

## 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

	<b>Name</b>	<b>Title</b>	<b>Company</b>
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

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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.