

Schacht & McElroy

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May 30, 2019

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

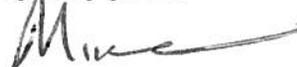
Re: Investigation of the need and appropriateness of Interstate Navigation Company's plans to replace the Athena with a large high-speed ferry – Docket No. D-19-05

Dear Luly:

Enclosed for filing in this matter are an original and five copies of Interstate Navigation Company's Responses to the Advocacy Section's Data Requests.

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

Very truly yours,



Michael R. McElroy

MRMc/tmg

cc: Christy Hetherington, Esq.
Tiffany Parenteau, Esq.
Katherine Merolla, Esq.
Susan Linda
Leo Wold, Esq.
Block Island Town Clerk

STATE OF RHODE ISLAND
DIVISION OF PUBLIC UTILITIES AND CARRIERS

INVESTIGATION OF THE NEED AND :
APPROPRIATENESS OF INTERSTATE :
NAVIGATION COMPANY'S PLANS TO : Docket No. D-19-05
REPLACE THE ATHENA WITH A :
LARGE HIGH-SPEED FERRY :

**RESPONSES OF INTERSTATE NAVIGATION COMPANY TO THE
ADVOCACY SECTION DATA REQUESTS DATED MAY 3, 2019**

1. **Does Interstate agree that in Docket No. D-05-06 it requested the Division to issue a CPCN for an approximately 350 passenger high-speed ferry, capable of carrying freight and up to six cars? If not, please explain.**

Response:

Yes.

Prepared by:
Joshua Linda and David G. Bebyn, with legal assistance from Interstate's legal counsel,
Michael R. McElroy

2. **Does Interstate agree that its CPCN (W-1169) imposes a temporarily suspended obligation on Interstate to operate a seasonal fast ferry water carrier of passengers and freight, materially consistent with the larger car/freight/passenger fast ferry sought in Docket No. D-05-06? If not, please explain.**

Response:

No. Interstate is unaware of any Rhode Island law imposing such an obligation on water carriers. Interstate also believes that a number of CPCNs have remained unused or dormant and Rhode Island law does not contain a specific prohibition regarding the dormancy of water carrier services. A water carrier may not be compelled to provide common carrier transportation services against its will. In any event, Section 4 of CPCN W-1169, which deals with the fast ferry CPCN sought in Docket No. D-05-06, has been relinquished by Interstate, and Section 4 of CPCN W-1169 was suspended for a number of years before it was relinquished.

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3. **Does Interstate agree that in Order No. 20625, the Division referenced Interstate's temporarily suspended obligation to operate a seasonal fast ferry water carrier of passengers and freight, materially consistent with the larger car/freight/passenger fast ferry sought in Docket No. D-05-06? If not, please explain.**

Response:

Such a reference was made in Order No. 20625, but Interstate does not agree with the term "obligation" for the reasons stated in Interstate's response to data request No. 2, which is incorporated by reference herein.

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Joshua Linda and David G. Bebyn, with legal assistance from Interstate's legal counsel,
Michael R. McElroy

4. **Does Interstate agree that upon and after the issuance of Order No. 20625 Interstate possessed a temporarily suspended obligation to operate a seasonal fast ferry water carrier of passengers and freight, materially consistent with the larger car/freight/passenger fast ferry sought in Docket No. D-05-06? If not, please explain.**

Response:

No. Interstate is unaware of any Rhode Island law imposing such an obligation on water carriers. Interstate also believes that a number of CPCNs have remained unused or dormant and Rhode Island law does not contain a specific prohibition regarding the dormancy of water carrier services. A water carrier may not be compelled to provide common carrier transportation services against its will. In any event, Section 4 of CPCN W-1169, which deals with the fast ferry CPCN sought in Docket No. D-05-06, has been relinquished by Interstate, and Section 4 of CPCN W-1169 was suspended for a number of years before it was relinquished.

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5. **Does Interstate agree that in Docket No. D-18-39, Interstate sought to borrow \$8.5 Million to finance construction of a fast ferry capable of carrying 500 passengers only, without the capability of carrying cars and freight? If not, please explain.**

Response:

Yes.

