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June 17, 2015

Luly E. Massaro, Clerk
Division of Public Utilities and Carriers
89 Jefferson Boulevard
Warwick, RI 02888

RE: RHODE ISLAND FAST FERRY, INC.
Docket No. D-13-51

Dear Luly:

As you know, this office represents intervenor Interstate Navigation Company (Interstate) in this matter.

Enclosed for filing in this matter are an original and five copies of the following:

1. The surrebuttal testimony of Edward M. Mazze, Ph.D.
2. The surrebuttal testimony of Walter E. Edge, Jr., CPA.
3. The surrebuttal testimony of Joshua P. Linda.

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

Very truly yours,



Michael R. McElroy

MRMc:tmg
cc: Service List

Rhode Island Fast Ferry (RIFF) – CPCN Application Docket No. D-13-51
Updated 11/7/14

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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

RE: CPCN APPLICATION
OF RHODE ISLAND FAST FERRY

DOCKET No. D-13-51

SURREBUTTAL TESTIMONY OF EDWARD M. MAZZE
ON BEHALF OF
INTERSTATE NAVIGATION COMPANY
D/B/A/ THE BLOCK ISLAND FERRY

June 2015

1 **Q. Dr. Mazze have you had the opportunity to review the rebuttal testimony of Robert**
2 **Billington, Stephanie A. Costa, Charles A. Donadio, Jr. and Lawrence R. Kunkel?**

3 A. Yes.

4
5 **Q. Do you have any comments regarding Robert Billington's statements, opinions or**
6 **conclusions?**

7 A. Yes.

8
9 **Q. What are your comments?**

10 A. Mr. Billington's opinion that Rhode Islanders do not travel to Block Island because it is
11 viewed as distant and difficult to reach was not supported by any marketing research
12 studies conducted or identified by Mr. Billington. Mr. Billington's opinion that many
13 Rhode Islanders, "when they are presented with a more convenient mode of traveling to
14 the Island they will take advantage of it" was also not supported by research studies on
15 tourism and travel preferences.

16
17 **Q. Do you have any comments Stephanie A. Costa's curriculum vitae, statements,**
18 **opinions or conclusions?**

19 A. Yes.

20
21 **Q. What are your comments?**

22 Ms. Costa's curriculum vitae shows no evidence that Ms. Costa has a formal educational
23 background in marketing or marketing research or business experience developing and

1 conducting marketing research studies. Ms. Costa's opinions and conclusions were based
2 on a study using probability sampling which was not used for this matter. This study
3 used a nonprobability convenience sample.

4
5 As stated in earlier testimony, the purpose of this marketing study was to determine if
6 day-trippers and others buying tickets on Interstate Navigation's traditional and hi-speed
7 ferries would take a fast ferry from Quonset Point to Block Island under different pricing
8 and on-water time scenarios.

9
10 The study was conducted on three different weekdays in July, August and September.
11 Different days of the week were selected to avoid interviewing the same passengers who
12 travel the same day of each month. The three months were selected because RIFF
13 planned to offer passenger service only during the summer months which is the most
14 profitable time of the year for Interstate Navigation. Ms. Costa may not have been aware
15 that RIFF's objective was to "cream skim" or "cherry pick" Interstate passengers during
16 the busiest time of the year, namely the summer months. This may explain the reason
17 Ms. Costa's calculation of a sample size was so large because it was based on an
18 estimated yearly number of Interstate Navigation passengers.

19
20 The best format to use and what questions to ask on this marketing study were
21 determined by the purpose of the survey. Existing customers were selected to be
22 interviewed at the point of purchase rather than potential customers. After reviewing
23 ferry ridership information, a sample size of 200 passengers a day during each of the

1 three summer months was selected to get results that reflect the target population. In this
2 survey, the target population was individuals purchasing tickets on pre-selected
3 traditional and hi-speed ferries in Point Judith to go to Block Island on Wednesday, July
4 31, 2013, Monday, August 12, 2013 and Saturday, September 7, 2013. Interviewers were
5 told to select every 10th purchaser of tickets for pre-selected ferries until approximately
6 200 questionnaires were completed each day. This number represented about 10% of the
7 passengers each day on the pre-selected ferries.

