excluded. Total (intrastate and interstate) shoreside labor hours excludes salaried employees and maintenance personnel, to ensure that labor hours are limited to only those associated with cargo handling activities, and further, only includes hours that are "worked" (i.e., not non-working holiday or sick leave hours).

<sup>26</sup> A CPE is a unit of volume measurement approximately equivalent to the volume of cargo that would fit into a 20-foot container or has the same footprint as a 20-foot platform or flatrack. As stated in YB's Supplemental Submission, YB maintains that CPEs represent a more accurate measure of cargo volumes, and thus, provide a

In 2017, the Company moved 15.08 revenue tons of cargo for every shoreside cargo handling labor hour expended, which, as shown above, was an improvement over YB's performance in 2016, but did not meet and is below the performance standard for this metric. Young Brothers' labor efficiency performance was primarily due to two factors: (1) changes in the work rules for barge loading crews under the International Longshore and Warehouse Union, Local 142 ("ILWU") collective bargaining agreement ("CBA") that was ratified on December 7, 2015; and (2) the addition of 7.5 full-time equivalent ("FTE") employees in 2016 (i.e., YB hired three new shoreside employees and converted nine part-time employees to full-time employees). More specifically, to meet the ILWU CBA's preferred manning levels for barge-loading crews, YB increased its barge-loading crew manning in 2016, which has continued to impact 2017 performance. Similarly, the addition of FTE employees has continued to impact 2017 performance.

Notwithstanding YB's higher labor hours, performance improved in 2017 due, in part, to YB's new policy of strictly enforcing cargo cut-off and gate closure times in Honolulu. This new policy has helped to improve cargo handling and create labor efficiencies, as barge-loading crews can focus on loading activities when the gate is closed and not have to interrupt loading activities to service customer-related drop-offs and/or pick-ups. Young Brothers will continue to work to improve its cargo handling and labor efficiency.

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better metric for labor efficiency than revenue tons. In particular, YB's ability to ship cargo is constrained more by the volume of cargo that will fit on the barge than the weight of cargo, and CPEs are a more consistent reflection of this volume constraint. In addition, not all cargo types are actually weighed; rather, revenue tons is comprised of: (1) actual weights (i.e., refrigerated less than container load) and vehicle/automobile weights, (2) theoretical weights not necessarily reflecting true cargo weight (i.e., containers), and (3) "measurement ton," which utilizes the length, width and height dimensions of cargo.



With regard to the dollar value of shoreside labor hours, Young Brothers' performance did not meet, and is higher than, the performance standard of \$16,309,722. Young Brothers attributes the rise in dollar value to the significant increase in labor costs that Young Brothers experienced in 2017, due in large part to wage rate increases resulting from the ILWU CBA, as well as increased shoreside labor hours as discussed above. As the Company has stated in prior filings, Young Brothers continues to maintain that labor hours is a more directly informative efficiency measure than the dollar value of labor hours, because labor costs are generally always rising due to inflation and increasing wage rates.<sup>27</sup> Moreover, as evidenced here by the 2017 data, YB's labor costs are a function of and tied to ILWU CBA terms, including, in particular, hourly rates and work rules, such that labor hours and costs are greatly impacted by work crew compositions and scheduling parameters of the CBA. For these reasons, Young Brothers continues to propose that the dollar value of shoreside labor hours be provided for reporting purposes only, and not as a standard to measure YB's labor efficiency.<sup>28</sup>

F. Efficiency: Fuel Efficiency

The Commission adopted the performance metric of fuel efficiency, to be separately measured for shoreside and marine activities by taking the actual revenue tons divided by total fuel consumed by either shoreside or marine equipment.<sup>29</sup> More specifically, the Commission adopted the performance standards of Young Brothers' (a) three-year average of shoreside fuel efficiency, which "shall be measured by the actual revenue tons . . . , divided by the total fuel consumed by shoreside equipment[.]" and (b) three-year average of marine fuel efficiency,

<sup>27</sup> See Supplemental Submission at 38-39; see also 2016 Performance Results at 10.

<sup>28</sup> See Supplemental Submission at 38-39; see also 2016 Performance Results at 10.

<sup>29</sup> See Order No. 33640 at 28-29.

which “shall be measured by the actual revenue tons . . . , divided by the total fuel consumed by marine equipment.”<sup>30</sup> “Young Brothers’ performance in the twelve-month trailing period shall be compared to these performance standards.”<sup>31</sup>

The table below sets forth the Company’s performance standards for this metric (i.e., average of YB’s 2014, 2015, and 2016 data), as well as YB’s 2017 performance.

| <b>Fuel Efficiency<sup>32</sup></b> |                             |                              |
|-------------------------------------|-----------------------------|------------------------------|
| <b>Description</b>                  | <b>Performance Standard</b> | <b>YB’s 2017 Performance</b> |
| Shoreside Fuel Efficiency           | 11.41 tons/gallon or higher | 11.67 tons/gallon            |
| Marine Fuel Efficiency              | 2.80 tons/gallon or higher  | 2.85 tons/gallon             |

As shown, the Company met the performance standards for shoreside and marine fuel efficiency.

For informational purposes, the Company provides below, YB’s performance in this area for the last four years (i.e., 2014 to 2017), which includes the period from which the three-year averages were derived. YB also provides below, its performance in this area in terms of CPEs moved per gallon of fuel consumed in both shoreside and marine activities.<sup>33</sup>

| <b>Fuel Efficiency</b>    | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> |
|---------------------------|-------------|-------------|-------------|-------------|
| Shoreside Fuel Efficiency | 11.28       | 11.36       | 11.61       | 11.67       |
| Marine Fuel Efficiency    | 2.80        | 2.84        | 2.75        | 2.85        |
| CPEs/Gallon (Shoreside)   | 0.38        | 0.38        | 0.39        | 0.39        |
| CPEs/Gallon (Marine)      | 0.09        | 0.09        | 0.09        | 0.10        |

<sup>30</sup> Order No. 33640 at 30.

<sup>31</sup> Order No. 33640 at 30.

<sup>32</sup> The fuel efficiency standards measure revenue tons of cargo moved per gallon of fuel consumed in moving cargo. Cargo volumes from YB’s combined intrastate and interstate lines of business are used to derive revenue tons. In contrast to the “loaded” cargo tonnage used to measure labor efficiency, the fuel efficiency metric is derived by using both “loaded” and “empty” cargo tonnage. Fuel used for non-cargo movements is excluded (e.g., fuel used by tugs providing harbor assists for other companies).

<sup>33</sup> For the same reasons that YB stated in its Supplemental Submission and supra n.26, YB continues to maintain that CPEs are a more accurate measure of cargo volumes, and thus, provide a better metric for fuel efficiency than revenue tons. In fact, as shown above, shoreside and marine fuel efficiency measured in terms of CPEs per gallon of fuel shows that the Company’s shoreside and marine fuel efficiency over the past four years has been fairly constant.



Young Brothers anticipates that as it places into service four new, more fuel-efficient towing tugs, its performance in this area will continue to improve. In the past, the Company saw an approximately 17% improvement in fuel efficiency during the 2003 to 2010 time period, largely as a result of YB's investment at that time in larger barges with more efficiently designed hulls among other vessel enhancements.<sup>34</sup> YB will take delivery of three new towing tugs in 2018 and one new tug in 2019, to replace four existing towing tugs in YB's fleet.

**G. Efficiency: Container Utilization**

In Order No. 33640, the Commission required Young Brothers to propose a performance metric in this area to address its concern "as to whether Young Brothers' rate base represents the optimal level for efficient operations[,]" because "less-than efficient use of containers may unnecessarily increase the size of the rate base, and in turn, overstate Young Brothers' revenue requirement when compared to that needed for an optimally-sized rate base."<sup>35</sup> Specifically, the Commission instructed YB to provide, among other things, YB's proposed performance standard in this area within ninety days of Order No. 33640.<sup>36</sup>

YB initially proposed a container utilization performance standard based on average number of times that containers and chassis are used per year (i.e., annual utilization), but stated that more analysis was needed to better understand what constitutes an optimal utilization rate.<sup>37</sup> In its 2016 Performance Results, YB determined that an annual utilization rate was not the most

<sup>34</sup> See YB's Application for Approval of a General Rate Increase and Certain Tariff Changes, Docket No. 2010-0171, YB-Ex-305, attachment to YB-DT-300 (Testimony of Dale Hazlehurst).

<sup>35</sup> Order No. 33640 at 44-45.

<sup>36</sup> See Order No. 33640 at 45.

<sup>37</sup> See Supplemental Submission at 28-29.

useful or informative indicator of its performance in this area, and proposed, instead, to provide its performance standard in this area in its next rate case proceeding.<sup>38</sup>

Today, YB proposes a simple container utilization metric that provides a basic understanding of how much of YB's equipment is not being used. This will help YB assess how much of its equipment is "idle" or potentially "surplus," which provides YB with important information regarding YB's equipment inventory levels and customer demand for equipment. The performance metric is obtained by dividing the number of unused containers for each type of container at Honolulu harbor at the beginning of every Friday, by the total number of that type of container that exists in YB's inventory. The resulting percentage is the percentage of unused inventory (i.e., idle or surplus) that week.

There are two reasons to take the container count in Honolulu at the beginning of every Friday. First, Fridays are the only point in time when weekly sailings to the neighbor islands have been completed, which means that all container inventory required to meet customer demand for the week has been removed from the Honolulu pier and transported to the neighbor islands. Thus, the remaining containers in Honolulu, generally speaking, are surplus containers or inventory. Second, taking an inventory count on Friday also ensures that the count will include the empty containers from neighbor island ports that are being returned to Honolulu. Because YB runs a hub-and-spoke operation (i.e., cargo is shipped from Honolulu (hub) to the neighbor islands (spokes) and back), unused containers or "empties" are cycled back and returned to Honolulu for use in future shipments. Accordingly, the total number of unused containers in Honolulu at the beginning of business on Fridays generally constitutes the total number of idle or surplus containers for that particular week.

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<sup>38</sup> See 2016 Performance Results at 23.

Young Brothers is just beginning to analyze this data and evaluate trends in inventory levels, equipment availability, and customer demand, and is not proposing a performance standard for this metric at this time. Nonetheless, as a guiding principle, YB is contemplating a performance standard that would identify the lowest monthly measurement of available inventory for a specific type of cargo within a calendar year to determine if the measurement was greater than 0% but no more than a to-be-determined percentage that reflects a desirable or optimum amount of surplus. This standard would potentially be based on two principles: (1) if the lowest monthly measurement of available inventory is 0% (i.e., no available inventory), YB is likely not meeting total customer demand in that month, and (2) some amount of surplus is desirable to ensure that YB is maintaining the desirable or optimum level of inventory to meet customer needs. Such a standard could ensure that YB has an adequate surplus of equipment to meet fluctuations in demand, while not having equipment levels that “unnecessarily increase the size of the rate base, and in turn, overstate Young Brothers’ revenue requirement when compared to that needed for an optimally-sized rate base.”<sup>39</sup>

As stated above, YB is currently evaluating actual inventory levels, equipment availability and shortages, as well as anticipated equipment retirements/acquisitions, and needs additional time to analyze demand trends and inventory levels to determine a desirable or optimum surplus percentage. Young Brothers proposes to provide its performance standard in this area in its next rate proceeding with a 2019 test year.

