

FACT SHEET

Summary of Decision and Order No. 42100, Docket No. 2024-0255 (Young Brothers' Rate Case)

Regulatory history and financial context

Since 2019, Young Brothers, LLC (YB) has repeatedly relied on urgent, time-sensitive requests to offset the company's deteriorating financial condition. This has included overlapping requests for general rate increases, emergency rate increases, automatic rate adjustment mechanisms, and long-term debt financing. The Hawai'i Public Utilities Commission has worked to balance rate relief to support YB's vital intransland services, with oversight conditions intended to help it regain financial stability, including a financial and management audit. Despite these efforts, YB's financial condition has continued to worsen to the point where it now operates at a net loss, is in arrears with its vendors, and is in a state of default with its lenders. To break this cycle of requests for expedited rate increases, the commission is conditioning this latest rate increase with strict oversight of YB's operations and demanding measurable progress before considering any future rate increases.

Final decision and order

Notwithstanding the commission's serious concerns with YB's management and financial condition, the commission recognizes the vital role of YB's intransland shipping services and seeks to avoid an abrupt disruption in those services. YB asserts that it has developed a new business plan to bring it back to financial stability. This decision and order imposes strict commission oversight over YB's implementation of its business plan and precludes YB from seeking a rate increase until at least two years pass and demonstrable progress is made.

What was Approved

- Final general rate increase of 25.75%, effective Jan. 1, 2026
- Revenue increase of about \$26.1 million annually, raising the revenue requirement to approximately \$127.4 million annually
- Rate design to begin addressing cross-subsidies across cargo classes, by introducing prices that are more reflective of its underlying costs
- Tariff revisions, certain non-material updates to Tariff 5-A and the clarification of the Island Agricultural Production Discount definition

What was Denied

- Water Carrier Inflationary Cost Index (WICI), a mechanism that would have permitted YB to automatically adjust its rates outside of a rate case was denied, given the commission's grave concerns with the substantially self-inflicted causes of YB's precipitous financial decline. The WICI would potentially have served to

increase rates, offset inefficiencies and mask shortcomings in YB's operations, to the detriment of customers who ultimately bear these higher costs.

Conditions of Approval

To monitor YB's efforts toward breaking the cycle of urgent rate increase requests, the commission imposes the following conditions of approval:

1. Special overseer
An independent special overseer will be appointed and hired by the commission to monitor YB's financial and operational performance, ensuring compliance with the business plan and commission directives.
2. Business plan monitoring
YB must provide regular updates and engage the public on its business plan, which outlines strategies to stabilize finances, reduce costs and improve service delivery.
3. Minimum two-year stay-out period
YB is prohibited from filing any new general rate increase requests for at least two years. After this period, any future request must be supported by demonstrated progress on business transformation.
4. Wharfage fee resolution
YB must negotiate with the Department of Transportation Harbors Division to develop a plan for paying outstanding wharfage fees.
5. Tariff discount transparency
YB must disclose and justify all tariff discounts, including those provided to nonprofit organizations and employees, to ensure fairness and cost accountability.
6. Labor cost review
YB is directed to explore amendments to its collective bargaining agreements with its labor unions to address cost pressures and support implementation of its business plan.

Implementation timeline and next steps:

- Dec. 1, 2025: YB required to file revised tariff sheets reflecting the approved rates and ordered tariff revisions
- Jan. 1, 2026: New rates to take effect
- By Jan 31, 2026: YB to submit a business plan update
- Ongoing: Monthly and quarterly reports required; special overseer oversight begins once procured