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December 22, 2010

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

Re: Interstate Navigation Company
Docket No. 3762 – ROE Compliance Rate Filing – Traditional Ferry Service

Dear Luly:

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

Enclosed for filing are the original and nine (9) copies of a Return on Equity (ROE) Compliance Rate Filing pursuant to Interstate's Rate Plan. Interstate is requesting an automatic ROE rate increase for its traditional ferry service of 1.92% across-the-board to become effective on January 1, 2011, as provided in the Rate Plan approved in Docket No. 3762.

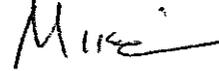
Enclosed are the following:

1. Application.
2. The direct testimony of Walter E. Edge, Jr., MBA, CPA, with attached exhibits, including the old and new passenger and vehicle tariffs.
3. Two copies of the new freight tariffs (the old freight tariffs are posted on The Block Island Ferry website <http://www.blockislandferry.com/rates.htm>).
4. A Proposed notice for your review and comment.

Digital files will also be emailed to you.

Please let me know if you need any further information or documentation.

Very truly yours,



Michael R. McElroy

MRMc:tmg

cc: Thomas Ahern, Administrator
Leo Wold, Esq.
Katherine Merolla, Esq.
Block Island Town Clerk (certified mail, RRR)
Narragansett Town Clerk
Mark McSally, Esq.
Newport City Clerk
Susan E. Linda
Joshua Linda
Walter E. Edge, Jr., MBA, CPA

Interstate/ROE/Massar04

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: INTERSTATE NAVIGATION COMPANY : DOCKET No.: 3762

**RATE CHANGE APPLICATION RE:
AUTOMATIC RETURN ON EQUITY (ROE) INCREASE**

Pursuant to R.I.G.L. § 39-1-1 et seq., and the Rate Plan in this docket, Interstate Navigation Company hereby applies for authorization and permission to increase its rates by 1.92% across-the-board, as shown on the proposed tariffs attached to the testimony of Walter E. Edge, Jr.

The following is provided pursuant to Rule 1.9 of the Rules of Practice and Procedure:

1. **NAME OF APPLICANT:** The Interstate Navigation Company, a Connecticut Corporation licensed to do business in Rhode Island.
2. **PLACE OF BUSINESS:** The Company's principal Rhode Island operations are in Point Judith and Block Island. However, the Company's Administrative Offices are at 12 Eugene O'Neil Drive, New London, Connecticut 06320.
3. **NOTICES:** Correspondence or communications in regard to this Application should be addressed to:

Michael R. McElroy, Esq.
Schacht & McElroy
P.O. Box 6721
Providence, RI 02940-6721
Tel: (401) 351-4100
Fax: (401) 421-5696
Email: McElroyMik@aol.com
4. **WAIVER REQUESTED:** Pursuant to R.I.G.L. § 39-3-12, Interstate Navigation Company requests that the Commission, for good cause, not hold a hearing on the

proposed increase because it is simply a mathematical calculation under the provisions of Interstate's approved Rate Plan.

Date: 12/22/10

Interstate Navigation Company
By its attorney

Michael R. McElroy
Michael R. McElroy #2627

VERIFICATION

Michael R. McElroy, being first duly sworn deposes and says that the information presented in this Application is true to the best of his knowledge, information, and belief.

Michael R. McElroy
Michael R. McElroy

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

Sworn to and subscribed before me this 22 day of December, 2010.

Interstate/ROE/Rate Change Application

Theresa M. Gallo
Notary Public (Seal)

Theresa M. Gallo
Notary Public
My comm. Expires: *12/19/2014*
Notary ID # *59481*

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: INTERSTATE NAVIGATION COMPANY
ROE COMPLIANCE FILING

DOCKET NO. 3762

NOTICE TO SOLICIT COMMENTS

Pursuant to the provisions of Sections 39-1-1, 39-1-11, 39-3-11 and 39-3-12 of the Rhode Island General Laws, as amended, the Public Utilities Commission ("Commission") will accept written public comments regarding the Interstate Navigation Company ("Interstate" or "Company") request for an automatic Return on Equity (ROE) rate increase for its traditional ferry service to become effective on January 1, 2011.

In Order No. 18957 in this docket, the Commission approved an Amended Settlement Agreement ("Settlement") and Rate Plan between Interstate, the Town of New Shoreham and the Division of Public Utilities and Carriers whereby Interstate's new rates were frozen for two years ending December 31, 2008. However, the Settlement and Rate Plan allows for rate increases for certain years in which Interstate does not earn at least a 5.5% Return on Equity (ROE). The impact of the proposal is a proposed across-the-board increase of 1.92% on all rate classes. If approved, the adult round trip fare from Point Judith to Block Island will increase by \$0.35 from \$17.60 to \$17.95, and the child round trip fare will increase by \$0.15, from \$8.75 to \$8.90. Autos will increase by \$0.90 from 47.90 to \$48.80. Pick-up trucks, vans and SUVs will increase by \$1.10, from \$57.80 to \$58.90. The Commission may approve different rates that may be higher or lower than those proposed by the Company based on the calculation.

Interested parties and members of the public wishing to offer comments regarding Interstate's proposal may do so in writing to Luly E. Massaro, Commission Clerk, Rhode Island

Public Utilities Commission, 89 Jefferson Boulevard, Warwick, RI 02888 until 4:00 P.M. on _____, 20___. An original and nine (9) copies of written comments must be filed with the Clerk.

The proposal and related information is on file for examination at the Commission's office and at the office of Schacht & McElroy, 21 Dryden Lane, Providence, Rhode Island. The filing can also be accessed at www.ripuc.org under Commission Docket Menu, Docket No. 3762.

Reference is made to Chapters 39-1, 39-3 and 42-35 of the Rhode Island General Laws; specifically Sections 39-1-7, 39-1-8, 39-1-11, 39-1-12, 39-1-16, 39-1-18, 39-1-20, 42-35-8 and 42-35-10.

Luly E. Massaro
Commission Clerk

_____, 20__

DOCKET No. 3672
COMPUTATIONAL COMPLIANCE FILING
SUBMITTED ON BEHALF OF INTERSTATE NAVIGATION COMPANY

REGARDING:
RECOVERY OF LOST EARNINGS BELOW THE 5.5% FLOOR
IN THE TRADITIONAL FERRY SERVICE RETURN ON EQUITY
ALLOWED IN DOCKET No. 3762
AS PART OF A FIVE YEAR RATE PLAN

FOR
A RATE INCREASE IMPLEMENTATION ON January 1, 2011

TESTIMONY
Of
WALTER E. EDGE JR. MBA CPA PRESIDENT
B&E CONSULTING LLC

DECEMBER 2010

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

2 A. My name is Walter E. Edge Jr., MBA, CPA and I am the President of B&E
3 Consulting, LLC. My office is located at 21 Dryden Lane, Providence RI.

4
5 **Q. Are you the same Walter E. Edge Jr. who has previously filed direct and**
6 **rebuttal testimony for Interstate Navigation Co. in Docket 3762 and has**
7 **subsequently filed two CPI compliance rate requests under the five year rate plan**
8 **agreed to in Docket 3762?**

9 A. Yes I am.

10

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

12 A. I will provide the testimony, computations and schedules that will allow the
13 Commission and the Division to verify my calculation of Interstate's under recovery of
14 traditional ferry earnings for FYE June 30, 2010 as a result of Interstate not reaching the
15 5.5% Return on Equity (ROE) floor approved by the Commission in Docket 3762. I will
16 also provide the calculations of the new rates and the new tariffs. Please note that this
17 increase will be applied across the board to all tariff rates.

18

19 **Q. Mr. Edge, how did the "Amended Settlement Agreement" approved in Docket**
20 **3762 address this 5.5% ROE floor?**

21 A. For the fiscal years ending May 31, 2008, 2009, and 2010 the rate plan provides for
22 below floor ROE relief in Section III B. 3.

23

24 **Q. Mr. Edge would you please provide us with a refresher regarding the Amended**
25 **Settlement Agreement in Docket 3762 as it relates to the ROE calculations?**

26 A. Yes. The Amended Settlement Agreement (ASA) which was attached as "Appendix
27 A" to the PUC's Order in Docket No. 3762 provided the following.

