

# Schacht & McElroy

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April 6, 2006

Luly Massaro, Clerk  
Division of Public Utilities and Carriers  
89 Jefferson Boulevard  
Warwick, RI 02888

Re: Interstate Navigation Company - Motion for a one year amendment of  
Interstate's fast ferry Certificate of Public Convenience and Necessity  
(CPCN) issued in Docket D-05-06

Dear Luly:

Enclosed for filing in this matter are an original and five copies of (1) Interstate's motion for a one-year amendment to its fast ferry CPCN, and (2) Testimony of Walter E. Edge, Jr. in support of Interstate's Motion for a one year amendment to Interstate's fast ferry CPCN. Please note the need for a decision before May 24, 2006.

If you need any further information, please feel free to call.

Very truly yours,

  
Michael R. McElroy

MRMc/kmc

IN24/IHSF/DPUC-clerk

cc: Mark Hagopian, Esq.  
Merlyn O'Keefe, Esq.  
Paul Roberti, Esq.  
Thomas Ahern  
Susan E. Linda  
Walter E. Edge, Jr.  
Block Island Town Clerk (CMRRR)  
Mark McSally, Esq.  
Joseph J. Nicholson, Jr., Esq.

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

IN RE: INTERSTATE NAVIGATION COMPANY : DOCKET No. \_\_\_\_\_

INTERSTATE NAVIGATION COMPANY'S MOTION  
FOR A ONE-YEAR AMENDMENT TO ITS FAST FERRY  
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY (CPCN)

On January 23, 2006, in Docket D-05-06, the Division issued a Certificate of Public Convenience and Necessity (CPCN), granting Interstate authority to operate a seasonal fast ferry between Point Judith and Old Harbor, Block Island as well as between Newport and Old Harbor, Block Island.

The authority also contained certain restrictions designed to protect undue competition with Island Hi-Speed Ferry (IHSF). However, IHSF will not be operating from Point Judith to Block Island in 2006. Instead, IHSF has agreed to lease its fast ferry vessel the *M/V Athena* to Interstate. Therefore, in 2006 Interstate wishes to operate a fast ferry between Point Judith and Old Harbor only.

Interstate plans to fill the void created by IHSF's cessation of fast ferry service to Block Island from Point Judith by providing fast ferry service under Interstate's new CPCN. However, to fill that void, Interstate needs its CPCN amended for the summer of 2006 (1) to eliminate the restriction on the number, timing and marketing of fast ferry runs between Point Judith to Old Harbor, and (2) to hold in abeyance the Newport to Block Island leg of the new CPCN. (Conventional ferry service by Interstate between Newport and Block Island will continue). Therefore, Interstate requests that the restrictions set forth in Report &

Order #18506 be lifted and amended, as further explained in the testimony of Walter E. Edge, Jr.

Interstate is also simultaneously filing an application with the Commission to operate its fast ferry to Block Island utilizing the same rates as are currently being utilized by IHSF.

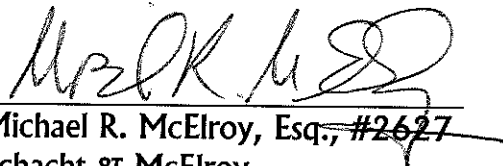
In addition, Interstate and IHSF are jointly filing a petition for approval of the fast ferry lease (charter) under R.I.G.L. § 39-3-24 and 39-3-25.

Finally, IHSF is filing a petition to hold its CPCN to New Harbor in abeyance for one season.

IHSF supports Interstate's filings. Interstate also supports IHSF's filings.

Because Interstate must start its fast ferry operation by May 24, 2006, (the Wednesday before Memorial Day weekend) in order to operate during the full summer season and fulfill the public need, Interstate respectfully requests approval of this filing before May 24, 2006. Copies of this request are being served upon IHSF, the Division, the Attorney General, the Towns of Block Island and Narragansett, and the City of Newport.

