

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS**  
**DIVISION OF PUBLIC UTILITIES AND CARRIERS**  
**89 JEFFERSON BOULEVARD**  
**WARWICK, RHODE ISLAND 02888**

IN RE: Interstate Navigation Company :  
Petition Regarding Fuel Surcharge :  
Filed on May 25, 2006; and :  
Interstate Navigation Company : Docket No. D-06-29  
Petition Regarding Fast Ferry Fuel :  
Surcharge Filed on June 21, 2006 :

**ORDER**

Whereas: On May 25, 2006 the Interstate Navigation Company (“Interstate”) filed a “Petition Regarding Fuel Surcharge” with the Rhode Island Division of Public Utilities and Carriers (“Division”), wherein Interstate sought Division permission to implement a fuel surcharge for the start up of its fast ferry operations with the *M/V Athena* on Friday, May 26, 2006. The requested fuel surcharge would apply to tickets sold for the fast ferry from May 26, 2006, through and including June 15, 2006.

Whereas: Interstate proposed to charge the same surcharge that is currently approved for its conventional mono-hull ferries for the same period, \$.60 per passenger per one-way trip. Interstate also sought authority to calculate its fuel surcharge for the period beginning June 15, 2006, and thereafter, by including the fuel burned by the fast ferry as well as an estimated pro-rated additional figure for passengers formerly carried by IHSF.

Whereas: In a decision issued on May 26, 2006 (Order No. 18621), the Division approved Interstate’s request to impose a \$.60 per passenger per one-way trip fuel surcharge for the period May 26, 2006 through and including June 15, 2006. In that decision, the Division noted:

*“...that Interstate does not possess any historical data relative to its “high speed” ferry service, as the Division just recently approved the service. Consequently, the existing regulatory methodology for determining an appropriate fuel surcharge for Interstate does not apply. Nevertheless, in view of the circumstances surrounding Interstate’s fledgling high-speed ferry service, the Division will authorize an initial fuel surcharge consistent with the fuel surcharge currently authorized for Interstate’s conventional ferry services.”*

The Division also directed Interstate, with respect to any applicable fuel surcharge commencing after June 15, 2006 to include the cost of the fuel used by the fast ferry as well as an estimate of the passengers for the period of the proposed surcharge.

The Division further discussed Interstate’s specific proposal relative to the methodology to be used to make passenger count estimates in fuel surcharge calculations commencing after June 15, 2006. However, the Division did not rule on that part of the request, and indicated that further time was needed to consider the reasonableness of the proposed methodology.

Whereas: Interstate and the accounting section of the Division subsequently exchanged information regarding proposed methodologies for calculating a fast ferry surcharge. An agreement was ultimately reached between Interstate and the accounting section of the Division that Interstate either 1.) could charge the same surcharge as the life line conventional service for its fast ferry service, or 2.) could charge a surcharge not to exceed the amount calculated by the following methodology:

1. *The current average cost per gallon of fuel will be determined by dividing recent fast ferry fuel costs by the*

recent gallons purchased for the most recent period of time available (usually one month).

2. The current average gallons used per fast ferry round trip will be determined by dividing the total fast ferry gallons purchased for the most recent period of time available by the number of fast ferry round trips made in that period.

3. The number of scheduled fast ferry round trips to be made in the target month will be determined from Interstate's schedule.

4. The target month estimated fast ferry total fuel costs will be determined by multiplying the current average cost per gallon, times the average gallons used per fast ferry round trip, times the number of scheduled fast ferry round trips to be made in the target month.

5. The statutory fuel floor costs will be determined by multiplying \$1.20 times the current average gallons used per fast ferry round trip for the most recent period, times the number of scheduled fast ferry round trips to be made in the target month.

6. The eligible recoverable fuel costs will be determined by taking the target month estimated fast ferry fuel costs and subtracting the calculated statutory fuel floor costs.