28

29 1. The method for calculating the earned ROE for the "earnings report" described in the
30 ASA is described in Section III D.1.a., as follows:

31

1 **“This annual earnings report will calculate the earned ROE from the**
2 **Company’s financial statements on the basis of Generally Accepted**
3 **Accounting Principles (GAAP). It is the intent of the Settling Parties to**
4 **defer the final calculation of cumulative return on equity to determine if the**
5 **Company has exceeded the allowed rate of return until the end of the Rate**
6 **Plan.” See page 9.**

- 7
8 2. Description of the ROE calculation for items in Section III is reflected on pages 11
9 and 12 of the ASA (Section IV A.1.), and is as follows:

10
11 **“All earnings reports required by Section III, above, will include pre-tax**
12 **profits earned by Interstate’s Fast Ferry Division. The annual pre-tax profit**
13 **earned by the Fast Ferry Division will be calculated employing the debt**
14 **service method, as shown on Schedule WEE-1RY in this Docket No. 3762.**
15 **The debt service will include annual interest and principal repayments on all**
16 **debt used by Interstate to acquire the operations of Island Hi-Speed Ferry in**
17 **2006. For the purpose of the reports required by Section III.D.1.a, above,**
18 **the annual Fast Ferry pre-tax profit will be fixed at \$208,357.” See page 11.**

- 19
20 3. In addition to the above description, the ASA (Section IV A. 2.) provides guidance
21 regarding the amortization of the Fast Ferry revenue from the summer of 2006.

22
23 **“All earnings reports required by Section III, above, will include profits**
24 **earned by Fast Ferry operations in 2006, deemed to be \$365,750 on a pre-tax**
25 **basis, amortized over a three year period (\$121,916 per year) commencing**
26 **January 1, 2007.” See pages 11 and 12.**

27
28 **Q. Mr. Edge, did you make the computations required in the above paragraphs?**

29 A. Yes I did and the result showed a loss on an adjusted GAAP basis for the FYE May
30 31, 2010 which was less than the 5.5% ROE (gain) floor allowed in the ASA.

31
32 **Q. Based upon the results above were you required to compute the ROE using a**
33 **different method or basis?**

34 A. Yes. This second ROE calculation had to be completed using a rate base/rate of
35 return method of calculating the ROE as described in Section III D.1.b. (different than
36 “a”) of the ASA as follows:

37
38

1 **“For purposes of calculating return and income taxes for this final**
2 **determination, Interstate shall use the capital structure and associated costs**
3 **of capital approved by the Commission in this Docket No. 3762. The return**
4 **on common equity will be calculated by dividing the net income available for**
5 **common equity by the common equity applicable to rate base. The common**
6 **equity applicable to rate base shall be calculated by multiplying the common**
7 **equity ratio required by this subsection by Interstate’s average rate base.”**
8 See pages 9 and 10.

9
10 Further description of this second ROE calculation is reflected on page 11 of the “ASA in
11 Section IV A.1., and is as follows:

12
13 **“However for the purposes of the cumulative five year average ROE in**
14 **Section III D. 1. b above and for the purpose of calculating the Earnings**
15 **Below Floor in Section III. B. 3 above, (underscore added) the annual Fast**
16 **Ferry pre-tax profit will be the actual pre-tax profit calculated employing the**
17 **debt service method, as shown on Schedule WEE-1RY in this Docket.”** See
18 page 11.

19
20 To complete this second calculation for the FYE May 31, 2010 ROE, I have used the
21 above noted requirements and completed two schedules:

- 22
23 1. Schedule WEE-1 “Fiscal Year Ended May 31, 2010 Revenue Deficiency using a
24 5.5% ROE Floor”.
- 25 2. Schedule WEE-2 “Calculation of an Average Rate Base and Rate of Return for
26 FY 2010”.

27
28 My calculations for this second ROE calculation are shown on Schedule WEE-1. The
29 schedule shows that after making a number of required adjustments Interstate earned an
30 adjusted profit for FY 2010 of \$47,067 (1.8% ROE). This profit is less than the income
31 requirement allowed using the 5.5% ROE floor. On the bottom of Schedule WEE-1 I
32 calculated the income requirement using the 5.5% ROE floor and compared it to the
33 \$47,067 actual adjusted profit. I determined that Interstate suffered a shortfall in FY
34 2010 of \$157,907. After adjusting for gross receipts tax, I determined that Interstate was
35 entitled under the ASA to recover an additional \$159,906 from ratepayers.

36
37 **Q. Mr. Edge, how does the ASA suggest that the shortfall, in this case, of \$159,906**
38 **be collected from ratepayers?**

39 A. On page 8 of the ASA it states the following:

1 **“If the ROE calculated using the same methodology as set forth in Section**
2 **D.1.b, is below 5.5%, Interstate shall be authorized to increase its traditional**
3 **ferry service rates across the board, effective the following January 1, to**
4 **collect over twelve months the revenue necessary to make up the difference**
5 **between the ROE pursuant to Section D. 1. b in the historic period and 5.5%,**
6 **except that if the report detailing the earned ROE is not filed by September**
7 **1, the Commission will have the express authority to suspend any rate**
8 **increase pursuant to R.I.G.L. § 39-3-11.”**
9

10 **Q. Mr. Edge, have you requested these rates to be implemented January 1, 2011?**

11 A. Yes I have in order to be compliant with the express January 1 language in the ASA,
12 but I could understand if the Commission suspended the rate increase pursuant to RIGL §
13 39-3-11, given that Interstate only filed for the rate increase in December.

14
15 **Q. Have you also provided the new tariffs and rates resulting from the request?**

16 A. Yes.

17
18 **Q. Mr. Edge, do you have any additional comments that you would like to make**
19 **regarding the schedules attached to this testimony?**

20 A. Yes I do.

21
22 Schedule WEE-1 is the calculation of the revenue deficiency and it reflects the
23 adjustments required by the ASA. For example, in order to adjust the fast ferry profit
24 from a GAAP basis to a debt service basis it was necessary to reduce the GAAP
25 depreciation and amortization on fast ferry assets and increase expenses to reflect
26 principal payments made for fast ferry debt.

27
28 To reflect the requirements of the ASA it was also necessary to increase rate case
29 expense and decrease homeland security expense because the annual levels of expense
30 for these two expense accounts were set in the ASA. Lastly, I had to amortize the
31 remainder of the 2006 fast ferry profit to complete the ROE calculation.

32
33 Schedule WEE-2 provides my calculations for the average rate base and the calculation
34 of the appropriate interest and rate of return.

1 Schedule WEE-3 shows the comparison between the FY 2010 revenues per the annual
2 report and the proposed CPI revenues which are expected to be in-place when the ROE
3 increase is implemented. At the bottom of the page I have calculated the percentage
4 increase needed to the CPI rates to reflect the revenue requirement of \$159,906 (shown
5 on Schedule WEE-1) for the ROE shortfall.

6

7 Schedule WEE-4 shows the calculation of the new rates after applying a 1.92% increase
8 to rates established from the CPI increase. Please note that the freight rates are too
9 voluminous to include on Schedule WEE-4.

10

11 Schedule WEE-5 provides the revenue check to show that the 1.92% increase in rates
12 results in increasing revenues by \$159,157. The difference between \$159,157 and the
13 revenue requirement of \$159,906 is a shortfall of only \$749 (.007% of the total revenue
14 requirement). The difference is the result of rounding rates to the nearest nickel as is
15 customary in Interstate filings.

16

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

18 A. Yes it does.

Fiscal Year Ended May 31, 2010 Revenue Deficiency
using a 5.5% ROE Floor
 Interstate Navigation Company

Schedule WEE-1

| | <u>FY 2010</u> | |
|---|---------------------|----------------------------------|
| Combined Revenues less Cash Operating Expenses | \$ 2,139,672 | Per 2010 Annual Report (Page 6a) |
| Depreciation and Amortization - per Books | 1,552,610 | Per 2010 Annual Report (Page 6a) |
| Interest on Fast Ferry | 389,228 | |
| Interest on Interstate Rate Base | 379,326 | See Schedule WEE-2 |
| Total Interest | 768,554 | |
| Interest Income | - | |
| Extraordinary items | - | |
| Federal Tax (Deferred) | - | |
| Interstate Profit/ (Loss) (Traditional and Fast Ferry Combined) for FYE May 31st 2010 | (181,492) | |
| Add Back: Depreciation on Athena | 168,000 | |
| Add Back: Amortization of other assets purchased from IHSF | 94,167 | |
| Add Back: Amortization of 2006 Fast Ferry Profits 6/1/2009 - 12/31/2009 | 71,118 | |
| Add Back: Excess Homeland Security Expenses | 39,085 | |
| Deduct: Rate Case Expense 6/1/2009 - 12/31/2009 | (48,611) | |
| Deduct: Principal Paid on Athena and other assets purchased from IHSF | (95,200) | |
| Adjusted Interstate Company Wide Profit | 47,067 | |
| Income Requirement 5.5% ROE Floor | (A) 204,974 | |
| Shortfall | (157,907) | |
| Gross Receipts Tax 1.25% | (1,999) | |
| Revenue Deficiency | <u>\$ (159,906)</u> | |

Calculation of Analyzed ROE 11% reduced to 5.5%

| | | |
|-----------------------------------|-----------------------|--------------------|
| Return on equity at 11% | \$ 283,568 | See Schedule WEE-2 |
| | <u>12</u> | |
| Return on equity at 5.5% | 141,784 | |
| Income Tax | 63,190 | |
| Income Requirement 5.5% ROE Floor | (A) <u>\$ 204,974</u> | |

