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January 20, 2004

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

Re: Prudence Ferry, Inc. – Docket No. 3656

Dear Luly:

As you know, this office represents Prudence Ferry, Inc. (Prudence) in this docket. The purpose of this letter is to respond to the January 16, 2005 letter from Harry Sterling of the Prudence Island Planning Commission opposing the request by Prudence to institute a commuter discount ticket definition.

Most of the arguments raised in the letter are addressed in my letter of January 19, 2005 to Cynthia Wilson, a copy of which is enclosed.

In summary, the purpose of discounted commuter tickets is to recognize that Prudence Ferry provides a lifeline service to those who live on Prudence Island. The commuter discount is made available to resident islanders who use the ferry for lifeline services. Lifeline services are subsidized by non-islanders who vacation on the island or travel to the island for other reasons. Without a valid public reason, such as providing lifeline service, a commuter discount would be unlawful rate discrimination under R.I.G.L. § 39-2-3 and R.I.G.L. § 39-2-4.

Many, if not most, of the persons referred to in Mr. Sterling's letter apparently own homes on Prudence Island. Therefore, they could have their driver's license reflect their Prudence Island address. This is exactly what many people who own homes on Block Island have done. Mr. Sterling's letter does not articulate a single reason why Prudence Island

homeowners would have any difficulty changing their driver's license address to Prudence Island.

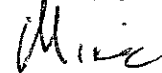
I respectfully submit that we all need to keep this issue in perspective. Mr. Sterling claims that the proposed tariff advice "will unfairly increase . . . commuting expenses" and he also characterizes this as "deleterious." The reality, however, is that the tariff fare for a one-way adult ticket to Prudence Island is only \$2.85.¹ That fare has not increased since 1993.

Buying a 10-trip commuter ticket book for \$18.50 reduces the one-way cost to \$1.85, a savings of exactly \$1.00. Therefore, we are only talking about a rate difference of \$1.00. (Children travel for \$1.00 whether they are commuters or not.)

There are significant expenses incurred in the operation of a year-round lifeline ferry that must carry passengers, freight, and vehicles to and from the island in all types of weather on a regular schedule, day in and day out. The substantial investment in the ferry, personnel to operate the ferry, the landing facilities, the fuel to operate the ferry, and the many other expenses associated with the operation of the ferry are significant. The \$2.85 rate is an extremely low fare and has not increased in more than 11 years. The extra \$1.00 that will have to be paid by someone who is unwilling to change their driver's license address to Prudence Island will not "unfairly increase their commuting expenses" and will not have a "deleterious" effect on their budget. Instead, the discounted commuter fare will properly be reserved to those who can establish that they are in fact Prudence Islanders and are therefore entitled to the discount. We think this is fair and in accordance with the law in this area regarding legal rate discrimination.

If you have any questions, please feel free to call.

Very truly yours,



Michael R. McElroy

MRMc:tmg

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cc: Bruce and Erica Medley
Leo Wold, Esq.
Harry Sterling

¹ By comparison, the one-way adult ferry ticket from Point Judith to Block Island is \$9.20. The one-way adult ferry ticket from Providence to Newport is \$7.00.