7. Projected fast ferry ridership will be determined for the target month. For the year 2006, target month projected round trip ridership is agreed between the parties to be an estimated 2,175 in May (3%), 8,700 in June (12%), 25,375 in July (35%), 25,375 in August (35%), 8,700 in September (12%), and 2,175 in October (3%), for a total of 72,500 projected fast ferry round trips, as set forth in Interstate's fast ferry pro forma previously filed with this Division.

8. The target month allowable maximum fast ferry fuel surcharge will be determined by dividing the eligible recoverable fuel costs as determined above by the target month projection of round trip ridership as determined above. This will result in a round trip figure. Therefore, the eligible maximum one way fast ferry fuel surcharge will be one half of the resulting round trip figure, rounded to the nearest \$.05.

9. *All reasonable attempts will be made to recalculate the fast ferry surcharge so that it will become effective on or about the first day of each calendar month and will remain in effect for the duration of each calendar month. In order to accomplish this, Interstate will cut off its fuel purchase documentation on or about the 25<sup>th</sup> day of each calendar month, and will submit its fuel purchase documentation to the Division promptly thereafter, together with Interstate's proposed calculation of the fast ferry fuel surcharge using the above methodology for review and approval of the Division.*

Whereas: The aforementioned agreement is contained in a "Petition Regarding Fast Ferry Fuel Surcharge Methodology," which was filed by Interstate on June 21, 2006. In its petition, Interstate "respectfully requests that the Division review and approve the foregoing methodology for calculating maximum monthly fuel surcharges for its fast ferry operation, including the option to either 1.) utilize the life line conventional surcharge or 2.) utilize up to the maximum fast ferry surcharge calculated using the foregoing methodology."

The Petition also reflects that "the accounting section of the Division notified Interstate that for the period from June 16, 2006, through June 30, 2006, Interstate could either charge the \$.50 surcharge calculated for the life line conventional ferry or could charge up to the \$1.55 maximum fast ferry surcharge calculated using the agreed-upon methodology. Interstate elected for this approximate two week period of time to charge the \$.50 surcharge calculated for the life line conventional service, reserving the right to utilize up to the maximum surcharge calculated by the new methodology in future months if it choose to do so.

Whereas: The Division takes administrative notice of the following statute, dockets and decisions, which are instructive in this matter:

<u>Dockets</u>	<u>Report &amp; Orders</u>	<u>Statute</u>
Docket No. D-06-29	Order No. 18621	
Docket No. D-05-06	Order Nos. 18506 and 18597	39-12-13(c)
Docket No. D-06-16	Order No. 18597	
Docket No. D-06-17	Order No. 18597	
Docket No. 01-MC-72	Order No. 16701	

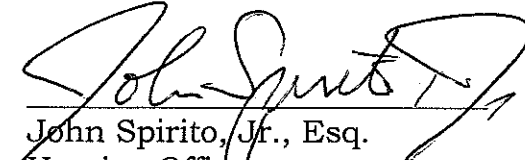
Whereas: The Division has reviewed and considered Interstate's proposed fuel surcharge methodology, including the option to either 1.) utilize the life line conventional surcharge or 2.) utilize up to the maximum fast ferry surcharge calculated using the foregoing methodology; and its proposed fuel surcharge for the period from June 16, 2006, through June 30, 2006, and finds the proposals reasonable.

Accordingly, it is

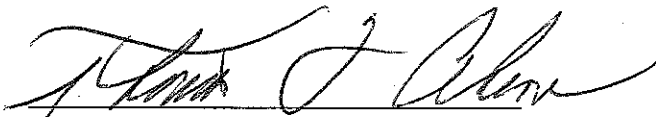
(18656) ORDERED:

That the June 21, 2006 petition filing by the Interstate Navigation Company, seeking approval of the foregoing methodology for calculating maximum monthly fuel surcharges for its fast ferry operation, is hereby approved as filed.

Dated and Effective at Warwick, Rhode Island on June 27, 2006.

  
John Spirito, Jr., Esq.  
Hearing Officer

APPROVED:

  
Thomas F. Ahern  
Administrator