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May 12, 2011

Memo To: Luly Massaro, Commission Clerk
Rhode Island Public Utilities Commission

From : John Bell, Public Utilities Analyst
Rhode Island Division of Public Utilities and Carriers

Subject : Division's Comments re: Extension of Interstate's Rate Plan -
Docket No. 3762

On March 31, 2011, Interstate Navigation filed a motion to extend their 5-year rate plan related to their traditional ferry service for an additional year. The rate plan became effective on January 1, 2007 and is scheduled to expire on December 31, 2011. Included with Interstate's motion was a draft of a new settlement agreement extending the rate plan for one year and also the direct testimony of Walter Edge which explained the advantages and disadvantages of extending the rate plan.

Subsequent to Interstate's filing, the Division conducted a review of the proposed rate plan extension. The focus of our review was whether or not there were any accumulated earnings to date. Under the current rate plan, any earnings that exceed the allowed rate of return on equity over the course of the rate plan are to be shared with customers. Our concern was that if there were any accumulated earnings then the extension of the plan would have delayed the sharing of the earnings with customers. Based on our review, we are in agreement with the Company that Interstate's cumulative return on equity is below the allowed return on equity of 11%. As such, there are no accumulated earnings to share with ratepayers at this time.

Based on the Division's review, we believe the Company's proposal to extend the rate plan for one year is reasonable. As a result we signed onto the proposed settlement entitled "Extension of Amended Settlement Agreement". The Division recommends the Commission approve this settlement as filed.

cc: Service List, via E-Mail