Respectfully submitted,  
Interstate Navigation Company  
By its attorney



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Dated: 4/6/06

CERTIFICATE OF SERVICE

I hereby certify that on the 6<sup>th</sup> day of April, 2006, I mailed a true copy of the foregoing by first class mail to the following:

Paul J. Roberti, Esq.  
Attorney General's Office  
150 South Main Street  
Providence, RI 02903

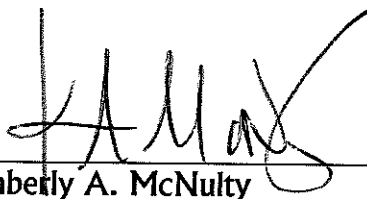
Block Island Town Clerk (CMRRR)  
P.O. Drawer 220  
Block Island, RI 02807

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60 South County Commons Way  
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\_\_\_\_\_  
Kimberly A. McNulty

**DIRECT TESTIMONY  
OF  
WALTER E. EDGE JR. MBA CPA**

**IN SUPPORT OF  
INTERSTATE NAVIGATION COMPANY'S  
REQUEST FOR A ONE YEAR  
AMENDMENT OF INTERSTATE'S FAST FERRY CPCN**

**Before  
RHODE ISLAND DIVISION OF  
PUBLIC UTILITIES AND CARRIERS**

**Docket No. D-06-\_\_\_\_\_**

April, 2006

1 **Q. Will you please provide your full name and your employer for the record?**

2 A. Yes, my name is Walter Edward Edge Jr., MBA CPA. I am the president of B&E  
3 Consulting LLC.

4  
5 **Q. Are you the same Walter E. Edge Jr. who has previously filed expert accounting and  
6 rate testimony for Interstate Navigation Company (Interstate) in previous dockets?**

7 A. Yes, I am.

8  
9 **Q. Mr. Edge, what is the purpose of your testimony in this docket?**

10 A. Interstate has identified an outstanding one- season vessel leasing opportunity to get started  
11 this summer in the fast ferry business, to gain experience for its management, captains, engineers  
12 and crew with fast ferry operations, and to introduce its customers to the advantages of the fast  
13 ferry service from Point Judith to Old Harbor. I have calculated that Interstate will be able to do  
14 this, while at the same time make a profit from the fast ferry operation that will benefit its  
15 conventional operations. Through this testimony, I will provide the information needed by the  
16 Division to review and consider this opportunity and hopefully the Division will approve the  
17 modifications requested (for one year only) to Interstate's recently granted fast ferry CPCN.

18  
19 **Q. Does this one year activity change in any way Interstate's plans to eventually build its  
20 own fast ferry?**

21 A. No. This one season leasing opportunity will not change Interstate's ability or desire to  
22 eventually proceed with its plans to build its own passenger, freight and car carrying fast ferry  
23 vessel in accordance with the intent of Division Order # 18506 in Docket D-05-06. In fact,  
24 Interstate believes that this one season leasing opportunity may actually aid Interstate with its  
25 decision making and maybe even its financing for its own fast ferry vessel and operations.

26  
27 **Q. What opportunity has arisen that will allow Interstate to operate a fast ferry from  
28 Point Judith to Old Harbor this summer?**

29 A. Interstate has negotiated with Island Hi-Speed Ferry (IHSF) to lease its fast ferry vessel, the  
30 MV *Athena*, for the summer of 2006 at what Interstate believes is a reasonable season price.

1 IHSF has also agreed to provide Interstate with an experienced fast ferry captain and engineer for  
2 the summer. Further, IHSF has agreed to train Interstate's captains and engineers in the  
3 operation of a fast ferry. This will allow Interstate to get at least a one year jump on its entry  
4 into the fast ferry market.

5  
6 **Q. How will the agreement with IHSF allow Interstate to gain experience for its  
7 management, captains and engineers?**

8 A. It is understood that the IHSF captain and engineer will train Interstate's captains and  
9 engineers before and during the summer. Then by the summer of 2007 Interstate will have  
10 experienced captains, engineers and crew that have run a fast ferry.

11  
12 **Q. Will IHSF run its summer fast ferry operations from Point Judith to Block Island this  
13 coming summer?**

14 A. No, if Interstate's requests are approved by the Division in this docket (and by the  
15 Commission in Interstate's fast ferry rate filing docket), IHSF will not be running its Rhode  
16 Island fast ferry operation this coming summer. They will instead lease the M/V *Athena* to  
17 Interstate. (Note that IHSF also operates a Puerto Rico fast ferry operation).

