



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS

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**To: Ms. Stephanie De La Rosa, Commission Clerk
Public Utilities Commission**

**From: D. Joseph Drane, Chief Financial Analyst
Division of Public Utilities & Carriers**

Date: July 18, 2025

Re: Docket No. 25-17-FR Interstate Navigation Tariff Advice Filing

Introduction

On June 4, 2025, the Interstate Navigation Company ("Interstate") submitted a Tariff Advice filing with the Public Utilities Commission ("Commission"). The filing seeks to amend Interstate's tariffs to add language establishing a new school rate. Interstate also requested waivers to implement the tariff change with less than 30 days' notice and without a hearing under R.I. Gen. Law §39-3-12. At its open meeting on June 23, 2025, the Commission suspended the Tariff Advice filing to allow time for review.

Summary of Filing

According to the notice included with the filing, Interstate currently carries Block Island school children to/from off-island athletic events and field trips free of charge. The proposed tariff change establishes a new school rate equal to the child rate, and it would apply to both Block Island and off-island schools.

As shown on the tariff included in the Company's filing, the adult passenger round-trip fare, which applies to passengers twelve years of age or older, is \$22.90. The child passenger round-trip fare is \$11.50. Interstate estimated that the proposed tariff change would result in a revenue increase of \$8,965 from Block Island schools and a revenue decrease of \$5,665 from off-island schools for

a net revenue increase of \$3,300, which it considered *de minimis*. Following is the language Interstate proposed to effectuate the new school rate:

“Rule No. 105 SCHOOL RATE

All children attending the Block Island school who are traveling off-island for a field trip or athletic competition, and any off-island school children who are traveling to the Block Island school for an athletic competition with the Block Island school, and up to two school chaperones, shall pay the child rate in effect at the time the tickets are purchased for the trip for all students and their chaperones traveling to and from Block Island, regardless of their age.”

On June 23, 2025, the Division issued a set of data requests seeking support for Interstate’s estimated revenue impacts of the proposed tariff change. Interstate provided responses on July 15, 2025, and provided a corrected/supplemental response to DIV 1-3 on July 16, 2025. Following the initial response to DIV 1-3, Interstate discovered that off-island schools are charged the child rate, not the adult fare. This changed the revenue impact of Interstate’s proposal to an increase of \$8,965, all derived from additional revenues from the Block Island school. There is no revenue change from off-island schools because they currently pay the child rate.

Additionally, Interstate discovered in the preparation of the amended DIV 1-3 response that it had included the wrong tariff in its original filing in this docket. The red-lined tariff submitted with the filing was from 2016; however, new rates were approved in 2020 in Docket 4373 (Order 23850), but a compliance filing was never submitted. On July 16, 2025, Interstate supplemented its filing in this docket by providing the compliance tariff that should have been submitted in 2020, along with a corrected, red-lined tariff. In addition, Interstate stated that, although it had not submitted a compliance tariff in 2020, it had always charged the correct rates. Under the 2020 tariff, the adult rate is \$20.60, and the child rate is \$9.30, both of which are lower than the 2016 rates.

The Division reviewed the calculation of the estimated revenue impacts provided in the corrected/supplemental response to DIV 1-3 and found the calculations to be accurate and based on the correct 2020 tariff rates. Additionally, Interstate used the highest ridership over the last five years in its calculations, which is a conservative approach and represents the high end of revenue impacts based on historical ridership.

Recommendation

R.I. Gen Laws §39-2-2 through §39-2-4 address prohibitions and penalties against rate preferences and discrimination. RI Gen Law §39-2-5 provides a series of exceptions to the anti-discrimination provisions, including §39-2-5 (2) which states:

“With the approval of the division, any public utility may give free transportation or service, upon such conditions as the public utility may impose, or grant special rates therefor to the state, to any town or city, or to any water or fire district, and to the officers thereof, for public purposes, and also to any special class or classes of persons, not otherwise referred to in this section, in cases

where the same shall seem to the division just and reasonable, or required in the interests of the public, and not unjustly discriminatory.”

For the reasons set forth below, the Division supports and approves of the special rate. The class of persons identified for the rate treatment is a small, discrete class and the purpose for which the treatment is sought is for just and reasonable.

While the preferred method of vetting rates, including discounts, is through a general rate filing where total impacts and justification can be thoroughly vetted, the Division is not opposed to Interstate’s proposal in this docket for the following reasons:

- It corrects for two current tariff violations. The specific violations include transporting off-island school teams at the child rate, even when travelers may not qualify for that rate under the tariff, and transporting Block Island school teams for free, despite no provision in the tariff allowing for this practice.
- It provides a rate that results in equal treatment for both on and off-island schools.
- Interstate has reached an agreement with the Block Island School Department to begin paying the new school rate when it is implemented, and the Block Island School Department has budgeted for this additional expense.
- The passenger pool eligible for the discount is small and limited.
- The additional revenue that will be generated will be less than \$9,000 which is a small percentage of Interstate’s annual revenues. The Division agrees with Interstate that the additional revenues will be *de minimis*. It would, at most, have negligible or no effects on other rates if the additional revenues were included in the rate setting process during a general rate case.

The Division notes that there are no intervenors in this docket and no public comment has been submitted. Therefore, the Division does not object to Interstate’s request to implement the tariff changes without a hearing.

Though the Division is not opposed to adding a school rate at this time, Interstate should provide full justification in its next general rate filing if it intends to continue with a discounted school rate.

The Division recently issued a data request to Interstate seeking information on whether Interstate has identified any additional instances where it doesn’t charge the approved tariff rate on any services it provides. Subject to Interstate’s responses, and our own independent assessment, we will take action to ensure Interstate is complying with its tariffs going forward.