#### H. Efficiency: Barge Utilization

In Order No. 33640, the Commission found that “a metric for the efficient use of barge assets may have value for future regulatory policy considerations regarding Young Brothers’

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<sup>39</sup> Order No. 33640 at 44-45.



service offerings[,]” and instructed YB to “provide, in their next rate case filing, the proportion of its rate base that is represented by its barges, to identify the information and methodology to track the volume of revenue tons loaded per barge, and to submit its proposed performance standard in this area.”<sup>40</sup>

In 2017, the proportion of YB’s average depreciated intrastate rate base that is represented by its barges is 43%. The information and methodology that YB uses to track the volume of revenue tons loaded per barge is its “FACE” (Freight and Container Equipment) system, which is YB’s custom freight tracking and inventory software system that was developed for the Company’s shipping services. FACE is utilized to convert each customer’s shipment into revenue tons, which in turn, is used to calculate the volume of revenue tons loaded per barge.

The Company proposes a three-year average performance standard, which is in keeping with other Commission-established performance standards. Young Brothers currently only has data for 2017, and will need to collect additional data over the next two years to determine the three-year average performance standard for this metric.

As stated in previous filings, YB continues to maintain that a metric measuring “barge efficiency” is not appropriate, given YB’s obligation under its public charter and commitment to provide frequent, regular, and universal (i.e., statewide) service to customers.<sup>41</sup> In particular, as a regulated utility, YB cannot consolidate, cancel, delay or otherwise adjust sailing schedules to achieve maximum barge capacity utilization (i.e., revenue tons/barge), which could provide some improvements or efficiencies in this area. In addition, the volume of revenue tons loaded on a particular barge oftentimes is based on the port of destination and the customer demand for

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<sup>40</sup> Order No. 33640 at 47.

<sup>41</sup> See Supplemental Submission at 40-41.

cargo at that port (e.g., a barge bound for Kahului will be loaded with more revenue tons than a barge bound for Molokai or Lanai).

Notwithstanding, the foregoing, the table below sets forth YB's 2017 performance related to volume of revenue tons loaded per barge.

| <b>Barge Utilization</b> |                              |
|--------------------------|------------------------------|
| <b>Name of Barge</b>     | <b>YB's 2017 Performance</b> |
| Haaheo                   | 741,049 revenue tons         |
| Hoomaka Hou              | 511,247 revenue tons         |
| Kaholo <sup>[1]</sup>    | 190,976 revenue tons         |
| Kalaenalu                | 565,174 revenue tons         |
| Kamaluhia <sup>[2]</sup> | 105,195 revenue tons         |
| Kukahi <sup>[3]</sup>    | 188,020 revenue tons         |
| Makaala                  | 708,448 revenue tons         |
| AMS 250                  | 106,659 revenue tons         |
| KRS 286-6                | 233,022 revenue tons         |

<sup>[1]</sup> Removed from service in August for dry dock services.

<sup>[2]</sup> Retired on February 17, 2017.

<sup>[3]</sup> Removed from service for dry dock from March to July.

#### I. Service: On-Time Barge Arrival

In Order No. 33640, the Commission adopted the performance metric of on-time barge arrival and the performance standard of 75%.<sup>42</sup> The Commission stated that on-time barge arrivals shall be "measured by dividing the number of barges that arrive on-time by the total number of sailings annually, with on-time arrival defined as the barge being tied up alongside the pier and ready for unloading operations to commence by the time the port's gates are scheduled to open for business at 7:30 a.m. Any recorded barge arrival after 7:30 a.m. is counted as a

<sup>42</sup> See Order No. 33640 at 30-31.

delay.”<sup>43</sup> Young Brothers’ performance in the twelve-month trailing period shall be compared to this performance standard.<sup>44</sup>

The table below sets forth the Company’s performance standards for this metric and Young Brothers’ 2017 performance.

| On-Time Arrival <sup>45</sup> |                       |
|-------------------------------|-----------------------|
| Performance Standard          | YB’s 2017 Performance |
| 75% or higher                 | 75.9%                 |

As shown, the Company met its performance standard for on-time arrivals.

The Company’s 2017 performance is a significant increase from the Company’s 2016 performance of 62% on-time arrivals. This increase was the result of a number of factors, including a strict enforcement of cargo cut-off and gate closure times in Honolulu, which improved cargo handling efficiencies, and as a result, improved Honolulu departure times and arrivals at neighbor island ports. In addition, as Young Brothers places into service its four new, higher horse-powered towing tugs, YB anticipates that its performance in this area will continue to improve.

J. Service: Customer Wait Time for Freight

In Order No. 33640, the Commission adopted the performance metric of customer wait time for freight drop-off and pick-up. For this performance metric, the Commission adopted “the performance standard of trucker wait time which is measured upon entry to the Honolulu yard until exiting the secured gate with an annual average of 45 minutes or less at palletized dry and

<sup>43</sup> Order No. 33640 at 33 (internal quotations and bracket omitted).

<sup>44</sup> Order No. 33640 at 33.

<sup>45</sup> Pursuant to Order No. 33640, in 2016, YB modified the definition of “arrival” as when the barge is tied up alongside the pier and ready for unloading, and further, eliminated the 15-minute grace period for the determination of “on-time” for 2016 data. Canceled sailings are included in the “total number of sailings annually.”

reefer queues at the port of Honolulu[,]” and further, stated that “trucker wait time should be separately measured for (a) freight drop-off, and (b) freight pick-up by customers.”<sup>46</sup> Young Brothers’ performance in the twelve-month trailing period shall be compared to these performance standards.<sup>47</sup> In addition, the Commission expanded the performance metric to include freight drop-off and pick-up at all ports, and for all cargo, and directed Young Brothers to provide a more comprehensive assessment to address these considerations and proposed refinements for the measurement of customer wait time for freight drop-off and pick up within ninety days of Order No. 33640.<sup>48</sup>

In its Supplemental Submission, the Company proposed implementation of this performance metric using a three-phase approach. Under Phase 1, YB proposed expansion of its manual data collections functions in Honolulu to: (i) track two additional cargo types (i.e., Mixed Cargo, and automobiles and roll-on/roll-off (“Auto/RoRo”) cargo), (ii) track freight pick-up in addition to drop-off, and (iii) increase the number of customers/truckers selected per hour. Under Phase 2, YB proposed to automate its data collection functions and was considering two possible technology solutions (i.e., enhancement of YB’s FACE system or a stand-alone system), and proposed to add tracking of containerized cargo queues in this phase. Phase 3 would involve roll-out to the neighbor island ports, once implementation of Phase 2 was complete.

To date, YB has completed and implemented Phases 1 and 2 in Honolulu, and is close to completing the implementation of Phase 3 on the neighbor island ports. In Honolulu, YB has successfully implemented Phase 2, which now automates YB’s data collection functions and

<sup>46</sup> Order No. 33640 at 35-36 (internal quotations omitted).

<sup>47</sup> Order No. 33640 at 36.

<sup>48</sup> See Order No. 33640 at 37-38.



expands data collection to track all cargo types. More specifically, YB has implemented an automated stand-alone system for tracking customer wait times via smartphones and bar code scanning, which automatically records the date, time, and bar code number assigned to selected customers as they enter and exit YB's gate. This new system enables YB to randomly sample customers every 15 minutes, as opposed to the hourly surveys conducted under Phase 1. In addition, the sampling is no longer limited to one line of service per week, but instead, includes customers/truckers for all lines of service such that customer wait times are now conducted for all lines of service every week. Under Phase 1, YB was limited to surveying only one line of service per week due to the manual nature of data collection. Accordingly, YB is now able to collect more data which helps to provide larger representative samples for accurately determining average customer wait times for each cargo type.

Phase 3 was first rolled out at the Nawiliwili port on September 21, 2017, which was closely followed by roll outs at the Kahului port on October 27, 2017 and the Kawaihae port on December 8, 2017. The data collection process at these ports is similar to what has been implemented at Honolulu, with adjustments for each port as needed. Phase 3 roll-out has been delayed at the Hilo port until a permanent Port Manager has been hired at that facility, as it will be necessary for the new manager to be responsible for managing and overseeing the process. The current target date for implementation at the Hilo port is February 16, 2018, which will provide some time for the new Port Manager to settle in before implementation of a new process.

Due to the nascent stage of this process at the neighbor island ports, the Company has not collected enough data to provide meaningful results for the neighbor island ports and that information is not included here. Young Brothers proposes to include that information in its next update of 2017 performance results. Accordingly, the table below sets forth the Company's



performance standards for this metric, as well as Young Brothers' 2017 performance in this area for the various cargo types for the port of Honolulu.

| <b>Customer Wait Time for Freight - Honolulu</b> |                                          |                              |
|--------------------------------------------------|------------------------------------------|------------------------------|
| <b>Cargo Type</b>                                | <b>Performance Standard<sup>49</sup></b> | <b>YB's 2017 Performance</b> |
| Dry LCL                                          | 45 minutes                               | 38 minutes                   |
| Refrigerated LCL                                 | 45 minutes                               | 34 minutes                   |
| Mixed Cargo <sup>50</sup>                        | 45 minutes                               | 37 minutes                   |
| Auto/RoRo                                        | 45 minutes                               | 28 minutes                   |
| Container <sup>51</sup>                          | 45 minutes                               | 64 minutes                   |

As shown, the Company's performance related to customer wait time in Honolulu met the performance standard for all cargo types, except containers. The wait time for container cargo comprises only one month of data because tracking began during the last week of September 2017. It is not clear whether this small sample size accurately reflects actual customer wait times for container cargo.

These results represent a significant decrease in customer wait times for dry LCL (i.e., from 56 minutes in 2016 to 38 minutes in 2017) and Auto/RoRo (i.e., from 50 minutes in 2016 to 28 minutes in 2017). Customer wait times for refrigerated LCL and mixed cargo essentially remained the same.

The Company is continuously making adjustments and improvements to help alleviate congestion in the facility and minimize customer wait times. For example, the drastic decrease in customer wait times for Auto/RoRo was a direct result of the implementation of a reservation-

<sup>49</sup> As set forth in its 2016 Performance Results, to maintain consistency with the standards established by the Commission for dry LCL and refrigerated LCL at Honolulu, YB proposes the same performance standard of 45 minutes for the additional cargo types. See 2016 Performance Results at 16.

<sup>50</sup> Mixed Cargo consists of dry mixed LCL.

<sup>51</sup> Tracking of customer wait times for containerized cargo began during the last week of September 2017.

type process for automobile drop-offs in November 2016.<sup>52</sup> Time slots are scheduled in 15-minute increments for approximately 2 to 3 customers at a time. This practice enables Young Brothers to control and manage the flow of automobile drop-offs, and prevents large groups of customers from arriving at the same time. The Company will continue to seek new ways to improve and expedite customer service thereby improving the customer's experience and the Company's operational efficiency.