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Michael R. McElroy

6. **Does Interstate agree that it has not sought a waiver of its temporarily suspended obligation to operate a seasonal fast ferry water carrier of passengers and freight, materially consistent with the larger car/freight/passenger fast ferry? If not, please explain.**

Response:

Interstate agrees that it has not sought such a waiver, but as set forth above in response to No. 2, which is incorporated by reference herein, Interstate does not agree with the term “obligation” and does not believe that a waiver is necessary. The referenced CPCN was suspended. Moreover, Interstate has relinquished the portion of CPCN W-1169 which deals with the fast ferry sought in Docket No. D-05-06.

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Michael R. McElroy

7. **Please explain why Interstate has not sought a waiver of its temporarily suspended obligation to operate a seasonal fast ferry water carrier of passengers and freight, materially consistent with the larger car/freight/passenger fast ferry.**

Response:

Interstate agrees that it has not sought such a waiver, but as set forth above in response to No. 2, which is incorporated by reference herein, Interstate does not agree with the term “obligation” and does not believe that a waiver is necessary. The referenced CPCN was suspended. Moreover, Interstate has relinquished the portion of CPCN W-1169 which deals with the fast ferry sought in Docket No. D-05-06.

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8. **Please explain why Interstate requested to finance a passenger only ferry in Docket No. D-18-39 but sought authority to operate a fast ferry water carrier of passengers and freight in Docket No. D-05-06? In your explanation please state all of the reasons that support Interstate's position.**

Response:

The fast ferry water carrier market is substantially different in 2018-2019 from what existed in 2004-2005 when Interstate applied to the Division for a CPCN to operate as a seasonal fast ferry water carrier of passengers, freight, and cars between Point Judith, Newport, and Old Harbor, Block Island. As of 2004-2005, Interstate had never operated a fast ferry catamaran as part of its fleet.

Over the almost 15 years since Interstate purchased the assets of Island Hi-Speed Ferry and began running a fast ferry passenger-only catamaran, Interstate's fast ferry operation has grown substantially and the profits from that operation have provided subsidies to Interstate's traditional lifeline operation.

In recent years, and especially in the last three years or so, customer demand for fast ferry capacity from Point Judith to Old Harbor has substantially increased, to the point where potential customers for the Point Judith fast ferry are often unable to travel from Point Judith to Block Island on the fast ferry, especially at peak times, and are therefore forced to either not go to Block Island at all or to take the slower traditional ferry from Point Judith.

For every such customer that Interstate loses, it loses the revenue associated with that potential rider. Moreover, for every such Interstate customer that takes the traditional Point Judith ferry instead of the Point Judith fast ferry, Interstate loses the substantial rate differential between the two ticket prices.

Therefore, Interstate requested authority to finance a new 500 passenger only ferry to replace the existing 250 passenger-only ferry in order to meet demand from its customers for more fast ferry capacity from Point Judith.

Finally, although Interstate thought before it began operating a fast ferry service that there would be a demand for a fast ferry that carried limited freight and vehicles, Interstate has not experienced any customer demand for freight or vehicle transportation by fast ferry from Point Judith. Moreover, the fast ferry deck space that would be lost to transporting freight and vehicles would significantly reduce the number of passengers who could be carried. It makes much more financial sense for Interstate's ratepayers for Interstate to utilize the limited space on a fast ferry only for passengers, especially in light of the subsidy the fast ferry provides to the lifeline rates.

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9. **Provide all documents that relate to Interstate's decision-making to request a passenger only ferry capable of carrying 500 passengers in Docket No. D-18-39.**

Response:

Interstate's decision was driven by Interstate's experience operating its fast ferries for approximately the last 15 years, and especially its experiences in the last three or four years. Customer demand for fast ferry capacity from Point Judith to Block Island has significantly grown, resulting in many sell outs of the fast ferry and disappointed customers. Interstate does not have any documents that deal with Interstate's decision making in this regard, other than the testimony in Docket No. D-18-39, to which reference is made.

