

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

May 14, 2008

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

Re: BIPCo Rate Case – Docket No. 3900

Dear Luly:

As you know, this office represents Block Island Power Company (BIPCo).

At the recent hearings in this matter, there was discussion regarding the Division and the Commission previously approving the sale of a fully depreciated ferry vessel (the M/V *Quonset*) by Interstate Navigation Company and allowing the company to retain all proceeds generated by the sale without any impact on rates. I was asked to provide to the Division, the Commission, and the Town a reference to the docket number where this occurred. Accordingly, I am enclosing an original and nine copies of the Amended Stipulation between Interstate Navigation Company and the Advocacy Section of the Division of Public Utilities and Carriers that was filed in joint Commission Docket No. 1935 and Division Docket No. D-89-7, which was subsequently approved by the Commission.

Please note that paragraph 3 provides:

“The Company may retain whatever proceeds are generated from the sale of the M/V *Quonset* without any impact on rates. However, no expenses associated with the *Quonset* will be sought to be recovered by the Company in any future rate proceeding.”

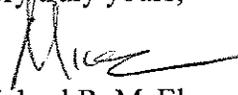
I would appreciate it if you would file this letter and the enclosed stipulation as a response to the data request made at the Commission hearing in the BIPCo matter.

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Luly Massaro
May 14, 2008
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If you have any questions, please feel free to call.

Very truly yours,



Michael R. McElroy

MRMc:tmg
cc: BIPCo owners
Service list

07 Rate/Massar017

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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION AND 89 DEC 21 AM 11:14
DIVISION OF PUBLIC UTILITIES AND CARRIERS
PUBLIC UTILITIES COMMISSION

IN RE: INTERSTATE NAVIGATION COMPANY : DOCKET NO. 1935
RATE FILING OF MARCH 22, 1989 : (COMMISSION)
(COMMISSION) AND APRIL 20, 1989 :
(DIVISION) : DOCKET NO. D-89-7
: (DIVISION)

AMENDED STIPULATION BETWEEN INTERSTATE NAVIGATION COMPANY
AND THE ADVOCACY SECTION OF THE
DIVISION OF PUBLIC UTILITIES AND CARRIERS

Pursuant to Rule 1.22 of the Rules of Practice and Procedure, and for the purpose of clarifying certain matters set forth in the original Stipulation dated November 22, 1989, the Interstate Navigation Company (Company) and the Advocacy Section of the Division of Public Utilities and Carriers (Advocacy Section) hereby stipulate and agree as follows:

1. The Company's additional revenue requirement is \$770,000.00 to provide total Pro-Forma revenues of \$4,114,031.00.

2. To generate the Pro-Forma revenues, the Company may implement a 25% across-the-board rate increase from the rates approved by the Commission in Docket No. 1835, with the exception of the rates for the Providence runs. For these tickets, the Company may implement a 25% increase from the pre-interim rates filed with the Division in Docket No. D-89-10. The above methodology has the effect of including the interim relief of \$181,000.00 (or 6.46% across the board) within the stipulated cost of service, rather than adding the stipulated additional revenue requirement of \$770,000.00 to the interim relief.

3. The Company may retain whatever proceeds are generated from the sale of the MV Quonset without any impact on rates. However, no expenses associated with the Quonset will be sought to be recovered by the Company in any future rate proceeding.

4. Except for an emergency situation, the Company agrees not to seek an increase in its rates which would be effective at any time prior to June 1, 1992.

5. The Company will pay (up to a maximum of \$30,000.00) for a Fleet Study which will be commissioned and monitored by the Division. This study will seek to determine the best combination and types of vessels to be used by the Company. This study will be performed by a consultant who will make non-binding recommendations.

6. Rate-base rate of return will be adopted for the Company. Rate base is agreed to be \$3,474,328.00. An appropriate rate of return is agreed to be 10.27% (per Schedule 2 of Division Exhibit No. 3).

