

# Schacht & McElroy

Robert M. Schacht  
Michael R. McElroy

Attorneys at Law

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Members of Rhode Island  
and Massachusetts Bars

21 Dryden Lane  
Post Office Box 6721  
Providence, Rhode Island 02940-6721

email: RMSchacht@aol.com  
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April 6, 2006

Luly Massaro, Clerk  
Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02888

Re: Fast Ferry Rate Filing for Interstate Navigation Company for 2006

Dear Luly:

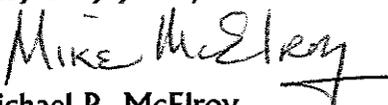
Enclosed are an original and nine (9) copies of the following:

1. Testimony of Walter E. Edge, Jr. in support of Interstate Navigation Company's fast ferry rate request for one year (2006).
2. Notice of Filing for your review and approval
3. Rate Application
4. Motion seeking certain relief

Once you have approved the notice, I will have it published in the Block Island Times and the Providence Journal. I will also have it posted at the ferry terminals on Block Island and in Point Judith.

If you have any questions, please feel free to call.

Very truly yours,

  
Michael R. McElroy

MRMc/kmc  
IN24/IHS-Massaro21

cc: Susan E. Linda  
Mark Hagopian, Esq.  
Merlyn O'Keefe, Esq.

Walter Edge  
Paul Roberti, Esq.  
Mark McSally, Esq.

Block Island Town Clerk (CMRRR)  
Thomas Ahern

STATE OF RHODE ISLAND  
AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: INTERSTATE NAVIGATION COMPANY : DOCKET No. \_\_\_\_\_

MOTION OF INTERSTATE NAVIGATION COMPANY  
d/b/a THE BLOCK ISLAND FERRY SEEKING EXPEDITED  
APPROVAL OF FAST FERRY RATES AND CERTAIN OTHER RELIEF

In Docket D-05-06, the DPUC granted Interstate Navigation Company (Interstate) authority to operate a seasonal fast ferry between Point Judith and Old Harbor, Block Island. Certain conditions were imposed on that authorization. Because Island Hi-Speed Ferry (IHSF) will not be running its fast ferry from Point Judith to Block Island in 2006, in a simultaneous filing with the Division, Interstate is seeking to obtain amendments to those restrictions. IHSF has agreed to lease its fast ferry vessel the *M/V Athena* to Interstate for the summer of 2006 and Interstate intends to operate that fast ferry between Point Judith and Old Harbor, Block Island beginning May 24, 2006.

In this filing, Interstate is seeking Commission approval to implement the same fast ferry rates currently approved by this Commission for IHSF (with the exception of the season's pass, which was approved for IHSF but was later withdrawn).

Because there will be no high speed ferry service to Block Island in 2006 (for the first time since 2001) unless Interstate can obtain the necessary DPUC and Commission approvals before May 24, 2006, (the Wednesday before Memorial Day weekend, when the summer season starts), Interstate respectfully requests expedited approval of this rate filing.

Accordingly, Interstate is asking, pursuant to R.I.G.L. § 39-3-12 that the Commission approve the filed fast ferry rates for the 2006 season and:

“allow changes within less time than required by the notice specified in § 39-3-11, and without holding the hearing and investigation therein provided for, or modify the requirements of § 39-3-11 with respect to filing and publishing tariffs either in the particular instance or by general order applicable to special or particular circumstances or conditions, or ... enter an interim order prescribing a temporary schedule of rates, tolls, and charges pending the completion of its investigation.”

Pursuant to this statutory authority, Interstate seeks a waiver of the hearing and investigation requirements of R.I.G.L. § 39-3-11 relative to the rates, tolls, and charges for its fast ferry service. In the alternative, Interstate seeks a modification of the requirements of R.I.G.L. § 39-3-11. In the further alternative, Interstate seeks an interim order prescribing the filed rates as a temporary schedule of rates for the summer of 2006.

