

Schacht & McElroy

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Members of Rhode Island
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December 1, 2003

Luly Massaro, Clerk
Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

Re: Interstate Navigation Company – Rate Change Application

Dear Luly:

As you know, this office represents Interstate Navigation Company.

Enclosed for filing are the original and nine (9) copies of a Rate Change Application. We request new rates to become effective on January 1, 2004. Also are the following, which I believe contain all the information required by your Rules:

1. Proposed Rate Schedule Changes which are set forth in the revised tariffs (the old tariffs are also included for comparison).
2. The direct testimony of Susan Linda, President and Treasurer of Interstate Navigation Company, and Exhibits.
3. The direct testimony of Walter E. Edge, Jr., CPA, and Exhibits.
4. Financial statements for the test year and the preceding year. (Note that Interstate was not required to file annual reports with the Commission for the last two years.)
5. Index of Part Two filing requirements.
6. Proposed notice for your review and comment.

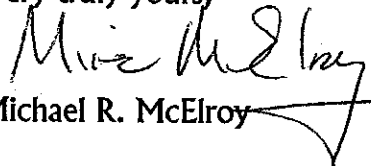
Please also inform me as to any publication requirements for the Public Notice which we must comply with pursuant to ¶2.4 of your Rules of Practice and Procedure.

Also enclosed are digital PDF files of this filing on floppy disks. The digital files will also be emailed to you.

We are seeking a rate increase of \$ 2,750,712, which translates to a 39.8% across the board increase, except that we are requesting a 93% increase for non-commuter cars, vans, SUV's, and pick ups. We are also requesting some flexibility from our current rate design.

Please let me know if you need any further information or documentation.

Very truly yours,


Michael R. McElroy

MRMc:tmg

In 11:2003-Massaro 1

cc: Thomas Ahern, Administrator
Paul Roberti, Esq.
Packer & O'Keefe
Block Island Town Clerk (certified mail, RRR)
Narragansett Town Clerk
Mark McSally, Esq.
Newport City Clerk
Susan E. Linda
Walter E. Edge, Jr.

Schacht & McElroy

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: INTERSTATE NAVIGATION COMPANY : DOCKET No.: _____

RATE CHANGE APPLICATION

Pursuant to R.I.G.L. § 39-1-1 et seq., Interstate Navigation Company hereby applies for authorization and permission to increase its rates as shown on the attached proposed revised tariffs.

The following is provided pursuant to Rule 1.9 of the Rules of Practice and Procedure ("Rules"):

1. **NAME OF APPLICANT:** The Interstate Navigation Company, a Connecticut Corporation licensed to do business in Rhode Island.
2. **PLACE OF BUSINESS:** The Company's principal Rhode Island operations are in Point Judith and Block Island. However, the Company's Administrative Offices are at 12 Eugene O'Neil Drive, New London, Connecticut 06320.
3. **NOTICES:** Correspondence or communications in regard to this Application should be addressed to:

Michael R. McElroy, Esq.
Schacht & McElroy
P.O. Box 6721
Providence, RI 02940-6721
Tel: (401) 351-4100
Fax: (401) 421-5696
Email: McElroyMik@aol.com

The additional information required by ¶1.9(b) and Part Two of the Rules is attached hereto.

Date: 12/1/03

Respectfully submitted,
Interstate Navigation Company
By its attorney



Michael R. McElroy #2627

Schacht & McElroy

21 Dryden Lane

P.O. Box 6721

Providence, RI 02940-6721

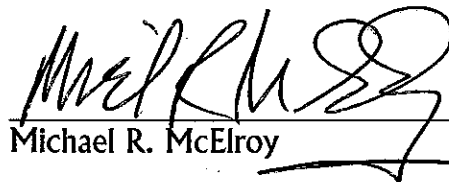
Tel: (401) 351-4100

Fax: (401) 421-5696

E-mail: McElroyMik@aol.com

VERIFICATION

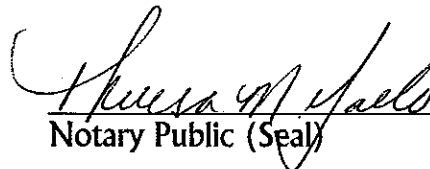
Michael R. McElroy, being first duly sworn deposes and says that the information presented in this Application is true to the best of his knowledge, information, and belief.



Michael R. McElroy

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

Sworn to and subscribed before me this 1st day of December, 2003.



