

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")."¹ 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")."²

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.³ Therein, YB proposed to submit its next update with its next base rate application.⁴ The Commission approved YB's proposal in Decision and Order No. 34535, filed in Docket No. 2016-0014, on May 4, 2017.⁵

¹ Order No. 33640 at 19-20.

² Order No. 33640 at 20.

³ 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.

⁴ See 2016 Performance Results at 2.

⁵ 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.⁶

⁶ 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.”⁷

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.

| Recordable Incident Rate⁸ | | |
|---|-----------------------------|------------------------------|
| Personnel⁹ | Performance Standard | YB’s 2017 Performance |
| 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.

⁷ Order No. 33640 at 22-23 (footnote omitted).

⁸ 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.

⁹ 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.

| Recordable Incident Rate | 2014 | 2015 | 2016 | 2017 |
|---------------------------------|-------------|-------------|-------------|-------------|
| 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.¹⁰

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."¹¹

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

¹¹ 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.

| Lost Time Incident Rate¹² | | |
|---|-----------------------------|------------------------------|
| Personnel¹³ | Performance Standard | YB's 2017 Performance |
| 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.

| Lost Time Incident Rate | 2014 | 2015 | 2016 | 2017 |
|--------------------------------|-------------|-------------|-------------|-------------|
| 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.¹⁴ 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'

¹² 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.

¹³ See *supra* n.9.

¹⁴ See Order No. 33640 at 25.

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

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.

| Workers’ Compensation Claims | | |
|--------------------------------------|-----------------------------|------------------------------|
| Description | Performance Standard | YB’s 2017 Performance |
| Number of Claims | 40 claims or lower | 40 claims |
| Dollar Value of Claims ¹⁶ | \$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.

| Workers’ Compensation Claims | 2014 | 2015 | 2016 | 2017 |
|-------------------------------------|-------------|-------------|-------------|-------------|
| 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.¹⁷ 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

¹⁵ Order No. 33640 at 25.

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

¹⁷ 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.¹⁸ 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.”¹⁹

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 certification²⁰, 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

¹⁸ See Order No. 33640 at 25.

¹⁹ Order No. 33640 at 26.

²⁰ 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 ²¹ | 16 incidents | 10 incidents |
| Monetary Expenses Associated with Incidents ²² | \$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.²³ 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

²¹ 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.

²² 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.

²³ 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."²⁴

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.

| Labor Efficiency | | |
|--|-----------------------------|------------------------------|
| Description | Performance Standard | YB's 2017 Performance |
| Revenue Tons/ Shoreside Labor Hours ²⁵ | 15.61 tons/hour or higher | 15.08 tons/hour |
| Dollar Value of 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.

| Labor Efficiency | 2014 | 2015 | 2016 | 2017 |
|--|--------------|--------------|--------------|--------------|
| 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 ²⁶ | 0.59 | 0.56 | 0.53 | 0.54 |

²⁴ Order No. 33640 at 28.

²⁵ 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).

²⁶ 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.

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.²⁷ 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.²⁸

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.²⁹ 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,

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

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

²⁹ 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.”³⁰ “Young Brothers’ performance in the twelve-month trailing period shall be compared to these performance standards.”³¹

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.

| Fuel Efficiency³² | | |
|-------------------------------------|-----------------------------|------------------------------|
| Description | Performance Standard | YB’s 2017 Performance |
| 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.³³

| Fuel Efficiency | 2014 | 2015 | 2016 | 2017 |
|---------------------------|-------------|-------------|-------------|-------------|
| 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 |

³⁰ Order No. 33640 at 30.

³¹ Order No. 33640 at 30.

³² 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).

³³ 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.³⁴ 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."³⁵ Specifically, the Commission instructed YB to provide, among other things, YB's proposed performance standard in this area within ninety days of Order No. 33640.³⁶

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.³⁷ In its 2016 Performance Results, YB determined that an annual utilization rate was not the most

³⁴ 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).

³⁵ Order No. 33640 at 44-45.

³⁶ See Order No. 33640 at 45.

³⁷ 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.³⁸

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.

³⁸ 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.”³⁹

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’

³⁹ 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.”⁴⁰

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.⁴¹ 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

⁴⁰ Order No. 33640 at 47.

⁴¹ 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.

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

^[1] Removed from service in August for dry dock services.

^[2] Retired on February 17, 2017.

^[3] 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%.⁴² 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

⁴² See Order No. 33640 at 30-31.

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

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

| On-Time Arrival ⁴⁵ | |
|-------------------------------|-----------------------|
| 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

⁴³ Order No. 33640 at 33 (internal quotations and bracket omitted).

⁴⁴ Order No. 33640 at 33.

⁴⁵ 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.”⁴⁶ Young Brothers’ performance in the twelve-month trailing period shall be compared to these performance standards.⁴⁷ 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. 33640.⁴⁸

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

⁴⁶ Order No. 33640 at 35-36 (internal quotations omitted).

⁴⁷ Order No. 33640 at 36.

⁴⁸ 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.

| Customer Wait Time for Freight - Honolulu | | |
|--|--|------------------------------|
| Cargo Type | Performance Standard⁴⁹ | YB's 2017 Performance |
| Dry LCL | 45 minutes | 38 minutes |
| Refrigerated LCL | 45 minutes | 34 minutes |
| Mixed Cargo ⁵⁰ | 45 minutes | 37 minutes |
| Auto/RoRo | 45 minutes | 28 minutes |
| Container ⁵¹ | 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-

⁴⁹ 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.

⁵⁰ Mixed Cargo consists of dry mixed LCL.

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

type process for automobile drop-offs in November 2016.⁵² 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."⁵³

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

| Caller Wait Time⁵⁴ | |
|---|---|
| Performance Standard | YB's 2017 Performance⁵⁵ |
| 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.

⁵² 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.

⁵³ Order No. 33640 at 39.

⁵⁴ 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."

⁵⁵ 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."⁵⁶ 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."⁵⁷

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

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

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

⁵⁶ Order No. 33640 at 39 (quotations and footnote omitted).

⁵⁷ 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.⁵⁸ Young Brothers' current performance in the twelve-month trailing period shall be compared to this performance standard.⁵⁹

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

| Completed Sailings ⁶⁰ | |
|----------------------------------|-----------------------|
| 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."⁶¹

⁵⁸ See Order No. 33640 at 40-41.

⁵⁹ See Order No. 33640 at 41.

⁶⁰ 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.

⁶¹ 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.

| Cargo Insurance Loss Ratio | | |
|-----------------------------------|-----------------------------|------------------------------|
| Description | Performance Standard | YB's 2017 Performance |
| Cargo Insurance Loss Ratio | 19.5% or lower | 19.4% |
| Cargo Damage Claims ⁶² | 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.

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

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