

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

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**RE: CPCN APPLICATION  
OF RHODE ISLAND FAST FERRY**

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**DOCKET No. D-13-51**

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

**FEBRUARY, 2015**

1 **Q. Please state your name, position and office address.**

2 A. My name is Walter E. Edge, Jr. I am the Vice President of B&E Consulting LLC. I  
3 currently work out of my home at 128 Crestwood Court, Cumberland, RI and my  
4 telephone number is (401) 333-5248.

5  
6 **Q. Please summarize your educational and professional background.**

7 A. I received my undergraduate degree BSBA (Major in Accounting) from Bryant College  
8 (currently Bryant University). I earned a Masters degree in Business Administration  
9 (MBA) from the University of Rhode Island, and I have continued my education at URI  
10 in the MPA (Masters of Public Administration) program. I became a Certified Public  
11 Accountant (CPA) in 1969 and have continued my continuing education requirements  
12 since.

13  
14 **Q. What is the purpose of your testimony?**

15 A. I will provide testimony on behalf of Interstate Navigation Company (Interstate) in  
16 opposition to the application for a Certificate of Public Convenience and Necessity  
17 (CPCN) filed by Rhode Island Fast Ferry (RIFF) to provide summer-only, passenger-only  
18 high-speed ferry service to Old Harbor, Block Island from Quonset Point. My testimony  
19 will be limited to:

20 1) Providing calculations and testimony showing the expected adverse financial  
21 impact (if the requested RIFF fast ferry CPCN is approved) on both Interstate's  
22 existing fast ferry service and Interstate's traditional lifeline service, both of  
23 which will be directly, significantly, and negatively affected. I have calculated  
24 that Interstate would lose over \$1.2 million, which would require a 14.2% rate  
25 increase and/or a reduction in service,

26 2) Clarifying for the record some of the points raised by the RIFF witnesses  
27 regarding the history of regulation relating to these two entities,

28 3) Addressing falsehoods in the RIFF pre-filed testimony relating to Interstate in  
29 order to correct the record,  
30  
31  
32

1 4) Reviewing the claims regarding the alleged need for the proposed service given  
2 the current fast ferry market in southern New England,

3  
4 5) Evaluating the observations of the RIFF witnesses and the documentation used  
5 by them attempting to show that there is a need for the proposed RIFF service  
6 and demonstrating why I am of the opinion that their conclusions, based upon  
7 my review of their own documentation, are wrong and their faith in the  
8 documentation is misplaced,

9  
10 6) Determining if the public in general will be provided a more convenient high  
11 speed service than what already exists if the RIFF application is granted.

12  
13 My testimony will not address the issues of whether or not RIFF and/or its owner are Fit,  
14 Willing, or Able to provide the proposed service.

15  
16 **Q. Please summarize your testimony.**

17 **A.** I am of the opinion that (1) there is no need for the proposed RIFF service because the  
18 fast ferry market to Block Island is saturated; (2) there will be no general public  
19 convenience provided by the proposed service; (3) the addition of the RIFF service is  
20 contrary to the public interest; and (4) the proposed service will result in wasteful  
21 competition, cream skimming, and adverse impacts on Interstate's lifeline service, the  
22 lifeline ratepayers, and the Town of New Shoreham (Block Island).

23  
24 I agree with Dr. Mazze that "Interstate would lose as much as 17% of its traditional ferry  
25 passengers and 27% of its hi-speed ferry passengers from Point Judith during the summer  
26 months if Rhode Island Fast Ferry is permitted to offer summer-only, passenger only  
27 high-speed ferry service from Quonset Point to Old Harbor Block Island..." and "that, if  
28 Rhode Island Fast Ferry's application is approved, Rhode Island Fast Ferry would  
29 negatively impact Interstate's lifeline passenger, vehicle and freight services to Block  
30 Island by taking away customers and revenue from Interstate during the summer  
31 months."  
32

1 **Q. What is the basis of your conclusions?**

2 A. My testimony, schedules, and opinions are based on my education, training, and  
3 experience as a CPA and as a consultant for Interstate and many other regulated utilities  
4 in Rhode Island. Also I have developed detailed knowledge of Interstate's finances,  
5 rates, and operations style during the past 24 years.

6  
7 In addition, I have reviewed Dr. Mazze's marketing research study of Interstate's fast  
8 ferry and traditional ferry passengers in 2013. I used his findings to calculate the loss of  
9 revenue to Interstate as a result of the implementation of the proposed RIFF service.

10  
11 I reviewed all of the RIFF pre-filed testimony and completed my own independent  
12 review of each of the items cited by the RIFF witnesses allegedly supporting RIFF's  
13 claims that (1) there is a need for this new service, and (2) there is an unserved pent-up  
14 demand for this service. I also read all of the data responses provided by RIFF. I found  
15 that the items used by RIFF did not support their conclusions.

16  
17 My testimony will be presented in the following order:

- 18       ➤ Financial Impact on Interstate's Lifeline Service
- 19       ➤ Regulatory History
- 20       ➤ Clarifications of the Record
- 21       ➤ Need
- 22       ➤ Convenience
- 23       ➤ Competition
- 24       ➤ Docket No. D-13-105

25  
26                   **FINANCIAL IMPACT ON INTERSTATE'S LIFELINE SERVICE**

27  
28 **Q. Mr. Edge, did you calculate the financial impact on Interstate's lifeline service?**

29 A. Yes, I did. Using the results of Dr. Mazze's Marketing Research Study, which showed  
30 that Interstate would lose 17% of its traditional service passengers (traveling in the  
31 summer) and 27% of its fast ferry service passengers, I calculated that Interstate would  
32 lose **\$1,214,590** of revenue as a result of the RIFF business if its CPCN request is

1 approved. This would result in an across-the-board increase in Interstate's traditional  
2 service rates of 14.2%. See the Revenue Schedules WEE-1 and WEE-2 attached.

3  
4 **Q. Why are you including the lost revenue from the fast ferry service with the increase**  
5 **in the traditional rates?**

6 A. Interstate's traditional rates are calculated using 100% of the fast ferry profit. Lost  
7 revenue (without any reduction in service) will result in a reduction of the fast ferry profit  
8 and therefore reduce the traditional revenue. This will require an increase in traditional  
9 service rates and/or a reduction in service.

10  
11 **REGULATORY HISTORY**

12  
13 **Q. Mr. Edge, are you familiar with Division Dockets D-05-06 and D-06-53?**

14 A. Yes, I am. Docket D-05-06 addressed Interstate's request for a seasonal "fast ferry"  
15 CPCN between Point Judith and Old Harbor, Block Island and Newport and Old Harbor,  
16 Block Island. Docket D-06-53 addressed Interstate's petitions for approval to (1) buy the  
17 Rhode Island assets of Island Hi-Speed Ferry (IHSF), (2) lease the M/V *Athena* for the  
18 summer of 2006, (3) eliminate restrictions on Interstate's fast ferry CPCN, (4) eliminate  
19 restrictions on IHSF's fast ferry CPCN, (5) transfer the IHSF fast ferry CPCN to  
20 Interstate and to continue to hold the CPCN in abeyance (dormancy), and (6) continue to  
21 hold the Newport leg of Interstate's fast ferry CPCN in abeyance (dormancy).

22  
23 **Q. How can a review of these two dockets help us understand the regulatory history of**  
24 **these two companies?**

25 A. I believe that a review of the Division's Order in Docket D-05-06 can provide us with an  
26 understanding of how both sides acted before the Division in 2005 when they were on the  
27 opposite sides of a petition for a new fast ferry CPCN. In that docket, Interstate was  
28 requesting a new fast ferry CPCN and IHSF was objecting to Interstate's request; in this  
29 docket, RIFF is requesting a new fast ferry CPCN and Interstate is objecting to RIFF's  
30 request.

- 1           ➤ In Docket D-05-06, Interstate completed a survey of its own customers to  
2 determine if there was a need for Interstate to provide a fast ferry service to its  
3 own customer base in order to provide them choice. Seventy percent of the  
4 ridership projected for this new fast ferry service was predicted to be from  
5 Interstate's own traditional passengers. In this docket, (D-13-51) RIFF has  
6 completed no surveys, marketing studies, traffic studies, economic studies, or  
7 business studies.
- 8
- 9           ➤ In Docket D-05-06, Interstate provided complete operational and financial  
10 information: description of the vessel that would be used, rates, projected  
11 revenue, projected expenses, estimated financial impact on Interstate's lifeline  
12 customers and services, and the exact number and scheduled times of all trips  
13 proposed. In this Docket, RIFF has provided none of these important pieces of  
14 information.
- 15
- 16           ➤ In Docket D-05-06, Interstate offered three options that would protect Interstate's  
17 lifeline customers if the fast ferry was unsuccessful. The first option was for  
18 Interstate's stockholders to absorb all losses from the fast ferry operation. In  
19 addition to the first option, which would be used if there were any losses, the  
20 second and third options were that Interstate would either lease or sell the new  
21 fast ferry vessel to offset the losses. RIFF is a stand-alone for-profit business.  
22 Therefore, any losses from its own operations would be absorbed by RIFF.  
23 However, RIFF has provided no options to protect Interstate's lifeline customers  
24 or services.
- 25
- 26           ➤ In Docket D-05-06, Interstate pointed out that in order for it to compete with the  
27 various fast ferry companies already providing fast ferry service to Block Island,  
28 it needed to have its own fast ferry service. Interstate showed that since new fast  
29 ferry operations began servicing Block Island, Interstate's revenue declined,  
30 hurting the lifeline ratepayers. RIFF cannot assure the Division that their entry  
31 into the fast ferry business to Block Island will not hurt Interstate's lifeline

1 customers; RIFF also cannot say that their own existing business will suffer if  
2 they are not allowed to provide this new fast ferry service to Block Island.