These rates will apply only to Interstate’s new fast ferry service (which is a purely discretionary service) and will not apply to its conventional life line service. Interstate has also committed that any profits generated from its new fast ferry service will be utilized to either fund the purchase of Interstate’s own fast ferry vessel or to subsidize its life line conventional rates. Therefore, Interstate further requests that it be allowed an exemption from the rate filing requirements of Part Two of the Commission’s Rules of Practice and Procedure.<sup>1</sup>

Interstate is requesting a waiver of Part Two of the Commission’s Rules because (1) Part Two is “applicable only to proceedings involving the investigation of changes in rates constituting a general rate increase in which the respondent utility’s overall revenue requirements are at issue” and this is not such a general rate increase filing and (2) because

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<sup>1</sup> Please also note that under Commission Rule 1.9(c), because Interstate is adding a new fast ferry service, this rate filing could be considered to be a tariff advice. Rule 1.9(c) provides in pertinent part that “public utilities may file tariffs adding new services ... by tariff advice. A tariff advice is effective after 30 days notice to the public, the Division, the Attorney General, and other known parties. A copy of this filing is being provided to

Rule 2.3(b) allows a utility to file for an exemption from the Part Two requirements. Interstate is not, however, requesting a waiver of notice of this filing (in a form to be approved by the Commission) to be published in its service territory within 10 days after the rate filing. A proposed notice has been sent for review and approval to the Commission Clerk and upon approval, the notice will be published in the *Block Island Times* and the *Providence Journal* and posted at Interstate's ticket booths in both Point Judith and Block Island.

IHSF supports Interstate's rate filing, requests for expedited relief, and the other requests for relief set forth in this filing.

Accordingly, Interstate respectfully requests that the fast ferry rates and tariffs as set forth in the testimony of Walter E. Edge be approved by the Commission as filed, to become effective 30 days from the date of this filing with the Commission, without suspension.

Respectfully submitted,  
Interstate Navigation Company  
By its attorney

Dated: 4/6/06

  
Michael R. McElroy, Esq., #2627  
Schacht & McElroy  
21 Dryden Lane  
P.O. Box 6721  
Providence, RI 02940-6721  
Tel: (401) 351-4100  
Fax: (401) 421-5696  
E-mail: McElroyMik@aol.com

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the Division, the Attorney General, the Towns of Block Island and Narragansett, Island Hi-Speed Ferry, and to the public by newspaper publication and posting at Interstate's ferry terminals.

CERTIFICATE OF SERVICE

I hereby certify that on the 6<sup>th</sup> day of April, 2006, I mailed a true copy of the foregoing by first class mail to the following:

Paul J. Roberti, Esq.  
Attorney General's Office  
150 South Main Street  
Providence, RI 02903

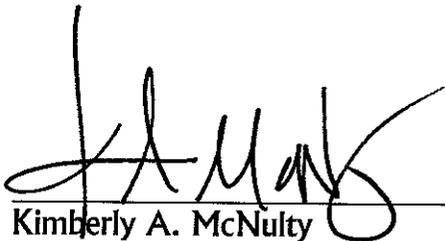
Block Island Town Clerk (CMRRR)  
P.O. Drawer 220  
Block Island, RI 02807

Hagopian & Hagopian  
60 South County Commons Way  
Suite G5  
South Kingstown, RI 02879

Thomas Ahern, Administrator  
Division of Public Utilities & Carriers  
89 Jefferson Boulevard  
Warwick, RI 02888

Merlyn O'Keefe, Esq.  
Packer & O'Keefe  
1220 Kingstown Road  
Peace Dale, RI 02883

Mark McSally, Esq.  
Kelly, Kelleher, Reilly & Simpson  
28 Caswell Street  
Narragansett, RI 02882

  
\_\_\_\_\_  
Kimberly A. McNulty

## **NOTICE OF FILING**

The Interstate Navigation Company d/b/a The Block Island Ferry ("Interstate") hereby gives notice that on April 6, 2006, Interstate filed with the Rhode Island Public Utilities Commission (the "Commission") rates, tariffs, and schedules for 2006 for its new high-speed ferry service between Point Judith and Old Harbor, Block Island. These are new rates that will apply only to Interstate's high-speed ferry service and will not apply to its conventional ferry service. The high-speed ferry rates being proposed by Interstate are the same as the high-speed ferry rates currently in effect for Island Hi-Speed Ferry (IHSF). However, IHSF will not be running a ferry to Block Island in 2006.

