



State of Rhode Island and Providence Plantations

DEPARTMENT OF ATTORNEY GENERAL

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Patrick C. Lynch, Attorney General

March 14, 2005

Luly E. Masarro, Clerk
Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02888

Re: Docket 3656

Dear Ms. Masarro,

Enclosed for filing with the Commission, kindly find a memorandum from the Division of Public Utilities and Carriers.

Very truly yours,

Leo J. Wold
Special Assistant Attorney General

cc: Service List (By facsimile and by regular mail)

**State of Rhode Island
Division of Public Utilities and Carriers
Memorandum**

To: Luly E. Massaro, Clerk, Public Utilities Commission

From: Steven Scialabba, Chief Accountant, Division of Public Utilities and Carriers

Date: March 14, 2005

Subject: Prudence Ferry, Inc. Tariff Advice - Docket 3656

Issue Presented in Tariff Advice.

On December 23, 2004, Prudence Ferry Inc., submitted a proposed tariff advice. In that filing, PFI seeks to modify its commuter ticket eligibility requirement to add a provision that only those individuals who have a Rhode Island driver's license with a Prudence Island address on the license would be eligible to use commuter tickets. The filing letter characterizes the requested change in eligibility requirement as a minor change to an existing schedule.

On February 22, 2005, PFI submitted information in response to a Division data request. In response to a question on annual passenger ticket sales, the following information was provided:

		<u>No. of Tickets</u>	<u>% of Total</u>
One-Way Adult Tickets		33,907	51%
One-Way Child Tickets		6,372	9%
Ten Packs – Commuter	924 packs x 10 =	9,240	14%
Twenty Pack - Commuter	864 packs x 20 =	<u>17,280</u>	<u>26%</u>
Total Tickets Sold		66,799	100%

Based on present rates and the ticket sale information provided, present passenger revenues would be as follows:

	<u>Tickets</u>	<u>Rate per Ticket</u>	<u>Revenue</u>
One-Way Adult	33,907	\$2.85	\$ 96,634.95
One-way Child	6,372	\$1.00	\$ 6,372.00
10 Pack (924 x 10)	9,240	\$1.85	\$ 17,094.00
20 Pack (864 x 20)	<u>17280</u>	\$1.75	<u>\$ 30,240.00</u>
	66,799		\$150,340.95

PFI was queried regarding the number of commuter tickets sold to residents who would meet the proposed eligibility criteria. PFI responded that it has no information on this.

For those customers who purchase commuter tickets and would not qualify under the new criteria, approval of the tariff advice would result in an increase of either \$1 or \$1.10, or 54% or 63% per one-way ticket (depending on whether it is a 10 or 20 pack). 40% of total ticket sales are commuter tickets.

Tariff Advice Criteria Under the PUC Rules

Section 1.9(c) of the PUC Rules of Practice and Procedure states, under Tariff Advices, “Public Utilities may file tariffs adding new services, providing for new rules, or otherwise adding to their tariff schedules *without amending existing tariffs by tariff advice*. Public utilities may also file *minor* changes to existing schedules by tariff advice...(emphasis supplied).

The Division does not believe the PFI filing meets either of the two criteria established in the PUC Rules. The first criterion is not met as the tariff advice does not add to the tariff schedule without amending existing tariffs. We believe that the second standard, that a change to an existing schedule be minor, is also not met. Based on information submitted by PFI, 40% of one-way tickets sold have been from commuter packs. Those customers affected negatively by the proposed change would see large increases in their ticket prices, ranging from 54% to 63%. PFI has no information as to how many of those current 40% of total tickets sold would be affected by the tariff advice. Assuming for argument that all the tickets would be affected, the proposal would increase passenger ticket revenues by \$28,248, or nearly 19%.

In performing a review of information available at the Commission as a result of this filing, the Division became aware that financial reports have not been filed by PFI for several years. The Division will follow through with PFI to get required relevant financial information filed with the PUC. Additionally, the PUC’s new report for water carriers, for the 2004 year, is due by May 1 from PFI.

It has been approximately 12 years since PFI has had any change in its rates. This is an extraordinarily long time. If the company is in fact in need of a revenue increase, the Division would be willing to work with PFI to the extent possible to keep the cost of a general rate filing as low as possible, and take into consideration the fact that historically, rates for PFI remain in place for extended periods of time. We need to get the relevant financial information from the company as a first step.

Finally, the Division reminds the Commission that the present commuter rates have been in place as a result of a settlement between the Division and the Company. In approving the settlement, the Commission stated that “...the Commission believes that *regular ferry customers* are most entitled to discounted rates...” (emphasis supplied) (Order No. 14235, issued 7/16/93). There is no mention of a residency requirement. Further, the

commuter tickets have an expiration date of 30 days for the ten pack and 60 days for the 20 pack and are non-transferable, so they truly are geared for frequent riders.

For all these reasons stated above, the Division believes the tariff advice should be rejected.