**K. Service: Caller Wait Time**

In Order No. 33640, the Commission adopted the performance metric of caller wait time. For this performance metric, the Commission adopted "the performance standard of ninety percent (90%) of all calls answered within sixty (60) seconds. Young Brothers' current performance in the twelve-month trailing period shall be compared to this standard."<sup>53</sup>

The table below sets forth the Company's performance standard for this metric and Young Brothers' 2017 performance.

| <b>Caller Wait Time<sup>54</sup></b>        |                                           |
|---------------------------------------------|-------------------------------------------|
| <b>Performance Standard</b>                 | <b>YB's 2017 Performance<sup>55</sup></b> |
| 90% of all calls answered within 60 seconds | 89.6% of calls answered within 60 seconds |

As shown, the Company's performance came within 0.4% of the performance standard.

<sup>52</sup> The program was rolled out in November 2016 on a preliminary basis to "test" customers' responses to going through a reservations system. Young Brothers received very favorable responses from both customers and YB's freight clerks (who handle processing of automobile drop-offs), and after refining the process further, decided to permanently implement the reservation program in January 2017. Customers can still drop-off automobiles on a walk-in basis, but have been advised that they will have to wait for a freight clerk to become available after scheduled reservations have been processed.

<sup>53</sup> Order No. 33640 at 39.

<sup>54</sup> Pursuant to Order No. 33640, in 2016, YB modified the definition of "arrival" as when the barge is tied up alongside the pier and ready for unloading, and further, eliminated the 15-minute grace period for the determination of "on-time." Canceled sailings are included in the "total number of sailings annually."

<sup>55</sup> YB's call response performance is measured using data from its telephone software system.

YB's performance in 2017 represents a significant increase from YB's performance in 2016, when only 78% of calls were answered within 60 seconds. This increase is due, in large part, to improvements in YB's customer service and call handling in recent years. In particular, YB implemented an automated callback feature at its Honolulu facility, which enables callers to choose to have YB call them back instead of continuing to hold. YB's receptionist in Honolulu also fields overflow calls from neighbor island ports.

**L. Service: Customer Dropped Calls**

In Order No. 33640, the Commission adopted "the performance metric of customer dropped calls which are the calls that are not answered by a company before the caller hangs up."<sup>56</sup> For this performance metric, the Commission adopted "the performance standard of a dropped call ratio of 5% or less. Young Brothers' current performance in the twelve-month trailing period shall be compared to this standard."<sup>57</sup>

The table below sets forth the Company's performance standard for this metric and Young Brothers' 2016 performance.

| <b>Customer Dropped Calls</b> |                              |
|-------------------------------|------------------------------|
| <b>Performance Standard</b>   | <b>YB's 2017 Performance</b> |
| 5% or less                    | 4.0%                         |

As shown, the Company's performance related to customer dropped calls met the performance standard of 5%.

<sup>56</sup> Order No. 33640 at 39 (quotations and footnote omitted).

<sup>57</sup> Order No. 33640 at 39-40 (quotations and footnote omitted).

M. Service: Completed Sailings

In Order No. 33640, the Commission adopted the performance metric of completed sailings, and adopted a performance standard of 99% completion of YB's scheduled and regulated round-trip sailings.<sup>58</sup> Young Brothers' current performance in the twelve-month trailing period shall be compared to this performance standard.<sup>59</sup>

The table below sets forth Young Brother's performance standard for this metric and YB's 2017 performance.

| Completed Sailings <sup>60</sup> |                       |
|----------------------------------|-----------------------|
| Performance Standard             | YB's 2017 Performance |
| 99% or higher                    | 99.9%                 |

As shown, the Company's performance related to completed sailings met the performance standard of 99%.

N. Service: Cargo Insurance Loss Ratio

In Order No. 33640, the Commission adopted the performance metric of cargo insurance loss ratio. For this performance metric, the Commission instructed YB "to establish a performance metric of cargo insurance loss ratio, which is the dollar amount of cargo-damage claims paid, divided by the insurance premiums collected [from customers]. The performance standards shall be Young Brothers' (a) three-year average of its cargo insurance loss ratio, and (b) three-year average of the number of cargo-damage claims. Young Brothers' performance in the twelve-month trailing period shall be compared to these standards."<sup>61</sup>

<sup>58</sup> See Order No. 33640 at 40-41.

<sup>59</sup> See Order No. 33640 at 41.

<sup>60</sup> To determine the percentage of completed sailings, the number of regularly scheduled round trip sailings that YB completes is divided by the total of YB's scheduled and regulated round-trip sailings in that same period. Sailings that were rescheduled to a different time and/or date are counted as completed.

<sup>61</sup> Order No. 33640 at 42.



The table below sets forth the Company's performance standards for this metric (i.e., average of YB's 2014, 2015, and 2016 data) for both cargo insurance loss ratio and number of cargo-damage claims, as well as Young Brothers' 2017 performance.

| <b>Cargo Insurance Loss Ratio</b> |                             |                              |
|-----------------------------------|-----------------------------|------------------------------|
| <b>Description</b>                | <b>Performance Standard</b> | <b>YB's 2017 Performance</b> |
| Cargo Insurance Loss Ratio        | 19.5% or lower              | 19.4%                        |
| Cargo Damage Claims <sup>62</sup> | 501 or lower                | 415 claims                   |

As shown, the Company's performance related to its cargo insurance loss ratio and cargo damage claims met the applicable performance standards.

For informational purposes, the Company also provides below, YB's performance in this area for the last four years (i.e., 2014 to 2017), which includes the period from which the three-year averages were derived.

| <b>Cargo Insurance Loss Ratio</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> |
|-----------------------------------|-------------|-------------|-------------|-------------|
| Cargo Insurance Loss Ratio        | 20.8%       | 15.0%       | 22.6%       | 19.4%       |
| Cargo Damage Claims               | 528         | 488         | 486         | 415         |

<sup>62</sup> The number of cargo damage claims reflects only those damage claims that have been approved and paid, and excludes denied claims.



1 cargo insurance loss ratio. The Company has fallen short of the  
2 performance standard for labor efficiency related to dollar value of  
3 shoreside labor hours and customer wait time for a couple of cargo types.  
4 In addition, the Company is proposing in this rate case, but has not yet  
5 received approval of, a performance standard for container utilization.  
6 Nevertheless, it appears that utilization has increased for the vast majority  
7 of container types.

8 **Q: Please discuss the results for the safety-related metrics (i.e.,**  
9 **recordable incident rate, lost time incident rate, workers'**  
10 **compensation insurance claims, and hazardous materials incidents).**

11 **A:** With regard to the Company's safety-related metrics, the Company met its  
12 performance standards in every category (see the tables below). Young  
13 Brothers is extremely proud of its employees for their efforts in this area  
14 because: (1) the Company did not meet its performance standards in  
15 2017; and (2) safety is the Company's top priority.

16 The job that YB's employees perform is difficult and dangerous due  
17 to the high volume of cargo and the constant interaction of customers,  
18 truckers, heavy machinery, and employees. It is a testament to the  
19 employees' skill and situational awareness that they prioritize safety while  
20 effectively moving cargo in a fast paced environment to meet the needs of  
21 customers and the State more generally.



| <b>Recordable Incident Rate<sup>29</sup></b> |                             |                              |
|----------------------------------------------|-----------------------------|------------------------------|
| <b>Personnel<sup>30</sup></b>                | <b>Performance Standard</b> | <b>YB's 2019 Performance</b> |
| Shoreside                                    | 5.70 or lower               | 2.92                         |

| <b>Lost Time Incident Rate<sup>31</sup></b> |                             |                              |
|---------------------------------------------|-----------------------------|------------------------------|
| <b>Personnel<sup>32</sup></b>               | <b>Performance Standard</b> | <b>YB's 2019 Performance</b> |
| Shoreside                                   | 4.08 or lower               | 1.82                         |

| <b>Workers' Compensation Claims</b>  |                             |                              |
|--------------------------------------|-----------------------------|------------------------------|
| <b>Description</b>                   | <b>Performance Standard</b> | <b>YB's 2019 Performance</b> |
| Number of Claims                     | 40 claims or lower          | 36 claims                    |
| Dollar Value of Claims <sup>33</sup> | \$1,233,684 or lower        | \$1,414,899                  |

| <b>Hazardous Materials Incidents</b>                      |                             |                              |
|-----------------------------------------------------------|-----------------------------|------------------------------|
| <b>Description</b>                                        | <b>Performance Standard</b> | <b>YB's 2019 Performance</b> |
| Number of Incidents <sup>34</sup>                         | 7.3 incidents or fewer      | 2 incidents                  |
| Monetary Expenses Associated with Incidents <sup>35</sup> | \$55,514 or lower           | \$13,227                     |

<sup>29</sup> The rate is calculated by multiplying the number of recordable incidents by 200,000 (i.e., number of base hours that 100 full-time employees working 40 hours a week for 50 weeks would accumulate), and then dividing that product by the Company's total number of work hours for the year.

<sup>30</sup> Shoreside personnel include non-sea-going salaried employees and those employees covered under a collective bargaining agreement, including all maintenance staff. Marine personnel include all sea-going salaried employees and those employees covered under a collective bargaining agreement, including dispatch staff (management level personnel other than tug captains are excluded).

<sup>31</sup> Similar to the recordable incident rate, the rate is calculated by multiplying the number of lost time incidents by 200,000 (i.e., number of base hours that 100 full-time employees working 40 hours a week for 50 weeks would accumulate), and then dividing that product by the Company's total number of work hours for the year.

<sup>32</sup> See *supra* n.23.

<sup>33</sup> Dollar value of claims consists of amounts that have actually been paid out on workers' compensation insurance claims during the calendar year.

<sup>34</sup> YB counts hazardous materials incidents as only those incidents that are reportable to external agencies. In other words, if a spill is so small or insignificant that it is not reportable to an external agency, then Young Brothers does not include that incident for purposes of this performance metric.

<sup>35</sup> Monetary expenses associated with YB's hazardous materials incidents include readily identifiable invoices and expenses directly associated with such spills, and do not include internal labor or other costs that are difficult to isolate from other aggregated operational expenses.



1 **Q: Please discuss the results for the efficiency-related metrics (i.e.,**  
 2 **labor efficiency, fuel efficiency - shoreside, and container utilization).**

3 A: With regard to the Company's efficiency-related metrics, the Company  
 4 met its performance standards in every category except "dollar value of  
 5 shoreside labor hours." As the Company stated in previous filings, labor  
 6 hours is a better efficiency measure than dollar value of labor hours,  
 7 because labor costs are generally always rising due to increasing wage  
 8 rates.<sup>36</sup> Young Brothers is also proposing a new metric and performance  
 9 standard for container utilization in this rate case, and provides its  
 10 performance in the chart below.

| Labor Efficiency                                     |                           |                       |
|------------------------------------------------------|---------------------------|-----------------------|
| Description                                          | Performance Standard      | YB's 2019 Performance |
| Revenue Tons/<br>Shoreside Labor Hours <sup>37</sup> | 15.01 tons/hour or higher | 15.21 tons/hour       |
| Dollar Value of<br>Shoreside Labor Hours             | \$18,928,710 or lower     | \$20,424,685          |

<sup>36</sup> See Young Brothers, Limited's Submission of Supplemental Information as Required by Order No. 33640, filed on July 12, 2016, in Docket No. 2013-0032, at 38-39; see also 2016 Performance Results at 10.

