

BEFORE THE STATE OF RHODE ISLAND PUBLIC UTILITIES COMMISSION

**IN RE: INTERSTATE NAVIGATION COMPANY:
(Treatment of Fuel Reserve Overage)**

DOCKET NO. 4373

STIPULATION AND SETTLEMENT AGREEMENT

Interstate Navigation Company (“Interstate” or the “Company”) and the Rhode Island Division of Public Utilities and Carriers (“Division”) (collectively, the “Parties”) enter into this Settlement Agreement regarding disposition of the current overage of funds in the Company’s fuel reserve account.¹

I. BACKGROUND

1. In the course of vetting and review of the filing and schedules submitted for Interstate’s annual FY 2019 earnings report in Docket 4373,² and in the Division’s normal course of regulatory oversight, review, and vetting of Interstate’s operational and reserve accounts, and in particular, the collection and balance of Interstate’s fuel surcharge reserve account (“Fuel Account”), the

¹ Rhode Island General Laws § 39-12-13(c) provides for a Division-implemented and regulated diesel price emergency surcharge program wherein lifeline ferry service providers, to include Interstate with its traditional ferry operations, may impose and collect a surcharge for each passenger and vehicle carried during periods when the average retail price of diesel fuel in the state exceeds a threshold price per gallon floor. This program’s implementation and allowable charge is regulated and approved on a monthly basis by the Division.

² The instant Settlement is limited to the issue of the fuel surcharge account overage and does not impact the Rhode Island Public Utilities Commission’s (“PUC’s”) recent approval of the disposition of Interstate’s excess earnings. Interstate filed with the Division on September 11, 2020 its annual earnings report for the fiscal year ending May 31, 2019 with a proposed disposition of excess earnings consistent with the prior PUC-approved settlement agreements. On January 22, 2021, the PUC approved Interstate’s annual FY 2019 earnings report and approved Interstate’s requested transfer of the FY 2019 ratepayer share of the excess earnings of \$802,647.00 to Interstate’s capital reserve. This approval was memorialized by PUC Order No. 23991 issued on February 4, 2021.

Parties recognized that the Fuel Account had accumulated a large balance due in large part to recent low diesel/fuel market costs.

2. As of February 15, 2021, Interstate reported a Fuel Account balance of approximately \$362,330.

3. Over the course of the last two months, the Parties engaged in a series of discussions and considered various options on how best to return the Fuel Account closer to a zero balance and return the over collection to ratepayers.

4. The Parties agree to seek approval³ from the RI Public Utilities Commission (“PUC”) to implement the following corrective action: to credit the ratepayers in the form of a “negative fuel surcharge” in the amount of \$1.00 per all-class passenger and vehicle tickets (as a \$1.00 per ticket reduction) to continue until the over collection of the Fuel Account is significantly reduced, at which time the fuel mechanism would return back to the standard, approved formula rates in place at that time.

5. The Parties referred to the supporting schedules of Interstate’s analyst David G. Bebyn, CPA, of B&E Consulting, LLC, see Exhibit 1, attached, that reflect the projected impact of this refund on the Fuel Account over time and the ratepayer impact by customer and vehicle class.

6. The Parties agree that this Settlement Agreement is a just and reasonable resolution of the issues in this proceeding and jointly request its approval by the Commission.

³ In a prior Docket 4373 rate proceeding, the PUC approved a Division-Company Settlement Agreement providing the following process of review in the instance of fuel surcharge reserve account overage, namely, “...Interstate will consult with the Division to propose a mutually acceptable method of crediting customers for that balance. The agreed upon method will then be filed with the Commission for review and approval.” See Docket 4373: PUC Order No. 21069 dated June 20, 2013, Settlement Attachment at p. 7-8.

7. The Parties agree that the schedules attached as Exhibit 1 are accurate and reflect the projected impact as of the date of the agreement reached in this matter.

