

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: INTERSTATE NAVIGATION FILING TO :
ADJUST 2009 RATES BASED ON THE : DOCKET NO. 3762
CONSUMER PRICE INDEX :

REPORT AND ORDER

In Docket No. 3762, the Public Utilities Commission (“Commission”) approved a multi-year rate plan for Interstate Navigation Company (“Interstate” or “Company”), the result of a Settlement that provided for a two year rate freeze through December 31, 2008. For the post-settlement period, the Settlement included the following provision:

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 increases authorized pursuant to this paragraph.¹

At its hearing on December 12, 2006, the Commission reviewed the Settlement and asked questions regarding the Settlement as a whole and the above-referenced provision in particular.² At its Open Meeting on December 27, 2006, the Commission approved the Settlement.

On October 23, 2008, Interstate submitted a filing to the Commission “requesting an automatic CPI rate increase for its traditional ferry service to become effective on January 1, 2009, as provided in the Rate Plan approved in Docket No. 3762.”³ Interstate provided testimony and supporting schedules of Walter Edge, its consultant. Mr. Edge explained that he used the twelve-month period ending September 30, 2007 CPI-U

¹ Order No. 18957, Appendix A (Amended Settlement Agreement), p. 7.

² Order No. 18957, pp. 25-26

³ Filing Letter dated 10/23/08.

Northeast and compared it to the September 30, 2008 CPI-U Northeast and using the Bureau of Labor Statistics database found that the percentage change was 5.2%. The impact of the proposal is an across-the-board increase of 5.2% on most rate classes. If approved, the adult round trip fare from Point Judith to Block Island, will increase by \$0.85, or 5.14%, from \$16.55 to \$17.40, and the child round trip fare will increase by \$0.45, or 5.49%, from and \$8.20 to \$8.65. Autos will increase by \$2.35, or 5.2%, from 45.00 to \$47.35 for a one-way ticket. Pick-up trucks, vans and SUV's will increase by \$2.80, or 5.2%, from \$54.30 to \$57.10 for a one-way ticket.⁴ These increases do not affect the Commuter Rate, the Commuter Vehicle Rate or the Freight Rates.

At the pre-hearing conference held on November 12, 2008, Interstate and the Division of Public Utilities and Carriers ("Division"), requested the Commission find good cause under R.I. Gen. Laws § 39-3-12 not to hold a hearing on the proposed increase. The Town of New Shoreham had already made such a request to the Commission, noting that it had no objection to Interstate's filing, assuming the calculations were correct.⁵

On November 20, 2008, the Division submitted a Memorandum from John Bell, Public Utilities Analyst, stating that based on its review of Interstate's filing, the Company calculated the rates correctly and consistently with the intent of the Settlement. Additionally, Mr. Bell noted that "Interstate used the correct inflation factor and applied

⁴ Pre-Filed Testimony of Walter Edge, p. 2, WEE-A, Attachment 1. In accordance with its practice, Interstate's rates have been rounded to the nearest nickel, resulting in a slight deviations in the percentage increase.

⁵ E-mail from Nancy O. Dodge, Town Manager, to Luly Massaro, 11/10/08.

it to all rate categories except for commuters, commuter vehicles, freight or fast ferry service.”⁶ Therefore, the Division recommended the Commission approve the filing.⁷

On November 26, 2008, the Commission caused a Notice to Solicit Comments to be published in the *Providence Journal*, *Narragansett Times* and the *Block Island Times*, providing interested parties and members of the public an opportunity to offer written comments regarding Interstate’s filing by December 9, 2009. No comments were submitted in response to the Notice.

At its open meeting held on December 23, 2008, the Commission reviewed the record and approved Interstate’s proposed rate adjustment for effect on January 1, 2009. The Commission also specifically found that good cause exists under R.I. Gen. Laws § 39-3-12 to grant the request of the parties to approve the rate change without a hearing. The Commission’s general policy is that when there is a rate increase, a hearing is required. In general, when the Commission has found good cause to waive a hearing under R.I. Gen. Laws § 39-3-12, it has either been when there is a rate decrease and the decrease should go into effect as soon as possible, or in the cases of the Providence/Newport Ferry run by RIPTA or the Jamestown/Newport Ferry rate changes, it has been because those services are purely discretionary.

