

**Prefiled Direct Testimony  
of  
David G. Bebyn, CPA  
Regarding Traditional Service Rates**

**Interstate Navigation Company  
Docket \_\_\_\_\_**

**July 2006**

**INTRODUCTION**

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**Q. Please state your name and business address for the record.**

A. My name is David G. Bebyn CPA and my business address is 21 Dryden Lane, Providence, Rhode Island 02904.

**Q. By whom are you employed and in what capacity?**

A. I am the Vice President of B&E Consulting LLC. (B&E). B&E is a CPA firm that specializes in utility regulation, expert rate and accounting testimony, school budget reviews and accounting services.

**Q. Mr. Bebyn, have you testified as an expert accounting witness prior to this docket?**

A. Yes. I have prepared testimony and testified in the Pawtucket Water Supply Board's (PWSB) last two rate filing Dockets #3378 & #3497 in support for the adjusted test year. Furthermore, I prepared testimony, but was not required to testify in Dockets #3164 & #3193 on behalf of the PWSB and Docket #3655 on behalf of Block Island Power Company.

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

A. I received my Bachelors of Science Degree in Accounting (BSA) from Rhode Island College. I became a Certified Public Accountant in 2000 after successfully passing the CPA exam.

**Q. What is the purpose of your testimony?**

A. My testimony includes a calculation of the test year, the test year balance sheet (November 30, 2005), the schedule of changes in return earnings, all necessary adjustments to normalize the test year and a five year comparative analysis of revenue and expenses.

**Q. Does that conclude your introduction?**

A. Yes.

1 TEST YEAR (November 30, 2005)

2  
3 **Q. What test year did you use?**

4 A. I used the test year December 1<sup>st</sup> 2004 to November 30<sup>th</sup> 2005.

5  
6 **Q. Please provide the Commission with the detailed steps you took to develop the**  
7 **test year.**

8 A. First, I was provided the FYE May 31<sup>st</sup>, 2005 financial statements prepared by  
9 Interstate's Certified Public Accountant. Next, I obtained the detailed trial balance for year  
10 to date November 2004. I subtracted the year to date balances at November 2004 from the  
11 final account balances per May 2005 to determined the December 2004 through May 2005  
12 activity (DGB-3). The resulting balances were added to the year to date November 2005  
13 trial balance to project the test year balances ending November 2005.

14  
15 **Q. What adjustments did you make to normalize the test year?**

16 A. I made 12 adjustments as follows:

- 17 1. I removed interest income (\$44,901) from revenue because cash (which was  
18 invested to obtain the interest income) is not part of rate base and therefore the  
19 return on cash (interest) accrues to stockholders not ratepayers.
- 20  
21 2. I reclassified \$84,395 from payroll expense to crew expenses to correct a  
22 misposting for the test year.
- 23  
24 3. I eliminated the provision for federal income tax (FIT) amount of (\$425,576)  
25 because this balance represented the reversal of FIT expense accrued between June  
26 2004 and November 2004. Mr. Edge has addressed the actual provision for the  
27 rate year in his testimony.

- 1 4. I removed interest expense (\$625,618) from the test year cost of service because  
2 interest expense will be accounted for in the return on rate base calculation in Mr.  
3 Edge' s testimony.  
4
- 5 5. I eliminated the cash over/short amount of \$2,841 because it is not a proper cost of  
6 service item and this account fluctuates between revenue and expense from year to  
7 year.  
8
- 9 6. I increased the Connecticut corporate tax amount to \$250 because this is a yearly  
10 fee that was not reflected in my initial projection.  
11
- 12 7. I removed a portion (\$70,000) of the landing fee expense from the cost of service  
13 because it was a one time non recurring expense due to settlement of a law suit with  
14 the Town of Narragansett.  
15
- 16 8. I removed revenues (Passenger \$325,893 and Vehicles \$51,178) and expenses  
17 (\$386,652) relating to the fuel surcharge (See Schedule DGB-5). Mr. Edge has  
18 addressed this issue at length in his testimony.  
19
- 20 9. I reduced gross receipts tax by \$5,656 to cover the reduction of revenues addressed  
21 in adjustment 8 above. This reduction was calculated using a gross receipts tax rate  
22 of 1.5%.  
23
- 24 10. I add \$30,000 of rate case expense to reflect the yearly amortization of prior rate  
25 case expense (per Commission Order).  
26
- 27 11. I increased depreciation expense \$70,677 to correct an error on the depreciation  
28 lapse schedules. The asset life of the Point Judith Bulkhead was incorrectly listed  
29 in the Company' s lapse schedule as 100 years instead of 10 years (approved in the  
30 last rate filing).

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12. I reclassified charter income \$158,990 to miscellaneous charter income. This income was generated from miscellaneous non-tariff charters.

**Q. Mr. Bebyn, in your professional opinion does your adjusted test year present a proper normalized test year?**

A. Yes, I believe that the adjusted, normalized test year that I have prepared for this filing (DGB-1 & DGB-2) fairly presents the operations of Interstate in a normal year on a ratemaking basis with currently approved rates.

**Q. Did you complete any other reviews to prepare your test year adjustments?**

A. Yes, I did. I prepared a five-year analysis of the actual revenue and expenses for the fiscal years ended May 31<sup>st</sup> 2001, 2002, 2003, 2004 & 2005 (see DGB-4). Major line item variances between these historical years were investigated to determine if an adjustment was needed. If so, I discussed these items with Mr. Edge to decide if it required a test year or rate year adjustment.