Calculation of an Average Rate Base and
Rate of Return for FY 2010
Interstate Navigation Company

Schedule WEE-2

| Description | AVERAGE |
|-----------------------------------|----------------------------|
| Net Utility Plant | \$ 8,662,003 |
| Additions: | |
| Working Capital | - |
| Inventory | - |
| Prepaid Expenses | - |
| Deductions: | |
| Contributions in Aid | - |
| Deferred Credits | - |
| Deferred Taxes | (156,932) |
| Net average Rate Year base | <u>\$ 8,505,072</u> |

| | Ending Balance at | | |
|-----------------------------|---------------------|---------------------|---------------------------------|
| | 2009 | 2010 | |
| PPE Net Book Value | \$ 13,058,086 | \$ 11,647,840 | Per 2010 Annual Report (Page 5) |
| High Speed Ferry | (4,200,000) | (4,200,000) | |
| Acc Deprec High Speed Ferry | 425,040 | 593,040 | |
| Net Utility Plant | <u>\$ 9,283,126</u> | <u>\$ 8,040,880</u> | |
| 2 year average | | \$ 8,662,003 | |

| | |
|-------------------------------|--------------------------|
| Total Proforma Year Rate Base | \$ 8,505,072 |
| Weighted Return on Rate Base | <u>7.79%</u> |
| Return on Rate Base | <u>\$ 662,894</u> |

| Allocation of Net Utility Profit | Weighted Factor | | | |
|----------------------------------|--------------------|-------------|-----|-------------------|
| Interest | 0.0446 | 57% | x a | \$ 379,326 |
| Equity | 0.0333 | 43% | x a | 283,568 |
| | <u>0.0779</u> | <u>100%</u> | | <u>\$ 662,894</u> |

Capital Structure and associated capital cost approved by Commission in Docket 3762

| | Percent of Total | Cost Rate | Weighted Factor |
|----------|---------------------|--------------|--------------------|
| Interest | 69.69% | 6.40% | 4.46% |
| Equity | 30.31% | 11.00% | 3.33% |
| | <u>100.00%</u> | | <u>7.79%</u> |

Analysis of Percentage Rate Increase Required
From CPI Rates to ROE Rates
Interstate Navigation Company

Schedule WEE-3

| <u>Service</u> | <u>FY 2010 Revenues</u> | <u>CPI Proposed Revenues</u> |
|---|-----------------------------|----------------------------------|
| Passengers - Noncommuter | \$ 3,961,273 | \$ 4,010,207 |
| Passengers - Commuter | 207,911 | 207,911 |
| Total Passenger Revenue | <u>4,169,184</u> | <u>4,218,117</u> |
| | | |
| Vehicles - Noncommuter | 3,160,513 | 3,197,875 |
| Vehicles - Commuter | 72,739 | 72,739 |
| Total Vehicle Revenue | <u>3,233,252</u> | <u>3,270,614</u> |
| | | |
| Bikes & Mopeds | 116,320 | 117,716 |
| Freight | 703,138 | 703,138 |
| | <u>703,138</u> | <u>703,138</u> |
| | | |
| Total Conventional Tariff Revenue | <u>\$ 8,221,893</u> | <u>\$ 8,309,585</u> |
| | | |
| Fast Ferry Passenger | 1,619,309 | 1,619,309 |
| Fast Ferry Bar & Concessions | 71,263 | 71,263 |
| Fast Ferry Bike | 17,658 | 17,658 |
| Fast Ferry Charter | 120,100 | 120,100 |
| Fuel Surcharges | 227,903 | 227,903 |
| Conventional Charter | 184,954 | 184,954 |
| Conventional Tours | 55,084 | 55,084 |
| Conventional Ferry Bar & Concessions | 449,979 | 449,979 |
| Conventional Ferry Mail | 43,632 | 43,632 |
| Misc | 14,217 | 14,217 |
| Landing Fee Commission | 32,995 | 32,995 |
| Returns | <u>(87,098)</u> | <u>(87,098)</u> |
| | | |
| Gross Operating Revenue | <u>\$ 10,971,889</u> | <u>\$ 11,059,581</u> |
| | | |
| Increase in Revenue Requirement | A \$ 159,906 | Schedule WEE-1 |
| Revenues impacted by rate increase: | B \$ <u>8,309,585</u> | |
| Rate Increase Percentage Required (A/B) | <u>1.92%</u> | |

Analysis of Current & New Rates
Interstate Navigation

- A Between Newport and Block Island
- B Between Point Judith and Block Island
- C Between Point Judith and Newport

| | Current Rates with CPI Increase | | | WEE-3 Percentage Increase | New ROE Rates * | | |
|--------------------------|---------------------------------|-------|-------|---------------------------------|-----------------|-------|-------|
| | A | B | C | | A | B | C |
| Adult Passenger Fares | | | | | | | |
| One Way Adult | 10.45 | 10.80 | 8.10 | 1.92% | 10.65 | 11.00 | 8.25 |
| Round Trip Adult | 15.45 | 17.60 | 12.15 | 1.92% | 15.75 | 17.95 | 12.40 |
| | | | | | - | - | - |
| Children Passenger Fares | | | | | | | |
| One Way Children | 4.95 | 5.50 | 4.05 | 1.92% | 5.05 | 5.60 | 4.15 |
| Round Trip Children | 7.15 | 8.75 | 6.05 | 1.92% | 7.30 | 8.90 | 6.15 |
| | | | | | - | - | - |
| Commuter Rate | 10.50 | 10.50 | 10.50 | 1.92% | 10.70 | 10.70 | 10.70 |
| | | | | | - | - | - |
| Auto | N/A | 47.90 | N/A | 1.92% | N/A | 48.80 | N/A |
| Bicycles | 3.10 | 3.10 | 2.55 | 1.92% | 3.15 | 3.15 | 2.60 |
| Electric Bicycles | 8.00 | 8.00 | 6.60 | 1.92% | 8.15 | 8.15 | 6.75 |
| Motorcycles | 20.95 | 20.95 | 16.70 | 1.92% | 21.35 | 21.35 | 17.00 |
| Pickup Trucks SUV & Vans | N/A | 57.80 | N/A | 1.92% | N/A | 58.90 | N/A |
| Trucks | N/A | 5.40 | N/A | 1.92% | N/A | 5.50 | N/A |
| Hazardous Trucks | N/A | 8.15 | N/A | 1.92% | N/A | 8.30 | N/A |
| Commuter Vehicles | | | | | | | |
| Auto | N/A | 27.00 | N/A | 1.92% | N/A | 27.50 | N/A |
| Pickups, SUV & Vans | N/A | 32.75 | N/A | 1.92% | N/A | 33.40 | N/A |
| | | | | | - | - | - |
| Oversized Vehicles | N/A | 4.00 | N/A | 1.92% | N/A | 4.10 | N/A |

* Note : New Rates in the new tariff will be rounded to the nearest nickel, in accordance with the usual practice.

Analysis of Current & New Rates
Interstate Navigation

- A Between Newport and Block Island
- B Between Point Judith and Block Island
- C Between Point Judith and Newport

| | Current Rates with CPI Increase | | | WEE-3 Percentage Increase | New ROE Rates * | | |
|--|---------------------------------|-------|-----|---------------------------------|-----------------|-------|-----|
| | A | B | C | | A | B | C |
| Vehicles over 7' High | N/A | 5.40 | N/A | 1.92% | N/A | 5.50 | N/A |
| Car Reservation Cancellation | N/A | 10.65 | N/A | 1.92% | N/A | 10.85 | N/A |
| Vehicle Overhang Charge | N/A | 7.45 | N/A | 1.92% | N/A | 7.60 | N/A |
| Block Ticket Sales | | | | | | | |
| Block Ticket Sales Charges | N/A | 20.75 | N/A | 1.92% | N/A | 21.15 | N/A |
| Block Ticket Charges for other arrangements | N/A | 37.25 | N/A | 1.92% | N/A | 37.95 | N/A |
| Online Sales Charge | N/A | 2.15 | N/A | 1.92% | N/A | 2.20 | N/A |
| Lost Ticket Charge | N/A | 13.85 | N/A | 1.92% | N/A | 14.10 | N/A |
| Weight Premium | N/A | 53.25 | N/A | 1.92% | N/A | 54.25 | N/A |

NOTE: Freight Rates increases are also at 1.92% however they were too voluminous to present on this schedule. (See WEE-5 for impact on freight revenues)

* Note : New Rates in the new tariff will be rounded to the nearest nickel, in accordance with the usual practice.