The Commission can suspend the proposed rates if it chooses to do so. However, Interstate is asking that these new rates be allowed to go into effect without suspension.

A copy of the filing is available at the offices of Interstate's attorney, Michael R. McElroy, 21 Dryden Lane, P.O. Box 6721, Providence, RI 02940-6721, and at the Public Utilities Commission, 89 Jefferson Boulevard, Warwick, RI 02888, and may be examined by the public during business hours. This notice is given pursuant to the Commission's Rules of Practice and Procedure.

Interstate Navigation Company

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: INTERSTATE NAVIGATION COMPANY : DOCKET No.: \_\_\_\_\_

**RATE CHANGE APPLICATION**

Pursuant to R.I.G.L. § 39-1-1 et seq., Interstate Navigation Company hereby applies for authorization and permission to implement fast ferry rates as shown on the attached proposed fast ferry rates and tariffs attached to the testimony of Walter E. Edge.

The following is provided pursuant to Rule 1.9 of the Rules of Practice and Procedure ("Rules"):

1. **NAME OF APPLICANT:** The Interstate Navigation Company, a Connecticut Corporation licensed to do business in Rhode Island.
2. **PLACE OF BUSINESS:** The Company's principal Rhode Island operations are in Point Judith and Old Harbor, Block Island. However, the Company's Administrative Offices are at 12 Eugene O'Neill Drive, New London, Connecticut 06320.
3. **NOTICES:** Correspondence or communications in regard to this Application should be addressed to:

Michael R. McElroy, Esq.  
Schacht & McElroy  
P.O. Box 6721  
Providence, RI 02940-6721  
Tel: (401) 351-4100  
Fax: (401) 421-5696  
Email: [McElroyMik@aol.com](mailto:McElroyMik@aol.com)

Respectfully submitted,  
Interstate Navigation Company  
By its attorney

Date: 4/6/06

  
\_\_\_\_\_  
Michael R. McElroy #2627  
Schacht & McElroy  
21 Dryden Lane  
P.O. Box 6721  
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Tel: (401) 351-4100  
Fax: (401) 421-5696  
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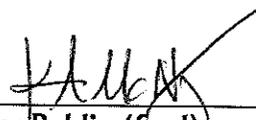
VERIFICATION

Michael R. McElroy, being first duly sworn deposes and says that the information presented in this Application is true to the best of his knowledge, information, and belief.

  
\_\_\_\_\_  
Michael R. McElroy

STATE OF RHODE ISLAND  
COUNTY OF PROVIDENCE

Sworn to and subscribed before me this 6<sup>th</sup> day of April, 2006.

  
\_\_\_\_\_  
Notary Public (Seal)  
KIMBERLY A. MCNULTY  
MY COMMISSION EXPIRES: 1/6/2010

**TESTIMONY  
Of  
WALTER E. EDGE JR. MBA CPA**

**IN SUPPORT OF**

**INTERSTATE NAVIGATION COMPANY'S  
FAST FERRY RATE REQUEST FOR ONE YEAR**

**Before**

**RHODE ISLAND PUBLIC UTILITIES COMMISSION**

**Docket No. \_\_\_\_\_**

April, 2006

1 **Q. Will you please provide your full name and your employer for the record?**

