

Schacht & McElroy

Robert M. Schacht
Michael R. McElroy

Attorneys at Law

(401) 351-4100
fax (401) 421-5696

Members of Rhode Island
and Massachusetts Bars

21 Dryden Lane
Post Office Box 6721
Providence, Rhode Island 02940-6721

email: RMSchacht@aol.com
McElroyMik@aol.com

September 28, 2006

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

Re: Interstate Navigation Company
Docket No. 3762

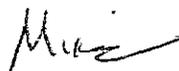
Dear Luly:

As you know, this office represents Interstate Navigation Company (Interstate).

Enclosed for filing are an original and nine copies of Interstate's responses to the 2nd set of data requests of the Division of Public Utilities and Carriers.

If you have any questions, please feel free to call.

Very truly yours,



Michael R. McElroy

MRMc:tmg

In26:06-Massar012

cc: Susan E. Linda
Joshua Linda
Walter E. Edge, Jr., CPA
David Bebyn, CPA
Service List

SECOND SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 2-1. Referring to Edge testimony, pages 19-20, please provide a complete description of what the credit card administration expense represents. The response should explain the services for which the Company accepts credit cards, what the fees are for, and how they are determined.

Response: Interstate accepts credit cards for all tickets sold and for freight charges. Concessions, however, do not accept credit cards. The expense represents the charge levied by the credit card authorizing company Paymentech. The fees vary based on number of factors. See Attachment for further details.

Prepared by WEE

Credit Card Admin Fees

Credit card company "Paymentech"

Credit card rates--American Express	3.23% plus \$4.50
Discover Card	2.40%

BI Ticket office	Master/Visa cards	2.51% swiped cards
		3.06% key entered cards
		3.75% non conforming cards

PJ Ticket office	Master/Visa cards	2.13% swiped cards
		2.86% key entered cards
		3.45% non conforming cards

Car reservations	Master/Visa cards	2.71% key entered cards
		3.23% non conforming cards

Plus additional fee of \$6.85 per merchant account opened before 2003 and \$9.85 for all newer accounts.

Debit card rates	1.59% swiped card
	2.09% key entered card
	2.29% non conforming card

SECOND SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 2-2. If available, please provide the credit card fees by month in the test year.

Response: See attached.

Prepared by WEE

Analysis of Credit Card Admin Fees
Interstate Navigation Company

<u>Month</u>		
December 2004	\$	3,207.84
January 2005		2,264.96
February 2005		11,933.52
March 2005		6,472.60
April 2005		6,489.85
May 2005		8,407.29
June 2005		9,205.95
July 2005		15,203.07
August 2005		19,199.15
September 2005		20,550.23
October 2005		11,494.92
November 2005		6,048.73
	\$	<u>120,478.11</u>

SECOND SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 2-3. To the extent that the Company accepts credit card payment for future services at the time that reservations are taken for such services, please provide specific citation to the Company's tariffs (or terms and conditions) that authorize the receipt of advance payment for future services.

Response: For years, Interstate Navigation has required that vehicle reservations must be made in advance by telephone and prepaid by credit card. Confirmatory letters are then mailed to the customer. Without this procedure, we would have vehicle confusion and even chaos during the peak summer travel periods. Customers would make reservations to "hold" a spot for many trips if it cost nothing to make such a reservation, whether or not they were certain they would be traveling.

Although there is no specific tariff that we are aware of that addresses this issue it is included in Interstate's ferry schedule and on Interstate's website. A copy of the 2006 ferry schedule and web page is attached to this response. Please note that the schedule specifically states:

"Car reservations: All vehicle reservations must be made in advance by telephone and prepaid by credit card."

In addition, with each rate case, the taking of advance vehicle reservations by way of credit card has been made known to the Division and the Commission and there has never been any objection raised to this procedure.

If the Division and/or the Commission prefers that this practice be included in a specific tariff, we would suggest that in the proposed new tariffs, Rule No. 60 be amended so that the first sentence of Rule No. 60 would read "All vehicle reservations must be made in advance by telephone and prepaid by credit card."