Revenue Check
Interstate Navigation Company

Schedule WEE-5

| <u>Service</u> | CPI Proposed Revenue | Increase | ROE Proposed Revenue |
|--------------------------------------|-------------------------|--------------------------|----------------------------|
| Passengers - Noncommuter | \$ 4,010,207 | \$ 77,412 | \$ 4,087,619 |
| Passengers - Commuter | 207,911 | 3,960 | 211,871 |
| Total Passenger Revenue | 4,218,117 | 81,373 | 4,299,490 |
| Vehicles - Noncommuter | 3,197,875 | 60,616 | 3,258,492 |
| Vehicles - Commuter | 72,739 | 1,372 | 74,111 |
| Total Vehicle Revenue | 3,270,614 | 61,988 | 3,332,602 |
| Bikes & Mopeds | 117,716 | 2,265 | 119,981 |
| Freight | 703,138 | 13,531 | 716,668 |
| Total Conventional Tariff Revenue | \$ 8,309,585 | \$ 159,157 | \$ 8,468,742 |
| Fast Ferry Passenger | 1,619,309 | | 1,619,309 |
| Fast Ferry Bar & Concessions | 71,263 | | 71,263 |
| Fast Ferry Bike | 17,658 | | 17,658 |
| Fast Ferry Charter | 120,100 | | 120,100 |
| Fuel Surcharges | 227,903 | | 227,903 |
| Conventional Charter | 184,954 | | 184,954 |
| Conventional Tours | 55,084 | | 55,084 |
| Conventional Ferry Bar & Concessions | 449,979 | | 449,979 |
| Conventional Ferry Mail | 43,632 | | 43,632 |
| Misc | 14,217 | | 14,217 |
| Landing Fee Commission | 32,995 | | 32,995 |
| Returns | (87,098) | | (87,098) |
| Gross Operating Revenue | \$ 11,059,581 | | \$ 11,218,738 |
| | | Increase reflected above | \$ 159,157 |
| | | Revenue Deficiency | 159,906 |
| | | Variance | \$ (749) |

* Note: New Rates in the new tariff will be rounded to the nearest nickel, in accordance with the usual practice.
The Variance presented above is due to the rounding of the rate to the nearest nickel.

STATE OF RHODE ISLAND

PUBLIC UTILITIES COMMISSION

Docket No. 3762

INTERSTATE NAVIGATION COMPANY

LOCAL TARIFF

Naming

PASSENGER AND VEHICLE RATES

FOR TRADITIONAL SERVICE

APPLYING BETWEEN

POINTS AND PLACES IN THE STATE OF

RHODE ISLAND

(As Indicated Herein)

EFFECTIVE: January 1, 2011

ISSUED BY:

Interstate Navigation Company
Susan Linda, President
Post Office Box 482
New London, Connecticut 06320

RULE NO. 5 PETS OR ANIMALS ACCOMPANYING PASSENGERS:

Animals or pets will not be allowed to accompany passengers aboard ships unless such animals are securely under leash.

RULE NO. 10 BAGGAGE DEFINED:

- (a) Baggage may be either personal or sales sample cases defined as follows: Personal luggage or baggage consists of wearing apparel, toilet articles or similar effects in actual use, necessary and appropriate for the wear, use, comfort or convenience of the passenger for the purpose of the trip and not intended for other persons or for sale. Sample cases are those to be used by salesman containing samples or articles or merchandise for sale and for future transportation and not articles for immediate sale forthwith.
- (b) Money, jewelry, negotiable papers or like valuables should not be enclosed in baggage to be checked. This carrier will not be responsible for such articles in baggage.
- (c) All baggage must be enclosed in receptacles such as trunks, valises, suit cases, leather hat boxes or satchels provided with handles, securely locked or otherwise fastened and made of material of sufficient strength and durability and quality to withstand the rapid handling and piling incidental to its transportation.

RULE NO. 15 BAGGAGE ACCOMPANYING PASSENGERS:

Each passenger purchasing an adult or child one way ticket will be allowed to transport without charge fifty (50) pounds of luggage or baggage, which must be carried on and off the ship by the passenger at points of embarkation and debarkation.

RULE NO. 20. ARTICLES IN AUTOMOBILES:

Carrier will not be responsible for articles left in automobiles when not loaded in car trunks.

RULE NO. 25 DAMAGE TO AUTOMOBILES IN TRANSIT:

Any alleged damage to automobiles aboard ship shall be reported to ship's officers prior to leaving the dock at destination.

RULE NO. 30 ROUND TRIP TICKET:

The carrier will not be responsible to persons holding round trip tickets for failure to provide return carriage due to weather or mechanical failure; the carrier will honor the return ticket by providing carriage as soon as the weather and the sea are fit for navigation and the equipment is fit to operate.

RULE NO. 35a OVERSIZED VEHICLES:

Deck space in general is restricted in the vessels by height and width. Outside deck space (which can accommodate higher vehicles) is also very limited in availability. Therefore, Oversized Vehicles, (which include cars, pick-up trucks, SUVs and vans) that do not fit the standard sized description of a standard car, pick-up truck, or van, will be charged an Oversized Vehicle rate of \$4.00 per linear foot, but only if they are 7' in height or less. If they are over 7' high, see Rule 35b. A standard car is no more than 18' long, 6' wide, and 5' high. As examples, without limiting the generality of the foregoing, the following are Oversized Vehicles that will be charged the per linear foot Oversized Vehicle rate of \$4.00 per linear foot but only if they are 7' in height or less:

- Any vehicles (including but not limited to cars, vans, and pick-ups) that are over 6' in width at the widest point.
- Extended cab pick-up trucks.
- Dual-wheel vehicles (including but not limited to the F350 Ford Series).
- Small dump trucks with a pick up front, and a dump body.
- Stake body trucks.
- Vehicles where racks extend the length of the car, van or pick-up.
- Vehicles that are wider than standard. For example, the vehicle has a utility body containing tool boxes, or the body of the vehicle is not ordinary or standard open backed.
- Vehicles that have ladder racks, or racks that hold pipes or other items on their roof.
- Any trailers (including but not limited to utility trailers), that are longer or wider than a standard car or are over 6' wide at the widest.

RULE 35b VEHICLES OVER 7' HIGH OR THAT REQUIRE OUTSIDE DECK SPACE:

- Any vehicles (including but not limited to cars, vans, pick-ups, SUVs, and trailers of any type) that are over 7' in height at the highest point will be charged the \$5.40 per linear foot truck rate.
- Any vehicles that require the use of the limited outside deck space will charged the per linear foot truck rate of \$5.40 per linear foot. For example, people will often put their bikes on their car, and they often need outside deck space due to the extra height. We cannot guarantee them the outside deck space (trucks have priority) and the bikes and racks may have to come down. In such a case, if the bikes and racks come down and the car, van or pick-up is then otherwise standard size, the standard car, van or pick-up truck rate will apply, and the standard charges will also apply to the bikes, racks, or other items removed from the vehicle.

RULE NO. 40 TIME LIMIT ON SUITS:

Suits to recover on any claim for loss of life or bodily injury must be instituted within one (1) year from the day when the death or injury occurred. Suits to recover on any claim other than loss of life or bodily injury, including breach of contract, must be instituted within six (6) months of the scheduled arrival of the passenger or property at destination.

RULE NO. 45 SCREENING AND INSPECTION:

Pursuant to Homeland Security Coast Guard Regulations, entering the ferry facility is deemed valid consent to screening or inspection; and failure to consent or submit to screening or inspection will result in denial or revocation of authorization to enter.

RULE NO. 50 ARTICLES LEFT ABOARD VESSEL:

Carrier will not be responsible for articles left aboard the vessel. Such shipments shall be charged for at the minimum rates provided in the company's tariffs.

RULE NO. 55 DAMAGE TO AUTOMOBILES:

All vehicles are transported at owner's sole risk. Drivers must accompany vehicles. The company will not be responsible for any damages to vehicles while in transport or while they are being loaded and unloaded aboard the vessel. The owner or driver must drive the vehicle on and off the vessel. In the event a vessel is canceled, the car reservation is also canceled. Any alleged damage to automobiles shall be reported to vessel's officers prior to leaving dock at destination.

RULE NO. 60 CAR RESERVATION CANCELLATIONS:

Car reservations may be changed two times 7 full days in advance of departure, then only one time within 7 days of departure. Cancellations made 7 full days in advance will be assessed a \$10.65 cancellation fee for each cancellation. No refunds will be made for cancellations made within 7 days of departure.

RULE NO. 65 VEHICLE OVERHANG CHARGE:

There is a \$7.45 additional charge per each way, in addition to the vehicle fee, for items over 7' on top of cars, and the same fee will be charged for items on the front, back and side of vehicles as well as items overhanging the roof of vehicles that exceed the length or width of the vehicle.

RULE NO. 70 NON-STANDARD VEHICLE CHARGES:

Vehicles that require more than one car space (such as limousines) may be charged an increased rate based on the amount of deck space required for the vehicle as opposed to a standard car or SUV (see also Rule 35).