Prepared by:

Joshua Linda and David G. Bebyn, with legal assistance from Interstate's legal counsel,
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10. **Provide a detailed explanation as to what Interstate believes will be the impact that an operating high-speed ferry between Quonset Point and Block Island will have on: a) Interstate's fast ferry operation, and b) Interstate's life-line operations.**

Response:

The most recent information that Interstate has regarding such impacts was set forth in the testimony presented by Interstate's witnesses in Division Docket D-13-51, to which reference is hereby made. Please note, however, that the testimony presented in Docket D-13-51 was based on a survey and statistical analysis of Interstate's riders that was conducted in 2013 and was also based on Interstate's finances as of that time. There have been substantial changes in expressed passenger demand for fast ferry capacity from Point Judith since the filing of that docket in 2013. Interstate does not know at this time what the current impact would be on either Interstate's fast ferry operation or Interstate's lifeline operation. However, any diversion of Interstate's fast ferry customers away from Interstate's Point Judith fast ferry run would reduce Interstate's fast ferry revenues and would accordingly reduce Interstate's fast ferry subsidy to its lifeline operation.

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11. **Provide all documents that reflect and/or relate to the impact that an operating high-speed ferry between Quonset Point and Block Island would have on: a) Interstate's fast ferry operation, and b) Interstate's life-line operation.**

Response:

The most recent information that Interstate has regarding such impacts was set forth in the testimony presented by Interstate's witnesses in Division Docket D-13-51, to which reference is hereby made. Please note, however, that the testimony presented in Docket D-13-51 was based on a survey and statistical analysis of Interstate's riders that was conducted in 2013 and was also based on Interstate's finances as of that time. There have been substantial changes in expressed passenger demand for fast ferry capacity from Point Judith since the filing of that docket in 2013. Interstate does not know at this time what the current impact would be on either Interstate's fast ferry operation or Interstate's lifeline operation. However, any diversion of Interstate's fast ferry customers away from Interstate's Point Judith fast ferry run would reduce Interstate's fast ferry revenues and would accordingly reduce Interstate's fast ferry subsidy to its lifeline operation.

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12. **Provide Interstate's assessment of the high-speed ferry market(s) to and from Block Island from Quonset Point and Point Judith in Rhode Island. Include in the response all demand-related data used in Interstate's decision regarding the proposal to purchase the high-speed ferry capable of carrying 500 passengers only but not freight. Also, identify, quantify and explain in the response whether there is a growing demand/need for high-speed passenger service from the mainland to the island, and if so, over what time-period.**

Response:

The demand related data that Interstate used in making a decision regarding its proposal to purchase a fast ferry capable of carrying 500 passengers consists of a combination of the demand related data set forth in Interstate's annual reports to the Commission (to which reference is hereby made), together with Interstate's knowledge that many of its fast ferry runs at high demand times from Point Judith have been sold out in recent years. As a result, in recent years many customers have expressed disappointment because they wanted to travel to Block Island from Point Judith on the fast ferry, but were unable to do so. Interstate firmly believes that there is a growing demand for fast ferry passenger service from Point Judith to Block Island in the summer, especially on weekends and holidays and during nice weather, and that this demand has been growing over approximately the last three years or so. Interstate is unaware of whether there is a demand or need for fast ferry passenger capacity from any location on the mainland other than Point Judith and Newport. Interstate believes there is slowly growing demand for fast ferry passenger capacity from Newport to Block Island, but currently Interstate is easily able to fully satisfy that demand with the fast ferry that it operates from Newport in the summer. It is Interstate's experience that the demand for Newport to Block Island fast ferry capacity is growing much more slowly than the demand for fast ferry capacity from Point Judith to Block Island. Interstate is simply unable to satisfy the growing demand for fast ferry capacity from Point Judith to Block Island with the 250-passenger ferry Athena. It is too small. Interstate believes that a 500-passenger fast ferry from Point Judith to would satisfy that demand.

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