8
9 Ms. Costa opined that a sample of at least 21,488 people was needed to obtain a margin
10 of error of 0.5% to get an estimate within 1% of the population parameter for the results
11 to be reliable. Margin of error and confidence levels are generally not used in
12 nonprobability convenience samples because of the way the sample is selected. Based on
13 the sample size Ms. Costa recommended using probability sampling, Ms. Costa's target
14 population included every Interstate Navigation passenger in 2013.

15
16 However, if you assumed for the three days the survey was conducted the target
17 population on the pre-selected ferries was 6,000 passengers - using probability sampling,
18 the sample needed for a confidence level of 95% with a margin of error of 5% is 362 and
19 with 99% and a margin of error of 1% would be 598. This also assumes that the
20 response distribution for the closed-ended questions would be 50% – which means for
21 each question there is a 50% chance that the respondent would say either YES or NO. In
22 this nonprobability convenience sample study, 614 responses were obtained.

23

1 A nonprobability convenience sample was used because it would provide the information
2 needed as well as be convenient in reaching a large number of passengers. When using
3 nonprobability sampling, the probability that each population unit will be chosen is not
4 known and you cannot be sure each population unit has a non-zero chance of being
5 chosen. In a nonprobability sample, confidence intervals are not computed. Ms. Costa's
6 rebuttal testimony discussed confidence intervals as an alleged weakness of the study
7 which raises the question as to whether Ms. Costa understood that a nonprobability
8 convenience sample was used.

9
10 Confidence levels and margins of error are not calculated for nonprobability convenience
11 samples. A confidence level describes how sure you can be that the results are accurate
12 and the margin of error shows the range the survey results would fall between if the
13 confidence level held true. A probability sample usually has a confidence level of 95%
14 and a margin of error of 5%.

15
16 The survey included open-ended questions about the passenger and closed-ended
17 questions. Closed-ended questions had explicit options for a respondent to select from,
18 namely, Yes or No. The closed-ended questions did not allow the respondent to provide
19 unique or unanticipated answers. They had to choose from a list of pre-selected options.
20 Closed-ended questions are conclusive and easily quantifiable. Closed-ended questions
21 are useful in providing direct responses with no chance of mis-interpretation. The closed-
22 ended questions provided the responses to determine if passengers of Interstate

1 Navigation's ferries would travel to Block Island on a fast ferry from Quonset Point
2 under various pricing and on-water time scenarios.

3
4 The first open-ended questions in the survey were easy to answer so that passengers
5 would be encouraged to continue with the interview. Personal interviews were chosen as
6 the most effective and efficient way to collect information. A structured standardized
7 interview was used. This type of interview follows a specific questionnaire where
8 specific questions are asked in a set order and in a set manner to ensure no variation
9 between interviews. Respondents' answers were recorded on a questionnaire form with
10 pre-specified response formats during the interview process and the completed
11 questionnaires were then analyzed quantitatively.

12
13 The structured interview gives the interviewer no opportunity to add or remove questions,
14 change their sequence or alter the wording of questions. The survey was kept as short as
15 possible. Questions on the same topic were grouped together making the questions easier
16 to answer.

17
18 To avoid bias in the study, the interviews took place on different days, different weeks
19 and in different months. Questions were pre-tested. The wording of questions were not
20 loaded to unduly favor one response over another. The names of the respondents were
21 not requested. Instructions were given to the interviewers on how to select respondents.
22 The questions were closed-ended other than questions about the passenger. The
23 interviewer recorded the responses verbatim. Passengers on early morning and afternoon

1 ferries were selected since they would be the most likely customers for the fast ferry from
2 Quonset to Block Island.

3
4 Ms. Costa opined that there was bias from the fact that “interviewees were told that the
5 survey was being conducted for marketing and promotion purposes; people might have
6 indicated that they would choose to take the Quonset ferry thinking that Interstate would
7 be expanding their service to Quonset and the desirable answer was to respond yes, they
8 would be willing to take a ferry from Quonset.” Ms. Costa also mentions social
9 desirability as a possible source of bias. However, Ms. Costa presented no evidence that
10 there was any bias introduced by the interviewer before or during the study or that there
11 was any bias as a result of social desirability or loyalty to Interstate Navigation.