RULE NO. 75 BLOCK TICKET SALES CHARGE:

There is a \$20.75 block ticket sales service charge for all block sales of 25 or more tickets. The block ticket sales service charge for arrangements made for group travel that includes making luncheon reservations, bus tours, and/or other similar amenities shall be \$37.25.

RULE NO. 80 ONLINE SALES CHARGE:

For all online internet and telephone call center passenger transactions, there is a \$2.15 convenience fee per transaction, to cover postage/handling charges.

RULE NO. 85 LOST TICKET CHARGE:

There is a \$13.85 charge for all lost tickets which are replaced (each way).

RULE NO. 90 GROUP DISCOUNTS:

Carrier may from time to time apply a 15% promotional group discount rate to groups of 25 or more.

RULE NO. 95 ADVANCE TICKET DISCOUNT:

Carrier may sell advance tickets on a pay for 9 tickets in advance, get 10 tickets basis.

RULE NO. 100 COMMUTER RATE ELIGIBILITY:

Only the holders of a Rhode Island driver's license with solely a Block Island address on the license are eligible for commuter rates, and to be eligible for the commuter standard sized car, SUV, van and pick up rates, (Oversized Vehicles as defined in Rule 35, are not eligible for the commuter vehicle rate), the vehicle (1) must be driven by a driver with solely a Block Island license, and (2) must have solely a Block Island address on its registration. Also, Block Island resident school students who are over the age of eleven, but under the age of sixteen who attend the Block Island School may obtain the adult resident commuter rate by presenting a valid Block Island School Photo Identification Card which will be issued by the Town of New Shoreham.

EXPLANATION OF ABBREVIATIONS

No. = Number

P.O. = Post Office

R.I. = Rhode Island

R.I.P.U.C = Rhode Island Public Utilities Commission

NA = Not Available

PLF. = Per Linear Foot

PASSENGER RATES
(Rates in Dollars and Cents Per Passenger)

ITEM:

Between Newport and Block Island Apply Column A Rates
Between Point Judith and Block Island Apply Column B Rates
Between Point Judith and Newport Apply Column C Rates

COLUMN

| | | | | | | | |
|---|---|---|--|--|--|--|--|
| A | B | C | | | | | |
|---|---|---|--|--|--|--|--|

5 ADULT PASSENGER FARES

| | | | | | | | |
|------------------|---------|---------|---------|--|--|--|--|
| ONE WAY ADULT | \$10.45 | \$10.80 | \$8.10 | | | | |
| ROUND TRIP ADULT | \$15.45 | \$17.60 | \$12.15 | | | | |

**10 CHILDREN PASSENGER
FARES**

| | | | | | | | |
|------------|--------|--------|--------|--|--|--|--|
| ONE WAY | \$4.95 | \$5.50 | \$4.05 | | | | |
| ROUND TRIP | \$7.15 | \$8.75 | \$6.05 | | | | |

Commuter Rate \$10.50 (See Rule 100)

Senior Discount (over 65 years):

\$.50 off non-commuter one way tickets

\$1.00 off non-commuter round trip tickets

NOTE a. The passenger rates for children published in Item No. 10 will apply to children five (5) years of age up to and including children eleven (11) years of age when accompanied by an adult. For children twelve (12) years of age and older the adult passenger fares published in Item No. 5 will be charged.

NOTE b. Children under five (5) years of age when accompanied by an adult will be transported free.

FOR EXPLANATION OF ABBREVIATIONS AND REFERENCE MARKS SEE PAGE 5.

VEHICLE RATES

ITEM:

Between Block Island and Newport Apply Column A Rates
 Between Block Island and Point Judith Apply Column B Rates
 Between Point Judith and Newport Apply Column C Rates

RATES IN DOLLARS AND CENTS PER UNIT (one way)

| | | COLUMN | | |
|-----|--|--------|---------|-------|
| | | A | B | C |
| 15 | Automobiles (See Rules 20, 25, 35, 50, 55, 60, 65 and 70 herein and Rule 20 of Freight Tariff) | n/a | 47.90 | n/a |
| 16 | Bicycles | 3.10 | 3.10 | 2.55 |
| 16a | Bicycle wagons, whether or not attached to a bicycle | 3.10 | 3.10 | 2.55 |
| 16b | Tandem Bicycles, whether or not attached to a bicycle | 3.10 | 3.10 | 2.55 |
| 16c | Electric Bicycles, motorized skateboards, and mini-motorcycles | 8.00 | 8.00 | 6.60 |
| 17 | Motorcycles | 20.95 | 20.95 | 16.70 |
| 18 | Pick-up trucks, vans, and SUV's (See Rules 20, 25, 35, 50, 55, 60, 65 and 70 herein and Rule 20 of Freight Tariff) | n/a | 57.80 | n/a |
| 19 | Trucks* (See note) | n/a | 5.40/lf | n/a |
| 20 | Hazardous Trucks* (See note) | n/a | 8.15/lf | n/a |

Commuter Vehicle Rates:

- Standard-sized Automobiles \$ 27.00
 (See Rules 20, 25, 35, 50, 55, 60, 65, 70, and 100 herein and Rule 20 of Freight Tariff)
- Standard-sized Pick-up Trucks, Vans, and SUVs \$ 32.75
 (See Rules 20, 25, 35, 50, 55, 60, 65, 70, and 100 herein and Rule 20 of Freight Tariff)

* Note:

Except as set forth below, trucks carrying hazardous materials or dangerous goods, as defined by 49 CFR, Subchapter C Hazardous Materials Regulations, the U.S. Coast Guard, and the International Maritime Organization, can not be transported aboard passenger vessels. Therefore, except as set forth below, when carrying these materials, the vessel must operate strictly as a cargo vessel, and the per foot rate is as set forth above for hazardous trucks. For this purpose, the Carrier will make a vessel available as a cargo vessel on a reservation only, as available basis, at the rate set forth above per same day round trip run from Point Judith to Block Island and return (maximum 4 hours). When available, the cargo vessel must be scheduled to leave Point Judith and complete the run at the discretion of the Carrier.

Trucks which carry sludge for the New Shoreham Sewer Commission will be required to travel on the hazardous truck cargo vessel, and will not be allowed to travel on a vessel with passengers, but will be allowed to travel at the regular truck rate of \$5.40 per linear foot, because the sludge is not a hazardous material or dangerous good as defined by 49 CFR, Subchapter C, but odor from the truck is a problem for ferry passengers. In addition, trucks which carry garbage for the Town of New Shoreham will also be allowed, on an as-needed basis, to travel on the hazardous truck cargo vessel, but at the standard truck rate of \$5.40 per linear foot, or they may travel on the usual passenger ferry.

Trucks which have a gross weight of 50,000 pounds or more and are not tractor trailer trucks and are not carrying property for the Town of New Shoreham will be required to pay, in addition to the per linear foot truck rate, a weight premium of \$53.25 per one way trip due to the weight limitations imposed upon the ferry vessels.

STATE OF RHODE ISLAND

PUBLIC UTILITIES COMMISSION

Docket No. 3762

INTERSTATE NAVIGATION COMPANY

LOCAL TARIFF

Naming

PASSENGER AND VEHICLE RATES

FOR TRADITIONAL SERVICE

APPLYING BETWEEN

POINTS AND PLACES IN THE STATE OF

RHODE ISLAND

(As Indicated Herein)

EFFECTIVE: January 1, 2011*

ISSUED BY:

Interstate Navigation Company
Susan Linda, President
Post Office Box 482
New London, Connecticut 06320

* Filed Subsequently to CPI Increase

RULE NO. 5 PETS OR ANIMALS ACCOMPANYING PASSENGERS:

Animals or pets will not be allowed to accompany passengers aboard ships unless such animals are securely under leash.

RULE NO. 10 BAGGAGE DEFINED:

- (a) Baggage may be either personal or sales sample cases defined as follows: Personal luggage or baggage consists of wearing apparel, toilet articles or similar effects in actual use, necessary and appropriate for the wear, use, comfort or convenience of the passenger for the purpose of the trip and not intended for other persons or for sale. Sample cases are those to be used by salesman containing samples or articles or merchandise for sale and for future transportation and not articles for immediate sale forthwith.
- (b) Money, jewelry, negotiable papers or like valuables should not be enclosed in baggage to be checked. This carrier will not be responsible for such articles in baggage.
- (c) All baggage must be enclosed in receptacles such as trunks, valises, suit cases, leather hat boxes or satchels provided with handles, securely locked or otherwise fastened and made of material of sufficient strength and durability and quality to withstand the rapid handling and piling incidental to its transportation.

RULE NO. 15 BAGGAGE ACCOMPANYING PASSENGERS:

Each passenger purchasing an adult or child one way ticket will be allowed to transport without charge fifty (50) pounds of luggage or baggage, which must be carried on and off the ship by the passenger at points of embarkation and debarkation.

RULE NO. 20. ARTICLES IN AUTOMOBILES:

Carrier will not be responsible for articles left in automobiles when not loaded in car trunks.

