

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: INTERSTATE NAVIGATION COMPANY'S : DOCKET NO. 4373-A
LIMITED RATE CHANGE APPLICATION FOR :
CERTAIN TRADITIONAL FERRY RATES :

ORDER

By Order dated June 20, 2013, for the first time, the Public Utilities Commission (PUC) allowed Interstate Navigation Company's (Interstate) traditional ferry service flexibility over non-commuter rates. Commuter rates, which are not subjected to any increase at this time, include cars and passenger rates for those who reside on Block Island for at least nine months of the year.¹ Freight rates are also excluded from the rate flexibility. The PUC provided Interstate the ability to file for an increase up to 10% on non-commuter rates or a decrease of up to 20% on those same rates. As part of the 2013 Order, the PUC required Interstate to make a filing at least sixty days in advance of any rate change. This filing was to include certain specific information to allow the PUC to review whether the request complied with the terms of its Order. The Division of Public Utilities and Carriers (Division) and the Town of New Shoreham (Town) each supported pricing flexibility for non-commuter rates.²

On March 24, 2015, Interstate submitted a compliance filing in support of a 10% change to non-commuter rates for effect May 24, 2015. As part of its filing, Interstate included testimony from Walter E. Edge, Jr., Vice President of B&E Consulting. Mr. Edge summarized the authorizing language of the Settlement approved by the PUC in Order No. 21069 and set forth the seven items that were required to be in the filing. He addressed each in turn.

¹ The definition of commuter mirrors the Town of New Shoreham ordinance that defines full-time Block Island residency. See Ordinance of 12-17-1997; Ordinance of 2-2-1998. Order No. 21069 (issued June 20, 2013); [http://www.ripuc.org/eventsactions/docket/4373-Interstate-Ord21069\(6-19-13\).pdf](http://www.ripuc.org/eventsactions/docket/4373-Interstate-Ord21069(6-19-13).pdf).

² *Id.* at 16, 42-43; Settlement, p. 3.

First, addressing the reasons for the proposed rate change, Mr. Edge stated that Interstate was projecting it would miss its allowed return on equity for FY 2015; that it was projecting increased costs in FY 2016; that the traditional ferry has operated at a loss since the prior rate order; and that due to difficulties in chartering the fast ferry M.V. Athena, off season, those revenues are not likely to be available to offset the losses in FY 2016.³ Second, addressing the projected profit for FY 2015, Mr. Edge calculated the return on equity for the traditional ferry at 2.4%. Third, addressing the financial impact of the proposed increase on the FY 2016 revenues, Mr. Edge stated that the increase is \$824,663 over current revenues. Fourth, the projected dollar amount of the profit and the percent return on equity under new rates would be \$457,601 and 7.10%, respectively. Mr. Edge also noted in his testimony that his schedules included new tariffs and the impact on current rates. Finally, the filing also included a public notice. Therefore, according to Mr. Edge, the filing contained all of the components required by the PUC in Order No. 21069.⁴

On April 22, 2015, the Division submitted a Memorandum from David Efron, its consultant, in support of Interstate's filing. Mr. Efron stated that after analyzing the filing and supporting information, he found no extraordinary circumstances that would serve as cause for the Division to object to the rate changes proposed by Interstate, recommend suspension of the effective date of the rates, or seek additional evidence to support the filing.⁵ The Town did not file a written position in response to Interstate's filing.

³ Test. of Walter Edge, 3-4; http://www.ripuc.org/eventsactions/docket/4373-Interstate-LimitedRateFiling_3-24-15.pdf.

⁴ *Id.* at 4-6.

⁵ Mem. of Efron, 1-2; [http://www.ripuc.org/eventsactions/docket/4373A-DPU-Efron-Memo\(4-22-15\).pdf](http://www.ripuc.org/eventsactions/docket/4373A-DPU-Efron-Memo(4-22-15).pdf).

On May 11, 2015, the PUC conducted an evidentiary hearing and allowed public comment.⁶ One member of the public, a summer resident of Block Island, objected to the rate increase, noting that it would increase his family's expense to enjoy their summer home. He argued that less than ten percent might be more reasonable.⁷ Following public comment, Interstate presented Mr. Edge for cross examination. On cross examination, Mr. Edge provided clarification of the return on equity calculation and the methodology for projecting FY 2016 expenses.⁸ Interstate also presented its Vice President, Joshua Linda, in support of the increased FY 2016 expenses, particularly those related to the anticipated work on the docks and vessels.⁹ The Division presented Mr. Effron in support of the Division's position.¹⁰

At the conclusion of the hearing, the PUC discussed the filings made by the parties and noted that Mr. Linda's testimony was particularly helpful in assessing the reasonableness of Interstate's proposed rate change. The PUC approved the proposed tariffs for effect on and after May 24, 2015. The effect on an adult round trip ticket between Point Judith and Block Island is an increase of \$2.25, from \$22.60 to \$24.85. The increase on non-commuter cars is \$3.90 cents, from \$38.95 to \$42.85 each way.

Accordingly, it is hereby

(22076) ORDERED:

That the tariffs filed by Interstate Navigation Company on March 24, 2015 are hereby approved for effect on and after May 24, 2015.

⁶ Appearances were entered by Michael McElroy, Esq. for Interstate; Leo Wold, Esq., Assistant Attorney General for the Division; Katherine Merolla, Esq. for the Town; and Cynthia Wilson-Frias, Esq., Deputy Chief of Legal Services for the PUC.

⁷ Tr. at 6-12 (May 11, 2015).

⁸ *Id.* at 13-63.

⁹ *Id.* at 65-78.

¹⁰ *Id.* at 79-89

EFFECTIVE AT WARWICK, RHODE ISLAND ON MAY 24, 2015 PURSUANT TO A
BENCH DECISION ON MAY 11, 2015. WRITTEN ORDER ISSUED SEPTEMBER 4, 2015.

PUBLIC UTILITIES COMMISSION



Margaret E. Curran, Chairperson

*Paul J. Roberti, Commissioner

Herbert F. DeSimone, Jr., Commissioner

*Commissioner Roberti concurs with the decision but is unavailable for signature.

Notice of Right of Appeal: Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within 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.