12
13 Ms. Costa opined that the data did not support the conclusions. In a nonprobability
14 convenience sample, data is often tabulated and summarized as reported without
15 interpretation. Ms. Costa did an analysis and concluded based on 95% certainty that
16 between 13% and 21% of the entire population of all Point Judith conventional ferry
17 riders would take the \$50 fast ferry from Quonset. She further concluded that she was
18 95% sure that the percentage of all Point Judith fast ferry users that would take the fast
19 ferry from Quonset to Old Harbor is between 22% and 32%. Since this number was high,
20 Ms. Costa then cross-tabulated questions, made assumptions and developed scenarios to
21 arrive at lower numbers, namely, 4 to 10% of conventional ferry passengers and .04 to
22 3% of fast ferry customers, using confidence levels from probability sampling.

1 The marketing study used in this matter was designed to address the relevant questions,
2 namely, to determine if round-trip day trippers who are passengers on Interstate
3 Navigation's traditional and hi-speed ferries would take a fast ferry from Quonset Point
4 to Block Island under different pricing and on-water time scenarios. The marketing study
5 was designed to collect relevant information and did not include irrelevant questions or
6 select an inappropriate sample of respondents. The appropriate population was
7 passengers purchasing tickets for ferries leaving Point Judith on their day of departure.
8 A non-random sample was drawn from this population. Nonprobability convenience
9 samples are widely used in marketing research and the results of these studies are used by
10 major businesses in making important decisions and are accepted in court cases.

11
12 If RIFF believes Ms. Costa's opinions about this study, there are simply not enough
13 passengers who wish to travel from Quonset Point to Block Island and RIFF would be
14 wise not to continue to pursue this venture.

15
16 **Q. Do you take issue with any of Charles A. Donadio, Jr.'s statements, opinions or**
17 **conclusions?**

18 A. Yes.

19
20 **Q. What are your comments?**

21 Mr. Donadio's statements about Interstate Navigation's operations, efficiency, ridership
22 and ferry schedules are based on guesses and/or his own personal experience and not on
23 research or benchmarking studies. Mr. Donadio apparently did not review any

1 documents other than those provided to the Division of Public Utilities and Carriers. He
2 does not know the workings of Interstate Navigation's lifeline ferry business, which has
3 been in continuous operation for over 80 years. He simply has no basis on which to
4 competently comment on how Interstate Navigation could allegedly operate more
5 efficiently.

6
7 Mr. Donadio did not provide essential business documents for his own proposed service,
8 such as a business plan, market feasibility study or marketing research yet he boldly
9 commented on another ferry service's operational efficiency. Without such supporting
10 documents and analysis, in my opinion it is not possible for anyone to come to an
11 informed, fact based conclusion that (1) a fast ferry service from Quonset Point would be
12 more convenient for people going to Block Island (2) there is a pent-up demand for a
13 new fast ferry service from Quonset Point to Block Island (3) a new fast ferry service
14 from Quonset Point would increase the number of travelers to Block Island rather than
15 simply redistribute the current number of travelers between Interstate Navigation and
16 RIFF (4) the passengers of Interstate Navigation are receiving inadequate service and
17 need a new port of departure from Quonset Point (5) there was not enough capacity on
18 Interstate's ferries to meet the needs of passengers going to and from Block Island to
19 Rhode Island or (6) the proposed Quonset Point summer-only cream skimming service
20 will not significantly harm Interstate Navigation's year-round lifeline service to Block
21 Island.

1 **Q. Do you take issue with any of Lawrence R. Kunkel's statements, opinions or**
2 **conclusions?**

3 A. Yes.

4

5 **Q. What are your comments?**

6 A. Mr. Kunkel has arrived at two opposing opinions regarding the survey. First, he claims
7 that the survey was fundamentally flawed because it was self-administered leaving
8 substantial opportunity for bias to affect the results. Second, he claims that "assuming for
9 argument's sake that the methodology was sound and the sample was representative, the
10 survey results themselves are evidence of public need for a Quonset fast ferry that is
11 currently unsatisfied."

12

13 In responding to Mr. Kunkel's first comment about the marketing study being self-
14 administered, there were safeguards built into the design and implementation of the
15 survey to reduce bias. The interviewers followed a set procedure in asking questions and
16 recording answers. With a tightly worded questionnaire, interviewers had no discretion
17 in influencing interviewees in their responses.