Prepared by: Michael R. McElroy,
Legal Counsel, with assistance from
Janette Centracchio

INTERSTATE NAVIGATION CO.
NEWPORT - BLOCK ISLAND

July 1 to September 4

Leave: Fort Adams, Newport
 Arrive: Old Harbor, Block Island
 Leave Newport 9:15 a.m.
 Leave Block Island 4:45 p.m.

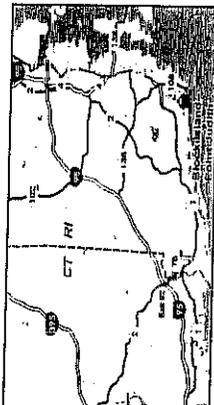
Approximate sailing time 2 hours

★ ★ ★ ★ ★	RATES	★ ★ ★ ★ ★
*Adult - One Way	.....	\$5.00
*Same Day Round Trip	.....	\$13.00
*/Senior Citizen - One Way	.....	\$6.50
*/Same Day Round Trip	.....	\$12.00
Child - One Way	.....	\$4.00
Same Day Round Trip	.....	\$8.00
Bicycle - One Way	.....	\$2.50

***Must be 65 and over

*Rate includes town landing fee

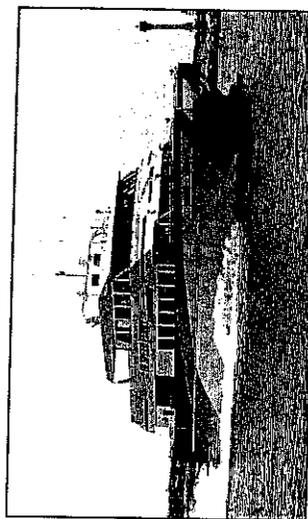
NO CREDIT CARDS ARE ACCEPTED AT THIS LOCATION



DIRECTIONS TO POINT JUDITH FERRY DOCK
 On 96N take Exit 92. Bear right onto N. Scarborough, Rte. 75, at end Rte. 78, take left onto Rte. 1N. (Look for big sign that says "Block Island Ferry"). Travel on Rte. 1N until the Gailee, Pt. Judith exit, Rte. 108. Bear right onto Rte. 108S (Pt. Judith Exit) for approx. 3 mi. until a right hand exit for the Block Island Ferry. We are located at the Gailee State Pier, across from the Department of Environmental Management.

On 96S take Exit 9, (Narragansett exit) to Rte. 4, Rte. 108S. On Rte. 108S, look for exit for Narragansett, Rte. 108. Continue on Rte. 108S for approx. 3 mi. until a right hand exit for the Block Island Ferry. We are located at the Gailee State Pier, across from the Department of Environmental Management. Parking facilities are available but are not affiliated with this company.

For information on Block Island contact Block Island Chamber of Commerce, Drawer C, Block Island, RI 02267 (401) 466-2992



BLOCK ISLAND HI-SPEED FERRY
POINT JUDITH TO OLD HARBOR, BLOCK ISLAND
IN 30 MINUTES

Dates	Days	Departing Point Judith	Departing Block Island
May 26 thru	Mon thru	8:30a, 10:30a, 5:30p	9:30a, 4:30p, 6:30p
	Thur		
	Fri	8:30a, 10:30a, 5:30p	9:30a, 4:30p, 6:30p
June 23 thru	Sat, Sun	7:30p	8:15p
		8:30a, 10:30a, 12:30p	9:30a, 11:30a, 1:30p
		3:30p, 5:30p	4:30p, 6:30p

Dates	Days	Departing Point Judith	Departing Block Island
June 24 thru	Mon thru	7:30a, 9:15a, 11:15a	8:15a, 10:15a, 12:20p
	Thur		
	Fri	1:15p, 4:45p, 6:45p	3:45p, 5:45p, 7:35p
Sept 4 thru	Sat, Sun		

Dates	Days	Departing Point Judith	Departing Block Island
Sept 5 thru	Mon thru	8:30a, 10:30a, 5:30p	9:30a, 4:30p, 6:30p
	Thur		
	Fri	8:30a, 10:30a, 5:30p	9:30a, 4:30p, 6:30p
Oct 9 thru	Sat, Sun	7:30p	8:15p
		8:30a, 10:30a, 12:30p	9:30a, 11:30a, 1:30p
		3:30p, 5:30p	4:30p, 6:30p

RATES

*Adult one-way	.....	\$16.00
*Adult round-trip	.....	\$29.85
Child (under 12)	.....	\$8.75
Child round-trip	.....	\$13.50
Bicycle one-way	.....	\$3.00

*Rate includes Town Landing Fees.

