

PUC Water Carriers Working Group Meeting – July 31, 2020
(Virtually via WebEx)

Meeting Attendees (in alphabetical order)

Name	Title	Company
Jay Ana	President	Young Brothers, LLC
Jesse Andrade	ILWU Member/YB Chairman of the Board	International Longshore and Warehouse Union, Local 142
Henry J.C. Aquino	Representative	House District 38 / Chair, House Committee on Transportation
Leodoloff (Leo) R. Asuncion	Commissioner	Public Utilities Commission
Catherine Awakuni Colón	Director	Department of Commerce and Consumer Affairs
Derek J. Chow	Deputy Director	Department of Transportation, Harbors Division
Stacey Crivello	Community Liaison	Maui County Mayor's Office
Mary Alice Evans	Director, Office of Planning	Department of Business, Economic Development & Tourism
James P. Griffin	Chair	Public Utilities Commission
Justin Gruenstein	Deputy	City and County of Honolulu – Mayor's Office of Climate Change, Sustainability and Resiliency (CCSR)
William "Baba" Haole IV	Division Director of Hawaii Longshore Division	International Longshore and Warehouse Union, Local 142
Steve Hunt	Deputy Finance Director	Hawaii County
Lorraine R. Inouye	Senator	Senate District 4 / Chair, Senate Committee on Transportation
Gilbert S.C. Keith-Agaran	Senator	Senate District 5 / Senate President designee
Chris Martin	Director of Operations	Young Brothers
Mike McCartney	Director	Department of Business, Economic Development & Tourism
Kris Nakagawa	Vice President of External and Legal Affairs	Young Brothers

Mark M. Nakashima	Representative	House District 1 / House Speaker designee
Dean Nishina	Executive Director / Consumer Advocate	Department of Commerce & Consumer Affairs – Division of Consumer Advocacy
Phyllis Shimabukuro-Geiser	Chairperson	Department of Agriculture
Michael P. Victorino	Mayor	Maui County
Stephen Terada		City and County of Honolulu – CARES Act Community Programming and Outreach
Michael Dahilig	Managing Director	Kauai County – Office of the Mayor
Lisa Hiraoka	Analyst	Department of Commerce & Consumer Affairs – Division of Consumer Advocacy
Jade Butay	Director	Department of Transportation
Public Utilities Commission Staff		
Jodi Endo Chai	Executive Officer	Public Utilities Commission
Amanda Hustrulid	Legal Assistant	Public Utilities Commission
Caroline C. Ishida	Chief Counsel	Public Utilities Commission
Jan Mulvey	Administrative Services Officer	Public Utilities Commission
Andrew Okabe	Utility Analyst	Public Utilities Commission
David Parsons	Chief of Policy and Research	Public Utilities Commission
David M. Takashima	Network Administrator	Public Utilities Commission
Independent Facilitation		
Donna R. Ching	Facilitator	Pacific Center for Collaboration
Jennifer Cornish Creed	Recorder	Hawai'i Alliance for Nonprofit Organizations (Director of Professional Development)

Welcome

PUC Commissioner Leo Asuncion welcomed attendees and thanked them for attending this first meeting of the Water Carriers Working Group.

Expectations

Facilitator Dr. Donna Ching asked all participants to introduce themselves and share their expectations for the Working Group. She introduced herself as a retired extension specialist from the College of Tropical Agriculture and Human Resources at the University of Hawaii

and as a consultant who provides leadership and facilitation training and facilitates strategic planning efforts.

Donna's Note: Most comments in this document are not attributed to specific participants in order to maintain impartiality in the group memory (GM).

- I want to make sure the service continues to our two ports (Maui and Moloka'i). We depend on their services.
- I want to come up with a viable solution for continued long-term service.
- I'm representing the Mayor of the City & County of Honolulu. I want to ensure we have continued interisland service. Neighbor island businesses rely on goods to come from Oahu.
- I'm from Maui. I want resolution; to be assured that we aren't going to always be on edge if Young Brothers says they can no longer provide inter-island waterway services.
- I'm from Hawai'i Island. I want to make sure there is stable service to Hilo and Kawaihae ports. I want to have a better understanding of and transparency around the relationship of the parent company and Young Brothers.
- I'm looking at the mid- to long-term solutions that will help our interisland water carriers, including from a financial standpoint – to provide services within the tariff.
- At DCCA I represent consumers' interests to the PUC. I want to ensure we continue to have affordable, reliable services between the islands.
- We want to make sure we continue to have reliable service for everyone in these challenging times.
- My participation is to help provide operational insights and limitations, as landlord to all harbors in Hawaii. I'd like to help the Working Group find a balanced approach to a sustainable solution.
- I'm concerned about ensuring interisland service at affordable rates for our farmers, ranchers and growers. I also hope that through this process, Young Brothers can become stable so we have affordable rates and unrestricted service.
- My interest, as sponsor of the resolution that started this Working Group, is to ensure that we continue services, including to both Hawai'i Island ports. I'd like services twice a week. Kawaihae port is in my district. I want to continue services for our long-haul ports on Lāna'i, Moloka'i, Maui and Hawai'i Island. We're all in this together. My hope is that we have reliable and continued services.
- Donna: I'd like to provide an insight at this point. All of you are on this Working Group to represent a constituency or you have an expertise we need. As we move toward working on recommendations, I'm going to ask you to take a step back from the perspective you represent to think about what is best for our State and its citizens. In other words, I'm going to ask you to think about accommodating the needs of others as we try to reach an outcome that all of us can live with and support.
- I want to see continued service with little to no disruption to neighbor islands.
- Maui stands ready to help. We know the importance of what Young Brothers brings to the state. However, we must have complete confidence in the financial investment; we have to be sure that public funds are going to be used in the right manner. We