RULE NO. 25 DAMAGE TO AUTOMOBILES IN TRANSIT:

Any alleged damage to automobiles aboard ship shall be reported to ship's officers prior to leaving the dock at destination.

RULE NO. 30 ROUND TRIP TICKET:

The carrier will not be responsible to persons holding round trip tickets for failure to provide return carriage due to weather or mechanical failure; the carrier will honor the return ticket by providing carriage as soon as the weather and the sea are fit for navigation and the equipment is fit to operate.

RULE NO. 35a OVERSIZED VEHICLES:

Deck space in general is restricted in the vessels by height and width. Outside deck space (which can accommodate higher vehicles) is also very limited in availability. Therefore, Oversized Vehicles, (which include cars, pick-up trucks, SUVs and vans) that do not fit the standard sized description of a standard car, pick-up truck, or van, will be charged an Oversized Vehicle rate of ~~\$4.00~~ \$4.10 per linear foot, but only if they are 7' in height or less. If they are over 7' high, see Rule 35b. A standard car is no more than 18' long, 6' wide, and 5' high. As examples, without limiting the generality of the foregoing, the following are Oversized Vehicles that will be charged the per linear foot Oversized Vehicle rate of ~~\$4.00~~ \$4.10 per linear foot but only if they are 7' in height or less:

- Any vehicles (including but not limited to cars, vans, and pick-ups) that are over 6' in width at the widest point.
- Extended cab pick-up trucks.
- Dual-wheel vehicles (including but not limited to the F350 Ford Series).
- Small dump trucks with a pick up front, and a dump body.
- Stake body trucks.
- Vehicles where racks extend the length of the car, van or pick-up.
- Vehicles that are wider than standard. For example, the vehicle has a utility body containing tool boxes, or the body of the vehicle is not ordinary or standard open backed.
- Vehicles that have ladder racks, or racks that hold pipes or other items on their roof.
- Any trailers (including but not limited to utility trailers), that are longer or wider than a standard car or are over 6' wide at the widest.

RULE 35b VEHICLES OVER 7' HIGH OR THAT REQUIRE OUTSIDE DECK SPACE:

- Any vehicles (including but not limited to cars, vans, pick-ups, SUVs, and trailers of any type) that are over 7' in height at the highest point will be charged the ~~\$5.40~~ \$5.50 per linear foot truck rate.
- Any vehicles that require the use of the limited outside deck space will charged the per linear foot truck rate of ~~\$5.40~~ \$5.50 per linear foot. For example, people will often put their bikes on their car, and they often need outside deck space due to the extra height. We cannot guarantee them the outside deck space (trucks have priority) and the bikes and racks may have to come down. In such a case, if the bikes and racks come down and the car, van or pick-up is then otherwise standard size, the standard car, van or pick-up truck rate will apply, and the standard charges will also apply to the bikes, racks, or other items removed from the vehicle.

RULE NO. 40 TIME LIMIT ON SUITS:

Suits to recover on any claim for loss of life or bodily injury must be instituted within one (1) year from the day when the death or injury occurred. Suits to recover on any claim other than loss of life or bodily injury, including breach of contract, must be instituted within six (6) months of the scheduled arrival of the passenger or property at destination.

RULE NO. 45 SCREENING AND INSPECTION:

Pursuant to Homeland Security Coast Guard Regulations, entering the ferry facility is deemed valid consent to screening or inspection; and failure to consent or submit to screening or inspection will result in denial or revocation of authorization to enter.

RULE NO. 50 ARTICLES LEFT ABOARD VESSEL:

Carrier will not be responsible for articles left aboard the vessel. Such shipments shall be charged for at the minimum rates provided in the company's tariffs.

RULE NO. 55 DAMAGE TO AUTOMOBILES:

All vehicles are transported at owner's sole risk. Drivers must accompany vehicles. The company will not be responsible for any damages to vehicles while in transport or while they are being loaded and unloaded aboard the vessel. The owner or driver must drive the vehicle on and off the vessel. In the event a vessel is canceled, the car reservation is also canceled. Any alleged damage to automobiles shall be reported to vessel's officers prior to leaving dock at destination.

RULE NO. 60 CAR RESERVATION CANCELLATIONS:

Car reservations may be changed two times 7 full days in advance of departure, then only one time within 7 days of departure. Cancellations made 7 full days in advance will be assessed a ~~\$10.65~~ \$10.85 cancellation fee for each cancellation. No refunds will be made for cancellations made within 7 days of departure.

RULE NO. 65 VEHICLE OVERHANG CHARGE:

There is a ~~\$7.45~~ \$7.60 additional charge per each way, in addition to the vehicle fee, for items over 7' on top of cars, and the same fee will be charged for items on the front, back and side of vehicles as well as items overhanging the roof of vehicles that exceed the length or width of the vehicle.

RULE NO. 70 NON-STANDARD VEHICLE CHARGES:

Vehicles that require more than one car space (such as limousines) may be charged an increased rate based on the amount of deck space required for the vehicle as opposed to a standard car or SUV (see also Rule 35).

RULE NO. 75 BLOCK TICKET SALES CHARGE:

There is a ~~\$20.75~~ \$21.15 block ticket sales service charge for all block sales of 25 or more tickets. The block ticket sales service charge for arrangements made for group travel that includes making luncheon reservations, bus tours, and/or other similar amenities shall be ~~\$37.25~~ \$37.95.

RULE NO. 80 ONLINE SALES CHARGE:

For all online internet and telephone call center passenger transactions, there is a ~~\$2.15~~ \$2.20 convenience fee per transaction, to cover postage/handling charges.

RULE NO. 85 LOST TICKET CHARGE:

There is a ~~\$13.85~~ \$14.10 charge for all lost tickets which are replaced (each way).

RULE NO. 90 GROUP DISCOUNTS:

Carrier may from time to time apply a 15% promotional group discount rate to groups of 25 or more.

RULE NO. 95 ADVANCE TICKET DISCOUNT:

Carrier may sell advance tickets on a pay for 9 tickets in advance, get 10 tickets basis.

RULE NO. 100 COMMUTER RATE ELIGIBILITY:

Only the holders of a Rhode Island driver's license with solely a Block Island address on the license are eligible for commuter rates, and to be eligible for the commuter standard sized car, SUV, van and pick up rates, (Oversized Vehicles as defined in Rule 35, are not eligible for the commuter vehicle rate), the vehicle (1) must be driven by a driver with solely a Block Island license, and (2) must have solely a Block Island address on its registration. Also, Block Island resident school students who are over the age of eleven, but under the age of sixteen who attend the Block Island School may obtain the adult resident commuter rate by presenting a valid Block Island School Photo Identification Card which will be issued by the Town of New Shoreham.

EXPLANATION OF ABBREVIATIONS

No. = Number

P.O. = Post Office

R.I. = Rhode Island

R.I.P.U.C = Rhode Island Public Utilities Commission

NA = Not Available

PLF. = Per Linear Foot

PASSENGER RATES
(Rates in Dollars and Cents Per Passenger)

ITEM:

Between Newport and Block Island Apply Column A Rates

Between Point Judith and Block Island Apply Column B Rates

Between Point Judith and Newport Apply Column C Rates

COLUMN

| A | B | C | | | | |
|---|---|---|--|--|--|--|
|---|---|---|--|--|--|--|

5 ADULT PASSENGER FARES

| | | | | | | | |
|------------------|---------|---------|---------|--|--|--|--|
| ONE WAY ADULT | \$10.45 | \$10.80 | \$8.10 | | | | |
| | \$10.65 | \$11.00 | \$8.25 | | | | |
| ROUND TRIP ADULT | \$15.45 | \$17.60 | \$12.15 | | | | |
| | \$15.75 | \$17.95 | \$12.40 | | | | |

10 CHILDREN PASSENGER FARES

| | | | | | | | |
|------------|--------|--------|--------|--|--|--|--|
| ONE WAY | \$4.95 | \$5.50 | \$4.05 | | | | |
| | \$5.05 | \$5.60 | \$4.15 | | | | |
| ROUND TRIP | \$7.15 | \$8.75 | \$6.05 | | | | |
| | \$7.30 | \$8.90 | \$6.15 | | | | |

Commuter Rate ~~\$10.50~~ \$10.70 (See Rule 100)**Senior Discount** (over 65 years):

\$.50 off non-commuter one way tickets

\$1.00 off non-commuter round trip tickets

NOTE a. The passenger rates for children published in Item No. 10 will apply to children five (5) years of age up to and including children eleven (11) years of age when accompanied by an adult. For children twelve (12) years of age and older the adult passenger fares published in Item No. 5 will be charged.

NOTE b. Children under five (5) years of age when accompanied by an adult will be transported free.

FOR EXPLANATION OF ABBREVIATIONS AND REFERENCE MARKS SEE PAGE 5.