**Q. Did you prepare any other schedules?**

A. Yes, I did. I prepared a test year balance sheet, income statement and a statement of changes in retained earnings (DGB-6, the unadjusted test year column of DGB-3, and DGB-7 respectively). This information is required since the test year does not coincide with the latest fiscal year shown on the annual report.

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

A. Yes.

Calculation of Adjusted Test Year Revenues  
Interstate Navigation Company

**Schedule DGB-1**

<b>Account Name</b>	<b>(A) Test Year 11/30/2005</b>	<b>(B) Adjustments</b>	<b>Adjusted Revenue Test Year</b>
-Passengers	\$ 4,215,811	\$ (325,893)	\$ 3,889,918
-Vehicles	3,228,542	(51,178)	3,177,364
-Bar	554,511		554,511
-Charter	272,706	(158,990)	113,716
-Freight	719,432		719,432
-Bikes, Mopeds, etc.	123,573		123,573
-Mail	30,553		30,553
-Tours	33,804		33,804
-Other	61,527		61,527
Landing Fee Commissions	27,200		27,200
Miscellaneous Charter	-	158,990	158,990
Interest Income	44,901	(44,901)	-
Miscellaneous Income	4,468		4,468
<b>Total Revenues</b>	<b>\$ 9,317,029</b>	<b>\$ (421,972)</b>	<b>\$ 8,895,057</b>

A) From DGB-3

B) See DGB Testimony pages 3 & 4

Calculation of Adjusted Test Year Expenses  
Interstate Navigation Company

**Schedule DGB-2**  
**Page 1 of 2**

Account #	Account Name	(A) Test Year 11/30/2005	(B) Test Year Adjustments	Adjusted Test Year
301000	Payroll	\$ 2,596,148	\$ (84,395)	\$ 2,511,753
	Payroll Taxes - FICA expense	204,430		204,430
	Provision for Federal Income tax	(425,576)	425,576	-
	Depreciation	1,005,621	70,677	1,076,298
	Interest Expense	625,618	(625,618)	-
	Terminal Maintenance	40,922		40,922
301013	Lube	27,126		27,126
301015	Crew Expense	43,209	84,395	127,604
301017	Supplies	24,119		24,119
301019	Other Vessel Expense	11,998		11,998
301021	Wharfage	314,028	-	314,028
301022	Building Maintenance	12,698		12,698
301023	Rent	34,420	-	34,420
301025	Charter	17,575		17,575
301027	General Maintenance	35,201		35,201
301031	Bar Supplies	237,685		237,685
	Homeland Security	246,350		246,350
301035	Utilities	91,481		91,481
301037A	Auto Maintenance	6,034		6,034
301037	Auto Expense	14,795		14,795
301041/39	Local Transfer	130,846		130,846
301043	Travel	6,681		6,681
301051	Advertising	364,839		364,839
301052	Trash Removal and dumping fees	28,135		28,135
301053	Other traffic expense	44,091		44,091
301061	Office	43,015		43,015
301065	Dues and Subscriptions	11,369		11,369
301066	Professional Services	342,259		342,259
	Other Professional Fees	69,318		69,318
	Credit Card Admin Fees	120,484		120,484
	Bank Charges	1,168		1,168
	Finance Charges	1,267		1,267
	Freight	7,260		7,260
301067	Contributions	3,001		3,001
301068	Miscellaneous	29,345		29,345
301069	Telephone	77,635		77,635
301071	Employee Insurance	284,483		284,483
301072	Employee Pension	95,050	-	95,050
301073	PUC Expense	33,061		33,061
	Landing Fee Expense	70,000	(70,000)	-
301081	Insurance	217,490		217,490
	Bad Debts	1,558		1,558
301083	Workmans Comp	57,533		57,533
301088	Damages	8,597		8,597
	Penalties	133		133
	Cash Over/Short	(2,841)	2,841	-

Calculation of Adjusted Test Year Expenses  
Interstate Navigation Company

<b>Account #</b>	<b>Account Name</b>	<b>(A) Test Year 11/30/2005</b>	<b>(B) Test Year Adjustments</b>	<b>Adjusted Test Year</b>
	Returned Items	5,298		5,298
	Chargebacks	1,348		1,348
	Refunds, Voids and Credits	70,159		70,159
302011/20	Municipal Tax (Real Estate & Personal Prop)	31,339		31,339
302013	Gross Receipt Tax	110,413	(5,656)	104,757
302015	Annual Report	125		125
302017	Sale and use tax	44,863		44,863
302021	CT Corp Tax	-	250	250
302027A	Permits and Licenses	3,736		3,736
302027	Registrations	-		-
302031	Unemployment Comp	3,320		3,320
302032	Federal Unemployment	7,067		7,067
302035	RI Unemployment	78,837		78,837
302050	Vessel Maintenance	279,546		279,546
302055	Payroll Service	6,190		6,190
302060	Computer Expense	58,789		58,789
	Fuel Expense	1,054,361	(386,652)	667,710
	Rate Case Expense		30,000	30,000
	<b>Total Expenses</b>	<b>8,965,054</b>	<b>(558,581)</b>	<b>8,406,473</b>
	<b>Gain/ (loss)</b>	<b>\$ 351,975</b>	<b>\$ 136,609</b>	<b>\$ 488,584</b>

