

Schacht & McElroy

Robert M. Schacht
Michael R. McElroy

Attorneys at Law

(401) 351-4100
fax (401) 421-5696

Members of Rhode Island
and Massachusetts Bars

21 Dryden Lane
Post Office Box 6721
Providence, Rhode Island 02940-6721

email: RMSchacht@aol.com
McElroyMik@aol.com

September 15, 2006

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

Re: Interstate Navigation Company
Docket No. 3762 and Docket No. 3764

Dear Luly:

As you know, this office represents Interstate Navigation Company (Interstate).

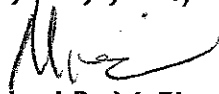
Enclosed for filing in this matter are an original and nine copies of a Stipulation between Interstate, the Division, and the Town. We have agreed to sign this Stipulation in counter parts, which means that we will each be signing separate originals.

The enclosed document contains my original signature and an e-mail signature from Alan Mandl. I understand that Alan will be sending his original signature to you and Bill will be sending his original signature to you as well.

Please file this Stipulation in the files for both Docket 3762 and Docket 3764.

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

Very truly yours,


Michael R. McElroy

MRMc:tmg
In26:06-Massaro10
cc: Susan E. Linda
Joshua Linda
Walter E. Edge, Jr.
Service List

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION**

Interstate Navigation Company)
_____))

Docket No. 3762

STIPULATION

Interstate Navigation Company ("Interstate"), the Rhode Island Division of Public Utilities and Carriers ("Division") and the Town of New Shoreham ("Town") have entered into this Stipulation regarding the above-captioned matter and request that the Public Utilities Commission approve this Stipulation.

The Parties have stipulated as follows:

1. The August 29, 2006 high-speed ferry rate filing made by Interstate (and supplemented on August 30, 2006), in which it seeks permission to extend its existing high-speed ferry rates beyond October 9, 2006, without suspension and hearing, should be approved by the Commission.
2. In order to enable expedited approval by the Commission of Interstate's high-speed ferry rate filing, the Parties have agreed that all issues associated with the ratemaking treatment of Interstate's high-speed operations in the context of determining Interstate's revenue requirements in Docket No. 3762, including but not limited to those issues enumerated in paragraphs 3-7 below, shall be deferred to Docket No. 3762.

3. The Commission's approval of Interstate's high speed ferry rates in Docket No. 3764 shall not preclude any party to this Stipulation from presenting evidence or making arguments in Docket No. 3762, or the Commission from making findings and rulings in said docket regarding, among other revenue requirements issues: (1) the calculation of Interstate's high-speed ferry earnings (or losses) during the first year of operations; (2) the appropriate ratemaking treatment of such earnings (or losses); (3) what, if any, assignment and allocation of costs to Interstate's high-speed operations should be made for purposes of determining Interstate's revenue requirements for year round ferry operations; (4) the treatment of any net earnings or net losses of Interstate's high-speed operations after the first year of operations for purposes of determining the revenue requirements for Interstate's year round operations; (5) the appropriate relationship between Interstate's high-speed and year round ferry operations; (6) whether there should be any imputation of additional net revenues for high-speed operations in determining any revenue credit deemed appropriate by the Commission for year round ferry ratemaking purposes; and, (7) the treatment of future net revenues, if any, from Interstate's high-speed operations for purposes of determining just and reasonable rates for Interstate's year round services.
4. In Docket No. 3762, Interstate shall provide by November 10, 2006, a detailed account by account itemization of direct revenues and direct costs associated with its first year of high-speed operations, as well as a similar

detailed projection of such revenues and costs for the rate year, with appropriate back-up listing all inputs, assumptions and calculations. In the event of any delay in furnishing this information, Interstate shall not object to a proportionate extension for testimony to be filed out of time by any other party regarding such information and related revenue requirements issues or to the conduct of any additional hearing required with regard to such information and related revenue requirements issues.

5. In Docket No. 3762, Interstate shall submit by November 10, 2006, income statements and balance sheets for (1) high speed operations during the rate year (calendar year 2007); (2) year round operations only during the rate year; and (3) consolidated operations during the rate year, reflecting Interstate's proposed asset purchase and related debt financing applications pending before the Division. In the event of any delay in furnishing this information, Interstate shall not object to a proportionate extension for testimony to be filed out of time by any other party regarding such information and related revenue requirements issues or to the conduct of any additional hearing required with regard to such information and related revenue requirements issues.
6. Interstate Navigation and the Division shall not oppose the Town's intervention in Docket No. 3762.
7. By entering into this Stipulation, matters or issues other than those explicitly identified in this agreement have not been settled upon or conceded by any party to this agreement, and nothing in this agreement


shall preclude any party from taking any position in any future proceeding regarding such unsettled matters.

8. This Stipulation is the result of a negotiated settlement. The discussions which have produced this Stipulation have been conducted with the explicit understanding that all discussions relating hereto are and shall be privileged, shall be without prejudice to the position of any party or participant presenting such offer or participating in any such discussion, and are not to be used in any manner in connection with these or other proceedings. The agreement by any party to the terms of this Stipulation shall not be construed as an agreement as to any matter of fact or law beyond the terms hereof. In the event that the Commission rejects this Stipulation, or modifies this Stipulation or any provision therein, then this Stipulation shall be deemed withdrawn and shall be null and void in all respects.
9. The execution of this Stipulation has been authorized by the Town.
10. This Stipulation may be executed in counterparts.
11. The Parties hereby submit this Stipulation to the Commission for approval.

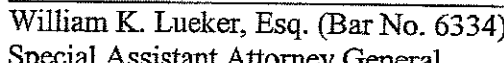
IN WITNESS WHEREOF, this document has been executed by the appropriate representative of the parties identified below, each being fully authorized to do so. Dated this 15th day of September, 2006.

RESPECTFULLY SUBMITTED,


INTERSTATE NAVIGATION
COMPANY
By its attorney,


Michael R. McElroy, Esq. (Bar No. 2627)
Schacht & McElroy
21 Dryden Lane
P.O. Box 6721
Providence, RI 02940-6721

DIVISION OF PUBLIC UTILITIES AND
CARRIERS
By its Attorney,


William K. Lueker, Esq. (Bar No. 6334)
Special Assistant Attorney General
Department of Attorney General
150 South Main Street
Providence, RI 02903

TOWN OF NEW SHOREHAM
By its Attorney,


Alan D. Mandl, Esq. (Bar. No. 6509)
Smith & Duggan LLP
55 Old Bedford Road
Lincoln, MA 01773