



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Division of Public Utilities and Carriers
89 Jefferson Blvd.
Warwick RI 02888

December 2, 2011

TO : Luly Massaro, Commission Clerk
FROM : John Bell, Public Utilities Analyst
SUBJECT: Docket No. 3762
Interstate Navigation Company

On October 28, 2011, Interstate Navigation Company (Interstate) filed for a CPI increase for its traditional ferry service as allowed for under the Rate Plan extension approved in this docket.

The Amended Settlement Agreement, which was approved in 2006, sets out the details of the Rate Plan. Under the Rate Plan, Interstate is allowed to file for an inflation related rate adjustment for calendar years 2009, 2010 and 2011. Paragraph 2 of the Amended Settlement Agreement addresses this matter and it specifically states:

“2. Inflation

On or before November 15, 2008, 2009, and 2010, Interstate is authorized to file with the Commission a percentage change in rates, to be effective on the following January 1, equal to the percentage change in the average Consumer Price Index (CPI-U Northeast) from the twelve months ended September 30 of the prior year to the twelve months ended September 30 of the current year. Notwithstanding the foregoing, rates applicable to commuters, commuter vehicles, and freight shall not be increased for any rate increase authorized pursuant to this paragraph.”

As Mr. Edge noted in his testimony, when the Rate Plan was extended for an additional year (CY 2012), the above language was modified to add November 15, 2011 for CY 2012.

As discussed in the Company's filing, the inflation rate for the 12 months ending September 30, 2011 was 4.0%. The Company's filing details the calculation of the new rates using the 4% inflation rate. As an example of the impact of the proposed rates, the adult roundtrip passenger fare from Point Judith would increase from \$17.90 to \$18.60 and the roundtrip auto fare would increase from \$48.95 to \$50.65. Built into these rates is a previously approved Return on Equity (ROE) adjustment factor of \$.30 per adult roundtrip passenger and \$.85 per roundtrip auto fare. The Company properly backed out the ROE adjustment factor when calculating the inflation adjustment in this filing. The ROE adjustment factor went into place on April 1, 2011 and is scheduled to sunset on March 31, 2012. A complete listing of the proposed rates is included in the Company's filing on Schedule WEE-A.

The Division reviewed Interstate's filing and found that the rates as calculated are appropriate. Interstate used the correct inflation factor and properly applied it to all rate categories except for commuters, commuter vehicles, freight or fast ferry service, which is in accordance with the language in the Amended Settlement Agreement. The Division recommends the Commission approve the propose rates as requested for effect on January 1, 2012.

CC: Service List via E-Mail