2 A. Yes, my name is Walter Edward Edge Jr., MBA CPA. I am the president of B&E  
3 Consulting LLC.

4

5 **Q. Are you the same Walter E. Edge Jr. who has previously filed expert accounting and**  
6 **rate testimony for Interstate Navigation Company (Interstate) in previous DPUC and PUC**  
7 **dockets?**

8 A. Yes, I am.

9

10 **Q. Mr. Edge, have you testified as an expert accounting and rate witness prior to this**  
11 **docket for other utilities?**

12 A. Yes. I have testified before the PUC as an expert rate witness for Narragansett Bay  
13 Commission, Block Island Power Company, Providence Water Supply Board, Pawtucket Water  
14 Supply Board, Newport Water Department, Stone Bridge Fire District, and Prudence Ferry Inc.  
15 Further, I have been qualified as an expert witness on many occasions for transportation, water,  
16 sewer, electric, gas, and telephone utilities. I have testified as an expert witness on hundreds of  
17 occasions in Rhode Island and less frequently in Washington D. C. and the State of New York.  
18 I was formerly employed for five years as the Chief Accountant and Rate Analyst for the Rhode  
19 Island Division of Public Utilities and Carriers.

20

21 **Q. What is your educational background?**

22 A. I received my Bachelors Degree in Business Administration (BSBA) from Bryant College  
23 and a Masters Degree in Business Administration (MBA) from the University of Rhode Island.  
24 I received my certificate to practice as a Certified Public Accountant (CPA) in 1974.

25

26 **Q. Mr. Edge, what is the purpose of your testimony in this docket?**

27 A. As the Commission is aware, Interstate was granted a Certificate of Public Convenience and  
28 Necessity (CPCN) to operate a fast ferry from Point Judith to Block Island to Newport and return  
29 by the R. I. Division of Public Utilities and Carriers (DPUC). Interstate will be filing with the  
30 Commission for appropriate rates for that service at a later time when Interstate's new fast ferry  
31 vessel is acquired by Interstate and is expected to go into service.

1 **Q. What then is the subject of this filing?**

2 A. Subsequent to receiving its CPCN, Interstate has identified an outstanding one-season vessel  
3 leasing opportunity to get started this summer in the fast ferry business, to gain experience for its  
4 management, captains, engineers and crew with fast ferry operations, and to introduce to its  
5 customers to the advantages of the fast ferry service from Point Judith to Old Harbor. To avail  
6 itself of this opportunity, Interstate needs to obtain certain modifications to its CPCN from the  
7 DPUC (for one year only) and the approval of fast ferry rates (for one year only) from this  
8 Commission. Interstate is simultaneously filing this rate request with its request for CPCN  
9 modifications from the DPUC.

10

11 This testimony will explain the rationale for the fast ferry rates requested by Interstate in this  
12 filing and provide the financial data to show that the service will be profitable and as such will  
13 not adversely impact Interstate's life line customers. In fact, Interstate intends to use the profits  
14 from this one year opportunity to either help finance the construction of a new fast ferry vessel  
15 for Interstate's new fast ferry operations or to subsidize its conventional service.

16

17 **Q. Does this one year activity change Interstate's plans to eventually build a fast ferry?**

18 A. No. This one season leasing opportunity will not change Interstate's ability or desire to  
19 eventually proceed with its plans to build its own passenger, freight and car carrying fast ferry  
20 vessel in accordance with the guidance provided in the Division's fast ferry CPCN Order #  
21 18506 in Docket D-05-06. In fact, Interstate believes that this one season leasing opportunity  
22 may actually aid Interstate by providing knowledge and operational experience which can be  
23 used by Interstate for future decision making as it relates to its fast ferry operations.

24

25 **Q. What opportunity has arisen that will allow Interstate to operate a fast ferry from  
26 Point Judith to Old Harbor this summer?**

27 A. Interstate has negotiated with Island Hi-Speed Ferry (IHSF) to lease its fast ferry vessel, the  
28 MV *Athena*, for the summer of 2006. IHSF has also agreed to provide Interstate with an  
29 experienced fast ferry captain and engineer for the summer. Further, IHSF has agreed to train  
30 Interstate's captains and engineers in the operation of a fast ferry. This will allow Interstate to  
31 get at least a one year jump on its entry into the fast ferry market.