3  
4 ➤ In Docket D-05-06, Mr. Kunkel testified that Block Island Express (BI Express),  
5 a fast ferry from New London to Block Island, (a) was in direct competition with  
6 IHSF's fast ferry service, and (b) would be in direct competition with Interstate's  
7 proposed fast ferry service. Mr. Kunkel also testified that Vineyard Fast Ferry  
8 (VFF) was in indirect competition with IHSF. In this docket, Mr. Kunkel now  
9 opines that Interstate and RIFF would not be in direct competition. Clearly, RIFF  
10 would be in direct competition with Interstate.

11  
12 ➤ In Docket D-05-06, Mr. Kunkel testified that if Interstate were allowed into the  
13 fast ferry market, that IHSF would most likely go into bankruptcy. He also  
14 testified that if they both stayed in the market, and there were "two consecutive  
15 poor weather summers, the financial losses would be enormous, especially for  
16 Interstate..., which would suffer a double financial hit on the fast ferry side and  
17 the life-line side of the business.." It should be noted that IHSF would most likely  
18 have gone out of business due to competition from BI Express, even if Interstate  
19 were excluded from providing fast ferry service to Block Island. In this docket,  
20 Mr. Kunkel shows no concern at all for Interstate's lifeline service.

21  
22 ➤ In Docket D-05-06, Mr. Kunkel testified that at that time, there were nearly  
23 1,000,000 seats of fast ferry capacity serving Block Island and only 16% of that  
24 capacity was being used. He also pointed out that there were 320,000 passenger  
25 seats provided by VFF (indirect competition) that worsened the problem. Given  
26 that Interstate is using the same vessel (the *M/V Athena*) that was used by IHSF,  
27 and BI Express is still using the same vessel (the *M/V Jessica W*), it is safe to say  
28 that there are still about 1,000,000 seats of capacity from these two activities.

29  
30 The fact that Interstate has recently started a summer-only, passenger-only fast  
31 ferry service from Fall River to Newport to Block Island and return with a vessel  
32 that carries 250 passengers, the number of fast ferry passenger seats available

1 must be increased to reflect this new service. Since it is summer-only and there  
2 are three runs a day, I estimate that there are over 130,000 additional fast ferry  
3 seats now available. It is also unlikely that the utilization level is much greater  
4 than the 16% used by Mr. Kunkel in 2005.

5  
6 Mr. Kunkel has ignored these statistics. In his 2014 pre-filed testimony, he now  
7 suggests that there is a need for his client's new proposed fast ferry service.

8  
9 ➤ In Docket D-05-06, Mr. Kunkel concluded that the fast ferry market to Block  
10 Island was "saturated." Given the occupancy information and concluding that  
11 the market was saturated, Mr. Kunkel opined that entry into this market by  
12 Interstate would be "absurd, economically irrational and contrary to the public  
13 interest." Yet in this docket, Mr. Kunkel supports his client's entrance into a  
14 "saturated" market that is "absurd, economically irrational and contrary to the  
15 public interest."

16  
17 ➤ In Docket D-05-06, Mr. Kunkel argued in his rebuttal testimony that Interstate's  
18 proposed entry into the fast ferry market to Block Island "can only be  
19 characterized as one of two things: either it is economically irrational, or it is  
20 predatory." Mr. Kunkel explained "no rational business person would enter a  
21 market characterized by extraordinary excess capacity, intense competition, which  
22 requires a capital intensive investment and which is highly regulated in the sense  
23 that management does not have the ability to adjust prices on a discretionary  
24 basis."

25  
26 ➤ In Docket D-05-06, Mr. Kunkel suggested that IHSF and Interstate should merge.  
27 The merger never happened, but Interstate was approached by IHSF with an offer  
28 to sell the Rhode Island assets of IHSF to Interstate when it became obvious that  
29 Interstate's CPCN would be approved. The letter of agreement between Interstate  
30 and IHSF regarding the sale of IHSF was signed on November 16, 2005, more  
31 than two months before the Division's Order No. 18506 approving Interstate's  
32 fast ferry CPCN was issued. IHSF was so eager to get out of the business, that

1 they offered a time charter of the M/V *Athena* to Interstate for the period May 24,  
2 2006 through October 11, 2006, while the details of the sale were being worked  
3 out.

- 4  
5 ➤ Docket D-06-53 was the docket that addressed the charter of the M/V *Athena*, the  
6 purchase/sale of the M/V *Athena*, and the elimination of restrictions no longer  
7 needed on the IHSF and Interstate fast ferry CPCNs. Mr. Kunkel was correct  
8 that IHSF would have gone bankrupt if Interstate had not agreed to buy them out.  
9 It should be noted that Mr. Donadio had already left IHSF, taking his profits and  
10 starting RIFF.

11  
12 **CLARIFICATIONS OF THE RECORD**

13  
14 **Q. What clarifications would you like to make for the record?**

15 **A.** The following are the clarifications I would like to make based upon my review of the  
16 RIFF pre-filed direct testimonies:

17  
18 Mr. Kunkel:

- 19  
20 1. Page 5, lines 12 and following answer. Mr. Kunkel is correct that Interstate was  
21 not serving a dormant high speed ferry business, and at that time, Interstate did not  
22 believe it was needed. However, Interstate, in Division Docket D-05-06, admitted  
23 through the testimony of Susan Linda, President of Interstate, that she was wrong  
24 and that fast ferry business was growing. So much so that Interstate identified a  
25 need to provide Interstate customers with the option of traditional or fast ferry  
26 service. Mr. Kunkel also states that five years of IHSF history proves he was right  
27 and Interstate's "death spiral" prediction was wrong. Although the "death spiral  
28 observation" did not come to fruition, Interstate did suffer significant lost revenues  
29 during those five years. Interestingly, the death spiral was actually happening to  
30 IHSF (because, as Interstate pointed out, there was not enough need for a fast ferry  
31 to New Harbor). In addition, Interstate was able to save its business by offering the  
32 choice of fast ferry and traditional service to its own customers.

33

- 1           2. Starting at the bottom of page 5 and going over to the top of page 6. Mr. Kunkel  
2 makes the point that Interstate just started two additional fast ferry services. This is  
3 true, but Interstate was not “responding to a demand it believed was needed for such  
4 service,” Interstate was also not responding to the fact that RIFF was asking for a  
5 CPCN to start a fast ferry service from Quonset.  
6
- 7           3. Page 5. The comparisons regarding Martha’s Vineyard and Block Island are  
8 meaningless, given the significant differences in the sizes of the two Islands, the  
9 year-round population of the two Islands, and the number of summer visitors to  
10 each of the Islands. In all three categories, Martha’s Vineyard is by far greater, so  
11 two extra mainland departure points to Martha’s Vineyard seems reasonable.  
12
- 13          4. Page 7, line 14 the question and answer. Mr. Kunkel returns to his “game theory”  
14 analysis. Mr. Kunkel has not identified Interstate’s “ultimate payoff” correctly.  
15 Interstate has never decided to spend ratepayer money to fight to maintain its  
16 allegedly monopolistic position. Rather, Interstate’s interest is to protect its lifeline  
17 service. Mr. Kunkel cannot understand that Interstate’s family management and  
18 owners have never made “game theory” decisions regarding the profitability of the  
19 company. Rather, Interstate has always made decisions that benefit both the  
20 company (not necessarily the owners) and the ratepayers. I strongly believe that  
21 Mr. Kunkel simply does not understand the limits that have been put on Interstate’s  
22 traditional and, even more so, on Interstate’s fast ferry profitability.  
23
- 24          5. Page 7, half way down. Mr. Kunkel states that he was convinced in 2005 that  
25 Interstate’s motives for requesting a fast ferry CPCN were “predatory.” A review  
26 of the evidence in Interstate’s fast ferry CPCN docket clearly shows that he was  
27 wrong. The Division’s Advocacy Section, the Hearing Officer, and the Division’s  
28 final Order rejected Mr. Kunkel’s predatory arguments.  
29
- 30          6. Page 7 next few lines. Mr. Kunkel is wrong on two counts regarding Interstate’s  
31 intention “at that time” (CYs 2005-2006). He claims that Interstate was asking for a

1 fast ferry CPCN to eliminate “a weaker market participant” and to regain its alleged  
2 “monopoly.” First, Interstate was not aware of how weak IHSF had become with  
3 the introduction into the fast ferry market of BI Express. In fact, Interstate intended  
4 from the beginning to compete with what it felt was an established, well run, and  
5 financially strong competitor. Secondly, Interstate could not regain a  
6 “monopolistic” position in the fast ferry market because it never had one.

7  
8 7. Page 7 next few lines. Mr. Kunkel seems unaware of the circumstances regarding  
9 Interstate’s decisions regarding the inauguration of its Newport and Fall River fast  
10 ferry routes. The Newport service has been in the works for years and the Fall  
11 River service has nothing at all to do with RIFF. Mr. Kunkel is assigning far more  
12 importance to his client’s intentions than Interstate.

13  
14 8. Page 7, next few lines. Although Mr. Kunkel says that he has had a unique  
15 opportunity to observe Interstate’s “behavior and game playing strategies,” he is  
16 still not seeing Interstate’s behavior correctly and he hasn’t realized that Interstate is  
17 not playing games.

18  
19 9. The top of page 8. Mr. Kunkel’s conclusion that “I can only conclude that  
20 Interstate’s motive here is not necessarily to serve a public need as much as it is to  
21 prevent entry by what it incorrectly perceives to be a market rival, with the ultimate  
22 payoff being the preservation of its monopoly.” Mr. Kunkel could not be more  
23 wrong. Interstate does not have a monopoly on fast ferry service to Block Island  
24 and Interstate’s “ultimate payoff” would be to eliminate the threat to Interstate’s  
25 lifeline customers of the addition of a cream skimming predator and direct  
26 competitor that intends to create wasteful competition for the sole purpose of  
27 putting dollars in RIFF’s pockets in the form of profits. This has never been about  
28 Interstate’s profits because they will not be impacted by RIFF.