<sup>37</sup> Cargo volumes from YB's combined intrastate and interstate lines of business are used to derive revenue tons. Only "loaded" cargo is counted and empty shipping devices are excluded. Total (intrastate and interstate) shoreside labor hours excludes salaried employees and maintenance personnel, to ensure that labor hours are limited to only those associated with cargo handling activities, and further, only includes hours that are "worked" (i.e., not non-working holiday or sick leave hours).

| <b>Fuel Efficiency<sup>38</sup></b> |                             |                              |
|-------------------------------------|-----------------------------|------------------------------|
| <b>Description</b>                  | <b>Performance Standard</b> | <b>YB's 2019 Performance</b> |
| Shoreside Fuel Efficiency           | 11.55 tons/gallon or higher | 12.25 tons/gallon            |

1

| <b>Container Utilization Efficiency<sup>39</sup></b> |                                      |                              |                              |
|------------------------------------------------------|--------------------------------------|------------------------------|------------------------------|
| <b>Container Type</b>                                | <b>Proposed Performance Standard</b> | <b>YB's 2019 Performance</b> | <b>YB's 2018 Performance</b> |
| 40' Dry Container                                    | 80% - 90%                            | 77.7%                        | 72.5%                        |
| 40' Reefer Container                                 | 80% - 90%                            | 78.1%                        | 74.6%                        |
| 40' Flat Rack                                        | 80% - 90%                            | 87.0%                        | 82.4%                        |
| 40' Platform                                         | 80% - 90%                            | 85.5%                        | 85.6%                        |
| 40' Chassis                                          | 80% - 90%                            | 96.6%                        | 95.5%                        |
| 20' Dry Container                                    | 80% - 90%                            | 91.1%                        | 87.9%                        |
| 20' Reefer Container                                 | 80% - 90%                            | 83.6%                        | 84.9%                        |
| 20' Flat Rack                                        | 80% - 90%                            | 91.4%                        | 90.9%                        |
| 20' Platform                                         | 80% - 90%                            | 93.7%                        | 93.5%                        |
| 20' Chassis                                          | 80% - 90%                            | 92.4%                        | 91.4%                        |
| Gvan                                                 | 80% - 90%                            | 89.8%                        | 90.2%                        |

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3  
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<sup>38</sup> The fuel efficiency standards measure revenue tons of cargo moved per gallon of fuel consumed in moving cargo. Cargo volumes from YB's combined intrastate and interstate lines of business are used to derive revenue tons. In contrast to the "loaded" cargo tonnage used to measure labor efficiency, the fuel efficiency metric is derived by using both "loaded" and "empty" cargo tonnage. Fuel used for non-cargo movements is excluded (e.g., fuel used by tugs providing harbor assists for other companies).

<sup>39</sup> The fuel efficiency standards measure revenue tons of cargo moved per gallon of fuel consumed in moving cargo. Cargo volumes from YB's combined intrastate and interstate lines of business are used to derive revenue tons. In contrast to the "loaded" cargo tonnage used to measure labor efficiency, the fuel efficiency metric is derived by using both "loaded" and "empty" cargo tonnage. Fuel used for non-cargo movements is excluded (e.g., fuel used by tugs providing harbor assists for other companies).

1 **Q: Please discuss the results for the service-related metrics (i.e.,**  
 2 **customer wait time for freight, caller wait time, customer dropped**  
 3 **calls, and cargo insurance loss ratio).**

4 **A:** With regard to the Company's service-related metrics, the Company met  
 5 its performance standards in certain customer wait time categories and  
 6 cargo insurance loss ratio. Unfortunately, the Company has incomplete  
 7 data and cannot determine if it met its performance data for caller wait  
 8 time and customer dropped calls, as well as customer wait times for  
 9 freight in Kahului and Hilo due to technical and employee turnover issues,  
 10 respectively. As discussed in greater detail in YB-201, phone-related  
 11 performance is incomplete because of a loss of a server and the  
 12 malfunction of the other, and customer wait time for freight performance is  
 13 incomplete for Kahului and Hilo due to turnover in security personnel who  
 14 collect the data and Port Managers that oversee all port operations.

| Customer Wait Time for Freight - Honolulu |                                    |                       |
|-------------------------------------------|------------------------------------|-----------------------|
| Cargo Type                                | Performance Standard <sup>40</sup> | YB's 2019 Performance |
| Dry Pallet LCL                            | 45 minutes                         | 51 minutes            |
| Refrigerated LCL                          | 45 minutes                         | 37 minutes            |
| Mixed Cargo <sup>41</sup>                 | 45 minutes                         | 43 minutes            |
| Auto/RoRo                                 | 45 minutes                         | 49 minutes            |
| Container                                 | 45 minutes                         | 29 minutes            |

<sup>40</sup> As set forth in its 2016 Performance Results, to maintain consistency with the standards established by the Commission for dry LCL and refrigerated LCL at Honolulu, YB proposes the same performance standard of 45 minutes for the additional cargo types. See 2016 Performance Results at 16.

<sup>41</sup> Mixed Cargo consists of dry mixed LCL.



| <b>Customer Wait Time for Freight - Kahului</b> |                             |                              |
|-------------------------------------------------|-----------------------------|------------------------------|
| <b>Cargo Type</b>                               | <b>Performance Standard</b> | <b>YB's 2019 Performance</b> |
| Dry Pallet LCL                                  | 45 minutes                  | Incomplete                   |
| Refrigerated LCL                                | 45 minutes                  | Incomplete                   |
| Mixed Cargo                                     | 45 minutes                  | Incomplete                   |
| Auto/RoRo                                       | 45 minutes                  | Incomplete                   |
| Container                                       | 45 minutes                  | Incomplete                   |

1

| <b>Customer Wait Time for Freight - Hilo</b> |                             |                              |
|----------------------------------------------|-----------------------------|------------------------------|
| <b>Cargo Type</b>                            | <b>Performance Standard</b> | <b>YB's 2019 Performance</b> |
| Dry Pallet LCL                               | 45 minutes                  | Incomplete                   |
| Refrigerated LCL                             | 45 minutes                  | Incomplete                   |
| Mixed Cargo                                  | 45 minutes                  | Incomplete                   |
| Auto/RoRo                                    | 45 minutes                  | Incomplete                   |
| Container                                    | 45 minutes                  | Incomplete                   |

2

| <b>Customer Wait Time for Freight - Nawiliwili</b> |                             |                              |
|----------------------------------------------------|-----------------------------|------------------------------|
| <b>Cargo Type</b>                                  | <b>Performance Standard</b> | <b>YB's 2019 Performance</b> |
| Dry Pallet LCL                                     | 45 minutes                  | 24 minutes                   |
| Refrigerated LCL                                   | 45 minutes                  | 22 minutes                   |
| Mixed Cargo                                        | 45 minutes                  | 24 minutes                   |
| Auto/RoRo                                          | 45 minutes                  | 28 minutes                   |
| Container                                          | 45 minutes                  | 33 minutes                   |

3

| <b>Customer Wait Time for Freight - Kawaihae</b> |                             |                              |
|--------------------------------------------------|-----------------------------|------------------------------|
| <b>Cargo Type</b>                                | <b>Performance Standard</b> | <b>YB's 2019 Performance</b> |
| Dry Pallet LCL                                   | 45 minutes                  | 33 minutes                   |
| Refrigerated LCL                                 | 45 minutes                  | 23 minutes                   |
| Mixed Cargo                                      | 45 minutes                  | 46 minutes                   |
| Auto/RoRo                                        | 45 minutes                  | 32 minutes                   |
| Container                                        | 45 minutes                  | 26 minutes                   |

4

| <b>Caller Wait Time</b>                     |                                           |
|---------------------------------------------|-------------------------------------------|
| <b>Performance Standard</b>                 | <b>YB's 2019 Performance<sup>42</sup></b> |
| 90% of all calls answered within 60 seconds | Incomplete                                |

5

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<sup>42</sup> YB's call response performance is measured using data from its telephone software system.

| <b>Customer Dropped Calls</b> |                              |
|-------------------------------|------------------------------|
| <b>Performance Standard</b>   | <b>YB's 2019 Performance</b> |
| 5% or less                    | Incomplete                   |

1

| <b>Cargo Insurance Loss Ratio</b> |                             |                              |
|-----------------------------------|-----------------------------|------------------------------|
| <b>Description</b>                | <b>Performance Standard</b> | <b>YB's 2019 Performance</b> |
| Cargo Insurance Loss Ratio        | 20.7% or lower              | 19.0%                        |
| Cargo Damage Claims <sup>43</sup> | 437 or lower                | 404 claims                   |

2

3 **Q: Does this conclude your testimony?**4 **A:** Yes, it does. Thank you for the opportunity to testify.

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<sup>43</sup> The number of cargo damage claims reflects only those damage claims that have been approved and paid, and excludes denied claims.

**YOUNG BROTHERS, LLC**  
**2019 PERFORMANCE RESULTS**

The Commission's Order No. 33640, *Adopting Performance Metrics and Standards for the Annual Freight Rate Adjustment Pilot Program*, issued on April 13, 2016, in Docket No. 2013-0032 ("Order No. 33640"), adopted certain performance metrics and standards to govern Young Brothers, LLC's<sup>1</sup> ("Young Brothers", "YB" or the "Company") Annual Freight Rate Adjustment ("AFRA") Pilot Program. For most performance metrics, the Commission utilized "a standard or a benchmark of the most current three-year average of Young Brothers' historical performance as to that metric (i.e., when comparing Young Brothers' performance from calendar year 2015, the most current three-year average would be the results from Young Brothers' performance in calendar years 2012, 2013, and 2014) ("three-year average")."<sup>2</sup> Further, the Commission stated that the three-year average should "then be compared to Young Brothers' current performance in the latest available twelve-month trailing period (i.e., for Young Brothers' initial reporting as required by this Order, the twelve-month trailing period shall be Young Brothers' performance in calendar year 2015) ("twelve-month trailing period")."<sup>3</sup>

In Decision and Order No. 36140, issued on February 1, 2019, in Docket No. 2017-0363, the Commission found that, despite the expiration of the AFRA Pilot Program on December 31, 2016, the performance metrics provide beneficial information and stated its intention to review Young Brothers' performance in the next general rate case.<sup>4</sup>

Young Brothers hereby submits its updated and current Performance Results. Because this update is being filed before the end of 2019, YB's performance results cover the twelve-

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<sup>1</sup> Young Brothers, LLC was then named Young Brothers, Limited.