Notary Public (Seal)

THERESA M. GALLO
Notary Public of Rhode Island
My Commission Expires 11/19/06

In11:2003-Rate Change Application

NOTICE OF FILING

The Interstate Navigation Company ("Interstate") hereby gives notice that on December 1, 2003, Interstate filed with the Rhode Island Public Utilities Commission (the "Commission") new rates and schedules designed to increase revenues by \$2,750,712 (Docket No. _____). The impact of the proposal as currently filed is an across-the-board increase of 39.8% on all rate classes, except that the rate for non-commuter cars, vans, SUV's, and pick up trucks would increase by 93%. Further, Interstate has requested certain flexibility from its current rate design.

The new rates are proposed to take effect on January 1, 2004. However, the Commission can suspend the effective date of the proposed rates up to six months and no rate change will take effect until the Commission has conducted a full investigation on the proposal. The Commission will publish a notice of the hearing dates when they are scheduled. At that time, ratepayers may comment on the proposal.

A copy of our filing is available at the offices of Interstate Navigation Company's attorney, Michael R. McElroy, 21 Dryden Lane, P.O. Box 6721, Providence, RI 02940-6721, and at the Public Utilities Commission, 89 Jefferson Boulevard, Warwick, RI 02888, and may be examined by the public during business hours. This notice is given pursuant to the Commission's Rules of Practice and Procedure.

Interstate Navigation Company

PART TWO.
ADDITIONAL REQUIREMENTS FOR FILINGS OF
GENERAL RATE SCHEDULE CHANGES

2.1 PURPOSE. **No filing required.**

2.2 APPLICABILITY. **No filing required.**

2.3 FILING

(a) Notice to the Commission of proposed general rate schedule changes by a public utility pursuant to R.I.G.L. §39-3-11, shall be given by a filing with the Commission pursuant to Part One of these rules, accompanied by the documents, data and information in the manner and form required by Part Two of these Rules, unless a motion for an exemption from any requirements accompanies the filing. **This Filing**

(b) In the event that any information, document or data required by this Part is unavailable and/or its ascertainment or submission would be unduly burdensome or it is not relevant in light of the schedule change which is the subject of the application, the applicant may file with the application a motion for an exemption from the requirement. The motion shall set forth in detail the reasons why the information, document or data cannot or should not be submitted. The granting of such a motion shall not exempt the applicant from supplying the information, document or data in response to a subsequent data request. **No filing required.**

(c) Commission-ordered suspension periods of up to six months commence on the date a general rate filing would otherwise take effect. After docketing, any change or changes in the filing which would, singly or in the aggregate, increase the overall cost of service by more than one percent (1%), or an individual rate by more than five percent (5%), may be treated as a new filing, triggering a new six -month period for Commission review and decision. **Not applicable.**

2.4 NOTICE OF FILING PROPOSED GENERAL RATE CHANGES

Within ten (10) days after filing for general rate schedule changes, the applicant shall cause a notice of the filing, in a form to be approved by the Commission, to be published in the newspaper of widest circulation within the applicant's service territory. In addition, the company shall include a notice of its proposed general rate schedule changes in the next general customer billing, if within sixty (60) days following the filing of the application, or by a separate mailing. **Will be done, except that Interstate Navigation does not send customer bills.**

2.5 ITEMS TO BE INCLUDED IN THE FILING

The following materials shall be included in or shall accompany the filing:

(a) Rate Schedules; Terms and Conditions. The current and proposed rate schedules and the terms and conditions under which the utility provides services and/or makes non-tariffed charges. **Enclosed with filing.**

(b) Complete Direct Case. An original and nine (9) copies of the applicant's complete direct case in support of the rates applied for, which shall be in the form of prepared written testimony and exhibits. **SL and WEE testimony.**

(c) Additional Documents. Two (2) copies of each of the following:
(1) Annual Report to the Commission for the last two (2) years, if reports have not been previously filed with the Commission. **See copies of financial Statements enclosed in the filing.**

(2) Federal Energy Regulatory Commission or Federal Communications Commission annual reports for the last two (2) years, where applicable, if not previously filed with the Commission, and any correspondence or written comments in connection with these reports. **Not applicable.**

(3) The latest Federal Energy Regulatory Commission or Federal Communications Commission audit report (including management letter) and any written response to the report or management comments. Un-resolved or outstanding matters should be highlighted. **Not applicable.**

(4) Securities and Exchange Commission Annual 10-K reports filed for the last two (2) years and any Quarterly 10-Q reports filed for the period(s) subsequent to the latest 10-K report. **Not applicable.**

(5) Any prospectus issued during the last two (2) years. **Not applicable.**

(6) Annual reports to stockholders for the last three (3) years. **Not applicable.**