29  
30 10. Page 8 line 15, question and answer. Mr. Kunkel’s arguments that RIFF will be  
31 serving a different market than Interstate and that RIFF will not be a direct

1 competitor are not supported by the record and are inconsistent with his position in  
2 previous cases when he concluded that BI Express was a direct competitor to IHSF.  
3 He further stated that in this case, the main differentiating fact resulting in his  
4 conclusion is that Interstate and RIFF would not be direct competitors is the  
5 geographic location of their departure points. Clearly RIFF and Interstate will be in  
6 direct competition and I believe that this testimony explains why I believe that there  
7 is no “unserved market of travelers from mid-state to Northern RI.”

8  
9 11. Page 8 a few lines down. Mr. Kunkel’s conclusion that “some direct competition  
10 will be beneficial to the traveling public” ignores the traveling public currently  
11 using Interstate’s service in the winter and even those using Interstate’s fast ferry  
12 and traditional lifeline services in the summer. One could argue that if there was  
13 one customer living next door to RIFF, that the new service would be convenient to  
14 that one member of the traveling public, but would it be convenient to the majority  
15 of the traveling public? No.

16  
17 12. Page 8 a few lines down. Once again Mr. Kunkel misinterprets Interstate’s  
18 operation by concluding that Interstate improved its services to compete with IHSF.  
19 Interstate has been improving its service since its inception in the 1930’s, long  
20 before IHSF was even in existence. What is true is that Interstate obtained its own  
21 fast ferry CPCN to provide choice to its then current customers and to entice its  
22 former customers back to Interstate by offering fast ferry service which was an  
23 improvement of service by Interstate. Therefore, it is at least partially true that the  
24 result of IHSF’s competition improved Interstate’s service to Block Island.

25  
26 Mr. Donadio:

27  
28 I only have a few clarifications relating to Mr. Donadio’s testimony as follows:

29  
30 1. Page 5, line 10 Answer. Mr. Donadio, “having operated the Southland across the  
31 pier from Interstate Navigation’s operations” (more than 13 years ago), “then Island  
32 Hi-Speed Ferry from Point Judith” (more than 12 years ago), believes that he knows

1 that his service will be better than Interstate's current fast ferry service. Given that  
2 Interstate didn't even have a fast ferry service 12 years ago, Mr. Donadio's  
3 knowledge of Interstate's current fast ferry service is not based upon his unique  
4 experiences listed above. This Division knows that Interstate provides a first class  
5 travel experience to all its customers, both fast ferry and traditional.

6  
7 2. Page 6 bottom of the page. Given that Mr. Donadio's first hand observations of  
8 Interstate's operations are more than 12 years old, he may not be aware of  
9 Interstate's new staging area, the more accessible loading and unloading areas, and  
10 the safer and more convenient boarding procedures.

11  
12 3. Page 7 middle of the page. I can't speak to why the M/V *Ava Pearl* capacity of 250  
13 passengers was certified for only 150 seats, but I find it interesting that the *Ava*  
14 *Pearl* replaced the M/V *Millennium*, which had a capacity of 400 passengers, on the  
15 first "successful high-speed ferry service to the Island of Martha's Vineyard." If the  
16 service was so successful, why did RIFF reduce the available seats from 400 to  
17 150?

18  
19 4. Page 7 near the bottom of the page. I don't believe that the *Millennium* "speaks for  
20 itself in terms of capacity." Further, identifying the use of either a 150 passenger  
21 vessel (used for the Martha's Vineyard run) or a 400 passenger vessel (now used in  
22 Bermuda) creates a significant problem for Interstate in estimating the number of  
23 passengers that RIFF will be carrying in the summer during the peak travel months.

24  
25 5. Page 7 line 13. Although RIFF's 4,000 square foot terminal facility sounds nice,  
26 Interstate's customers have all of Galilee to enjoy while they wait, but given the  
27 number of runs, the wait in either Galilee or Block Island is much less than the wait  
28 will be if RIFF only makes two runs a day. Clearly the new Quonset facility is  
29 being built for the customers using RIFF's current service to Martha's Vineyard  
30 who may require such a facility given the limited amenities and activities available  
31 near RIFF's Quonset docking facilities.

1 Although I have comments about the testimony of some of the other RIFF witnesses, I  
2 will address those comments as part of my discussion about Need and Convenience.

3  
4 NEED

5  
6 **Q. What are the reasons given by the RIFF witnesses claiming that there is a need for**  
7 **RIFF's proposed fast ferry service from Quonset?**

8 A. The RIFF witnesses have identified a number of reasons why they feel that the proposed  
9 fast ferry service from Quonset is needed as follows:

10  
11 1. All of the witnesses rely in part on the testimony of Mr. Robert Billington, President of  
12 Blackstone Valley Tourism Council, and his observations that there is a need for this new  
13 fast ferry service given the activities of Tour RI.

14  
15 2. Mr. Donadio points out four reasons why he believes that there is a need for his new  
16 proposed fast ferry service as follows:

17  
18 ➤ He believes that "there is a market of passengers who currently choose not to  
19 travel to Block Island, even by high speed ferry, who would use RIFF's proposed  
20 Quonset service if offered" because of the amenities allegedly not made available  
21 by Interstate.

22  
23 ➤ He states that he "is confident based upon a population radius."

24  
25 ➤ He relies on Mr. Billington's experience with allegedly servicing pent-up demand  
26 for Block Island travel.

27  
28 ➤ He relies on contacts made by individuals wanting to travel to Block Island with  
29 RIFF either by phone, website, or simply arriving in person at the RIFF dock.

30  
31 3. The major reason given by the other RIFF witnesses is that travel to Point Judith is  
32 difficult in the summer because of summer beach traffic and that a fast ferry service from  
33 Quonset would take automobiles off the roads in the summer.

34

- 1 4. Ms. Elizabeth Dolan also testified that her North Kingstown Town Council “believes that  
2 this new travel option will not only be of economic benefit to North Kingstown, but to  
3 Block Island as well.”  
4  
5 5. Ms. Martha Pughe testified that the North Kingstown Chamber of Commerce supports  
6 the proposed new service. Note: Mr. Donadio’s RIFF has been a Chamber member since  
7 2003.  
8  
9 6. Ms. Myrna George testified that the South County Tourism Council supports the new  
10 service to reduce the traffic on the roads in the summer and to encourage tourism.

11  
12 **Tour Rhode Island (Tour RI)**

13  
14 **Q. Mr. Edge, a great deal of importance has been given by RIFF to Mr. Billington’s**  
15 **Tour RI. Do you think that Tour RI showed that there is an untapped, pent-up**  
16 **demand for fast ferry service to Block Island which is currently not being served?**

17 A. Absolutely not.

18  
19 **Q. Why not?**

20 A. At first, I thought the argument relating to Tour RI was somewhat reasonable. Mr.  
21 Billington is a well known and respected individual in the State that has worked with  
22 Interstate on numerous projects, including Tour RI. However, my research shows that  
23 although Tour RI was a nice political idea, it was heavily subsidized, infrequently  
24 offered, and turned out to be a program that ran out of steam in just a few years.

25  
26 Tour RI started in May of 2004 and ended in May of 2010. When I asked how many  
27 times per season Tour RI ran its motor coaches, I was very surprised to find that they  
28 only ran once per year in the month of May! Tour RI ran four motor coaches per year to  
29 Block Island (with the exception of 2009 and 2010 when the number was reduced to  
30 three coaches). Each coach carried about 45 passengers.

31  
32 The typical Block Island Tour RI trip included a ride to and from Point Judith and the  
33 CCRI parking lot in Warwick, passage on one of Interstate’s vessels to and from Block

1 Island, transportation on the Island, a gift, and lunch. The cost to the traveler was \$20 for  
2 an adult and \$10 for a child in the first two years. The price was increased by \$10 per  
3 traveler in 2006 and 2007. In May of 2010, the last year of Tour RI, the rate went up to  
4 \$45 per adult and \$35 per child.

5  
6 When I asked how all of this could be provided to the travelers for such a small amount  
7 of money, I was told that Interstate did not charge Tour RI for transportation to and from  
8 Block Island. Therefore, the Block Island tours included free rides on the boats. I was  
9 told that just about everyone involved in the Tour RI process provided free or reduced  
10 prices.

11  
12 So in conclusion, RIFF is relying in part on Tour RI's results of providing a trip to Block  
13 Island for about 200 people per year for 7 years (or about 1,400 riders) at no cost for the  
14 ferry ride. I believe that there is an untapped population that will go to Block Island if  
15 they don't have to pay for the boat ride. However, relying on Tour RI's limited  
16 experience to claim that there is an unmet, untapped market of paying passengers for  
17 ferry service to Block Island is unjustified.

18  
19 **Fact check:** The Tour RI Block Island trips had great demand but they were not "always  
20 sold out first" and the ticket price did not double for just the Block Island tours – it  
21 doubled for all of the Tour RI greatly subsidized tours as support from the benefactors  
22 decreased. In spite of the demand for the Block Island tours, this subsidized operation  
23 ended in 2010 due to lack of demand.