1 **Q. How will the agreement with IHSF allow Interstate to gain experience for its**  
2 **management, captains, engineers and crew?**

3 A. It is understood that the IHSF captain and engineer will train Interstate's captains and  
4 engineers before and during the summer. Then by the summer of 2007 Interstate will have  
5 experienced captains, engineers and crew that have run a fast ferry vessel.  
6

7 **Q. Will IHSF run its Rhode Island fast ferry operation this coming summer?**

8 A. No, if Interstate's requests are approved by the Division and this Commission, IHSF will not  
9 be running its Rhode Island fast ferry operation this coming summer. IHSF will instead lease  
10 the M/V *Athena* to Interstate. Interstate intends to fill to a great extent the void left by IHSF not  
11 running a fast ferry to Block Island. (Note that IHSF also operates a Puerto Rico fast ferry  
12 operation.)  
13

14 **Q. What modification(s) has Interstate requested to its CPCN from the Division?**

15 A. Interstate requested only three modifications from the Division. Since IHSF will not be  
16 running its fast ferry from Point Judith to Block Island in the summer of 2006, Interstate has  
17 requested it be allowed to run at least six trips a day (as IHSF did last year) from Point Judith to  
18 Block Island instead of the three trips per day from Point Judith required by Interstate's fast ferry  
19 CPCN. Interstate has also requested a modification of its CPCN (for one year only) to exclude  
20 the more time consuming fast ferry trip to and from Newport which is required in Interstate's fast  
21 ferry CPCN, but Interstate will continue its usual conventional ferry service from Newport to  
22 Block Island.  
23

24 The third modification requested reflects the fact that IHSF will not be running its summer fast  
25 ferry service in 2006, which eliminates any need to protect IHSF and makes the Division's  
26 restrictions on Interstate's fast ferry departure times meaningless. Therefore, Interstate has  
27 requested that the Division remove all restrictions on Interstate's fast ferry departure times for  
28 the summer of 2006.  
29  
30  
31

1 **Q. What rates and tariffs does Interstate want to use for this one summer for its fast ferry**  
2 **operation?**

3 A. Interstate is requesting that the Commission approve the exact same fast ferry rates and  
4 tariffs already approved by the Commission for IHSF (except for the \$500 seasons pass that  
5 IHSF actually withdrew and never used). These rates and tariffs are attached hereto as WEE-1.  
6 Interstate is hopeful that the Commission will approve this reasonable request.

7

8 **Q. What is the basis of this request?**

9 A. I have reviewed the Commission's order in Docket # 3599, Island Hi-Speed Tariff Filing,  
10 and found that the circumstances noted by the Commission in that docket for approving the IHSF  
11 fast ferry rates and tariffs remain the same for this docket and Interstate's fast ferry rates and  
12 tariffs request. Namely, "customers have the discretion to choose the service", the fast ferry  
13 service "does not provide lifeline service" and the service is "purely discretionary" (Page 3).  
14 The Commission further addressed the Town's concerns by noting that, "The service is strictly  
15 discretionary and the Town's residents can choose the less expensive lifeline service provided by  
16 Interstate Navigation." (See page 5). It should be noted that in 2004 Interstate committed in  
17 writing to maintain to a minimum conventional ferry service level in PUC Docket 3573 and at a  
18 minimum that conventional service level will either continue to be equaled or exceeded by  
19 Interstate. Therefore, Block Island will not lose its high level of conventional life line ferry  
20 service if this filing is approved.

21

22 **Q. Mr. Edge, aren't IHSF's fast ferry rates restricted by a regulatory floor?**

23 A. Yes they are, and Interstate will not reduce its fast ferry rates during the summer of 2006  
24 below that regulatory floor.

