

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

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

REPORT AND ORDER

I. Introduction

On November 27, 2012, the Interstate Navigation Company (“Interstate” or “Company”) filed an application with the Rhode Island Public Utilities Commission (“Commission”) seeking a general increase in its existing rate schedule, for effect December 27, 2012.¹ Interstate’s request was designed to generate total revenue in the amount of \$11,172,911. This request, if approved, would produce additional revenues in the amount of \$1,302,177, or 13.19% which would be allocated to the rate classes based on a cost of service analysis. Additionally, Interstate requested flexibility in certain of its rates. On December 20, 2012, the Commission suspended the effective date pending an investigation. At a pre-hearing conference conducted on December 27, 2012, the parties had no objection to the Town of New Shoreham’s oral motion to intervene and after consideration by the Chairman, the Town was granted full party status.

The instant rate case filing represents Interstate’s fourth such filing in the last seventeen years. A brief history follows:

Docket	Date Filed	Increase Requested	Allowed Increase	Revenues
2484	10/25/96	\$1,907,026	\$1,171,000	\$6,208,285
3573	12/2/03	\$2,750,712	\$1,456,061	\$8,804,337
3762	7/31/06	\$2,438,522	\$1,100,694	\$9,158,501

¹ In his pre-filed testimony, Joshua Linda, Vice President of Interstate, requested the Commission expedite the filing such that rates could be in effect on May 24, 2013, the Friday of Memorial Day Weekend, the start of the 2013 summer season. Interstate Exhibit 2 at 9.

4373 11/27/12 \$1,302,177 \$ 579,388 \$9,607,671

II. Interstate's Direct Case

In support of its filing, Interstate submitted the Pre-Filed Testimony of Joshua Linda, Vice President of Interstate, Walter E. Edge, Jr., Vice President of the firm B&E Consulting, LLC, and David G. Bebyn, President of B&E Consulting, LLC. Mr. Linda provided an overview of Interstate's operations, including a summary of the modifications made to the ferry terminal in Point Judith since the prior rate case.² Summarizing his perspective on the need for the rate increase, Mr. Linda pointed to increased fuel costs, a decline in passenger and bike revenues resulting from competition, and commencement of a new fast ferry service between Newport and Block Island which is expected to earn a profit in its third year of operation.³ Mr. Linda asserted that Interstate is "no longer a monopoly in the true sense", citing the availability of two summer fast ferries, one from New London, CT and one from Long Island, and a new fast ferry between Quonset, RI and Martha's Vineyard.⁴ According to Mr. Linda, "[t]he fight for summer tourist dollars (which heavily subsidize the lifeline ferry service we run to Block Island year round), is a tough one and we must keep up" through the use of creative strategies.⁵

In order to meet the challenge, he indicated that Interstate is expanding its fast ferry service between Newport and Block Island and proposing discounts and special offers to attract additional ridership during the slower mid-week period. He also stated that Interstate has purchased the *MV Southland*, a tour boat that is no longer operating. The rebuilding and upgrading of the vessel is taking place in-house at Interstate's Montville Shipyard and when completed, will return to Galilee to provide tours within the Point Judith Pond and the Point

² Interstate Exhibit 2 (Pre-Filed Testimony of Joshua Linda) at 3-4.

³ *Id.* at 5-6.

⁴ *Id.* at 7.

⁵ *Id.*

Judith Harbor of Refuge.⁶ The plan also includes potentially offering evening cruises and charters. The purpose of this is to compete with the Narragansett Bay lighthouse tours currently operating.⁷

Mr. Edge's testimony was in support of the cost of service and revenue requirement for the Rate Year ending May 31, 2014 using a Test Year ending May 31, 2012. Noting that this is the first general rate filing following a six-year rate plan during which many rates were held constant, Mr. Edge indicated that the purpose of this rate case was to realign rates with costs and to allow the traditional service to earn a profit without subsidization by the high speed ferry service.⁸ According to Mr. Edge, the rate increase is needed due to an annual loss by the traditional ferry service that was only made up through the profits of the high speed ferry. Without those profits, according to Mr. Edge, the rate plan would not have succeeded.⁹ The other main issues in the rate case include fuel costs and rate base assets. In addition, he performed a review of Interstate's freight rates and cost allocations.¹⁰

Mr. Edge summarized Interstate's traditional ferry revenue sources, noting that in the Test Year, approximately 92% of the revenues was from regulated tariffs. The remainder came primarily from Bar Revenues (5.1%) and Miscellaneous Charter Revenue (1.4%). Over the past four rate cases, the regulated rates accounted for between 90.6% and 92.1% of Interstate's revenues, Bar Revenues around 5%, and Miscellaneous Charters between 1.3% and 3.0%. Mr. Edge's analysis excluded approximately \$2,000,000 of fast ferry passenger revenue.¹¹ After reviewing Interstate's revenues for the period FYE May 31, 2008 through FYE May 31, 2012,

⁶ Mr. Linda testified that doing the annual maintenance and related vessel work in-house at the Montville Shipyard saves ratepayers nearly \$1 million per year. *Id.* at 8.

⁷ Interstate Exhibit 2 at 7-8.

⁸ Interstate Exhibit 3 (Pre-Filed Testimony of Walter Edge) at 2.

⁹ *Id.* at 6.

¹⁰ *Id.* at 6-7.

¹¹ *Id.* at 8.

Mr. Edge concluded that Interstate’s overall traditional service revenue has been fairly flat and “the traditional service has for the most part not covered the traditional service expenses during this period.”¹²

Mr. Bebyn had made twelve adjustments to normalize the Test Year.¹³ Mr. Edge left revenues at Test Year levels, making only two adjustments, one to reflect a proposed level of subsidy to the lifeline from the Fast Ferry operations and one to reflect the expected net revenues and expenses related to the new fast ferry service between Newport and Block Island provided by the *MV Islander*.¹⁴ Mr. Edge’s expense adjustments to the Adjusted Test Year to arrive at Rate Year expenses totaled \$845,388, of which fuel accounted for \$438,908.¹⁵ The next four largest adjustments were to Payroll at \$172,534, Employee Insurance at \$102,708, Rate Case Expense at \$93,333, and Federal Taxes \$86,078. These were offset by a reduction in Depreciation of (\$210,222). The remaining \$162,049 in expense adjustments included wharfage, crew expenses, advertising, telephone, credit card administrative fees, profit sharing, and employment taxes.¹⁶ In calculating payroll increases, Mr. Edge increased the Adjusted Test Year amount by 3.0% annually for the Interim Year and Rate Year as it has been Interstate’s goal to limit salary increases.¹⁷ Rate Year Health care benefit expense was calculated by increasing the interim year by 15%, the same change between the Test Year and interim year.¹⁸ Mr. Edge calculated \$280,000 in rate case expense and then amortized it over three years for a Rate Year expense in rates of \$93,333.¹⁹

¹² *Id.* at 9.

¹³ Interstate Exhibit 4 (Pre-Filed Testimony of David Bebyn) at 3-5.

¹⁴ Interstate Exhibit 3 at 9-10.

¹⁵ *Id.* at Schedule WEE-3.

¹⁶ *Id.*

¹⁷ Interstate Exhibit 3 at 11.

¹⁸ *Id.* at 12.

¹⁹ *Id.* at 22-23.

Discussing the fuel cost adjustment, Mr. Edge explained that currently, in base rates, Interstate has \$2.00 per gallon for fuel to run the vessels. There is a statutory emergency fuel surcharge that is allowed to be charged when costs in the prior month exceed the embedded rate. He explained that while very helpful to Interstate, it has some drawbacks. For example, because it is a surcharge based on the prior month's costs, it does not accurately charge those using the service at the time of high costs. In addition, because there are fewer passengers during the non-summer months, the effect is a penalty on year-round residents because the surcharge applies to passenger and vehicle rates. Finally, because the emergency fuel surcharge only applies to passengers and vehicles, freight charges do not reflect the appropriate fuel costs associated with its transport. Therefore, Interstate recommended increasing the fuel costs recovered through base rates from \$2.00 to \$3.00. He noted that this increase is still approximately \$218,092 less than was recovered through the fuel surcharge in the Test Year. Other than this adjustment, fuel was kept at Test Year fuel consumption.²⁰

Turning to Rate Base and Rate of Return, Mr. Edge explained that rate base relates to a public utility's net investment in fixed assets plus working capital and adjustments. Interstate's net utility plant represents the vast majority of the rate base. The net utility plant is the original cost less depreciation. Mr. Edge described his calculation of the average rate base for the Rate Year based on adjustments to the Test Year for purchases and depreciation. Interstate has not requested working capital. Next, Mr. Edge indicated that he projected the rate year debt and equity and calculated the weighted cost of debt and equity using "appropriate interest rates and [his] proposed return on equity."²¹ The return on equity was based on that which was approved

²⁰ *Id.* at 20-21. In response to COM-1-3 and COM-5-1, Interstate indicated that in no month since January 2011, was the price of fuel below \$3.00 per gallon. Fuel had only been below \$3.25 two times in the period January 2011 through March 2013. Commission Exhibits 2 and 5.

²¹ Interstate Exhibit 3 at 24-25.

in the last rate case. Mr. Edge stated that neither traditional methodology (Discounted Cash Flow or Capital Pricing Model) can be appropriately applied due to the unique nature of Interstate's business.²²

Turning to rate design issues, Mr. Edge provided a historical account of various rate design decisions that had been made in past cases including the determination that there was little, if any basis for the round trip passenger discount, the determination that vehicle rates were too low compared to passenger rates, resulting in higher increases to the former rates compared to the latter, and the implementation of commuter rates. The result in the last rate case was a five-year rate plan that was extended by one year. During this period, according to Mr. Edge, rates became more disconnected from the cost of service. Therefore, because the Town had requested a review of Interstate's freight rates and because of the level of subsidy from the fast ferry service, new to Interstate six years ago, according to Mr. Edge, "it appears that this is a great time to establish a new rate design."²³

Mr. Edge explained how he and Mr. Bebyn arrived at the determination to utilize the square footage of each vessel and allocate the space to the various rate groups (passenger, trucks, cars, freight, bicycles, mail and so on). They then took the total of all vessels and services provided to get a total square footage by service provided. Next, they weighted the square footage amounts by the number of trips made by each vessel. The percentages at which they arrived were used to calculate the amount of revenue to be collected from each service.²⁴ Mr. Bebyn then created the allocation factors to properly allocate administrative and operational costs to each service.²⁵

²² *Id.* at 25-26.

²³ *Id.* at 27-29.

²⁴ *Id.* at 30-32.

²⁵ *Id.* at 32; Interstate Exhibit 4 at 6-10.

In addition to the completion of the cost allocation study, Mr. Edge explained that Interstate was proposing changes to the freight categories and rates for particular items. Interstate also proposed the elimination of the commuter rate discount as not cost justified. He stated that what had started as a \$3.00 discount had more than doubled despite the fact that it costs the same amount to transport commuter customers as non-commuter customers. He made the same argument for the commuter vehicle rate where the discount had grown from \$2.95 to \$22.80. Similarly, Mr. Edge indicated that there was no cost justification for the continuation of the same day round trip discount. He noted that elimination of this provision would provide flexibility to customers in making their trip selections, especially with the addition of the new Newport run.²⁶

However, Mr. Edge did promote a tariff revision that would allow Interstate flexibility in pricing through discounts during summer weekday periods when travel is traditionally lower. This pricing flexibility includes non-rate promotions like a free hotdog with the purchase of one adult and one child ticket to weekday discounts of up to 25% during the period May through September. According to Mr. Edge, he believed this pricing flexibility could increase ridership to the point of increasing revenues. While the effect of this new policy could not be accurately projected, he stated that if profitable, the benefit would go to the ratepayers and losses absorbed by the shareholders until the discounts and promotions were discontinued.²⁷

Finally, Mr. Edge discussed the replacement of the *MV Nelseco* with the fast ferry *MV Islander* on the Newport to Block Island run. Explaining that this will eliminate all revenue and expenses related to the *MV Nelseco* and will necessitate the inclusion of those related to the *MV Islander*. All revenues are based on estimates for the new service and will likely result in a loss

²⁶ Interstate Exhibit 3 at 33-35.

²⁷ *Id.* at 35-36.

in the first year. However, according to Mr. Edge, setting the rates too high would be a bad business decision. Therefore, the proposed \$25 rate is based on Interstate's assumptions and on a comparison of other similar ferry services in the region, analysis of which suggested that the rate should be between \$18.50 and \$35 each way. The \$25 is equivalent to the discounted weekday rate charged between Cape Cod and Nantucket.²⁸ The calculation of expenses related to the *MV Islander* was based on those of the *MV Athena*, Interstate's current fast ferry between Point Judith and Block Island.²⁹

III. Proposed Stipulation and Settlement³⁰

On March 13, 2013, Interstate and the Division ("Settling Parties") filed a proposed Stipulation and Settlement ("Settlement").³¹ The Town was not a party to the Settlement. The Settling Parties agreed to a rate increase designed to produce \$579,388 of additional base rate revenues per year, including an increase in the base fuel price to \$3.25 per gallon (including taxes) against which to implement any necessary fuel charge for effect on May 24, 2013. The parties agreed to continue the commuter rate discounts for customers meeting the currently approved eligibility criteria.³²

Following the first year of the effective rates, under the Settlement:

Interstate shall be authorized to apply to the Commission from time to time to change [certain] rates...and with Commission approval, to implement such changes on thirty (30) days' notice. The Division, except in extraordinary circumstances, will not object to any such changes, will not recommend any suspension by the Commission beyond the thirty (30) days' notice, and will not request compliance with any traditional rate filing requirements other than the thirty (30) day notice. Pursuant to this authorization, Interstate has the pricing flexibility to increase certain rates after the Rate Year Period to a level not more than 10% higher than the rate established for the Rate Year Period or to decrease certain rates after the Rate Year Period to a level not more than 20% lower than

²⁸ *Id.* at 36-37.

²⁹ *Id.* at 37-38.

³⁰ The Division did not submit Pre-Filed Testimony in this matter.

³¹ A copy of the Stipulation and Settlement is attached hereto as Exhibit A.

³² Settlement at pp. 2-3.

the rates established for the Rate Year period....Notwithstanding the foregoing, rates applicable to commuters, commuter vehicles, and freight shall not be increased for any rate increases authorized pursuant to this paragraph.³³

Under this provision, rates proposed by Interstate would be effective on May 24 of the particular year in which they are proposed. After the rate year set in this docket, effective May 24, 2013, Interstate may file a traditional cost of service rate case and/or the Division may file a complaint to reduce rates.³⁴

Under the Settlement, Interstate is required to file annual earnings reports with the Commission by November 15 each year for the prior FYE May 31st, commencing with FYE May 31, 2014. Interstate's capital structure was settled at 74% Debt and 26% Equity with an allowed Return on Equity ("ROE") of 11%.³⁵ "Any annual earnings as calculated in the Earnings Report over 100 basis points (1.00%) above the authorized return on equity of 11.0% will be shared with customers...."³⁶ The Settlement provided that earnings above 12% will be shared 50% for shareholders and 50% for ratepayers in a manner to be agreed upon by Interstate and the Division, subject to Commission review and approval.³⁷

Addressing Fast Ferry Rates and Terms and Conditions, the Settlement authorizes Interstate to request rate changes and changes to terms and conditions from the Commission with thirty (30) days notice without suspension absent extraordinary circumstances. However, the rates on the fast ferry service between Newport and Block Island are limited to a cumulative change of \$5.00 for a one way trip or \$10.00 for a round trip.³⁸ The Earnings Reports will include pre-tax profits earned by Interstate's Fast Ferry *MV Athena*. The revenues, expenses,

³³ *Id.* at 3-4.

³⁴ *Id.* at 4.

³⁵ *Id.*

³⁶ *Id.* at 5.

³⁷ *Id.*

³⁸ *Id.* at 5-6.

and investment for the fast ferry service between Newport and Block Island using the *MV Islander* will be included in the traditional service earnings reports.³⁹

The Base price for fuel to be included in the revenue requirement for traditional ferry service was increased to \$3.25 per gallon. In the event the average price of purchased fuel in any month is less than \$3.25 per gallon, Interstate is required to “accrue a reserve equal to the volume of fuel purchased in that month times the difference between the actual average price and the Base Price.”⁴⁰ Interstate may still apply for a Fuel Factor in the event the average purchased price of fuel is greater than \$3.25 in a month. However, if there is a credit balance in the reserve, it shall be applied to offset the Fuel Recovery before a Fuel Factor is implemented.⁴¹ If the reserve account accrues a credit balance in excess of \$150,000 for any rolling three month period, Interstate will consult with the Division to propose a mutually acceptable method of crediting customers for the balance, subject to Commission review and approval.⁴²

Interstate will continue to fund a Homeland Security reserve account during the rate year with an expense of \$315,000. However, “[a]ny capital expenditures in excess of \$50,000 will be charged to the appropriate plant account or accounts and not against the accrued reserve for Homeland Security.”⁴³ Rate case expense will be amortized over three years for purposes of Interstate’s earnings reports, with full amortization recognized as of May 31, 2016. Interstate will keep using the depreciation accrual rates that were in effect May 31, 2012.⁴⁴ In anticipation of the sale of the *MV Nelseco*, the Settlement provided for a five year amortization period.

³⁹ *Id.* at 6.

⁴⁰ *Id.* at 7.

⁴¹ *Id.* The Fuel Recovery is the fuel cost eligible for recovery where the average price of purchased fuel exceeds the Base Price of \$3.25 per gallon in any month. *Id.*

⁴² *Id.* at 7-8.

⁴³ *Id.* at 8.