#### 24 Amenities

25  
26  
27 I leave it to the Division to judge the differences in the amenities proposed by RIFF  
28 compared to those provided by Interstate. I am not sure how different amenities,  
29 provided on similar vessels, justifies a claim of need for a new service. Clearly, if  
30 Interstate were not providing adequate amenities, the Division might want to address how  
31 Interstate could do better without creating wasteful competition.  
32

Population Radius

1  
2  
3 **Q. Does Mr. Donadio's analysis of radius population support his claim that there is an**  
4 **unserved, pent-up population that will be served by RIFF that is not already served**  
5 **by Interstate?**

6 A. No. Although his analysis is interesting and at first glance appears reasonable, it is not  
7 representative of the facts. It assumes that a population outside 50 miles from Point  
8 Judith is not being adequately served by Interstate and further assumes that these  
9 prospective customers are just waiting around for RIFF to make their first trip to Block  
10 Island. Since Interstate covers all of Rhode Island (which is within 50 miles of Point  
11 Judith) then RIFF must be talking about customers that are in Massachusetts and  
12 Connecticut. Interstate already services many customers from Massachusetts,  
13 Connecticut, and many other states and countries. Clearly RIFF is talking about  
14 customers already served by Interstate.

15  
16 Mr. Donadio testified that RIFF will be able to serve 1,025,885 individuals more than  
17 Interstate can serve within 50 miles of their respective docks. However, it has not been  
18 proven by RIFF that any of the over 1 million individuals within 50 miles are 1) not  
19 already being served adequately by Interstate, or 2) that they want to go to Block Island  
20 at all.

21  
22 This argument is further weakened by using the correct comparisons. Interstate is not  
23 just Point Judith (Galilee), it is also Newport and Fall River. When I included all three of  
24 Interstate's points of embarkation, the map showing the population covered changed  
25 significantly. The attached 10 mile map shows that Interstate provides service to a  
26 greater population than could be covered by RIFF. The attached maps showing radius'  
27 of 15 miles, 25 miles, and 50 miles show that RIFF will service less and less population  
28 outside Interstate's coverage area. The largest areas not covered within 50 miles of  
29 Interstate's service are in Connecticut. When I added BI Express to the map, the new  
30 proposed service area covered by RIFF becomes a sliver of people (attached). Clearly,  
31 Mr. Donadio's argument and analysis is greatly weakened when the facts that he left out  
32 are included.

1 This brings me back to Mr. Kunkel's testimony in a previous docket that trying to enter  
2 this saturated market would be "absurd, economically irrational and contrary to the public  
3 interest." I would add that one might enter this market on a predatory basis if one could  
4 justify that he could make a profit by cream skimming the summer ridership headed for  
5 Interstate's ferries. Mr. Donadio is very familiar with this predatory concept because he  
6 was the victim of such an attack by BI Express when he owned IHSF. It is clear to me  
7 that he would now like to be the attacker and not the victim. In conclusion, I believe that  
8 Mr. Donadio's radius analysis to justify need is meaningless.

9  
10 **Contacts Made Directly to RIFF**

11  
12 **Q. Mr. Edge, would you comment regarding the direct contacts to RIFF as an alleged**  
13 **justification of need?**

14 **A.** Yes. RIFF did not provide the numbers of calls or visits to RIFF of those expecting to  
15 travel to Block Island via RIFF's service. Further, individuals allegedly wanting to travel  
16 to Block Island with RIFF identified by hits on a website are far less meaningful.  
17 Anyone who has ever gone on a website can tell you that they poke around, often without  
18 any purpose other than gathering information. Website hits are not a measure of an  
19 individual wanting to go to Block Island on RIFF's vessels. If you search for  
20 transportation to Block Island and RIFF comes up as an option you might click on it just  
21 to get information about Block Island but not necessarily to pick RIFF's non-existent  
22 service to Block Island as your final decision. By all measures this is a very weak  
23 argument attempting to support the need and/or convenience required for a CPCN.

24  
25 **Reduction of Summer Traffic**

26  
27 **Q. Mr. Edge, does the argument regarding a reduction of traffic in the summer**  
28 **support the need for a new fast ferry service to Block Island?**

29 **A.** No. In fact, the only way traffic is reduced by RIFF's entry into the fast ferry market to  
30 Block Island is if RIFF is directly taking away Interstate customers. Also, I would argue  
31 that Interstate's customers make up a small percentage of the summer traffic to the  
32 beaches. In fact, Interstate's schedule has only a few trips in the morning and evening

1 that coincide with the peak beach traffic. For example, I believe that Interstate's late  
2 ferries most frequently used to bring back visitors from the Island are much later than the  
3 peak summer traffic heading north in the evening. If Interstate's summer day trippers run  
4 into traffic it will most likely be in the morning and seldom in the evening.

5  
6 **Ms. Elizabeth Dolan, Ms. Martha Pughe, and Ms. Myrna George**

7  
8 **Q. Do the testimonies of Ms. Elizabeth Dolan, Ms. Martha Pughe, and Ms. Myrna**  
9 **George provide support for RIFF's fast ferry to Block Island?**

10 **A.** No. They point out that their organizations support the new service because it will bring  
11 economic benefits to North Kingstown and South County. The North Kingstown Town  
12 Council was even bold enough to suggest that the proposed service to Block Island was  
13 also good for the Town of New Shoreham (which is on record against this new service).  
14 I am sure that the three individuals providing this testimony sincerely believe that the  
15 RIFF service is good for their own geographical areas, but I doubt that they are aware of  
16 the problems it will cause the Town of New Shoreham.

17  
18 Block Island is already maxed out in the summer with day trippers and vacationers.  
19 Their police, public works, bathroom facilities, and medical services are already maxed  
20 out and if RIFF brings an entire new population of day trippers and vacationers, the  
21 Island will not be able to handle the influx, especially at peak times, such as summer  
22 weekends and holidays. If, on the other hand, RIFF simply takes former Interstate  
23 customers to the Island in the summer, the crowds will be the same, but the lifeline  
24 transportation to the Island in the winter will cost more or services will need to be  
25 reduced, due to the loss of income. Block Island loses either way.

26  
27 I was surprised by Mr. Billington's support of non-sustainable tourism, which is caused  
28 by lack of cooperation with the community providing the location for the tourism and  
29 saturation of the location for the tourism. Nevertheless, I believe that Block Island's  
30 residents would see no gain from this proposed new service, but would have to pay the

1 price for the new competition, while Mr. Donadio, North Kingstown, and South County  
2 reap the rewards.

3  
4 CONVENIENCE

5  
6 **Q. Mr. Edge what is convenience?**

7 A. Convenience when it relates to ferry travel is 1) ease of travel, 2) comfort of travel, 3)  
8 time it takes for travel, 4) price, 5) method of payment, 6) access to facilities and  
9 activities (at point of departure and landing), 7) number of departures and return times, 8)  
10 time at sea (water travel), 9) weather conditions, and 10) condition of the sea. More  
11 importantly, public convenience required for the issuance of a CPCN means general  
12 public convenience and includes all of the items listed above. It is my opinion that  
13 Interstate is the most convenient water transportation to Old Harbor, Block Island and  
14 best serves the general public convenience. Ignoring the general public convenience for a  
15 bit more convenience for a small group of others is not public convenience.

16  
17 Public convenience is for the majority with outliers on both sides of each issue. Some  
18 people want fast ferry service and can pay the additional fees. Others prefer lower fees  
19 and do not mind a slower trip to their destination. A similar statement can be made about  
20 all of the 10 items listed above regarding outliers.

21  
22 In all likelihood, Interstate and RIFF would both provide 1) ease of travel, 2) comfort of  
23 travel, 3) time it takes for travel (driving and riding on the boat), and 5) method of  
24 payment. Interstate wins 4) price (lower price), 6) access to facilities and activities (at  
25 point of departure and landing, 7) number of departure and return times, and 8) time at  
26 sea (water travel, for most people, less is better). Neither Interstate nor RIFF can control  
27 the weather of the condition of the seas.

28  
29 The question that must be answered is does the “possible” convenience of an  
30 insignificant, mostly out of state, inactive, unknown population (which represents RIFF’s  
31 projected customer base), and alleged “pent-up” demand carry more weight than the  
32 harm to the Town of New Shoreham, its year-round residents, Interstate’s current

1 ratepayers (lifeline, traditional, and fast ferry services, all of whom will see rate increases  
2 or service reductions), and all other Island visitors who will pay higher prices for all  
3 goods on the Island because of increased freight and truck rates. I think not.

4  
5 **Competition**

6  
7 **Q. Is Interstate concerned about competition?**

8 A. No. Interstate, the company, and its stockholders are protected from competition because  
9 of the process used for setting regulated utility rates. Lost revenue from competition is  
10 adjusted through rates independent from the calculation used by the PUC to calculate  
11 Interstate's return on its investment (profit). Interstate receives a return on its investment  
12 (equity) using a method known as "Rate Base Rate of Return." This method establishes  
13 an authorized rate of return allowed by the PUC as a cost of doing business. The loss of  
14 revenues due to RIFF would be passed on to the ratepayers through rate increases or  
15 through reductions in service.

16  
17 **Q. If this is the proper method of setting rates, why is Mr. Kunkel wasting his and the  
18 Division's time explaining game theory, resulting in his conclusion that Interstate  
19 desires to eliminate competition?**

20 A. I don't know. It seems that Mr. Kunkel has never understood or believed that Interstate  
21 acts as it does to protect its ratepayers, not to protect the company or its stockholders.

22  
23 **Q. What is the biggest difference between the profits that would be earned by RIFF  
24 from a CPCN to provide fast ferry service to Block Island and the profits earned by  
25 Interstate's fast ferry to Block Island?**

26 A. RIFF's profits would go directly into Mr. Donadio's pockets, while 100% of the profits  
27 from Interstate's fast ferry service go to reduce Interstate's traditional rates (including the  
28 lifeline rates) to the benefit of the ratepayers.

29  
30 **Q. Will Interstate and RIFF be in direct competition?**

31 A. Yes, but it won't be fair competition. The key to the success of any business is the  
32 amount of profit it earns. That profit can be used as 1) profits to the owner, 2) cash

1 reserves to protect the company during slow times, or 3) a reinvestment in the company  
2 to improve service and/or increase (expand) service.