25

26 **Q. If the same IHSF fast ferry rates and tariffs are approved for Interstate, will Interstate**  
27 **operate the fast ferry operation this summer at a profit?**

28 A. Yes I believe it will. Per my calculations, Interstate should generate a fairly substantial  
29 profit this summer from the one season fast ferry operation.

1 This profit will be used to invest in Interstate's new fast ferry vessel or to subsidize Interstate's  
2 conventional life line operations. See my Schedule WEE-2 Projection of Revenues,  
3 Expenditures and Profit (summer of 2006) for my detailed calculations.  
4

5 **Q. Is there any urgency to this request?**

6 A. Yes, very much so. We apologize, but due to the time it took to negotiate this transaction,  
7 Interstate is requesting an almost unrealistic turn around time from this Commission (and the  
8 Division). Interstate needs approval of its proposed fast ferry rates and tariffs from this  
9 Commission so that Interstate can begin fast ferry operations on the Wednesday before Memorial  
10 Day (May 24, 2006) in order for fast ferry service to be provided for the full 2006 summer  
11 season. In addition, Interstate must begin to place its print, radio and television ads right away  
12 in order to maximize customer awareness of this new service and insure its success. Interstate is  
13 hopeful that this will be an uncontested rate request and that the Commission can approve this  
14 request without hearings or suspension and simply allow the rates to go into effect in 30 days.  
15 Clearly it is in the best interest of the public and the ratepayers to have this service available as  
16 soon as possible.  
17

18 **Q. Mr. Edge, have you attached the proposed schedule for Interstate's summer of 2006**  
19 **fast ferry operations?**

20 A. Yes I have. Please see attachment WEE-3.  
21

22 **Q. Does that conclude your testimony?**

23 A. Yes.

WEE-1

STATE OF RHODE ISLAND

PUBLIC UTILITIES COMMISSION

Docket No. \_\_\_\_\_

INTERSTATE NAVIGATION COMPANY

LOCAL FAST FERRY TARIFFS

Naming

PASSENGER RATES  
APPLYING BETWEEN  
POINTS AND PLACES IN THE STATE OF  
RHODE ISLAND

(As indicated herein)

EFFECTIVE: MAY 24, 2006

ISSUED BY:

Interstate Navigation Company  
Susan Linda, President  
Post Office Box 482  
New London, Connecticut 06320

**RULE No. 5            PETS OR ANIMALS ACCOMPANYING PASSENGERS:**

Animals or pets will not be allowed to accompany passengers aboard ships unless such animals are securely under leash.

**RULE NO. 10            BAGGAGE DEFINED:**

1. Baggage may be either personal or sales sample cases defined as follows: Personal luggage or baggage consisting of wearing apparel, toilet articles or similar effects in actual use, necessary and appropriate for the wear, use, comfort or convenience of the passenger for the purpose of the trip and not intended for other persons or for sale. Sample cases are those to be used by the salesman containing samples or articles or merchandise for sale and for future transportation and not articles for immediate sale forthwith.
2. Money, jewelry, negotiable papers or like valuables should not be enclosed in baggage to be checked. This carrier will not be responsible for such articles in baggage.
3. All baggage must be enclosed in receptacles such as trunks, valises, suit cases, leather hat boxes or satchels provided with handles, securely locked or otherwise fastened and made of material of sufficient strength and durability and quality to withstand the rapid handling and piling incidental to its transportation.

**RULE NO. 15            BAGGAGE ACCOMPANING PASSENGER:**

Each passenger purchasing an adult or child one way ticket will be allowed to transport without charge fifty (50) pounds of luggage or baggage, which must be carried on and off the ship by the passenger at points of embarkation and debarkation.

**RULE NO. 20            ARTICLES IN AUTOMOBILES:**

This rule is not applicable for the fast ferry at this time.