A) From DGB-3

B) See DGB Testimony pages 3 & 4



Calculation of Unadjusted Test Year  
Interstate Navigation Company

	(1) YTD 2005 Nov-04	(2) FYE 2005 May-05	(3) FYE 2005 Dec1-May 31	(4) 6 months Ending Nov 2005	(5) FYE 11/30/2005
<b>Revenue</b>					
-Passengers	\$ 3,185,212	\$ 3,831,545	\$ 646,333	\$ 3,569,477	\$ 4,215,811
-Vehicles	1,780,854	3,292,731	1,511,877	1,716,664	3,228,542
-Bar	422,739	514,624	91,885	462,626	554,511
-Charter	104,835	183,602	78,767	193,940	272,706
-Freight	450,420	705,972	255,552	463,880	719,432
-Bikes, Mopeds, etc.	110,559	118,346	7,787	115,786	123,573
-Mail	22,200	38,865	16,665	13,888	30,553
-Tours	-	-	-	33,804	33,804
-Other	22,112	40,533	18,421	43,107	61,527
Landing Fee Commissions	22,820	24,952	2,132	25,068	27,200
Interest Income	15,541	40,034	24,493	20,408	44,901
Miscellaneous	32,200	32,200	-	4,468	4,468
<b>Total Revenues</b>	<b>\$ 6,169,492</b>	<b>\$ 8,823,406</b>	<b>\$ 2,653,914</b>	<b>\$ 6,663,115</b>	<b>\$ 9,317,029</b>

Notes: A) Column (2) Full Year Revenue less Column (1) Six Months Revenue equals Column (3) Actual 6 months revenue Dec 1, 2004 - May 31, 2005.

B) Column (3) plus column (4) actual 1st 6 months of revenue equals Column (5) test year ended 11/30/05.

C) The same calculation (A+B) were made for the expenses accounts on the following pages 2-4 of DGB-3.

Calculation of Unadjusted Test Year  
Interstate Navigation Company

	(1)	(2)	(3)	(4)	(5)
	YTD 2005 Nov-04	FYE 2005 May-05	FYE 2005 Dec1-May 31	6 months Ending Nov 2005	FYE 11/30/2005
<b>Expenses</b>					
301000 Payroll	\$ 1,476,273	\$ 2,512,014	\$ 1,035,741	\$ 1,560,407	\$ 2,596,148
Payroll Taxes - FICA expense	114,023	197,512	83,489	120,942	204,430
Provision for Federal Income tax	432,526	6,950	(425,576)	-	(425,576)
Depreciation	373,178	832,959	459,781	545,839	1,005,621
Interest Expense	218,505	486,858	268,353	357,265	625,618
Terminal Maintenance	26,808	61,729	34,921	6,001	40,922
Terminal Expense	-	-	-	-	-
301011 Lube	10,141	23,375	13,234	13,891	27,126
301013 Crew Expense	84,802	107,567	22,765	20,444	43,209
301015 Supplies	13,794	20,371	6,577	17,542	24,119
301017 Other Vessel Expense	6,210	11,196	4,986	7,013	11,998
301019 Wharfage	122,647	272,595	149,948	164,080	314,028
301021 Building Maintenance	3,722	13,067	9,345	3,353	12,698
301022 Rent	14,326	30,717	16,391	18,029	34,420
301023 Charter	228,000	228,000	-	17,575	17,575
301025 General Maintenance	23,356	35,171	11,815	23,385	35,201
301027 Bar Supplies	127,338	189,224	61,886	175,800	237,685
301031 Homeland Security	162,641	292,023	129,382	116,968	246,350
301035 Utilities	38,581	77,253	38,672	52,809	91,481
301037A Auto Maintenance	2,876	5,691	2,815	3,219	6,034
301037 Auto Expense	4,999	12,451	7,452	7,343	14,795
301041/39 Local Transfer	89,283	129,390	40,107	90,739	130,846
301043 Travel	937	7,070	6,133	548	6,681
301051 Advertising	236,336	307,043	70,707	294,133	364,839
301052 Trash Removal and dumping fees	21,693	29,588	7,895	20,240	28,135
301053 Other traffic expense	29,012	53,111	24,099	19,993	44,091
301061 Office	24,228	46,886	22,658	20,357	43,015
301065 Dues and Subscriptions	2,042	6,715	4,673	6,695	11,369
301066 Professional Services	209,295	377,736	168,441	173,818	342,259
Other Professional Fees		52,249	52,249	17,069	69,318
Credit Card Admin Fees	70,337	109,119	38,782	81,702	120,484