<sup>2</sup> Order No. 33640 at 19-20.

<sup>3</sup> Order No. 33640 at 20.

<sup>4</sup> See Docket No. 2017-0363, Decision and Order No. 36140, issued on February 1, 2019, at 7.

month trailing period from July 2018 to June 2019, and does not include YB's performance for the remainder of 2019 as those results are not yet available. Young Brothers will provide the Commission with updated performance results to cover the full 2019 calendar year when those results are available. Accordingly, for purposes of this update and for ease in reference, YB hereinafter refers to the 12-month trailing time period from July 2018 to June 2019 as "2019", although it does not include the remainder of 2019, and refers to this update as "2019 Performance Results."

In accordance with Order No. 33640, Young Brothers provides for each metric the Company's performance standard (i.e., YB's most current three-year average of historical performance as to that metric or a fixed performance standard, as applicable), together with the Company's performance results in 2019. The metrics have been categorized below to follow the performance areas identified in Order No. 33640: Safety, Efficiency, and Service.

## I.

### **PERFORMANCE METRICS AND RESULTS**

#### A. Safety: Recordable Incident Rate

The performance metric of recordable incident rate is based on:

The number of employees per 100 full-time employees who have been injured or suffered an illness required to be recorded under OSHA rules[.] Generally, an injury or illness is considered "recordable" if it results in any of the recording criteria of death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, and/or loss of consciousness.<sup>5</sup>

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<sup>5</sup> Order No. 33640 at 20-21 (quotations and footnotes omitted); see also 29 C.F.R. § 1904 7(b)(2)-(6).



For this performance metric, the Commission adopted “the performance standards of Young Brothers’ three-year average of its recordable incident rates for (a) shoreside personnel, and (b) marine personnel[,]” and further, stated that Young Brothers’ “recordable incident rates in the twelve-month trailing period shall be compared to these performance standards.”<sup>6</sup>

The table below sets forth the Company’s performance standards for this metric (i.e., average of YB’s 2016, 2017, and 2018 recordable incident rates) for both shoreside and marine personnel, as well as Young Brothers’ 2019 performance.

| <b>Recordable Incident Rate<sup>7</sup></b> |                             |                              |
|---------------------------------------------|-----------------------------|------------------------------|
| <b>Personnel<sup>8</sup></b>                | <b>Performance Standard</b> | <b>YB’s 2019 Performance</b> |
| Shoreside                                   | 5.70 or lower               | 2.92                         |
| Marine                                      | 2.19 or lower               | 2.68                         |

As shown, the Company is significantly exceeding the performance standard for shoreside personnel and is not meeting the performance standard for marine personnel, although performance has improved significantly from 2018.

For informational purposes, the Company also provides below, YB’s performance for this metric for the last four years (i.e., 2016 to 2019), which includes the period from which the three-year averages were derived.

<sup>6</sup> Order No. 33640 at 22-23 (footnote omitted).

<sup>7</sup> The rate is calculated by multiplying the number of recordable incidents by 200,000 (i.e., number of base hours that 100 full-time employees working 40 hours a week for 50 weeks would accumulate), and then dividing that product by the Company’s total number of work hours for the year.

<sup>8</sup> Shoreside personnel include non-sea-going salaried employees and those employees covered under a collective bargaining agreement, including all maintenance staff. Marine personnel include all sea-going salaried employees and those employees covered under a collective bargaining agreement, including dispatch staff (management level personnel other than tug captains are excluded).



| <b>Recordable Incident Rate</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> |
|---------------------------------|-------------|-------------|-------------|-------------|
| Shoreside                       | 4.47        | 6.37        | 6.26        | 2.92        |
| Marine                          | 0.66        | 1.86        | 4.04        | 2.68        |

As stated in the Young Brothers 2017 Performance Results, filed in Docket No. 2017-0363 as YB-201, the Company undertakes to provide a place of employment for its personnel that is the safest possible in these challenging shoreside and marine environments. That being said, it is the efforts of the employees that has the greatest impact on employee safety, and the Company is extremely proud of the employees and their efforts in this regard.

**B. Safety: Lost Time Incident Rate**

The performance metric of lost time incident rate is based on:

The number of employees per 100 full-time employees who have been involved in recordable incidents in which a workday (or more) was lost within the specified time period. An injury is considered a lost-time incident if it results in one or more days away from work.<sup>9</sup>

For this performance metric, the Commission adopted “the performance standard of Young Brothers’ three-year average of its lost time incident rates for (a) shoreside personnel, and (b) marine personnel[,]” and further, stated that Young Brothers’ “lost time incident rates in the twelve-month trailing period shall be compared to these performance standards.”<sup>10</sup>

The table below sets forth the Company’s performance standards for this metric (i.e., average of YB’s 2016, 2017, and 2018 lost time incident rates) for both shoreside and marine personnel, as well as Young Brothers’ 2019 performance.

<sup>9</sup> Order No. 33640 at 23 (quotations and footnotes omitted); see also 29 C.F.R. § 1904 7(b)(3).

<sup>10</sup> Order No. 33640 at 22-23 (footnote omitted).

| <b>Lost Time Incident Rate<sup>11</sup></b> |                             |                              |
|---------------------------------------------|-----------------------------|------------------------------|
| <b>Personnel<sup>12</sup></b>               | <b>Performance Standard</b> | <b>YB's 2019 Performance</b> |
| Shoreside                                   | 4.08 or lower               | 1.82                         |
| Marine                                      | 1.32 or lower               | 2.01                         |

As shown, the Company is significantly exceeding its performance standard for shoreside personnel and is not meeting the performance standard for marine personnel.

For informational purposes, the Company also provides below, YB's performance for this metric for the last four years (i.e., 2016 to 2019), which includes the period from which the three-year averages were derived.

| <b>Lost Time Incident Rate</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> |
|--------------------------------|-------------|-------------|-------------|-------------|
| Shoreside                      | 2.06        | 5.31        | 4.87        | 1.82        |
| Marine                         | 0.66        | 0.62        | 2.69        | 2.01        |

C. Safety: Workers' Compensation Insurance Claims

In Order No. 33640, the Commission adopted the performance metric of workers' compensation insurance claims.<sup>13</sup> For this performance metric, the Commission adopted "the performance standards of Young Brothers' (a) three-year average of the total number of its workers' compensation insurance claims, and (b) three-year average of the total dollar value of its workers' compensation insurance claims" and further, stated that Young Brothers' "performance in the twelve-month trailing period shall be compared to these performance standards."<sup>14</sup>

<sup>11</sup> Similar to the recordable incident rate, the rate is calculated by multiplying the number of lost time incidents by 200,000 (i.e., number of base hours that 100 full-time employees working 40 hours a week for 50 weeks would accumulate), and then dividing that product by the Company's total number of work hours for the year.

<sup>12</sup> See supra n.9.

<sup>13</sup> See Order No. 33640 at 25.

<sup>14</sup> Order No. 33640 at 25.

The table below sets forth the Company's performance standards for this metric (i.e., average of YB's 2016, 2017, and 2018 workers' compensation claims) for both total number of claims and total dollar value of claims, as well as Young Brothers' 2019 performance.

| <b>Workers' Compensation Claims</b>  |                             |                              |
|--------------------------------------|-----------------------------|------------------------------|
| <b>Description</b>                   | <b>Performance Standard</b> | <b>YB's 2019 Performance</b> |
| Number of Claims                     | 40 claims or lower          | 36 claims                    |
| Dollar Value of Claims <sup>15</sup> | \$1,233,684 or lower        | \$1,414,899                  |

As shown, the Company is meeting its performance standard for number of workers' compensation insurance claims, but is not meeting its performance standard for total dollar value of such claims.

For informational purposes, the Company also provides below, YB's performance for this metric for the last four years (i.e., 2016 to 2019), which includes the period from which the three-year averages were derived.

| <b>Workers' Compensation Claims</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> |
|-------------------------------------|-------------|-------------|-------------|-------------|
| Number of Claims                    | 29          | 41          | 49          | 36          |
| Dollar Value of Claims              | \$1,361,396 | \$1,147,308 | \$1,192,348 | \$1,414,899 |

As noted in several filings made by the Company, Young Brothers continues to maintain that workers' compensation insurance claim data and statistics are not a meaningful measure of YB's safety performance.<sup>16</sup> This is especially true given that the number of claims and their dollar value are often influenced by external factors outside of the Company's control

<sup>15</sup> Dollar value of claims consists of amounts that have actually been paid out on workers' compensation insurance claims during the calendar year.

<sup>16</sup> See Young Brothers, Limited's Submission of Supplemental Information as Required by Order No. 33640, filed on July 12, 2016, in Docket No. 2013-0032 ("Supplemental Submission"), at 38-39; see also 2016 Performance Results at 5.



(e.g., claims and injury management processes, nature of litigants, potential for legal involvement) as compared to real changes or improvement in safety performance.

**D. Safety: Hazardous Materials**

In Order No. 33640, the Commission adopted the performance metric of hazardous materials incidents.<sup>17</sup> For this performance metric, the Commission adopted “the performance standards of Young Brothers’ (a) three-year average of the total number of its hazardous materials incidents, and (b) three-year average of the total monetary expenses associated with its hazardous materials incidents (e.g., fines, damages or claims, costs of containment and remediation)” and further, stated that Young Brothers’ “performance in the twelve-month trailing period shall be compared to these performance standards.”<sup>18</sup>

The table below sets forth the Company’s performance standards for this metric (i.e., average of YB’s 2016, 2017, and 2018 data), as well as Young Brothers’ 2019 performance.

| <b>Hazardous Materials Incidents</b>                      |                             |                              |
|-----------------------------------------------------------|-----------------------------|------------------------------|
| <b>Description</b>                                        | <b>Performance Standard</b> | <b>YB’s 2019 Performance</b> |
| Number of Incidents <sup>19</sup>                         | 7.3 incidents or lower      | 2 incidents                  |
| Monetary Expenses Associated with Incidents <sup>20</sup> | \$55,514 or lower           | \$13,227                     |

<sup>17</sup> See Order No. 33640 at 25.

<sup>18</sup> Order No. 33640 at 26.

<sup>19</sup> YB counts hazardous materials incidents as only those incidents that are reportable to external agencies. In other words, if a spill is so small or insignificant that it is not reportable to an external agency, then Young Brothers does not include that incident for purposes of this performance metric.

<sup>20</sup> Monetary expenses associated with YB’s hazardous materials incidents include readily identifiable invoices and expenses directly associated with such spills, and do not include internal labor or other costs that are difficult to isolate from other aggregated operational expenses.

As shown, the Company is significantly exceeding its performance standard for number of hazardous materials incidents and monetary expenses associated with those incidents.

