

DIVISION OF CONSUMER ADVOCACY
Department of Commerce and
Consumer Affairs
335 Merchant Street, Room 326
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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
YOUNG BROTHERS, LLC)
For Approval of New Cost of Service Model.)

DOCKET NO. 2020-0135

DIVISION OF CONSUMER ADVOCACY'S
PRELIMINARY STATEMENT OF POSITION

Pursuant to the Hawaii Public Utilities Commission's ("Commission") Rules of Practice and Procedure, Hawaii Administrative Rules ("HAR") § 16-601-62, the Division of Consumer Advocacy ("Consumer Advocate") informs the Commission that it has conducted a preliminary review of the application in which Young Brothers, LLC ("Young Brothers" or "YB") is requesting expeditious Commission approval of the following items:

1. Young Brothers' new cost of service model ("YB_BIP Model"); and
2. Use of the YB_BIP Model in calculating Young Brothers' applicable revenue requirement, rate design, and allowable rate of return in any pending or future filing.

The Consumer Advocate has reviewed the application and attached documentation offered in support of the requested relief and has questions and concerns regarding the reasonableness of the following:

- As noted in YB's application, the manner in which YB allocates costs and investments between its interstate and intrastate operations has been at issue for some time. In response to the Commission's guidance where it stated, "we agree with the CA that YB should complete a comprehensive cost of study without delay. YB's growing intrastate carriage warrants such a study. YB should complete its study within one year of the effective date of this decision and order."¹ While not filed within one year or even as part of YB's next rate proceeding in Docket No. 96-0483, Young Brothers eventually provided the Marsoft cost of service study as part of Docket No. 01-0255, where the Commission made the filing of a cost of service model as a condition to the requested zone of reasonableness.² While the stipulation reached in Docket No. 01-0255, agreed to accept the use of the Marsoft model for purposes of the zone of reasonableness, concerns with the allocations persisted. This was evident as the Consumer Advocate's testimony in Docket No. 2006-0396, highlighted various issues with the Marsoft model.³ Concerns with the Marsoft model were also discussed in

¹ Decision and Order No. 12479, filed on June 30, 1993, in consolidated Docket Nos. 7398 and 7506, at 9.

² Decision and Order No. 19115, filed on December 21, 2001, in Docket No. 01-0255.

³ See CA-T-1, filed on April 23, 2007, in Docket No. 2006-0396.

recent rate proceedings, such as Docket No. 2017-0363. The long-standing concern that YB may be inappropriately allocating costs to intrastate operations to make its interstate operations more profitable remains.

- The Commission should note that the cumulative impact of changes made by the proposed YB_BIP Model cause very significant shifts in cost allocations from Young Brothers' interstate business to its intrastate business resulting in an additional \$7.1 million⁴ of expenses being allocated to the intrastate business annually, all to the detriment of Young Brothers' regulated customers. This concern was also raised in the Consumer Advocate's Response to Young Brothers, LLC's Motion for Leave and for Emergency or Temporary Rate Relief in Docket No. 2019-0117, filed on July 23, 2020.
- The YB_BIP Model introduced in Docket No. 2019-0117, is significantly more complex with added lines in the spreadsheet that is inconsistent with the notion of administrative efficiency and would increase the time required by the Commission and Consumer Advocate to review and assess the reasonableness of the many assumptions, inputs, and allocations that are embedded within that model.
- The Consumer Advocate raised many questions and concerns regarding the reasonableness of assumptions and methodology used in the YB_BIP Model in Docket No. 2019-0117, that have not been answered or

⁴⁴ Difference between Marsoft (Exhibit C, at 1) and YB_BIP Model (Exhibit A, at 25) allocations of total operating expenses to intrastate operations.

resolved. With the discovery already conducted in Docket No. 2019-0117, the Consumer Advocate had raised a number of questions and concerns, which YB acknowledged in responses to information requests as well as in pleadings to support its temporary increase request that it had made changes in order to fix the model but there are still remaining concerns.

As a result of these concerns, the Consumer Advocate is unable to presently state its position on the merits of the application and cannot, at this time, offer its recommendation to the Commission regarding that the application should be approved.

To aid in its assessment of this matter, the Consumer Advocate will file additional information requests as well as additional measures to validate the proposed model once a Commission approved procedural schedule has been filed or pursuant to deadlines agreed upon by the parties to this proceeding.⁵

The Consumer Advocate will participate in the above-captioned proceeding and will state its position upon completion of its investigation.

DATED: Honolulu, Hawaii, October 5, 2020.

Respectfully submitted,

By /s/ Dean Nishina
DEAN NISHINA
Executive Director

DIVISION OF CONSUMER ADVOCACY

⁵ The filing of formal information requests may be affected by any motions for intervention or participation and when a Commission order granting intervenor or participant status has been filed.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing **DIVISION OF CONSUMER ADVOCACY'S PRELIMINARY STATEMENT OF POSITION** was duly served upon the following parties electronically to the e-mail addresses below pursuant to HAR § 16-601-21(d), as modified by Order No. 37043 Setting Forth Public Utilities Commission Emergency Filing And Service Procedures Related To COVID-19, filed on March 13, 2020.

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DATED: Honolulu, Hawaii, October 5, 2020.

/s/ L. Matsumoto

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