STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

IN RE: INTERSTATE NAVIGATION COMPANY :
PETITION FOR GENERAL RATE INCREASE : DOCKET NO. 3573

REPORT AND ORDER

I. Introduction

On December 2, 2003, the Interstate Navigation Company ("Interstate" or "Company") filed an application with the Rhode Island Public Utilities Commission ("Commission") seeking a general increase in its existing rate schedule, for effect January 1, 2004. Interstate's request was designed to generate total revenue in the amount of $9,657,742. This request, if approved, would produce additional revenues in the amount of $2,750,712, which translates to across-the-board rate increases of 39.8% with the exception of a proposed 93% increase to non-commuter passenger vehicles. Additionally, Interstate requested flexibility in certain of its rates. On December 18, 2003, the Commission docketed the matter and suspended the effective date pending an investigation.

The instant rate case filing represents Interstate's fourth such filing in the last twenty years. A brief history follows:

Docket	Date Filed	Increase Requested	Allowed Increase	Revenues
1835	7/29/85	$283,765	$53,980	$2,592,260
1935	3/22/89	$1,539,967	$770,000	$4,114,031
2484	10/25/96	$1,907,026	$1,171,000	$6,208,285
3573	12/2/03	$2,750,712		

On December 29, 2003, the Town of New Shoreham ("Town") filed a timely Motion to Intervene to which no objection was filed. Accordingly, pursuant to Commission Rule of Practice and Procedure 1.13(e) the Town was allowed full party status.

II. Interstate's Direct Case

In support of its filing, Interstate submitted the pre-filed testimony of Susan E. Linda, President and Treasurer of Interstate and Walter E. Edge, Jr., Consulting Department Director and President of the firm Bacon & Edge.

Ms. Linda maintained that Interstate has complied with each requirement contained in the Amended Settlement entered into between the Company, the Division of Public Utilities and Carriers ("Division") and the Town that was approved by the Commission in Order No. 15300.[1] Additionally, Ms. Linda indicated that Interstate has addressed the Town's issues as set forth by Ms. Kimberly Gaffet, former First Warden, at the time of Docket No. 2484.[2] Next, Ms. Linda provided an update regarding the progress of the Point Judith terminal reconstruction project, stating that the competitive bid process for a new terminal produced a lowest bid of $1.1 million, exceeding the budgeted amount. Therefore, after commencing with a redesign project and applying for and obtaining the proper permits, Ms. Linda expected that the bid process will be completed by February 2004, at which time, the cost will be known. She expected construction to be completed by early June 2004.

Ms. Linda pointed to five main reasons necessitating Interstate's request for a rate increase: (1) a decrease in passenger and bicycle revenues; (2) an increase in overall costs

[1] Interstate Exhibit 2 (Pre-Filed Testimony of Susan E. Linda), pp. 2-3.
[2] Id. at 4-5.

since Interstate's last rate increase in 1997; (3) an increase in costs due to homeland security measures; (4) planned capital improvement programs to be undertaken; and (5) an increase in the appraisal of the Block Island terminal property leading to an increase in the lease payments.[3]

Ms. Linda elaborated on the capital improvement projects, stating that the Company has received several complaints about the M/V Nelseco, Interstate's passenger-only vessel that serves peak travel times. Therefore, the first major capital investment proposed by the Company is the purchase of the larger vessel, M/V Anna C. Interstate would then move the M/V Nelseco to the Newport/Block Island Run and place the M/V Manitou, another older boat, on standby. The M/V Anna C will allow additional truck space to further the needs of the island. The M/V Anna C is fully winterized and is similar in size to the M/V Carol Jean, but is newer and more powerful and has previously been leased by Interstate from Nelseco Navigation during high demand periods. With regard to the $3.1 million purchase price, Ms. Linda indicated that it had been set by an independent appraisal and represents 1/3 of the replacement cost of the vessel.[4]

The second major capital improvement project, according to Ms. Linda, is the renovation of the M/V Carol Jean, a vessel which was placed in service in 1984. The purpose of the renovations is to replace parts that have been in service beyond their useful life. At the same time, the Company intends to winterize the boat by insulating and finishing the interior of the cabin and to install air conditioning in the cabin to better