18

19 Mr. Kunkel, whose opinions to date regarding RIFF's application do not rely on any
20 economic study, marketing study, marketing research, tourism study or business plan for
21 RIFF comments that "it challenges credulity and common sense to believe that the
22 Interstate employees administering [the survey] did not know its true purpose." If this
23 was so, and one believed that the interviewers were influencing the interviewees to

1 answer YES to question 4 on the two surveys and to answer NO to questions 5 and 6 on
2 the high speed ferry survey and question 5 on the traditional ferry survey, I would have
3 expected the number of passengers who responded that they would take a fast ferry from
4 Quonset Point to Block Island under various pricing and on-water scenarios would have
5 been much greater.

6
7 Mr. Kunkel's second opinion is that the survey showed that there was an unsatisfied
8 public need for a Quonset fast ferry. Since Mr. Kunkel did no independent research, and
9 provided no study or data of his own, he would like to use the marketing study I designed
10 as a basis for his conclusion. But for the reasons I have previously explained, my study
11 simply cannot be used to conclude that there is an unsatisfied public need for a Quonset
12 fast ferry. What my study shows, in conjunction with the analysis of Mr. Edge, is that if
13 the Division authorizes RIFF's proposed service, there will be a significant negative
14 impact on Interstate's year-round lifeline ferry service to Block Island.

15
16 **Q. Does that conclude your surrebuttal testimony?**

17 **A. Yes.**

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

RE: CPCN APPLICATION
OF RHODE ISLAND FAST FERRY

DOCKET No. D-13-51

SURREBUTTAL TESTIMONY OF WALTER E. EDGE, Jr., MBA, CPA
ON BEHALF OF
INTERSTATE NAVIGATION COMPANY
D/B/A/ THE BLOCK ISLAND FERRY

June 2015

1 **Q. Are you the same Walter E. Edge Jr., CPA that filed direct testimony in this docket?**

2 A. Yes.

3

4 **Q. What is the purpose of your testimony?**

5 A. I will provide testimony for Interstate Navigation Company (Interstate) relating to the
6 rebuttal testimony filed by Rhode Island Fast Ferry (RIFF). I will provide testimony that:
7 (1) addresses inaccuracies in the RIFF rebuttal testimony relating to Interstate to correct
8 the record, (2) rebuts points made in RIFF's rebuttal testimony, and (3) evaluates
9 observations and documentation used by RIFF to show why I believe that their
10 conclusions, based upon my review of their own documentation, are wrong and their faith
11 in the documentation is misplaced.

12

13 **Q. Please summarize your testimony.**

14 A. I have not changed my opinion that there is no need for the proposed RIFF service,
15 because the fast ferry market to Block Island is saturated and Interstate is currently
16 providing excellent convenient service to the general public and the addition of the RIFF
17 service would be contrary to the public interest. Further, the proposed service would
18 result in wasteful competition, cream skimming, and adverse impacts to Interstate's
19 lifeline service, the lifeline ratepayers, and the Town of New Shoreham (Block Island).

20

21 I reviewed all of the RIFF rebuttal testimony and completed my own independent review
22 of each of the items cited by the RIFF witnesses allegedly supporting the need for this

1 new service and their belief that there is an unserved pent-up demand for this service. I
2 totally disagree with their conclusion.

3
4 I also noted that there is no rebuttal testimony from Ms. Elizabeth Dolan, Ms. Martha
5 Pughe, or Ms. Myrna George. Therefore, all of the Interstate direct testimony relating to
6 these three witnesses has gone unchallenged on the record.

7
8 **Q. What observations would you like to make?**

9 A. The following observations are based upon my review of the RIFF rebuttal testimonies:

10
11 **Mr. Kunkel:** (Please note that line numbers are not provided in Mr. Kunkel's testimony)

- 12
13 1. Page 3: Mr. Kunkel suggests that in Docket D-05-06 Interstate's survey showed
14 that "57% of its traditional ridership would cross the dock" (Interstate to Interstate)
15 which at that time showed that Interstate's fast ferry service would accommodate
16 existing and future customers "and further found that this was evidence of public
17 convenience and necessity." Therefore Mr. Kunkel argues that the Interstate survey
18 in this docket should be used by the Division to reach a "similar finding."

19
20 The difference is simple. In Docket D-05-06, Interstate was showing the Division
21 that some of its own customers desired to take fast ferry service instead of
22 traditional service and Interstate was going to provide its own customers with a
23 choice. The financial benefits derived from the fast ferry flow back to the

1 traditional service. In this docket, RIFF will be pirating customers currently
2 serviced by Interstate (traditional and fast ferry) to the direct detriment of
3 Interstate's lifeline service and its lifeline customers. The benefits of the piracy in
4 this docket will end up in Mr. Donadio's pockets.

