

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

IN RE: INTERSTATE NAVIGATION COMPANY :  
GENERAL RATE FILING : DOCKET NO. 4373

COMMISSION'S THIRD SET OF DATA REQUESTS DIRECTED TO  
INTERSTATE NAVIGATION COMPANY

Issued April 3, 2013

Please provide responses by no later than April 19, 2013

- 3-1. Under what circumstances would Interstate find it necessary to make a filing to change rates pursuant to Section III (B) Post Rate Year Period Pricing Flexibility of the Proposed Settlement Agreement?

**Response:** The parties to the settlement (the Division and Interstate, plus the Town's expert witness supported the settlement in his pre-filed direct testimony) agreed that Interstate should have the flexibility in its conventional non-lifeline rates (i.e., excluding commuter passenger and vehicle rates and freight rates) to amend, as necessary, the conventional non-lifeline rates to remain competitive and to address market changes. If Interstate determined during the rate year, or any year thereafter, that it needed to amend its conventional non-lifeline rates or any individual non-lifeline rate (s) Interstate could file a limited rate filing with the Commission.

Prepared by WEE

3-2. In the event Interstate makes a filing to change rates pursuant to Section III (B) Post Rate Year Period Pricing Flexibility of the Proposed Settlement Agreement, what financial information will be included in the filing to support raising or lowering the rates?

**Response:** This was not discussed specifically by the parties but I would expect that Interstate would provide the following at a minimum.

- Reason for the change.
- Estimated financial impact of the change on revenue.
- Projected impact of the change on profit and rate of return.
- New tariffs.
- Public Notice.

Prepared by WEE

- 3-3. In the event the company makes a filing to change rates pursuant to Section III (B) Post Rate Year Period Pricing Flexibility of the Proposed Settlement Agreement, will all the rates move together? For example, will the proposal be that all eligible rates increase or decrease by 5% or could rates move at different percentages or in different directions (some up, some down)?

**Response:** It was the intent of the settlement to allow one or more of the non-lifeline conventional rates to change at a given time. No discussions were had regarding the possibility of some rates increasing while one or more rates decreased, but we believe that would be part of the flexibility given to Interstate, subject to Commission approval. Of course, the filing would have to explain why it was appropriate.

Prepared by WEE

3-4. Please explain why an earnings sharing threshold of 12% is appropriate.

**Response:** The parties took note of the fact that in the recent amended six year rate plan it was provided, as protection to the ratepayers, a sharing of profits in excess of 12%. Given that this has been in place for the last six years and was approved by the Commission in the last rate case, the current settlement was written with this 12% rate for the threshold for earnings sharing.

Prepared by WEE

3-5. Please provide any analysis, calculations and/or documentation to support an ROE of 11%.

**Response:** Once again the 11% ROE was used because it was part of the previous six year plan approved by the Commission.

Prepared by WEE

- 3-6. Is Interstate aware of any other comparable ferry operators who have an allowed ROE that is similar to that in the proposed settlement?

**Response:** I would argue that there are no “other comparable ferry operators” to Interstate. Interstate is a very seasonal, for profit, (unsubsidized by Federal, state or local government), conventional and fast ferry operation with lifeline and non-lifeline passengers that owns a non-regulated fast ferry service that provides a subsidy in excess of the entire authorized ROE of the conventional service. It is important to understand that the subsidy provided by Interstate Fast Ferry service is directly related to the conventional service’s ability to earn any rate of return. If the ROE is reduced the subsidy should also be reduced.

Prepared by WEE

3-7. Please explain how the proposed lost ticket rate of \$15.20 was derived.

Response: The rate was set originally to allow customers to buy a ticket, if they lost their original ticket, for a slight discount but not allow a discount that would encourage abuse. The intent was to allow someone to get a small discount on a replacement ticket to soften the blow of their carelessness. Over the years this rate was increased with any across-the-board rate increases and ignored when rates were applied to specific rates (such as the rate increase that was put primarily on non-commuter vehicle rates).

Prepared by WEE

- 3-8. Why does it appear that a Point Judith to Newport round trip is more expensive (\$50) than a Point Judith to Block Island round trip (\$22.60)?

**Response:** Appearances can be misleading. Although Interstate intended to set the rate for the new Newport to Block Island fast ferry at \$25 per leg, one modification was made. Interstate decided that it would be inappropriate to charge more (\$25) for the last run of the day on the *MV* Islander from BI to Point Judith than Interstate charges for that same run on the *MV* Athena. After all the two boats are both fast ferries and would be traveling the exact same route. Therefore, Interstate set the rate for the last leg of the day from BI to the Point at the current fast ferry rate to protect the ratepayers.

It should be noted that there is no fast ferry round trip from Point Judith to Newport available unless one elects to go through BI (Point Judith to Newport and then Newport to BI and on to Point Judith).

Prepared by WEE