[3] Id. at 7-10.
[4] Id. at 8-9.

compete with the amenities of the competition. According to Ms. Linda, the Company expects the project to cost approximately $3 million.[5]

Turning to the Company's goals for the future, Ms. Linda explained that the Company's immediate goals are to add the M/V Anna C to the fleet, to comply with new Homeland Security Coast Guard regulations, to improve the staging and terminal area at Point Judith and to rebuild the M/V Carol Jean. With regard to long term goals, Ms. Linda indicated that the Company is looking for ways to "come up with creative strategies for retaining and possibly even expanding our customer base."[6] Four of the five ideas presented related to pricing flexibility. The remainder related to a proposal to increase non-commuter vehicle rates by 93% in order to "discourage people from taking their cars to Block Island….The increased rate[s] will help to make up for the anticipated loss of traffic…[and] will open up more spaces for the greatly increased demand for truck space on the ferries."[7] With regard to pricing flexibility, Ms. Linda suggested that, "with regard to ticket sales to summer tourists, we believe we should be able to retain whatever additional revenues we are able to generate from summer tourists." More specifically, she suggested that:

> If the charge is increased, the additional dollars collected from any summer tourist rate increase imposed over and above the rates approved in this docket would first go to cover any shortfall in Interstate's authorized return on rate base and then the excess may be retained by Interstate in full as additional profit, which will not be counted against the regulatory profit allowance.[8]

[5] Id. at 9-10.
[6] Id. at 11.
[7] Id. at 11-12.
[8] Id. at 13.

Ms. Linda's justification for a non-tariffed rate was that the market on a given day should be allowed to set the rate in order to control prices in the competitive market.[9]

Mr. Edge provided testimony regarding the test year of June 1, 2002 through May 31, 2003, a rate year of June 1, 2004 through May 31, 2005, the cost of service/revenue requirement, rate base, rate of return, and rate design, together with an evaluation of the rate impact per customer class.[10] Mr. Edge provided a review of the previous rate case, including the revenue requirement, rate of return, return on equity and other miscellaneous agreements contained in the approved Settlement.[11]

Mr. Edge pointed to three major reasons causing the need for a rate increase, namely, a loss of revenues during the period FY 2003 and anticipated loss of revenues for FY 2004, an increase in costs versus revenues during the seven years since Interstate's last rate case, and the anticipation of a number of capital projects which will require an increase in debt service.[12] The result of these factors is a requested increase in revenue of $2,750,712, or 39.8%. The impact on a same day, round trip, adult ticket would be an increase from $12.80 to $17.90.[13]

Mr. Edge indicated that he made seven normalizing adjustments to the test year, specifically: (1) removing $18,529.43 in interest income from revenue on the basis that cash is not a part of rate base and the return on cash investment is shareholder rather than ratepayer revenue; (2) adding one-fifth of the net proceeds of the sale of the Manisee vessel per the previously approved Stipulation; (3) reducing depreciation expense in the amount of $563,362 for a one-time amortization of refinancing costs; (4) removing

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[9] Id. at 13.
[10] Interstate Exhibit 3 (Pre-filed testimony of Walter E. Edge, Jr.), p. 2.
[11] Id. at 4-5.
[12] Id. at 5.
[13] Id. at 6.

$265,522.63 in interest expense from the cost of service because he maintained that the interest expense will be accounted for in the return on rate base calculation; (5) removing rent expense from the wharfage expense account; (6) increasing the test year pension expense by $15,633 to account for an understated employee pension expense on the basis that Interstate does not pay pension contributions annually, but rather, catches up "when times are good"; and (7) eliminating the cash over/short amount of $4,621.91 on the basis that it is an improper cost of service item which fluctuates between revenue and expense from year to year.[14]

Mr. Edge explained that the revenues from Interstate's regulated activities provide approximately 91% of Interstate's overall revenues. Comparing the allocation of revenues in the last docket to the test year only, passenger, bicycle and freight revenues decreased while car/truck revenue increased.[15] The remainder of the revenue from unregulated activity is used to reduce the revenue requirement.[16] Mr. Edge explained that Interstate is a summer peaking utility but is affected by the weather during the entire year, noting that when looking at performance in only one year, "it is imperative to consider the weather in that year."[17]

