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April 1, 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

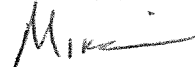
Dear Luly:

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 Interstate's Responses to the Rhode Island Fast Ferry's 1<sup>st</sup> Set of Data Requests.

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

Very truly yours,



Michael R. McElroy

MRMc:tmg  
cc: Service List

Interstate/Donadio/Massaro10

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

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## **RESPONSES TO RHODE ISLAND FAST FERRY FIRST SET OF DATA REQUESTS**

Dr. Edward M. Mazze – Prepared Responses to Data Requests RIFF 1-1, 1-3, 1-5 through 1-17

Janette Centracchio – Prepared Responses to Data Requests RIFF 1-2 and 1-4

Walter E. Edge, Jr., CPA – Prepared Responses to Data Requests RIFF 1-18 through 1-49

**RIFF 1-1      Produce a copy or copies of the survey referred to in the Pre-filed Direct Testimony of Mr. Mazze.**

RESPONSE: See Appendix I.

**RIFF 1-2      Identify all persons who administered the survey by name, address, job title or description and tenure of employment with Interstate.**

RESPONSE: See Appendix II. Prepared by Janette Centracchio.

**RIFF 1-3      State what the persons administering the survey were either told or knew about the purpose of the survey before hand.**

RESPONSE: The individuals administering the survey were told that the survey was being conducted for Interstate Navigation for the purpose of determining if passengers of Interstate's traditional and hi-speed ferries would take a fast ferry from Quonset Point in North Kingstown to Block Island under a set of pricing and on-water time scenarios. The individuals administering the survey were not told what answers were preferred or expected or that Rhode Island Fast Ferry, Inc. may have been a reason for the study.

**RIFF 1-4      Identify by name each person who administered the survey on every date it was administered and how many surveys each such person collected or completed for each such date.**

RESPONSE: See Appendix II. Prepared by Janette Centracchio.

**RIFF 1-5      Identify the persons who collated the results of each survey and how the results were tabulated.**

RESPONSE: Dr. Mazze tabulated the results of each survey and checked each survey form for completeness.

**RIFF 1-6 State who selected the actual survey takers, including how and why such selection was made.**

RESPONSE: The survey takers were selected by the individuals administering the survey. The survey takers selected every 10<sup>th</sup> purchaser of tickets for pre-selected ferries in the morning and early afternoon of July 31, 2013, August 12, 2013 and September 7, 2013. The interviewers were instructed to ask each respondent the same questions and record verbatim the responses on an individual survey form. If the purchaser of tickets did not want to take the survey, the interviewer was told to ask the next person in line. The objective was to obtain about 200 questionnaires for each day of the survey. Dr. Mazze determined that about 200 passengers a day would be representative of all passengers on traditional and hi-speed ferries traveling to Block Island from Point Judith during the summer months. Two hundred passengers a day represented about 10% of the passengers taking a ferry each day during the summer months.

**RIFF 1-7 State each and every step taken by Mr. Mazze and Interstate to control for bias among the survey takers.**

RESPONSE: First, the questions asked on the survey were pretested to make sure that they were clear, not leading and precise. Second, the survey included open-ended questions about the passenger being surveyed and closed-ended questions where the passenger had a set of responses to choose from, namely, Yes or No. Third, the surveys took place on different days, different weeks and in different months. Fourth, the names of respondents were not requested.

**RIFF 1-8 State what Mr. Mazze knew about the bias of the survey takers, including any public comments they may have made prior to or at the time of the taking of the survey regarding RIFF's proposed Quonset service.**

RESPONSE: Dr. Mazze was not aware of any public comments made by any of the survey takers prior to or at the time of the survey regarding RIFF's Quonset service.

**RIFF 1-9 Identify by name who gave the instructions to the survey takers referred to at page 8 lines 13-15 Mr. Mazze's Pre-filed Direct Testimony and specifically what instructions were given.**

RESPONSE: The interviewers gave the instructions to each respondent. The respondents were told that the purpose of the survey was for marketing and promotion and that they would be asked a number of questions by the interviewer. The interviewer would record the answers verbatim on the individual survey form. At the end of the interview, the respondent was thanked.

**RIFF 1-10 Provide all details of the calculations used to arrive at the conclusion that RIFF will take as much as 20% of Interstate's total passengers.**

RESPONSE: Dr. Mazze tabulated the answers to the questions on the three surveys and as a result of the tabulations, it was found that as much as 20% of the total passengers of Interstate's ferries during July, August and September would take a fast ferry from Quonset Point to Block Island.

**RIFF 1-11 What does Mr. Mazze predict as the minimum value of that statistic, if the stated maximum value is 20%.**

RESPONSE: The percentage was determined by tabulating the responses to the three surveys. A minimum value to that statistic could be a different number if the survey was conducted at a different time of the year.

**RIFF 1-12 Which, if any, of Mr. Mazze's calculations are based upon the traveling companions of interviewed passengers and not solely upon the response of the person interviewed.**

RESPONSE: None of the calculations were based on responses from any of the traveling companions. Information was just collected from individuals purchasing the ticket(s) for the ferry.