**RULE NO. 25            DAMAGE TO AUTOMOBILES IN TRANSIT:**

This rule is not applicable for the fast ferry at this time.

**RULE NO. 30      ROUND TRIP TICKET:**

The carrier will not be responsible to persons holding round trip tickets for failure to provide return carriage due to weather or mechanical failure; the carrier will honor the return ticket by providing carriage as soon as the weather and the sea are fit for navigation and the equipment is fit to operate.

**RULE NO. 35      OVERSIZED VEHICLES:**

This rule is not applicable for the fast ferry at this time.

**RULE NO. 40      TIME LIMIT ON SUITS:**

Suits to recover on any claim for loss of life or bodily injury must be instituted within one (1) year from the day when the death or injury occurred. Suits to recover on any claim other than loss of life or bodily injury, including breach of contract, must be instituted within (6) months of the scheduled arrival of the passenger or property at destination.

**RULE NO. 45      SCREENING AND INSPECTION:**

Pursuant to Homeland Security Coast Guard Regulations, entering the ferry facility is deemed valid consent to screening or inspection; and failure to consent or submit to screening or inspection will result in denial or revocation of authorization to enter.

**RULE NO. 50      ARTICLES LEFT ABOARD VESSEL:**

Carrier will not be responsible for articles left aboard the vessel. Such shipments shall be charged for at a minimum rates provided in the Company's tariffs.

**RULE NO. 55      DAMAGE TO AUTOMOBILES:**

This rule is not applicable for the fast ferry at this time.

**RULE NO. 60      CAR RESERVATION CANCELLATIONS:**

This rule is not applicable for the fast ferry at this time.

**RULE NO. 60            VEHICLE OVERHANG CHARGE**

This rule is not applicable for the fast ferry at this time.

**RULE NO. 70            NON-STANDARD VEHICLE CHARGES:**

This rule is not applicable for the fast ferry at this time.

**RULE NO. 75            BLOCK TICKET SALES CHARGES:**

There is a \$15.00 block ticket sales service charge for all block sales of 25 or more tickets (e.g., weddings, corporate outings and other such events).

**RULE NO. 80            ONLINE SALES CHARGE:**

For all on-line internet ticket sales, there is a \$2.00 service fee charge to cover postage and handling.

**RULE NO. 85            LOST TICKET CHARGE:**

There is a \$10.00 charge for all lost tickets which are replaced (each way).

**RULE NO. 90            GROUP DISCOUNTS:**

Not required at this time because of previously approved IHSF Volume Discount rate requested elsewhere in this tariff.

**RULE NO. 95            ADVANCED TICKET DISCOUNT:**

Carrier may sell advanced tickets on a pay for 9 tickets in advance, get 10 tickets basis.

## PASSENGER RATES

### 1. ROUTE:

Between Galilee and Block Island  
Between Block Island and Galilee

### 2. FARES:

#### a. Individual Tickets

Adult	one-way	\$15.50
Adult	round trip	\$29.00
Child	one-way	\$ 8.75
Child	round trip	\$13.50

#### b. Frequent User Cards

Adult	10 round trips (or 20 one-way)	\$260.00
Child	10 round trips (or 20 one-way)	\$120.00

#### c. Season's Pass

Not requested

#### d. Volume Discount

May, June, September and October	Adult	\$20.30
July and August	Adult	\$23.20

NOTE a. The passenger rates for children will apply to children four (4) years of age up to and including children (12) years of age when accompanied by an adult. For children thirteen years of age and older, the adult passenger fares published apply. Children under three (3) years of age when accompanied by an adult will be transported free of charge.

NOTE b. Applicable municipal landing fees will be added.

NOTE c. All Tickets are open ended. However, passengers will be asked for a return date and time, which will be printed on the boarding pass (for seating purposes). If the passenger's travel plans change, they must redeem the issued boarding pass at an Interstate ticket office for a new one, subject to seating availability on a particular departure. This means that passengers who change travel plans on busy weekends, for example, travel on a standby, first come first serve basis.