3  
4 RIFF will have the luxury of using its profits as it pleases, while Interstate will have to  
5 use its profits to subsidize its traditional service. Clearly, this is unfair competition.

6  
7 **Q. Is the use of profits the only reason why the competition between RIFF and**  
8 **Interstate will be unfair?**

9 A. No. RIFF intends to run a passenger-only, summer-only service during the peak travel  
10 season to Block Island. Interstate is required by its CPCN to run its traditional service  
11 year-round and to also carry trucks, cars, and freight. This added risk puts Interstate's  
12 ratepayers at risk for higher rates. Lost revenue during the summer will increase lifeline  
13 winter rates or reduce lifeline services.

14  
15 **Q. What could be done to level the competition playing field between RIFF and**  
16 **Interstate?**

17 A. A few things could be done. Interstate could spin off its fast ferry service to compete  
18 directly with RIFF without the regulatory restrictions on its profits. Another option that  
19 would work would be if RIFF proposed to run year-round and provide runs in the winter.  
20 This would allow Interstate to discontinue some of its winter runs to make up for the lost  
21 revenue in the summer. Another possibility would be to require RIFF to pay a fee to  
22 Interstate's lifeline service to help with the winter runs and lost revenue.

23  
24 **Q. Is Interstate concerned that RIFF will receive a CPCN to operate a summer-only,**  
25 **passenger only fast ferry service to Block Island?**

26 A. Yes, Interstate is concerned for its customers and more.

27  
28 **Q. What else?**

29 A. Interstate is concerned for Point Judith, the businesses, parking lot owners, etc., that will  
30 lose business, revenues, and profits. Given that Mr. Donadio owns RIFF, controls the

1 adjacent parking lot revenues, and is building a new terminal building, I am sure that  
2 most, if not all, of the lost profits from Point Judith will go into Mr. Donadio's pockets.

3  
4 **DOCKET No. D-13-105**

5  
6 **Q. Mr. Edge, at my request did you review the Division Order No. 20136 in Docket No.**  
7 **D-13-105 to evaluate the issues in that docket that may be similar or different in this**  
8 **RIFF docket?**

9 A. Yes I did.

10  
11 **Q. Do you have any comments regarding Docket No D-13-105?**

12 A. Yes I do. A number of the circumstances in that docket are far different from the  
13 circumstances in this docket as follows:

14  
15 (Please note that the quotes below are from Division Order No. 21363.)

- 16  
17 1. In this case, there are no witnesses for the applicant testifying that they are “frustrated  
18 and unhappy” with Interstate’s amenities, or the care of Interstate’s docks, ramps or  
19 parking areas.
- 20 2. There are no witnesses in this docket that have complained about Interstate’s efforts  
21 to modernize its operations.
- 22 3. There are no witnesses in this docket that have claimed that Interstate or its  
23 management is “unresponsive, unstable, manipulative and vindictive.”
- 24 4. In this docket, the Town of Block Island supports Interstate and does not want the  
25 services of the proposed competitor.
- 26 5. In this docket, Interstate has put on a full case to clarify certain comments provided  
27 by RIFF witnesses and to provide information that Interstate feels would assist the  
28 Division.
- 29 6. Interstate is committed to a future of reliable, safe, comfortable, affordable, and year  
30 round traditional lifeline off-season service, and a complete schedule during the  
31 summer of reliable, safe, comfortable, and affordable fast ferry service.

- 1 7. Interstate believes and has provided testimony showing that the proposed RIFF  
2 service is not in the public interest and the RIFF CPCN, if awarded, would result in  
3 wasteful competition, an increase in lifeline rates, and/or a reduction in service.
- 4 8. Interstate agrees with the Division's observation in Docket D-13-105 that the  
5 approval of IHSF's CPCN was a good decision because it brought fast ferry service to  
6 Block Island. Although Interstate was late to the dance, and did not initially see the  
7 need and desire for fast ferry service, it paid for its mistake by a reduction of revenues  
8 for the next few years. Interstate then obtained its own fast ferry service to give its  
9 customers choice. Interstate eventually bought out IHSF in order to compete with BI  
10 Express from New London, which was taking far more customers from Interstate than  
11 IHSF ever did. Interstate may be missing something again, but we see no eventual  
12 benefit similar to the benefit which arose from the Division's authorization of the  
13 IHSF CPCN, now or in the future.
- 14 9. If the RIFF CPCN is approved, Interstate requests that the same type of conditions,  
15 where applicable, be required of RIFF that are included in the Ordered section of the  
16 Docket D-13-105 Order.

