



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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Patrick C. Lynch, Attorney General

December 22, 2006

Via Electronic Mail and Regular Mail

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

**Re: Interstate Navigation Company – General Rate
Filing – Traditional Rates – Docket No. 3762**

Dear Ms. Massaro:

Enclosed for filing in the above-captioned proceeding are the original and nine (9) copies of the Rhode Island Division of Public Utilities and Carriers' Response to the Commission's Data Request of December 22, 2006, in which Commission Counsel Frias asked: "Would the parties be willing to modify III B.3 of the Amended Settlement to indicate that an earning below the floor filing is to be filed by September 1st, and that regardless of when the filing is made the Commission will have the express authority to suspend any rate increase pursuant to R.I.G.L. Section 39-3-11?" In essence, the Division, after consulting with counsel for Interstate Navigation Company, proposes to substitute the enclosed amended page 8 of the Settlement Agreement (designated by the words and symbols "Amended 12/22/06" in the upper right corner of the page) for page 8 in the Settlement Agreement filed on December 14, 2006; the amended page 8 enclosed herewith constitutes the joint response of the Division and Interstate Navigation to this Data Request.

For the Commission's convenience in reviewing this response, we have also enclosed a mark-up version of the originally filed page 8, highlighting the changes made.

Very truly yours,

William K. Lueker (R.I. Bar # 6334)
Special Assistant Attorney General
Tel. (401) 274-4400, ext. 2299
Fax (401) 222-3016

Encls.

cc: Service List PUC Docket No. 3762

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the within Division Response to the Commission's Data Requests (with cover letter), was served this 26th day of December, 2006, via first class mail, postage prepaid, as well as by electronic mail, upon each person on the official service list in this proceeding.

Robin A. Dillipis

methodology as set forth in Section D.1.a, below, is below 5.5% in the historic period, Interstate will be required to submit a report detailing the ROE calculated using the same methodology as set forth in Section D.1.b, below. If the ROE calculated using the same methodology as set forth in Section D.1.b, below, is below 5.5%, Interstate shall be authorized to increase its traditional ferry service rates across the board, effective the following January 1, to collect over twelve months the revenue necessary to make up the difference between the ROE pursuant to Section D.1.b in the historic period and 5.5%, except that if the report detailing the earned ROE is not filed by September 1, the Commission will have the express authority to suspend any rate increase pursuant to R.I.G.L. § 39-3-11. Any adjustment to rates pursuant to this subsection 3 is independent of any adjustment to rates pursuant to subsection 2 above.

C. Traditional Cost of Service Ratemaking After the Rate Plan

After expiration of the Rate Plan, if not extended by agreement of the settling parties and approval of the Commission, no special adjustments to rates for Exogenous Events, as described in this Section, shall be permitted, and rate changes for traditional service may occur under traditional cost of service (“COS”) principles, consistent with Rhode Island law. As such, the Company is permitted to file a COS rate case to change rates effective January 2012 or later, if the Company believes it has or will have a revenue deficiency for the applicable rate year. The Division also has the right to file a complaint with the Commission requesting that the Commission require a COS review to reduce rates beginning in January 2012 if the Division believes that the Company has, or will have, a revenue excess.

D. Incentive-Based Savings Plan

A properly structured incentive-based rate plan can align the interests of the Company

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