For informational purposes, the Company also provides below, YB's performance for this metric for the last four years (i.e., 2016 to 2019), which includes the period from which the three-year averages were derived.

| <b>Hazardous Materials Incidents</b>        | <b>2016</b> | <b>2017</b>            | <b>2018</b> | <b>2019</b> |
|---------------------------------------------|-------------|------------------------|-------------|-------------|
| Number of Incidents                         | 16          | 6                      | 0           | 2           |
| Monetary Expenses Associated with Incidents | \$97,802    | \$68,741 <sup>21</sup> | \$0.00      | \$13,227    |

E. Efficiency: Labor Efficiency

In Order No. 33640, the Commission adopted the performance metric of labor efficiency.<sup>22</sup> For this performance metric, the Commission adopted "the performance standards of Young Brothers' (a) three-year average of actual revenue tons, divided by the total shoreside (terminal) labor hours, and (b) three-year average of the dollar value of such total shoreside (terminal) labor hours. Young Brothers' performance in the twelve-month trailing period shall be compared to these performance standards."<sup>23</sup>

The table below sets forth the Company's performance standards for this metric (i.e., average of YB's 2016, 2017, and 2018 data), as well as Young Brothers' 2019 performance.

<sup>21</sup> The 2018 Performance Results contained a typographical error which omitted the number "8" and showed this value as \$6,741, instead of \$68,741.

<sup>22</sup> See Order No. 33640 at 26.

<sup>23</sup> Order No. 33640 at 28.

| <b>Labor Efficiency</b>                              |                             |                              |
|------------------------------------------------------|-----------------------------|------------------------------|
| <b>Description</b>                                   | <b>Performance Standard</b> | <b>YB's 2019 Performance</b> |
| Revenue Tons/<br>Shoreside Labor Hours <sup>24</sup> | 14.96 tons/hour or higher   | 15.12 tons/hour              |
| Dollar Value of<br>Shoreside Labor Hours             | \$18,972,229 or lower       | \$20,694,144                 |

As shown, the Company is meeting the performance standard for revenue tons moved per shoreside labor hour, but is not meeting the standard for dollar value of shoreside labor hours.

For informational purposes, the Company provides below, its performance in this area for the last four years (i.e., 2016 to 2019), which includes the period from which the three-year averages were derived.

| <b>Labor Efficiency</b>               | <b>2016</b>  | <b>2017</b>  | <b>2018</b>  | <b>2019</b>  |
|---------------------------------------|--------------|--------------|--------------|--------------|
| Revenue Tons/Shoreside Labor Hours    | \$14.77      | \$14.88      | 15.23        | 15.12        |
| Dollar Value of Shoreside Labor Hours | \$18,475,189 | \$18,422,759 | \$20,018,740 | \$20,694,144 |

As can be seen, Young Brothers continues to meet its standard for revenue tons moved per shoreside labor hour. This performance is due, in part, to YB's policy of strictly enforcing cargo cut-off and gate closure times in Honolulu. This policy has helped to improve cargo handling and create labor efficiencies, as barge-loading crews can focus on loading activities when the gate is closed and not have to interrupt loading activities to service customer-related drop-offs and/or pick-ups.

<sup>24</sup> Cargo volumes from YB's combined intrastate and interstate lines of business are used to derive revenue tons. Only "loaded" cargo is counted and empty shipping devices are excluded. Total (intrastate and interstate) shoreside labor hours excludes salaried employees and maintenance personnel, to ensure that labor hours are limited to only those associated with cargo handling activities, and further, only includes hours that are "worked" (i.e., not non-working holiday or sick leave hours).

With regard to the dollar value of shoreside labor hours, Young Brothers' performance did not meet, and is higher than, the performance standard of \$18,972,229. Young Brothers attributes the rise in dollar value to the significant increase in labor costs that Young Brothers experienced in 2017 and 2018, due in large part to wage rate increases resulting from the ILWU CBA. As the Company has stated in prior filings, Young Brothers continues to maintain that labor hours is a more directly informative efficiency measure than the dollar value of labor hours, because labor costs are generally always rising due to inflation and increasing wage rates.<sup>25</sup> Moreover, as evidenced here by the data, YB's labor costs are a function of and tied to ILWU CBA terms, including, in particular, hourly rates and work rules, such that labor hours and costs are greatly impacted by work crew compositions and scheduling parameters of the CBA. For these reasons, Young Brothers continues to propose that the dollar value of shoreside labor hours be provided for reporting purposes only, and not as a standard to measure YB's labor efficiency.<sup>26</sup>

F. Efficiency: Fuel Efficiency

The Commission adopted the performance metric of fuel efficiency, to be separately measured for shoreside and marine activities by taking the actual revenue tons divided by total fuel consumed by either shoreside or marine equipment.<sup>27</sup> More specifically, the Commission adopted the performance standards of Young Brothers' (a) three-year average of shoreside fuel efficiency, which "shall be measured by the actual revenue tons . . . , divided by the total fuel consumed by shoreside equipment[,]" and (b) three-year average of marine fuel efficiency,

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<sup>25</sup> See Supplemental Submission at 38-39; see also 2016 Performance Results at 10.

<sup>26</sup> See Supplemental Submission at 38-39; see also 2016 Performance Results at 10.

<sup>27</sup> See Order No. 33640 at 28-29.



which “shall be measured by the actual revenue tons . . . , divided by the total fuel consumed by marine equipment.”<sup>28</sup> “Young Brothers’ performance in the twelve-month trailing period shall be compared to these performance standards.”<sup>29</sup>

The table below sets forth the Company’s performance standards for this metric (i.e., average of YB’s 2016, 2017, and 2018 data), as well as YB’s 2019 performance.

| <b>Fuel Efficiency<sup>30</sup></b> |                             |                              |
|-------------------------------------|-----------------------------|------------------------------|
| <b>Description</b>                  | <b>Performance Standard</b> | <b>YB’s 2019 Performance</b> |
| Shoreside Fuel Efficiency           | 11.55 tons/gallon or higher | 12.27 tons/gallon            |
| Marine Fuel Efficiency              | 2.80 tons/gallon or higher  | 2.97 tons/gallon             |

As shown, the Company is exceeding the performance standards for both shoreside and marine fuel efficiency. Much of this improvement is due to the placement into service of the four new Kapena tugs, which are much more fuel-efficient than YB’s previous towing tugs. The final Kapena tug, Kapena Bob Purdy, was placed into service in August 2019.

For informational purposes, the Company provides below, YB’s performance in this area for the last four years (i.e., 2016 to 2019), which includes the period from which the three-year averages were derived.

| <b>Fuel Efficiency</b>    | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> |
|---------------------------|-------------|-------------|-------------|-------------|
| Shoreside Fuel Efficiency | 11.61       | 11.30       | 11.75       | 12.27       |
| Marine Fuel Efficiency    | 2.75        | 2.77        | 2.79        | 2.97        |

<sup>28</sup> Order No. 33640 at 30.

<sup>29</sup> Order No. 33640 at 30.

<sup>30</sup> The fuel efficiency standards measure revenue tons of cargo moved per gallon of fuel consumed in moving cargo. Cargo volumes from YB’s combined intrastate and interstate lines of business are used to derive revenue tons. In contrast to the “loaded” cargo tonnage used to measure labor efficiency, the fuel efficiency metric is derived by using both “loaded” and “empty” cargo tonnage. Fuel used for non-cargo movements is excluded (e.g., fuel used by tugs providing harbor assists for other companies).



G. Efficiency: Container Utilization

In Order No. 33640, the Commission required Young Brothers to propose a performance metric in this area to address its concern “as to whether Young Brothers’ rate base represents the optimal level for efficient operations[,]” because “less-than efficient use of containers may unnecessarily increase the size of the rate base, and in turn, overstate Young Brothers’ revenue requirement when compared to that needed for an optimally-sized rate base.”<sup>31</sup> Specifically, the Commission instructed YB to provide, among other things, YB’s proposed performance standard in this area within ninety days of Order No. 33640.<sup>32</sup>

YB initially proposed a container utilization performance standard based on average number of times that containers and chassis are used per year (i.e., annual utilization), but stated that more analysis was needed to better understand what constitutes an optimal utilization rate.<sup>33</sup> In its 2016 Performance Results, YB determined that an annual utilization rate was not the most useful or informative indicator of its performance in this area, and proposed, instead, to provide its performance standard in this area in its next rate case proceeding.<sup>34</sup>

In YB’s most recent rate case (i.e., Docket No. 2017-0363) YB proposed a simple container utilization metric that provided a basic understanding of how much of YB’s equipment is not being used (i.e., idle or potentially surplus).

Now, YB proposes to use the inverse of that metric. That is to say, YB now proposes to track how frequently its equipment is being used, rather than the frequency of how often it is not being used. The Company believes that this small change better aligns the metric with what the

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<sup>31</sup> Order No. 33640 at 44-45.

<sup>32</sup> See Order No. 33640 at 45.

<sup>33</sup> See Supplemental Submission at 28-29.

<sup>34</sup> See 2016 Performance Results at 23.

Commission asked for, while continuing to provide the Company with helpful data regarding YB's equipment inventory levels and customer demand for that equipment.

The performance metric is based on the following calculation:

$$\text{Utilization} = 1 - \left( \frac{\text{Availability} + \text{Not in Service}}{\text{Total Count}} \right)$$

Here, the "Availability" value is the total number of each type of available equipment (e.g., 20 ft. containers, 40 ft. containers, flatracks, chassis) based on a daily count performed by clerks at the Port of Honolulu at the beginning of every day. The "Not in Service" value is the total daily number of each type of equipment that is removed from service for whatever reason, other than customer use (e.g., repair, maintenance, registration). Combining those two values and dividing by the total inventory count for each type of equipment provides a simple average of unused equipment. Subtracting that quotient from 1 converts the average of unused equipment into an average of used equipment (i.e., utilization rate). Here's a simple table to illustrate the metric:

| <b>Equipment Type</b> | <b>(A)<br/>Available</b> | <b>(B)<br/>Not in Service</b> | <b>(C)<br/>Total Count</b> | <b>1-(A+B)/C<br/>Utilization</b> |
|-----------------------|--------------------------|-------------------------------|----------------------------|----------------------------------|
| 20' Chassis           | 15                       | 5                             | 100                        | 80%                              |
| 40' Reefer            | 5                        | 3                             | 80                         | 90%                              |

There are two reasons to take the container count in Honolulu at the beginning of every day. First, taking a daily count smooths out any peaks or dips in demand for whatever reason. Second, because YB runs a hub-and-spoke operation (i.e., cargo is shipped from Honolulu (hub) to the neighbor islands (spokes) and back), unused containers or "empties" are cycled back and returned to Honolulu for use in future shipments. Accordingly, a count of the total number of

unused containers in Honolulu at the beginning of every day provides a comprehensive and normalized data set from which to determine the utilization rate.