Calculation of Unadjusted Test Year  
Interstate Navigation Company

	(1) YTD 2005 Nov-04	(2) FYE 2005 May-05	(3) FYE 2005 Dec1-May 31	(4) 6 months Ending Nov 2005	(5) FYE 11/30/2005
Bank Charges	447	912	465	704	1,168
Finance Charges	384	1,115	731	536	1,267
Freight	1,786	4,804	3,018	4,242	7,260
Contributions	1,889	2,464	575	2,426	3,001
Miscellaneous	8,573	29,077	20,504	8,841	29,345
Telephone	42,916	78,261	35,345	42,291	77,635
Employee Insurance	126,077	263,549	137,472	147,012	284,483
Employee Pension	57,985	92,818	34,833	60,218	95,050
PUC Expense	14,690	43,393	28,703	4,358	33,061
Landing Fee Expense		70,000	70,000	-	70,000
Insurance	107,341	193,252	85,911	131,579	217,490
CT Bond Assessment					
Bad Debts	497	1,239	742	816	1,558
Workmans Comp		41,109	41,109	16,424	57,533
Damages	6,202	8,964	2,762	5,835	8,597
Penalties		-		133	133
Cash Over/Short	7,477	6,328	(1,149)	(1,692)	(2,841)
Returned Items	784	1,102	318	4,981	5,298
Chargebacks	378	1,260	882	465	1,348
Refunds, Voids and Credits	39,917	60,167	20,250	49,909	70,159
Municipal Tax (Real Estate & Personal Prop)	19,671	34,889	15,218	16,122	31,339
Gross Earnings	76,111	104,637	28,526	81,887	110,413
Annual Report	75	125	50	75	125
Sale and use tax	34,076	43,049	8,973	35,890	44,863
CT Corp Tax	250	250	-	-	-
Permits and Licenses	600	2,621	2,021	1,715	3,736
Registrations					
Unemployment Comp	865	3,318	2,453	867	3,320
Federal Unemployment	3,072	6,484	3,412	3,655	7,067
RI Unemployment	32,944	69,492	36,548	42,289	78,837
Vessel Maintenance	85,165	242,599	157,434	122,112	279,546
Payroll Service	3,317	5,611	2,294	3,895	6,190

Calculation of Unadjusted Test Year  
Interstate Navigation Company

	(1) YTD 2005 Nov-04	(2) FYE 2005 May-05	(3) FYE 2005 Dec1-May 31	(4) 6 months Ending Nov 2005	(5) FYE 11/30/2005
302060 Computer Expense	35,185	63,681	28,496	30,292	58,789
Fuel Expense	456,024	771,927	315,903	738,458	1,054,361
Rate Case Expense					
Settlement Adjustment					
<b>Total Expenses</b>	<b>\$ 5,332,607</b>	<b>\$ 8,784,127</b>	<b>\$ 3,451,520</b>	<b>\$ 5,513,534</b>	<b>\$ 8,965,054</b>
<b>Net Income (Loss)</b>	<b>\$ 836,885</b>	<b>\$ 39,279</b>	<b>\$ (797,606)</b>	<b>\$ 1,149,581</b>	<b>\$ 351,975</b>

Actual Revenue & Expenses Comparison  
Five Fiscal Years (Actual)  
 Interstate Navigation Company

Schedule DGB-4  
 Page 1 of 3

	5/31/2001	5/31/2002	5/31/2003	5/31/2004	5/31/2005
<b>Revenue</b>					
-Passengers	\$ 3,805,404	\$ 4,006,554	\$ 3,708,426	\$ 3,538,871	\$ 3,831,544
-Vehicles	2,074,001	2,167,102	2,248,003	2,251,423	3,292,731
-Bar	403,428	447,340	450,775	455,565	514,624
-Charter	95,570	97,785	94,704	185,217	183,602
-Freight	600,788	613,724	569,338	594,416	705,972
-Bikes, Mopeds, etc.	135,289	143,111	133,740	113,385	118,346
-Mail	33,504	33,515	33,515	32,931	38,865
-Tours					
-Other	6,142	6,394	5,326	12,949	40,533
Landing Fee Commissions	19,164	20,274	31,735	30,235	24,952
Interest Income	167,940	63,820	18,529	7,547	40,034
Miscellaneous				34,800	32,200
Cash Over/Short	1,554	14			
Property (RE&PP)					
Misc. Removal of Barge (Sale of MV <i>Manisee</i> )	375,000				
<b>Total Revenues</b>	<b>\$ 7,717,784</b>	<b>\$ 7,599,633</b>	<b>\$ 7,294,090</b>	<b>\$ 7,257,339</b>	<b>\$ 8,823,403</b>

Actual Revenue & Expenses Comparison  
 Five Fiscal Years (Actual)  
 Interstate Navigation Company

