

STATE OF RHODE ISLAND
BEFORE THE DIVISION OF PUBLIC UTILITIES AND CARRIERS

IN RE: ISLAND HI-SPEED FERRY, LLC

DOCKET No. 3669

**PRE-FILED TESTIMONY
OF NANCY O. DODGE
DULY APPOINTED MANAGER
OF THE TOWN OF NEW SHOREHAM**

The Town of New Shoreham has moved to intervene in the above matter and opposes both the procedural exemption requested by IHSF and its request for Modification of Rate Orders.

The procedural exemption, if granted, will extend what the Town of New Shoreham views as a precedent that can only detrimentally affect the Town's ability to have an informed role as an Intervenor in cases involving the applicant or any utility in any and all actions before the PUC in the future. Since the carriers in question, IHSF and Interstate Navigation Company, travel to and from Block Island, the Town feels it has an important singular role at the table when any issues concerning their respective operations are before the PUC. While IHSF has continually represented that the Town unfairly favors Interstate Navigation Company's operation and does not support competition gaining a foothold in the ferry market to Block Island, the simple truth is that the Town has a superior interest in assuring the viability of any continued ferry service that provides lifeline service to the Island 365 days a year. At the moment, only Interstate Navigation provides that service and its economic viability is, understandably, the primary concern of the Town. Both the Division and the Commission recognized this fact in Docket #3495 when they carefully crafted a "price floor of twenty-six dollars (\$26.00) for IHSF's tariffs, so as not to allow predatory pricing competition between IHSF and Interstate Navigation

Company. More particularly, the very water carrier certificate issued to IHSF #W-1163 requires all conditions of the Order issued by the PUC on 25 August 1998, specifically including “tariffs reflecting the rates and charges outlined in the business plan”, and that tariff is, of course, the twenty-six dollars (\$26.00) Island Hi-Speed now hopes to duck under.

Currently, it is IHSF that is now claiming that “predatory competition” is impacting its ridership through the operation of Block Island Express, a Hi-Speed ferry that began service to Block Island last summer from New London, CT. Block Island Express is not subject to the regulation of the Rhode Island PUC. Because of the impact Block Island Express has had on IHSF ridership, the company claims a loss of revenue and a need for a price adjustment in the form of a “season pass” and larger percentage increases for group discounts than previously offered.

The clear reality is that adjusting IHSF rates to compensate for competition from Block Island Express will impact the balance established by the Division and Commission with regard to IHSF’s operation *vis a vis* Interstate Navigation.

The Town has a clear place at the table to insure that the protections of that lifeline service are not swept away. This is especially true in view of that fact that Interstate Navigation is also being impacted by the unregulated hi-speed ferry begun by Block Island Express—yet another seasonal hi-speed carrier.

The “passenger market” that Island Hi-Speed Ferry argued was their target market in the original Docket #2802 and was the basis for the position that they would not detrimentally impact Interstate Navigation’s operations, is now being shared with Block Island Express. The “season pass” and the request for greater reduction in tour prices appear to be a move away from the

market IHSF built its business plan on. It also, obviously, should require a review of the factors the Division relied upon in initially issuing the carrier certificate #3565. None of this review should take place without the Intervenors having access to financial data that is the basis for the request departure from IHSF's original business plan. (compliance with said plan being a condition of the carrier certificate)

How the PUC responds to the present request of IHSF will have an obvious impact on Interstate Navigation if one believes the testimony of Walter Edge (published testimony Doc. #3669 4-13-05 p. 32). A potential loss of one hundred twenty-three thousand four hundred forty-nine dollars (\$123,449.00), which is over 25% of Interstate's rate of return on equity (as established in *In Re: Interstate Navigation Company: General Rate Filing*, Doc. No.: 3573 heard before the Commission and settled 12 May 2004), will undoubtedly bring another rate case to the forefront and the Island residents will again face increases for all travel and services. The rate case of Doc. #3573 provides proof that the predictions made by Interstate in the proceedings *vis a vis* IHSF several years earlier were not unfounded.

Nancy O. Dodge

STATE OF RHODE ISLAND
COUNTY OF WASHINGTON

Subscribed and sworn to before me this _____th day of May 2005.

NOTARY PUBLIC

Print Name

CERTIFICATION

I hereby certify that I e-mailed and mailed true copy of the within on the 20th day of May 2005 to the following:

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