need financial disclosures and transparency. I'm willing to work with everyone. These services are the lifeline of this County and the entire state.

- We want to be able to continue to provide vital services to the state as a whole.
- We need some kind of resolution going forward. If we don't come to resolution for Young Brothers to continue service – it will impact our ILWU members and the entire community (which is our families).

Overview and Context

Commissioner Asuncion shared that the Water Carriers Working Group was initiated by SR 125, SD1. He provided an overview of the handouts that had been shared in advance of the meeting:

- a) SR 125 SD 1
- b) Declaration of policy
- c) Order No. 37161 - Instituting an Emergency Investigative Proceeding Regarding YB, LLC's Financial Condition

These three documents were shared as background materials. Order 37161 in PUC Docket 2020-0084 instituted the Emergency Investigative Proceedings about Young Brothers' financial situation (filed June 2, 2020). We were looking for quick solutions for their financial condition at that time. HRS 271G-2 Declaration of policy governs the regulation of water carriers in Hawaii under jurisdiction of PUC – describes how to govern in a fair manner and have fair decisions.

SR 125 included two tasks for the Working Group: 1) Recommend mid- and long-term solutions to balance the need for continuous interisland service throughout the state with the financial sustainability of the water carriers, and 2) submit a final report of our findings, including any legislation, no later than 20 days prior to convening of the regular Legislative session in 2022.

As we get into discussions, there might be “low hanging fruit” that we can implement more quickly than through legislation so we want to look at those items too. We don't need to wait until the 2022 session. Let's ask ourselves, “What are the truly mid-term and long-term items” but with the caveat that we may have ready-to-go items that might be doable in the short term (within 6 months) and would serve the progress of this Working Group.

Commissioner Asuncion defined mid-term as 3-5 years out; long-term as beyond 5 years. He asked if the group had any questions or comments on the documents or context. The following discussion resulted.

Q = Question, A = Answer, C = Comment

C: I was going to suggest the concept of low hanging fruit as well. You're ahead of the game. I want to work as hard as we can and not wait until final reporting in 2022. I know there are

other urgent issues and work before the PUC. I support doing as much as we can on this within the next 5-6 months.

C: Echo what Commissioner Asuncion and Senator Inouye said – we should do something as soon as we can. If there are more immediate implementable solutions, we should pursue them. This group has the opportunity to really understand how harbor operations work and the amount of effort it takes to get consumers to appreciate the cost of doing business with the harbors and carriers. I suggest that we consider the other water carriers that are also in operation in our state – Matson, PASHA, A&L. PASHA relies on YB to transport shipment of commerce from mainland to neighbor islands. I hope you'll allow me to involve my operational experts – they're already thinking about the kinds of operational changes that are within our grasp.

C: (Donna) It is important that this group remember this is a complex issue. Many group members have expertise on portions of it. It's important that all of us get a working knowledge of this situation. Until we understand the perspectives of everyone's operation in this situation, it will be hard to come up with an outcome that attempts to meet everyone's needs. Working knowledge of the situation is important.

It's very hard to say that we can split the issues up and just focus on particular areas. They're very related and interface with each other. We're going to be looking at layers of short-, medium- and long-term solutions. All have aspects of efficacy. Once Jennifer and I begin to hear common themes that are being identified, we can highlight these areas for you.

We all don't have to become experts. Some of you have expertise in particular areas. While we'll be working regularly as a larger group, we'll also do work in subcommittees and have them bring back their findings to the larger group.

C: I like the plan to look for medium- and long-term solutions, but right now, I think we need to focus on short-term solutions and work closely with YB Leadership. The Young Brothers finances are in a critical position – we need to take care of that as soon as possible. The company has a short window to do something. PASHA and Matson are not interested in any of the PUC's work – they're not going to get into that. Our whole focus should be on Young Brothers. If we talk about alternative shipping, we won't get there.