7. The Company agrees to continue to use the vessel Anna C. on the same schedule as it has currently been using the vessel (a minimum of 243 days per year). However, allowed charter expense will be limited to \$300,000.00, as set forth in the attached Cost of Service Schedule.

8. The Company agrees that in its next filing for rate relief, the Company will provide in its payroll expense breakdown a listing by each month in the test year of all Company personnel by location and by function.

9. The Company and the Advocacy Section agree upon the revenue and expense figures set forth in the Cost of Service Schedule entitled "Interstate Navigation Company Stipulation Pro-Forma Profit and Loss Compared with Test Year" attached hereto and incorporated by reference herein.

10. This Stipulation is a result of a negotiated settlement among the parties. The agreement by either party to this Stipulation shall not be construed as an agreement to any matter of fact or law in any Division or Commission proceeding.

11. In the event the Division or Commission rejects or fails to approve any part of this Stipulation, the entire Stipulation shall be void.

This 21st day of December, 1989.

INTERSTATE NAVIGATION COMPANY

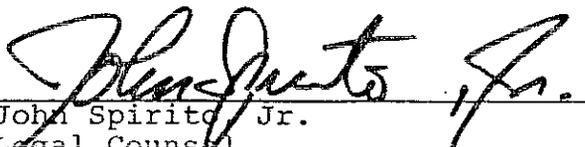
By its Attorney,



Michael R. McElroy
Schacht & McElroy
Suite 400, 128 Dorrance Street
Post Office Box 1581
Providence, RI 02901-1581
(401) 351-4100

ADVOCACY SECTION OF THE DIVISION
OF PUBLIC UTILITIES AND CARRIERS

By its Attorney,



John Spirito Jr.
Legal Counsel
Advocacy Section of the Division
of Public Utilities and Carriers
100 Orange Street
Providence, Rhode Island 02903
(401) 277-3500

INTERSTATE NAVIGATION CO.
STIPULATION PRO-FORMA PROFIT AND LOSS
COMPARED WITH TEST YEAR

	Test Year 10/1/87 9/30/88	Stipulated Adjustments	Stipulated Pro-Forma	Revenue Require	Pro-Forma P & L 12/1/89 11/30/90
<u>Revenue</u>					
Freight	269,126	37,298	306,424		
Passengers	1,705,285	103,120	1,808,405		
Cars	757,028	147,174	904,202		
Bar	144,800	20,200	165,000		
Charter	102,500	<42,500>	60,000		
Bikes	70,372	4,628	75,000		
Mail	32,108	< 7,108>	25,000		
Total Revenue	3,081,219	262,812	3,344,031	770,000	4,114,031
<u>Expenses</u>					
<u>Maintenance Expenses</u>					
Vessel	167,933	18,682	186,615		
Building	19,113	2,126	21,239		
Other(forklift)	8,851	985	9,836		
Depreciation	278,976	50,988	329,964		
Sub-total	474,873	72,781	547,654		547,654
<u>Vessel Operations</u>					
Officers Salary	121,350	58,650	180,000		
Payroll	889,871	253,627	1,143,498		
Fuel	209,403	25,546	234,949		
Lubrication	6,920	769	7,689		
Supplies	24,488	3,224	27,712		
Other vessel	77,722	8,647	86,369		
Wharfage	76,328	25,672	102,000		
Charter	486,000	<186,000>	300,000		
Resale Food	78,381	8,719	87,100		
Rent	7,112	791	7,903		
Sub-total	1,977,575	199,645	2,177,220		2,177,220

	Test Year 10/1/87 9/30/88	Stipulated Adjustments	Stipulated Pro-Forma	Revenue Require	Pro-Forma P & L 12/1/89 11/30/90
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Terminal Expense

