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August 8, 2018

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

In Re: Interstate Navigation – Company Earnings Reports
Docket No. 4373

In Re: Review of Interstate Navigation Company's Revenue Requirement
Under R.I.G.L. § 39-3-11 in light of the Tax Cuts and Jobs Act
Docket No. 4792

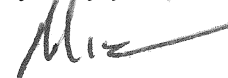
Dear Luly:

As you know, this office represents the Interstate Navigation Company.

Enclosed for filing in these matters is the Joint Response of Interstate Navigation Company and the Division of Public Utilities and Carriers to the Public Utilities Commission's Data Request issued on August 6, 2018.

If you have any questions, please feel free to call.

Very truly yours,



Michael R. McElroy

MRMc/tmg

cc: Service Lists

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: INTERSTATE NAVIGATION COMPANY :
EARNINGS REPORTS : DOCKET No. 4373

IN RE: REVIEW OF INTERSTATE NAVIGATION :
COMPANY'S REVENUE REQUIREMENT UNDER :
R.I. GEN. LAWS § 39-3-11 IN LIGHT OF THE TAX : DOCKET No. 4792
CUTS AND JOBS ACT :

**JOINT RESPONSE OF INTERSTATE NAVIGATION COMPANY AND THE DIVISION
OF PUBLIC UTILITIES AND CARRIERS TO THE PUBLIC UTILITY
COMMISSION'S DATA REQUEST ISSUED AUGUST 6, 2018**

1-1 The Settlement Agreement provides that the Fuel Reserve and the Capital Reserve have a carrying charge set at the Washington Trust Company money market rate. Please explain why this is the appropriate rate for the Capital Reserve Account?

JOINT RESPONSE:

The amounts in these reserves represent money owed customers. The money in both reserves will be returned or used for the customer's benefit in the near term. While the money is held in reserve, it is appropriate to compensate customers for the time value of money. Since the money will be returned in the near-term, the parties agreed to use a short-term interest rate. Interstate banks with Washington Trust and the parties agreed that the use of the bank's money market rate would be appropriate.

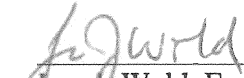
The money in the capital reserve will eventually be used to finance capital projects. Capital projects are normally financed at the Company's Weighted Average Cost of Capital ("WACOC"). The portion of the capital projects financed with the reserve funds will carry a zero percent interest rate. So effectively, as soon as the customer funds are invested in a capital project, they will receive the benefit of the Company's WACOC, which is at a higher cost than short-term rates.

In summary, under the settlement, customers are compensated at a short-term rate when the funds are held for the short-term and a long-term rate when the funds are invested in a capital project for the long term.

Respectfully submitted,

DIVISION OF PUBLIC UTILITIES
AND CARRIERS

By its attorneys:



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Date: August 8, 2018

INTERSTATE NAVIGATION COMPANY

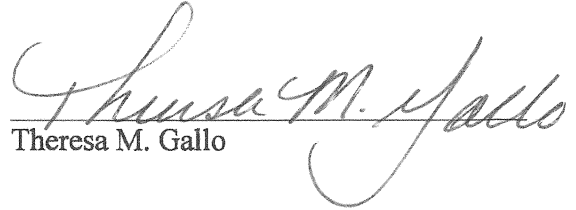
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CERTIFICATE OF SERVICE

I hereby certify that on the 8th day of August, 2018, I sent a true copy of the foregoing to the attached service lists.


Theresa M. Gallo

**Docket No. 4373 – Interstate Navigation Co. – Limited Rate Change Application
Service List as of 8/9/18**

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