**RIFF 1-13 What was Mr. Mazze's purpose for asking both questions 4 and 5.**

RESPONSE: The questions presented different scenarios to determine whether the individual would take a round-trip fast ferry to Block Island from Quonset Point or Point Judith with different prices and on-water times. The questions gave the respondent a choice between options on a set of alternatives useful to Interstate to consider in making future marketing decisions.

**RIFF 1-14 State why Mr. Mazze chose to base his analysis on the results of question 4.**

RESPONSE: Dr. Mazze did not base his analysis on the results of question 4. The analysis was based on all the responses to the three surveys and the answers to all questions.

**RIFF 1-15 Referring to Mr. Mazze's testimony on page 14, lines 1-10 provide a detailed explanation of the following:**

- (a) Does Mr. Mazze believe that "true competition" is possible between regulated utilities where the regulator ultimately controls the schedule of delivery of the services, the geographic location at which they are delivered, the prices at which they are delivered and has the power to**

**impose other terms and conditions of delivery of the service that it deems necessary and appropriate;**

RESPONSE: Objection. This is an overly broad question. There are many different types of regulated utilities. "True competition " would be difficult to achieve in regulated utilities because of the changing political, economic and technological factors affecting the utilities including but not limited to changing demographics, types of services offered, substitute products and services, ownership of production facilities and new distribution systems.

**(b) Does Mr. Mazze believe that regulated utilities are efficient by nature, or is efficiency imposed upon them by the regulator;**

RESPONSE: Objection. This is an overly broad question. Regulated utilities includes a wide variety of industries such as wind energy, airlines, oil, natural gas, electricity, cable television, railroads, ferry service and telecommunications. In some cases, the government may own a part of the infrastructure. Some industries may be more efficient than others based on their production, transmission and distribution systems and if the firms in the industry are fully vertically integrated. Regulations may or may not improve market operations. There may be situations where firms in a regulated industry have less incentives to minimize and manage costs and demand performance as would happen in a profit-maximizing business.

**(c) What are Mr. Mazze's definition of free market efficiency and regulatory efficiency;**

RESPONSE: From a theoretical point of view, free market efficiency would provide a level playing field for all firms in the industry. There would be no or negligible government intervention. Buying and selling would take place subject to no control by third parties. Information would be available to buyers and sellers so that informed decisions can be made. Regulatory efficiency from a theoretical point of view would correct irregularities in competition, eliminate unnecessary restrictions, promote transparency and openness of decision-making, make clear the benefits and costs of regulations to all stake-holders and provide businesses with predictable conditions so that their long-term investments which benefit customers are protected.

**(d) What is Mr. Mazze's definition of efficient competition;**

RESPONSE: Objection. This is an overly broad question. Efficient competition in many industries may be where buyers and sellers have information to make cost and price decisions, buyers are able to get the best price, company resources are not

being wasted and there is a level playing field where all firms compete without special conditions.

**(e) What specifically is the basis for Mr. Mazze's statement at lines 8-10 page 14,, including in your answer citations to any scholarly literature on the subject;**

RESPONSE: Dr. Mazze's experience as a business educator studying companies and industries for over forty years, as a consultant, a banker, a bankruptcy trustee and as a corporate board member. If passengers and freight companies are receiving adequate service and there is enough excess capacity to meet the needs of passengers, competition coming from a new company in a market where there is excess capacity without a market feasibility study or business plan could lead to failure because of the other direct and indirect competitors in place.

**(f) How does Mr. Mazze define "adequate service" in the context of marine transportation, including in your answer citations to any scholarly literature on the subject;**

RESPONSE: Adequate service for passengers in marine transportation is defined by Dr. Mazze as providing safe and convenient boarding of passengers, an adequate number of reliable departure and return times, on-time and safe arrivals and a comfortable trip for passengers. Adequate service for freight would be accessible loading and unloading docks, safe storage space on the loading dock and on the ship and an adequate number of reliable departure and return times so that the freight arrives when needed.

**(g) According to Mr. Mazze, what is Interstate's total capacity and how much of that capacity would he define as excess, expressed in a percentage;**

RESPONSE: Dr. Mazze does not have sufficient information to answer this question.

**(h) In Mr. Mazze's opinion is a public carrier that has 25% or more excess capacity operating efficiently;**

RESPONSE: Objection. This is an overly broad question and having an opinion on whether a public carrier is operating efficiently with 25% or more excess capacity would be impossible without having specific information about the carrier, the type of services offered (e.g. regular and/or lifeline), the customer's requirements and the geography served.

**(i) In Mr. Mazze's opinion is a public carrier that has 50% or more excess capacity operating efficiently;**

RESPONSE: Objection. This is an overly broad question and having an opinion on whether a public carrier is operating efficiently with excess capacity of 50% or more would be impossible without having specific information about the carrier, the type of services offered (e.g. regular and/or lifeline), the customer's requirements and the geography served.