⁴⁴ *Id.* at 8-9

Interstate was required to file a report upon the closing of the sale.⁴⁵ Finally, Interstate's cost of service includes a \$70,000 annual pension expense which is required to be funded within thirty days following the end of the fiscal year and is an annual funding commitment unless altered by the Commission. Interstate is required to file documentation with the Commission regarding funding.⁴⁶

IV. Town's Direct Testimony

On March 25, 2013, the Town submitted the Pre-Filed Direct Testimony of Richard La Capra, its consultant. Mr. La Capra recommended that "the Commission accept the basic terms of the proposed settlement and consider three terms not addressed by the settlement."⁴⁷ He confirmed that "the Town is in agreement with all the financial and commercial terms of the agreement as filed."⁴⁸ He proposed that the Commission require Interstate to maintain, at a minimum, its current level of service during the non-summer months.

Next, he proposed that Interstate be given additional pricing flexibility with a bandwidth of 20% in each direction on non-commuter and non-freight rates rather than the proposed flexibility to allow up to a 10% increase and 20% decrease. Mr. La Capra clarified that the 20% bandwidth the Town is proposing should not apply to the truck rates after the first 10% allowed under the Settlement. Mr. La Capra stated that "most of the freight to the island is taken over by truck" and that "loose freight tariff(s) actually apply only to a minority percentage of goods being brought to the island."⁴⁹ He stated that "the Town understands that it has been some time since there has been an increase in freight charges. As a result of the Town's review of the Company's original filing as modified by discussion between the Division and Company, the

⁴⁵ *Id.* at 9.

⁴⁶ *Id.*

⁴⁷ Town of New Shoreham Exhibit 1 (Pre-Filed Testimony of Richard La Capra) at 3.

⁴⁸ *Id.* at 5.

⁴⁹ *Id.* at 7.

Town will reluctantly accept the proposed 34% increase.”⁵⁰ He noted that this was a difficult decision for the Town since the cost of moving goods to the island “uniquely affects the town’s residents and businesses, essentially raising the cost of virtually everything.”⁵¹ For this reason, and because the number of freight rate categories have increased over time, he proposed that “the Commission order the formation of a collaborative consisting of the Division, the Town and the Company to review the system of freight charges and, if needed, select and retain an outside expert to review the options for streamlining and simplifying the Company’s current freight tariffs” with any changes to freight rates being revenue neutral.⁵²

V. Public Comment

On April 4, 2013, the Commission conducted a public hearing at the New Shoreham Town Hall on Block Island for purposes of taking public comment.⁵³ Nineteen members of the public provided oral comments. Generally, the speakers recognized the importance of the fiscal stability of the ferry service to and from the island. For the most part, the members of the public expressed approval of Interstate’s management and suggested that the company acts as a good corporate citizen. The main issues of concern to the year-round island residents centered on the effect of increased freight rates, the effect of the reduction of non-commuter car rates, and the reduction of the commuter rate discount. The commenters expressed concern that the increases to the freight rate translates to immediate increases in commodity prices. According to several members of the public, Block Island wishes to discourage people from bringing cars onto the island in the summer and the reduction in car rates is contrary to that desire. They questioned whether there really had been a reduction in the number of cars brought over to the island in the

⁵⁰ *Id.* at 9.

⁵¹ *Id.* at 9.

⁵² *Id.* at 3-4, 9-11.

⁵³ Tr. 4/4/13.

summer of 2012. There was also concern with the complexity of the freight rate schedule. Finally, there was a question concerning the veracity of the charter revenues, whether Interstate needed the number of ferries it possessed, and whether there was enough review of seemingly affiliated transactions.

V. Town's Supplemental Filing

On April 18, 2013, the Town of New Shoreham submitted Supplemental Testimony of Mr. La Capra in which he stated that “the bulk of the [rate] increase has been shifted to the residents [of the Town] in the form of higher commuter fares and freight and truck rates.”⁵⁴ According to Mr. La Capra, a “simple solution” would be to introduce summer peak rates and off-season rates.⁵⁵

VI. Review of the Settlement

On April 23, 2013, a Technical Record Session and public hearing were each held at the Commission's offices, 89 Jefferson Boulevard, Warwick, Rhode Island, for the purpose of reviewing the Settlement. The Commission also accepted additional public comment.⁵⁶

A. Technical Record Session

The purpose of the Technical Record Session format was to provide a forum to gain a full understanding of the proposed Post Rate Year Period Pricing Flexibility provisions of the Settlement and to ensure the parties were in agreement with what was being proposed to the Commission and the mechanisms by which it would be implemented.⁵⁷ Of particular interest was the 30-day review of proposed rate changes under the pricing flexibility provisions. The

⁵⁴ Town of New Shoreham Exhibit 2 at 3.

⁵⁵ *Id.* at 4-5.

⁵⁶ Mr. Paul Filippi, who gave public comment on Block Island, submitted a letter to the Commission, again raising concerns over perceived affiliated transactions, suggesting the Commission modify Interstate's commuter rate eligibility requirements, arguing that such restrictions are unconstitutional, again questioning the reported charter revenues, again raising the need for the current and proposed ferry fleet, and questioning the propriety of lease terms of the Block Island Ferry Terminal. Technical Record Session Tr. 4/23/13 at 2-8.

⁵⁷ *Id.* at 8-9.

Settlement states, “The Division, except in extraordinary circumstances, will not object to any such changes, will not recommend any suspension by the Commission beyond the 30 days notice, and will not request compliance with any traditional rate filing requirements other than the 30 day notice.”⁵⁸ A review of the Minutes of the Town of New Shoreham’s Town Council Meeting held on March 20, 2013 suggested that Mr. La Capra expected the Division would be reviewing rate changes if they are sought and he had “great faith in the Division’s ability to crunch numbers.”⁵⁹

In his response to a Commission data request, Mr. Edge stated that he would expect to file the reason for the proposed change, the estimated financial impact of the change on revenue, projected impact of the change on profit and rate of return, new tariffs, and the public notice.⁶⁰ In response to another data request, Mr. Edge had clarified that “[i]t 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.”⁶¹

At the Technical Session, Mr. Edge indicated that the parties to the Settlement had not discussed the content of the filings that would be made under the rate flexibility plan. He explained that it was not Interstate’s intent to lower one set of rates and increase another in the same filing, although it would be allowed under the Settlement. After some discussion of the +10%/-20% bandwidth, it was finally agreed by the parties that Interstate could conceivably lower a set of rates by 20% in one year and then raise them by 30% in the next under the

⁵⁸ *Id.* at 9-10.

⁵⁹ Commission Exhibit 7 (Town’s Response to the Commission’s First Set of Data Requests).

⁶⁰ Commission Exhibit 4 (Interstate’s Response to Commission’s Third Set of Data Requests) at COM-3-2.

⁶¹ Commission Exhibit 4 at COM-3-3.

Settlement.⁶² It was also agreed that unless Interstate needed to exceed the bandwidth, there was no time limit on the rate changes allowed by this particular provision of the Settlement.⁶³ Interstate's attorney agreed that nothing in the Settlement prevents the Commission from suspending a rate filing made under this provision if the Commission was concerned about the rationale or the rate adjustment being proposed.⁶⁴ Interstate agreed that it could make the proposed rate change sixty (60) days prior to the proposed effective date rather than thirty (30) days in order to give the Commission more time to review the proposal.⁶⁵

David Effron, a Division consultant, suggested that he could not imagine any rate change proposal under the Settlement provision that would be inappropriate as long as Interstate's filing was within the parameters established by the Settlement.⁶⁶ However, Mr. Edge suggested that if Interstate filed to increase non-commuter passenger revenue by \$200,000 despite having made their authorized rate of return, the Division may have a basis for objecting. Mr. Edge confirmed that with eleven months of revenue and expense information, he could reasonably project Interstate's earnings for the fiscal year prior to filing for a rate change and would be willing to include such a projection in Interstate's request for a rate change if the Commission ordered it. He did not disagree that even if he filed sixty days before the proposed rate change, he would still have a good indication of Interstate's profits for that year.⁶⁷ Addressing the effect of the fast ferry, Athena, on the overall operations of Interstate, Mr. Edge and Mr. Effron agreed that the Athena operations have subsidized the traditional ferry operations to the point where Mr. Edge stated, "if the Athena's profitability puts us over 12 percent...then we would be sharing that with

⁶² Technical Record Session Tr. at 27-32.

⁶³ *Id.* at 31.

⁶⁴ *Id.* at 33-34, 47-48.

⁶⁵ *Id.* at 51.

⁶⁶ *Id.* at 14-16.

⁶⁷ *Id.* at 35-38, 51.

the ratepayers. If the Athena doesn't do what it usually does and we lose money, we won't make our authorized rate of return."⁶⁸

Speaking for the Town, Katherine Merolla, Esq., Town Solicitor, indicated that the Town supported the rate flexibility. The Town's witness, Everett Shorey,⁶⁹ stated that the Town supported the flexibility as a way to allow Interstate to run as a business in order to build traffic and provide a potential benefit to the lifeline services.⁷⁰ He stated, "we think this is an opportunity for them to experiment and run the business and try and figure out how to accomplish some of the things in a competitive market that we're seeing."⁷¹ Mr. Effron added that assuming Interstate's management is rational, "they're going to use pricing flexibility to maximize the contribution from what [Interstate's attorney] has described as competitive service. To the extent that they can do that and avoid seeking more traditional type rate increases, we think that would be beneficial to the lifeline customers."⁷²

B. Hearing

After the conclusion of the Technical Record Session, the Commission convened an evidentiary hearing wherein all witnesses were sworn and testimony was taken regarding the propriety of the Settlement. The following appearances were entered:

FOR INTERSTATE NAVIGATION:	Michael McElroy, Esq.
FOR THE TOWN OF NEW SHOREHAM:	Katherine Merolla, Esq.
FOR DIVISON:	Leo Wold, Esq. Assistant Attorney General

⁶⁸ *Id.* at 41-42.

⁶⁹ Mr. La Capra became unavailable for the hearing so the Town substituted Mr. Shorey who had worked with Mr. La Capra on his testimony. *See* Technical Record Tr. 4/23/13 at 43.

⁷⁰ Technical Record Session Tr. 4/23/13 at 42-43.

⁷¹ *Id.* at 43.

⁷² *Id.* at 43-44.

FOR COMMISSION:

Cynthia G. Wilson-Frias, Esq.
Senior Legal Counsel

Mr. Edge, Mr. Bebyn, Mr. Linda, and Mr. Effron were presented by Interstate and the Division in support of the Settlement. Each of the witnesses testified that in his opinion, the Settlement was reasonable and in the best interest of ratepayers. Mr. Effron noted that of the \$579,388 increase, approximately \$495,000 reflects the increase to the fuel costs embedded in base rates. The remaining increase related to increased operating revenue, comprises less than one percent of the present tariff rate revenues.⁷³

On cross-examination, Mr. Edge agreed that the number of cars in 2012 was lower than in 2011 and 2010. He stated that Interstate had not analyzed whether this was the result of a reduced number of weddings on Block Island in 2012 or the effect of changes to race week in 2012. He conceded that while Interstate believed car rates had reached a “tipping point” which resulted in lower usage, there had been no studies performed. However, he stated the proposed decrease was supported by the cost allocation study performed.⁷⁴ He later elaborated that the cost allocation study showed that based on a square footage analysis, cars were priced \$16 in excess of the cost of service and became the starting point of setting those rates. He believed that the settled \$9.85 reduction was a reasonable cost for the rate year.⁷⁵ In response to a question from the Commission, he indicated that in the summer of 2012, there had been 5,000 extra spaces.⁷⁶

⁷³ Hearing Tr. 4/23/13 at 83.

⁷⁴ *Id.* at 8-9.

⁷⁵ *Id.* at 46-48.

⁷⁶ *Id.* at 48. Interstate’s Response to Commission Data Request 4-1 provided an analysis to support the representation that in the summer of 2012, Interstate carried 5,323 fewer vehicles than in the summer of 2011. The analysis showed that the summer of 2012 was lower by more than that number for each of the most recent eight summers, despite no corresponding decrease in passenger travel. Commission Exhibit 5 at COM-4-1.

Addressing a perceived change in the commuter eligibility rules, Mr. Edge confirmed that the commuter eligibility rule that was approved by the Commission in 2007 is the eligibility rule that has been used by Interstate and is the same rule being proposed in this filing. Mr. McElroy clarified that while the rule that was included in the rate filing was a previously approved rule, the tariff in effect was the one approved by the Commission. He reminded the Commission that the eligibility rule had been approved as part of a joint filing by Interstate and the Town of New Shoreham in order to make it consistent with Town ordinances setting forth residency criteria.⁷⁷

Addressing questions about charter revenue, Mr. Edge clarified that revenues related to Hurricane Sandy would not have been included in the Test Year.⁷⁸ Mr. Edge also explained that “charter revenue used to be a much bigger number and there used to be a lot more charter revenue.” The fuel that was taken to Block Island used to be all charter boats. It can now go on a “per foot basis” and is included in truck revenue rather than in charter revenue. Finally, charter revenue related to the fast ferry Athena is not included in the traditional rate filing.⁷⁹

With regard to the agreement to include a fast ferry margin of \$481,986, the witnesses agreed it was a settled figure. Mr. Edge characterized the margin “as if we’re guaranteeing a subsidy from the fast ferry, from the Athena operation, of \$481,986. This is basically the profit for the Athena....[and] is greater than the amount of the entire profit of the conventional service. In other words, without the subsidy, there would be no profit. It also means for the last six years, no lifeline [rate]payer has paid one penny of profit to Interstate.”⁸⁰ Mr. Effron did not entirely agree with Mr. Edge’s characterization, but maintained that the number was a negotiated number. He agreed with Mr. Edge that the nature of the negotiations was predicated on the

⁷⁷ Hearing Tr. 4/23/13 at 11-13.

⁷⁸ *Id.* at 13. Hurricane Sandy hit the East Coast of the United States in late October 2012.

⁷⁹ *Id.* at 65-66.

⁸⁰ *Id.* at 15.

belief by the Division that the previously included margin of \$208,357 was insufficient. Mr. Edge indicated that he may have editorialized a bit in his previous response.⁸¹ Both witnesses agreed that all things being equal, as a general proposition, if the fast ferry margin was not included, rates from the traditional service would need to be higher.⁸² Mr. Effron elaborated that there are other ways to recognize the fast ferry expenses and revenues in the overall rate structure, but maintained that the inclusion of the margin from the fast ferry as a credit to the revenue requirement from the traditional ferry service is proper, recognizing “the integrated nature of the operation.”⁸³

Addressing a concern raised during public comment that freight rates were increasing more than is reasonable, particularly with regard to solar panels, Mr. Edge reviewed the schedule and noted that solar panels are actually decreasing by \$11, despite the fact that it appeared to be an increase. He indicated that the stated “prior” rate on the schedule that was being increased was actually lower than the current rate.⁸⁴ Mr. Linda explained that freight handling is very labor intensive, requiring many employees, a lot of equipment, and time. He stated that items need to be palletized, stacked, counted, loaded and unloaded. It takes up a large percentage of car deck.⁸⁵ He testified that “there is no magic solution to the freight, the tariffs of freight.” He believed that Interstate’s freight tariff “is the best that we can bill freight at this time.”⁸⁶ Mr. Edge added that based on his conversation with the freight manager, there are multiple rates for different types or sizes of items because of the unique handling requirements for each one.⁸⁷ Mr. Effron testified that with the exception of one ROE adjustment under the prior rate plan, freight

⁸¹ *Id.* at 15-18, 70-72.

⁸² *Id.* at 17-18.

⁸³ *Id.* at 68-70.

⁸⁴ *Id.* at 18-20.

⁸⁵ *Id.* at 20-21.

⁸⁶ *Id.* at 21.

⁸⁷ *Id.* at 21-22.

rates had not been increased since 2003.⁸⁸ Mr. Edge added that because of the amount of time without an increase on freight, the cost of service study resulted in what should have been an 80% increase for freight rather than the settled 34%.⁸⁹

Addressing another freight rate concern, namely that it will cause groceries to increase by 34% on the Island, recollecting Mr. La Capra's testimony that "most of the freight to the island is taken over by truck", Mr. Edge testified that the truck rate is not going up by 34%. Under the Settlement, the truck rate would increase by 9%. The effect on a 70-foot truck would be a \$35 increase. Mr. Edge opined that if a 70-foot truck could hold \$7,000 of merchandise, the rate would cause an increase of 0.5% on the merchandise.⁹⁰ He noted that there are two grocery stores on the Island, owned by one person who provided public comment at Block Island and she owns trucks which she uses to transport the goods to the Island.⁹¹ He argued that the total increase expected from trucks is \$272,000 which is less than \$1,000 per day, equating to less than \$1 per day for year-round residents even before assuming the influx of summer tourists and residents.⁹²

Addressing rate impacts, Mr. Effron noted that while it appeared commuter rates were increasing by 52%, these are base rates and do not include the fuel surcharges that have been added every month between May 2011 and April 2013. The new base rate will include a higher embedded fuel cost to better reflect actual fuel prices paid by Interstate. Based on a review of those prior two years, in one month in the summer, commuter customers may see an increase as

⁸⁸ *Id.* at 44-45.

⁸⁹ *Id.* at 56.

⁹⁰ *Id.* at 55-56.

