STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION

IN RE: INTERSTATE NAVIGATION COMPANY	**:**	
EARNINGS REPORTS – FY 2025	**:**	**DOCKET NO. 4373**

ORDER

I. 2025 Earnings Report

On April 10, 2026, Interstate Navigation Company (Interstate) filed its earnings report for the fiscal year ending (FYE) May 31, 2025, with the Public Utilities Commission (Commission). Interstate is required to file annual earnings reports that allow for a 75/25 sharing of earnings between Interstate and ratepayers where the return on equity (ROE) exceeds 12%.[1] Interstate's earnings-sharing method is subject to the Division of Public Utilities and Carriers' (Division) review and the Commission's approval.[2] Interstate's FYE May 31, 2025 earnings report showed earnings were below the sharing threshold.[3] However, the report also showed that tax savings resulting from the Tax Cuts and Jobs Act of 2017, which reduced the corporate income tax resulted in a total, inclusive of interest of $43,368 available to be shared with customers. Interstate had requested approval to deposit the funds into its fuel reserve.[4]

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[1] 2019 Settlement Agreement; https://ripuc.ri.gov/sites/g/files/xkgbur841/files/eventsactions/docket/4373-Interstate-DIV-Settlement-Agreement-12-5-19.pdf.
[2] *Id*. On April 29, 2013, the Commission approved Interstate's revenue requirement and associated rates for effect May 24, 2013. As part of the PUC Order, Interstate was allowed a Return on Equity of 11%, but with an Earnings Sharing Mechanism that begins at 12%. https://ripuc.ri.gov/sites/g/files/xkgbur841/files/eventsactions/docket/4373-Interstate-Ord21069%286-20-13%29.pdf.
[3] Interstate's Earnings Report (Sept. 13, 2026); https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2026-05/FY25%20ROE%20Report.pdf.
[4] *Id.* at 6; *See generally* Order No. 23287; https://ripuc.ri.gov/sites/g/files/xkgbur841/files/eventsactions/docket/4373-4792-Interstate-Ord23287-%2810-4-18%29.pdf.

II. Fuel Reserve

As part of its revenue requirement, Interstate has a fuel allowance of $2.40 per gallon (referred to as the Fuel Floor or Base price for fuel).[5] When fuel prices exceed the allowance, Interstate may seek a fuel surcharge from the Division. However, Interstate has been funding a fuel reserve largely with prior years' earnings in excess of the 12% sharing threshold. This has allowed Interstate to draw from that account in lieu of a fuel surcharge, providing more stable ticket pricing for customers.

In a 2025 Settlement between Interstate and the Division addressing the disposition of excess earnings for FY 2022 and FY 2023, Interstate deposited $2,359,975 into the fuel reserve. The fuel reserve was to earn interest at the 10-year treasury constant maturity rate. Fuel costs above $2.40 per gallon fuel price included in base rates were to be charged against the reserve and fuel costs below $2.40 per gallon were to be credited to the reserve. Additionally, funds from the fuel reserve were to be used to provide a $1.00 passenger and vehicle price credit during the months of June through September and a $2.00 per ticket price during the months of October through May. These ticket price credits will expire when the fuel reserve falls below $150,000.[6] At that time, fuel prices were estimated to be $3.00 per gallon.[7]

III. 2026 Settlement Between Interstate and the Division

As intended, the balance of the fuel reserve has been decreasing, albeit possibly faster than previously anticipated. A combination of the ticket credits and an increase in the average fuel prices above the previously estimated $3.00 per gallon has resulted in a projected depletion of the

[5] Order No. 23850 (June 25, 2020); https://ripuc.ri.gov/sites/g/files/xkgbur841/files/eventsactions/docket/4373-Interstate-Ord23850-%286-25-20%29.pdf
[6] Order No. 25260 (Apr. 2, 2025); https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2025-04/Interstate%20Navigation%204373%20Ord25260%20%28FY%202022%20and%202023%29%204-2-25.pdf.
[7] *Id*. at Settlement Exhibit B.

fund before the end of the 2026 summer tourist season. Fuel prices increased over $1.71 per gallon between January 2026 and March 2026.[8] Depletion of the fuel reserve in August would result in a need for a new fuel surcharge in September to recover August expenses.[9]

As a result, on May 18, 2026, Interstate Navigation filed a Settlement Agreement executed with the Division that, if approved, would (1) add the $43,368 of tax savings to the fuel reserve, and (2) eliminate the current fuel credit to more slowly reduce the balance in the fuel reserve and delay potential application of a new fuel surcharge. The result is that customers will pay the full tariffed rate for passenger and vehicle tickets. The Settlement indicated that, assuming continuation of the $4.82 per gallon fuel price, elimination of the ticket credits on June 1, 2026 would preserve the fuel reserve until March 2027 while elimination on July 1, 2026, would preserve the fuel reserve through January 2027.[10] The Settlement did not make any other modifications to the previously approved 2025 Settlement, namely, the interest rate applied to the fuel reserve balance, the treatment of fuel expense above and below the Base price for Fuel, and filing requirements.[11]

On May 22, 2026, Interstate caused a notice to be posted at the ticket offices in Galilee and on Block Island which advised that the Commission would accept comments through June 4, 2026 on its proposal to eliminate the passenger and vehicle fuel credits.[12] The Notice was also posted on Interstate's website and on the Commission's website. Interstate confirmed in discovery responses that if approved, any tickets sold prior to the effective date of the Commission's decision

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[8] On February 28, 2026, the United States bombed Iran, causing Iran to block the Strait of Hormuz. This resulted in increased fuel costs around the world. The longer-term effects on the type of diesel fuel used by Interstate is unclear.
[9] 2026 Settlement at 2; https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2026-05/4373%20-%20Interstate%20FY%202025%20Earnings%20-%20Settlement%20Agreement%20-%205-18-26.pdf.
[10] *Id*.
[11] *Id*. at 3.
[12] Notice; https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2026-05/ROE%20Notice.pdf

will include the credit and no adjustment will be made to reverse the credit on the date of travel.[13] No comments were filed with the Commission.

IV. Commission Findings

At an Open Meeting on June 5, 2026, after a review of the filings, the Commission approved the 2026 Settlement Agreement for effect June 18, 2026. The Settlement represents a balanced approach to continuing to benefit customers from prior excess earnings by lessening potential ticket price volatility through extended availability of the fuel reserve.

Accordingly, it is hereby

(25752) ORDERED:

1. Interstate Navigation Company's Earnings Report for the Fiscal Year Ending May 31, 2025, is hereby found to comply with prior Commission orders.
2. The Settlement Agreement submitted on May 18, 2026, is hereby approved for ticket sales on and after June 18, 2026.

EFFECTIVE AT WARWICK, RHODE ISLAND ON JUNE 18, 2026, PURSUANT TO AN OPEN MEETING DECISION ON JUNE 5, 2026. WRITTEN ORDER ISSUED JULY 21, 2026.

PUBLIC UTILITIES COMMISSION

Ronald T. Gerwatowski

Ronald T. Gerwatowski, Chairman

Abigail Anthony

Abigail Anthony, Commissioner

Karen M. Bradbury

Karen M. Bradbury, Commissioner

[13] Interstate Response to PUC 9-4.

NOTICE OF RIGHT OF APPEAL: Pursuant to R.I. Gen. Laws §39-5-1, any person aggrieved by a decision or order of the PUC may, within seven days from the date of the order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or order.