**(j) In Mr. Mazze's opinion is a public carrier that has 75% or more excess capacity operating efficiently;**

RESPONSE: Objection. This is an overly broad question and having an opinion on whether a public carrier is operating efficiently with excess capacity of 75% or more would be impossible without having specific information about the carrier, the type of services offered (e.g. regular and/or lifeline), the customer's requirements and the geography served.

**RIFF 1-16 Referring to Mr. Mazze's testimony on page 15, lines 4-6, provide a detailed explanation of the following:**

**(a) In Mr. Mazze's opinion are raising rates, reducing the number of ferries to Block Island and/or downsizing the number of full-time and seasonal employees the only measures that Interstate could take to make up for a loss of revenue from its traditional ferry operation;**

RESPONSE: Dr. Mazze's opinion is yes. When Interstate loses revenue, it has to find new sources of revenue, namely raising rates for passengers and freight and/ or cutting costs and services which will have a negative impact on the lifeline services provided to passengers and those transporting goods to Block Island.

**(b) In Mr. Mazze's opinion are raising rates, reducing the number of ferries to Block Island and/or downsizing the number of full-time and seasonal employees the only measures Interstate could take to make up for a loss of revenue from its high speed ferry operation;**

RESPONSE: Dr. Mazze's opinion is yes. When Interstate loses revenue, it has to find new sources of revenue, namely raising rates for passengers and freight and/or cutting costs and services which will have a negative impact on the services provided to passengers. Lost revenue will result in lost profits which are needed to support Interstate's year round lifeline services.



**(c) In Mr. Mazze's opinion, could Interstate make adjustments in its schedules for either service to better utilize capacity;**

RESPONSE: Dr. Mazze's opinion is that any adjustment to its schedules could affect customer and freight services year round.

**(d) Did Mr. Mazze make any attempt to identify areas where Interstate might cut costs without significantly impacting service before giving this direct testimony;**

RESPONSE: Dr. Mazze does not have sufficient information to answer this question.

**(e) Describe in detail any such attempts by Mr. Mazze to identify areas where Interstate might cut costs to mitigate lost ridership.**

RESPONSE: Dr. Mazze does not have sufficient information to answer this question.

**RIFF 1-17 Referring to Mr. Mazze's testimony on page 15, lines 11-19, provide a detailed explanation of the following:**

**(a) Did Mr. Mazze conduct any market studies to determine the likelihood of confusion between Interstate Navigation and RIFF;**

RESPONSE: Dr. Mazze did not conduct any market studies to determine the likelihood of confusion between the business names Interstate Navigation and RIFF. Dr. Mazze's opinion was that confusion would be if RIFF uses terms such as fast ferry to Block Island and speed ferry to Block Island in advertising and promotion materials.

**(b) If so, please describe those studies in detail;**

RESPONSE: There was no study conducted.

**(c) In Mr. Mazze's opinion is the name Interstate Navigation Company confusingly similar to Rhode Island Fast Ferry;**

RESPONSE: No. The concern is with how RIFF would advertise and promote the fast ferry.

**(d) In Mr. Mazze's opinion would it be in RIFF's best interests to lead the public to believe that it had some affiliation with Interstate Navigation Company or would it be in RIFF's interest to differentiate itself by marketing its service as "new", "more convenient", "easier to access;**

RESPONSE: Yes. RIFF can capitalize on the 80 year history of the Block Island Ferry and its promotion of ferry services to Block Island and its promotion of Block Island for tourists.

**(e) Did Mr. Mazze conduct any market studies to determine the efficacy of Interstate's investment in advertising;**

RESPONSE: No.

**(f) Since Interstate has an 80 year history, in Mr. Mazze's opinion what do the results of the survey described in his Direct Testimony say about Interstate's brand loyalty;**

RESPONSE: The study was not designed to measure brand loyalty. The study presented a number of scenarios about a potential port of departure for Interstate Navigation at Quonset Point.

**(g) In Mr. Mazze's opinion, if approximately 20% of Interstate's traditional and fast ferry would in essence "jump ship" and use a high speed ferry serve from Quonset based upon just location, price and travel time over water, what does that say about the adequacy of Interstate's existing service.**

RESPONSE: The study was not designed to measure service. The study presented a number of scenarios about a potential port of departure for Interstate Navigation at Quonset Point as an addition to Interstate Navigation's three current ports of departure - Point Judith, Newport and Fall River.

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*Mr. Edge*

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**RIFF 1-18 Is Walter Edge an expert in the field of economics. If you contend that he is, state with particularity all facts that you contend qualify him as an expert in that field.**

RESPONSE: No.

**RIFF 1-19 Is Walter Edge an expert in the field of marketing. If you contend that he is, state with particularity all facts that you contend qualify him as an expert in that field.**

RESPONSE: No.

**RIFF 1-20** Is Walter Edge an expert in the field of tourism, tourism marketing or tourism economics. If you contend that he is, state with particularity all facts that you contend qualify him as an expert in any or all of those fields.

RESPONSE: No.