⁹¹ *Id.*

⁹² *Id.* at 56.

high as 44% from current rates, but in the winter months, they will experience reductions of approximately 10% from current rates.⁹³

Turning to the question of seasonal or peak rates, Mr. Edge testified that Interstate had never done such a cost study. He stated that such a study would be made up of multiple cost allocation studies that would result in a larger one.⁹⁴ Mr. Bebyn added that from a ratemaking practice “when you’re talking cost causation when we’re looking at something like a seasonal rate for the summer, you’re trying to match up additional cost during, like a summer period, not unlike if you look at Block Island Power Company.”⁹⁵ However, whereas Block Island Power Company’s facilities have to be designed larger to meet the increased summer demand, Interstate has similar overhead regardless of whether it is running full in the summer or fairly empty in the wintertime. He opined that the study may show that the seasonal rate should be higher in the winter than in the summer.⁹⁶

Mr. Edge argued that it may be inappropriate in a regulated setting to charge more on high demand days where the cost of service is not supportive of such a mechanism. However, not disputing that Interstate had argued that it is not a true monopoly anymore, he noted that the discussion is interesting and maintained from a policy perspective that it may be appropriate to provide tourist or service-type discounts to increase off-peak usage, but continued to stress that he does not believe there should be higher prices in the summer when the cost of serving customers is lower. He stated, “subsidization by one ratepayer class to another ratepayer class is frowned upon in utility ratemaking.”⁹⁷ Interstate’s proposed tariffs allow for additional discounts and non-rate incentive promotions during traditionally lower-usage days in the

⁹³ *Id.* at 22-25. Commission Exhibit 6 at COM-5-2.

⁹⁴ Hearing Tr. 4/23/13 at 58-59.

⁹⁵ *Id.* at 59.

⁹⁶ *Id.* at 59-60.

⁹⁷ *Id.* at 62-63.

summer.⁹⁸ Mr. Edge testified that these promotions will be tracked to determine the effect on revenues.⁹⁹

Discussing the *MV Southland*, the tourist boat, Mr. Edge testified that there is no money in rates for the crew, maintenance, fuel, or any other expenses beyond insurance. However, the *Southland* is included in rate base. To the extent it turns a profit, it will benefit ratepayers. However, if it loses money, there will be no charge to ratepayers.¹⁰⁰

The Town presented Everett Shorey in support of its position. Mr. Shorey adopted Mr. La Capra's pre-filed testimony to which there was no objection. Mr. Shorey confirmed that the Town was not seeking the Commission to approve continuation of the current non-summer schedule as written, but to require preservation of the non-summer level of service. With regard to the costs associated with the Town's proposed collaborative freight study, he stated that they should be included in rates. However, he indicated the Town had not prepared any cost estimates.¹⁰¹

VII. Commission Findings

At an Open Meeting on April 29, 2013, the Commission approved the Settlement and the corresponding rates, finding them to be in the best interests of ratepayers. The Commission finds that the Settlement provides an appropriate balance between all ratepayers and Interstate and moves Interstate's rates closer to the actual cost of service. The Commission notes that the vast majority of the revenue increase (85%) is related to the inclusion of a more market-based fuel cost than was embedded in the prior rates. Fuel costs embedded in current rates no longer reflect the reality where fuel has not been below \$3.00 per gallon in two years, with only two months

⁹⁸ *Id.* at 64.

⁹⁹ *Id.* at 64-65.

¹⁰⁰ *Id.* at 80-81.

¹⁰¹ *Id.* at 91-92.

seeing fuel below \$3.25 per gallon. This inclusion is appropriate to better match the base rate to the actual cost of service, providing an overall benefit to year-round users of the ferry. Only a small portion of the revenue increase (15%) is related to non-fuel related expenses and Interstate is to be commended for operating its business within the parameters of the prior Settlement and seeking ways to increase discretionary usage in order to protect the lifeline service without the need for a large revenue increase. While it appears that Interstate's success is largely due to the fast ferry *MV Athena* service, Mr. Effron is correct that the crediting of the traditional service with revenues from the *Athena* is appropriate because it properly recognizes the "the integrated nature of the operation."¹⁰²

The procedures put in place to change rates after the Rate Year within the +10%/-20% bandwidth provide the Company with the ability to exercise its management discretion and respond more efficiently to market forces impacting the more discretionary portions of its business, namely, the non-lifeline portions of the business. If Interstate acts rationally, this somewhat supervised flexibility could allow Interstate to maximize its discretionary revenues in order to avoid the cost and time of traditional rate filings, benefitting the Company and ratepayers, alike. Interstate's attorney represented that Interstate could file its Post Rate Period rate changes sixty (60) days prior to the proposed effective date rather than thirty (30) days. The Commission accepts the change. Additionally, Mr. Edge testified that if the Commission ordered it, the Post Rate Period filing could include the projected earnings for the fiscal year ending that May. Therefore, in addition to the items included in Mr. Edge's response to Commission Data Request 3-2, the Commission orders the inclusion of that projection in any such future filing.

¹⁰² *Id.* at 68-70.

In this case, the Commission also recognizes the changing nature of the market against which Interstate is competing for tourist dollars. Therefore, the flexibility provided by Rule No. 90 of Interstate's tariff allowing Interstate to offer promotional discounts on Monday through Thursday during May through September, will hopefully allow Interstate to actually increase its overall revenue by enticing additional ridership during the slower days of the high-use months.¹⁰³ This would allow Interstate to avoid further rate increases on the lifeline services. Given the fact that Mr. Edge agreed the Company would be tracking the promotional offerings and related customer response, the Commission will require Interstate to provide the Commission, on an annual basis, to be filed at the same time as its earnings report, a summary of the promotions offered, when they were offered, the number of passengers who bought tickets using the promotion, and the total number of passengers for the period.

The Commission is keenly aware of the Town's residents' concerns with the reduced commuter rate discount and the freight rate increases, despite the fact that the Town's initial testimony supported the rate terms, albeit reluctantly with regard to the freight changes, recognizing the length of time during which residents enjoyed rates lower than the associated costs. The Commission has a history of encouraging rates that are set in accordance with the cost of service and has consistently attempted to set rates accordingly, recognizing that there are times when public policy dictates a small departure, such as to avoid rate shock or to recognize the unique position of a class of ratepayers, such as commuters.¹⁰⁴ Freight rates have not

¹⁰³ While this rate flexibility may not be cost based, it is being designed such that the shareholders take the risk of loss and the ratepayers receive the benefit of gain. In addition, it is designed to further protect the lifeline service, an important policy goal. While this policy goal may be met through the use of peak and off-peak rates as suggested by the Town, the Commission cannot implement a broad-based structural change to rate design without an appropriate cost study of the type described by Mr. Edge and Mr. Bebyn at the hearing. Such a study was not filed in this case and is not currently before the Commission for consideration.

¹⁰⁴ See *Order No. 17820*, In re Pascoag Utility District General Rate Filing (issued May 5, 2004) at 21, The Commission, in transitioning rates toward their cost of service, stated that "the Commission's goal all along has been to match the cost of service to the user of the service....[and] that philosophically, the Commission should be

increased since 2003 and the uncontroverted evidence presented indicated that freight rates should have increased by 80%. A 34% increase is consistent with the Commission's policy of moving rates closer to their cost of service without causing rate shock to a class of customers. Likewise, while public policy may support the continuation of a commuter discount, where that discount cannot be supported by a cost of service study, it needs to be a controlled discount. This Settlement better realigns the public policy determination in favor of the commuter discount with the cost of service.¹⁰⁵

Because the Commission strives to approve rates that are close to the cost of service, it will not approve a bandwidth greater than +10%/-20% for Interstate where the rate flexibility does not apply to all rates. The non-commuter rates and non-freight rates are currently being set closer to their cost of service than the freight rates while the commuter rates continue to be a clear downward departure from their cost of service. To allow a further increase to non-commuter rates than is allowed under the Settlement while freezing the commuter rates would only serve to increase the disparity between comparative customer classes while at the same time maintaining the departure from the cost of service. Therefore, the Commission finds the bandwidth contained in the Settlement to be reasonable.

moving toward bringing the rates close to the cost of service." *See also Order No. 18364* In re: Block Island Power Company General Rate Filing), at 18, quoting Order No. 17820, In accepting the rate design proposal, the Commission notes that it is consistent with the Commission's prior findings "that the Commission's goal all along has been to match the cost of service to the user of the service... [and] that philosophically, the Commission should be moving toward bringing the rates close to the cost of service." *See also Order No. 17344*, In re: Providence Water General Rate Filing (issued January 23, 2003) at 24, stating, "In Commission Order No. 16552, the Commission reduced private fire rate and increased public fire rates in an attempt to bring each more in line with their respective cost of service and with each other. Under that Order, the difference between the two rates was reduced from \$595 to \$532.¹⁰⁴ The current decision furthers the Commission's policy set in 2001 by reducing the differential from \$532 to \$492. The Commission notes that an across-the-board increase applied to public and private fire rates would have actually *increased* the differential between the two rates." *See generally, Order No. 20782* In re: United Water General Rate Filing (issued August 1, 2012), accepting the rate design proposal which transitioned rates closer to their actual cost of service. *See generally*, Docket No. 4355, Newport Water Division Cost of Service Study.

¹⁰⁵ It is for the same reason that it is reasonable to reduce the non-commuter vehicle rate, the rate of which had been shown to be set higher than its cost of service. The reduction in this Settlement moves the rates closer to the true cost of service.

The Commission is satisfied that Interstate has properly reported its charter revenue. As Mr. Edge explained, certain previously reported charter revenue is now reflected in the truck rate. Additionally, only charters provided during the Test Year period would show up in the rate filing. Next, the Commission notes that of importance to the Town was a commitment by Interstate to not reduce the level of non-summer service to the Island from what exists now. The Commission notes that Interstate made such a commitment on the Record and expects Interstate to honor its commitment. Finally, there was no evidence presented that the freight rates were inappropriately developed and therefore, there is no basis to order the type of freight study proposed by the Town at this time.

Accordingly, it is

(21069) ORDERED:

1. That the Petition for General Rate Increase filed by Interstate Navigation Company on November 27, 2012, is hereby denied and dismissed.
2. That the Stipulation and Settlement filed by the Interstate Navigation Company and the Division of Public Utilities and Carriers on March 13, 2013, is hereby approved.
3. That Interstate Navigation Company's annual revenues shall be increased by \$579,388 for a total rate year cost of service of \$10,903,752.
4. That the compliance tariffs filed with the Settlement are hereby approved for effect on May 24, 2013.
5. Interstate Navigation Company shall provide the Commission, on an annual basis, to be filed at the same time as its earnings report, a summary of the promotions offered, when they were offered, the number of passengers who bought tickets using the promotion, the total number of passengers for the period, an estimate of the additional ridership and

revenue generated as a result of the promotion as well as the cost associated with the promotion.

6. Post-Rate Period Filings shall be filed at least sixty (60) days prior to the proposed effective date and shall contain the reason for the change, projected profit/loss for the fiscal year in which the filing is being made, the projected Return on Equity for the year in which the filing is being made, estimated financial impact of the change on revenue, projected impact of the change on profit and rate of return, new tariffs, and the public notice.
7. That Interstate Navigation Company shall comply with all other terms and conditions contained in this Report and Order of the Commission and in the Settlement.

EFFECTIVE AT WARWICK, RHODE ISLAND ON MAY 24, 2013, PURSUANT TO AN OPEN MEETING DECISION ON APRIL 29, 2013. WRITTEN ORDER ISSUED ON JUNE 20, 2013.

PUBLIC UTILITIES COMMISSION



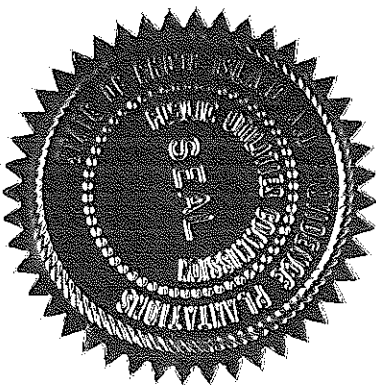
Elia Germani, Chairman



Mary E. Bray, Commissioner



Paul J. Roberti, Commissioner



NOTICE OF RIGHT OF APPEAL PURSUANT TO R.I.G.L. SECTION 39-5-1, ANY PERSON AGGRIEVED BY A DECISION OR ORDER OF THE COMMISSION MAY, WITHIN SEVEN DAYS (7) DAYS FROM THE DATE OF THE ORDER, PETITION THE SUPREME COURT FOR A WRIT OF CERTIORARI TO REVIEW THE LEGALITY AND REASONABLENESS OF THE DECISION OR ORDER.

APPENDIX A

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
RHODE ISLAND PUBLIC UTILITIES COMMISSION**

IN RE: INTERSTATE NAVIGATION COMPANY –)
GENERAL RATE FILING –) DOCKET NO. 4373
TRADITIONAL SERVICE RATES)

SETTLEMENT AGREEMENT

I. INTRODUCTION

A. Summary

The Interstate Navigation Company (“Interstate” or the “Company”) enters into this settlement agreement (the “Settlement Agreement” or “Settlement”) with the Division of Public Utilities and Carriers (the “Division”) (together, the “Settling Parties”), to resolve all issues arising in this docket, R.I.P.U.C. Docket No. 4373.

The Settling Parties are seeking approval of the Settlement Agreement by the Commission by May 23, 2013, so that the rates established in this Agreement may become effective no later than of May 24, 2013. Elements of the Settlement include, among other provisions, an increase in rates for traditional ferry service to produce \$579,388 in additional annual base rate revenues effective May 24, 2013, limited pricing flexibility on certain non-commuter rates, an earnings cap provision, an increase to the fuel price recovered through base rates from the current level of \$2.00 per gallon to a proposed level of \$3.25 per gallon (including taxes).

B. Procedural History

On November 27, 2012, the Company filed a request for a traditional ferry service rate increase totaling \$1,302,177. During the period December 1, 2012 through February 20, 2013, the Company responded to numerous data requests issued by the Division and the Commission. During this time period, the Company also engaged the Division in discussions to determine the extent to which matters affecting the determination of the Company's rates could be resolved.

C. Parties' Statement

This Settlement Agreement is based on extensive discovery and negotiations among the Settling Parties concerning all issues involved in establishing new base rates for traditional ferry service to become effective May 24, 2013. After due consideration of the testimony, exhibits and other documentation included in the filings by Interstate, and of the issues raised by the Division and the Town, the Settling Parties now have agreed to a comprehensive settlement in the rate case which resolves all issues relating to the Company's traditional service revenue requirement, rate base, rate of return, rate design, and service related issues. The Settling Parties agree that the Settlement Agreement is just and reasonable, and represents a fair and equitable overall resolution of all of their concerns.

The Settlement Agreement is as set out below.

II. RATE INCREASE AND RATE DESIGN

For traditional ferry service on and after May 24, 2013, Interstate Navigation Company shall implement a rate increase from the rates currently in effect, designed to produce \$579,388 of additional base rate revenues per year, calculated as shown on Exhibit 1, measured using a test year consisting of the twelve months ended May 31, 2012 and a rate year consisting of the twelve months ending May 31, 2014. The tariffs included in Exhibit 2 shall be approved and

implemented effective May 24, 2013. Interstate will concurrently adjust its fuel surcharge level to reflect a base price for fuel of \$3.25 per gallon (including taxes), effective May 24, 2013, and will implement the fuel surcharges prospectively pursuant to the procedures specified in Section IV.B, below.

Commuter rate discounts will continue to be available to those customers who meet the eligibility criteria that currently exist. The specific details for commuter rate eligibility are provided in the Company's tariff.

III. RATE PLAN

A. Rate Year

Rates for traditional ferry service will be increased effective May 24, 2013 and be in effect at least through May 23, 2014 (the Rate Year Period). Interstate's rates reflected in Exhibit 2 shall be frozen for the Rate Year Period, subject only to statutory fuel surcharges if the price of fuel oil, including taxes, exceeds \$3.25 per gallon, subject to the procedures set out in subsection IV.B below.

B. Post Rate Year Period Pricing Flexibility

Interstate shall be authorized to apply to the Commission from time to time to change rates subsequent to the Rate Year Period, subject to the limits in Exhibit 3, and, with Commission approval, to implement such changes on thirty (30) days' notice. The Division, except in extraordinary circumstances, will not object to any such changes, will not recommend any suspension by the Commission beyond the thirty (30) days' notice, and will not request compliance with any traditional rate filing requirements other than the thirty (30) day notice.

Pursuant to this authorization, Interstate has the pricing flexibility to increase certain rates after the Rate Year Period to a level not more than 10% higher than the rates established for the Rate

Year Period or to decrease certain rates after the Rate Year Period to a level not more than 20% lower than the rates established for the Rate Year Period; provided, however, that applications for rate increases will be allowed to take effect only on May 24 of a given year. Notwithstanding the foregoing, rates applicable to commuters, commuter vehicles, and freight shall not be increased for any rate increases authorized pursuant to this paragraph.

C. Traditional Cost of Service Ratemaking after the Rate Year

The Company is permitted to file a cost of service (“COS”) rate case to change rates effective May 24, 2014 or later, if the Company believes it has or will have a prospective revenue deficiency and such revenue deficiency cannot be resolved by the procedures authorized in Section III.B, above. The Division has the right to file a complaint with the Commission requesting that the Commission require a COS review to reduce rates if the Division believes that the Company has, or will have, a revenue excess.

D. Regulatory Provisions and Earnings Cap

1. Earnings Reports

a. The Company will be required to file annual earnings reports with the Commission by November 15 of each year, for the fiscal year ending May 31st in that year, commencing November 15, 2014. Copies also will be filed with the Division. This annual earnings report will calculate the earned ROE from the Company’s financial statements on the basis of Generally Accepted Accounting Principles (GAAP).

b. For purposes of calculating return and income taxes for the annual earnings reports, Interstate shall use the capital structure and associated costs of capital approved by the Commission in this Docket No. 4373. For purposes of these earnings reports, the allowed return on equity shall be 11.0%, and results will be adjusted to reflect established Commission

ratemaking principles. However, there will be no adjustments to actual results to recognize or annualize prospective known and measurable changes. The return on common equity will be calculated by dividing the net income available for common equity by the common equity applicable to rate base. The common equity applicable to rate base shall be calculated by multiplying the common equity ratio required by this subsection by Interstate's average rate base. Any annual earnings as calculated in the Earnings Report over 100 basis points (1.00%) above the authorized return on equity of 11.0% will be shared with customers through the procedure described in subsection 2 below.