VEHICLE RATES

ITEM:

Between Block Island and Newport Apply Column A Rates
 Between Block Island and Point Judith Apply Column B Rates
 Between Point Judith and Newport Apply Column C Rates

RATES IN DOLLARS AND CENTS PER UNIT (one way)

| | | COLUMN | | |
|-----|--|--------------------|--------------------|--------------------|
| | | A | B | C |
| 15 | Automobiles (See Rules 20, 25, 35, 50, 55, 60, 65 and 70 herein and Rule 20 of Freight Tariff) | n/a | \$47.90 \$48.80 | n/a |
| 16 | Bicycles | \$3.10 \$3.15 | \$3.10 \$3.15 | \$2.55 \$2.60 |
| 16a | Bicycle wagons, whether or not attached to a bicycle | \$3.10 \$3.15 | \$3.10 \$3.15 | \$2.55 \$2.60 |
| 16b | Tandem Bicycles, whether or not attached to a bicycle | \$3.10 \$3.15 | \$3.10 \$3.15 | \$2.55 \$2.60 |
| 16c | Electric Bicycles, motorized skateboards, and mini-motorcycles | \$8.00 \$8.15 | \$8.00 \$8.15 | \$6.60 \$6.75 |
| 17 | Motorcycles | \$20.95 \$21.35 | \$20.95 \$21.35 | \$16.70 \$17.00 |
| 18 | Pick-up trucks, vans, and SUV's (See Rules 20, 25, 35, 50, 55, 60, 65 and 70 herein and Rule 20 of Freight Tariff) | n/a | \$57.80 \$58.90 | n/a |
| 19 | Trucks* (See note) | n/a | 5.40/lf 5.50/lf | n/a |
| 20 | Hazardous Trucks* (See note) | n/a | 8.15/lf 8.30/lf | n/a |

Commuter Vehicle Rates:

- Standard-sized Automobiles ~~\$27.00~~ \$27.50
 (See Rules 20, 25, 35, 50, 55, 60, 65, 70, and 100 herein and Rule 20 of Freight Tariff)
- Standard-sized Pick-up Trucks, Vans, and SUVs ~~\$32.75~~ \$33.40
 (See Rules 20, 25, 35, 50, 55, 60, 65, 70, and 100 herein and Rule 20 of Freight Tariff)

* Note:

Except as set forth below, trucks carrying hazardous materials or dangerous goods, as defined by 49 CFR, Subchapter C Hazardous Materials Regulations, the U.S. Coast Guard, and the International Maritime Organization, can not be transported aboard passenger vessels. Therefore, except as set forth below, when carrying these materials, the vessel must operate strictly as a cargo vessel, and the per foot rate is as set forth above for hazardous trucks. For this purpose, the Carrier will make a vessel available as a cargo vessel on a reservation only, as available basis, at the rate set forth above per same day round trip run from Point Judith to Block Island and return (maximum 4 hours). When available, the cargo vessel must be scheduled to leave Point Judith and complete the run at the discretion of the Carrier.

Trucks which carry sludge for the New Shoreham Sewer Commission will be required to travel on the hazardous truck cargo vessel, and will not be allowed to travel on a vessel with passengers, but will be allowed to travel at the regular truck rate of ~~\$5.40~~ \$5.50 per linear foot, because the sludge is not a hazardous material or dangerous good as defined by 49 CFR, Subchapter C, but odor from the truck is a problem for ferry passengers. In addition, trucks which carry garbage for the Town of New Shoreham will also be allowed, on an as-needed basis, to travel on the hazardous truck cargo vessel, but at the standard truck rate of ~~\$5.40~~ \$5.50 per linear foot, or they may travel on the usual passenger ferry.

Trucks which have a gross weight of 50,000 pounds or more and are not tractor trailer trucks and are not carrying property for the Town of New Shoreham will be required to pay, in addition to the per linear foot truck rate, a weight premium of ~~\$53.25~~ \$54.25 per one way trip due to the weight limitations imposed upon the ferry vessels.

STATE OF RHODE ISLAND

PUBLIC UTILITIES COMMISSION

Docket No. 3762

INTERSTATE NAVIGATION COMPANY

LOCAL TARIFF

Naming

PASSENGER AND VEHICLE RATES

FOR TRADITIONAL SERVICE

APPLYING BETWEEN

POINTS AND PLACES IN THE STATE OF

RHODE ISLAND

(As Indicated Herein)

EFFECTIVE: January 1, 2011*

ISSUED BY:

Interstate Navigation Company
Susan Linda, President
Post Office Box 482
New London, Connecticut 06320

* Subsequent to CPI Increase

RULE NO. 5 PETS OR ANIMALS ACCOMPANYING PASSENGERS:

Animals or pets will not be allowed to accompany passengers aboard ships unless such animals are securely under leash.

RULE NO. 10 BAGGAGE DEFINED:

- (a) Baggage may be either personal or sales sample cases defined as follows: Personal luggage or baggage consists of wearing apparel, toilet articles or similar effects in actual use, necessary and appropriate for the wear, use, comfort or convenience of the passenger for the purpose of the trip and not intended for other persons or for sale. Sample cases are those to be used by salesman containing samples or articles or merchandise for sale and for future transportation and not articles for immediate sale forthwith.
- (b) Money, jewelry, negotiable papers or like valuables should not be enclosed in baggage to be checked. This carrier will not be responsible for such articles in baggage.
- (c) All baggage must be enclosed in receptacles such as trunks, valises, suit cases, leather hat boxes or satchels provided with handles, securely locked or otherwise fastened and made of material of sufficient strength and durability and quality to withstand the rapid handling and piling incidental to its transportation.

RULE NO. 15 BAGGAGE ACCOMPANYING PASSENGERS:

Each passenger purchasing an adult or child one way ticket will be allowed to transport without charge fifty (50) pounds of luggage or baggage, which must be carried on and off the ship by the passenger at points of embarkation and debarkation.

RULE NO. 20. ARTICLES IN AUTOMOBILES:

Carrier will not be responsible for articles left in automobiles when not loaded in car trunks.

RULE NO. 25 DAMAGE TO AUTOMOBILES IN TRANSIT:

Any alleged damage to automobiles aboard ship shall be reported to ship's officers prior to leaving the dock at destination.

RULE NO. 30 ROUND TRIP TICKET:

The carrier will not be responsible to persons holding round trip tickets for failure to provide return carriage due to weather or mechanical failure; the carrier will honor the return ticket by providing carriage as soon as the weather and the sea are fit for navigation and the equipment is fit to operate.

RULE NO. 35a OVERSIZED VEHICLES:

Deck space in general is restricted in the vessels by height and width. Outside deck space (which can accommodate higher vehicles) is also very limited in availability. Therefore, Oversized Vehicles, (which include cars, pick-up trucks, SUVs and vans) that do not fit the standard sized description of a standard car, pick-up truck, or van, will be charged an Oversized Vehicle rate of \$4.10 per linear foot, but only if they are 7' in height or less. If they are over 7' high, see Rule 35b. A standard car is no more than 18' long, 6' wide, and 5' high. As examples, without limiting the generality of the foregoing, the following are Oversized Vehicles that will be charged the per linear foot Oversized Vehicle rate of \$4.10 per linear foot but only if they are 7' in height or less:

- Any vehicles (including but not limited to cars, vans, and pick-ups) that are over 6' in width at the widest point.
- Extended cab pick-up trucks.
- Dual-wheel vehicles (including but not limited to the F350 Ford Series).
- Small dump trucks with a pick up front, and a dump body.
- Stake body trucks.
- Vehicles where racks extend the length of the car, van or pick-up.
- Vehicles that are wider than standard. For example, the vehicle has a utility body containing tool boxes, or the body of the vehicle is not ordinary or standard open backed.
- Vehicles that have ladder racks, or racks that hold pipes or other items on their roof.
- Any trailers (including but not limited to utility trailers), that are longer or wider than a standard car or are over 6' wide at the widest.

RULE 35b VEHICLES OVER 7' HIGH OR THAT REQUIRE OUTSIDE DECK SPACE:

- Any vehicles (including but not limited to cars, vans, pick-ups, SUVs, and trailers of any type) that are over 7' in height at the highest point will be charged the \$5.50 per linear foot truck rate.
- Any vehicles that require the use of the limited outside deck space will be charged the per linear foot truck rate of \$5.50 per linear foot. For example, people will often put their bikes on their car, and they often need outside deck space due to the extra height. We cannot guarantee them the outside deck space (trucks have priority) and the bikes and racks may have to come down. In such a case, if the bikes and racks come down and the car, van or pick-up is then otherwise standard size, the standard car, van or pick-up truck rate will apply, and the standard charges will also apply to the bikes, racks, or other items removed from the vehicle.