(7) Statement reconciling any significant differences between items shown in the filing and items in any of the above reports. **See Schedule WEE-19.**

If such documents have been provided to the Commission in a prior proceeding within twelve (12) months of the filing, additional copies need not be filed unless requested by the Commission or any party. **Not applicable.**

(d) Service of Documents. A complete set of the documents filed pursuant to these rules shall be served upon the Attorney General at the time of filing with the Commission. **Done**

(e) Index. The applicant shall present an index outlining and identifying the responses to the information filed pursuant to Part Two, Sections 2.4 through 2.10, as they apply to the applicant. The applicant shall indicate whether any specific item is not applicable (see Appendix C). **This document is the index.**

2.6 TEST YEAR AND RATE YEAR FILING

(a) Test Year. The filing shall present cost of service and rate base schedules for a test year period. The test year constitutes a historic year of actual data for a period ending within nine (9) months of the filing date. The test year may be for such other period as the Commission may allow. **See Schedules WEE-1 and WEE-2.**

(b) Rate Year. The rate year is the twelve-month period for which new rates are designed to recover the proposed cost of service. The rate year period shall be the filed test year or such other yearly period which commences no later than six (6) eight (8) months after the proposed effective date of the new tariffs. **See Schedule WEE-5.**

(c) Adjustments to the Test Year. Where a rate year is filed for a period different from the test year, supporting schedules or workpapers shall be filed to disclose the manner in which the rate year amounts were calculated. The adjustments to the test year shall be fully explained in written testimony, and the source of the data in support of the adjustments shall be presented, or disclosed, as appropriate. **See Schedules WEE-5 through WEE-15.**

(1) Normalization Adjustments. These adjustments shall be made to the test year to present a reasonable/normal amount for one full year of operations. The test year must be normalized to reflect expected results for a typical future year. All items of unusual magnitude which occurred during the test year, but which are not expected to recur to a significant degree beyond the test year, should be adjusted to reflect what is reasonably to be expected in the future. Correspondingly, adjustments should be made to reflect items that are fixed, determinable, and likely to occur in the future, but did not occur to a significant degree during the test year. **See Schedules WEE-1 and WEE-2.**

(2) Proforma Adjustments. These adjustments serve to walk-up the normalized test year amounts to the balances presented for the rate year. **See Schedules WEE-1 and WEE-2.**

(3) Accounting Change Adjustments. Any change in the manner of recording accounting data on the company's books shall be explained and the financial impact shown. **None.**

(4) Inflationary adjustments. These adjustments are based upon projected cost increases, e.g. Consumer Price Index changes. **None.**

2.7 ATTESTATION OF FINANCIAL DATA

The financial data shall be accompanied by a statement attesting to the accuracy of the financial data presented in the rate base, cost of service and other financial statements; that such data purports to reflect the books of the company, and the results of operations; and that all differences between the books and the test year data, and any changes in the manner of recording an item on the company's books during the test year, have been expressly noted. This attestation shall be signed by the chief financial officer or a person duly authorized by such financial officer. **See attestation at the end of the testimony of Susan E. Linda, President and Treasurer.**

2.8 SUPPORTING INFORMATION AND WORKPAPERS TO BE FILED BY INVESTOR-OWNED UTILITIES

In addition to the materials required by Rule 2.5, any utility that is a private or publicly-held investor-owned entity (as opposed to a municipal or quasi-public entity that is a not-for-profit organization), is required to file the following:

(a) Rate base schedules for the test year period and for the proposed rate year.

The test year shall reflect an average rate base based upon a monthly averaging of balances, or beginning and end of year averages where such amounts are not significant in relation to the total rate base (less than 2% of rate base). **See Schedule WEE-15**

(b) Cost of service schedules for the test year and for the proposed rate year. **See Schedules WEE1-WEE14.**

(c) The capitalization of the utility for the following periods:

(1) the test year, either average balances or end of test year balances; **See Schedule WEE- 17.**

(2) the actual capitalization of the utility for the latest date available prior to filing; **See Schedule WEE-17.**

(3) the capital structure utilized by the company for the determination of new rates. If this differs from the actual capital structure data, the proforma changes are to be fully explained and supported. See WEE Testimony and WEE-17.

(d) Workpapers supporting any claim for an allowance for working capital. See Schedule Wee-16

(e) Workpapers supporting allocations of rate base and cost of service amounts among jurisdictions (intra/inter-state) or entities operated from or in association with the utility. Not applicable.

