

DIVISION OF PUBLIC UTILITIES AND CARRIERS  
MEMORANDUM

TO: LULY MASSARO  
COMMISSION CLERK

DATE: MAY 6, 2009

FROM: STEPHEN SCIALABBA  
DIVISION OF PUBLIC UTILITIES AND CARRIERS

REGARDING: DOCKET 4053. INTERSTATE NAVIGATION PETITION FOR INITIAL RATES FOR SERVICE BETWEEN POINT JUDITH AND NEWPORT.

On April 10, 2009 Interstate Navigation filed for approval of rates for passenger and light vehicle service between Narragansett (Point Judith) and Newport. Presently, Interstate does not provide service between those two points. The Company has made the filing to meet one of the directives included in Division Order No. 19599, issued on March 17, 2009 in Dockets D-06-51 and D-06-53. In that Order, the Division made a finding that Interstate's certificate of public convenience and necessity (CPCN) W-3 that authorizes service between Point Judith and Newport "has remained dormant for far too long". Interstate was directed to reactivate the CPCN or show cause why the certificate should not be revoked on "dormancy" grounds.

Interstate presently runs a boat with a full crew between Point Judith and Newport in the summer to service its Newport to Block Island summer-only run. The boat is berthed in Point Judith every night. The Company plans to allow passengers and light vehicles on the boat on its morning Point Judith departure to Newport to serve the Newport to Block Island run. It will take passengers from Newport to Point Judith in the early evening when it leaves Newport for its nightly berthing in Point Judith. The Company claims there will be minimal incremental expenses from the service and the Division agrees, based on the description provided.

The Company proposes that any profits from the service will be accumulated in a reserve account and included as revenue in the Final Accumulated Earnings Report which is to be filed by June 1, 2012 in accordance with the approved Amended Settlement Agreement in Dockets 3762 and 3764, Interstate Navigation Company Application For General Rate Increase and Request For Fast Ferry Rates. The aforementioned earnings report will be the basis of determining the customers' share of accumulated earnings under the terms of the Amended Settlement. Accumulated earnings over a benchmark ROE will be shared 50/50 between the Company and the customers (the latter in a manner to be determined or approved by the PUC).

The Division has reviewed Interstate's proposal to establish initial rates for the service, for passengers, bicycles, and motorcycles. The Company has made no projections regarding expected ridership. The proposed service is certainly not a lifeline service. The Division does not object to the proposed tariffs proposed by the Company to serve the run between Point Judith and Newport.