

**DIVISION OF PUBLIC UTILITIES AND CARRIERS  
MEMORANDUM**

TO: PUBLIC UTILITIES COMMISSION

DATE: APRIL 16, 2004

FROM: STEPHEN SCIALABBA  
CHIEF ACCOUNTANT  
DIVISION OF PUBLIC UTILITIES

SUBJECT: DOCKET 3599, ISLAND HI-SPEED FERRY TARIFF FILING.

On March 30, 2004, Island Hi-Speed Ferry Company (IHSF) filed a tariff revision which proposes to increase its rates as follows:

<u>Ticket</u>	<u>Current (in effect since 3/99)</u>	<u>Proposed</u>
Adult one-way	\$14.00	\$15.50
Adult round trip	\$26.00	\$29.00
Child one-way	\$ 8.00	\$ 8.75
Child round trip	\$12.00	\$13.50

Also proposed are certain clarifying tariff language provisions addressing refunds, pets, and time limitations for bringing injury and death claims against the company. The proposed tariff also has a provision that doesn't appear to be present in the current tariff which is a frequent user card with a price of \$260 for 10 adult trips and \$120 for 10 child trips.

In Docket 3495, the Commission examined the appropriate form of regulation over IHSF. In its decision in that docket, the Commission determined that IHSF is to have a price floor, based on the rates originally approved in Docket 2802 (the "Current" column, shown above). The Commission likened IHSF to a competitive local exchange carrier ("CLEC") because consumers have the discretion to choose the service. The Commission determined that IHSF does not provide lifeline service and that its service is purely discretionary. The Commission determined that IHSF should have the flexibility to set its own rates as long as the rates are not anti-competitive.

The Division has reviewed the proposed price changes and tariff language provisions. The proposed price changes, including the "frequent user card", do not violate the price floor requirements of the Commission's decision. The Division agrees with the IHSF response to data request 1-3 that the Frequent User card tariff language requires amendment to clarify that its use is available for 20 one-way trips. Regarding the proposed language associated with Part 6 of the Terms and Conditions, a subsequent and separate memo on that will be sent upon further review by legal counsel.

In conclusion, the Division does not object to the proposed rate changes proposed by IHSF. Also, we don't oppose the Frequent User card, understanding that the tariff

language needs revision to reflect the Company's intent to allow for 20 trips, as per the IHSF data response. Finally, we will provide a supplemental response no later than Tuesday April 20 on the issue of Part 6 of the Terms and Conditions.