Commissioner Asuncion thanked the group for their comments so far. On the short-term items that are pending before the Commission, there are 2 dockets involving Young Brothers – we do have decisions targeted very soon as requested by Young Brothers. Because these are discussions in progress, that's all I can say about them. There will be short-term impact, medium-term and long-term impact. We need answers to set the base. At our next meeting we hope to have some of the short-term answers set so we can go from there. Not having that info has put this Working Group into a position of making our own assumptions. Hopefully we'll have those decisions soon.

I have some questions on what the resolution says – at the beginning it clearly states that water carrier means holding a CPCN – a Certification of Public Convenience and Necessity.

There is only one water carrier that meets that definition (Young Brothers). Further down, it states “any water carrier” – that’s the question we have. It’s really up to the working group. In my mind, it depends on the type of medium- to long-term solutions you come up with. Maybe we call other water carriers in when we have some solutions. They can share recommendations with the group and then we can decide how to implement the solutions. Bring them in at the appropriate time. For others not at the table, we want to get their input – either through subcommittees or the Working Group – we want to hear from those guys. It’s one of those challenges. We have a task at hand but we have flexibility on how we get and share info.

C: Matson, PASHA have both expressed that they don’t want to be involved in the intrastate service issues.

C: I think they can provide context on industry standards and are interested in the interstate commerce issues. Interstate commerce is critical for providing to neighbor islands as we’ll always be reliant on some level of imported goods. Young Brothers is a critical component in that supply chain. Matson and PASHA would help provide benchmarks.

C: (Donna) As much as possible, you want to have the whole system involved in the meetings. We have to understand the whole system. If they have an interest in participating, can we invite them to participate?

Agreement: The group did not have any objections.

C: On the subject of looking again at the Resolution, we did include all other carriers. If they participate that’s fine. At least they’ll understand what’s happening. At the end of the day, they are carriers. Weekly PASHA comes into Hilo Bay. They are a part of the entire infrastructure. I agree that they remain on.

ACTION: Commissioner Asuncion will work with Chow, Haole and Ana to invite PASHA and Matson to the next meeting.

Commitments

Donna outlined the commitments that are expected from the Working Group:

- 1) To do your homework (e.g., read the materials we distribute) before every meeting so you are prepared to talk about the items on the agenda.
- 2) We’d like assurances from you that if you send a representative in your place, that person will be informed with the current information to actively participate. There will be group memories and handouts. For the person who is representing your constituency it’s really important for them to be up to speed about what has happened at meetings. We’re asking that you commit to staying abreast of what we’re sending out.

Agreement: She asked if the Working Group members could make those two commitments. *The group agreed.*

Logistics for Future Meetings

Our next meeting will be in September and we propose the Working Group meet monthly. The PUC staff will identify a couple options for a consistent day each month so we can review the options and decide what works best on everyone's schedules.

Agreement: Some of our work may be done in sub-committees of the Working Group. They would meet between monthly meetings and bring their findings and recommendations to the larger group. Every effort will be made to match topics with the interest/expertise of Working Group members. *The group agreed to this plan.*

Agreement: Commissioner Asuncion suggested the next meeting be on September 15th or 17th. *(The group did not have any objections.)*

Senator Inouye shared that the Senate is planning on going into special session to confirm the appointment of judges the third week of September, but if the meetings are scheduled in the afternoon, that should work.

ACTION: The PUC staff will send out a Doodle poll to identify the best options from October forward. We'll look at Tuesday, Wednesday, and Thursdays of the 2nd or 3rd weeks of each month.

Assignments for Next Meeting

ACTION: Between now and the next meeting, please talk to the folks you represent. Before the meeting, we'll ask you to send us:

(a) the current top three needs of your constituencies (to determine the baseline level of expected water carrier service); and

(b) the top three desirable elements of an efficient and effective water carrier system

ACTION: Donna and Jennifer will cluster the ideas to identify the overlap so we will request that you send your lists to Donna [REDACTED] by a date we identify.

ACTION: In addition, please review the draft **Rules of Operation** (below). At our next meeting, come ready to make suggestions about any modifications you'd like to see. Once the Rules of Operation are modified as the group wants them to be, we'll accept them for the purposes of our work together moving forward.

Proposed Draft Rules of Operation:

➤ Listen to understand.

- Only one person speaks at a time.
- Only the facilitator can interrupt and then only to keep time and group on track.
- No one dominates or has to win the debate.
- The working group will have agendas in advance of the meetings so people can come prepared.
- Everyone needs to keep abreast of the group memory (i.e. meeting minutes) and the decisions made by the group.
- When a new person joins the group, they agree to read the group memories from all previous meetings so that they are up to date with our discussions and decisions.
- When making recommendations, the group will create opportunities to hear all voices and perspectives.