In regards to establishing a performance standard, Young Brothers proposes to use an 80%-90% utilization rate as the fixed standard. This standard reflects the fact that some amount of unused inventory (i.e., no more than 20%) is desirable to meet spikes in customer demand as well as regular maintenance and repair needs, while not carrying unnecessarily high levels of inventory. This standard will ensure that YB has an adequate surplus of equipment to meet fluctuations in demand, while not having equipment levels that “unnecessarily increase the size of the rate base, and in turn, overstate Young Brothers’ revenue requirement when compared to that needed for an optimally-sized rate base.”<sup>35</sup>

The table below sets forth the Company’s proposed performance standard for this metric as well as YB’s 2018 and 2019 performance. The Company has inadequate data to provide its 2017 performance.

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<sup>35</sup> Order No. 33640 at 44-45.

| Container Utilization Efficiency <sup>36</sup> |                               |                       |                       |
|------------------------------------------------|-------------------------------|-----------------------|-----------------------|
| Container Type                                 | Proposed Performance Standard | YB's 2019 Performance | YB's 2018 Performance |
| 40' Dry Container                              | 80% - 90%                     | 77.7%                 | 72.5%                 |
| 40' Reefer Container                           | 80% - 90%                     | 78.1%                 | 74.6%                 |
| 40' Flat Rack                                  | 80% - 90%                     | 87.0%                 | 82.4%                 |
| 40' Platform                                   | 80% - 90%                     | 85.5%                 | 85.6%                 |
| 40' Chassis                                    | 80% - 90%                     | 96.6%                 | 95.5%                 |
| 20' Dry Container                              | 80% - 90%                     | 91.1%                 | 87.9%                 |
| 20' Reefer Container                           | 80% - 90%                     | 83.6%                 | 84.9%                 |
| 20' Flat Rack                                  | 80% - 90%                     | 91.4%                 | 90.9%                 |
| 20' Platform                                   | 80% - 90%                     | 93.7%                 | 93.5%                 |
| 20' Chassis                                    | 80% - 90%                     | 92.4%                 | 91.4%                 |
| Gvan                                           | 80% - 90%                     | 89.8%                 | 90.2%                 |

As shown, the Company is meeting its performance standard in four of the container types (i.e., 40' Flat Rack, 40' Platform, 20' Reefer Container, and Gvan).

Although not tracked by this performance metric, the Company is also mindful of the age of its equipment and seeks to replace aging equipment prior to incurring steep maintenance and repair costs to continue to use old, deteriorated equipment. For this reason, some planned capital expenditures may not align perfectly with this metric alone.

#### H. Efficiency: Barge Utilization

In Order No. 33640, the Commission found that “a metric for the efficient use of barge assets may have value for future regulatory policy considerations regarding Young Brothers’

<sup>36</sup> The fuel efficiency standards measure revenue tons of cargo moved per gallon of fuel consumed in moving cargo. Cargo volumes from YB's combined intrastate and interstate lines of business are used to derive revenue tons. In contrast to the “loaded” cargo tonnage used to measure labor efficiency, the fuel efficiency metric is derived by using both “loaded” and “empty” cargo tonnage. Fuel used for non-cargo movements is excluded (e.g., fuel used by tugs providing harbor assists for other companies).



service offerings[,]” and instructed YB to “provide, in their next rate case filing . . . its proposed performance standard in this area.”<sup>37</sup> In Docket No. 2017-0363, Young Brothers proposed a three-year average performance standard in keeping with other Commission-established performance standards.<sup>38</sup>

As stated in previous filings, YB continues to maintain that a metric measuring “barge efficiency” is not appropriate, given YB’s obligation under its public charter and commitment to provide frequent, regular, and universal (i.e., statewide) service to customers.<sup>39</sup> In particular, as a regulated utility, YB cannot consolidate, cancel, delay or otherwise adjust sailing schedules to achieve maximum barge capacity utilization (i.e., revenue tons/barge), which could provide some improvements or efficiencies in this area. In addition, the volume of revenue tons loaded on a particular barge oftentimes is based on the port of destination and the customer demand for cargo at that port (e.g., a barge bound for Kahului will be loaded with more revenue tons than a barge bound for Molokai or Lanai).

Notwithstanding the foregoing, the table below sets forth the Company’s performance standards for this metric (i.e., average of YB’s 2016, 2017, and 2018 data), as well as YB’s 2019 performance.

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<sup>37</sup> Order No. 33640 at 47.

<sup>38</sup> See Docket No. 2017-0363, Refiled Application, Testimony of Sandra Larsen (YB T-2), filed on March 16, 2018, at 25.

<sup>39</sup> See Supplemental Submission at 40-41.

| <b>Barge Utilization in Revenue Tons</b> |                             |                              |
|------------------------------------------|-----------------------------|------------------------------|
| <b>Name of Barge</b>                     | <b>Performance Standard</b> | <b>YB's 2019 Performance</b> |
| Haaheo                                   | 1,646,186                   | 1,589,616                    |
| Hoomaka Hou                              | 1,603,081                   | 1,582,597                    |
| Kaholo <sup>[1]</sup>                    | 131,052                     | 207,767                      |
| Kalaenalu                                | 1,612,212                   | 1,475,298                    |
| Kamaluhia <sup>[2]</sup>                 | N/A                         | 0                            |
| Kukahi <sup>[3]</sup>                    | 834,115                     | 773,083                      |
| Makaala                                  | 1,645,156                   | 1,768,961                    |
| AMS 250                                  | 150,001                     | 184,622                      |
| KRS 286-6                                | 472,982                     | 488,808                      |

For informational purposes, the Company provides below, YB's performance in this area for the last four years (i.e., 2016 to 2019), which includes the period from which the three-year averages were derived.<sup>40</sup>

| <b>Barge Utilization</b> | <b>2016</b>    | <b>2017</b> | <b>2018</b> | <b>2019</b> |
|--------------------------|----------------|-------------|-------------|-------------|
| Haaheo                   | 1,709,325      | 1,675,408   | 1,553,824   | 1,589,616   |
| Hoomaka Hou              | 1,708,064      | 1,406,354   | 1,694,826   | 1,582,597   |
| Kaholo <sup>[1]</sup>    | 167,618        | 35,321      | 190,218     | 207,767     |
| Kalaenalu                | 1,633,305      | 1,665,517   | 1,537,815   | 1,475,298   |
| Kamaluhia <sup>[2]</sup> | <sup>[3]</sup> | 21,410      | 0           | 0           |
| Kukahi                   | 783,218        | 849,637     | 869,490     | 773,083     |
| Makaala                  | 1,600,588      | 1,714,294   | 1,620,587   | 1,768,961   |
| AMS 250                  | 125,612        | 145,235     | 179,155     | 184,622     |
| KRS 286-6                | 0              | 454,585     | 491,379     | 488,808     |

<sup>[1]</sup> Removed from service in August 2017 for dry dock services. Placed back in service in January 2018.

<sup>[2]</sup> Retired on February 17, 2017.

<sup>[3]</sup> Unable to retrieve this data from FACE.

<sup>40</sup> In YB's 2018 Performance Report, the Company stated that it lacked data for the years preceding 2017. See Docket No. 2017-0363, Refiled Application, YB-201, filed on March 16, 2018, at 16. Since that time, the Company was able to extract data for 2016, and is now able to provide data for the previous three years and a performance standard for this metric.

I. Service: On-Time Barge Arrival

In Order No. 33640, the Commission adopted the performance metric of on-time barge arrival and the performance standard of 75%.<sup>41</sup> The Commission stated that on-time barge arrivals shall be “measured by dividing the number of barges that arrive on-time by the total number of sailings annually, with on-time arrival defined as the barge being tied up alongside the pier and ready for unloading operations to commence by the time the port’s gates are scheduled to open for business at 7:30 a.m. Any recorded barge arrival after 7:30 a.m. is counted as a delay.”<sup>42</sup> Young Brothers’ performance in the twelve-month trailing period shall be compared to this performance standard.<sup>43</sup>

The table below sets forth the Company’s performance standards for this metric and Young Brothers’ 2019 performance.

| <b>On-Time Arrival<sup>44</sup></b> |                              |
|-------------------------------------|------------------------------|
| <b>Performance Standard</b>         | <b>YB’s 2019 Performance</b> |
| 75% or higher                       | 78.9%                        |

As shown, the Company met its performance standard for on-time arrivals.

For informational purposes, the Company provides below, YB’s performance in this area for the last four years (i.e., 2016 to 2019).

| <b>On-Time Arrival</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> |
|------------------------|-------------|-------------|-------------|-------------|
|                        | 61.7%       | 73.3%       | 73.1%       | 78.9%       |

<sup>41</sup> See Order No. 33640 at 30-31.

<sup>42</sup> Order No. 33640 at 33 (internal quotations and bracket omitted).

<sup>43</sup> Order No. 33640 at 33.

<sup>44</sup> Pursuant to Order No. 33640, in 2016, YB modified the definition of “arrival” as when the barge is tied up alongside the pier and ready for unloading, and further, eliminated the 15-minute grace period for the determination of “on-time” for 2016 data. Canceled sailings are included in the “total number of sailings annually.”

As discussed above, Young Brothers' continued improvement in this area is a result, in part, of the strict enforcement of cargo cut-off and gate closure times in Honolulu, which improved cargo handling efficiencies, and as a result, improved Honolulu departure times and arrivals at neighbor island ports. In addition, the placement into service of the four higher horse-powered Kapena towing tugs played a significant role in YB's performance.

J. Service: Customer Wait Time for Freight

In Order No. 33640, the Commission adopted the performance metric of customer wait time for freight drop-off and pick-up and the performance standard of 45 minutes or less.<sup>45</sup> Trucker wait time is measured upon entry to the Honolulu yard until exiting the secured gate.<sup>46</sup> Initially, this metric was intended for palletized dry and reefer queues, but has since been expanded to include freight drop-off and pick-up at all ports and for all cargo.<sup>47</sup>

The tables below set forth the Company's performance standard for this metric and Young Brothers' 2019 performance.

| Customer Wait Time for Freight - Honolulu |                                    |                       |
|-------------------------------------------|------------------------------------|-----------------------|
| Cargo Type                                | Performance Standard <sup>48</sup> | YB's 2019 Performance |
| Dry Pallet LCL                            | 45 minutes                         | 51 minutes            |
| Refrigerated LCL                          | 45 minutes                         | 37 minutes            |
| Mixed Cargo <sup>49</sup>                 | 45 minutes                         | 43 minutes            |
| Auto/RoRo                                 | 45 minutes                         | 49 minutes            |
| Container                                 | 45 minutes                         | 29 minutes            |

<sup>45</sup> Order No. 33640 at 35.

<sup>46</sup> Order No. 33640 at 35-36 (internal quotations omitted).

<sup>47</sup> See Order No. 33640 at 37-38; and Supplemental Submission at 6-23.

<sup>48</sup> As set forth in its 2016 Performance Results, to maintain consistency with the standards established by the Commission for dry LCL and refrigerated LCL at Honolulu, YB proposes the same performance standard of 45 minutes for the additional cargo types. See 2016 Performance Results at 16.

<sup>49</sup> Mixed Cargo consists of dry mixed LCL.



