

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
BEFORE THE RHODE ISLAND PUBLIC UTILITIES COMMISSION
INTERSTATE NAVIGATION COMPANY
ROE DEFICIENCY FILING
DOCKET NO. 3762**

On December 22, 2010, Interstate Navigation Company (“Interstate” or “the Company”) submitted a Return on Equity (“ROE”) Compliance Rate Filing pursuant to the Rate Plan approved as part of the Amended Settlement Agreement in Docket No. 3762. The Rate Plan provides that if the Company’s ROE in a given fiscal year falls below 5.5%, then Interstate shall be authorized to increase its traditional ferry service rates “across the board” to collect over twelve months the revenues necessary to make up the difference between the actual earned ROE and 5.5%. Interstate presented testimony showing that its revenues in the twelve months ended May 31, 2010 were \$159,906 below the amount necessary to produce a return on equity of 5.5% and proposed to increase its rates by 1.92% to collect additional revenues in that amount.

The Division analyzed the Company’s application, testimony, and supporting exhibits. Pursuant to this analysis, the Division submitted seven data requests to the Company. Interstate responded to the data requests on January 25, 2011.

In responding to Division Data Request 1-6, Interstate revised its calculation of the balance of accumulated deferred income taxes (“ADIT”) deducted from net plant in the determination of the net average rate base for the twelve months ended May 31, 2010. As a result of the revision to the balance of ADIT, the Company calculated that the necessary revenue increase to make up the ROE shortfall was reduced from \$159,906 to \$145,427.

Based on its review and analysis, the Division concludes that the Company’s calculation of its revenue deficiency, as modified in the response to Division Data Request 1-6, complies with Section III.B.3 of Amended Settlement Agreement in Docket No. 3762. Therefore the Company should be authorized to increase its traditional ferry service rates across the board, to collect over twelve months, additional revenues of \$145,427 or 1.75%.