**RIFF 1-21** Does Mr. Edge agree with this definition of accounting: “the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least of financial character, and interpreting the results thereof”.

RESPONSE: Yes.

**RIFF 1-22** If Mr. Mazze’s ridership losses are less than predicted will Interstate require a rate increase; and if so explain your answer in financial detail?

RESPONSE: It depends on the size of the losses and the status of all other revenue and expense accounts in both Interstate’s Fast Ferry and Traditional services (See answers to Q 23-31 following).

The following questions (23-31) assume no loss of traditional service ridership with different levels of fast ferry service losses. I strongly disagree with the assumption that there will be no loss of traditional service ridership. That said I have done the math for the answers and answered the questions.

**RIFF 1-23** Assume that Interstate loses none of its traditional ridership to RIFF. If Interstate loses 5% of its high speed ferry ridership will it require a traditional service rate increase; and if so explain your answer in financial detail?

RESPONSE: The loss would be \$88,798 which would be about a 20% loss of authorized rate of return for the traditional service. Clearly, Interstate would not accept such a loss without looking into making a rate filing.

**RIFF 1-24** Assume that Interstate loses none of its traditional ridership to RIFF. If Interstate loses 7.5% of its high speed ferry ridership will it require a traditional service rate increase; and if so explain your answer in financial detail?

RESPONSE: \$133,197. It is highly likely that this single item would result in a traditional service rate filing (see comment above).

**RIFF 1-25** Assume that Interstate loses none of its traditional ridership to RIFF. If Interstate loses 10% of its high speed ferry ridership will it require a traditional service rate increase; and if so explain your answer in financial detail?

RESPONSE: \$177,596. This amount of loss would result in a traditional service rate filing (see comment above).

**RIFF 1-26** Assume that Interstate loses none of its traditional ridership to RIFF. If Interstate loses 12.5% of its high speed ferry ridership will it require a traditional service rate increase; and if so explain your answer in financial detail?

RESPONSE: \$221,995. This amount of loss would result in a traditional service rate filing (see comment above).

**RIFF 1-27** Assume that Interstate loses none of its traditional ridership to RIFF. If Interstate loses 15% of its high speed ferry ridership will it require a traditional service rate increase; and if so explain your answer in financial detail?

RESPONSE: \$266,394. This amount of loss would result in a traditional service rate filing (see comment above).

**RIFF 1-28** Assume that Interstate loses none of its traditional ridership to RIFF. If Interstate loses 17.5% of its high speed ferry ridership will it require a traditional service rate increase; and if so explain your answer in financial detail?

RESPONSE: \$310,793. This amount of loss would result in a traditional service rate filing (see comment above).

**RIFF 1-29** Assume that Interstate loses none of its traditional ridership to RIFF. If Interstate loses 20% of its high speed ferry ridership will it require a traditional service rate increase; and if so explain your answer in financial detail?

RESPONSE: \$355,193. This amount of loss would result in a traditional service rate filing (see comment above).

**RIFF 1-30** Assume that Interstate loses none of its traditional ridership to RIFF. If Interstate loses 22.5% of its high speed ferry ridership will it require a traditional service rate increase; and if so explain your answer in financial detail?

RESPONSE: \$399,592. This amount of loss would result in a traditional service rate filing (see comment above).

**RIFF 1-31** Assume that Interstate loses none of its traditional ridership to RIFF. If Interstate loses 25% of its high speed ferry ridership will it require a traditional service rate increase; and if so explain your answer in financial detail?

RESPONSE: \$443,991. This amount of loss would result in a traditional service rate filing (see comment above).

**RIFF 1-32** Referring to Mr. Edge's Pre-filed Direct Testimony at page 5, lines 16-24, provide a detailed explanation of the following:

- (a) **If in fact Interstate loses fast ferry ridership to RIFF why should not Interstate shareholders either absorb the losses, lease their fast ferry or sell it to protect Interstate's lifeline customers;**

RESPONSE: Interstate's stockholders receive no gains from fast ferry services so a loss of revenue is absorbed by the traditional ratepayers who get all of the benefit of the fast ferry operations. Interstate does lease its fast ferry as often as it can and those revenues have been given to the traditional ratepayers. If Interstate sells the fast ferry service the new owner would reap the benefits of the fast ferry service as profit and Interstate's traditional ratepayers would lose the subsidy.

- (b) **Is there any Rhode Island General Law that prohibits a "stand-alone for-profit business" from being awarded a CPCN to operate as a water carrier;**

RESPONSE: I don't know, but if there is such a law, RIFF would be unable to get a CPCN.

- (c) **Is Interstate a "for-profit business" in the generally accepted meaning of that phrase, or is Interstate exempt from taxation under Section 501(c)(3) of the Internal Revenue Code;**

RESPONSE: Yes.

- (d) **Is it not true that in Consolidated Division Dockets D-06-51 and D-06-53 Interstate stipulated with the Division's Advocacy Section and the Town of New Shoreham "that any losses incurred from operation of high speed service will not affect the year round service, or rates, to Block Island for passengers, vehicles, or freight, unless the Public Utilities Commission**

**should direct otherwise” in order to induce the Division to grant its application to purchase its fast ferry from IHSF and to lift the restrictions on its own hi-speed CPCN;**

RESPONSE: It is true.