RESERVATIONS ARE RECOMMENDED

www.blockislandferry.com

Call for information on group discounts and frequent user cards.
866-783-7996

INTERSTATE NAVIGATION CO.

Main Offices
 Box 482, New London, CT 06320

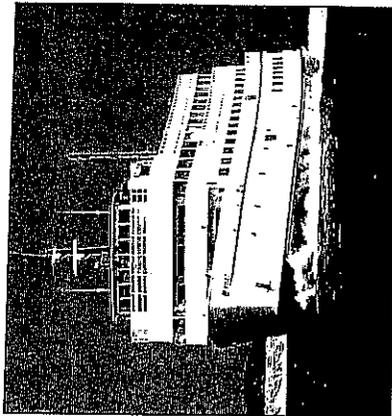
FOR ADDITIONAL INFORMATION

TELEPHONE: MAIN OFFICE NEW LONDON, CONNECTICUT
 (860) 442-7891 and (860) 442-9553 between hours 8:00 a.m. and 4:00 p.m.
 POINT JUDITH, R.I. 02882 TELEPHONE: (401) 783-4613

www.blockislandferry.com

BLOCK ISLAND
RHODE ISLAND
FERRY SCHEDULE

NEW THIS SUMMER!
HI-SPEED FERRY SERVICE
FROM POINT JUDITH TO
OLD HARBOR, BLOCK ISLAND
 SEE DETAILS INSIDE



2006
FERRY SCHEDULE

AS PUBLISHED BY
 INTERSTATE NAVIGATION CO.

www.blockislandferry.com

Daylight Saving Time When In Effect



Block Island Ferry

HOME | FLEET | SCHEDULE | RATES | GROUP SALES | BLOCK ISLAND | TICKETS ONLINE

VEHICLE REGISTRATION PROCEDURES

- 1 All vehicle reservations must be booked in advance, by telephone. Vehicle reservations for summer weekends and holidays should be booked 4 - 5 months in advance.
- 2 All vehicle reservations must be paid in advance by credit card.
- 3 A confirmation letter will be mailed to you once the reservation is made. Upon receiving your letter, please confirm the reservation dates that appear on the letter. If an error is found you must call the reservation office immediately. Please present this letter and a photo ID upon check-in.
- 4 All vehicles with a reservation must be at the dock and checked in at the car ticket window 1-HOUR prior to departure time. Failure to do so could result in reservation forfeiture.
- 5 In the event the ferry is canceled, your reservation is also canceled. Please call reservation office to reschedule.
- 6 All vehicles are transported at the owners risk and must be accompanied by a driver.
- 7 Under Coast Guard regulation #49 CFR 172.101: No full portable gasoline or propane tanks are allowed on vessels carrying passengers.

CANCELLATION POLICY

All Reservations must be cancelled 7 days in advance of departure date to receive a refund, at which time you will be assessed a \$5.00 cancellation fee per one way reservation. Cancellation within 7 days will not be eligible for a refund.

CHANGE POLICY

Reservations may be changed only twice any time prior to seven days before departure. During those seven days only one additional change may be made. Reservations changed within the seven day time period must be used and cannot be changed again or cancelled and issued a refund. Changes must be within the calendar year. Unused reservations are not eligible for a refund or another change.

STANDBY PROCEDURES

If you would like to take your vehicle to Block Island, but are unable to book a reservation, you can inquire about standby, on the date of travel. Traveling standby, does not guaranteed a return reservation.

To travel Standby: Check in at the vehicle reservation lot at least 1 hour prior to departure time. The lot attendant will give you a standby ticket and direct you to the standby lot. You should drive immediately to the standby lot and check in with the attendant in this lot. Once in the standby lot, you cannot leave your vehicle.

If your vehicle is not called for the current ferry, you may remain on standby for the next ferry and your spot in line will be held as long as you remain in the standby lot with your vehicle. Once you or your vehicle leave the standby lot, you place in line is lost. Standby lists do not transfer to the following day.