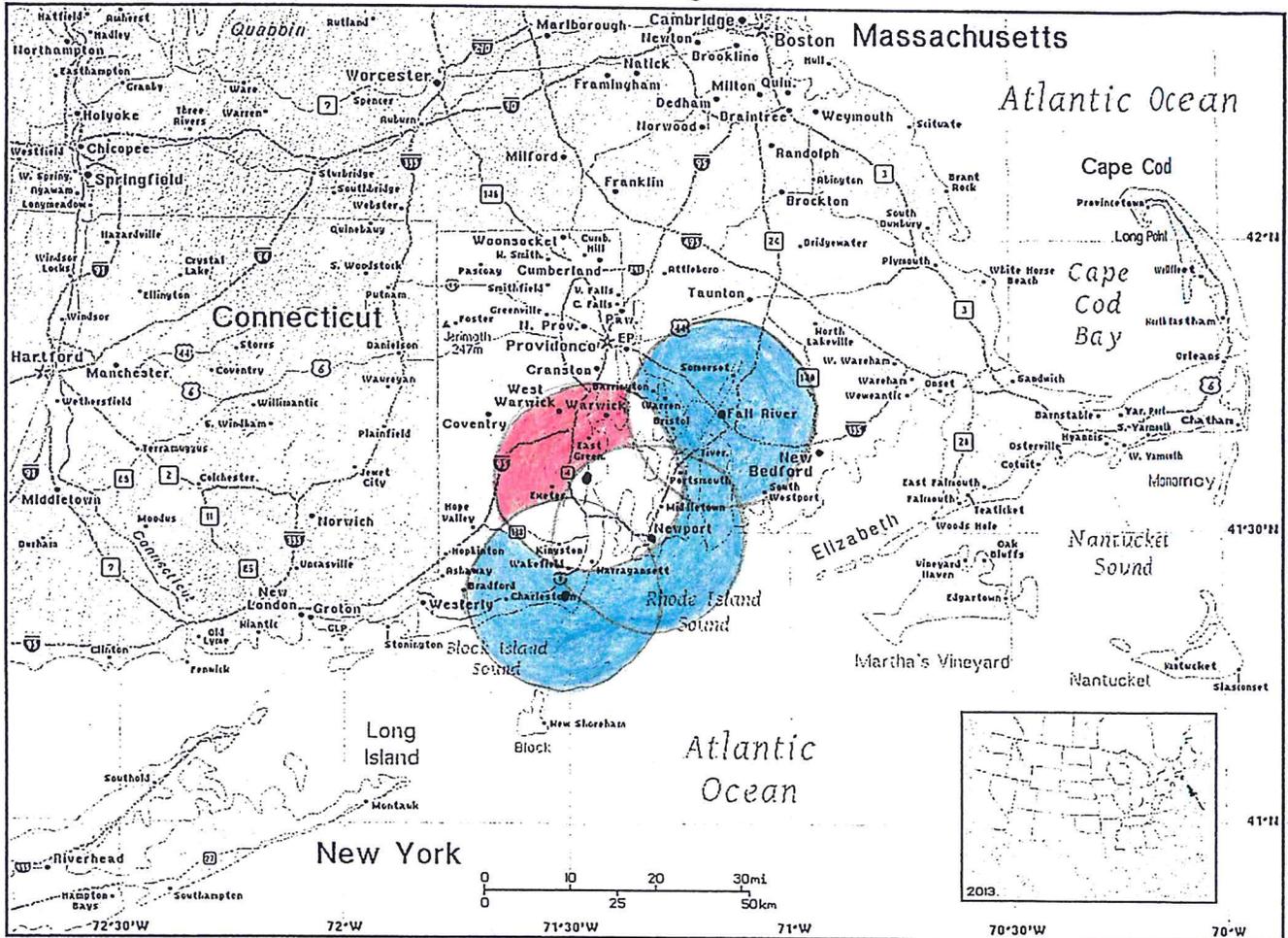
17

18 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

19 **A. Yes.**

RIFF & Interstate (all) Docks

Interstate Navigation



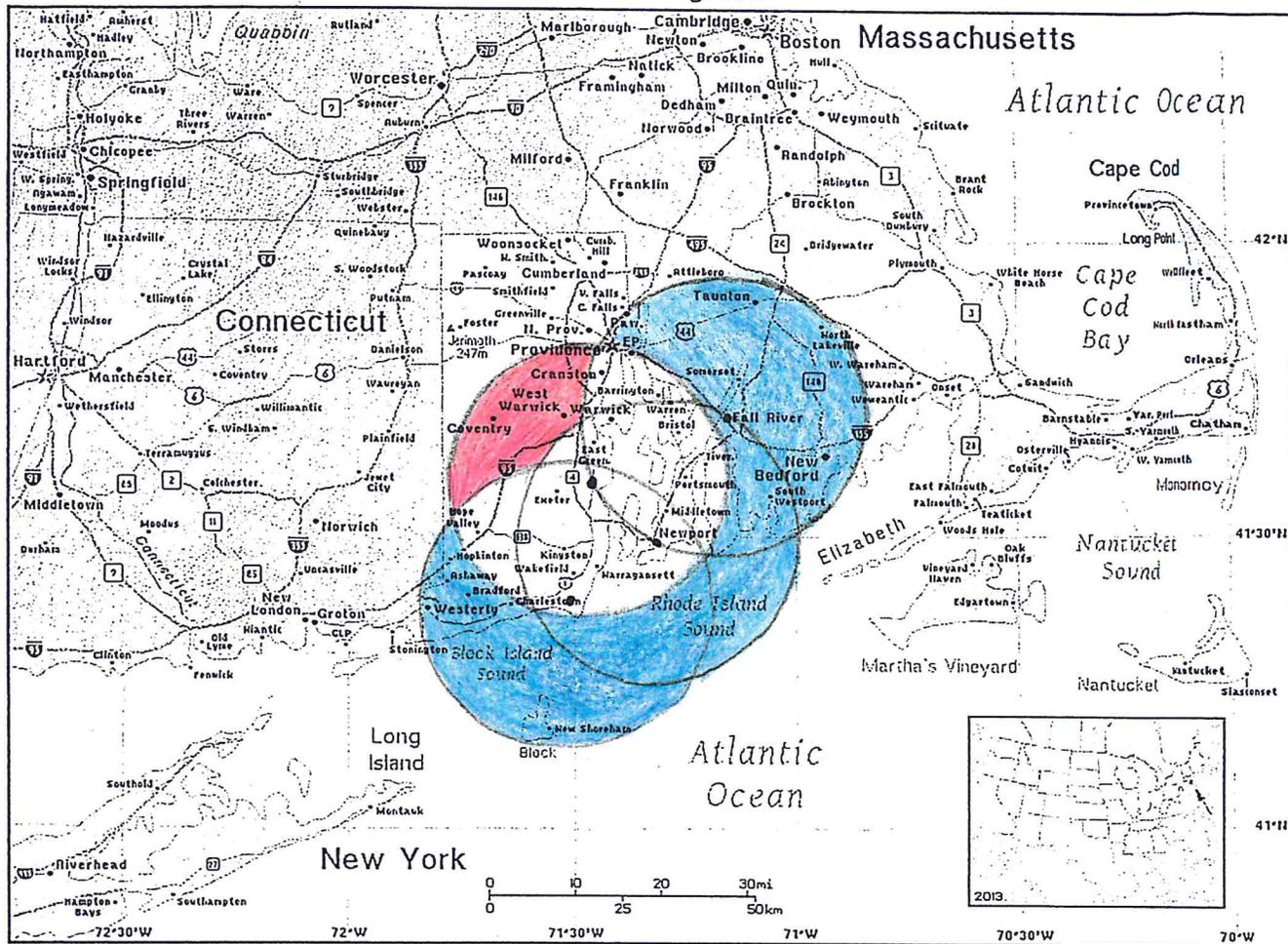
R H O D E I S L A N D

Areas shaded in Red are sole coverage of RIFF under this scenario

Areas shaded in Blue are sole coverage of Interstate under this scenario

RIFF & Interstate (all) Docks

Interstate Navigation



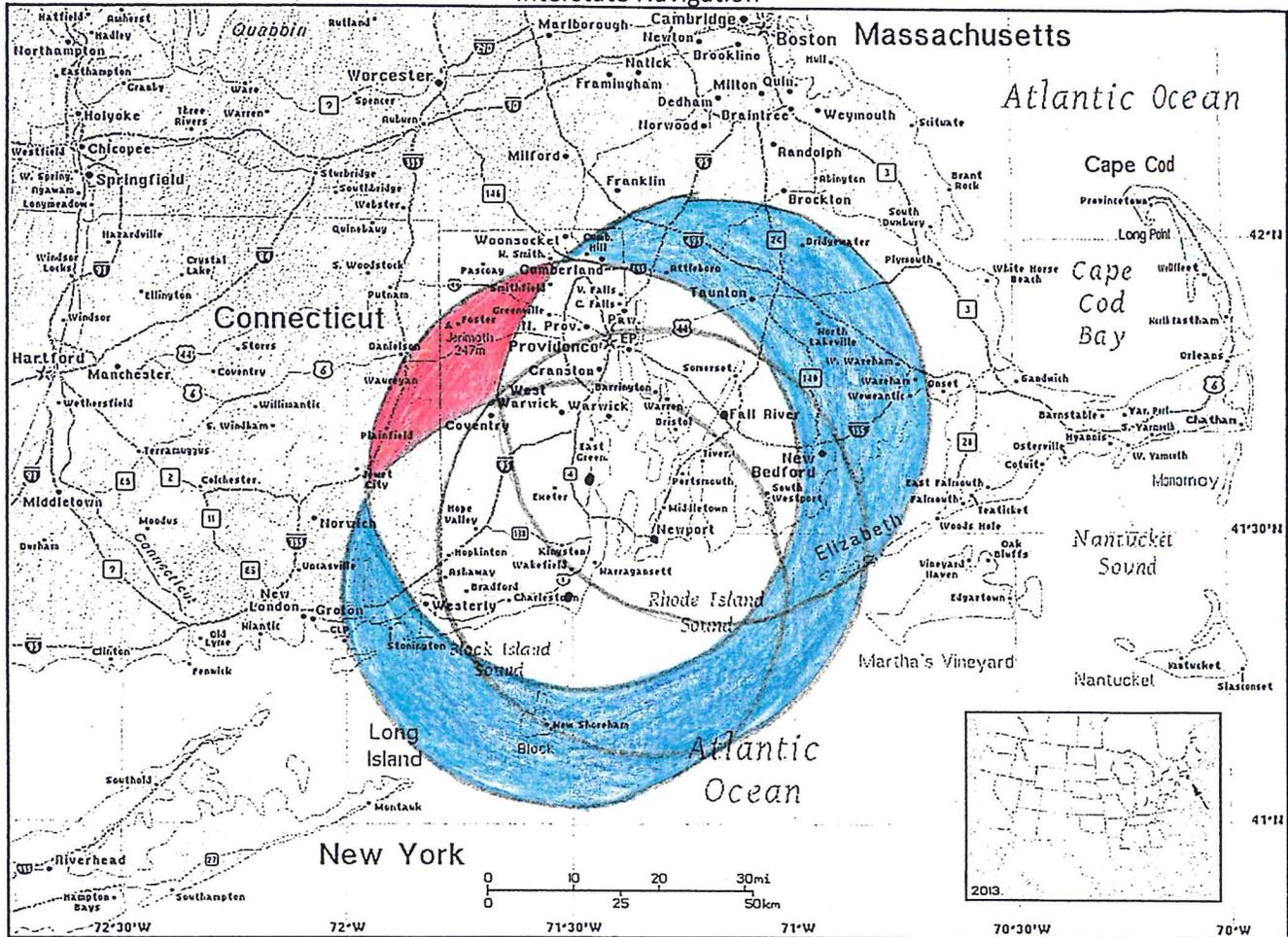
R H O D E I S L A N D

Areas shaded in Red are sole coverage of RIFF under this scenario

Areas shaded in Blue are sole coverage of Interstate under this scenario

RIFF & Interstate (all) Docks

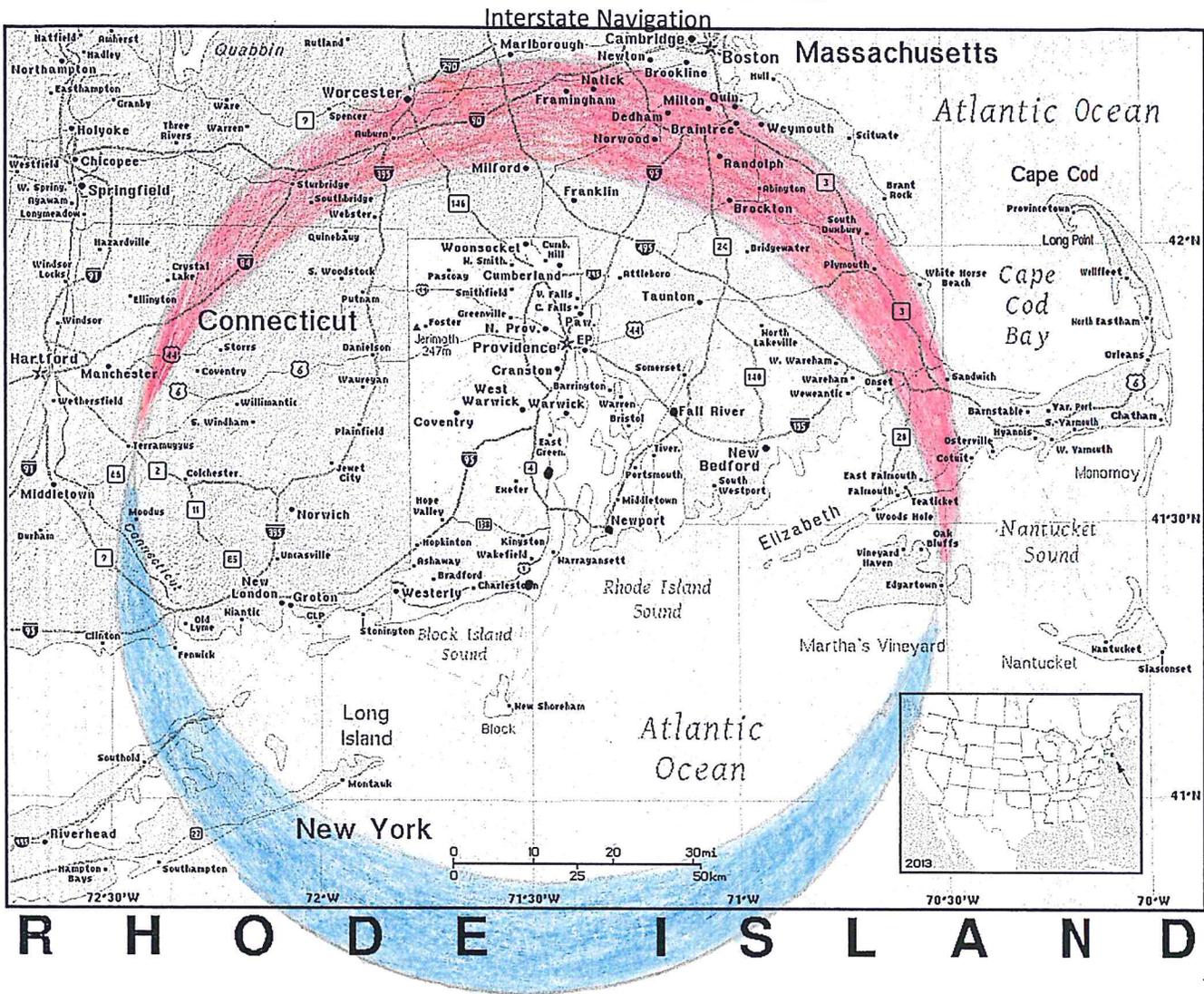
Interstate Navigation



R H O D E I S L A N D

Areas shaded in Red are sole coverage of RIFF under this scenario