- (e) Has the Commission ever “direct[ed] otherwise” and if so identify the Commission Docket number in which such an Order was entered;**

RESPONSE: Not to my knowledge.

- (f) If as Mr. Edge’s logic implies any losses from the failure of RIFF’s fast ferry business will be borne by its shareholders, why should this argument Interstate employed in Docket D-05-06 for granting of its own fast ferry CPCN not compel the issuance of a CPCN to RIFF in this docket.**

RESPONSE: These are totally different situations. In Docket D-05-06, Interstate agreed to hold Interstate’s traditional service ratepayers harmless from Fast Ferry losses and in addition agreed to give all of the profits from the Fast Ferry service as a subsidy to the traditional service. Interstate wanted to prove to the PUC that Interstate was sure that the fast ferry service would be successful. Now that it has been proven that the fast ferry service is a success, Interstate has recently requested that fast ferry profits be shared between the stockholders and ratepayers, to no avail.

**RIFF 1-33 Please provide Interstate’s total annual hi-speed and traditional ridership statistics for the years 2006 to the present, broken down by persons carried on board its vessels and by ticket fare classification.**

RESPONSE: Objection – This is confidential and proprietary information. Moreover, this information is not needed to evaluate RIFF’s request for a CPCN if RIFF is not going to pirate Interstate’s customers.

**RIFF 1-34 Please provide Interstate’s vessel annual passenger utilization rates for its hi-speed and traditional operations for the years 2006 to the present, broken down by vessel, stating in your answer each vessel’s total passenger capacity according to its Certificate of Inspection.**

RESPONSE: Objection. Passenger utilization rates are confidential and proprietary information. Moreover this information is not needed to evaluate RIFF’s request for a CPCN if RIFF is not going to pirate Interstate’s customers.

**RIFF 1-35** Please provide a breakdown of increases in Interstate’s hi-speed rates from 2006 to the present by year and state in complete detail and particularity the reason for each increase.

RESPONSE: Objection. This is beyond the scope of Interstate’s direct testimony. Also, this is public information that RIFF can obtain by researching PUC orders since 2006.

**RIFF 1-36** Referring to Mr. Edge’s Pre-filed Direct Testimony at page 8, lines 27-29, provide a detailed explanation of the following:

- (a) State the amount of those lost revenues and all facts tending to prove that they were directly attributable to IHSF, Block Island Express or other causes, such as the weather.

RESPONSE: If the point of the question is that Interstate cannot identify the lost revenues “directly attributable” to IHSF, Block Island Express and weather, I agree. However, it is safe to say if Interstate lost ridership, it was to other services provided during the period of time under review when Interstate’s ridership and revenues declined. Interstate’s lost ridership and revenue relating to weather variances levels out over time.

**RIFF 1-37** Does Mr. Edge agree that Interstate was granted its hi-speed CPCN despite the fact that the fast ferry operated by IHSF and Block Island Express had 84% excess capacity; if not, explain in detail the reasons he disagrees with that statement.

RESPONSE: I don’t recall the percentage of excess capacity identified for either IHSF or Block Island Express (BIE) when Interstate was granted its CPCN but as I recall it may have been provided in Mr. Kunkel’s testimony. The Interstate CPCN was granted by the DPUC to address choice for Interstate’s traditional service customers that had voiced a desire for fast ferry service provided by Interstate. Interstate did not expect to take significant customer from either IHSF or BIE so I believe that extra capacity was not a consideration.

**RIFF 1-38** Does Mr. Edge agree with the statement that consumer choice takes precedence over capacity given the decision by the Division to grant Interstate’s hi-speed CPCN; if not, explain in detail the reasons he disagrees with that statement.

RESPONSE: Both are important considerations. I have never ranked them to my knowledge.

**RIFF 1-39 Referring to Mr. Edge's Pre-filed Direct Testimony at page 8, lines 27-29, provide a detailed explanation of the following:**

- (a) Explain what Interstate was responding to, if not demand and public need, when it made the decision to launch its Newport and Fall River hi-speed services.**

RESPONSE: For Newport, it was Interstate's desire to maintain its Newport Fast Ferry CPCN and, with a lot of work and advertising, to develop public demand for fast ferry service to/from Newport. Further, Interstate replaced its traditional service to/from Newport which had never been profitable. Therefore, the Newport fast ferry service was considered a good alternative to the traditional service.

For Fall River, it was an invitation from Fall River to start each morning from Fall River and end the day each evening in Fall River (instead of Point Judith). Although Interstate did not expect the Fall River service to be much of a success, Interstate was being allowed to dock in Fall River overnight at minimal cost, and would travel about the same distance each morning to get to Newport (as it was from Point Judith). Interstate was carrying almost no customers from Point Judith to Newport, so the possibility of some customers at nearly no additional cost seemed reasonable.