2. Earnings Above 12.0%

Earnings in excess of 12% will be shared 50% for the stockholders and 50% for the ratepayers. Prior to proposing a method of crediting earnings above the 12.00% threshold applicable to the ratepayers, Interstate will consult with the Division to propose a mutually acceptable method. The agreed upon method will then be filed with the Commission for review and approval. If the parties cannot reach agreement, Interstate shall file its proposal directly with the Commission subsequent to consulting with the Division and the Commission will make the ultimate determination.

E. Fast Ferry Rates and Terms and Conditions

Interstate shall be authorized to apply to the Commission from time to time to change Fast Ferry Rates and Terms and Conditions and, with Commission approval, to implement such changes on thirty (30) days' notice. The Division, except in extraordinary circumstances, will not object to any such changes, will not recommend any suspension by the Commission beyond the thirty (30) days' notice, and will not request compliance with any traditional rate filing

requirements other than the thirty (30) day notice. The previously agreed methodology for the calculation of Fast Ferry fuel surcharges will not change.

Interstate intends to implement fast ferry service between Newport and Block Island on the MV Islander in calendar year 2013. The initial rates for this service will be the rates on Exhibit 2. Interstate shall be authorized to apply to the Commission from time to time to change the rates for this service and to implement such changes in rates on thirty (30) days' notice. However, the cumulative effect of any such changes shall not be more than \$5.00 for a one way trip or \$10.00 for a round trip. The Division, except in extraordinary circumstances, will not object to any such changes, will not recommend any suspension by the Commission beyond the thirty (30) days' notice, and will not request compliance with any traditional rate filing requirements other than the thirty (30) day notice.

IV. SPECIFIED ACCOUNTING REQUIREMENTS

A. Fast Ferry

All earnings reports required by Section III, above, will include pre-tax profits earned by Interstate's Fast Ferry Athena. The actual pre-tax profit earned by the Fast Ferry Division will be calculated employing the debt service method, as shown on the "Analysis of Revenues and Expenses – Interstate Fast Ferry" in the 2012 Annual Report of Water Carriers filed with the Commission. The debt service will include annual interest and principal repayments on all debt used by Interstate to acquire the operations of Island Hi-Speed Ferry in 2006.

The revenues, expenses, and investment for the fast ferry service between Newport and Block Island using the MV Islander will be included in the traditional service earnings reports required by Section III. D. 1, above.

B. Fuel

1. Base Price

The base price of fuel oil (“Base Price”) included in the determination of the Company’s revenue requirement for traditional ferry service in this Docket No. 4373 is \$3.25 per gallon, which includes all applicable taxes.

2. Fuel Price Less than Base Price

In any month in which the average price of fuel purchased for traditional ferry services, including all applicable taxes, is less than the Base Price, Interstate will accrue a reserve equal to the volume of fuel purchased in that month times the difference between the actual average price and the Base Price. The reserve balance will be maintained in a separate account on the Interstate balance sheet, or in a readily identifiable sub-account.

3. Fuel Price in Excess of Base Price

In any month in which the average price of fuel purchased for traditional ferry service, including all applicable taxes, is in excess of the Base Price, for the purpose of calculating the Fuel Factor component of its rates for the following month, the “Fuel Floor” used in the calculation of the fuel cost eligible for recovery (“Fuel Recovery”) will be equal to the Base Price. The eligible Fuel Recovery will be charged against the credit balance, if any, existing in the reserve account established pursuant to subsection 2, above. Any eligible Fuel Recovery in excess of the credit balance in the reserve account will be used to calculate the Fuel Factor (surcharge) component of Interstate’s traditional ferry service rates for the following month.

4. Disposition of Balance in Reserve Account

If a credit balance exists in the reserve account of over \$150,000 for any rolling 3 month period pursuant to subsection 2, above, Interstate will consult with the Division to propose

a mutually acceptable method of crediting customers for that balance. The agreed upon method will then be filed with the Commission for review and approval. If the parties cannot reach agreement Interstate shall file its proposal with the Commission and the Commission will make the ultimate determination.

C. Homeland Security

1. Reserve Account

The balance in the Homeland Security reserve account as of May 31, 2012, was \$(14,786). Interstate will continue the reserve method of accounting for Homeland Security expenditures as established in Docket No. 3573, subject to the modifications in subsection 2, below.

2. Annual Expense

The annual Homeland Security expense to be recorded by Interstate during the term of the Rate Plan will be \$315,000. Any capital expenditures in excess of \$50,000 will be charged to the appropriate plant account or accounts and not against the accrued reserve for Homeland Security.

D. Other

1. Rate Case Expense

For the purpose of all earnings reports required by Section III, above, Interstate will amortize the actual cost of this rate case over three years. The amortization will be complete on May 31, 2016, and no amortization will be recognized as an expense subsequent to that date. Interstate will provide the Commission and the Division with a statement of the actual costs of this case at its conclusion.

2. Depreciation Accrual Rates

Interstate will continue to use the depreciation accrual rates in effect during the twelve months ended May 31, 2012.

3. Sale of MV Nelseco

Interstate anticipates that the sale of the MV Nelseco will be completed in 2013. The net proceeds from the sale of the MV Nelseco will be amortized on the Company's books of account over five years. The amortization will be included in earnings reports required by Section III, above, and the unamortized balance of the proceeds will be deducted from the Company's rate base in said earnings reports. When the sale of the MV Nelseco is closed, Interstate will provide the Commission and the Division with a statement of the actual gross proceeds and associated expenses.

4. Pension Funding

Interstate's cost of service includes \$70,000 of annual pension expense. This amount will be funded and contributed to the external pension fund within thirty days after the end of the fiscal year. This funding commitment is ongoing and will continue from year to year unless directed otherwise by the Commission. Interstate will provide the Commission and the Division with documentation of its funding of the pension plan consistent with the terms of this paragraph.

V. EFFECT OF SETTLEMENT AGREEMENT

This Settlement Agreement is the result of negotiations among the Settling Parties. The discussions that have produced this Agreement have been conducted on the explicit understanding that all offers of settlement and discussions relating hereto are and shall be privileged, shall be without prejudice to the position of any party or participant presenting such offer or participating in any such discussion, and are not to be used in any manner in connection

with these or other proceedings involving any one or more of the parties to this Settlement or otherwise. The agreement by a party to the terms of this Settlement Agreement shall not be construed as an agreement as to any matter of fact or law for any other purpose. In the event that the Commission (i) rejects this Agreement, (ii) fails to accept this Agreement as filed, or (iii) accepts this Agreement subject to conditions unacceptable to any party hereto, then this Agreement shall be deemed withdrawn and shall be null and void in all respects. The Parties recognize that the Commission has an ongoing obligation to protect the public against improper and unreasonable rates that cannot be precluded by a settlement agreement.

IN WITNESS WHEREOF, the parties agree that this Settlement Agreement is reasonable and have caused this document to be executed by their respective representatives, each being fully authorized to do so.

Dated at Providence this 11th day of March 2013.

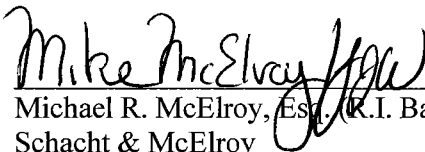
Respectfully submitted,

INTERSTATE NAVIGATION COMPANY

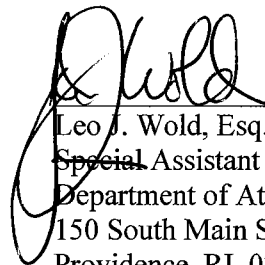
**RHODE ISLAND DIVISION OF PUBLIC
UTILITIES AND CARRIERS**

By its Attorney,

By its Attorney,



Michael R. McElroy, Esq. (R.I. Bar No. 2627)
Schacht & McElroy
21 Dryden Lane
P.O. Box 6721
Providence, RI 02940-6721



Leo J. Wold, Esq. (R.I. Bar No. 3613)
Special Assistant Attorney General
Department of Attorney General
150 South Main Street
Providence, RI 02903

EXHIBIT #1

Schedule SETT-1

INTERSTATE NAVIGATION COMPANY
RATE YEAR REVENUE REQUIREMENT

	<u>Company Position</u>	<u>Adjustments</u>	<u>Settlement Position</u>
Cost of Service	11,172,911	(269,160)	10,903,752
Miscellaneous Revenues	<u>842,452</u>	<u>453,629</u>	<u>1,296,081</u>
Net Revenue Requirement	10,330,460	(722,789)	9,607,671
Tariff Revenues, Present Rates	<u>9,028,283</u>	<u>-</u>	<u>9,028,283</u>
Revenue Deficiency	<u><u>1,302,177</u></u>	<u><u>(722,789)</u></u>	<u><u>579,388</u></u>

Schedule SETT-2

INTERSTATE NAVIGATION COMPANY
COST OF SERVICE

	<u>Company Position</u>	<u>Adjustments</u>		<u>Settlement Position</u>
Cash Operating Expenses	9,533,427	(149,416)	SETT-3	9,384,011
Depreciation	1,111,845	(46,776)	SETT-3.1	1,065,069
Income Taxes	86,077	6,861	SETT-4	92,938
Return on Rate Base	<u>441,562</u>	<u>(79,829)</u>	SETT-5	<u>361,734</u>
Total Cost of Service	<u>11,172,911</u>	<u>(269,160)</u>		<u>10,903,752</u>

Schedule SETT-3

INTERSTATE NAVIGATION COMPANY
ADJUSTMENTS TO CASH OPERATING EXPENSES

Payroll	(48,534)
Payroll Taxes	(21,389)
Employee Insurance	(34,209)
Pension	(20,158)
Fuel Expense - Newport Fast Ferry	(86,347)
Fuel Expense - Nelseco	(69,743)
Fuel Expense - Storage and Maintenance	50,616
Fuel Expense - Adjust Base to \$3.25	<u>99,023</u>
Total Adjustments Excluding Gross Receipts Tax	(130,741)
Gross Receipts Tax Effect, Including Corrections	<u>(18,675)</u>
Total Adjustment to Cash Operating Expenses	<u><u>(149,416)</u></u>

INTERSTATE NAVIGATION COMPANY
ADJUSTMENT TO DEPRECIATION EXPENSE

Stipulated Adjustment

(46,776)

Schedule SETT-4

INTERSTATE NAVIGATION COMPANY
INCOME TAX EXPENSE

Rate Base	SETT-5	\$ 6,544,136
Weighted Return on Equity	SETT-6	<u>2.88%</u>
Taxable Income Base		188,314
Taxable Income		281,253
Income Tax Rate		<u>39%</u>
Income Tax Expense at Rate in Bracket		109,688
Lower Tax Bracket Credit		<u>16,750</u>
Net Income Tax Expense		<u><u>92,938</u></u>

Marginal Tax Rate	39%
Bottom of Bracket	100,000
Tax at Full Rate	39,000
Actual Tax at Bracket Bottom	<u>22,250</u>
Lower Tax Bracket Credit	<u>16,750</u>

Schedule SETT-5

INTERSTATE NAVIGATION COMPANY
RETURN ON RATE BASE

	<u>Company Position</u>	<u>Adjustments</u>	<u>Settlement Position</u>
Rate Year Average Net Utility Plant	\$ 6,940,458		\$ 6,940,458
Accumulated Deferred Income Taxes	<u>-</u>	<u>(396,322)</u>	<u>(396,322)</u>
Net Rate Base	6,940,458	(396,322)	6,544,136
Rate of Return	<u>6.36%</u>	<u>-0.83%</u>	<u>5.53%</u>
Return on Rate Base	<u>\$ 441,562</u>	<u>\$ (79,829)</u>	<u>\$ 361,734</u>

Schedule SETT-6

INTERSTATE NAVIGATION COMPANY
RATE OF RETURN**Company Position**

	<u>Percent of Total</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>	<u>After Tax</u>
Long Term Debt	68.99%	3.60%	2.49%	2.49%
Common Equity	<u>31.01%</u>	12.50%	<u>3.88%</u>	<u>6.35%</u>
Total Capital	<u>100.00%</u>		<u>6.36%</u>	<u>8.84%</u>

Company Revised Position

	<u>Percent of Total</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>	<u>After Tax</u>
Long Term Debt	73.85%	3.59%	2.65%	2.65%
Common Equity	<u>26.16%</u>	12.50%	<u>3.27%</u>	<u>5.36%</u>
Total Capital	<u>100.01%</u>		<u>5.92%</u>	<u>8.01%</u>

Settlement Position

	<u>Percent of Total</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>	<u>After Tax</u>
Long Term Debt	73.85%	3.59%	2.65%	2.65%
Common Equity	<u>26.16%</u>	11.00%	<u>2.88%</u>	<u>4.72%</u>
Total Capital	<u>100.01%</u>		<u>5.53%</u>	<u>7.37%</u>

Schedule SETT-7

INTERSTATE NAVIGATION COMPANY
MISCELLANEOUS REVENUES

Settlement Fast Ferry Margin	481,986
Fast Ferry Margin Reflected by Company	<u>208,357</u>
Adjustment to Fast Ferry Margin	273,629
Amortize Gain on Sale of Nelsco	<u>180,000</u>
Total Adjustment to Miscellaneous Revenue	<u><u>453,629</u></u>

Proof of Revenues
Interstate Navigation Company

Schedule SETT - 8

	Current Rate	Settlement Rate	Current Revenue	Settlement Revenue	Dollar Increase
<i>Passenger</i>					
Adult One Way	\$ 11.25	\$ 12.35	\$ 1,485,990	\$ 1,631,287	\$ 145,297
Adult Round Trip	\$ 18.30	\$ 22.60	\$ 2,697,457	\$ 3,331,285	\$ 633,829
Child One Way	\$ 5.70	\$ 6.25	\$ 75,856	\$ 83,175	\$ 7,319
Child Round Trip	\$ 9.10	\$ 11.30	\$ 128,146	\$ 159,127	\$ 30,980
Commuter One Way	\$ -	\$ -	\$ -	\$ -	\$ -
Commuter Round Trip	\$ 10.50	\$ 16.00	\$ 215,544	\$ 328,448	\$ 112,904
			<u>\$ 4,602,992</u>	<u>\$ 5,533,322</u>	<u>\$ 930,329</u>
<i>Vehicles</i>					
Cars	\$ 49.80	\$ 38.95	\$ 1,753,408	\$ 1,187,819	\$ (565,589)
Pick-ups & SUVs	\$ 60.10	\$ 47.90	\$ 520,947	\$ 342,629	\$ (178,318)
Commuter Cars	\$ 27.00	\$ 32.70	\$ 105,327	\$ 125,666	\$ 20,339
Commuter Pick-ups & SUVs	\$ 32.75	\$ 39.45	\$ 35,337	\$ 40,673	\$ 5,336
Trucks & Oversize Trucks	See Individual Tariff for Rates		\$ 1,075,979	\$ 1,172,136	\$ 96,157
			<u>\$ 3,490,998</u>	<u>\$ 2,868,923</u>	<u>\$ (622,075)</u>
<i>Freight</i>					
-Freight	See Individual Tariff for Rates		<u>\$ 792,113</u>	<u>\$ 1,065,074</u>	<u>\$ 272,961</u>
<i>Bikes, Mopeds, Etc.</i>					
-Bikes, Mopeds, etc.	See Individual Tariff for Rates		<u>\$ 142,179</u>	<u>\$ 142,179</u>	<u>\$ 0</u>
Total Rates and Charges			\$ 9,028,283	\$ 9,609,497	\$ 581,215
Revenue Required (Settlement-1)				9,607,671	
Variance				\$ 1,826	0.02%

EXHIBIT #2

STATE OF RHODE ISLAND

PUBLIC UTILITIES COMMISSION

Docket No. 4373

INTERSTATE NAVIGATION COMPANY

LOCAL TARIFF

Naming

PASSENGER AND VEHICLE RATES

FOR TRADITIONAL SERVICE

APPLYING BETWEEN

POINTS AND PLACES IN THE STATE OF

RHODE ISLAND

(As Indicated Herein)

EFFECTIVE: May 24, 2013

ISSUED BY:

Interstate Navigation Company
Susan Linda, President
Post Office Box 482
New London, Connecticut 06320

RULE NO. 5 PETS OR ANIMALS ACCOMPANYING PASSENGERS:

Animals or pets will not be allowed to accompany passengers aboard ships unless such animals are securely under leash.

RULE NO. 10 BAGGAGE DEFINED:

- (a) Baggage may be either personal or sales sample cases defined as follows: Personal luggage or baggage consists of wearing apparel, toilet articles or similar effects in actual use, necessary and appropriate for the wear, use, comfort or convenience of the passenger for the purpose of the trip and not intended for other persons or for sale. Sample cases are those to be used by salesman containing samples or articles or merchandise for sale and for future transportation and not articles for immediate sale forthwith.
- (b) Money, jewelry, negotiable papers or like valuables should not be enclosed in baggage to be checked. This carrier will not be responsible for such articles in baggage.
- (c) All baggage must be enclosed in receptacles such as trunks, valises, suit cases, leather hat boxes or satchels provided with handles, securely locked or otherwise fastened and made of material of sufficient strength and durability and quality to withstand the rapid handling and piling incidental to its transportation.

RULE NO. 15 BAGGAGE ACCOMPANYING PASSENGERS:

Each passenger purchasing an adult or child one way ticket will be allowed to transport without charge fifty (50) pounds of luggage or baggage, which must be carried on and off the ship by the passenger at points of embarkation and debarkation.