As shown, the Company's performance related to customer wait time in Honolulu met the performance standard for all cargo types, except Dry Pallet LCL and Auto/RoRo.

| <b>Customer Wait Time for Freight - Kahului</b> |                             |                              |
|-------------------------------------------------|-----------------------------|------------------------------|
| <b>Cargo Type</b>                               | <b>Performance Standard</b> | <b>YB's 2019 Performance</b> |
| Dry Pallet LCL                                  | 45 minutes                  | Incomplete                   |
| Refrigerated LCL                                | 45 minutes                  | Incomplete                   |
| Mixed Cargo                                     | 45 minutes                  | Incomplete                   |
| Auto/RoRo                                       | 45 minutes                  | Incomplete                   |
| Container                                       | 45 minutes                  | Incomplete                   |

| <b>Customer Wait Time for Freight - Hilo</b> |                             |                              |
|----------------------------------------------|-----------------------------|------------------------------|
| <b>Cargo Type</b>                            | <b>Performance Standard</b> | <b>YB's 2019 Performance</b> |
| Dry Pallet LCL                               | 45 minutes                  | Incomplete                   |
| Refrigerated LCL                             | 45 minutes                  | Incomplete                   |
| Mixed Cargo                                  | 45 minutes                  | Incomplete                   |
| Auto/RoRo                                    | 45 minutes                  | Incomplete                   |
| Container                                    | 45 minutes                  | Incomplete                   |

The Company is missing a few months of data for Kahului and Hilo and cannot provide a twelve-month trailing calculation. The data collection is done by security personnel at each port with supervision by the Port Manager. Due to security personnel turnover and a change in Port Managers, customer wait times were not tracked for a few months. The issue has been addressed and the Company will provide updated customer wait time information for Kahului and Hilo with the end of year update.

| <b>Customer Wait Time for Freight - Nawiliwili</b> |                             |                              |
|----------------------------------------------------|-----------------------------|------------------------------|
| <b>Cargo Type</b>                                  | <b>Performance Standard</b> | <b>YB's 2019 Performance</b> |
| Dry Pallet LCL                                     | 45 minutes                  | 24 minutes                   |
| Refrigerated LCL                                   | 45 minutes                  | 22 minutes                   |
| Mixed Cargo                                        | 45 minutes                  | 24 minutes                   |
| Auto/RoRo                                          | 45 minutes                  | 28 minutes                   |
| Container                                          | 45 minutes                  | 33 minutes                   |

As shown, the Company's performance related to customer wait time in Nawiliwili met the standard for all cargo types.

| <b>Customer Wait Time for Freight - Kawaihae</b> |                             |                              |
|--------------------------------------------------|-----------------------------|------------------------------|
| <b>Cargo Type</b>                                | <b>Performance Standard</b> | <b>YB's 2019 Performance</b> |
| Dry Pallet LCL                                   | 45 minutes                  | 33 minutes                   |
| Refrigerated LCL                                 | 45 minutes                  | 23 minutes                   |
| Mixed Cargo                                      | 45 minutes                  | 46 minutes                   |
| Auto/RoRo                                        | 45 minutes                  | 32 minutes                   |
| Container                                        | 45 minutes                  | 26 minutes                   |

As shown, the Company met its performance standard on Kawaihae for all cargo types, except for mixed cargo which was missed by one minute.

**K. Service: Caller Wait Time**

In Order No. 33640, the Commission adopted the performance metric of caller wait time. For this performance metric, the Commission adopted "the performance standard of ninety percent (90%) of all calls answered within sixty (60) seconds. Young Brothers' current performance in the twelve-month trailing period shall be compared to this standard.<sup>50</sup>

The table below sets forth the Company's performance standard for this metric and Young Brothers' 2019 performance.

| <b>Caller Wait Time</b>                     |                                           |
|---------------------------------------------|-------------------------------------------|
| <b>Performance Standard</b>                 | <b>YB's 2019 Performance<sup>51</sup></b> |
| 90% of all calls answered within 60 seconds | Incomplete                                |

The Company does not have complete data to provide its most recent twelve-month trailing performance due to a loss of one of two interactive intelligence system servers in

<sup>50</sup> Order No. 33640 at 39.

<sup>51</sup> YB's call response performance is measured using data from its telephone software system.

October 2018. At the time, the Company relied on two servers, a primary and a secondary, to store phone system data. Unbeknownst to the Company, and for yet unknown reasons, the two servers were not synchronizing, or mirroring, the data as they should have been, and the designated secondary server was mistakenly operating as the primary server. In October 2018, Young Brothers' data center operator notified the Company that the designated secondary server was facing imminent failure. As a result, the Company had to decommission the designated secondary server and rely solely on the designated primary server. However, because the data from the designated secondary server, which was acting as the primary server, was not accessible and was not synching with the surviving server, the phone system data from September 2018 to March 2019 was lost.

To correct this issue, Young Brothers upgraded and hardened its phone systems with a new cloud-based system in April 2019. At the present time, the Company's incomplete data includes only three of the most recent twelve trailing months. Accordingly, the Company will provide updated data with the year-end update.

L. Service: Customer Dropped Calls

In Order No. 33640, the Commission adopted "the performance metric of customer dropped calls which are the calls that are not answered by the company before the caller hangs up."<sup>52</sup> For this performance metric, the Commission adopted "the performance standard of a dropped call ratio of 5% or less. Young Brothers' current performance in the twelve-month trailing period shall be compared to this standard."<sup>53</sup>

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<sup>52</sup> Order No. 33640 at 39 (quotations and footnote omitted).

<sup>53</sup> Order No. 33640 at 39-40 (quotations and footnote omitted).

The table below sets forth the Company's performance standard for this metric and Young Brothers' 2019 performance.

| <b>Customer Dropped Calls</b> |                              |
|-------------------------------|------------------------------|
| <b>Performance Standard</b>   | <b>YB's 2019 Performance</b> |
| 5% or less                    | Incomplete                   |

For the same reasons as discussed in Section K (Service: Caller Wait Time), the Company does not have complete data to provide its most recent twelve-month trailing performance, and will provide an update with the year-end update.

**M. Service: Completed Sailings**

In Order No. 33640, the Commission adopted the performance metric of completed sailings, and adopted a performance standard of 99% completion of YB's scheduled and regulated round-trip sailings.<sup>54</sup> Young Brothers' current performance in the twelve-month trailing period shall be compared to this performance standard.<sup>55</sup>

The table below sets forth Young Brother's performance standard for this metric and YB's 2019 performance.

| <b>Completed Sailings<sup>56</sup></b> |                              |
|----------------------------------------|------------------------------|
| <b>Performance Standard</b>            | <b>YB's 2019 Performance</b> |
| 99% or higher                          | 96.8%                        |

As shown, the Company's performance related to completed sailings did not meet the performance standard of 99%.

<sup>54</sup> See Order No. 33640 at 40-41.

<sup>55</sup> See Order No. 33640 at 41.

<sup>56</sup> To determine the percentage of completed sailings, the number of regularly scheduled round trip sailings that YB completes is divided by the total of YB's scheduled and regulated round-trip sailings in that same period. Sailings that were rescheduled to a different time and/or date are counted as completed.



The Company's inability to meet the performance standards was caused, in large part, by difficulties in accessing neighbor island ports in August and September of 2018 due to hurricanes and storm-caused high surf. For example, Hurricane Lane, which caused hurricane watches and warnings for every island in the State, also caused cancellations of YB sailings when it reached category 5 status on August 22, 2018, to the south of Hawaii Island and produced record levels of rainfall over the next four days as it slowly moved north towards Oahu. Less than a month later, Hurricane Olivia, which was the first tropical cyclone in recorded history to make landfall on Maui and Lanai, caused tropical storm watches to be issued for the Counties of Hawaii, Oahu, and Maui on September 10, 2018, and cancellations of YB sailings for the next two days. The tables below show all cancelled sailings due to these two hurricanes.

| <b>Hurricane Lane Cancellations</b> |                                   |
|-------------------------------------|-----------------------------------|
| August 21                           | Hilo                              |
| August 22                           | Kahului                           |
| August 23                           | Kahului, Kawaihae,<br>Nawiliwili, |
| August 24                           |                                   |
| August 25                           | Hilo                              |
| August 26                           | Kaunakakai,<br>Kaunapau           |

| <b>Hurricane Olivia Cancellations</b> |                |
|---------------------------------------|----------------|
| September 10                          | Kahului        |
| September 11                          | Kaunapau, Hilo |
| September 12                          | Kaunakakai     |

In addition to hurricane-caused cancellations, three sailings to Kaunakakai and Kaunapau were cancelled over the course of eight days in December 2018 due to high seas and inclement weather.

While YB understands that failing to make these scheduled sailings may create difficulties for customers on the neighbor islands, the safety of the YB's employees, as well as the cargo, vessels, and piers, is of paramount importance. When these cancellations occur,

Young Brothers does everything within its powers, including providing catch-up sailings, to mitigate any inconvenience to customers.

For informational purposes, the Company provides below, YB's performance in this area for the last four years (i.e., 2016 to 2019).

| Completed Sailings | 2016  | 2017  | 2018  | 2019  |
|--------------------|-------|-------|-------|-------|
|                    | 99.4% | 99.8% | 97.3% | 96.8% |

N. Service: Cargo Insurance Loss Ratio

In Order No. 33640, the Commission adopted the performance metric of cargo insurance loss ratio. For this performance metric, the Commission instructed YB "to establish a performance metric of cargo insurance loss ratio, which is the dollar amount of cargo-damage claims paid, divided by the insurance premiums collected [from customers]. The performance standards shall be Young Brothers' (a) three-year average of its cargo insurance loss ratio, and (b) three-year average of the number of cargo-damage claims. Young Brothers' performance in the twelve-month trailing period shall be compared to these standards."<sup>57</sup>

The table below sets forth the Company's performance standards for this metric (i.e., average of YB's 2016, 2017, and 2018 data) for both cargo insurance loss ratio and number of cargo-damage claims, as well as Young Brothers' 2019 performance.

| Cargo Insurance Loss Ratio        |                      |                       |
|-----------------------------------|----------------------|-----------------------|
| Description                       | Performance Standard | YB's 2019 Performance |
| Cargo Insurance Loss Ratio        | 20.7% or lower       | 19.0%                 |
| Cargo Damage Claims <sup>58</sup> | 437 or lower         | 404 claims            |

<sup>57</sup> Order No. 33640 at 42.

<sup>58</sup> The number of cargo damage claims reflects only those damage claims that have been approved and paid, and excludes denied claims.



As shown, the Company's performance related to its cargo insurance loss ratio and cargo damage claims met the applicable performance standards.

For informational purposes, the Company also provides below, YB's performance in this area for the last four years (i.e., 2016 to 2019), which includes the period from which the three-year averages were derived.

| <b>Cargo Insurance Loss Ratio</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> |
|-----------------------------------|-------------|-------------|-------------|-------------|
| Cargo Insurance Loss Ratio        | 22.6%       | 17.7%       | 21.8%       | 19.0%       |
| Cargo Damage Claims               | 486         | 421         | 405         | 404         |