

Schacht & McElroy

Michael R. McElroy
Leah J. Donaldson

Attorneys at Law

Michael@McElroyLawOffice.com
Leah@McElroyLawOffice.com

Members of the Rhode Island
and Massachusetts Bars

21 Dryden Lane
Post Office Box 6721
Providence, RI 02940-6721

(401) 351-4100
fax (401) 421-5696

February 6, 2018

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

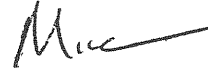
In Re: Review of Interstate Navigation Company's Revenue Requirement
under R.I.G.L. § 39-3-11 in light of the Tax Cuts and Jobs Act
Docket No. 4792

Dear Luly:

Enclosed for filing in this matter are an original and nine copies of Interstate Navigation Company's Responses to the Public Utilities Commission's 1st Set of Data Requests.

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

Very truly yours,



Michael R. McElroy

MRMc/tmg

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: REVIEW OF INTERSTATE NAVIGATION COMPANY'S
REVENUE REQUIREMENT UNDER R.I. Gen. Laws § 39-3-11
IN LIGHT OF THE TAX CUTS & JOBS ACT

Docket No. 4792

INTERSTATE NAVIGATION COMPANY'S RESPONSES TO THE PUBLIC UTILITIES
COMMISSION'S FIRST SET OF DATA REQUESTS DIRECTED TO
INTERSTATE NAVIGATION COMPANY
Issued January 24, 2018

1. Please calculate the effect on the company's most recently approved revenue requirement the results from the changes to the tax code made in The Tax Cuts & Jobs Act, specifically showing results from the change in the corporate tax rate from 35% to 21%.

RESPONSE:

See attached calculation.

Prepared by David Bebyn CPA

Calculation of Tax Saving
from Changes in New Tax Law
 Interstate Navigation Company

Tax expense at current cap	\$	92,938	(A)
Tax expense at new 2018 cap of 21%	\$	50,058	(B)
Tax Savings		\$ 42,880	

**Tax expense provided in
 most recently approved revenue requirement (Docket # 4373)**

Taxable Income Base	\$	188,314	Per Docket # 4373 Order *
Tax Expense	\$	92,938	Per Docket # 4373 Order *
Taxable Income	\$	281,252	

Current Corporate Tax Tables for 2017

		Taxable Income	Tax Expense	
0-50k	0.15	\$ 50,000	\$ 7,500	
50k-75k	0.25	\$ 25,000	\$ 6,250	
75k-100k	0.34	\$ 25,000	\$ 8,500	
100k-300k	0.39	\$ 181,252	\$ 70,688	
		\$ 281,252	\$ 92,938	(A)

Tax expense for 2018 based upon new Tax Cuts & Job Act

Taxable Income Base	\$	188,314	Per Docket # 4373 Order *
Tax Expense	\$	50,058	
Taxable Income	\$	238,372	

Flat rate of 21% per new Tax Cuts & Jobs Act

		Taxable Income	Tax Expense	
0-50k	0.21	\$ 50,000	\$ 10,500	
50k-75k	0.21	\$ 25,000	\$ 5,250	
75k-100k	0.21	\$ 25,000	\$ 5,250	
100k-300k	0.21	\$ 138,372	\$ 29,058	
		\$ 238,372	\$ 50,058	(B)

* Calculation of Income Tax expense from last approved Rate filing
 (See Attachment to COMM 1-1 Page 2)

Calculation of Income Tax Expense
from last approved Rate Filing (Docket #4373)
 Interstate Navigation Company

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>

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: REVIEW OF INTERSTATE NAVIGATION COMPANY'S
REVENUE REQUIREMENT UNDER R.I. Gen. Laws § 39-3-11
IN LIGHT OF THE TAX CUTS & JOBS ACT

Docket No. 4792

INTERSTATE NAVIGATION COMPANY'S RESPONSES TO THE PUBLIC UTILITIES
COMMISSION'S FIRST SET OF DATA REQUESTS DIRECTED TO
INTERSTATE NAVIGATION COMPANY
Issued January 24, 2018

2. Please calculate the effect of the response to number one on the company's rate schedules.

RESPONSE:

The calculation begins with the annual savings of \$42,880 which is set forth on the attachment for the response to COMM 1-1. This amount is then divided by the \$9,607,671 which is the Rate Year Revenue requirement from Docket #4373. This would result in a 0.45% across the board decrease in rates. As an example, the rate for an adult one-way fare of \$12.55 would decrease by \$0.05 to \$12.50.

Prepared by David Bebyn CPA

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: REVIEW OF INTERSTATE NAVIGATION COMPANY'S
REVENUE REQUIREMENT UNDER R.I. Gen. Laws § 39-3-11
IN LIGHT OF THE TAX CUTS & JOBS ACT

Docket No. 4792

INTERSTATE NAVIGATION COMPANY'S RESPONSES TO THE PUBLIC UTILITIES
COMMISSION'S FIRST SET OF DATA REQUESTS DIRECTED TO
INTERSTATE NAVIGATION COMPANY
Issued January 24, 2018

3. Interstate's fiscal year ends May 31, 2018. Five months of the fiscal year fall within the 2018 calendar year for tax purposes. Please provide the projected savings related to the reduction in the corporate tax rate from 35% to 21% for Fiscal Year 2018.

RESPONSE:

The prorated saving for the five months of the fiscal year which falls within the calendar year 2018 would be \$17,867.50.

Prepared by David Bebyn CPA

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: REVIEW OF INTERSTATE NAVIGATION COMPANY'S
REVENUE REQUIREMENT UNDER R.I. Gen. Laws § 39-3-11
IN LIGHT OF THE TAX CUTS & JOBS ACT

Docket No. 4792

INTERSTATE NAVIGATION COMPANY'S RESPONSES TO THE PUBLIC UTILITIES
COMMISSION'S FIRST SET OF DATA REQUESTS DIRECTED TO
INTERSTATE NAVIGATION COMPANY
Issued January 24, 2018

4. Short of a rate reduction, does Interstate have any proposal regarding how the savings resulting from the recent changes to the tax code might be used for the benefit of ratepayers. If so, please provide a proposal to the PUC for consideration.

RESPONSE:

Interstate believes that the best way to make sure that the funds would be used for the benefit of the ratepayers would be to apply it to a reserve account. Currently Interstate has a reserve for the over collection of the fuel surcharge due to decreased fuel prices. The tax savings generated by the decrease in the tax law are somewhat similar to the savings generated by reductions in fuel prices. The reserve is accounted for and applied for the benefit of the ratepayers in the monthly fuel surcharge filings with the Division. In addition, in its FYE May 31, 2016 Earnings Report to the Public Utilities Commission, Interstate has proposed setting up a capital reserve for excess earnings above 12% return on equity. Interstate proposes that this savings in tax should be applied to either reserve fund.

Prepared by David Bebyn CPA