RULE NO. 20. ARTICLES IN AUTOMOBILES:

Carrier will not be responsible for articles left in automobiles when not loaded in car trunks.

RULE NO. 25 DAMAGE TO AUTOMOBILES IN TRANSIT:

Any alleged damage to automobiles aboard ship shall be reported to ship's officers prior to leaving the dock at destination.

RULE NO. 30 RETURN TICKET:

The carrier will not be responsible to persons holding return tickets for failure to provide return carriage due to weather or mechanical failure; the carrier will honor the return ticket by providing carriage as soon as the weather and the sea are fit for navigation and the equipment is fit to operate.

RULE NO. 35a OVERSIZED VEHICLES:

Deck space in general is restricted in the vessels by height and width. Outside deck space (which can accommodate higher vehicles) is also very limited in availability. Therefore, Oversized Vehicles, (which include cars, pick-up trucks, SUVs and vans) that do not fit the standard sized description of a standard car, pick-up truck, or van, will be charged an Oversized Vehicle rate of \$4.50 per linear foot, but only if they are 7' in height or less. If they are over 7' high, see Rule 35b. A standard car is no more than 18' long, 6' wide, and 5' high. As examples, without limiting the generality of the foregoing, the following are Oversized Vehicles that will be charged the per linear foot Oversized Vehicle rate of \$4.50 per linear foot but only if they are 7' in height or less:

- Any vehicles (including but not limited to cars, vans, and pick-ups) that are over 6' in width at the widest point.
- Extended cab pick-up trucks.
- Dual-wheel vehicles (including but not limited to the F350 Ford Series).
- Small dump trucks with a pick up front, and a dump body.
- Stake body trucks.
- Vehicles where racks extend the length of the car, van or pick-up.
- Vehicles that are wider than standard. For example, the vehicle has a utility body containing tool boxes, or the body of the vehicle is not ordinary or standard open backed.
- Vehicles that have ladder racks, or racks that hold pipes or other items on their roof.
- Any trailers (including but not limited to utility trailers), that are longer or wider than a standard car or are over 6' wide at the widest.

**RULE 35b VEHICLES OVER 7' HIGH OR THAT REQUIRE OUTSIDE
DECK SPACE:**

- Any vehicles (including but not limited to cars, vans, pick-ups, SUVs, and trailers of any type) that are over 7' in height at the highest point will be charged the \$6.10 per linear foot truck rate.
- Any vehicles that require the use of the limited outside deck space will charged the per linear foot truck rate of \$6.10 per linear foot. For example, people will often put their bikes on their car, and they often need outside deck space due to the extra height. We cannot guarantee them the outside deck space (trucks have priority) and the bikes and racks may have to come down. In such a case, if the bikes and racks come down and the car, van or pick-up is then otherwise standard size, the standard car, van or pick-up truck rate will apply, and the standard charges will also apply to the bikes, racks, or other items removed from the vehicle.

RULE NO. 40 TIME LIMIT ON SUITS:

Suits to recover on any claim for loss of life or bodily injury must be instituted within one (1) year from the day when the death or injury occurred. Suits to recover on any claim other than loss of life or bodily injury, including breach of contract, must be instituted within six (6) months of the scheduled arrival of the passenger or property at destination.

RULE NO. 45 SCREENING AND INSPECTION:

Pursuant to Homeland Security Coast Guard Regulations, entering the ferry facility is deemed valid consent to screening or inspection; and failure to consent or submit to screening or inspection will result in denial or revocation of authorization to enter.

RULE NO. 50 ARTICLES LEFT ABOARD VESSEL:

Carrier will not be responsible for articles left aboard the vessel. Such shipments shall be charged for at the minimum rates provided in the company's tariffs.

RULE NO. 55 DAMAGE TO AUTOMOBILES:

All vehicles are transported at owner's sole risk. Drivers must accompany vehicles. The company will not be responsible for any damages to vehicles while in transport or while they are being loaded and unloaded aboard the vessel. The owner or driver must drive the vehicle on and off the vessel. In the event a vessel is canceled, the car reservation is also canceled. Any alleged damage to automobiles shall be reported to vessel's officers prior to leaving dock at destination.

RULE NO. 60 CAR RESERVATION CANCELLATIONS:

Car reservations may be changed two times 7 full days in advance of departure, then only one time within 7 days of departure. Cancellations made 7 full days in advance will be assessed a \$11.70 cancellation fee for each cancellation. No refunds will be made for cancellations made within 7 days of departure.

RULE NO. 65 VEHICLE OVERHANG CHARGE:

There is a \$8.45 additional charge per each way, in addition to the vehicle fee, for items over 7' on top of cars, and the same fee will be charged for items on the front, back and side of vehicles as well as items overhanging the roof of vehicles that exceed the length or width of the vehicle.

RULE NO. 70 NON-STANDARD VEHICLE CHARGES:

Vehicles that require more than one car space (such as limousines) may be charged an increased rate based on the amount of deck space required for the vehicle as opposed to a standard car or SUV (see also Rule 35).

RULE NO. 75 BLOCK TICKET SALES CHARGE:

There is a \$22.80 block ticket sales service charge for all block sales of 25 or more tickets. The block ticket sales service charge for arrangements made for group travel that includes making luncheon reservations, bus tours, and/or other similar amenities shall be \$40.90.

RULE NO. 80 ONLINE SALES CHARGE:

For all online internet and telephone call center passenger transactions, there is a \$2.40 convenience fee per transaction, to cover postage/handling charges.

RULE NO. 85 LOST TICKET CHARGE:

There is a \$15.20 charge for all lost tickets which are replaced (each way).

RULE NO. 90 DISCOUNTS:

Carrier may from time to time apply a 15% promotional group discount rate to groups of 25 or more. Carrier may from time to time apply up to a 25% discount on Monday through Thursday, inclusive, during the months of May through September, inclusive. Carrier may also from time to time offer non-rate incentive promotions.

RULE NO. 95 ADVANCE TICKET DISCOUNT:

Carrier may sell advance tickets on a pay for 9 tickets in advance, get 10 tickets basis.

RULE NO. 100 ISLANDER DISCOUNT COMMUTER RATE ELIGIBILITY:

Only those who certify under oath that they are full time residents of Block Island, residing for at least nine (9) months per calendar year at a physical Block Island address (not a post office box) are eligible for the islander discount commuter rate, provided that: (1) they also hold a current Rhode Island Registry of Motor Vehicles drivers' license that has a Block Island address as the sole address on the license and present the license for inspection and copying (or are too young to obtain a drivers' license, but attend the Block Island school and present a current Block Island school photo I.D. for inspection and copying), and (2) they also are duly registered and valid Block Island voters, as shown on the Block Island voters registration list (or are too young to register to vote and present a current Block Island school photo I.D.) If the discounted Islander commuter rate is sought for a standard size car, SUV, van, or pickup (oversized vehicles as defined in Rule 35 and regular trucks are not eligible for the discounted islander rate) the vehicle (1) must be driven by a driver with solely a Block Island address on his or her drivers' license, and (2) must have solely a Block Island address on its registration and the registration for each vehicle must be produced for inspection and copying

1. The PUC has ruled that those who are authorized to receive the discounted islander commuter rates "are islanders who commute to the mainland."
2. Block Island ordinances state in pertinent part:
 - [A] resident is defined as one who resides full time in the Town of New Shoreham.
 - Full time Block Island residency status is not affected by absence due to enrollment at an educational institution or fulfilling a military obligation providing that the resident is also a registered Block Island voter.

- Full time Block Island residency status is not affected by absence, whatever the reason, of up to three (3) months in any calendar year providing that the resident is also a registered Block Island voter.
3. The Block Island Ferry Islander card must be renewed annually, and you must appear in person to obtain or renew your card.
 4. Discounted islander commuter tickets will only be sold on Block Island on a round trip basis. Passenger tickets will be good for 7 days; vehicle tickets will be good for 30 days.
 5. If you do not obtain a Block Island Ferry Islander card because you are not a full time Block Island resident, you can still purchase discounted (frequent user) tickets (10 for the price of 9).
 6. Block Island Ferry also has reduced rates in effect for all children under 12 and seniors 65 and over, whether or not you are a full time Block Island resident.
 7. If your application for an Islander Card is denied, you may appeal the denial in writing to Joshua Linda, Vice President, Interstate Navigation Co., P.O. Box 482, New London, CT 06320. Please state why you feel you are a full time Block Island resident (at least 9 months per year). Please include with your written appeal any evidence of your Block Island residency that you wish Mr. Linda to review.

EXPLANATION OF ABBREVIATIONS

- No. = Number
- P.O. = Post Office
- R.I. = Rhode Island
- R.I.P.U.C = Rhode Island Public Utilities Commission
- NA = Not Available
- PLF. = Per Linear Foot

PASSENGER RATES
(Rates in Dollars and Cents Per Passenger)

ITEM:

Between Newport and Block Island Apply Column A Rates
Between Point Judith and Block Island Apply Column B Rates
Between Point Judith and Newport Apply Column C Rates

COLUMN

A	B	C					
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5 ADULT PASSENGER FARES

ONE WAY ADULT	\$25.00	\$12.35	\$25.00				
ROUND TRIP ADULT	\$50.00	\$22.60	\$50.00				

**10 CHILDREN PASSENGER
FARES**

ONE WAY	\$13.00	\$6.25	\$13.00				
ROUND TRIP	\$26.00	\$11.30	\$26.00				

Commuter Rate \$16.00 (See Rule 100)

Senior Discount (over 65 years):

- \$.50 off non-commuter one way
- \$1.00 off non-commuter round trip

NOTE a. The passenger rates for children published in Item No. 10 will apply to children five (5) years of age up to and including children eleven (11) years of age when accompanied by an adult. For children twelve (12) years of age and older the adult passenger fares published in Item No. 5 will be charged.

NOTE b. Children under five (5) years of age when accompanied by an adult will be transported free.

FOR EXPLANATION OF ABBREVIATIONS AND REFERENCE MARKS SEE PAGE 6.

VEHICLE RATES

ITEM:

Between Block Island and Newport Apply Column A Rates
 Between Block Island and Point Judith Apply Column B Rates
 Between Point Judith and Newport Apply Column C Rates

RATES IN DOLLARS AND CENTS PER UNIT (one way)

	COLUMN		
	A	B	C
15 Automobiles (See Rules 20, 25, 35, 50, 55, 60, 65 and 70 herein and Rule 20 of Freight Tariff)	n/a	38.95	n/a
16 Bicycles	6.00	3.20	6.00
16a Bicycle wagons, whether or not attached to a bicycle	6.00	3.20	6.00
16b Tandem Bicycles, whether or not attached to a bicycle	6.00	3.20	6.00
16c Electric Bicycles, motorized skateboards, and mini-motorcycles	8.30	8.30	8.30
17 Motorcycles	n/a	21.80	n/a
18 Pick-up trucks, vans, and SUV's (See Rules 20, 25, 35, 50, 55, 60, 65 and 70 herein and Rule 20 of Freight Tariff)	n/a	47.90	n/a
19 Trucks* (See note)	n/a	6.10/lf	n/a
20 Hazardous Trucks* (See note)	n/a	9.25/lf	n/a

Commuter Vehicle Rates:

- Standard-sized Automobiles \$32.70 (See Rules 20, 25, 35, 50, 55, 60, 65, 70, and 100 herein and Rule 20 of Freight Tariff)
- Standard-sized Pick-up Trucks, Vans, and SUVs \$39.45 (See Rules 20, 25, 35, 50, 55, 60, 65, 70, and 100 herein and Rule 20 of Freight Tariff)

* Note: Except as set forth below, trucks carrying hazardous materials or dangerous goods, as defined by 49 CFR, Subchapter C Hazardous Materials Regulations, the U.S. Coast Guard, and the International Maritime Organization, can not be transported aboard passenger

vessels. Therefore, except as set forth below, when carrying these materials, the vessel must operate strictly as a cargo vessel, and the per foot rate is as set forth above for hazardous trucks. For this purpose, the Carrier will make a vessel available as a cargo vessel on a reservation only, as available basis, at the rate set forth above per same day round trip run from Point Judith to Block Island and return (maximum 4 hours). When available, the cargo vessel must be scheduled to leave Point Judith and complete the run at the discretion of the Carrier.

Trucks which carry sludge for the New Shoreham Sewer Commission will be required to travel on the hazardous truck cargo vessel, and will not be allowed to travel on a vessel with passengers, but will be allowed to travel at the regular truck rate of \$6.10 per linear foot, because the sludge is not a hazardous material or dangerous good as defined by 49 CFR, Subchapter C, but odor from the truck is a problem for ferry passengers. In addition, trucks which carry garbage for the Town of New Shoreham will also be allowed, on an as-needed basis, to travel on the hazardous truck cargo vessel, but at the standard truck rate of \$6.10 per linear foot, or they may travel on the usual passenger ferry.

Trucks which have a gross weight of 50,000 pounds or more and are not tractor trailer trucks and are not carrying property for the Town of New Shoreham will be required to pay, in addition to the per linear foot truck rate, a weight premium of \$60.35 per one way trip due to the weight limitations imposed upon the ferry vessels.

**COMMODITY
RATES**

STATE OF RHODE ISLAND

PUBLIC UTILITIES COMMISSION

Docket No. 4373

INTERSTATE NAVIGATION COMPANY

LOCAL TARIFF

Naming

CLASS AND COMMODITY RATES

FOR TRADITIONAL SERVICE

APPLYING BETWEEN

POINTS AND PLACES IN THE STATE OF

RHODE ISLAND

(As Indicated Herein)

For reference to the governing Classification and other governing publications, see Rule No. 5 herein.

EFFECTIVE: May 24, 2013

ISSUED BY:

Interstate Navigation Company
Susan Linda, President
Post Office Box 482
New London, Connecticut 06320

EXPLANATION OF ABBREVIATIONS AND REFERENCE MARKS

Bbl= Barrel Co= Company Col= Column Conn= Connecticut Ctn= Carton I.C.C.= Interstate Commerce Commission KD= Knocked Down Lbs= Pounds M= Thousand MT= Empty	Min= Minimum Charge No.= Number NOIBN= Not Otherwise indexed by name in classification Pkg= Package Pt= Point R.I.= Rhode Island Department of Public Utilities SU= Set Up Viz= Namely &= And
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RULES GOVERNING ALL TARIFFS

RULE NO. 5 GOVERNING CLASSIFICATION, RULES AND EXCEPTIONS TARIFF:

Governed, except as otherwise provided herein, by the Coordinated Freight Class- No. 11, The New England Motor Rate Bureau, Inc., Agent's MF-I.C.C. No. A-210, MF-R.I.D.P.U. No. A-84 and by the Rules, Regulations and Exceptions thereto, the New England Motor Rate Bureau, Inc., Agent's MF-I.C.C. No. A-202, MF-R.I.D.P.D. No A-82, supplements thereto or successive issued thereof.

RULE NO. 10 APPLICATION OF RATES:

(a) Commodity rates named in this tariff are applicable only on shipments tendered to the carrier in exact accordance with the commodity description and packing requirements set forth herein.

(b) Unless otherwise provided, the rates shown herein apply only on articles received on one bill of lading at one time and place from one consignor for delivery to one consignee at one place, at one destination.

(c) The transportation obligation of the carrier under this tariff consists of the receipt of freight at its dock at the shipping point and its transportation to the dock of the carrier at destination.

RULE NO. 15 MAXIMUM CHARGES:

In no case shall the charge for a given shipment be greater than the charge for a shipment of the same commodity, of a greater weight, between the same points.

RULE NO. 20 MINIMUM CHARGES:

Except as provided in individual items herein rates named are subject to the following minimum charges per shipment.

<u>BETWEEN</u>	<u>AND</u>	<u>MINIMUM CHARGE</u>
Newport or Pt. Judith, R.I.	Block Island, R.I.	\$5.35

RULE NO. 25 LIABILITY FOR FEEDING LIVESTOCK:

The carrier will not be responsible for the feeding or watering, of livestock transported. It shall be the responsibility of the consignor to guarantee the carrier that a plentiful supply of feed and water shall be placed aboard vessel prior to the boarding of such shipments of livestock.

RULE NO. 30 HOUSEHOLD GOODS, DESCRIPTION OF:

The rates on Household Goods apply to all Household Goods, new or used, including but not limited to goods and personal effects such as furniture, clothing and residence furnishings and when shipped uncrated will only be accepted at owner's risk.

RULE NO. 35 INTEREST:

Interest will be charged on overdue accounts (past 30 days) at 1.5% per month, plus reasonable attorney's fees if collection efforts are needed.

RULE NO. 40 C.O.D. SHIPMENTS, COLLECTION AND REMITTAL CHARGES:

The following charges will apply for the collection and the remittance of C.O.D. bills collected from consignees between all points in Rhode Island:

When the amount collected is:		Charge for Collection and remittance will be:	
Not over	TO	\$ 10.00	\$ 1.21
\$ 10.01	TO	20.00	1.43
20.01	TO	30.00	1.68
30.01	TO	40.00	1.92
40.01	TO	50.00	2.16
50.01	TO	75.00	2.39
75.01	TO	100.00	2.99
100.01	TO	150.00	3.82
150.01	TO	200.00	4.78
200.01	TO	300.00	6.23
300.01	TO	400.00	7.66
400.01	TO	500.00	9.10
500.01	TO	1,000.00	10.76
	OVER	1,000.00	10.76 per \$1,000

RULE NO. 45 EMPTY CONTAINERS RETURNED, RATES APPLICABLE:

The rates in cents per can, case, carton or other empty alcoholic or nonalcoholic beverage container including bottles in racks, or other containers not otherwise shown herein will apply as follows:

	BETWEEN	Pt. Judith & B.I.
(a)		
Containers with bottles, each		.70
Containers without bottles, each		.60
Milk Cans, Each		.60
Milk Dispensers, each		.70
Beer Kegs, each		1.43

(b)
The rates in cents per empty tank shall be returned as follows:

Soda Fountain tanks, each	1.07
Pyrofax tanks, each	1.43
Propane Gas Tanks, each	1.43

RULE NO. 50 FREIGHT TRANSPORTED AT OWNER'S RISK:

Shipments of livestock, pinball machines, music machines, neon or electric signs and pianos will be accepted for transportation at owner's risk.