**RIFF 1-40 Referring to Mr. Edge's Pre-filed Direct Testimony at page 8, lines 20-22, provide a detailed explanation of the following:**

- (a) Explain the "limits that have been put on Interstate's fast ferry profitability", including in your answer an explanation of why and how those limits were imposed.**

RESPONSE: This question has already been answered in detail in previous answers and in my testimony. I have nothing else to add.

**RIFF 1-41 Referring to Mr. Edge's Pre-filed Direct Testimony at pages 3, lines 28-32, 4, lines 1-2 and page 20, lines 13-15, provide a detailed explanation of the following:**

- (a) In Mr. Edge's opinion are raising rates, reducing the number of ferries to Block Island and/or downsizing the number of full-time and seasonal employees the only measures Interstate could take to make up for a loss of revenue from its traditional ferry operation;**

RESPONSE: Given that Interstate runs a tight business (strong controls on all expenditures and maximizing all revenues) plus the fact that all of Interstate's revenues and expenses are reviewed in detail by the PUC, I see no other options to address revenue shortfalls resulting from new competition.



**(b) In Mr. Edge's opinion are raising rates, reducing the number of ferries to Block Island and/or downsizing the number of full-time and seasonal employees the only measures Interstate could take to make up for a loss of revenue from its high speed ferry operation;**

RESPONSE: Same question as (a) above.

**(c) In Mr. Edge's opinion, could Interstate make adjustments in its schedules for either service to better utilize capacity;**

RESPONSE: Possibly, but this would be a reduction of service which would need DPUC/ PUC approval.

**(d) Did Mr. Edge make any attempt to identify areas where Interstate might cut costs without significantly impacting service before giving this direct testimony;**

RESPONSE: No.

**(e) Describe in detail any such attempts by Mr. Edge to identify areas where Interstate might cut costs to mitigate lost ridership;**

RESPONSE: N/A

**(f) What was Interstate's total fuel usage in gallons for the years 2012-2014;**

RESPONSE: Objection. This data request exceeds the scope of Interstate's direct testimony. However, this is public information available at the DPUC.

**(g) What was Interstate's per gallon cost of fuel for the years 2012-2014;**

RESPONSE: Objection. This data request exceeds the scope of Interstate's direct testimony. However, this is public information available at the DPUC.

**(h) Does Interstate hedge its fuel costs by buying fuel on contract, or does it simply pay spot or "rack" prices, explain the reasons for its fuel purchasing choice.**

RESPONSE: Not that I am aware of.

**RIFF 1-42 Explain in detail how Mr. Edge calculated RIFF's projected ridership numbers.**

RESPONSE: It was impossible to project RIFF's projected ridership because I did not know the number of runs per day or the size of the boat that was going to be used.

**RIFF 1-43 Referring to Mr. Edge’s Pre-filed Direct Testimony at page 16, lines 6-32, provide a detailed explanation of the following:**

- (a) Does not Mr. Edge’s analysis assume that all persons within 50 miles of Point Judith are being adequately served by Interstate.**

RESPONSE: Mr. Edge is saying that those customers living within 50 miles of Point Judith that want to travel to Block Island by Fast Ferry are currently receiving excellent service from Interstate which exceeds the “adequate service standard”.

**RIFF 1-44 Referring to Mr. Edge’s Pre-filed Direct Testimony at page 17, lines 14-23, provide a detailed explanation of the following:**

- (a) Are website hits “far less meaningful” or “not a measure of” public need;**
- (b) How is a web page advertising a fast ferry service that promotes Block Island as a destination not a measure of public demand for fast ferry service to Block Island**

RESPONSE: The answer to both questions is that users of the internet browse around using key words and phrases often falling on web sites that do not provide the information that they are requesting. While in that web site they may check a connected web site only to find that the service they are looking for is not provided by the owner of the web site. If hits on a web site were a good measure of the number of passengers that will ride to Block Island in any given month, Interstate would carry exponentially more customers as the hits on their web site far exceed the number of riders.

**RIFF 1-45 Referring to Mr. Edge’s Pre-filed Direct Testimony at page 18, lines 27-29, provide a detailed explanation of the following:**

- (a) Have not members of the Block Island community complained in the past regarding the number of vehicles Interstate transports to Block Island in the Summer;**

RESPONSE: Yes.

- (b) Has not Interstate rebuffed complaints those complaints;**

RESPONSE: I don’t understand the question. Interstate Navigation does not rebuff.

- (c) Does transporting tens of thousands of motor vehicles to a 21 square mile island which is “maxed out in the summer” constitute sustainable tourism;**

RESPONSE: I don’t know.

**(d) Do the vehicles that Interstate transports to Block Island in the summer and on holidays contribute to traffic congestion on the islands narrow roads and require dedication of local resources, such as police, rescue and medical personnel.**

RESPONSE: I believe so, but I have no personal knowledge because I avoid going to Block Island in the summer and holidays.