Expense	5/31/2001	5/31/2002	5/31/2003	5/31/2004	5/31/2005
301000 Payroll	\$ 1,996,967	\$ 2,336,464	\$ 2,321,101	\$ 2,406,954	\$ 2,512,014
Payroll Taxes - FICA expense	152,474	178,860	181,257	183,623	197,512
Provision for Federal Income tax	309,150	52,503		(74,612)	6,950
Depreciation	671,520	676,226	1,267,653	720,450	832,959
Interest Expense	721,646	688,356	265,523	281,361	486,858
Terminal Maintenance	168,165	36,208	40,989	85,643	61,729
301011 Terminal Expense	25,765	24,244			
301013 Lube	19,332	18,018	15,416	20,505	23,375
301015 Crew Expense	32,938	44,687	132,283	128,902	107,567
301017 Supplies	30,537	32,911	26,900	18,625	20,371
301019 Other Vessel Expense	122,770	113,925	16,250	10,277	11,196
301021 Wharfage	227,398	234,523	227,830	236,425	272,595
301022 Building Maintenance	12,376	10,062	15,457	12,018	13,067
301023 Rent				25,809	30,717
301025 Charter	189,500	119,000	363,000	187,500	228,000
301027 General Maintenance	33,155	77,307	10,892	34,850	35,171
301031 Bar Supplies	130,381	149,981	141,396	144,418	189,224
Homeland Security				21,478	292,023
301035 Utilities	68,345	70,570	72,963	67,865	77,253
301037A Auto Maintenance	1,804	1,929	5,584	5,495	5,691
301037 Auto Expense	9,986	12,532	12,751	10,419	12,451
301041/39 Local Transfer	63,660	85,640	89,969	98,269	129,390
301043 Travel	1,366	185	532	4,972	7,070
301051 Advertising	174,270	230,738	196,917	249,388	307,043
301052 Trash Removal and dumping fees		20,415	24,296	22,080	29,588
301053 Other traffic expense	70,386	92,637	60,329	46,386	53,111
301061 Office	49,077	51,714	47,317	48,552	46,886
301065 Dues and Subscriptions	3,954	3,223	3,412	3,485	6,715
301066 Professional Services	256,213	353,598	377,844	355,755	377,736
Other Professional Fees	33,218	69,755	52,815	72,688	52,249
Credit Card Admin Fees	56,889	67,293	73,716	75,696	109,119
Bank Charges	789	1,497	2,642	312	912
Finance Charges	299	261	437	249	1,115
Freight	3,568	7,240	4,454	7,187	4,804
301067 Contributions	1,585	1,555	1,470	925	2,464
301068 Miscellaneous	229	1,179	9,009	9,920	29,076
301069 Telephone	90,890	105,035	116,409	137,652	78,261
301071 Employee Insurance	176,651	209,468	203,738	237,728	263,549
301072 Employee Pension	48,459	123,021	54,000	186,021	92,818
301073 PUC Expense	18,404	19,234	16,879	22,558	43,393
Landing Fee Expense					70,000
301081 Insurance	154,574	131,540	160,277	208,442	193,252
CT Bond Assessment	310				
Bad Debts	2,380	1,947	448	5,283	1,239
301083 Workmans Comp	24,226	19,985	38,988	28,015	41,109
301088 Damages	20,457	24,613	20,566	13,991	8,964
301089 Penalties	250	1,945		825	-
Cash Over/Short			4,622	12,154	6,328
Returned Items	218	700	1,255	1,261	1,102
Chargebacks				1,768	1,260

Actual Revenue & Expenses Comparison  
Five Fiscal Years (Actual)  
 Interstate Navigation Company

	<u>5/31/2001</u>	<u>5/31/2002</u>	<u>5/31/2003</u>	<u>5/31/2004</u>	<u>5/31/2005</u>
Refunds, Voids and Credits	63,612	77,056	81,979	41,391	60,167
302011/20 Municipal Tax (Real Estate & Perso	35,221	35,262	40,089	44,009	34,888
Gross Earnings	86,101	81,352	90,672	91,891	104,637
302015 Annual Report	125	125	125	125	125
302017 Sale and use tax	34,348	36,860	32,955	39,688	43,048
302021 CT Corp Tax	250	250		-	250
302027A Permits and Licenses	1,120	7,853	469	1,410	2,621
302027 Registrations	251		1,027		
302031 Unemployment Comp	704	2,119	3,002	2,868	3,318
302032 Federal Unemployment	5,331	6,228	6,942	6,285	6,484
302035 RI Unemployment	61,150	67,820	65,994	72,123	69,492
302050 Vessel Maintenance	284,443	244,225	196,604	210,350	242,599
302055 Payroll Service	7,330	9,370	11,858	6,399	5,611
302060 Computer Expense	29,392	24,037	45,975	64,994	63,681
Fuel Expense	416,625	346,843	430,009	455,889	771,927
<b>Total Expenses</b>	<b>7,202,534</b>	<b>7,442,125</b>	<b>7,687,285</b>	<b>7,416,989</b>	<b>8,784,124</b>
<b>Net Income (Loss)</b>	<b>\$ 515,250</b>	<b>\$ 157,507</b>	<b>\$ (393,195)</b>	<b>\$ (159,650)</b>	<b>\$ 39,279</b>

**Passenger & Vehicle Revenue Derived from Fuel Factor**  
**Interstate Navigation Company**

**Schedule DGB-5**

<b>Month Recovered</b>	<b>(A) Fuel Recovery</b>	<b>Average Passenger Count</b>	<b>Average Vehicle Count</b>	<b>Fuel Factor (rounded to nearest .05)</b>	<b>Passenger Fuel Factor Revenue</b>	<b>Vehicle Fuel Factor Revenue</b>
December 2004	\$ 10,705.98	7,557	2,233	0.50	\$ 3,778.50	\$ 1,116.50
January 2005	8,779.84	7,750	2,136	0.50	3,875.00	1,068.00
February 2005	7,649.31	8,949	2,342	0.50	4,474.50	1,171.00
March 2005	9,170.64	15,113	3,487	0.50	7,556.50	1,743.50
April 2005	14,522.32	30,460	5,138	0.40	12,184.00	2,055.20
May 2005	21,795.71	53,143	6,859	0.35	18,600.05	2,400.65
June 2005	23,993.08	94,943	9,458	0.25	23,735.75	2,364.50
July 2005	41,157.30	126,639	11,148	0.30	37,991.70	3,344.40
August 2005	66,012.87	91,193	9,231	0.65	59,275.45	6,000.15
September 2005	85,057.37	40,136	6,470	1.85	74,251.60	11,969.50
October 2005	60,686.61	20,054	4,374	2.50	50,135.00	10,935.00
November 2005	37,120.60	11,334	2,645	2.65	30,035.10	7,009.25
	<u>\$ 386,651.63</u>				<u>\$ 325,893.15</u>	<u>\$ 51,177.65</u>