18  
19 **Q. What modification(s) does Interstate need the Division to approve to its fast ferry  
20 CPCN for this coming season?**

21 A. Since IHSF will not be running its fast ferry from Point Judith to Block Island in the summer  
22 of 2006, Interstate would like to fill that fast ferry void and run at least six trips a day (IHSF ran  
23 six daily trips last summer) from Point Judith to Old Harbor instead of the three trips per day  
24 from Point Judith to Old Harbor required by Interstate's fast ferry CPCN. Interstate believes  
25 that the public convenience and necessity for this one summer will be better served if Interstate  
26 provides a similar service to Block Island to that previously provided by IHSF. Therefore,  
27 Interstate would also like to modify its CPCN (for one year) to allow trips back and forth from  
28 Point Judith to Old Harbor only and not make the other more time consuming leg of Interstate's  
29 three legged trip to Newport required in Interstate's CPCN. Of course, Interstate will continue  
30 its usual conventional service from Newport to Block Island.

1 The fact that IHSF will not be running its summer fast ferry service to Block Island eliminates  
2 any need to protect IHSF and makes the restrictions on Interstate's departure times meaningless.  
3 Therefore, Interstate respectfully requests that the Division also remove all restrictions on  
4 departure times for the summer of 2006. Further, Interstate would like to also be allowed to  
5 amend its operating schedule if passenger demand suggests that there is a need for change.  
6 Interstate will advise the Division of any changes that it wishes to make. Interstate's tentative  
7 schedule is attached hereto as WEE-1.

8

9 **Q. What rates does Interstate want to use for its summer fast ferry operation?**

10 A. Interstate will file, at about the same time as it files this filing, a request with the Rhode  
11 Island Public Utilities Commission (PUC) to approve for Interstate the exact same fast ferry rates  
12 approved for IHSF's use last year with the exclusion of the \$500 season pass that IHSF  
13 eventually withdrew and never used (See WEE-2 attached). Interstate is hopeful that the  
14 Commission will approve this reasonable request.

15

16 **Q. If the Division grants this request and the IHSF fast ferry rates are approved by the**  
17 **PUC will Interstate operate the fast ferry operation this summer at a profit?**

18 A. Yes, I believe that it will. Per my calculations, Interstate should generate a fairly substantial  
19 profit this summer from the one season fast ferry operation. This profit will be used either to  
20 invest in Interstate's new fast ferry vessel or to subsidize Interstate's conventional lifeline  
21 operations. See my attached Schedule WEE-3 Projection of Revenues, Expenditures and Profit  
22 (summer of 2006) for my detailed calculations.

23

24 **Q. Is there any urgency to this request?**

25 A. Yes, very much so. We apologize, but due to the time it took to negotiate this transaction,  
26 Interstate is requesting an almost unrealistic turn around time from the Division and the PUC.  
27 However, Interstate needs a decision from the Division and the PUC by the Wednesday before  
28 Memorial Day (May 24) in order for a fast ferry to Block Island to be in operation for the full  
29 summer season of 2006. In addition Interstate must begin to place its printed, radio and  
30 television ads right away in order to maximize customer awareness of the new service and insure  
31 its success.



1 **Q. How does Interstate expect the Division and the Commission to be able to turn its'**  
2 **requests around so quickly?**

3 **A.** Interstate is hopeful that these dockets will be uncontested and that the Division can approve  
4 these one season modifications without hearings and that the PUC can approve the rates by  
5 simply allowing them to go into effect in thirty days from filing. Interstate believes that it is  
6 clearly it is in the best interest of the ratepayers to have this fast ferry service available as soon as  
7 possible. Interstate's requests to use the same rates and a similar schedule previously provided  
8 by IHSF should make the Division and PUC decisions easier.

9

10 **Q. Does that conclude your testimony?**

11 **A.** Yes.

May 25 through June 23  
and  
September 5 through October 9, 2006

Fast Ferry Service

Monday - Friday

<u>Depart PJ</u>	<u>Arrive BI</u>	<u>Depart BI</u>	<u>Arrive PJ</u>
8:30a	8:57a	9:30a	9:57a
10:30a	10:57a	4:30p	4:57p
5:30p	5:57p	6:30p	6:57p
7:30p*	7:57p*	8:15p*	8:42p*

\* indicates trips run only on Fridays

Saturday - Sunday

<u>Depart PJ</u>	<u>Arrive BI</u>	<u>Depart BI</u>	<u>Arrive PJ</u>
8:30a	8:57a	9:30a	9:57a
10:30a	10:57a	11:30a	11:57a
12:30p	12:57p	1:30p	1:57p
3:30p	3:57p	4:30p	4:57p
5:30p	5:57p	6:30p	6:57p