**RIFF 1-46 Referring to Mr. Edge's Pre-filed Direct Testimony at pages 19, lines 7-32 and 20, lines 1-3, provide a detailed explanation of the following:**

**(a) What is the source of Mr. Edge's definitions of convenience of travel and CPCN convenience;**

RESPONSE: The source is Mr. Edge's opinion. Mr. Edge believes that there are many components to "convenience of travel" as stated in his testimony.

**(b) Why is access to point of departure not a measure of convenience of travel or CPCN convenience;**

RESPONSE: I believe that departure point is a measure of convenience.

**(c) State each and every way Point Judith is more convenient to travelers from outside Rhode Island than Quonset;**

RESPONSE: Less time on the water, less expensive, more runs to and from Block Island available, back-up service that can be used if service is interrupted, etc.

**(d) State each and every way Point Judith is more convenient to travelers from within Rhode Island than Quonset;**

RESPONSE: See (c) above.

**(e) How does Mr. Edge define and quantify the "small group" of travelers who would find RIFF more convenient than Interstate;**

RESPONSE: Mr. Edge was referring to that portion of the 50 mile ratio (see circle diagrams) from Interstate's service that RIFF would cover (within its 50 mile ratio) that Interstate does not cover.

**(f) Similarly, how does Mr. Edge define and quantify the "insignificant" group of travelers who make up RIFF's projected customer base;**

RESPONSE: Mr. Edge is expecting that RIFF will be taking the lion share of its customers from Interstate. The rest of the customers were insignificant.

**(g) Is the fact that a potential RIFF customer may live outside Rhode Island make them insignificant for public convenience purposes;**

RESPONSE: No but serving them by RIFF instead of BIPCo will adversely impact Rhode Islanders who live on Block Island.

**(h) Does an inactive population who may be potential RIFF customers make them insignificant for public convenience purposes because it is inactive;**

RESPONSE: No but they may not exist.

**(i) Did not the Division accept the proposition that the public includes an inactive, or dormant, market that may use a service when determining convenience and need in Docket 98-MC-16;**

RESPONSE: Yes to a small extent.

**(j) Is not measuring an inactive, or dormant, market an imprecise proposition by definition.**

RESPONSE: I agree.

**RIFF 1-47 Are the vessels Athena and Islander included in Interstate's rate base calculations for purposes of establishing its traditional service rates.**

RESPONSE: No and yes in that order.

**RIFF 1-48 Referring to Mr. Edge's Pre-filed Direct Testimony at pages 20, lines 31-31 and 21, lines 1-2, provide a detailed explanation of the following:**

**(a) Is it not true that Interstate has the management discretion not to reinvest its hi-speed profits in its traditional service, since its agreement with the Division's Advocacy Section to do so in Consolidated Division Dockets D-06-51 and D-06-53 and in the Commission Order in Docket 3742 was limited to profits realized in the 2006 season;**

RESPONSE: No.

**(b) If Interstate does not have that discretion, is it not true that Interstate could stipulate with the Division's Advocacy Section not to reinvest its hi-speed profits in its traditional service;**

RESPONSE: We have tried to no avail.

- (c) If Interstate does not have that discretion, is it not true that Interstate could petition the Commission for authority to not to reinvest its hi-speed profits in its traditional service;**

RESPONSE: We have tried to no avail.

- (d) Had Interstate not agreed to reinvest its hi-speed profits in its traditional service would it have been required to seek a rate increase prior to its last traditional service rate case in 2012 in addition to the across the board automatic increases pegged to the Consumer Price Index it received in 2009, 2010, 2011 and 2012; and if so, what would the approximate amount of the revenue increase(s) have been in dollars and percentage(s);**

RESPONSE: No. Interstate would not have been required to seek a rate increase at that time.

- (e) Assuming that Interstate continues to reinvest its hi-speed profits in its traditional service, and assuming the losses to Interstate that Mr. Edge projects do not materialize, when does it anticipate requiring another increase in traditional rates;**

RESPONSE: Interstate just filed for a 10% increase in certain rates allowed by the PUC.

- (f) State the actual dollar amount of hi-speed profits used by Interstate to subsidize its traditional ferry rates, after all expenses and deductions were made, including sharing of any joint or common costs with its traditional operations, for the years 2006 to present;**

RESPONSE: This is public information that can be found at the PUC.

- (g) Is it not true that Interstate has management discretion to increase or decrease its Point Judith hi-speed rates upon 30 days notice, and that the Division Advocacy Section has agreed not to object or recommend suspension except in extraordinary circumstances, and that any such increases or decreases are subject to change by the Commission only if they are improper or unreasonable;**

RESPONSE: Yes.

- (h) Similarly, is it not true that Interstate has the management discretion to adjust certain traditional ferry rates to a level not 10% higher or 20% lower than the rates approved in its last rate case in 2012 upon 60 days notice, “to respond more efficiently to market forces impacting the more discretionary portions of its business, namely, the non-lifeline portions of the business”;**

RESPONSE: Yes.

- (i) **Is it not true that the Commission considers non-Block Island Resident users of Interstate’s services, including non-Resident users of Interstate’s traditional ferries, as discretionary users who may “avoid...rate increases by not utilizing the services”;**

RESPONSE: I will not comment on how the Commission considers non-BI Residents.