Utilities	27,868	3,600	31,468		
Auto Truck	9,229	1,027	10,256		
Local Traffic	44,370	4,936	49,306		
Terminal	5,843	649	6,492		
Travel	10,712	1,192	11,904		
Advertising	22,025	2,451	24,476		
Other Traffic	28,465	3,167	31,632		
Sub-total	148,512	17,022	165,534		165,534

General Expenses

Office	24,495	2,725	27,220		
Professional	40,722	<9,222>	31,500		
Dues	1,180	131	1,311		
Donations	3,223	<891>	2,332		
Telephone	22,241	2,474	24,715		
Emp. Insurance	42,616	9,805	52,421		
PUC Expenses	6,052	<6,052>	0		
Rate Case Exp.	0	40,000	40,000		
Pension	26,338	2,930	29,268		
Sub-total	166,867	41,900	208,767		208,767

Casualties & Insurance

Insurance	207,749	82,293	290,042		
Workman's Comp.	6,361	708	7,069		
Damages	14,014	1,559	15,573		
Other	2,806	312	3,118		
Emp. Injury	6,258	696	6,954		
Sub-total	237,188	85,568	322,756		322,756

Taxes

Payroll	120,560	24,440	145,000		
Gross Receipts	37,320	14,505	51,825		
Sales Use Tax	29,775	0	29,775		
CT Corp Tax	1,500	0	1,500		
Licenses	957	106	1,063		
Property Tax	10,250	1,141	11,391		
RI Corp Tax	5,000	<5,000>	0		
Federal Inc Tax	18,000	76,743	94,743		
Sub-total	223,362	111,935	335,287		335,287

	Test Year 10/1/87 9/30/88	Stipulated Adjustments	Stipulated Pro-Forma	Revenue Require	Pro-Forma P & L 12/1/89 11/30/90
<u>Interest Expense</u>					
Interest Expense	112,459	<112,459>	0		
Interest Imputed	134,865	<134,865>	0		
Interest Income	<u><15,671></u>	<u>15,671</u>	<u>0</u>		<u>0</u>
Sub-total	231,653	<231,653>	0		0
Total Expenses	3,460,030	297,188	3,757,218		3,757,218
Net Profit	<u><378,811></u>		<u><413,187></u>	<u>770,000</u>	<u>356,813</u>

EXHIBIT I

INTERSTATE NAVIGATION
COST OF SERVICE
DOCKET NO. 1835

	TEST YEAR	ACCOUNTS STIPULATED	COMMISSION ADJUSTMENTS	ADJUSTED COST OF SERVICE	REVENUE REQUIREMENT	PROFORMA COST OF SERVICE
<u>OPERATING REVENUE:</u>	\$2,432,425	\$	\$106,555	\$2,538,980	\$53,980	\$2,592,960
<u>OPERATING EXPENSES:</u>						
Salaries	691,501		137,815	829,316		829,316
Interest	336,186	256,259		256,259		256,259
Depreciation	230,914	253,348	1,157	254,505		254,505
Fuel	236,027	241,846		241,846		241,846
Maintenance	191,103	205,245		205,245		205,245
Insurance	104,189	105,452		105,452		105,452
Other Taxes	87,486		(3,910)	83,576		84,251
Payroll Taxes	86,953		7,589	94,542	675	94,542
General Office	78,563			43,712		43,712
Supplies	77,266	43,712		82,984		82,984
Wharfage	42,616	82,984		69,200		69,200
Other Vessel	33,392		26,584	35,863		35,863
Other Terminal	26,553	35,863		28,518		28,518
Vehicle Expense	20,114	28,518		15,900		15,900
Utilities	19,429	17,144		17,144		17,144
Traffic	18,977	20,381		20,381		20,381
Regulatory Expense	-0-		18,248	18,248		18,248
Pension Expense	-0-	26,900		26,900		26,900
Rent Expense	-0-	7,112		7,112		7,112
Total Expenses	2,281,269	\$1,340,664		2,436,703	\$ 675	2,437,378
Operating Income	\$ 151,156			\$ 102,277		\$ 155,582