(A) Obtained from DGB-5a



**Analysis of Fuel Expense- Costs Eligible for Recovery**  
**Interstate Navigation Company**

**Schedule DGB-5a**

Date	(A)	(A)	(A)	(B)	(C)
	Gallons	Average Fuel Cost	Total Fuel	Fuel Floor	Fuel Recovery
Recovered December 2004	21,568	\$ 1.70	\$ 36,587.58	\$ 25,881.60	\$ 10,705.98
Recovered January 2005	24,376	1.56	38,031.04	29,251.20	8,779.84
Recovered February 2005	18,541	1.61	29,898.51	22,249.20	7,649.31
Recovered March 2005	20,120	1.66	33,314.64	24,144.00	9,170.64
Recovered April 2005	21,686	1.87	40,545.52	26,023.20	14,522.32
Recovered May 2005	33,190	1.86	61,623.71	39,828.00	21,795.71
Recovered June 2005	45,749	1.72	78,891.88	54,898.80	23,993.08
Recovered July 2005	55,080	1.95	107,253.30	66,096.00	41,157.30
Recovered August 2005	88,186	1.95	171,836.07	105,823.20	66,012.87
Recovered September 2005	91,426	2.13	194,768.57	109,711.20	85,057.37
Recovered October 2005	53,122	2.34	124,432.65	63,746.04	60,686.61
Recovered November 2005	34,012	2.29	77,935.00	40,814.40	37,120.60
	<u>507,056</u>		<u>\$ 995,118.47</u>	<u>\$ 608,466.84</u>	<u>\$ 386,651.63</u>

(A) Obtained from DGB-5b

(B) Calculated Gallons x Floor Rate \$1.20 = Fuel Floor

(C) Total Fuel less Fuel Floor = Fuel Recovery

Analysis of Fuel Expense  
Interstate Navigation Company

Schedule DGB-5b  
Page 1 of 3

Date	Gallons	Price	Fuel cost	Tax	Total	Monthly Total		
						Fuel Costs	Gallons	Average
11/5/2004	2,204	\$ 1.55	\$ 3,416.20	\$ 239.13	\$ 3,655.33			
11/12/2004	2,213	1.53	3,377.04	236.39	3,613.43			
11/16/2004	3,110	1.51	4,692.99	328.51	5,021.50			
11/19/2004	6,556	1.60	10,515.82	736.11	11,251.93			
11/23/2004	2,557	1.62	4,134.67	289.43	4,424.10			
11/26/2004	2,028	1.64	3,315.78	232.10	3,547.88			
11/27/2004	2,900	1.64	4,741.50	331.91	5,073.41			
						36,587.58	21,568	1.696383
12/4/2004	3,722	\$ 1.39	\$ 5,173.58	\$ 362.15	\$ 5,535.73			
12/7/2004	3,606	1.42	5,102.49	357.17	5,459.66			
12/14/2004	5,008	1.41	7,061.28	494.29	7,555.57			
12/15/2004	3,001	1.47	4,405.47	308.38	4,713.85			
12/21/2004	4,801	1.57	7,527.97	526.96	8,054.93			
12/28/2004	4,238	1.48	6,272.24	439.06	6,711.30			
						38,031.04	24,376	1.560184
1/4/2005	4,100	\$ 1.41	\$ 5,789.20	\$ 405.24	\$ 6,194.44			
1/11/2005	5,141	1.47	7,577.83	530.45	8,108.28			
1/18/2005	4,800	1.53	7,344.00	514.08	7,858.08			
1/25/2005	4,500	1.61	7,231.50	506.21	7,737.71			
						29,898.51	18,541	1.612562
2/1/2005	5,103	\$ 1.56	\$ 7,945.37	\$ 556.18	\$ 8,501.55			
2/8/2005	4,840	1.45	7,018.00	491.26	7,509.26			
2/15/2005	4,665	1.50	6,992.84	489.50	7,482.33			
2/23/2005	3,508	1.65	5,802.23	406.16	6,208.39			
2/25/2005	2,004	1.69	3,376.74	236.37	3,613.11			
						33,314.64	20,120	1.655797
3/1/2005	3,306	\$ 1.71	\$ 5,653.26	\$ 395.73	\$ 6,048.99			
3/8/2005	4,849	1.71	8,291.79	580.43	8,872.22			
3/15/2005	4,317	1.77	7,619.51	533.37	8,152.87			
3/22/2005	4,711	1.78	8,376.16	586.33	8,962.49			
3/29/2005	4,503	1.77	7,952.30	556.66	8,508.96			
						40,545.52	21,686	1.869663
4/5/2005	3,573	\$ 1.89	\$ 6,742.25	\$ 471.96	\$ 7,214.21			
4/8/2005	4,550	1.80	8,180.90	572.66	8,753.56			
4/12/2005	5,509	1.73	9,536.08	667.53	10,203.60			
4/15/2005	4,075	1.69	6,870.45	480.93	7,351.38			
4/19/2005	3,932	1.67	6,546.78	458.27	7,005.05			
4/22/2005	3,298	1.74	5,738.52	401.70	6,140.22			
4/26/2005	4,234	1.72	7,265.54	508.59	7,774.13			
4/29/2005	4,019	1.67	6,711.73	469.82	7,181.55			
						61,623.71	33,190	1.856695
5/3/2005	4,716	\$ 1.65	\$ 7,800.26	\$ 546.02	\$ 8,346.28			
5/6/2005	4,076	1.64	6,700.94	469.07	7,170.01			
5/10/2005	3,830	1.62	6,219.92	435.39	6,655.31			
5/13/2005	4,055	1.60	6,479.89	453.59	6,933.48			
5/17/2005	6,021	1.57	9,434.91	660.44	10,095.35			
5/20/2005	4,028	1.57	6,307.85	441.55	6,749.40			
5/24/2005	4,540	1.54	6,991.60	489.41	7,481.01			
5/27/2005	5,976	1.63	9,758.81	683.12	10,441.92			
5/28/2005	3,002	1.65	4,953.30	346.73	5,300.03			
5/31/2005	5,505	1.65	9,083.25	635.83	9,719.08			

