

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
DIVISION OF PUBLIC UTILITIES AND CARRIERS**

**In Re: Rhode Island Fast Ferry, Inc.**

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**Docket No. D-13-51**

**REBUTTAL TESTIMONY OF  
CHARLES A. DONADIO, JR.**

**REDACTED**

1. Q. Mr. Donadio have you had the opportunity to review the testimony of Messrs. Mazze and Edge, as well as Interstate's responses to RIFF's Data Requests?

A. Yes.

2. Do you accept the argument that if Interstate loses customers to RIFF it will have no other choice but to cut service or raise rates?

A. No I do not. I do not agree that "reducing the number of ferries to Block Island and/or downsizing the number of full-time and seasonal employees" are the only measures it could take to offset revenue they claim they will lose to RIFF. First of all, every business, including my own, has to find efficiencies in a creative manner when faced with lower than expected revenues or higher than expected costs. That was the experience of every transportation business during the Great Recession, when fuel prices skyrocketed and people travelled less. With a ferry business, you try to design schedules so as to get maximum efficiency and utilization of your equipment. That is one area that I think Interstate could improve upon based upon the vessel utilization and trip numbers revealed in their latest Data Request responses.

3. Q. Could you be more specific?

A. Yes. For example, Interstate carried [REDACTED] total passengers in 2013. Of that figure [REDACTED] were conventional users and [REDACTED] were high speed users. They employed three large passenger/vehicle vessels and the Newport high speed to carry the so-called conventional users, with a

capacity utilization factor of █████% for those four vessels combined.

Whereas, in 2013 the *Athena* had a capacity utilization factor of █████% alone. Similarly, in 2013 Interstate ran a total of █████ conventional trips, but only █████ trips with the *Athena*. I find it hard to believe that Summer versus Winter usage alone explains these numbers. Common sense leads to the conclusion that greater efficiencies could be found in their conventional ferry schedules and equipment usage without dramatically affecting service.

4. Q. Is there any other area in Interstate's operations that you believe efficiencies could be found?

A. Yes. Interstate should seriously consider shutting down its Newport service completely. They made a capital intensive investment of approximately \$1.5 million (according to their 2012 rate filing) by purchasing and renovating the *Islander*, in an attempt to improve the Newport service and make it profitable. They have barely doubled their ridership to a little more than █████ passengers since the *islander* went into service and that hardly seems worth the investment. As a standalone operation I would venture a guess that the financial losses are significant.

5. Q. On what do you base that opinion?

A. In his testimony in Interstate's 2012 rate case, Josh Linda projected that their Newport ridership would increase to approximately 18,000 in the first year of the *Islander's* service. Interstate has obviously failed to meet that benchmark and I cannot see how they will achieve a "small profit by the third year of operation", which is this year. Mr. Edge projected that

Interstate would incur a loss of \$110,273 in the first year of the *Islander's* service based upon the 18,000 passenger estimate. My understanding is that this loss is included in Interstate's traditional ferry cost of service rate structure.

6. Q. What do you believe Interstate's actual losses have been from the Newport service since the *Islander's* introduction?

A. Based upon Mr. Edge's calculations and my own knowledge of what it costs to operate a fast ferry, as well as what I believe the true cost of keeping the *Islander* in service has been due to its age and ongoing mechanical problems, I believe that loss was approximately \$240,300 in 2014 and has averaged over \$320,000 in its first two years of service, as reflected in the schedule attached hereto as Exhibit "A".

7. Q. In addition to shutting down its Newport service completely, is there anything else Interstate could do to become more efficient?

A. Perhaps. One of the top three largest expenses of any ferry operation is the cost of fuel. RIFF controls this cost by purchasing from a large regional supplier, Santa Fuel. I made the decision to purchase from Santa after comparing pricing from other area distributors. As a cooperative approach, I introduced Interstate to Santa years ago. To my knowledge, Interstate had one meeting with Santa, but for some reason chose not to follow my lead and has continued to use the same supplier they have used for many years. It is difficult for me to comment beyond this on this point as Interstate has refused to disclose their fuel consumption numbers directly

to us and instead referred us to non-specific public records, but I can say that I achieved significant savings in RIFF's fuel costs by dealing with Santa and I believe that Interstate could probably save on the cost of fuel by publicly bidding it.

8. Q. Do you have any comment regarding the Town's position that RIFF has no place to dock in Old Harbor?

A. Yes. It is my understanding that although the Town was conveyed title to the South Pier in Old Harbor by the federal government, that conveyance was subject to the condition that no tolls be charged to "public vessels of the United States", which includes ferries, "for the use of said wharf". In fact, in 1904 the Chief of the U.S. Army Corps of Engineers gave written notice to the Town and all Captains of vessels using the South Pier that they must not in any way obstruct the use of the Pier by other vessels by anchoring or tying their vessels to this Pier and other piers in Block Island's harbors, after receiving complaints from parties attempting to use the South Pier that they had been prevented from doing so because a steamer owned by the Town was deliberately anchored there as an obstruction. It is my understanding that the Department of the Army ultimately referred the matter to the U. S. Department of Justice for investigation by the Attorney General regarding possible violations of the grant to the Town as well as potential criminal violations of the River and Harbor Act of 1899, which makes it unlawful to obstruct navigable channels. My attorneys are continuing to research this point. But it would

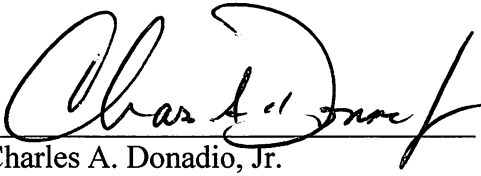
appear at this time that any attempt by the Town to prevent RIFF from using this Pier would be unlawful.

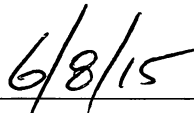
9. Q. Have there been any other recent developments in RIFF's plans for dockage on Block Island?

A. Yes. I have also had recent discussions with the owner of Payne's Dock in New Harbor regarding possible dockage there and while this is not RIFF's first choice for Block Island dockage, those discussions are ongoing.

10. Q. Does this conclude your testimony.

A. Yes.

  
Charles A. Donadio, Jr.

  
Date

## **EXHIBIT A**

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