5
6 2. Page 3 further down, Mr. Kunkel states, once again going back to Docket D-05-06
7 where I testified that "choice is more important than market or participant
8 efficiency." He does not state that I was discussing the fact that Interstate was
9 offering choice to its own ratepayers, which is a good thing. Suggesting that choice
10 is the "gold standard" and that it trumps market or participant efficiency is simply
11 wrong.

12
13 3. Page 3 further down, Mr. Kunkel states "Mr. Edge points out, the risk of failure of
14 RIFF's plan falls entirely on the shoulders of its stockholders and therefore RIFF
15 should be allowed to take that risk." Although the RIFF financial risk falls on the
16 RIFF stockholders, the operation, successful or not, will hurt Interstate's traditional
17 ratepayers. Further, I never stated that they "should be allowed to take the risk."

18
19 4. Page 4, Mr. Kunkel suggests that Interstate increased its fast ferry rates from \$26.00
20 to \$35.85 from CY 2006 to the current rates. Interstate's tariffs reflect the initial
21 round trip fast ferry rate as \$29.85 and the current fast ferry round trip rate as
22 \$35.85, including landing fees. I am not sure where Mr. Kunkel got his

1 information. Nevertheless, Interstate's management does not "assume" that the
2 Point Judith fast ferry service is elastic.

3
4 5. Page 4, Mr. Kunkel states that Interstate's decision to retain its Newport CPCN
5 "does not pass good business-judgment." I suppose that given his very limited
6 knowledge of Interstate's history with the Newport CPCN and the historic and
7 future financial considerations of this transaction, he would not know what I know.
8 In my professional opinion as a Certified Public Account that has been making
9 business decisions for nearly 50 years, the retention of the Interstate Newport run
10 was a very good business decision based upon sound business judgment.

11
12 6. Page 4 next few lines: Mr. Kunkel misstates why Interstate started its Fall River
13 run.

14
15 7. Page 5 next few lines: Mr. Kunkel discusses direct competition and claims that
16 RIFF and Interstate will not be in direct competition. He points out differences
17 between the services, such as departure point and time over the water, and
18 concludes that they would not be direct competitors. However, Mr. Kunkel's
19 testimony in this docket is inconsistent with his position in previous cases when he
20 concluded that BI Express, which had a different departure point (New London,
21 CT) and a much longer travel time over the water, was a direct competitor to IHSF.

22

1 8. Page 6, Interstate never implied that RIFF would affiliate with Interstate. Interstate
2 has no desire to affiliate with RIFF.

3
4 9. The bottom of page 6, Mr. Kunkel states that “there should be no linkage between
5 the two (Interstate’s traditional and fast ferry services) from a regulatory standpoint.
6 Mr. Kunkel’s expert opinion on this issue is inconsistent with the Division’s
7 position in Interstate’s rate filings and the Commission’s position in all of
8 Interstate’s rate cases since it started its fast ferry service. No matter how many
9 times he says it and disregards the facts, the fact is that there is a direct linkage. To
10 disregard this for licensing purposes would be to disregard reality.

11
12 10. Page 7, Mr. Kunkel points out that Interstate agreed that the traditional service
13 would not be impacted by any losses from the fast ferry operation. Interstate agreed
14 to this condition because it was confident in the fact that the fast ferry operation
15 would be profitable from the beginning, and therefore there would be no losses.
16 The fact is that there have been no losses, even in the first year when Interstate
17 leased the *Athena* from IHSF (which itself was suffering losses).

18
19 **Mr. Donadio:**

20
21 1. Throughout Mr. Donadio’s rebuttal testimony, he claims that he knows better than
22 Interstate how Interstate can save money if RIFF takes business away from
23 Interstate. Given that he has never run a ferry business that was fully lifeline
24 regulated, it is obvious that he is testifying from a position of weakness. Further,

1 how Interstate can save money is irrelevant to whether or not the proposed RIFF
2 service is needed or more convenient than the service Interstate already provides.
3 Mr. Donadio has no idea what Interstate has control over as a fully regulated lifeline
4 utility, nor does Mr. Donadio know what Interstate is currently doing in its business.
5 I find it difficult to see how Mr. Donadio's testimony is relevant and I hope that the
6 Hearing Officer sees the testimony for what it is, which is an unwarranted attack on
7 a company that has been providing excellent service to Block Island for over 80
8 years. In my opinion, the testimony relating to how Interstate can save money
9 should be stricken, but Interstate has confidence that the Hearing Officer will give it
10 whatever weight (if any) it deserves.