ACTION; At the September meeting, we'll have all the different groups involved in process – the PUC, DOT, Water Carriers - provide presentations on what their mandate is or on the work they're doing. We'd really like each one of them to submit a PowerPoint presentation or at least a summary of the main points that they're going to introduce to the group in advance of the meeting so you'll be up to speed and can prepare your questions and comments. At the meeting, there will be a concentrated amount of time for presentations, then time for questions and comments. Once we do this part – then we'll have identified the gaps in knowledge that we need to fill in order to make good decisions.

Q: (Senator Inouye) Can we have the background (from DCCA) – a synopsis of the present carriers – who's doing interisland transportation and their schedules as well. That would give us a good picture and can become a handbook for us.

Also, we have to consider that if we're going to be speaking on behalf of constituents, one obstacle is that currently we're under reduced services for Hawai'i Island, Maui, and Moloka'i and as we send cargo between Hilo and Kawaihae. In the interim, perhaps we need to hear from the shippers – find out who's out there on each island? I can volunteer to visit each neighbor island and have a night meeting so we can accurately present to the Working Group all the needs. There are reduced LCL services for the entire state. We need to hear from them as well. We're trucking over and receiving goods from Kawaihae to Hilo. There's a new schedule of opening /closing gates to pick up or receive. This is a big issue.

A: (Donna) We will put our heads together figure out a mechanism that's doable and useful to enable that piece to be heard.

ACTION: Donna suggested that her contact information and Jennifer's be added to the roster of Working Group members, which will be sent out shortly. That way, if participants have any additional suggestions for improving these meetings or this process, you can send them directly to Donna. We'll work on seeing how we can meet your needs.

Donna asked the group to share what went well at today's meeting (plus) and what could be improved for next time (delta).

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<ul style="list-style-type: none"> • I liked that you're going to facilitate this process so all voices and perspectives will be heard. • We've worked with Donna before. One takeaway is that I like the collaborative nature that I'm seeing and that the group is committing to come up with medium- to long-term solutions. 	<ul style="list-style-type: none"> • None identified.

Additional Thoughts

C: We all have to decide as a group who the designated spokesperson for the Working Group should be. One point person is desirable for media, etc. If any one of us is approached, we can refer to the spokesperson.

Agreement: The group agreed Commissioner Asuncion would be the spokesperson for the Working Group.

C: The DOT would be happy to host a visit of the harbors. As we move forward and there are opportunities to meet in person, we'd like to do that.

C: The Foreign Trade Zone has nice space that would allow for social distancing if it becomes possible to meet in person.

C: There is terminal space at harbors too that would accommodate social distancing.

C: We can also consider the airport conference center on the 7th floor of the neighbor island terminal in Honolulu. It makes it easy for neighbor island folks to come in and out.

C: We have to keep holding meetings remotely until the situation becomes much safer. The PUC is convening this Working Group and will take all precautions to avoid causing a cluster. The Governor has asked Directors and senior official to "lead by example" in response to coronavirus so we will refrain from face-to-face meetings until the risk is minimal.

GROUP AGREEMENTS:

- PASHA and Matson will be invited to participate in the Working Group conversations.
- Some of the work may be done in sub-committees of the Working Group. They would meet between monthly meetings and bring their findings and recommendations to the

larger group. Every effort will be made to match topics with the interest/expertise of Working Group members.

- The participants agreed to:
 - Do their homework (e.g., read the materials distributed) before every meeting so they are prepared to talk about the items on the agenda.
 - If they send a representative in their place, that person will be informed with the current information to actively participate.

ACTIONS:

1. Commissioner Asuncion will work with Chow, Haole and Ana to invite PASHA and Matson to the next meeting.
2. The PUC staff will send out a Doodle poll to identify the best options from October forward. We'll look at Tuesday, Wednesday, and Thursdays of the 2nd or 3rd weeks of each month.
3. Between now and the next meeting, participants will talk to those they represent. Before the meeting, they'll send us:
 - (a) the current top three needs of their constituencies (to determine the baseline level of expected water carrier service); and
 - (b) the top three desirable elements of an efficient and effective water carrier system.Participants will send their lists to Donna [REDACTED] by a date we identify.
4. Participants will review the draft **Rules of Operation** and come to the next meeting ready to make suggestions about any modifications they'd like to see in order to adopt them.
5. At the September meeting, there will be presentations from all the major Working Group parties on their mandate/the work they're doing.
 - (a) PowerPoint presentations or summaries of main points from each presentation will be shared in advance of the meeting so others can prepare their questions and comments.
6. Donna and Jennifer's contact information will be added to the roster of Working Group members, which will be sent out shortly.