



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS
89 Jefferson Boulevard
Warwick, Rhode Island 02888
(401) 941-4500
(401) 941-9207 - Fax

September 12, 2022

Via Electronic Mail

Luly Massaro
Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02888

**RE: Docket 4373 – Interstate Navigation Company FYE May 31, 2021 Earnings Report
Settlement Agreement**

Dear Ms. Massaro:

On behalf of the Division of Public Utilities and Carriers (“Division”), please accept for filing the attached Settlement Agreement between the Division and Interstate Navigation Company (“Interstate”). The attached agreement is the result of good faith, considered negotiation between the parties.

The Division wishes to express its appreciation to the PUC staff for allowing additional time during the pendency of this matter for consideration by the parties on fair allocation of these funds. Resultingly, the Division believes that the parties have landed on a reasonable resolution that is reflected in the terms of the attached Settlement Agreement. We respectfully request PUC approval of this submission.

Very truly yours,

/s/ Christy Hetherington

Christy Hetherington, Esq.
Chief of Legal Services
Division of Public Utilities and Carriers

Enclosure

cc: Service List
Division: Linda D. George, Esq., Administrator
John Spirito, Esq., Deputy Administrator
Paul Roberti, Esq., Chief Economic & Policy Advisor

BEFORE THE STATE OF RHODE ISLAND PUBLIC UTILITIES COMMISSION

**IN RE: INTERSTATE NAVIGATION COMPANY :
FY 2021 EARNINGS REPORT :**

DOCKET NO. 4373

STIPULATION AND SETTLEMENT AGREEMENT

Interstate Navigation Company ("Interstate" or the "Company") and the Rhode Island Division of Public Utilities and Carriers ("Division") (collectively, the "Parties") enter into this Settlement Agreement regarding disposition of Interstate's excess earnings for FY 2021.

I. BACKGROUND

1. On May 17, 2022, Interstate filed its annual "Earnings Report," for the period ending May 31, 2021, as required by the settlement agreement in Docket 4373. The report showed net income available for common equity of \$518,112, which resulted in a return on equity ("ROE") of 34%.

2. After negotiations between the Parties, it was agreed that the full amount of \$707,000 in Employee Retention Credit (ERC) funds received by Interstate would also be included in the ROE calculation. This inclusion increased the net income available for common equity to \$1,076,642.

3. The settlement agreement in Docket 4373 with respect to the FY 2018 ROE requires earnings in excess of a 12% ceiling to be shared 75% to the ratepayers. The revised earnings above the 12% ceiling totaled \$893,718, which results in \$670,289 available for ratepayers. In addition, \$42,880 is available to ratepayers from the tax savings on the ROE below the ceiling in conformity with the FY 2017 ROE report settlement agreement. Also, \$111,872 is available to ratepayers as a credit for tax expense on tax depreciation for assets purchase from the capital reserve. This results in a revised total of \$825,041 available to ratepayers.

4. Subject to Commission approval, the Parties have agreed to transfer the \$825,041 from

the FY 2021 excess earnings to the fuel reserve to eliminate or reduce fuel surcharges for a number of months. If fuel prices and passengers carried remain the same, then this transfer could eliminate the fuel surcharge (currently \$1.25 per ticket) for close to a year.

5. The Parties agree that this Settlement Agreement is a just and reasonable resolution of the issues in this proceeding and jointly request its approval by the Commission.

II. TERMS OF SETTLEMENT

6. The Parties propose that the Commission authorize the entire \$825,041 for ratepayers be credited to the fuel reserve account to eliminate or reduce the fuel surcharge for a number of months.

III. EFFECT OF SETTLEMENT

7. This Settlement Agreement is the result of a negotiated agreement. The Parties conducted discussions that produced this Settlement Agreement with the explicit understanding that all offers of settlement and discussion relating thereto are and shall be privileged, shall be without prejudice to the position of any party or participant presenting such offer or participating in any such discussion, and are not to be used in any manner in connection with these or any other proceedings.

8. The terms of this Settlement Agreement shall not be construed as an agreement to any matter of fact or law beyond the terms hereof. By entering into this Settlement Agreement, matters or issues other than those explicitly identified in this agreement have not been settled upon or conceded by any party to this Settlement Agreement, and nothing in this Settlement Agreement shall preclude any party from taking any position in any future proceeding regarding settled or unsettled matters.

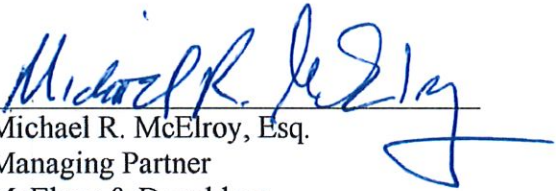

9. This Settlement Agreement is the product of negotiation and compromise. The making

of this Settlement Agreement does not establish any principle or precedent. This Settlement Agreement shall not be deemed to foreclose any party from making any contention in any future proceeding or investigation.

10. If the Commission rejects this Settlement Agreement, or modifies any provision herein, this Settlement Agreement shall be deemed withdrawn and shall be null and void in all respects.

IN WITNESS WHEREOF, the Parties agree that this Settlement Agreement is reasonable, in the public interest, in accordance with applicable law and regulatory policy, and is executed by their respective representatives, each being authorized to do so.

Dated: September 9th, 2022

<p>INTERSTATE NAVIGATION CO.</p> <p>By its Attorney,</p> <p></p> <p>Michael R. McElroy, Esq. Managing Partner McElroy & Donaldson 21 Dryden Lane P.O. Box 6721 Providence, RI 02940-6721 Tel. (401) 351-4100</p>	<p>DIVISION OF PUBLIC UTILITIES AND CARRIERS</p> <p>By its Attorney,</p> <p></p> <p>Christy Hetherington, Esq. Chief Legal Counsel Division of Public Utilities and Carriers 89 Jefferson Blvd Warwick, RI 02888 Tel. (401) 780-2140</p>
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