RULE NO. 55 TRANSPORTATION OF LIVESTOCK:

All Livestock, except household pets accompanied by an owner or handler, dogs, cats and animals of like size in portable kennels, and fowl in crates, will be carried only in animal vans or trailers. The tariff for such transportation will be the tariff for such vans or trailers.

RULE NO. 60 PERSONAL PALLETS:

Personal pallets are \$10.52 if stackable and \$14.52 if un-stackable. Pallets will be deemed un-stackable if the contents exceed the height of the personal pallet box which is 3 ½' high. Un-stackable pallets will require shrink wrapping which will be provided by the carrier as part of \$14.52 un-stackable rate. Personal pallets can be used on an as available basis in the discretion of the Carrier and are solely to be used for the transportation of personal items (such as groceries and luggage). Personal pallets will be given to customers on a "first come, first served" basis, and the boats are limited to how many pallets can be taken. The number of personal pallets which can be taken will vary trip to trip in the discretion of the Carrier based on the availability of deck space and pallets.

DATE: _____		ITEM MASTER R				
CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM			
ABC	ABC	ABC ITEM MASTER RECORD. THIS W EA AS The First Item Entered.				
CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	Prior Rate	% Increase	Rates
006	45-00					
	45-01					
	45-02	EMPTY MILK CASES, CANS RULE 45	EA	0.460	34.00%	0.620
	45-03					
	45-04	EMPTY BEER KEGS RULE 45	EA	1.070	34.00%	1.430
	45-06	EMPTY BREAD TRAY, PLASTIC	EA	0.460	34.00%	0.620
007	015-02	AREA WALL/PARTITION	EA	2.510	34.00%	3.360
030	05	BAIT BARRELS, EMPTY	EA	1.250	34.00%	1.680
035	05	BATHTUB, CAST IRON	EA	13.270	34.00%	17.780
035	06	JACUZZI, WHIRLPOOL RULE #40 APPLIES	EA	New or Adjusted Rates \$ 30.00	34.00%	40.200
035	07	SHOWER BASE, GRANITE, NOIBN	EA	5.820	34.00%	7.800
040	00	BATTERIES, USED, CAR	EA	0.710	34.00%	0.950
040	03	BATTERIES, USED INDUSTRIAL MARINE	EA	1.780	34.00%	2.390
	045-00					
	045-08					
10	03	ANCHOR, MOORING, 200-499LB	EA	7.170	34.00%	9.610
10	04	ANCHOR, MOORING, 500-799LB	EA	15.040	34.00%	20.150
10	05	ANCHOR, MOORING, 800-999	EA	22.410	34.00%	30.030
10	06	ANCHOR, SMALL		1.440	34.00%	1.930
10	07	ANCHOR, MOORING, 100-199LB	EA	5.360	34.00%	7.180
10	08	ANCHOR, MOORING, 1000 & ABOVE	EA	33.390	34.00%	44.740
	30-05					
	30-06					
40	02	BATTERIES, ELECTRICAL, SOLAR INDUSTRIAL, MARINE	EA	3.560	34.00%	4.770
	45-05					
45	10	DISPENSER, WATER	EA	8.600	34.00%	11.520
50	00	WATER, BOTTLE, >5GAL	EA	1.440	34.00%	1.930
55	02	BICYCLE, UNCRATED	EA	New or Adjusted Rates 3.150	34.00%	4.220
600	21	SOLAR PANELS/MODULES APPROX 4XB	EA	New or Adjusted Rates 10.000	34.00%	13.400
005	01	ALUMINUM LOUVERS, VENTS	PC	0.800	34.00%	1.070
NEW		ALUMINUM LOUVERS, VENTS - LARGE	PC	New or Adjusted Rates 1.600	34.00%	2.140
005	02	ANTI-FREEZE COMPOUNDS, NOIBN LIQUID, IN CASES	EA EA	1.440	34.00%	1.930
	005-03					
005	04	ANGLE IRON BY LINEAR FEET	FT	0.460	34.00%	0.620

CLASS ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	Prior Rate	% Increase	Rates
010-01	AUTOMOBILE PARTS CARTONS: EXHAUSTS, PIPES, MUFFLERS ETC.	EA	1.440	34.00%	1.930
010-02	AUTO SEATS	EA	6.080	34.00%	8.150
015-01	AUTO TRANSMISSIONS	EA	6.800	34.00%	9.110
020-01					
025-01					
030-02					
030-03					
030-04	BAIT BARRELS	EA	5.370	34.00%	7.200
035-01	BATHTUBS, EACH	EA	8.600	34.00%	11.520
035-02	COMBINATION TUB AND SHOWER (FIBERGLASS)	EA	18.320	34.00%	24.550
035-03	SHOWER IN BOX BY PIECE	EA	3.030	34.00%	4.060
035-04	SHOWER (FIBERGLASS)	EA	12.520	34.00%	16.780
040-01	BATTERIES, ELECTRIC, STORAGE EACH	EA	1.780	34.00%	2.390
045-01					
045-02	BEER, 24 PER CASE	CAS	1.280	34.00%	1.720
045-03	BEER IN KEGS EACH	KEG	2.260	34.00%	3.030
045-04	LIQUORS, SPLITS PER CASE	CAS	2.460	34.00%	3.300
045-05	WINE, PER CASE	CAS	1.820	34.00%	2.440
045-06					
050-01	BEVERAGES, SODA, JUICE, WATER	CAS	0.980	34.00%	1.310
050-02					
050-03	BEVERAGES, NON-ALCOHOLIC: CO2 + O2 TANKS AND CYLINDERS	CYL	2.240	34.00%	3.000
055-01	BICYCLES, NOIBN, IN BOXES OR CRATES	EA	New or Adjusted Rates 3.150	34.00%	4.220
055-11	STROLLER, CARRIAGE, BABY CAR SEAT CRATED	EA	New or Adjusted Rates 2.000	34.00%	2.680
055-12	STROLLER, CARRIAGE UNCRATED	EA	2.000	34.00%	2.680
065-04	COBBLESTONE	EA	0.450	34.00%	0.600
065-05	COBBLESTONE, LESS THAN 10 INCH	EA	0.220	34.00%	0.290
65-03	BLOCK, PATIO	EA	0.540	34.00%	0.720
70-00	BUOY, CARTON, LOOSE, SMALL 2'X2' BOX	EA	2.150	34.00%	2.880
70-01	BUOY, CARTON, LOOSE, LARGE OVER 2'X2' BOX	EA	3.560	34.00%	4.770
70-02	BUOY, LOBSTER	EA	0.360	34.00%	0.480
70-04					
70-05					
060-01	BLINDS, WINDOW OR SHUTTERS	EA	0.800	34.00%	1.070
065-01	BLOCKS, CHIMNEY 9 X 13	EA	0.490	34.00%	0.660
065-02	BLOCKS, BUILDING, CEMENT OR CINDER EACH	EA	0.540	34.00%	0.720
070-00	KAYAK, CANOE, WALK ON	EA	11.150	34.00%	14.940
070-01	BOATS, PER LINEAR FOOT	FT	1.440	34.00%	1.930
075-01	BOAT TRAILERS, LESS THAN 10 FEET	EA	18.410	34.00%	24.670

CLASS ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM		Prior Rate	% Increase	Rates
080-01	BOILER/FURNACE	EA		24.430	34.00%	32.740
085-01	BOOKS, BY THE CARTON	CTN		2.420	34.00%	3.240
085-02						
090-01	CRATES, STEEL OR WOODEN	EA		12.160	34.00%	16.290
090-02	COPPER/BRASS FITTINGS IN CTNS	CTN		3.680	34.00%	4.930
095-01	BREAD, BAKERY PRODUCTS, IN CARTONS EACH (1.77 MIN)	CTN		0.980	34.00%	1.310
095-03	BREAD TRAYS, FULL MINIMUM CHARGE (1.77)	EA		0.980	34.00%	1.310
100-01	BRIDGING BOX METAL	EA	New or Adjusted Rates	1.460	34.00%	1.960
100-02	BROOM, ROAD, ATTACHMENT	EA		25.590	34.00%	34.290
105-01						
110-01	DRIP EDGE	BND		3.680	34.00%	4.930
115-01						
120-01	BRICKS, BUILDING, COMMON, LESS THAN M	EA		0.090	34.00%	0.120
120-02	BRICKS, BUILDING, COMMON OVER 1,000 BRICKS	M		60.800	34.00%	81.470
125-01						
125-02	BRICKS, FACE, EACH	EA		0.100	34.00%	0.130
125-03	BRICKS, FIRE, EACH	EA		0.130	34.00%	0.170
009 130-02	WEED WHACKER, ELECTRIC	EA		3.560	34.00%	4.770
170-00	COMPUTERIZED EQUIPMENT: CPU, LAPTOP, MONITOR, ETC.	EA	New or Adjusted Rates	7.450	34.00%	9.980
170-01						
170-02	COMPUTER PRINTER, SCANNER	EA		5.440	34.00%	7.290
175-09	CABINET, FILLER	EA		1.440	34.00%	1.930
175-10	CABINET, PANEL	EA		3.200	34.00%	4.290
175-11	CABINET, FILING RULE # 40 APPLIES	EA		6.090	34.00%	8.160
175-05	CABINET, SINGLE RULE 40 APPLIES	EA		3.680	34.00%	4.930
175-06	CABINET, DOUBLE RULE 40 APPLIES	EA		6.080	34.00%	8.150
175-12	CABINET, QUAD RULE #40 APPLIES	EA		17.870	34.00%	23.950
175-13	CABINET, FILING, SMALL 2 DRWR RULE #40 APPLIES	EA		2.870	34.00%	3.850
180-05	CASKET, GRAVE, LINER	SET		18.980	34.00%	25.430
180-06	PRECAST STAIRWAY	EA		38.650	34.00%	51.790
180-07	CART, SHOPPING	EA		3.560	34.00%	4.770
185-04						
240-00	COUNTER TOP	FT		0.930	34.00%	1.250
	COUNTER TOP - GRANITE	FT	New or Adjusted Rates	1.250	34.00%	1.680
240-01	COPPER SHOWER PANS	EA		2.680	34.00%	3.590
130-01	WEED WHACKER, GAS POWERED	EA		6.800	34.00%	9.110
135-01	BULKHEAD STEEL	EA		8.690	34.00%	11.640
140-01						
145-01	BUOY FLOAT, MAST HEAD	EA		1.250	34.00%	1.680

CLASS ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM		Prior Rate	% Increase	Rates
150-01	BUFFER/POLISHER AND SANDER	EA		8.490	34.00%	11.380
155-01	CALCIUM CHLORIDE PER BAG	EA		2.420	34.00%	3.240
160-01						
165-01	CANDY OR CONFECTIONERY, IN BOXES OR CARTONS	EA		2.420	34.00%	3.240
165-02						
175-01	CABINET, MEDICINE	EA		1.780	34.00%	2.390
175-03	TRASH CAN: PLASTIC, ALUMINUM EMPTY	EA		1.780	34.00%	2.390
175-04	TOYS, GAMES	CTN		2.420	34.00%	3.240
175-07	CARPETS OR LINOLEUM/ROLL	EA		7.170	34.00%	9.610
175-08	ROLL PADDING/FOAM	EA		2.240	34.00%	3.000
180-02						
180-03						
180-04	CASKETS OR VAULT, BURIAL VAULT, CEMENT	EA	New or Adjusted Rates	17.360	34.00%	23.260
185-01	CEMENT, PLASTER, MORTAR IN 50-80LB. BAGS	EA		1.440	34.00%	1.930
185-02	POWER CEMENT TROWEL	EA		6.080	34.00%	8.150
185-03	SAKRETE, MORTAR, GROUT IN 25-45LB. BAGS	BAG		0.710	34.00%	0.950
190-01						
180-10	STAIRWAY, PREFAB 8 FEET / LESS	EA		5.010	34.00%	6.710
180-11	STAIRWAY, PREFAB GREATER THAN 8 FEET	EA		9.010	34.00%	12.070
195-01	CHARCOAL	BAG		1.780	34.00%	2.390
200-01	CAULKING COMPOUND, ACCESS PER BOX	BOX		1.440	34.00%	1.930
205-01						
205-02	CHAIN, 500-799 LB BARREL	EA		15.250	34.00%	20.440
205-03	CHAIN, 200-499 LB BARREL	EA		10.100	34.00%	13.530
205-04	CHAIN, LESS THAN 200 LB	EA		5.010	34.00%	6.710
210-01	CHIMNEY FLUE LINING, CLAY 8"X8" LINEAR FOOT	EA		0.540	34.00%	0.720
210-02	CHIMNEY FLUE LINING, CLAY 8" X 12 "	EA		0.620	34.00%	0.830
215-01						
220-01	CLAY THIMBLE 8"X8"	EA		0.620	34.00%	0.830
235-01	CLOTHING CLOTH, DRY GOODS, FABRIC BAGGING, GUNNY, IN BNDL OR CTN	CTN		1.250	34.00%	1.680
245-01						
245-02						
245-03	CORD WOOD: PER PALLET OR 1/2 CORD	CRD	New or Adjusted Rates	12.000	34.00%	16.080
245-04	CORD WOOD: PER CORD	CRD		17.860	34.00%	23.930
250-01	STEMWARE/CROKERY PLATES, CUPS, POTS AND PANS	CTN		3.030	34.00%	4.060
255-01	DOORS, WOODEN, GLAZED	EA		3.030	34.00%	4.060
255-02	DOORS AND WINDOW, SCREEN	EA		3.030	34.00%	4.060
255-03						
255-04	DOOR, GARAGE, DOUBLE OR OVERHEAD, EACH	EA		7.320	34.00%	9.810

CLASS ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	Prior Rate	% Increase	Rates
255-05	DOOR FRAMES	EA	2.420	34.00%	3.240
255-06	DOOR, STEEL FIRE, EACH	EA	11.630	34.00%	15.580
255-07	DOOR, CELLER, EACH	EA	12.160	34.00%	16.290
255-08	DOORS, PRE-HUNG	EA	4.920	34.00%	6.590
255-09	DOOR, GLASS, SLIDING, FRENCH PATIO	EA	10.700	34.00%	14.340
255-13	DOOR, DOUBLE PRE-HUNG	EA	9.820	34.00%	13.160
255-14	DOOR, BIFOLD	EA	3.030	34.00%	4.060
255-16					
255-17					
255-18	DOOR, GLASS, SLIDING, FRENCH DOUBLE PATIO	EA	21.460	34.00%	28.760
255-19	GATE, LARGE 16' OR LESS	EA	5.510	34.00%	7.380
255-20	GATE, LARGE 17' OR GREATER	EA	9.390	34.00%	12.580
255-21	DOOR, BATH TUB	EA	6.500	34.00%	8.710
260-01	DRUGS OR MEDICINES, NOIBN IN CARTONS	CTN	3.040	34.00%	4.070
260-02	DURA-WALL 500 LINEAL FEET 8"	EA	5.800	34.00%	7.770
260-03	DURA-WALL 500 LINEAL FEET 12"	EA	6.690	34.00%	8.960
270-00	WIRE, COIL	EA	1.780	34.00%	2.390
300-08	DRESSER, CHEST DISPLAY CASE, BOOKSHELF, RACK	EA	6.080	34.00%	8.150
300-13					
602-00	DUMPSTER, 15YRD	EA	35.810	34.00%	47.990
602-01	DUMPSTER, 10-14 YRDS	EA	28.650	34.00%	38.390
602-02	DUMPSTER, 6-9 YRDS	EA	21.500	34.00%	28.810
602-03	DUMPSTER, 3-5 YRDS	EA	17.870	34.00%	23.950
602-04	DUMPSTER, LESS THAN 3 YRDS	EA	7.170	34.00%	9.610
245-00	COOKIES	BOX	0.620	34.00%	0.830
255-00	DOOR, SHOWER	EA	3.560	34.00%	4.770
255-10	DOOR, STORM ALUMINUM	EA	3.560	34.00%	4.770
255-11					
011 15-02					
15-03	ENGINE, COMPLETE	EA	10.710	34.00%	14.350
265-01					
265-03	ELECTRIC SUPPLIES PER CARTON	CTN	1.780	34.00%	2.390
265-07	TRANSFORMER, 75 KVA	EA	71.600	34.00%	95.940
265-08	TRANSFORMER, 112.5 KVA	EA	93.050	34.00%	124.690
265-09	TRANSFORMER, 5 KVA	EA	7.170	34.00%	9.610
265-10	TRANSFORMER, 37 KVA	EA	34.350	34.00%	46.030
265-11	TRANSFORMER, 45 KVA	EA	50.110	34.00%	67.150
265-12	UTILITY ENCLOSURES	EA	13.260	34.00%	17.770
270-0	WIRE, SPOOL	EA	1.780	34.00%	2.390