SECOND SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 2-4. With regard to the Company's application to operate IHSF in 2007, please explain how Interstate will allocate administrative and general expenses to its IHSF division.

Response: Interstate has no intention of allocating any administrative or general expense to the fast ferry operation other than those items that are specific to the fast ferry operations such as fuel, labor and advertising. These specific costs to the fast ferry operation will be charged to the fast ferry operation directly. Overhead allocations of management, electricity, telephone, etc., are meaningless because Interstate will not be adding any material additional administrative or general expense with the addition of the fast ferry. There will be the same number of docks, ticket sellers, dock hands, electricity, etc.

In addition, since Interstate intends to credit all of the profit from the fast ferry to the traditional service any allocating of general and administrative costs would only serve to reduce the profit allocated to the traditional service. Interstate believes that the impact is the same on the ratepayers (if not beneficial) to avoid the cost of doing the allocations and simply transfer a greater profit.

Prepared by WEE

SECOND SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 2-5. Referring to the response to DIV 1-6, does the General and Administrative Expense include an allocation from Interstate, or is the General and Administrative Expense entirely incremental to IHSF? If the former, please provide the allocated expense, and explain how it was determined.

Response: There are no indirect general and administrative costs allocated from the traditional service to the fast ferry in my response to Div 1-6., other than direct. All of the costs are incremental.

Prepared by WEE

SECOND SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 2-6. Referring to the response to DIV 1-7, please provide the same information for Health Ins – Conn.

Response: See attached. In preparation of this data request it was realized that the cost of a plan for one person, who does not work for Interstate Navigation, should not have been included in the CT Health Insurance. Mr. Edge will make this adjustment of (\$14,830.06) in his rebuttal testimony.

Prepared by WEE

Response to DIV 2-6

Calculation of CT Health Ins

Monthly rate per plans	\$	966.25
Number of plans properly included in rates		<u>3</u>
	\$	2,898.75
Months paid per year		<u>12</u>
	\$	34,785.00
Rate Year Increase 11/12 x 15%		<u>1.1375</u>
Rate Year Amount	\$	39,567.94
Rate Year as Filed	\$	<u>54,398.00</u>

Rebuttal Adjustment for one plan \$ (14,830.06)

Interstate is currently paying \$3,865 monthly for 4 plans, but only 3 plans are for Interstate employees.

SECOND SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 2-7. Please provide the renewal rates for each component of health insurance on WEE-5, when available.

Response: As shown on Schedule WEE-5 Interstate's health insurance and Delta Dental rates will not change until January 31st 2007. Therefore, in January of 2007 Interstate will provide the appropriate information to the insurance carriers so that they can calculate the new rates. Should Interstate receive any renewal information before January 2007, Interstate will provided the information to the Division immediately.

Prepared by WEE

SECOND SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 2-8. Referring to the FY 2008 Lapse Schedule (DIV 1-9), Page 1, what is the basis for depreciating the General Additions over 3 years?

Response: These general assets at the time of the filing were not identified since they were to be added during the interim period which was subsequent to the filing. These asset additions however are expected to be for minor reoccurring items. Once these assets are identified the filing will be adjusted accordingly.

Prepared by WEE

SECOND SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 2-9. Referring to the response to DIV 1-19, please explain why none of the "Capital Additions" indicated on Schedule WEE-8 are included in the actual test year Homeland Security expense.

Response: It is important to remember that the test year end (11/30/05) is the mid-point of Interstate fiscal year. Further, the Point Judith project was ongoing (construction in process) and not yet closed out to the appropriate capital and Homeland Security accounts as of the end of the test year. Interstate knew, however, that some of the Point Judith project would eventually be charged to the Homeland Security account but had to wait until the project was nearer completion to determine the correct allocation amounts. In July of 2006, Interstate had substantially completed the Point Judith project and made an allocation of the project costs from the construction in process account (a balance sheet account) to the appropriate balance sheet accounts which included utility plant accounts and Homeland Security (see the footnote on Schedule WEE-8 for the allocation to the Homeland Security account for FYE 2005 and FYE 2006).

Since Interstate intended to request a continuance of the Homeland Security account allowance at the same level, there was no need to close out the construction in process account for the test year.

Prepared by WEE

SECOND SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 2-10. Referring to the response to DIV 1-20, to what accounts are the revenues earned from the referenced services credited?