Areas shaded in Blue are sole coverage of Interstate under this scenario

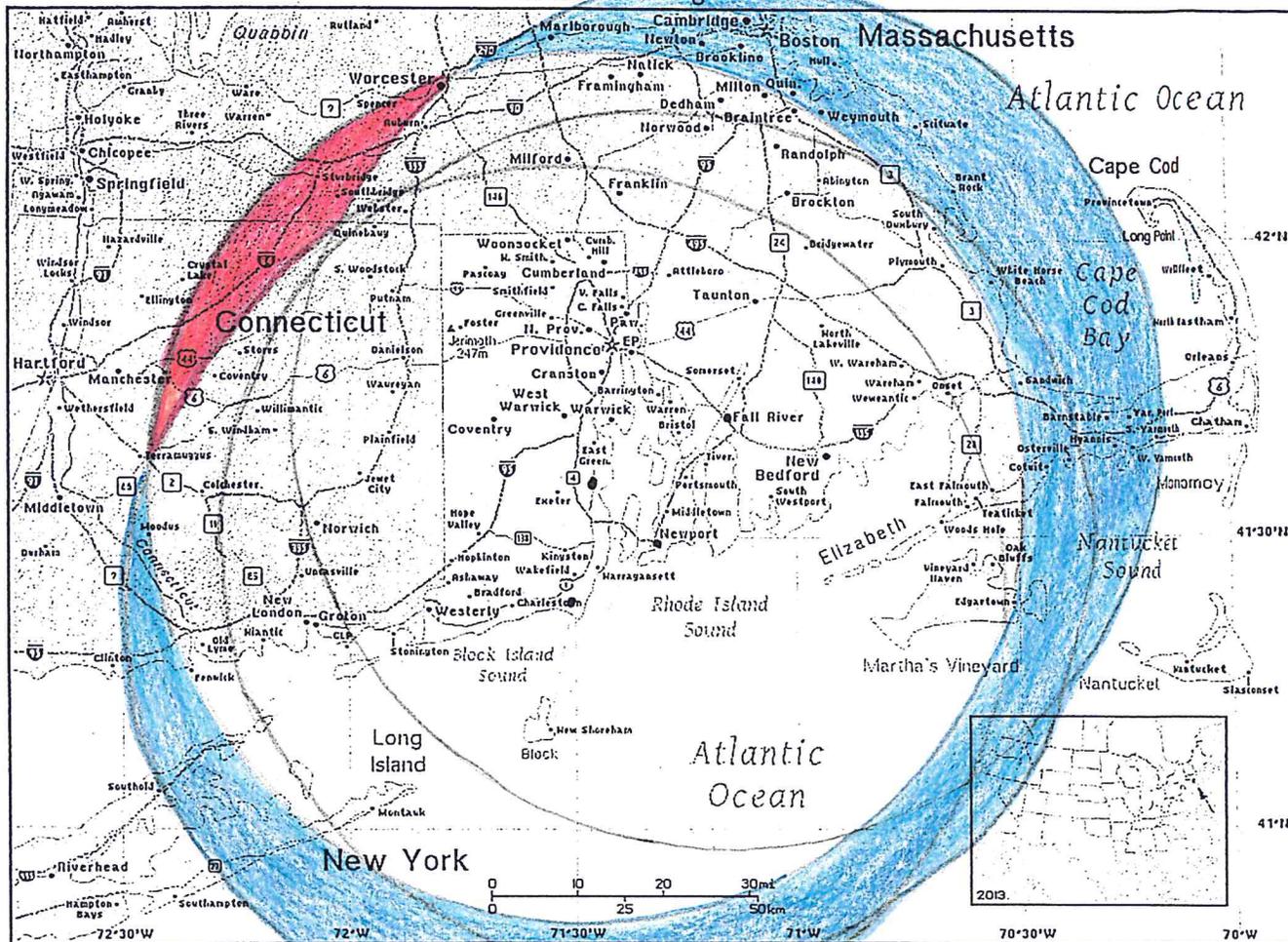


Areas shaded in Red are sole coverage of RIFF under this scenario

Areas shaded in Blue are sole coverage of  
Interstate's Point Judith Operation under this scenario

RIFF & Interstate (all) Docks

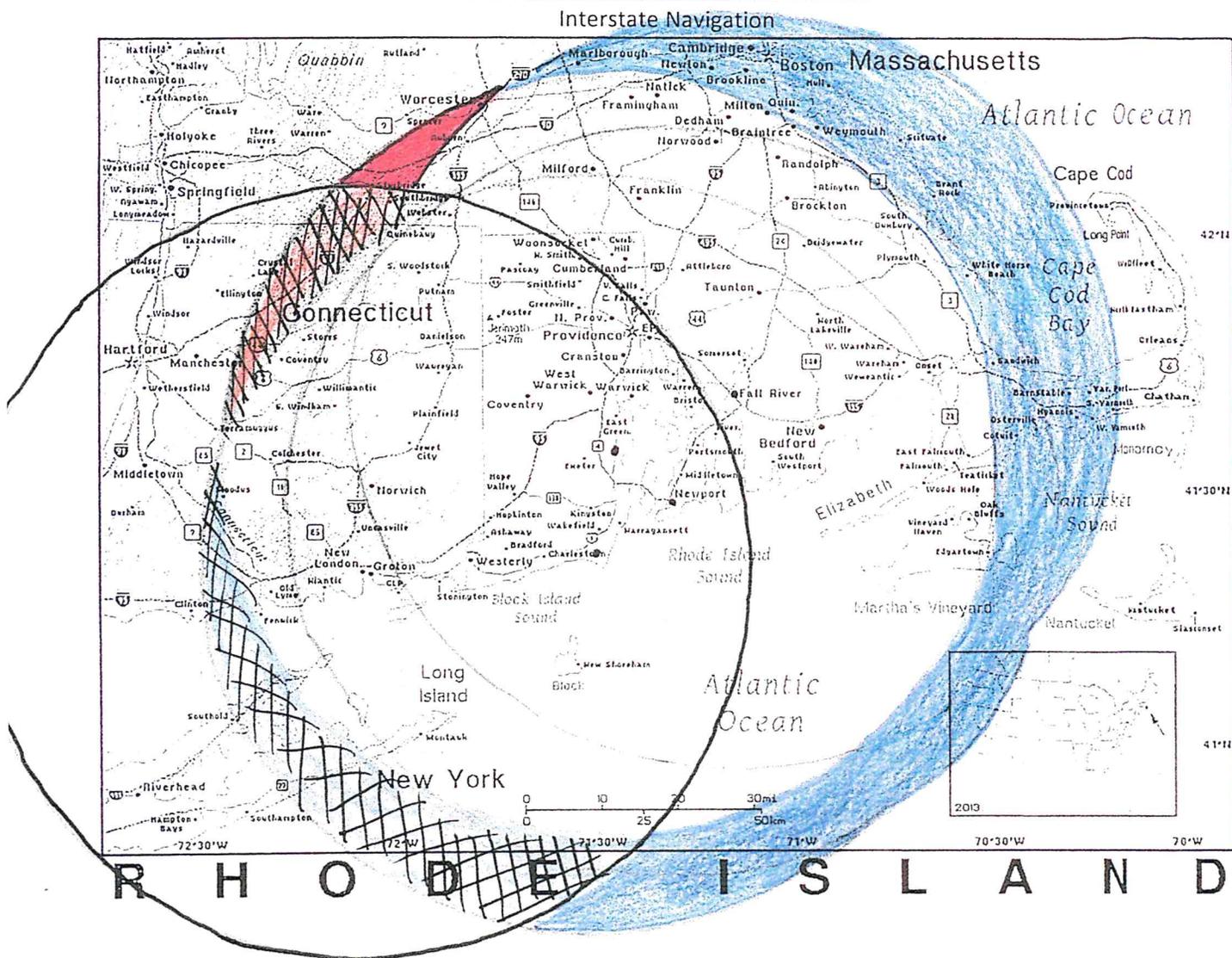
Interstate Navigation



R H O D E I S L A N D

Areas shaded in Red are sole coverage of RIFF under this scenario

Areas shaded in Blue are sole coverage of Interstate under this scenario



Areas shaded in Red are sole coverage of RIFF under this scenario

Areas shaded in Blue are sole coverage of Interstate under this scenario

Areas crosshatched over the Blue and Red are areas now covered by BI Express under this scenario

Loss of Revenues to Interstate from loss of passengers to RIFF Service  
Interstate Navigation Company

