

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: INTERSTATE NAVIGATION COMPANY'S :
CPCN-3 – ESTABLISHMENT OF INITIAL RATES : DOCKET NO. 4053
FOR TRADITIONAL FERRY SERVICE BETWEEN :
POINT JUDITH AND NEWPORT :

ORDER

On April 13, 2009, Interstate Navigation Company (“Interstate” or “Company”) filed a Petition and proposed tariffs with the Public Utilities Commission (“Commission”) seeking to establish rates for service between Point Judith, RI and Newport, RI. Interstate explained that it holds a Certificate of Public Convenience and Necessity (“CPCN-3”) issued by the Division of Public Utilities and Carriers (“Division”) allowing it to provide service between the two termini. Interstate’s filing letter indicated that this is a summer-only service.

In support of its filing, Interstate submitted written testimony of Walter E. Edge, Jr., its consultant. Mr. Edge indicated that the dates of operation in 2009 will be July 1, 2009 through September 7, 2009, inclusive to run on the same days as the current Newport and Block Island service. The ferry would leave Point Judith at 7:30 a.m. and arrive at Fort Adams (Newport) at 8:30 a.m. In the evening, the ferry would leave Fort Adams at 6:45 p.m. and arrive in Point Judith at 7:45 p.m. The proposed rates for service are calculated at approximately 80% of the rates for the Newport to Block Island service. A round-trip adult fare would be \$12.00, a round trip child fare would be \$6.00, bicycles would be \$2.50, and motorcycles would be \$16.50. The proposal included only rates for light vehicles.¹

¹ Testimony of Walter E. Edge, Jr., pp. 2-4.

He noted that Interstate currently runs the M/V Nelseco or the M/V Manitou without passengers from Point Judith to Newport with a captain and full crew each morning in the summer and returns to Point Judith in the evening to berth the boat. The purpose of the morning run to Newport is to allow the boat to receive passengers for the run between Newport, RI and New Shoreham, RI.² Mr. Edge explained that because Interstate already takes the boat from Point Judith to Newport each morning and back each afternoon, “there will be no additional fuel, insurance, or crew costs relating to the new service.”³ Additionally, Interstate has not conducted any studies to project additional revenue from this offering.⁴ In addition, Mr. Edge explained that because Interstate is currently operating under a rate freeze, the Company was proposing to “account for the profits from this new service separately in a reserve account and use these profits in the ‘true-up’ that is required at the end of the five year rate plan. In other words, any profits from this operation will be treated as additional revenue at the end of the rate plan and allocated to the benefit of the ratepayers through the true-up calculation.”⁵

On May 6, 2009, the Division submitted a Memorandum to the Commission “not objecting” to the proposed tariffs proposed by the Company to serve the run between Point Judith and Newport. The Division noted that Interstate had made the filing in order to comply with the Division’s Order No. 19599, issued on March 17, 2009 in Docket

² *Id.* at 2-5.

³ *Id.* at 2.

⁴ *Id.* at 3.

⁵ *Id.*

Nos. D-06-51 and D-06-53, wherein Interstate was ordered to commence service between Point Judith and Newport or risk losing its CPCN W-3.⁶

On May 14, 2009, at its Open Meeting, the Commission approved Interstate's Petition and related tariffs, noting that the proposed service does not constitute a lifeline service, will not increase Interstate's expenses, and is designed to benefit ratepayers through the inclusion of profits in the Final Accumulated Earnings Report which is to be filed by June 1, 2012.⁷ In light of Interstate's statement that "there will be no additional fuel, insurance, or crew costs relating to the new service," it is reasonable to expect that the term profits in this instance correlates to the term revenues, thus making the calculation in the "true-up" clear and unambiguous. The Commission will be interested in the level of ridership resulting from this new offering when it reviews Interstate's Annual Report including the 2009 summer season.

The Commission further finds that a comprehensive rate proceeding is not required in this matter and therefore exercises its option under R.I.G.L. § 39-3-12, finding good cause to exist to waive further investigation, further notice and public hearing, based upon the fact that the services, proposed by Interstate, do not constitute "lifeline" ferry services to an isolated ratepayer population.

Accordingly, it is hereby

(19669) ORDERED:

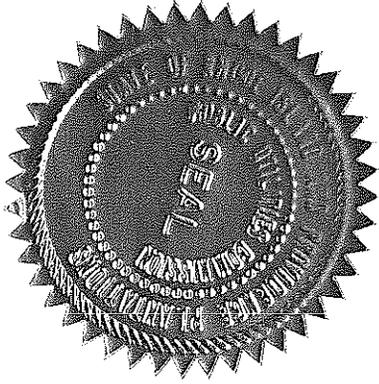
1. Interstate Navigation Company's Petition and proposed tariffs with the seeking to establish rates for service between Point Judith, RI and Newport, RI, filed on April 13, 2009, is hereby approved.

⁶ Division's Memorandum to Luly Massaro from Stephen Scialabba, 5/6/09.

⁷ Interstate agreed to waive the 30 day suspension deadline in this matter.

EFFECTIVE AT WARWICK, RHODE ISLAND PURSUANT TO AN
OPEN MEETING DECISION ON MAY 14, 2009. WRITTEN ORDER ISSUED
JUNE 12, 2009.

PUBLIC UTILITIES COMMISSION



Elia Germani

Elia Germani, Chairman

Mary E. Bray

Mary E. Bray, Commissioner