8. The agreed \$1.00 per passenger ticket discount will allow Interstate's Fuel Account to reduce gradually and uniformly over time. The goal is to continue this credit until such time as the Fuel Account nears a \$50,000.00 balance. Based on Mr. Bebyn's forecasted schedule, this balance may be achieved in approximately six (6) or more months.⁴

II. TERMS OF SETTLEMENT

9. The Parties propose that the Commission authorize the Company to implement a fuel credit of \$1.00 per ticket within thirty (30) days of approval beginning on the first of the month, to continue until such time as the Fuel Account reaches an approximate balance of Fifty Thousand Dollars (\$50,000.00), at which time the credit will expire.

10. The Division will work with the Company to monitor the status of the Fuel Account balance and the Parties may adjust the fuel surcharge amount from time to time, as is the process currently in place, in the interest of leveling any gross overage in the Fuel Account while also maintaining a balance sufficient to cover potential increases to fuel prices.

11. The Company has the option to notify customers of this fuel credit in a manner consistent with its current fuel surcharge notice via placards at the point of sale in conformance with the

⁴ Interstate informs that the schedule in Exhibit 1 is based on various assumptions for calculations, to include that the fuel gallons were set using the calendar year 2019, which was a typical year. This approach provides a conservative value; a lower fuel consumption would use the reserve less quickly. Likewise, Interstate provides a conservative estimated passenger count for FY 2022 with a COVID summer impact; a higher passenger count for FY 2022 would use up the reserve more quickly.

notice requirement provided in Division Order No. 16701 in Docket 01 MC 72, notwithstanding that the Company is not obligated to do so.

12. The Parties propose this Fuel Account adjustment in lieu of adjusting individual customer base rates.

13. The Company acknowledges that its FY 2020 earnings report to be filed with the Division remains outstanding; the Parties agree that the instant Fuel Account agreement is not intended to limit or otherwise impact any new rate treatment or regulatory adjustments that may be recommended or approved due to the actuals contained in this anticipated report.

III. EFFECT OF SETTLEMENT

14. This Settlement Agreement is the result of a negotiated agreement. The Parties conducted the discussions that produced this Settlement Agreement with the explicit understanding that all offers of settlement and discussion relating thereto 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 any other proceedings.

15. The terms of this Settlement Agreement shall not be construed as an agreement to any matter of fact or law beyond the terms hereof. By entering into this Settlement Agreement, matters or issues other than those explicitly identified in this agreement have not been settled upon or conceded by any party to this Settlement Agreement, and nothing in this Settlement Agreement shall preclude any party from taking any position in any future proceeding regarding settled or unsettled matters.

16. This Settlement Agreement is the product of negotiation and compromise. The making of this Settlement Agreement does not establish any principle or precedent. This Settlement

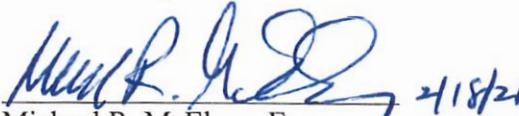
Agreement shall not be deemed to foreclose any party from making any contention in any future proceeding or investigation.

17. If the Commission rejects this Settlement Agreement, or modifies any provision herein, this Settlement Agreement shall be deemed withdrawn and shall be null and void in all respects.

IN WITNESS WHEREOF, the Parties agree that this Settlement Agreement is reasonable, in the public interest, in accordance with applicable law and regulatory policy, and is executed by their respective representatives, each being authorized to do so.

Dated: February 18, 2021

Interstate Navigation Co.
By Its Attorney


Michael R. McElroy, Esq.