11
12 2. The following are some facts that Mr. Donadio ignored:

13
14 ➤ Interstate's number of runs and times of departure are agreed to by the
15 Commission, the Division, the Town, and Interstate. Interstate cannot simply
16 change the number or times of runs to maximize efficiency and utilization. If
17 it could, it might have reduced the winter service years ago instead of
18 expanding it to better service the islanders.

19
20 ➤ Interstate will not just walk away from its responsibilities under its CPCN for
21 the Newport run. Unlike Mr. Donadio who walked away from the IHSF
22 operation when it started losing money, Interstate has been working for years
23 to improve the Newport run so that it could make that run a financial success,

1 while all the time addressing the need and convenience of its Newport
2 ratepayers. Although Mr. Donadio cannot see the reasons for Interstate's
3 purchase of a fast ferry to run multiple Newport runs a day (rather than just
4 the one run a day previously provided by the traditional Newport service),
5 Interstate sees promise with the Newport fast ferry operation and hopes to
6 soon eliminate the subsidy needed by the rest of Interstate's services.

7
8 ➤ Turning to Mr. Donadio's Attachment A. I find it interesting that Mr.
9 Donadio claims that he can calculate Interstate's net income or loss for FY's
10 2013 and 2014 with no idea of the actual operating costs. Mr. Donadio simply
11 makes calculations of revenue based upon number of passengers for each year
12 multiplied by the fast ferry rates, and then uses Interstate's original projected
13 estimates of costs that were originally filed, with no adjustment. It is bad
14 enough that he called the columns "actual," but the 2013 column was
15 traditional service with a traditional service vessel, not the high speed vessel.

16
17 ➤ Further, his expenses are all wrong, therefore his income numbers are wrong.
18 From this schedule, he recommends that Interstate eliminate the Newport run.
19 Even though his schedule is totally wrong, I believe the decision that should
20 be reached after reviewing it is that my original position that the Newport run
21 may have a small profit in the third year is still possible. Ridership doubled in
22 just one year with proper advertising and better recognition of the service.

1 Interstate is hopeful that the second and third years of fast ferry Newport
2 operations will result in ridership closer to Interstate's original estimates.

3
4 ➤ Another point regarding Attachment A is that Mr. Donadio does not point out
5 that the loss to the Interstate ratepayers in 2014 was only \$110,273. Maybe he
6 either forgot or does not understand regulatory ratemaking.

7
8 ➤ Mr. Donadio speaks to Interstate's possible savings for fuel with absolutely no
9 knowledge of how Interstate currently purchases its fuel. The savings that he
10 believes might exist, do not. Interstate makes every effort to get the lowest
11 cost for all of the services and products it uses. Even Mr. Donadio himself
12 states that he cannot testify beyond his initial point. If he could, he would find
13 that his assertions regarding alleged fuel savings are wrong.

14
15 Before leaving Mr. Donadio's rebuttal, I would like to point out that he did not rebut my
16 time of travel analysis (circles), my analysis of the Tour RI service, which he originally
17 relied upon to justify the need for his service, or my point that he has no actual
18 documentation, studies, surveys or other information that identifies the new passengers
19 he will allegedly be servicing, which according to him are not currently served. I believe
20 that he cannot identify a new passenger population because his objective is to pirate
21 Interstate's customers at the expense of the life line ratepayers and put the profits in his
22 pocket.

1 **Robert Billington:**

2
3 Mr. Billington is correct that I was not involved in Tour RI, but I met with the Interstate
4 employee that ran the entire Interstate aspect of the Tour RI program. It was from her
5 that I determined the limited number of passengers that were taken on the Interstate
6 portion of the Tour RI program. I have no doubt that the Tour RI program was an
7 economic development program, but it was my understanding that it came from an
8 enlightened idea of the Governor's wife. It was not my intention to belittle the Tour RI
9 program, but simply to provide to the Hearing Officer the facts relating to the size of the
10 program as I knew them.

