

Young Brothers, LLC

Rates History & Long-Term Profitability

February 12, 2021

How did Young Brothers, LLC get here today?

We have struggled with rate relief...

	<u>Rate Increase</u>	<u>ASK</u>	<u>Overall</u>	<u>Delta</u>	<u>Allowed RoR</u>	<u>Actual Intra RoR</u>
2005 Zone of Reasonableness	5.50%	5.50%	5.50%	0.00%	11.06%	5.60%
2006 Zone of Reasonableness	5.50%	5.50%	5.50%	0.00%	11.06%	1.70%
2007 General Rate Increase	10.70%	10.70%	7.51%	-3.19%	10.76%	6.96%
2008 Zone of Reasonableness	5.50%	5.50%	5.50%	0.00%	10.76%	2.99%
2009 General Rate Increase	17.91%	17.91%	13.46%	-4.45%	10.82%	0.94%
2010 No Increase	0.00%	0.00%	0.00%	0.00%	10.82%	0.04%
2011 General Rate Increase	23.97%	23.97%	16.58%	-7.39%	10.25%	-3.24%
2012 No Increase	0.00%	0.00%	0.00%	0.00%	10.25%	6.65%
Average		6.76%				
2013 AFRA Increase	5.50%	5.50%	5.50%	0.00%	10.25%	6.31%
2014 AFRA Increase	2.21%	2.21%	2.21%	0.00%	10.25%	10.52%
2015 No Increase	0.00%	0.00%	0.00%	0.00%	10.25%	10.86%
2016 General Rate Increase	4.36%	4.36%	0.12%	-4.24%	10.25%	1.12%
2017 No Increase	0.00%	0.00%	0.00%	0.00%	9.56%	-2.81%
2018 No Increase	0.00%	0.00%	0.00%	0.00%	9.56%	-7.17%
2019 General Rate Increase	13.32%	13.32%	4.32%	-9.00%	9.56%	-10.03%
2020 No Increase	0.00%	0.00%	0.00%	0.00%	9.56%	-13.51%
Average		1.52%				

46.03%
ERI eff
9.1.20

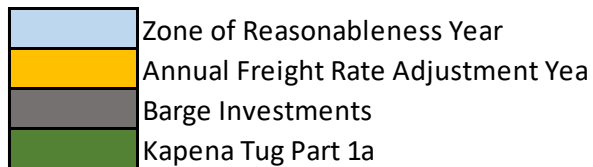
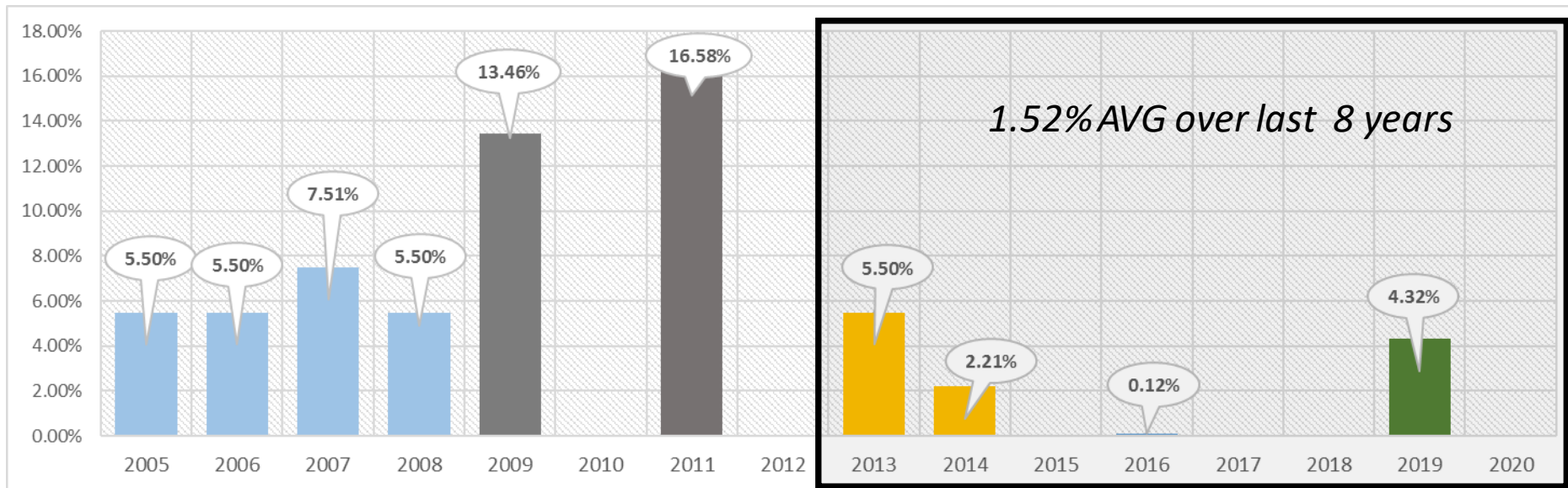
<17%>
RoR Nov
2020

