

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

TRADITIONAL SERVICE RATES)
INTERSTATE NAVIGATION COMPANY –)
GENERAL RATE FILING)

Docket 4373

SUPPLEMENTAL TESTIMONY OF RICHARD LA CAPRA

ON BEHALF OF

THE TOWN OF NEW SHOREHAM

April 17, 2013

1 **Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.**

2 A. My name is Richard La Capra. I am a consultant specializing in energy and
3 regulated industry economics issues. My business address is 5 Carmine Street,
4 New York, New York 10014

5

6 **Q. HAVE YOU SUBMITTED DIRECT TESTIMONY IN THIS CASE?**

7 A. Yes, I have filed direct testimony in this docket on behalf of the Town of New
8 Shoreham on March 13, 2013.

9

10 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY IN THIS**
11 **PROCEEDING?**

12 A. My direct testimony discussed the Town of New Shoreham's reluctant support for
13 the settlement filed in this case; and further hearings in the Town have indicated
14 wide spread support for the Interstate Navigation Company ("Interstate" or "the
15 Company") to remain financially strong because it is truly the island's lifeline. My
16 direct testimony also raised several issues relating to maintenance of non-
17 summer service, expanded pricing alternatives and concerns over the effects of
18 the Company's proposed freight schedules . This supplemental testimony
19 expands on some of those pricing themes and offers a way to mitigate some of
20 the negative impact on island residents without adversely affecting the Company
21 or its just and reasonable level of revenue requirement .

22

23

1 **Q. PLEASE SUMMARIZE YOUR SUPPLEMENTAL TESTIMONY.**

2 A. Interstate filed with the Commission a proposed settlement to increase rates by
3 \$581,215 or 5.6% (WEE-1: Revised for Comm 2-1). The Town has accepted the
4 overall revenue requirement of the settlement but would like the Commission to
5 take note that the individual tariff increases fall harshly on the Town residents;-

6	<u>Service</u>	<u>Proposed Increase</u>
7	Non-Commuter Cars	-22%
8	Commuter Cars	+21%
9	Non-Commuter Pick-ups/SUV	-20%
10	Commuter Pick-ups/SUV	+20%
11	Bikes/Motorcycles	0%
12	Trucks	+9%
13	Freight	+34%
14	Non-Commuter Passenger (OW)	+10%
15	Non-Commuter Passenger (RT)	+23%
16	Commuter Passenger (RT)	+52%

17

18 In short, it is clear that the bulk of the increase has been shifted to the Town
19 residents in the form of higher commuter fares and freight and truck rates. While
20 the Town residents still enjoy a commuter rate that is somewhat lower than non-
21 commuter rate, the savings have been greatly eroded and do not well recognize
22 the lifeline nature of the ferry to the island. The commuter increases are borne
23 only by residents and the freight and truck increases are borne primarily by
24 residents.

25

26

1 **Q. ARE YOU PROPOSING A REDUCTION IN THE SETTLEMENT INCREASE?**

2 A. No, but based on a great deal of feedback from the Town and expanding on
3 some issues raised in my direct testimony, I believe the impact on the Town can
4 be mitigated with no effect on the Company.

5

6 **Q. HOW DO YOU PROPOSE TO MITIGATE THE ECONOMIC IMPACT ON THE**
7 **TOWN?**

8 A. I believe the Town residents have accepted the increases in commuter fares but
9 still are concerned by the impact of freight and trucking since these prices affect
10 all island activities.

11

12 There appears to be a simple solution to maintaining the Company's revenue
13 requirement and rates while mitigating the impact on the Town residents. I
14 discussed the notion of on-peak and off-peak rates in my direct testimony and
15 would recommend that they be introduced for vehicle transport to the island at
16 this time. I have appended an exhibit (RLC-1 Supplemental) which shows this
17 effect. Simply, it maintains all rates as the company has proposed in the
18 settlement with one exception;- the non-commuter rate for cars and pick-ups/
19 SUVs have summer peak rates equal to the current rates (\$49.80 and \$60.10
20 respectively) and off-season rates equal to the Company's settlement rates
21 (\$38.95 and \$47.90 respectively). Essentially, non-commuters receive a
22 substantial discount from current rates in all but the peak months. The summer
23 (peak) months are June, July, August and September and all other months are
24 off-peak.