**Analysis of Fuel Expense**  
**Interstate Navigation Company**

Date	Gallons	Price	Fuel cost	Tax	Total	Monthly Total		
						Fuel Costs	Gallons	Average
						78,891.88	45,749	1.72445
6/3/2005	5,019	1.73	8,697.93	608.85	9,306.78			
6/7/2005	5,904	1.81	10,698.05	748.86	11,446.91			
6/10/2005	4,338	1.80	7,825.75	547.80	8,373.55			
6/11/2005	2,710	1.80	4,878.00	341.46	5,219.46			
6/14/2005	5,144	1.85	9,516.40	666.15	10,182.55			
6/16/2005	3,302	1.81	5,970.02	417.90	6,387.92			
6/17/2005	2,003	1.81	3,625.43	253.78	3,879.21			
6/18/2005	2,325	1.84	4,268.70	298.81	4,567.51			
6/21/2005	7,034	1.84	12,942.56	905.98	13,848.54			
6/22/2005	2,652	1.81	4,810.73	336.75	5,147.48			
6/24/2005	4,286	1.80	7,731.94	541.24	8,273.18			
6/25/2006	2,696	1.85	4,987.60	349.13	5,336.73			
6/28/2005	7,667	1.86	14,283.62	999.85	15,283.47			
						107,253.30	55,080	1.947228
7/1/2005	6,537	1.82	11,910.41	833.73	12,744.14			
7/2/2005	3,021	1.89	5,700.63	399.04	6,099.67			
7/5/2005	7,042	1.88	13,238.96	926.73	14,165.69			
7/5/2005	2,550	1.88	4,794.00	335.58	5,129.58			
7/8/2005	6,299	1.94	12,245.26	857.17	13,102.42			
7/9/2005	2,800	1.88	5,264.00	368.48	5,632.48			
7/12/2005	9,519	1.85	17,610.15	1,232.71	18,842.86			
7/15/2005	7,006	1.81	12,645.83	885.21	13,531.04			
7/16/2005	2,819	1.81	5,096.75	356.77	5,453.52			
7/19/2005	9,573	1.81	17,327.13	1,212.90	18,540.03			
7/20/2005	2,001	1.78	3,561.78	249.32	3,811.10			
7/22/2005	6,805	1.74	11,827.09	827.90	12,654.99			
7/23/2005	2,900	1.72	4,988.00	349.16	5,337.16			
7/26/2005	9,431	1.75	16,466.53	1,152.66	17,619.18			
7/27/2005	1,440	1.77	2,551.68	178.62	2,730.30			
7/29/2005	5,514	1.82	10,035.48	702.48	10,737.96			
7/30/2005	2,929	1.82	5,330.78	373.15	5,703.93			
						171,836.07	88,186	1.948564
8/2/2005	9,470	1.84	17,443.74	1,221.06	18,664.80			
8/3/2005	2,053	1.86	3,810.37	266.73	4,077.09			
8/5/2005	6,229	1.85	11,523.65	806.66	12,330.31			
8/6/2005	2,951	1.87	5,527.22	386.91	5,914.13			
8/9/2005	9,413	1.93	18,204.74	1,274.33	19,479.07			
8/10/2005	1,975	1.94	3,821.63	267.51	4,089.14			
8/12/2005	4,929	2.06	10,163.60	711.45	10,875.05			
8/13/2005	2,768	2.07	5,735.30	401.47	6,136.77			
8/16/2005	9,643	2.09	20,105.66	1,407.40	21,513.05			
8/17/2005	2,802	2.04	5,724.49	400.71	6,125.20			
8/19/2005	4,982	1.95	9,689.99	678.30	10,368.29			
8/20/2005	2,840	1.99	5,645.92	395.21	6,041.13			
8/23/2005	6,984	1.98	13,814.35	967.00	14,781.36			
8/23/2005	2,400	1.96	4,708.80	329.62	5,038.42			
8/24/2005	2,644	1.98	5,227.19	365.90	5,593.09			
8/25/2005	1,438	2.04	2,929.21	205.04	3,134.25			
8/26/2005	5,193	2.04	10,572.95	740.11	11,313.05			
8/27/2005	2,995	2.01	6,019.95	421.40	6,441.35			