- (j) **Is it not true that the Commission has applied the utility concept of “ring fencing” in not allowing an overall loss from Interstate’s hi-speed ferry division from adversely affecting its traditional ferry service or rates;**

RESPONSE: I am not familiar with term “ring fencing”. However, I agree that the PUC will not allow an overall loss from Interstate’s fast ferry Service to adversely affect its traditional ferry service or rates;

- (k) **Is it not true that in Interstate’s last rate case, Commission Docket 4373, Mr. Edge testified that “if the Athena’s profitability puts us over 12 percent...then we would be sharing that with the ratepayers. If the Athena doesn’t do what it usually does and we lose money, we won’t make our authorized rate of return.” Does Mr. Edge wish to change his testimony in this docket that Interstate’s shareholders are not concerned about competition?**

RESPONSE: No.

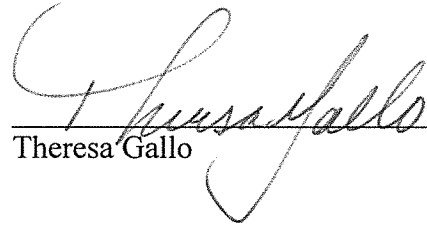
**RIFF 1-49 Referring to Mr. Edge’s Pre-filed Direct Testimony at page 23, lines 14-16, provide a detailed explanation of the following:**

- (a) **State specifically which of the conditions in Docket D-13-105 Interstate believes are applicable to this Docket and why.**

RESPONSE: Any Order of the Division regarding the issuance of CPCN when there are competitors for the service (like there are in this filing) can provide an expert witness (like me) with valuable knowledge as to how the Division is thinking about certain issues in a filing. Only someone who does not have significant experience testifying before the Division would ignore such an opportunity.

**CERTIFICATE OF SERVICE**

I hereby certify that on the 1<sup>st</sup> day of April, 2015, I sent a copy of the foregoing to the attached service list.

  
\_\_\_\_\_  
Theresa Gallo

*Interstate Survey (High Speed Ferry)*

1. In the summer months, approximately how many times do you travel on the Block Island fast ferry? \_\_\_\_\_
  
2. What is your City? \_\_\_\_\_  
State ? \_\_\_\_\_  
Zip Code? \_\_\_\_\_
  
3. How many people are traveling in your party today? \_\_\_\_\_
  
4. If there was a \$50 per person round-trip fast ferry to Old Harbor from Quonset Point in North Kingstown that took 1 hour on the water, would you take the Quonset fast ferry instead of the Point Judith fast ferry? yes \_\_\_\_\_ no \_\_\_\_\_
  
5. If the cost is about \$15.00 per person less from Point Judith than from Quonset. Does that change your answer to question 4 above? yes \_\_\_\_\_ no \_\_\_\_\_
  
6. If the on the water travel time is about a half hour less from Point Judith than from Quonset. Does that change your answer to question 4 above? yes \_\_\_\_\_ no \_\_\_\_\_



*Interstate Survey (Traditional Ferry)*

1. In the summer months, approximately how many times do you travel on the Block Island conventional ferry? \_\_\_\_\_
  
2. What is your City? \_\_\_\_\_  
State? \_\_\_\_\_  
Zip Code? \_\_\_\_\_
  
3. How many people are traveling in your party today? \_\_\_\_\_
  
4. If there was a \$50 round-trip fast ferry to Old Harbor from Quonset Point in North Kingstown, would you take the Quonset fast ferry instead of the Point Judith conventional ferry?  
yes \_\_\_\_\_ no \_\_\_\_\_.
  
5. If the conventional ferry cost is about \$27 per person less from Point Judith than the Quonset fast ferry. Does that change your answer to question 4 above?  
yes \_\_\_\_\_ no \_\_\_\_\_

**Responses to RIFF 1-2:****Persons who took surveys:**

Cassie Couture  
 Narragansett, RI 02882  
 Seasonal ticket/reservation office staff 2009-2013

Jerald Kaplan  
 North Providence, RI  
 Seasonal ticket office staff, Newport. 2013

Mary Lavin  
 Narragansett, RI 02882  
 Seasonal ticket/reservation office staff, seasonal 2013

Pauline Tardif  
 Narragansett, RI 02882  
 Seasonal reservation office staff 2007-2014

Mary Beth Shepherd  
 Narragansett, RI 02882  
 Seasonal group assistant 2012-2014

Megan Moran  
 Charlestown, RI  
 Group sales manager, full time employee since 2000

**Responses for RIFF 1-4:**

Survey takers: July, 29, 1013:	Cassie Couture
	Mary Lavin
	Jerald Kaplan

Survey takers: August 12, 1013	Cassie Couture
	Mary Lavin
	Megan Moran

Survey takers: September 7, 2013	Mary Lavin
	Pauline Tardif
	Mary Shepherd

**\*Please note, I do not have the numbers of each survey each person took on any given day.**