	Zone of Reasonableness Year
	Annual Freight Rate Adjustment Year

How did Young Brothers, LLC get here today?

We have struggled with rate relief cont...

Young Brothers, LLC: General Rate Increases

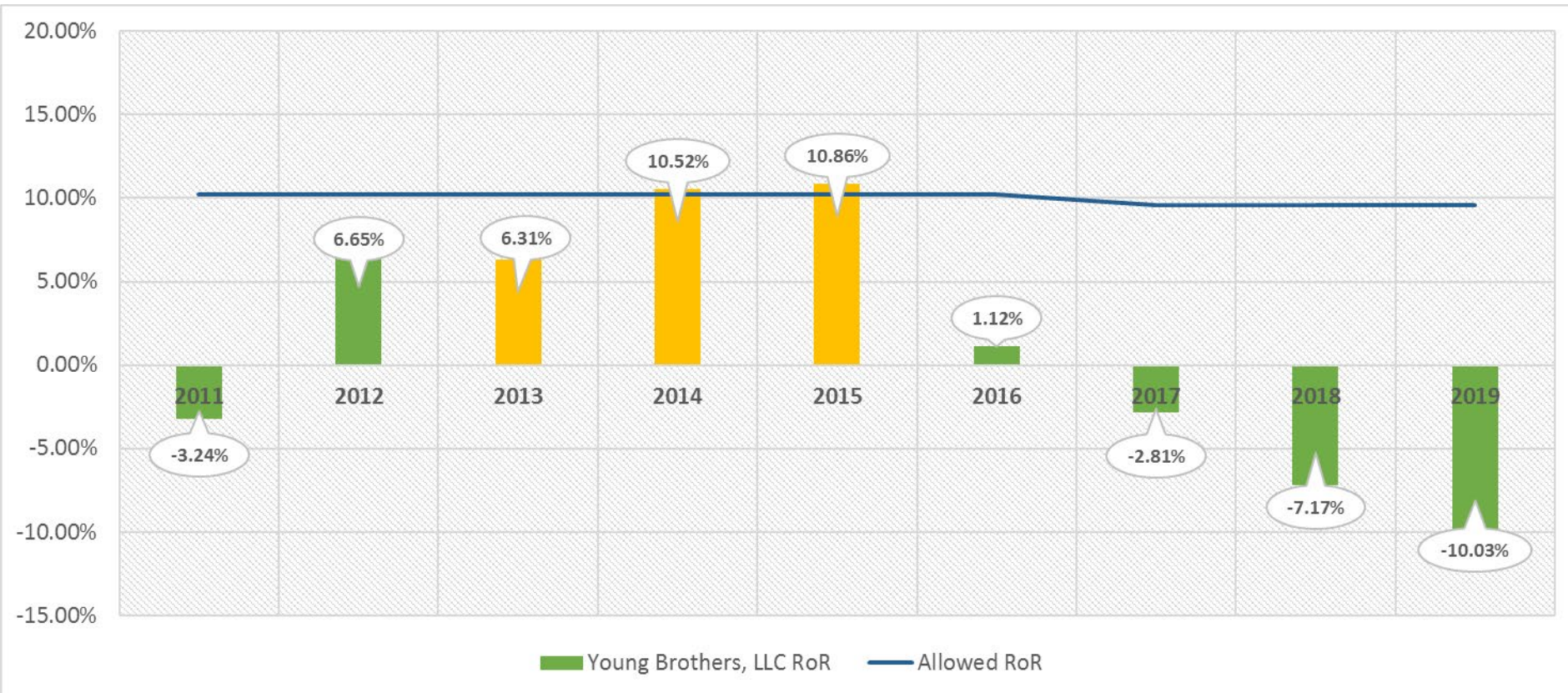


***2019-0117 ask was 37% freight revenue rate increase, with generally flat volume this request was a “catch up” with \$60M of new tugs to rate base and OPEX \$3M (avg)/yr regulatory lag (traditionally captured by YB via ZOR/AFRA previously or by HECO with the RAM/pension tracker) driving the ask...

The 46.03% was modeled with intrastate volumes down YoY 17% (annual mean)...2019-0117 volumes were only slight down YoY 1-2% (annual mean)

How did Young Brothers, LLC get here today?

Rate of return is significantly off track, even in periods of strong rate relief - due to regulatory lag...only during times with cost recovery mechanisms have we come close to our allowed rate of return



How did Young Brothers, LLC get here today?

Over the recent 5yr time period, consolidated (fig1) (Inter/Intra) state volumes remained flat 2017-2019 until the 2020 world pandemic

Fig 2 shows intrastate volumes without the interstate subsidized cargo. LCL/MIX are in the GC categories (dry/reefer) are down over the time period as market trends drive the change (Amazon effect, big box store, less consolidation in Hawaii et al)

Fig 1 – Consolidated (Inter/Intra)

Cargo Type	2016	2017	2018	2019	2020
Automobile	457,562	403,371	411,604	427,822	358,584
Container	6,825,845	6,540,280	6,707,659	6,682,021	6,082,762