Because Frequent User Card holders will be allowed to proceed directly to the gate for boarding, it is recommended that at times of heavy traffic volume they check in at the ticket office before boarding, or call in advance to reserve a seat. All tickets, including Frequent User Cards, must be used during the season they are issued.

NOTE d. The season's Passes note is not needed at this time.

NOTE e. Volume Discounts are available only to passengers traveling in groups of 25 or more persons.

### **BICYCLE RATES**

One-way	\$3.00
Round Trip	\$6.00

Projection of Revenues and Expenditures

First Full Year of Operations

Interstate Fast Ferry

	<u>Interstate Leases</u>
<b>Revenues:</b>	
<u>Interstate's Current Customers:</u>	
Passenger (Point Judith - Block Island) 35,500 passengers @ 14.50 (uses 1/2 of Survey Results)	\$ 514,750
<u>Projected IHSF Customers:</u>	
Passenger (Point Judith - Block Island) 37,000 passengers @ 29.00	<u>1,073,000</u>
Total Passenger Revenue	<u>1,587,750</u>
Other Revenues (Bar, bike, etc)	150,000
Interstate Charter Revenue	*
Fuel Surcharge Revenue	<u>195,000</u>
Total Revenue	<u>1,932,750</u>
<b>Expenses:</b>	
Salaries and wages (\$6,000 per week X 21 weeks)	208,530
Payroll taxes (10% of S&W)	7,270
Fuel (195,000 gallons * 2.20/gallon)	429,000
<b>Maintenance:</b>	
Annual engine top end and overhauls Two year average	138,000
Dry Docking Estimate	10,000
General Maintenance Estimate	25,000
Insurance Estimate	30,000
Advertising Estimate	15,000
Berthing Point Judith	4,000
Bar expense	66,000
Training	6,000
<b>General and Administrative Expense</b>	
Legal and accounting	
General office supplies	
Taxes	
Fees (coast guard, banking, etc)	
Overhead allocation (rent, etc)	
Total G&A Expense Estimate	100,000
<b>Debt service</b>	
Lease Payments	188,895
Principal	-
Interest	-
Total Expense	<u>1,227,695</u>
FIT (36%)	<u>253,820</u>
Net profit	<u>\$ 451,235</u>

\* Assumes no charter revenue although Interstate believes that there may be opportunities to lease the Fast Ferry in the off season, Especially in the first year to IHSF for Puerto Rico

May 25 through June 23  
and  
September 5 through October 9, 2006

Fast Ferry Service

Monday - Friday

<u>Depart PJ</u>	<u>Arrive BI</u>	<u>Depart BI</u>	<u>Arrive PJ</u>
8:30a	8:57a	9:30a	9:57a
10:30a	10:57a	4:30p	4:57p
5:30p	5:57p	6:30p	6:57p
7:30p*	7:57p*	8:15p*	8:42p*

\* indicates trips run only on Fridays

Saturday - Sunday

<u>Depart PJ</u>	<u>Arrive BI</u>	<u>Depart BI</u>	<u>Arrive PJ</u>
8:30a	8:57a	9:30a	9:57a
10:30a	10:57a	11:30a	11:57a
12:30p	12:57p	1:30p	1:57p
3:30p	3:57p	4:30p	4:57p
5:30p	5:57p	6:30p	6:57p

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June 24 through September 4, 2006

<u>Depart PJ</u>	<u>Arrive BI</u>	<u>Depart BI</u>	<u>Arrive PJ</u>
7:30 am	7:57 am	8:15 am	8:42 am
9:15 am	9:42 am	10:15 am	10:42 am
11:15 am	11:42 am	12:20 pm	12:47 pm
1:15 pm	1:42 pm	3:45 pm	4:12 pm
4:45 pm	5:12 pm	5:45 pm	6:12 pm
6:45 pm	7:12 pm	7:35 pm	8:02 pm