25 Exhibit RLC-1 Supplemental shows the enhanced revenue from the peak
26 summer pricing.

1

2 **Q. WHAT IS THE REVENUE INCREASE ASSOCIATED WITH THE**
3 **INTRODUCTION OF A PEAK/OFF-PEAKS RATE FOR VEHICLES?**

4 A. Based on the volumes presented in the Company's response to the Division's
5 data request DIV-1-31 - Attachment, the introduction of a peak/off-peak rate for
6 cars will produce additional revenues of \$275,091 and for pick-ups/SUVs another
7 \$60,902 for a total revenue increase of \$335,993.

8

9 **Q. HOW DO YOU PROPOSE THIS INCREASED REVENUE BE RE-ALLOCATED**

10 A. Since the pricing changes are to be revenue neutral, I would propose reducing
11 the rates for freight and then trucking since these are the areas which most affect
12 the Town residents. Also, some of this reduction will naturally accrue to visitors
13 in the form of reduced prices.

14

15 **Q. WHAT ALLOCATION BETWEEN THE FREIGHT AND TRUCKING RATES**
16 **WOULD YOU PROPOSE?**

17 A. Because the freight charges are of great concern to the Town, I would propose
18 allocating the revenue generated from peak pricing first to maintaining the
19 existing freight rate and then to lessen the proposed truck rate. Based on the
20 Company's response to the Commission's questions, the freight charges are
21 scheduled to increase by \$272,961 (WEE-17, Revised for Comm 2-1) and the
22 trucking charges by \$96,157 (WEE-16, Revised for Comm 2-1). Thus I would
23 propose maintaining the current charges for freight, i.e., offsetting the proposed
24 \$272,961 increase and then reducing the truck charges by the remaining
25 \$63,032 ($=\$335,993 - \$272,961$). This would result in an increase to the truck
26 rate of \$33,125 ($=\$96,157 - \$63,032$) or 3.1%.

1

2 **Q. DOES THE RECOMMENDATION FOR THE VEHICLE PEAK AND OFF-PEAK**
3 **RATE ALTER ANY OF THE RECOMMENDATIONS IN YOUR DIRECT**
4 **TESTIMONY?**

5 A. No, the Company should maintain at least it's current winter ferry schedule, be
6 allowed greater pricing flexibility after the rate year and proceed collaboratively
7 with a more comprehensive freight pricing study

8

9 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

10 A. Yes it does.

MONTHLY TRAFFIC STATISTICS

FY 2012

Month	Cars		PU/SUV	
	Non-Commuter	Commuter	Non-Commuter	Commuter
Jun-11	4,429	276	1,112	90
Jul-11	8,271	188	1,738	77
Aug-11	7,888	227	1,298	63
Sep-11	4,766	290	844	82
Oct-11	2,392	345	593	88
Nov-11	1,095	414	440	84
Dec-11	648	452	308	121
Jan-12	501	325	266	81
Feb-12	531	324	302	97
Mar-12	638	357	437	110
Apr-12	1,560	344	621	67
May-12	2,490	359	709	119
Totals	35,209	3,901	8,668	1,079
Settlement Rates	\$38.95	\$32.70	\$47.90	\$39.45
Revenue at Settlement Rates	\$1,371,391	\$127,563	\$415,197	\$42,567
Proposed Peak Settlement Rates	\$49.80/\$38.95		\$60.10/\$47.90	
Revenue at Peak Settlement Rates	\$1,646,481		\$476,100	
Revenue Increase from Peak Pricing	\$275,091		\$60,902	
Total Revenue Increase from Peak Pricing				<u>\$335,993</u>

Notes:

All trip Counts from Interstate Response to DIV 1-31 - Attachment

June-July-August-September Peak Car Rates at Current Rate of \$49.80; All Other Months at Settlement Rate of \$38.95

June-July-August-September Peak PU/SUV Rates at Current Rate of \$60.10; All Other Months at Settlement Rate of \$47.90