Dry General Cargo	486,170	469,202	441,890	428,476	374,902
Racks (straight load)	291,822	310,731	317,165	331,677	280,810
Reefer General Cargo	38,823	35,663	33,972	32,424	27,971
RoRo	240,214	219,272	235,267	227,169	210,547
Total	8,340,436	7,978,519	8,147,557	8,129,588	7,335,576

Freight Per Tonnage by Cargo Type and Year

Fig 2 – Intrastate ONLY

Cargo Type	2016	2017	2018	2019	2020
Automobile	339,922	352,882	352,153	352,822	245,814
Container	2,512,312	2,520,636	2,730,442	2,568,654	2,045,903
Dry General Cargo	469,210	445,571	423,094	408,447	358,421
Racks (straight load)	148,336	164,689	174,821	161,160	146,254
Reefer General Cargo	38,823	35,663	33,972	32,424	27,971
RoRo	201,430	191,580	207,798	202,779	155,103
Total	3,710,034	3,711,021	3,922,280	3,726,287	2,979,465

Freight Per Tonnage by Cargo Type and Year

<20%>
YoY

*****46.03% based on drop in volume YoY drop of 17% w/ no earning component (RoR)**
November Marsoft TTM Return on Rate Base is around a 17.5% loss

Long-Term Profitability and Sustainability

- Operational Flexibility/Restructuring
 - Sailing Schedule Adjustments based on Demand/Capacity
 - Evaluate flexible regulation, adjustment of Lines of Service that are currently non-compensatory
- Rate design that reflects true cost causal relationships
- State subsidy for servicing routes that are non-compensatory, including Kaunakakai, Kaunapali, and Hilo
- Rate Mechanisms: Annual Freight Rate Adjustment (AFRA)/Zone of Reasonableness
- Continued Cost Containment

Mahalo!