CLASS ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM		Prior Rate	% Increase	Rates
270-01	FELT, BUILDING IN ROLLS PER ROLL	EA		1.440	34.00%	1.930
270-02	FENCE, PER ROLL: SNOW/DEER	EA		4.920	34.00%	6.590
270-03	FENCE, PER ROLL, CHICKEN WIRE	EA		1.950	34.00%	2.610
270-04	FENCE, PER ROLL, STEEL	EA		6.690	34.00%	8.960
270-08	FENCE, STOCKADE >3'X8'	SEC		4.290	34.00%	5.750
270-09	FENCE, STOCKADE < OR = 3'X8'	SEC		2.780	34.00%	3.730
270-10	FENCE, MESH SHEET 5'X10' BY PALLET	PLT		31.950	34.00%	42.810
270-11	FENCE, PER ROLL, SILT	EA		1.950	34.00%	2.610
275-00	FERTILIZER COMPOUNDS, SINGLE ONE TON BAG, NOIBN	TON		39.020	34.00%	52.290
275-01	FERTILIZER COMPOUNDS, NOIBN LIME, MANURE IN BAGS	EA		1.950	34.00%	2.610
275-02	MULCH, PEAT MOSS	EA		1.440	34.00%	1.930
275-03	SOIL	EA		1.440	34.00%	1.930
275-04	MULCH, PEAT MOSS PALLET SIZE BALE	PLT		19.870	34.00%	26.630
275-05	FERTILIZER COMPOUNDS, 1000LB BAG, NOIBN	BAG		25.650	34.00%	34.370
280-00						
280-01						
280-02	FISH, FRESH OR FROZEN, BOXES	EA	New or Adjusted Rates	3.000	34.00%	4.020
280-03	FISH, FRESH OR FROZEN, IN BAGS, EACH	EA		1.810	34.00%	2.430
280-04	LOBSTERS, IN BARRELS OR CRATES, EACH	EA		4.830	34.00%	6.470
280-045						
280-11	FISH, X-TUB	TUB		16.080	34.00%	21.550
280-12	X-TUB, EMPTY	EA		8.050	34.00%	10.790
280-13						
285-00	CRUSHED STONE (EG: FLAG STONES, BLUESTONE, SLATE, PALLET)	PLT		28.650	34.00%	38.390
285-01	FLAG STONES, BLUESTONE, SLATE	EA		1.950	34.00%	2.610
285-02	FIRE EXTINGUISHERS	EA		1.780	34.00%	2.390
290-01	FLOWERS: FRESH/ARTIFICIAL PER BOX/CTN/BND	CTN		1.440	34.00%	1.930
290-02	FLASHING: ALUMINUM/LEAD 8"-10" ROLL	ROL		1.250	34.00%	1.680
290-03	FLASHING, ALUMINUM/LEAD 11-12" ROLL	ROL		1.610	34.00%	2.160
290-04	FLASHING, BOXED	BOX		1.440	34.00%	1.930
290-05	FLASHING; COPPER	RL		2.510	34.00%	3.360
290-06	ALUMINUM, SHEET, BY SQUARE FOOT	SQF		0.210	34.00%	0.280
295-01	FRUITS OR VEGETABLES 100 lbs	LB		2.160	34.00%	2.890
	FRUITS OR VEGETABLES 180 lbs	LB	New or Adjusted Rates	4.000	34.00%	5.360
300-06	TABLE, FOLDING RENTAL RULE #40 APPLIES	EA		2.870	34.00%	3.850
300-07	DESK RULE #40 APPLIES	EA		7.170	34.00%	9.610
300-09	TABLE, PICNIC	EA		7.170	34.00%	9.610
	BUTCHER BLOCK TABLE	EA		2.870	34.00%	3.850
300-1						

CLASS ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	Prior Rate	% Increase	Rates
300-10					
300-12	CHAIR; PATIO, SLEEVE	SLV	8.280	34.00%	11.100
300-14	CHAISE LOUNGE; PATIO, SLEEVE	SLV	14.490	34.00%	19.420
305-02					
305-03	DIST. BOXES	EA	5.820	34.00%	7.800
305-04	1,000 GAL SEPTIC TANK	EA	85.820	34.00%	115.000
	SEWER MANHOLE PIECES	EA	New or Adjusted Rates	34.00%	28.140
305-05	SHALLOW GALLEY/FLOW DIFFUSOR	EA	New or Adjusted Rates	34.00%	28.140
	LARGE BULKY ITEMS GREATER (4ft by 8 ft)	EA	New or Adjusted Rates	34.00%	80.400
305-07	BLOCK, RETAINING / BARRICADE 3X3X5	EA	13.260	34.00%	17.770
310-01	GLASS, BOX OF, CRATED, LOOSE	EA	4.830	34.00%	6.470
310-02	GLASSWARE, CARBOYS, EMPTY	EA	0.540	34.00%	0.720
310-03	GLASSWARE, IN CARTONS, INCLUDE POTTERY, ETC.	EA	2.420	34.00%	3.240
315-00	PET FOOD	PKG	1.440	34.00%	1.930
315-01	GRAIN, FEED, SEED, BAG (UNDER A TON)	EA	1.250	34.00%	1.680
315-02	GRAIN, FEED, SEED, BAG, TON AND OVER	EA	0.800	34.00%	1.070
315-03	GRAVEL IN BAGS	EA	1.250	34.00%	1.680
315-04	GRAIN, FEED, SEED, 1 TON BAG OR 2 1/2 TON BAGS	EA	25.770	34.00%	34.530
315-05	PELLETS, WOOD BY 50LB BAG	BAG	1.250	34.00%	1.680
320-01					
320-02					
325-01	GROCERIES, BAG OF: EACH	EA	0.540	34.00%	0.720
325-02					
325-03	GROCERIES, TOTE, PEAPOD ITEM	EA	2.430	34.00%	3.260
325-04					
325-05	GROCERIES AND GROCERY SUPPLIES CHARGE PER SHIPMENT	CTN	1.070	34.00%	1.430
325-06					
330-02	GUTTERS/DOWNSPOUTS/ROOF DRAINS PER LINEAR FOOT EACH, NOT CTN	LF	0.130	34.00%	0.170
330-03	GYP SOLITE, BY BAG	BAG	1.250	34.00%	1.680
265-04	TRANSFORMER, 10 KVA	EA	10.710	34.00%	14.350
265-05	TRANSFORMER, 15 KVA	EA	14.320	34.00%	19.190
265-06	TRANSFORMER, 25 KVA	EA	21.500	34.00%	28.810
270-05	FENCE, POST AND/OR RAIL	EA	0.710	34.00%	0.950
270-06	FENCE, HOLDER, POST	EA	0.360	34.00%	0.480
290-00	FORMICA	RL	6.230	34.00%	8.350
295-00	PRODUCE	LB	2.160	34.00%	2.890
300-00	CHAIRS; PATIO, FOLDING RULE 40 APPLIES	EA	1.440	34.00%	1.930
300-01	CHAIRS; LOUNGE, CTN OR LOOSE RULE 40 APPLIES	EA	2.870	34.00%	3.850
300-02	SOFA; COUCH, SLEEPER RULE 40 APPLIES	EA	8.950	34.00%	11.990

CLASS ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	Prior Rate	% Increase	Rates
300-03	TABLE; DINNING ROOM RULE 40 APPLIES	EA	7.170	34.00%	9.610
300-04	TABLE; END RULE 40 APPLIES	EA	2.870	34.00%	3.850
300-05	TABLE; COFFEE RULE 40 APPLIES	EA	4.290	34.00%	5.750
310-04					
330-01	GROUND RODS, PER LINEAR FOOT	LF	0.060	34.00%	0.080
335-01	HAMPERS, LAUNDRY EMPTY RETURN RULE 40 APPLIES	EA	2.870	34.00%	3.850
335-03	HAMPERS, LAUNDRY, CLEAN RULE 40 APPLIES	EA	4.830	34.00%	6.470
335-04	HAMPER, DIRTY LAUNDRY RULE 40 APPLIES	EA	4.290	34.00%	5.750
335-05	LAUNDRY, DIRTY RULE 40 APPLIES	EA	1.440	34.00%	1.930
340-02	SPADES, SHOVELS, BROOMS, POST HOLE DIGGERS, RAKES, PER BNDL	BDL	1.610	34.00%	2.160
340-03	SPADES, SHOVELS, BROOMS, POST HOLE DIGGERS, ECT. EACH	EA	1.440	34.00%	1.930
340-04					
340-05	WHEEL BARROW	EA	5.010	34.00%	6.710
345-01					
345-02	HAY, BALES	EA	New or Adjusted Rates	34.00%	1.680
345-03	SHAVINGS	BAG	1.440	34.00%	1.930
350-01	HEATERS, AIR, ELECTRIC, FANS OR COMB. IN BOXES OR CTNS.	CTN	1.780	34.00%	2.390
350-02	HEATER, LARGE, CRATED	EA	5.370	34.00%	7.200
350-03	HEATER, KEROSENE	EA	3.560	34.00%	4.770
355-01	HEATERS, GAS OR ELECTRIC, HOT WATER LESS THAN 40 CAP.	EA	6.080	34.00%	8.150
355-02	HEATERS, GAS OR ELECTRIC HOT WATER, 40-79 CAP	EA	8.490	34.00%	11.380
355-03	HEATERS, GAS OR ELECTRIC HOT WATER, 80 OR GREATER CAP	EA	13.940	34.00%	18.680
360-01					
360-02					
365-00	ICE, BAG BY PALLET	EA	28.650	34.00%	38.390
365-01					
365-02	ICE, ARTIFICIAL OR NATURA PER BUSHEL BASKET OR BAG	EA	1.440	34.00%	1.930
370-01	ICE CREAM, PER CARTON	CTN	3.030	34.00%	4.060
370-02					
375-01					
375-02					
375-03	ICE CREAM, IN PALLET BOX PER UNIT/PKG.	EA	1.440	34.00%	1.930
380-01					
380-02					
380-03	INSULATION, PER ROLL	EA	0.980	34.00%	1.310
380-04	INSULATION, PER BATT	EA	1.400	34.00%	1.880
380-05	INSULATION, SHEETS 1"	EA	0.870	34.00%	1.170
380-06	INSULATION, SHEETS 2"	EA	1.250	34.00%	1.680
380-07	INSULATION, SHEETS 3"	EA	1.610	34.00%	2.160

CLASS ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	Prior Rate	% Increase	Rates
380-08	INSULATION, 4" SHEETS	EA	2.150	34.00%	2.880
380-09	INSULATION, SHEETS 5"	EA	2.500	34.00%	3.350
380-12	STYROFOAM LOGS	EA	2.870	34.00%	3.850
380-13	FLOAT DRUM, DOCK FLOATATION	EA	7.170	34.00%	9.610
280-09	LOBSTER TRAP, FENCE, ROLLS OVER 20"	EA	4.290	34.00%	5.750
280-10	LOBSTER LINE, COIL	EA	1.440	34.00%	1.930
300-11	HEADBOARD/FOOTBOARD	EA	2.870	34.00%	3.850
385-00					
385-02	LOLLY COLUMNS	EA	2.420	34.00%	3.240
390-00	SINK, TRIPLE	EA	9.820	34.00%	13.160
390-07	LAWN MOWER, WALK BEHIND	EA	10.700	34.00%	14.340
390-08	LAWNMOWERS, FLAIL, TOW MOWER	EA	6.080	34.00%	8.150
390-09	LAWN MOWERS - LARGE RIDING	EA	29.010	34.00%	38.870
395-00	LIVESTOCK, VIZ: BEES IN CRATES	CRT	3.130	34.00%	4.190
395-01					
395-02	LIVESTOCK, HENS, DUCKS, OR TURKEYS IN CRATES	CRT	4.830	34.00%	6.470
400-05	TRUSS	EA	10.710	34.00%	14.350
400-06	FLOORING, BOXED, BUNDLED	EA	1.780	34.00%	2.390
405-01	AIR CONDITIONER	EA	6.080	34.00%	8.150
405-06	POWER WASHER	EA	6.080	34.00%	8.150
405-07	GALLON JUG	EA	1.440	34.00%	1.930
405-08	ROTOTILLER, ELECTRIC	EA	5.440	34.00%	7.290
405-09	ROTOTILLER, GAS POWERED	EA	6.080	34.00%	8.150
405-10	ROTOTILLER, RIDING	EA	10.700	34.00%	14.340
405-11	VACUUM	EA	5.440	34.00%	7.290
525-17	MACHINE, WELDER	EA	7.320	34.00%	9.810
595-05	DISPOSAL	EA	5.010	34.00%	6.710
595-06	COMPACTOR	EA	6.080	34.00%	8.150
595-07	COOK TOP	EA	5.010	34.00%	6.710
280-05	LOBSTER TRAP	EA	2.150	34.00%	2.880
280-06	LOBSTER TRAP, FENCE, ROLLS UP TO 20"	RL	2.150	34.00%	2.880
280-07					
280-08	LOBSTER TRAP, MESH APPROX 3X4	EA	1.440	34.00%	1.930
385-01	STAGGING: LADDERS, ALUMINUM, STEEL, WOOD PER LINEAR FOOT	FT	0.360	34.00%	0.480
385-03	LATTICE	SH	2.300	34.00%	3.080
385-04	LAUNDRY, SMALL PKG RULE 40 APPLIES	BND	1.370	34.00%	1.840
385-05	LAUNDRY, LARGE BAG RULE 40 APPLIES	EA	1.780	34.00%	2.390
390-01	SINK	EA	4.920	34.00%	6.590
390-03	TOILET, TANK/BOWL	EA	4.920	34.00%	6.590

CLASS ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM		Prior Rate	% Increase	Rates
390-06	TOILET, 1 PIECE	EA		9.820	34.00%	13.160
400-01	LUMBER-FINISH (OVER 1000 BOARD FEET)	BFT		60.990	34.00%	81.730
400-02	LUMBER-FINISH-LESS-1000-	BFT		0.100	34.00%	0.130
400-03	LUMBER-UNFINISH OVER-1000	BFT		44.700	34.00%	59.900
400-04	LUMBER-UNFINISH-LESS-1000	BFT		0.060	34.00%	0.080
405-00	MACHINES - CANDY, CIG, VENDING	EA		13.420	34.00%	17.980
405-02	MACHINES POWER TOOLS	EA		6.080	34.00%	8.150
405-03	MACHINES VIDEO GAMES, JUKE BOX PINBALL	EA		20.750	34.00%	27.810
405-04	MACHINES COMPRESSOR	EA		7.320	34.00%	9.810
405-05	MACHINES COFFEE	EA	New or Adjusted Rates	5.460	34.00%	7.320
405-12	PUMP, GAS STATION	EA		20.750	34.00%	27.810
410-00	GRAVE STONES	WT		3.030	34.00%	4.060
415-00	MATTRESSES SINGLE BED	EA		2.420	34.00%	3.240
415-01	MATTRESSES DOUBLE BED	EA		3.680	34.00%	4.930
415-02	FRAMES/FOLDING CARTS/BEDS	EA		3.030	34.00%	4.060
420-00	MILK-PER-CASE	CS		1.440	34.00%	1.930
420-01						
390-02	LAWN MOWERS - PUSH	EA		5.370	34.00%	7.200
390-04	LAWN MOWERS - RIDING	EA		10.700	34.00%	14.340
014 270-07	FENCE, HOLDER, POST BUNDLE	EA		1.440	34.00%	1.930
430-02	MOTORCYCLE CRATED	EA		21.500	34.00%	28.810
435-03	LAWN TRACTOR MOWER DECK	EA	New or Adjusted Rates	14.570	34.00%	19.520
440-04						
450-01	MEATS	LB		2.230	34.00%	2.990
450-02	DRY FOOD GOODS CTN OR BAG	EA		1.440	34.00%	1.930
455-02	PAINTS/PER-CTN	CS		1.440	34.00%	1.930
500-27	PIPE, EMT 2"	FT		0.170	34.00%	0.230
500-28	PIPE, EMT 1 1/2"	FT		0.130	34.00%	0.170
500-29	PIPE, COPPER 3"	FT		0.290	34.00%	0.390
500-33	SONO TUBE, 36"	FT		0.390	34.00%	0.520
500-34	PIPE, BLACK IRON 1/2"	FT		0.040	34.00%	0.050
500-35	PIPE; BLK IRON, 1 1/4"	FT		0.070	34.00%	0.090
500-36	PIPE; BLACK IRON 8"	FT		0.430	34.00%	0.580
500-37	SONO TUBE, 6"	FT		0.070	34.00%	0.090
500-38	PIPE; BLACK IRON 6"	FT		0.360	34.00%	0.480
500-39	SONO TUBE 24"	FT		0.270	34.00%	0.360
500-40	PIPE; BLK IRON, 1 1/2"	EA		0.078	34.00%	0.100
500-41	PIPE, PVC 1/2"	FT		0.200	34.00%	0.270
500-43	PIPE, CORRUGATED, 12" DIAMETER	FT		0.710	34.00%	0.950