RULE NO. 40 TIME LIMIT ON SUITS:

Suits to recover on any claim for loss of life or bodily injury must be instituted within one (1) year from the day when the death or injury occurred. Suits to recover on any claim other than loss of life or bodily injury, including breach of contract, must be instituted within six (6) months of the scheduled arrival of the passenger or property at destination.

RULE NO. 45 SCREENING AND INSPECTION:

Pursuant to Homeland Security Coast Guard Regulations, entering the ferry facility is deemed valid consent to screening or inspection; and failure to consent or submit to screening or inspection will result in denial or revocation of authorization to enter.

RULE NO. 50 ARTICLES LEFT ABOARD VESSEL:

Carrier will not be responsible for articles left aboard the vessel. Such shipments shall be charged for at the minimum rates provided in the company's tariffs.

RULE NO. 55 DAMAGE TO AUTOMOBILES:

All vehicles are transported at owner's sole risk. Drivers must accompany vehicles. The company will not be responsible for any damages to vehicles while in transport or while they are being loaded and unloaded aboard the vessel. The owner or driver must drive the vehicle on and off the vessel. In the event a vessel is canceled, the car reservation is also canceled. Any alleged damage to automobiles shall be reported to vessel's officers prior to leaving dock at destination.

RULE NO. 60 CAR RESERVATION CANCELLATIONS:

Car reservations may be changed two times 7 full days in advance of departure, then only one time within 7 days of departure. Cancellations made 7 full days in advance will be assessed a \$10.85 cancellation fee for each cancellation. No refunds will be made for cancellations made within 7 days of departure.

RULE NO. 65 VEHICLE OVERHANG CHARGE:

There is a \$7.60 additional charge per each way, in addition to the vehicle fee, for items over 7' on top of cars, and the same fee will be charged for items on the front, back and side of vehicles as well as items overhanging the roof of vehicles that exceed the length or width of the vehicle.

RULE NO. 70 NON-STANDARD VEHICLE CHARGES:

Vehicles that require more than one car space (such as limousines) may be charged an increased rate based on the amount of deck space required for the vehicle as opposed to a standard car or SUV (see also Rule 35).

RULE NO. 75 BLOCK TICKET SALES CHARGE:

There is a \$21.15 block ticket sales service charge for all block sales of 25 or more tickets. The block ticket sales service charge for arrangements made for group travel that includes making luncheon reservations, bus tours, and/or other similar amenities shall be \$37.95.

RULE NO. 80 ONLINE SALES CHARGE:

For all online internet and telephone call center passenger transactions, there is a \$2.20 convenience fee per transaction, to cover postage/handling charges.

RULE NO. 85 LOST TICKET CHARGE:

There is a \$14.10 charge for all lost tickets which are replaced (each way).

RULE NO. 90 GROUP DISCOUNTS:

Carrier may from time to time apply a 15% promotional group discount rate to groups of 25 or more.

RULE NO. 95 ADVANCE TICKET DISCOUNT:

Carrier may sell advance tickets on a pay for 9 tickets in advance, get 10 tickets basis.

RULE NO. 100 COMMUTER RATE ELIGIBILITY:

Only the holders of a Rhode Island driver's license with solely a Block Island address on the license are eligible for commuter rates, and to be eligible for the commuter standard sized car, SUV, van and pick up rates, (Oversized Vehicles as defined in Rule 35, are not eligible for the commuter vehicle rate), the vehicle (1) must be driven by a driver with solely a Block Island license, and (2) must have solely a Block Island address on its registration. Also, Block Island resident school students who are over the age of eleven, but under the age of sixteen who attend the Block Island School may obtain the adult resident commuter rate by presenting a valid Block Island School Photo Identification Card which will be issued by the Town of New Shoreham.

EXPLANATION OF ABBREVIATIONS

No. = Number

P.O. = Post Office

R.I. = Rhode Island

R.I.P.U.C = Rhode Island Public Utilities Commission

NA = Not Available

PLF. = Per Linear Foot

PASSENGER RATES
(Rates in Dollars and Cents Per Passenger)

ITEM:

Between Newport and Block Island Apply Column A Rates
Between Point Judith and Block Island Apply Column B Rates
Between Point Judith and Newport Apply Column C Rates

COLUMN

| | | | | | | | |
|---|---|---|--|--|--|--|--|
| A | B | C | | | | | |
|---|---|---|--|--|--|--|--|

5 ADULT PASSENGER FARES

| | | | | | | | |
|------------------|---------|---------|---------|--|--|--|--|
| ONE WAY ADULT | \$10.65 | \$11.00 | \$8.25 | | | | |
| ROUND TRIP ADULT | \$15.75 | \$17.95 | \$12.40 | | | | |

**10 CHILDREN PASSENGER
FARES**

| | | | | | | | |
|------------|--------|--------|--------|--|--|--|--|
| ONE WAY | \$5.05 | \$5.60 | \$4.15 | | | | |
| ROUND TRIP | \$7.30 | \$8.90 | \$6.15 | | | | |

Commuter Rate \$10.70 (See Rule 100)

Senior Discount (over 65 years):

\$.50 off non-commuter one way tickets
\$1.00 off non-commuter round trip tickets

NOTE a. The passenger rates for children published in Item No. 10 will apply to children five (5) years of age up to and including children eleven (11) years of age when accompanied by an adult. For children twelve (12) years of age and older the adult passenger fares published in Item No. 5 will be charged.

NOTE b. Children under five (5) years of age when accompanied by an adult will be transported free.

FOR EXPLANATION OF ABBREVIATIONS AND REFERENCE MARKS SEE PAGE 5.

VEHICLE RATES

ITEM:

Between Block Island and Newport Apply Column A Rates

Between Block Island and Point Judith Apply Column B Rates

Between Point Judith and Newport Apply Column C Rates

RATES IN DOLLARS AND CENTS PER UNIT (one way)

| | | COLUMN | | |
|-----|--|--------|---------|-------|
| | | A | B | C |
| 15 | Automobiles (See Rules 20, 25, 35, 50, 55, 60, 65 and 70 herein and Rule 20 of Freight Tariff) | n/a | 48.80 | n/a |
| 16 | Bicycles | 3.15 | 3.15 | 2.60 |
| 16a | Bicycle wagons, whether or not attached to a bicycle | 3.15 | 3.15 | 2.60 |
| 16b | Tandem Bicycles, whether or not attached to a bicycle | 3.15 | 3.15 | 2.60 |
| 16c | Electric Bicycles, motorized skateboards, and mini-motorcycles | 8.15 | 8.15 | 6.75 |
| 17 | Motorcycles | 21.35 | 21.35 | 17.00 |
| 18 | Pick-up trucks, vans, and SUV's (See Rules 20, 25, 35, 50, 55, 60, 65 and 70 herein and Rule 20 of Freight Tariff) | n/a | 58.90 | n/a |
| 19 | Trucks* (See note) | n/a | 5.50/1f | n/a |
| 20 | Hazardous Trucks* (See note) | n/a | 8.30/1f | n/a |

Commuter Vehicle Rates:

- Standard-sized Automobiles \$27.50
(See Rules 20, 25, 35, 50, 55, 60, 65, 70, and 100 herein and Rule 20 of Freight Tariff)
- Standard-sized Pick-up Trucks, Vans, and SUVs \$33.40
(See Rules 20, 25, 35, 50, 55, 60, 65, 70, and 100 herein and Rule 20 of Freight Tariff)

* Note: Except as set forth below, trucks carrying hazardous materials or dangerous goods, as defined by 49 CFR, Subchapter C Hazardous Materials Regulations, the U.S. Coast Guard, and the International Maritime Organization, can not be transported aboard passenger vessels. Therefore, except as set forth below, when carrying these materials, the vessel must operate strictly as a cargo vessel, and the per foot rate is as set forth above for hazardous trucks. For this purpose, the Carrier will make a vessel available as a cargo vessel on a reservation only, as available basis, at the rate set forth above per same day round trip run from Point Judith to Block Island and return (maximum 4 hours). When available, the cargo vessel must be scheduled to leave Point Judith and complete the run at the discretion of the Carrier.

Trucks which carry sludge for the New Shoreham Sewer Commission will be required to travel on the hazardous truck cargo vessel, and will not be allowed to travel on a vessel with passengers, but will be allowed to travel at the regular truck rate of \$5.50 per linear foot, because the sludge is not a hazardous material or dangerous good as defined by 49 CFR, Subchapter C, but odor from the truck is a problem for ferry passengers. In addition, trucks which carry garbage for the Town of New Shoreham will also be allowed, on an as-needed basis, to travel on the hazardous truck cargo vessel, but at the standard truck rate of \$5.50 per linear foot, or they may travel on the usual passenger ferry.

Trucks which have a gross weight of 50,000 pounds or more and are not tractor trailer trucks and are not carrying property for the Town of New Shoreham will be required to pay, in addition to the per linear foot truck rate, a weight premium of \$54.25 per one way trip due to the weight limitations imposed upon the ferry vessels.