(f) Workpapers detailing additions to or retirements from plant and depreciation accounts where proforma amounts differ from the test year. Detail data in support of depreciation charges is required, including asset lives, salvage values/costs, etc. for major account categories. See Schedule WEE-15 and WEE-15a.

(g) An analysis of material and supply inventory balances included in rate base for test year and rate year periods. Gas companies should provide monthly inventory figures for the test year for gas inventories. Not applicable.

(h) Workpapers detailing the test year and rate year revenues by source, tariff, rate class, etc. The sales volumes/quantities and customer counts by rate class shall be presented. The basis/calculation for rate year sales volumes and customer counts is to be provided. The total rate year revenues must be supported by a billing analysis utilizing the above data and the proposed rates. See Schedule WEE-1, Schedule WEE-3, and Schedule WEE-6.

(i) For each rate class, the effect of the proposed rate changes shall be presented in a comparative billing format (current and proposed) for typical (or varying) usage levels. A copy or sample of the utility's actual billing statement shall be presented. See WEE Testimony pg 35.

(j) An analysis of revenues and associated expenses for the test year pertaining to adjustment clauses (fuel, purchased power, gas or other). All appropriate data should be disclosed, including refund information, total adjustment clause revenues, gross receipts tax payments, etc. The difference between adjustment clause revenues and recoverable expense for the test year must be shown. In general, revenues and expenses relating to adjustment clauses will not be reflected in the cost of service, except for that portion which is to be included in the firm/base rates of the utility. Not applicable.

(k) A calculation of the test year and rate year federal income tax amounts. For the test year, present a reconciliation of book and taxable income as required and filed in the Annual Report to the Commission. See WEE-17.

(l) A calculation of the test year and rate year deferred federal income tax amounts. Indicate which book/timing differences are specifically provided for in calculating the rate year deferred federal income taxes. Show and explain the treatment for any changes in deferred federal income tax balances as a result of any change in the federal tax laws to include (but not limited to) excess deferred taxes created by a reduction in the federal income tax rates. See WEE-17.

(m) A description of the treatment of investment tax credits and any elections made under the Internal Revenue Code. Not Applicable.

- (n) If the company files a consolidated tax return, show the estimated rate year tax savings resulting from the filing of a consolidated return. Explain fully the method of computing the tax savings. **Not Applicable.**
- (o) A calculation of the rate year tax expense for the Rhode Island Gross Receipts tax. **See WEE-7.**
- (p) A calculation and explanation of the method used to calculate the rate year municipal tax expense (by city/town, if applicable). Also, show the municipal tax expense (by city/town) for the prior three (3) years. **See WEE-14.**
- (q) Show the number of employees at beginning and end of test year and the dollar amount of overtime paid during the test year and the previous two (2) years. Indicate the number of employees and the amount of overtime provided for in the cost of service for the rate year. **See Attachment A of SL testimony.**
- (r) Present a summary of transactions with affiliated companies, officers, and stockholders which occurred during the test year. To be included are the following: billings to/from; loans to/from; sales/purchases of goods, services or property; expense allocations among affiliates; receivables to/from affiliates and others. Provide beginning and end of test year amounts owed and the latest balance(s) prior to the filing. **See WEE-20.**
- (s) The following statements or financial data are to be provided when the test year does not coincide with the latest fiscal year shown in the annual report provided in the filing: **Not Applicable.**
- (1) a balance sheet as of the end of the test year;
 - (2) an income statement for the test year;
 - (3) a statement of changes in retained earnings for the test year.
- (t) If utility assets are pledged as security on loans, notes, or any other form of debt instrument, full disclosure shall be made as to: description or identification of assets pledged; description/identification of the debt instruments; outstanding debt balance(s); disposition of debt proceeds; any default or impending default under the terms of any loan provisions; and any other pertinent information. **See Schedule WEE-17**
- (u) A summary of expenses incurred and projected to be incurred related to the instant rate case filing, and a schedule showing any unamortized amounts from prior rate filings. This schedule shall reconcile the total amount of expense allowed in the last order, the recovery (or amortization) of expense through the test year, and the projected balance of any unrecovered (unamortized) amount at the beginning of the rate year. **See WEE Testimony pg 22.**
- (v) The utility shall present information for the preceding five (5) years disclosing the following data, as appropriate for the utility:
- (1) unaccounted for water; **Not Applicable.**
 - (2) loss on transmission of electricity or gas; **Not Applicable**
 - (3) the utility's own use of water, electricity, or gas. **Not Applicable**
- (w) A summary of the status of compliance and reporting required by prior Commission orders. **See SL testimony.**