In this case, following a two year rate freeze, Interstate is seeking a rate increase based on a previously approved calculation and therefore, would generally be found to require a hearing. However, the increase does not apply to the lifeline services (commuter rates, commuter vehicles and freight). One could argue that it will affect

⁶ Memorandum from John Bell to Luly Massaro, Commission Clerk, 11/20/08.

⁷ *Id.*

summer workers on Block Island who do not have a Block Island license. However, such arguments will not change the calculation previously approved by the Commission.

By analogy, under its current Alternative Regulation Plan, approved in August 2005, Verizon was authorized to reduce its Lifeline subsidy from \$9 per month in 2005 to \$8 per month in 2006 to \$7 per month in 2007, effectively raising rates by \$1 per month. These changes were incorporated without additional hearings following the 2005 Order. The prior Alternative Regulation Plan allowed Verizon to raise rates by \$1 per month each year of the three year plan. Verizon did so on two occasions, each time without a hearing following the issuance of the Alternative Regulation Order. The basis for waiving a hearing in those instances was the fact that the public and the parties had the opportunity to comment or provide evidence on proposals.

In this instance, the Settlement includes an automatic increase based on the calculation of the difference in the CPI-U Northeast on September of the current year versus the CPI-U Northeast on September of the prior year and requires no discretionary determination by the Commission. This provision was the subject of the Commission's hearing on December 12, 2006 at which time, the Commission devoted significant time at the hearing on this very provision. Therefore, because the methodology for this proposed rate adjustment has been vetted by the Commission at an earlier time in this docket, there is no need to repeat the process.

The only matter remaining for Commission review is whether the Company followed the methodology correctly and calculated the rates in accordance with that previously approved methodology. Based on its own review and the Memorandum from the Division, the Commission finds that Interstate correctly determined the percentage

change in the CPI-U Northeast from 2007 to 2008 and accurately applied the percentage to its rates.

Accordingly, it is

(19568) ORDERED:

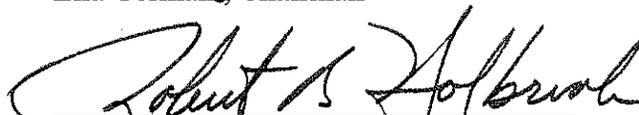
1. Interstate Navigation Company's Filing to Adjust Rates based on the annual change in the CPI-U Northeast made on October 23, 2008 is hereby approved for effect January 1, 2009.
2. Interstate Navigation Company shall comply with all findings and instructions contained in this Report and Order.

EFFECTIVE IN WARWICK, RHODE ISLAND ON JANUARY 1, 2009,
PURSUANT TO AN OPEN MEETING DECISION ON DECEMBER 23, 2008.
WRITTEN ORDER ISSUED FEBRUARY 3, 2009.

PUBLIC UTILITIES COMMISSION



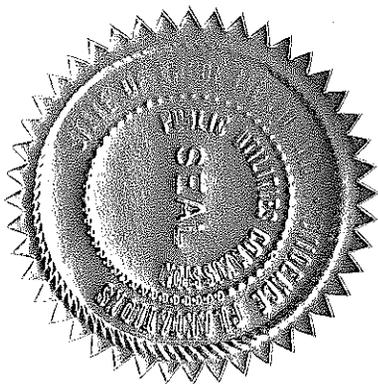
Elia Germani, Chairman



Robert B. Holbrook, Commissioner



Mary E. Bray, Commissioner



NOTICE OF RIGHT OF APPEAL PURSUANT TO R.I.G.L. SECTION 39-5-1, ANY PERSON AGGRIEVED BY A DECISION OR ORDER OF THE COMMISSION MAY, WITHIN SEVEN DAYS (7) DAYS FROM THE DATE OF THE ORDER, PETITION THE SUPREME COURT FOR A WRIT OF CERTIORARI TO REVIEW THE LEGALITY AND REASONABLENESS OF THE DECISION OR ORDER.