Analysis of Fuel Expense  
Interstate Navigation Company

Date	Gallons	Price	Fuel cost	Tax	Total	Monthly Total		
						Fuel Costs	Gallons	Average
8/30/2005	9,717	2.20	21,357.97	1,495.06	22,853.02			
						194,768.57	91,426	2.130341
9/1/2005	1,500	2.26	3,396.00	237.72	3,633.72			
9/2/2005	5,674	2.42	13,702.71	959.19	14,661.90			
9/3/2005	2,715	2.26	6,130.47	429.13	6,559.60			
9/6/2005	8,624	2.26	19,472.99	1,363.11	20,836.10			
9/9/2005	3,712	2.13	7,899.14	552.94	8,452.08			
9/10/2005	3,000	2.06	6,165.00	431.55	6,596.55			
9/13/2005	5,504	2.04	11,244.67	787.13	12,031.80			
9/16/2005	1,964	2.05	4,034.06	282.38	4,316.44			
9/17/2005	2,361	2.04	4,816.44	337.15	5,153.59			
9/20/2005	4,827	2.14	10,329.78	723.08	11,052.86			
9/21/2005	2,153	2.17	4,665.55	326.59	4,992.14			
9/23/2005	1,020	2.19	2,233.80	156.37	2,390.17			
9/24/2005	2,341	2.10	4,903.77	343.26	5,247.03			
9/27/2005	5,760	2.20	12,695.04	888.65	13,583.69			
9/30/2005	1,967	2.34	4,602.78	322.19	4,924.97			
						124,432.65	53,122	2.342407
10/1/2005	1,705	2.31	3,931.73	275.22	4,206.95			
10/4/2005	3,239	2.21	7,167.91	-	7,167.91			
10/4/2005	6,205	2.26	14,035.71	982.50	15,018.21			
10/7/2005	3,465	2.17	7,519.05	526.33	8,045.38			
10/11/2005	6,056	2.14	12,935.62	905.49	13,841.11			
10/18/2005	4,869	2.14	10,429.40	730.06	11,159.46			
10/21/2005	3,669	2.07	7,576.49	530.35	8,106.84			
10/25/2005	3,003	2.02	6,066.06	424.62	6,490.68			
10/28/2005	1,801	2.02	3,643.42	255.04	3,898.46			
						77,935.00	34,012	2.291397
	<u>507,056</u>					<u>\$ 995,118.47</u>		

**BALANCE SHEET**  
**ASSETS & OTHER DEBITS**

Description	Balance Per 5/31/05 Annual Report	Balance Per Test Year
<b>CURRENT ASSETS:</b>		
Cash	\$ 1,766,752	\$ 2,473,649
Accounts Receivable – Trade		
Less: Allowance for Doubtful Accounts		
Net Accounts Receivable – Trade	277,143	218,128
Receivables – Associated Companies		
Receivables – Other	44,894	59,980
Prepaid Expenses	207,415	133,387
Deposits	1,000	1,000
Total Current Assets	\$ 2,297,204	\$ 2,886,144
<b>PROPERTY, PLANT &amp; EQUIPMENT:</b>		
Land		
Vessels	\$ 14,396,359	\$ 14,396,359
Vessels Improvements	3,454,358	3,462,388
Office & Terminal Equipment	1,031,895	1,031,895
Buildings	537,501	537,501
Docks	2,291,082	2,306,294
Stagings	817,598	954,717
Vehicles	128,847	123,306
Less – Accumulated Depreciation	9,590,840	10,109,916
Total Property, Plant, and Equipment	\$ 13,066,800	\$ 12,702,544
<b>OTHER ASSETS</b>		
Restricted Cash	\$ 491,528	\$ 494,450
Prepaid Expense		
Deferred Income Taxes	93,315	93,315
Deferred Debits	31,200	31,200
Total Other Assets	\$ 616,043	\$ 618,965
Total Assets	\$ 15,980,047	\$ 16,207,653

**BALANCE SHEET  
CAPITALIZATION AND LIABILITIES**

Description	Balance at Beginning of Year	Balance at End of Year
<b>CURRENT LIABILITIES:</b>		
Bonds Payable Within One Year	\$ 900,037	\$ 516,354
Payables – Associated Companies	47,175	31,554
Payables – Other	218,543	229,534
Accrued & Withheld Payroll Taxes	22,380	0
Accrued Interest		
Accrued Payroll and Vacation Pay	56,624	0
Accrued Pension	25,383	55,600
Charter Deposits		
Accrued Taxes		
Accrued Expenses – Other	95,309	465,478
Deferred Income Tax		
Unearned Revenue	228,906	8,688
Total Current Liabilities	\$ 1,594,357	\$ 1,307,208
<b>LONG-TERM DEBT</b>		
Bond Payable less Bonds Payable Within One Year (entered above as current liability)	\$ 10,451,622	\$ 10,207,653
<b>CAPITALIZATION:</b>		
<b>Common Equity</b>		
Common Stock	\$ 17,600	\$ 17,600
Other Paid-in Capital	382,951	382,951
Unappropriated Retained Earnings	3,533,517	4,292,241
Total Common Equity	\$ 3,934,068	\$ 4,692,792
Contributed Capital		
Preferred Stock		
Total Capitalization	\$ 3,934,068	\$ 4,692,792
Total Capitalization and Liabilities	\$ 15,980,047	\$ 16,207,653

A Statement of Changes in  
Retained Earnings for Test Year  
Interstate Navigation Company

**Schedule DGB-7**

Retained Earnings per 5/31/05 Annual Report	\$ 3,533,517
Net Income (6/1/05 -11/30/05) DGB-3	1,149,581
FIT (6/1/05-11/30/05) not included on DGB-3	<u>(390,857)</u>
<b>Test Year Retained Earnings</b>	<b><u><u>\$ 4,292,241</u></u></b>