Schedule WEE-1

	FY 2013 Actual Count or Usage	Scenario % of Passengers who would take RIFF	Remaining Count after Passenger losses to RIFF *	Current Rate	Revenue Based on Total FY 2013 count	Revenue Based on Remaining Passenger Count	Lost Revenue
<i><u>Traditional Service - Passenger</u></i>							
Adult One Way	132,632	17%	115,390	\$ 12.35	\$ 1,638,005	\$ 1,425,062	\$ (212,943)
Adult Round Trip	151,018	17%	129,427	\$ 22.60	\$ 3,413,007	\$ 2,925,044	\$ (487,963)
Child One Way	13,409	17%	11,364	\$ 6.25	\$ 83,806	\$ 71,028	\$ (12,779)
Child Round Trip	13,130	17%	11,237	\$ 11.30	\$ 148,369	\$ 126,973	\$ (21,396)
Commuter One Way	-		-	\$ -	\$ -	\$ -	\$ -
Commuter Round Trip	19,684		19,684	\$ 16.00	\$ 314,944	\$ 314,944	\$ -
					<u>\$ 5,598,131</u>	<u>\$ 4,863,051</u>	<u>\$ (735,080)</u>
<i><u>High Speed Service - Passenger</u></i>							
Adult One Way	37,497	27%	27,373	\$ 18.50	\$ 693,695	\$ 506,397	\$ (187,298)
Adult Round Trip	27,545	27%	20,108	\$ 35.00	\$ 964,075	\$ 703,775	\$ (260,300)
Child One Way	3,083	27%	2,251	\$ 11.75	\$ 36,225	\$ 26,444	\$ (9,781)
Child Round Trip	2,457	27%	1,794	\$ 19.50	\$ 47,912	\$ 34,975	\$ (12,936)
Infant One Way	762	27%	556	\$ 7.00	\$ 5,334	\$ 3,894	\$ (1,440)
Infant Round Trip	448	27%	327	\$ 12.00	\$ 5,376	\$ 3,924	\$ (1,452)
Adult One Way Upgrade	3,035	27%	2,216	\$ 7.20	\$ 21,852	\$ 15,952	\$ (5,900)
Child One Way Upgrade	245	27%	179	\$ 6.10	\$ 1,495	\$ 1,091	\$ (404)
					<u>\$ 1,775,963</u>	<u>\$ 1,296,453</u>	<u>\$ (479,510)</u>
Total					\$ 7,374,094	\$ 6,159,504	\$ (1,214,590)

\* Please see Schedule WEE-1a and WEE-1b for calculation of Remaining Passenger Counts

Monthly Statistics - Adjusted FY 2013 Passenger Counts impacted by RIFF Service  
CONVENTIONAL SERVICE

	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13
<b>Interstate Actual Passenger Count</b>												
Adult One Way	18,549	30,647	30,716	16,516	7,214	3,843	2,398	2,109	1,832	3,088	4,919	10,801
Adult Round Trip	19,629	42,359	44,916	15,473	5,153	2,746	1,392	1,207	1,006	1,859	3,909	11,369
Child One Way	1,609	4,356	4,904	949	267	176	81	61	83	173	268	482
Child Round Trip	1,288	3,907	4,692	967	357	309	267	155	114	140	273	661
	41,075	81,269	85,228	33,905	12,991	7,074	4,138	3,532	3,035	5,260	9,369	23,313

Number of Days Interstate operates	30	31	31	30	31	30	31	31	28	31	30	31
Number of Days RIFF operates	30	31	31	30	8	-	-	-	-	-	-	9
	100%	100%	100%	100%	26%	0%	0%	0%	0%	0%	0%	29%

Percentage of passengers who would take RIFF 17% 17% 17% 17% 17% 17% 17% 17% 17% 17% 17% 17% 17%

	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13
<b>Interstate Remaining Passenger Count after Passenger Losses to RIFF</b>												
Adult One Way	15,396	25,437	25,494	13,708	6,898	3,843	2,398	2,109	1,832	3,088	4,919	10,268
Adult Round Trip	16,292	35,158	37,280	12,843	4,927	2,746	1,392	1,207	1,006	1,859	3,909	10,808
Child One Way	1,335	3,615	4,070	788	255	176	81	61	83	173	268	458
Child Round Trip	1,069	3,243	3,894	803	341	309	267	155	114	140	273	628
	34,092	67,453	70,739	28,141	12,421	7,074	4,138	3,532	3,035	5,260	9,369	22,162

Lost passengers per day	233	446	467	192	71	-	-	-	-	-	-	128
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<b>Interstate Actual Passenger Count</b>												
Commuter Round Trip	1,683	1,253	1,464	1,574	1,660	1,847	1,636	1,536	1,235	1,650	1,874	2,275

Number of Days Interstate operates	30	31	31	30	31	30	31	31	28	31	30	31
Number of Days RIFF operates	30	31	31	30	8	-	-	-	-	-	-	9
	100%	100%	100%	100%	26%	0%	0%	0%	0%	0%	0%	29%

Number of passengers who would take RIFF 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0% 0%

<b>Interstate Remaining Passenger Count after Passenger Losses to RIFF</b>												
Commuter Round Trip	1,683	1,253	1,464	1,574	1,660	1,847	1,636	1,536	1,235	1,650	1,874	2,275

Lost passengers per day	-	-	-	-	-	-	-	-	-	-	-	-
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Monthly Statistics - Adjusted FY 2013 Passenger Counts impacted by RIFF Service  
FAST FERRY

Schedule WEE-1b

	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13
<b>Interstate Actual Passenger Count</b>												
Adult One Way	6,837	11,247	10,464	5,842	1,121	-	-	-	-	-	-	1,986
Adult Round Trip	5,428	8,070	8,379	3,641	675	-	-	-	-	-	-	1,352
Child One Way	587	903	915	504	98	-	-	-	-	-	-	76
Child Round Trip	471	804	897	175	36	-	-	-	-	-	-	74
Infant One Way	116	251	239	102	25	-	-	-	-	-	-	29
Infant Round Trip	72	145	143	46	8	-	-	-	-	-	-	34
Adult One Way Upgr	453	892	1,058	462	73	-	-	-	-	-	-	97
Child One Way Upgr	13	81	115	28	4	-	-	-	-	-	-	245
	13,977	22,393	22,210	10,800	2,040	-	-	-	-	-	-	3,652
												75,072
Number of Days Interstate operates	30	31	31	30	8	-	-	-	-	-	-	9
Number of Days RIFF operates	30	31	31	30	8	-	-	-	-	-	-	9
	100%	100%	100%	100%	100%	0%	0%	0%	0%	0%	0%	100%
Number of passengers who would take RIFF	27%	27%	27%	27%	27%	27%	27%	27%	27%	27%	27%	27%
<b>Interstate Remaining Passenger Count after Passenger losses to RIFF</b>												
Adult One Way	4,991	8,210	7,639	4,265	818	-	-	-	-	-	-	1,450
Adult Round Trip	3,962	5,891	6,117	2,658	483	-	-	-	-	-	-	987
Child One Way	429	659	668	368	72	-	-	-	-	-	-	55
Child Round Trip	344	587	655	128	26	-	-	-	-	-	-	54
Infant One Way	85	183	174	74	18	-	-	-	-	-	-	21
Infant Round Trip	53	106	104	34	6	-	-	-	-	-	-	25
Adult One Way Upgr	331	651	772	337	53	-	-	-	-	-	-	71
Child One Way Upgr	9	59	84	20	3	-	-	-	-	-	-	3
	10,203	16,347	16,213	7,884	1,489	-	-	-	-	-	-	2,666
Lost passengers per day	126	195	193	97	69	-	-	-	-	-	-	110

Proof of Revenues  
after Required Increase to cover losses from RIFF Service  
 Interstate Navigation Company

Schedule WEE-2

	Modified 2013 Count or Usage	Current Rate	Required 14.2% Increase Rate	Current Revenue	Revenue after Required Increase	Dollar Increase
<i>Passenger</i>						
Adult One Way	115,390	\$ 12.35	\$ 14.10	\$ 1,425,067	\$ 1,626,999	\$ 201,933
Adult Round Trip	129,427	\$ 22.60	\$ 25.80	\$ 2,925,050	\$ 3,339,217	\$ 414,166
Child One Way	11,364	\$ 6.25	\$ 7.15	\$ 71,025	\$ 81,253	\$ 10,228
Child Round Trip	11,237	\$ 11.30	\$ 12.90	\$ 126,978	\$ 144,957	\$ 17,979
Commuter One Way	-	\$ -	\$ -	\$ -	\$ -	\$ -
Commuter Round Trip	19,684	\$ 16.00	\$ 16.00	\$ 314,944	\$ 314,944	\$ -
				<u>\$ 4,863,064</u>	<u>\$ 5,507,370</u>	<u>\$ 644,306</u>
<i>Vehicles</i>						
Cars	30,372	\$ 38.95	\$ 44.50	\$ 1,182,989	\$ 1,351,554	\$ 168,565
Pick-ups & SUVs	6,835	\$ 47.90	\$ 54.70	\$ 327,397	\$ 373,875	\$ 46,478
Commuter Cars	3,865	\$ 32.70	\$ 32.70	\$ 126,386	\$ 126,386	\$ -
Commuter Pick-ups & SUVs	1,023	\$ 39.45	\$ 39.45	\$ 40,357	\$ 40,357	\$ -
Trucks & Oversize Trucks		See Individual Tariff for Rates		\$ 1,438,400	\$ 1,642,652	\$ 204,253
				<u>\$ 3,115,528</u>	<u>\$ 3,534,824</u>	<u>\$ 419,295</u>
<i>Freight</i>						
-Freight		See Individual Tariff for Rates		<u>\$ 939,131</u>	<u>\$ 1,072,488</u>	<u>\$ 133,357</u>
<i>Bikes, Mopeds, Etc.</i>						
-Bikes, Mopeds, etc.		See Individual Tariff for Rates		<u>\$ 137,141</u>	<u>\$ 156,615</u>	<u>\$ 19,474</u>
Total Rates and Charges				\$ 9,054,864	\$ 10,271,296	\$ 1,216,432