CLASS ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	Prior Rate	% Increase	Rates
500-44	PIPE, CORRIGATED, 18" DIAMETER	FT	0.980	34.00%	1.310
500-45	SONO TUBE 18"	FT	0.210	34.00%	0.280
500-46	PIPE, EMT, 1 1/4"	FT	0.100	34.00%	0.130
500-47	SONO TUBE, 16"	FT	0.190	34.00%	0.250
500-48	PIPE; BLK IRN, 12"	LFT	0.650	34.00%	0.870
500-49	PIPE, CORRIGATED, 24" DIAMETER	FT	1.250	34.00%	1.680
500-50	PIPE, BLACK IRON, 2 1/2	FT	0.140	34.00%	0.190
500-51	PIPE, PVC, 18"	FT	0.390	34.00%	0.520
500-52	SONO TUBE BASE, FOOTING	EA	0.560	34.00%	0.750
500-53	PIPE; BLACK IRON 4"	EA	0.230	34.00%	0.310
500-54	PIPE; BLACK IRON 3"	FT	0.140	34.00%	0.190
500-55	PIPE, EMT, 4"	FT	0.320	34.00%	0.430
500-56	PIPE, CORRIGATED, 10" DIAMETER	FT	0.660	34.00%	0.880
500-57	PIPE, EMT, 3"	FT	0.270	34.00%	0.360
500-58	PIPE, CORRIGATED, 36" DIAMETER	FT	2.190	34.00%	2.930
505-07	SHEETROCK 4X8X1/4-1/2	EA	1.830	34.00%	2.450
505-13	PANEL; GLASSTEEL, PLASTIC WALL PANEL, CRINKLE CUT	EA	1.010	34.00%	1.350
505-14	PEG BOARD 4X8X1/4	EA	1.830	34.00%	2.450
510-01					
425-00	MIRRORS	EA	4.830	34.00%	6.470
430-00	MOPEDS	EA	8.530	34.00%	11.430
430-01	MOLDING-PER-100-LF	LF	1.440	34.00%	1.930
435-02					
440-01	NAILS-IN-CTN	BX	1.440	34.00%	1.930
440-02	NEWSPAPERS, MAGAZINES BY BNDL	BDL	0.620	34.00%	0.830
440-03	NEWSPAPER, MAGAZINES BY CARTON	CTN	2.420	34.00%	3.240
445-01	OIL-PER-CASE	EA	1.440	34.00%	1.930
445-02	OUTBOARD, MOTOR	EA	5.820	34.00%	7.800
455-01	5-GALLON-PAISLS	EA	1.440	34.00%	1.930
500-00	PIPE, EMT, 1/2"	FT	0.040	34.00%	0.050
500-01	PIPE, EMT, 3/4"	FT	0.060	34.00%	0.080
500-02	PIPE/HOSE PLASTIC	FT	0.060	34.00%	0.080
500-03	PIPE, STEEL, GALV.	FT	0.140	34.00%	0.190
500-04	PIPE, EMT, 1"	FT	0.090	34.00%	0.120
500-05	PIPE, BLACK IRON, 1"	FT	0.070	34.00%	0.090
500-07	PIPE; BLACK IRON, 3/4	FT	0.040	34.00%	0.050
500-09	PIPE, BLACK IRON, 2"	FT	0.110	34.00%	0.150
500-10	PIPE, PVC, 1"	FT	0.030	34.00%	0.040
500-11	PIPE, PVC, 1 1/2"	FT	0.030	34.00%	0.040

CLASS ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	Prior Rate	% Increase	Rates
500-12	PIPE, PVC, 2"	FT	0.040	34.00%	0.050
500-13	PIPE, PVC, 2 1/2"	FT	0.060	34.00%	0.080
500-14	PIPE, PVC, 3"	FT	0.060	34.00%	0.080
500-15	PIPE, PVC, 3 1/2"	FT	0.080	34.00%	0.110
500-16	PIPE, PVC, 4"	FT	0.090	34.00%	0.120
500-17	PIPE, PVC, 6"	FT	0.130	34.00%	0.170
500-18	PIPE, PVC, 8"	FT	0.170	34.00%	0.230
500-19	PIPE, PVC, 12"	FT	0.270	34.00%	0.360
500-20	PIPE, COPPER, 1/2"	FT	0.090	34.00%	0.120
500-21	PIPE, COPPER, 3/4"	FT	0.100	34.00%	0.130
500-22	PIPE, COPPER, 1"	FT	0.130	34.00%	0.170
500-23	PIPE, COPPER, 1 1/4"	FT	0.140	34.00%	0.190
500-24	PIPE, COPPER, 1 1/2"	FT	0.160	34.00%	0.210
500-25	PIPE, COPPER, 1 3/4"	FT	0.170	34.00%	0.230
500-26	PIPE, COPPER, 2"	FT	0.210	34.00%	0.280
500-30	SONO TUBE, 8"	FT	0.090	34.00%	0.120
500-31	SONO TUBE, 10"	FT	0.110	34.00%	0.150
500-32	SONO TUBE, 12"	FT	0.130	34.00%	0.170
505-00	PLYWOOD 4X8X1/4-1/2	EA	1.830	34.00%	2.450
505-01	PLYWOOD 4X8X3/4-5/8	EA	2.750	34.00%	3.690
505-02	PLYWOOD 4X12X1/2	EA	2.750	34.00%	3.690
505-03	PLYWOOD 4X12X3/4, 5/8	EA	4.130	34.00%	5.530
505-04	PLYWOOD (AC) 4X8X1/4-3/8	EA	2.750	34.00%	3.690
505-05	PLYWOOD (AC) 4X8X1/2	EA	3.200	34.00%	4.290
505-06	PLYWOOD (AC) 4X8X5/8-3/4	EA	4.130	34.00%	5.530
505-08	SHEETROCK 4X8X5/8-3/4	EA	2.750	34.00%	3.690
505-09	SHEETROCK 4X12X1/4-1/2	EA	2.750	34.00%	3.690
505-10	SHEETROCK 4X12X5/8-3/4	EA	4.130	34.00%	5.530
510-00	POLES, TELEPHONE, FLAG	LF	0.540	34.00%	0.720
500-42	PIPE, PVC 3/4"	FT	0.020	34.00%	0.030
305-06	CEMENT STORM DRAINS	EA	10.590	34.00%	14.190
525-00	REFRIGERATORS-LESS THAN 8 CU FEET	EA	8.600	34.00%	11.520
525-01	REFRIGERATORS-8CUBIC-FT- LESS THAN 15 CU	EA	11.010	34.00%	14.750
525-02	REFRIGERATORS-15/19-CUBIC-FT	EA	24.430	34.00%	32.740
525-03	REFRIGERATORS-20CUBIC-FT	EA	36.580	34.00%	49.020
525-04	REFRIGERATORS, WALK-IN	EA	50.110	34.00%	67.150
525-07	ICE MACHINE WITHOUT BIN	EA	14.320	34.00%	19.190
525-08	ICE MACHINE WITH BIN	EA	24.430	34.00%	32.740
525-09	ICE MACHINE BIN	EA	11.430	34.00%	15.320

CLASS ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM		Prior Rate	% Increase	Rates
525-10	MACHINE, SODA	EA		24.430	34.00%	32.740
525-11	MACHINE, GENERATOR <10 KW	EA		6.080	34.00%	8.150
525-12	ICE MAKER	EA		3.560	34.00%	4.770
525-13	MACHINE, EXERCISE	EA		6.080	34.00%	8.150
525-14	DEHUMIDIFIER	EA		5.440	34.00%	7.290
525-15	MACHINE, GENERATOR 10-20 KW	EA		17.180	34.00%	23.020
525-16	MACHINE, GENERATOR >20 KW	EA		42.950	34.00%	57.550
530-02	SAFE, VAULT LESS THAN 3X3X3	EA		7.320	34.00%	9.810
535-03	SAND,BLASTING	BAG		1.440	34.00%	1.930
535-04	SAND, BULK PALLET, NOT IN BAGS	PLT		28.760	34.00%	38.540
	WOOD J BEAM	FT	New or Adjusted Rates	0.550	34.00%	0.740
545-03	STEEL I BEAM	FT		1.070	34.00%	1.430
545-04	STEEL, SHEET, BY SQUARE FOOT	SQF		0.360	34.00%	0.480
550-02	STOVE, WOOD, FIREPLACE	EA		8.950	34.00%	11.990
550-03	STEREO EQUIP	EA		5.010	34.00%	6.710
550-04	GRILL, GAS, OUTDOOR	EA		5.440	34.00%	7.290
555-02	TANK, PROPANE EMPTY	EA		1.160	34.00%	1.550
	TANK, PROPANE 1,000 GAL.	EA	New or Adjusted Rates	100.000	34.00%	134.000
555-03	WATER SOFTENER/ FILTER	EA		2.420	34.00%	3.240
555-04	TANK, PROPANE, 100LB OR GREATER	EA		4.180	34.00%	5.600
555-05	SEPTIC SYSTEM FILTER POD	EA		13.260	34.00%	17.770
560-02	1000 GAL OIL TANK	EA		32.170	34.00%	43.110
560-03	TANKS; OIL OR SEPTIC 330GL	EA		11.630	34.00%	15.580
560-04	CURBING, CEMENT	EA		5.820	34.00%	7.800
560-05	ELJEN DRNS/ SEPTIC INFILTRATOR	EA		1.440	34.00%	1.930
560-06	TANK; OIL, LESS THAN 275	EA		5.040	34.00%	6.750
595-08	RANGE HOOD	EA		2.510	34.00%	3.360
600-15	WELL MATE TANK	EA		8.490	34.00%	11.380
600-16	PAPER GOODS	EA		1.440	34.00%	1.930
515-00	POTATO-CHIPS	CTN		0.620	34.00%	0.830
515-01						
520-00	PUMPS-IN-CTNS	EA		4.830	34.00%	6.470
520-01	PUMP-JACKS-PER-BUNDLE	EA		1.780	34.00%	2.390
520-02	REEL, CABLE 5FT. DIAMETER	EA		21.500	34.00%	28.810
520-03	REEL, CABLE >5FT. DIAMETER	EA		42.950	34.00%	57.550
520-04	REEL, CABLE, EMPTY	EA		12.180	34.00%	16.320
525-05	REEL, CABLE <5FT. DIAMETER	EA		6.650	34.00%	8.910
525-06	RE ROD	FT		0.040	34.00%	0.050
530-00						

CLASS ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM		Prior Rate	% Increase	Rates
530-01	RED-ROSIN-PAPER	EA		0.800	34.00%	1.070
535-00	SALT-IN-BAGS	EA		1.440	34.00%	1.930
540-00	SIGNS-NEON-OR-ELECTRIC	EA		12.160	34.00%	16.290
545-00	SHINGLES-WOOD-ASPHALT	BDL		0.980	34.00%	1.310
550-00	STOVES-GAS-PROPANE	EA		6.080	34.00%	8.150
550-01	STOVES, RANGE; RESTUARANT FURNACE	EA		24.430	34.00%	32.740
555-00	TANKS; PROPANE,GAS,OXY,ACET, DIVE TANKS	EA		2.420	34.00%	3.240
555-01	TURF	PLT		23.250	34.00%	31.160
560-00	TANKS; OIL OR SEPTIC 275GL	EA		8.050	34.00%	10.790
560-01	TANKS; 500 GAL OIL	EA		15.830	34.00%	21.210
016 400-07	THRESHOLD	EA		0.710	34.00%	0.950
	THRESHOLD - MARBLE	EA	New or Adjusted Rates	1.500	34.00%	2.010
570-03						
570-04	TENT, GARDEN	EA		5.010	34.00%	6.710
575-04	TILE, WELL 24" OR LESS	EA		5.440	34.00%	7.290
575-05	TILE; WELL COVER 24" OR LESS	EA		3.480	34.00%	4.660
580-021	TIRE, LARGE, TRACTOR	EA		2.510	34.00%	3.360
580-04	TREE, SHRUB, LIVE OVER 8'	EA	New or Adjusted Rates	20.000	34.00%	26.800
580-06	PLANT, TRAY	EA		1.440	34.00%	1.930
580-07						
585-01	TOBACCO, CANDY, SMOKING ACC	EA		2.420	34.00%	3.240
590-01	VOTING MACHINE, SMALL, TABLE SIZE	EA		12.660	34.00%	16.960
595-09	WASHER/DRYER COMBINATION	EA		12.180	34.00%	16.320
595-10	DRYER, COMMERCIAL, LARGE	EA		12.180	34.00%	16.320
600-04	WINDOW; QUAD	EA		29.290	34.00%	39.250
600-17	TANK, EXTROL, WELL SIZE	EA		8.490	34.00%	11.380
600-18						
600-19	WINDSURFER	EA		7.170	34.00%	9.610
600-20	SURFBOARD	EA		6.500	34.00%	8.710
565-00						
570-00	TELEVISION SETS; IN CARTONS COLOR	EA		12.160	34.00%	16.290
575-00	TILE; WELL OVER 24"	EA		9.090	34.00%	12.180
575-01	TILE; FLOOR, VINYL, ETC.	CTN		1.250	34.00%	1.680
575-02	TILE; WELL COVERS GREATER THAN 24"	EA		5.360	34.00%	7.180
575-03	TILE, CEILING, BOX	EA		1.440	34.00%	1.930
580-00	TIRES; RUBBER, PASSENGER CAR	EA		1.440	34.00%	1.930
580-01	TIRES; TRUCK	EA		1.950	34.00%	2.610
580-02	TREES; SHRUBS UNDER 4'	EA		1.530	34.00%	2.050
580-03	TREES; SHRUBS OVER 4'	EA		1.950	34.00%	2.610

CLASS ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM		Prior Rate	% Increase	Rates
585-00	TABACCO; CHEWING, CIGARS, CIGAR ETTE.	CTN		2.420	34.00%	3.240
590-00	VOTING / ATM MACHINE	EA		24.310	34.00%	32.580
595-00	WASHING MACHINES	EA	New or Adjusted Rates	9.000	34.00%	12.060
595-01	RANGE	EA	New or Adjusted Rates	9.000	34.00%	12.060
595-02	DISHWASHER	EA	New or Adjusted Rates	9.000	34.00%	12.060
595-03	DRYER	EA	New or Adjusted Rates	9.000	34.00%	12.060
595-04	MICROWAVE	EA		6.080	34.00%	8.150
600-00	WINDOWS; SINGLE, SASHES	EA		3.680	34.00%	4.930
600-01	WINDOWS; DOUBLE MULLION	EA		4.830	34.00%	6.470
600-02	WINDOWS; PICTURE, PLATE GLASS THERMOPANE OR TRIPLES	EA		24.430	34.00%	32.740
600-03	WINDOWS; IN BOXES OR CARTONS	EA		4.030	34.00%	5.400
600-12	ENVELOPE, MISC	EA		1.440	34.00%	1.930
600-13	TANK, EXTROL SMALL	EA		2.420	34.00%	3.240
600-14	TANK, EXTROL LARGE	EA		4.830	34.00%	6.470
601-11						
017 285-03						
600-10	EMPTY DRUM, KERO, OIL 55 GAL	EA		2.510	34.00%	3.360
601-07						
601-12						
601-13	DURA-ROCK, WONDERBOARD 3X5	EA		2.150	34.00%	2.880
601-14	RADIATOR, CAST IRON	EA		3.560	34.00%	4.770
601-15						
601-16	FEDERAL EXPRESS PKG	EA		2.300	34.00%	3.080
601-17	DURA-ROCK, WONDERBOARD 4X8	EA		4.590	34.00%	6.150
601-18	DURA-ROCK, WONDERBOARD 3X6	EA		2.590	34.00%	3.470
601-19	DIAMOND PLATING, LATH, GALV APPROX. 4X8	EA		1.440	34.00%	1.930
600-09	DRUM, 55 GAL, KERO, OIL	EA		7.320	34.00%	9.810
601-00	UPS PKG	EA		6.110	34.00%	8.190
601-01	PKG MISC	EA		1.440	34.00%	1.930
601-02	BAG MISC	EA		1.440	34.00%	1.930
601-03	JAMBS	BDL		1.440	34.00%	1.930
601-04	BOX, FITTING	EA		1.440	34.00%	1.930
601-05	TYPAR, TYVEK, ROLL	EA		1.440	34.00%	1.930
601-06	PALLET, PERSONAL	EA		7.860	34.00%	10.530
601-08	BASE BOARD	EA		1.780	34.00%	2.390
601-09	BASE BOARD; CAST IRON	EA		2.870	34.00%	3.850
601-10	BUNDLE MISC	EA		1.440	34.00%	1.930
601-9	GALLON CAN, MISC	EA		1.440	34.00%	1.930
090 165-00	CTN MISC	EA		1.440	34.00%	1.930

CLASS ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	Prior Rate	% Increase	Rates
101 225-01					
230-01					

EXHIBIT #3

Rate Ceiling & Floor
Interstate Navigation Company

	Floor Rate -20%	Rate	Ceiling Rate +10%
<hr/> <i>Passenger</i> <hr/>			
Adult One Way	\$ 9.90	\$ 12.35	\$ 13.60
Adult Round Trip	\$ 18.10	\$ 22.60	\$ 24.85
Child One Way	\$ 5.00	\$ 6.25	\$ 6.90
Child Round Trip	\$ 9.05	\$ 11.30	\$ 12.45
Commuter One Way	\$ -	\$ -	\$ -
Commuter Round Trip	\$ 16.00	\$ 16.00	\$ 16.00
<hr/> <i>Vehicles</i> <hr/>			
Cars	\$ 31.15	\$ 38.95	\$ 42.85
Pick-ups & SUVs	\$ 38.30	\$ 47.90	\$ 52.70
Commuter Cars	\$ 32.70	\$ 32.70	\$ 32.70
Commuter Pick-ups & SUVs	\$ 39.45	\$ 39.45	\$ 39.45
Trucks & Oversize Trucks			
Trucks	\$ 4.90	\$ 6.10	\$ 6.70
Hazardous Trucks	\$ 7.40	\$ 9.25	\$ 10.20
Oversized Vehicles	\$ 3.60	\$ 4.50	\$ 4.95
Vehicles over 7' High	\$ 4.90	\$ 6.10	\$ 6.70
Vehicle Overhang Charge	\$ 6.75	\$ 8.45	\$ 9.30
Weight Premium	\$ 48.30	\$ 60.35	\$ 66.40
<hr/> <i>Freight</i> <hr/>			
-Freight	See individual Tariff		
<hr/> <i>Bikes, Mopeds, Etc.</i> <hr/>			
-Bikes, Mopeds, etc.			
Bicycles	\$ 2.55	\$ 3.20	\$ 3.50
Electric Bicycles	\$ 6.65	\$ 8.30	\$ 9.15
Motorcycles	\$ 17.45	\$ 21.80	\$ 24.00

Total Rates and Charges