11
12 I disagree with Mr. Billington's characterization that the program paid for itself. I know
13 that Interstate provided services at no cost to the program. I also saw no charges to
14 anyone using the program of \$75.00. That said, I have no doubt that Tour RI was a
15 success that ended when the districts lost interest in the program.

16
17 I am OK with agreeing to disagree on what, if any, value one can place on the Tour RI
18 Program as a guide for estimating the size and existence of an unidentified new
19 population of customers that RIFF could service.

20
21 **Stephanie Costa**

22
23 I felt that I was back in my statistics class while reading Ms. Costa's testimony. Her
24 knowledge of statistics is impressive, but as I learned later in my accounting career at

1 Ernst & Ernst CPAs, not all accepted sampling uses random numbers and Ms. Costa's
2 statistical sampling approach. I found in the real world that the statistical sampling Ms.
3 Costa is discussing results in significantly greater sample sizes and requires far more time
4 and expense to complete. Public accounting firms were using statistical sampling, but
5 found that it took too long to complete the testing and the customer would not pay for the
6 time it took to gather the sample and review each item selected. Instead, public
7 accounting firms went back to other valid sampling methods like dollar value
8 stratification sampling and skip interval selection. I believe that Dr. Mazze provided one
9 valid type of sampling for a marketing study, while Ms. Costa's statistics are used more
10 in academia.

11
12 **Q. Does that conclude your testimony?**

13 **A. Yes.**

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

RE: CPCN APPLICATION
OF RHODE ISLAND FAST FERRY

DOCKET No. D-13-51

SURREBUTTAL TESTIMONY OF JOSHUA P. LINDA
ON BEHALF OF
INTERSTATE NAVIGATION COMPANY
D/B/A/ THE BLOCK ISLAND FERRY

June 2015

1 **Q. Please identify yourself.**

2 A. My name is Joshua Linda. I am the Vice President of Interstate Navigation Company
3 d/b/a The Block Island Ferry (Interstate).

4

5 **Q. Mr. Linda, have you testified on behalf of Interstate before the Division of Public**
6 **Utilities and Carriers (DPUC) and the Rhode Island Public Utilities Commission**
7 **(PUC) as a witness prior to this docket?**

8 A. Yes.

9

10 **Q. What is your educational background?**

11 A. I have a Bachelor's Degree in Business Management from Roger Williams University.

12

13 **Q. What is your background with Interstate?**

14 A. I am a licensed Captain and the holder of a Coast Guard 100-ton Master's license. I have
15 been working with Interstate in various capacities for 27 years. I have worked on the
16 vessels as a deck hand, an engineer, a mate, and as a captain. I have worked with my
17 father, Raymond Linda, the General Manager of the company, in the construction,
18 maintenance, and repair of our vessels and docking facilities. I have worked with my
19 mother, Susan Linda, the President of the company, in the office on the various
20 administrative responsibilities of running the company. I am one of the three Directors of
21 the company. I have been involved in the ferry business with Interstate for my entire
22 working life.

23

1 **Q. Do you have comments you would like to make regarding Mr. Donadio's Rebuttal**
2 **Testimony?**

3 A. Yes. In addition to the surrebuttal testimony of Mr. Edge and Dr. Mazze, I would like to
4 respond to Mr. Donadio as follows:

5
6 First, the Newport operation is steadily increasing its ridership every year since the
7 introduction of high speed service in the summer of 2013. In the summer of 2014,
8 Interstate introduced high speed service out of Fall River to Newport and Block Island
9 and this has increased the ridership numbers. We stated from the start that it would take a
10 minimum of three years for the run to become popular with the ridership. Therefore, it
11 would be ridiculous for Interstate to shut down its Newport service for the benefit of Mr.
12 Donadio's proposed service out of North Kingstown.

13
14 Second, Interstate made a good investment in the purchase and complete renovation of
15 the M/V *Islander*. For the fraction of the cost of a new catamaran ferry, Interstate now
16 has a like new state of the art 30 knot water jet drive vessel that can carry twice as many
17 passengers as Mr. Donadio's newest vessel.

18
19 Third, Mr. Donadio did not introduce Interstate to Santa Energy. Interstate was solicited
20 by Santa, but after several meetings with Santa's representatives, Santa stated they could
21 not sell fuel directly to Interstate because Santa does substantial business with Interstate's
22 present fuel supplier.

23

1 Q. Does this conclude your testimony?

2 A. Yes.