Response: Freight.

Prepared by WEE

SECOND SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 2-11. Referring to the response to DIV 1-20, if Interstate "makes money" on the referenced transactions, why is the pro forma increase in expense not offset by a pro forma increase in revenue?

Response: Interstate reviewed all the revenues as a whole and determined that the revenue accounts in total have remained constant for the past few years. Interstate was aware that some revenue accounts, like freight, had grown over the past few years while others such as passenger revenue had decreased. The conclusion made was that overall revenue would be about the same in the rate year as it was in the test year.

If the Division were to make an adjustment to the Freight Revenue account similar to the adjustment that Interstate is proposing for Local Transfer account then the Division would synchronize revenue and expense related to the UPS activity, but I believe this would throw out of balance the revenue accounts.

Prepared by WEE

SECOND SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 2-12. What were the amounts of legal fees related to "Island Hi-Speed Ferry" and "CPCN" in the twelve months ended November 30, 2005?

Response: See attached.

Prepared by WEE (assisted by staff
in McElroy's office)

Selection Criteria

Slip Classification Open
Slip Date 12/1/2004 - 11/30/2005
Cie. Selection Include: In.Hi speed

<u>Title</u>	<u>Amount</u>	<u>% Total</u>	<u>Time</u>	<u>% Total</u>
In.Hi speed				
Total: Slip Value	47010.50	100.00%	153.48	100.00%
<hr/>				
Grand Total				
Total: Slip Value	<u>47010.50</u>	<u>100.00%</u>	<u>153.48</u>	<u>100.00%</u>

Selection Criteria

Slip Classification Open
Slip Date 12/1/2004 - 11/30/2005
Clie. Selection Include: In.CPCN

<u>Title</u>	<u>Amount</u>	<u>% Total</u>	<u>Time</u>	<u>% Total</u>
In.CPCN				
Total: Slip Value	74759.71	100.00%	242.49	100.00%
	<hr/>	<hr/>	<hr/>	<hr/>
Grand Total				
Total: Slip Value	<u>74759.71</u>	<u>100.00%</u>	<u>242.49</u>	<u>100.00%</u>

SECOND SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 2-13. Referring to the response to DIV 1-25, what do the hand written numbers at the bottom of the attachment represent?

Response: See attached. In preparation of this data request it was realized that the amount for the Bus invoice should have been included in the rate year figures, but it was not because we did have the amount available as of the time of the filing. Similar to the adjustment indicated in the response to DIV 2-6, Mr. Edge will make this adjustment of \$7,615.92 in his rebuttal testimony.

Prepared by WEE

Response to DIV 2-13

Detail regarding insurance premiums and the hand written numbers on the attachment to DIV 1-25:

Travelers Insurance - Auto	\$ 12,340.00
Water Quality - Pollution	5,317.92
Terrorism Coverage	5,794.00
Durfee-Buffington - Fire Ins	2,826.00
Progressive - Bus	<u>7,338.00</u>
Miscellaneous premiums	\$ 33,615.92
Miscellaneous premiums per Rate Year as Filed	<u>\$ 26,000.00</u>
Rebuttal Adjustment	\$ 7,615.92

SECOND SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 2-14. Referring to the response to DIV 1-25, why did the Hull & Machinery renewal premium increase so much in 2006?

Response: Interstate's lender (Washington Trust Company) demanded that Interstate increase the insured coverage on all of its vessels to equal Interstate's most recent vessel appraisals. Since the vessels had appreciated in value the insurance cost increased significantly. It should be further noted that Insurance costs have increased for all utilities since 9/11 and Interstate is no exception.

Prepared by WEE

SECOND SET OF DATA REQUESTS OF
THE DIVISION OF PUBLIC UTILITIES AND CARRIERS TO
INTERSTATE NAVIGATION COMPANY

DIV 2-15. Referring to Schedule DGB-6, what does the deferred tax debit balance of \$93,315 represent? The response should fully explain the tax timing difference giving rise to the deferred tax balance.

Response: The deferred tax debit balance of \$93,315 represents approx. 22% (an average of the tax rates) of the net operating loss, \$424,996, that exists on the tax return FYE 5/31/05.

Prepared by DGB