McElroy & Donaldson
21 Dryden Lane
P.O. Box 6721
Providence, RI 02940-6721
Tel. (401) 351-4100
michael@mcelroylawoffice.com

RI Division of Public Utilities and Carriers,
By Its Attorney

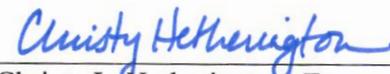

Christy L. Hetherington, Esq.
89 Jefferson Blvd
Warwick, RI 02888
Tel: (401) 780-2140
christy.hetherington@dpuc.ri.gov

Exhibit 1

Analysis of Proposed Fuel Surcharge Credit and its impact on Fuel Surcharge Reserve

DGB-SC-1

Interstate Navigation Company

Fuel Price *	\$ 1.91	Fuel Floor	\$ 2.40	Beginning Reserve *	\$ (362,330) A
Average Increase per month	\$ 0.03			Surcharge Credit	\$ 1.00

Date	Est Gallons	Est Fuel Price	Fuel Cost	Fuel Floor	Fuel Floor Cost	B (Add)/Use of Reserve	Counts Subject to Fuel Surcharge	C Surcharge (Add)/Use of Reserve	A+B+C Balance of Reserve	# of Months for repayment
Mar-21	20,429	\$ 1.91	\$ 39,030	2.40	\$ 49,030	\$ (10,000)	12,896	\$ 12,896	\$ (359,434)	1
Apr-21	26,151	\$ 1.94	\$ 50,746	2.40	\$ 62,762	\$ (12,016)	19,988	\$ 19,988	\$ (351,462)	2
May-21	42,286	\$ 1.97	\$ 83,325	2.40	\$ 101,486	\$ (18,162)	46,130	\$ 46,130	\$ (323,494)	3
Jun-21	53,479	\$ 2.00	\$ 106,985	2.40	\$ 128,350	\$ (21,365)	71,052	\$ 71,052	\$ (273,807)	4
Jul-21	73,981	\$ 2.03	\$ 150,218	2.40	\$ 177,554	\$ (27,336)	129,550	\$ 129,550	\$ (171,593)	5
Aug-21	69,482	\$ 2.06	\$ 143,168	2.40	\$ 166,757	\$ (23,589)	123,187	\$ 123,187	\$ (71,995)	6

* Amounts in agreement with February 15, 2021 Interstate Fuel Surcharge filing

Ratepayer Impact
Interstate Navigation Company

DGB-SC-2

	Current Rate	Current Surcharge	Current Cost to Ratepayer	Proposed Rate	Proposed Surcharge	Proposed Cost to Ratepayer	Dollar Decrease	Percentage Decrease
<i>Passenger</i>								
Adult One Way	\$ 11.30	\$ -	\$ 11.30	\$ 11.30	\$ (1.00)	\$ 10.30	\$ (1.00)	-8.8%
Adult Round Trip	\$ 20.60	\$ -	\$ 20.60	\$ 20.60	\$ (2.00)	\$ 18.60	\$ (2.00)	-9.7%
Child One Way	\$ 5.15	\$ -	\$ 5.15	\$ 5.15	\$ (1.00)	\$ 4.15	\$ (1.00)	-19.4%
Child Round Trip	\$ 10.35	\$ -	\$ 10.35	\$ 10.35	\$ (2.00)	\$ 8.35	\$ (2.00)	-19.3%
Commuter One Way	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Commuter Round Trip	\$ 14.60	\$ -	\$ 14.60	\$ 14.60	\$ (2.00)	\$ 12.60	\$ (2.00)	-13.7%

Vehicles

Cars	\$ 39.60	\$ -	\$ 39.60	\$ 39.60	\$ (1.00)	\$ 38.60	\$ (1.00)	-2.5%
Pick-ups & SUVs	\$ 48.70	\$ -	\$ 48.70	\$ 48.70	\$ (1.00)	\$ 47.70	\$ (1.00)	-2.1%
Commuter Cars	\$ 30.00	\$ -	\$ 30.00	\$ 30.00	\$ (1.00)	\$ 29.00	\$ (1.00)	-3.3%
Commuter Pick-ups & SUVs	\$ 36.15	\$ -	\$ 36.15	\$ 36.15	\$ (1.00)	\$ 35.15	\$ (1.00)	-2.8%

Trucks & Oversize Trucks

The impact on trucks would vary based upon the size of the vehicle