June 24 through September 4, 2006

<u>Depart PJ</u>	<u>Arrive BI</u>	<u>Depart BI</u>	<u>Arrive PJ</u>
7:30 am	7:57 am	8:15 am	8:42 am
9:15 am	9:42 am	10:15 am	10:42 am
11:15 am	11:42 am	12:20 pm	12:47 pm
1:15 pm	1:42 pm	3:45 pm	4:12 pm
4:45 pm	5:12 pm	5:45 pm	6:12 pm
6:45 pm	7:12 pm	7:35 pm	8:02 pm

STATE OF RHODE ISLAND

PUBLIC UTILITIES COMMISSION

Docket No. \_\_\_\_\_

INTERSTATE NAVIGATION COMPANY

LOCAL FAST FERRY TARIFFS

Naming

PASSENGER RATES  
APPLYING BETWEEN  
POINTS AND PLACES IN THE STATE OF  
RHODE ISLAND

(As indicated herein)

EFFECTIVE: MAY 24, 2006

ISSUED BY:

Interstate Navigation Company  
Susan Linda, President  
Post Office Box 482  
New London, Connecticut 06320

**RULE No. 5            PETS OR ANIMALS ACCOMPANYING PASSENGERS:**

Animals or pets will not be allowed to accompany passengers aboard ships unless such animals are securely under leash.

**RULE NO. 10            BAGGAGE DEFINED:**

1. Baggage may be either personal or sales sample cases defined as follows: Personal luggage or baggage consisting of wearing apparel, toilet articles or similar effects in actual use, necessary and appropriate for the wear, use, comfort or convenience of the passenger for the purpose of the trip and not intended for other persons or for sale. Sample cases are those to be used by the salesman containing samples or articles or merchandise for sale and for future transportation and not articles for immediate sale forthwith.
2. Money, jewelry, negotiable papers or like valuables should not be enclosed in baggage to be checked. This carrier will not be responsible for such articles in baggage.
3. All baggage must be enclosed in receptacles such as trunks, valises, suit cases, leather hat boxes or satchels provided with handles, securely locked or otherwise fastened and made of material of sufficient strength and durability and quality to withstand the rapid handling and piling incidental to its transportation.

**RULE NO. 15            BAGGAGE ACCOMPANING PASSENGER:**

Each passenger purchasing an adult or child one way ticket will be allowed to transport without charge fifty (50) pounds of luggage or baggage, which must be carried on and off the ship by the passenger at points of embarkation and debarkation.

**RULE NO. 20            ARTICLES IN AUTOMOBILES:**

This rule is not applicable for the fast ferry at this time.

**RULE NO. 25            DAMAGE TO AUTOMOBILES IN TRANSIT:**

This rule is not applicable for the fast ferry at this time.

**RULE NO. 30      ROUND TRIP TICKET:**

The carrier will not be responsible to persons holding round trip tickets for failure to provide return carriage due to weather or mechanical failure; the carrier will honor the return ticket by providing carriage as soon as the weather and the sea are fit for navigation and the equipment is fit to operate.

**RULE NO. 35      OVERSIZED VECHILES:**

This rule is not applicable for the fast ferry at this time.

**RULE NO. 40      TIME LIMIT ON SUITS:**

Suits to recover on any claim for loss of life or bodily injury must be instituted within one (1) year from the day when the death or injury occurred. Suits to recover on any claim other than loss of life or bodily injury, including breach of contract, must be instituted within (6) months of the scheduled arrival of the passenger or property at destination.

**RULE NO. 45      SCREENING AND INSPECTION:**

Pursuant to Homeland Security Coast Guard Regulations, entering the ferry facility is deemed valid consent to screening or inspection; and failure to consent or submit to screening or inspection will result in denial or revocation of authorization to enter.

**RULE NO. 50      ARTICLES LEFT ABOARD VESSEL:**

Carrier will not be responsible for articles left aboard the vessel. Such shipments shall be charged for at a minimum rates provided in the Company's tariffs.

**RULE NO. 55      DAMAGE TO AUTOMOBILES:**

This rule is not applicable for the fast ferry at this time.

**RULE NO. 60      CAR RESERVATION CANCELLATIONS:**

This rule is not applicable for the fast ferry at this time.

**RULE NO. 60          VEHICLE OVERHANG CHARGE**

This rule is not applicable for the fast ferry at this time.

**RULE NO. 70          NON-STANDARD VEHICLE CHARGES:**

This rule is not applicable for the fast ferry at this time.

**RULE NO. 75          BLOCK TICKET SALES CHARGES:**

There is a \$15.00 block ticket sales service charge for all block sales of 25 or more tickets (e.g., weddings, corporate outings and other such events).

**RULE NO. 80          ONLINE SALES CHARGE:**

For all on-line internet ticket sales, there is a \$2.00 service fee charge to cover postage and handling.

**RULE NO. 85          LOST TICKET CHARGE:**

There is a \$10.00 charge for all lost tickets which are replaced (each way).

**RULE NO. 90          GROUP DISCOUNTS:**

Not required at this time because of previously approved IHSF Volume Discount rate requested elsewhere in this tariff.

**RULE NO. 95          ADVANCED TICKET DISCOUNT:**

Carrier may sell advanced tickets on a pay for 9 tickets in advance, get 10 tickets basis.

## PASSENGER RATES

### 1. ROUTE:

Between Galilee and Block Island  
Between Block Island and Galilee

### 2. FARES:

#### a. Individual Tickets

Adult one-way	\$15.50
Adult round trip	\$29.00
Child one-way	\$ 8.75
Child round trip	\$13.50

#### b. Frequent User Cards

Adult	10 round trips (or 20 one-way)	\$260.00
Child	10 round trips (or 20 one-way)	\$120.00

#### c. Season's Pass

Not requested

#### d. Volume Discount

May, June, September and October	Adult	\$20.30
July and August	Adult	\$23.20

NOTE a. The passenger rates for children will apply to children four (4) years of age up to and including children (12) years of age when accompanied by an adult. For children thirteen years of age and older, the adult passenger fares published apply. Children under three (3) years of age when accompanied by an adult will be transported free of charge.

NOTE b. Applicable municipal landing fees will be added.

NOTE c. All Tickets are open ended. However, passengers will be asked for a return date and time, which will be printed on the boarding pass (for seating purposes). If the passenger's travel plans change, they must redeem the issued boarding pass at an Interstate ticket office for a new one, subject to seating availability on a particular departure. This means that passengers who change travel plans on busy weekends, for example, travel on a standby, first come first serve basis.

Because Frequent User Card holders will be allowed to proceed directly to the gate for boarding, it is recommended that at times of heavy traffic volume they check in at the ticket office before boarding, or call in advance to reserve a seat. All tickets, including Frequent User Cards, must be used during the season they are issued.

NOTE d. The season's Passes note is not needed at this time.

NOTE e. Volume Discounts are available only to passengers traveling in groups of 25 or more persons.

**BICYCLE RATES**

One-way	\$3.00
Round Trip	\$6.00



Projection of Revenues and Expenditures

First Full Year of Operations

Interstate Fast Ferry

Interstate  
Leases**Revenues:**Interstate's Current Customers:

Passenger (Point Judith - Block Island)	35,500 passengers @ 14.50	\$ 514,750
	(uses 1/2 of Survey Results)	

Projected IHSF Customers:

Passenger (Point Judith - Block Island)	37,000 passengers @ 29.00	1,073,000
Total Passenger Revenue		<u>1,587,750</u>
Other Revenues (Bar, bike, etc)		150,000
Interstate Charter Revenue		*
Fuel Surcharge Revenue		195,000
Total Revenue		<u>1,932,750</u>

**Expenses:**

Salaries and wages (\$6,000 per week X 21 weeks)	208,530
Payroll taxes (10% of S&W)	7,270
Fuel (195,000 gallons * 2.20/gallon)	429,000
Maintenance:	
Annual engine top end and overhauls Two year average	138,000
Dry Docking Estimate	10,000
General Maintenance Estimate	25,000
Insurance Estimate	30,000
Advertising Estimate	15,000
Berthing Point Judith	4,000
Bar expense	66,000
Training	6,000
General and Administrative Expense	
Legal and accounting	
General office supplies	
Taxes	
Fees (coast guard, banking, etc)	
Overhead allocation (rent, etc)	
Total G&A Expense Estimate	100,000
Debt service	
Lease Payments	188,895
Principal	-
Interest	-
Total Expense	<u>1,227,695</u>
FIT (36%)	<u>253,820</u>
Net profit	<u>\$ 451,235</u>

\* Assumes no charter revenue although Interstate believes that there may be opportunities to lease the Fast Ferry in the off season, Especially in the first year to IHSF for Puerto Rico