After comparing the passenger, car/truck and bicycle revenues together over the course of five fiscal years, Mr. Edge opined that although passenger and bicycle revenues declined to a certain extent due to competition, Interstate does not believe that all lost revenue is the result of direct competition from Island Hi-Speed Ferry, but rather is a

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[14] Id. at 8-9. Mr. Edge provided an analysis of revenues and expenses for four years and the test year to show that the test year ending May 31, 2003 is a "normal" year. Id. at 9.

[15] Id. at 11. Comparing percentages alone, the revenues from regulated activities during the test year actually represent a gain over the percentages from the previous docket. See id.

[16] Id.

[17] Id. at 11-12. Mr. Edge noted that FY 2002 was a very good year for Interstate, opining that it was an aberration.

combination of competition, the impact of the events of September 11, 2001 on travel, a drop in the economy, and the introduction of a new high speed ferry from Quonset Point to Martha's Vineyard.[18] Mr. Edge projected a higher reduction of passenger and bicycle revenues in FY 2004 and 2005 than FY 2003 as compared to FY 2002 or 2001, fearing that declining revenues has "no end in sight."[19] With regard to car/truck revenue, Mr. Edge used an average increase from FY 1999 through FY 2003, noting that it is not subject to competition, but is affected by the weather. Mr. Edge made no adjustment to freight revenue from the test year, noting that this revenue is more a function of construction on the island rather than weather.[20] Addressing revenues from unregulated activities, Mr. Edge indicated that he left bar expenses, mail revenue and charter revenue at test year levels. He noted that landing fee commission revenue increased in the test year due to the addition of the Narragansett landing fee, but because Mr. Edge is projecting a decline in ridership, he has reduced the landing fee commission revenue accordingly. Therefore, after all adjustments, Mr. Edge projected total rate year gross revenue at current rates at $6,907,030.[21]

Turning to projected rate year expenses, Mr. Edge indicated that he reviewed the individual expense accounts to determine all known and measurable changes. However, in some cases, accounts were left at test year levels or were projected based on a four year average plus the test year.[22] Mr. Edge made increasing adjustments to the following expense accounts: Payroll and related taxes – $340,553; Depreciation – $558,581; Other Vessel Expense – $84,896; Wharfage – $177,794; Rent – $835; General Maintenance –

[18] Id. at 12-13.
[19] Id. at 14.
[20] Id. at 14-15.
[21] Id. at 15-16.
[22] Id. at 16.

$20,574; Utilities – $66; Advertising – $153,083; Other traffic expense – $12,649; Office – $4,073; Credit Card Administrative Fees – $15,480; Telephone – $24,445; Employee Insurance – $34,968; Employee Pension – $9,477; Insurance – $72,783; Municipal Tax – $8,018; CT Corp. Tax – $250; Permits and Licenses – $2,392; Unemployment Comp. and Federal and State Unemployment – $10,335; Vessel Maintenance – $19,660; Computer Expense – $4,712; Fuel Expense – $43,756; Homeland Security – $702,105[23]; Federal Income Tax – $105,701; and Rate Case Expense – $50,000. Mr. Edge made decreasing adjustments to the following expense accounts: Crew Expense – ($76,894); Supplies – ($10,650); Charter – ($363,000); Local Transfer – ($11,220); Refunds, Voids and Credits – ($10,600); Registrations – ($687).[24]

A portion of the increase to payroll expense is related to an additional crewmember at a salary of $30,000 to cover the increased staffing for the M/V Anna C, a staffing requirement that Mr. Edge maintained is required by law and Coast Guard Regulation. One third of the increase is related to management raises to Susan, Ray and Josh Linda in the amount of $108,901 over the salary amounts for January through June 2004. Mr. Edge provided several justifications "in addition to the fact that Interstate's management salaries are below market salary levels" including work related to the M/V Carol Jean, work related to the Point Judith Terminal, work related to new Homeland Security requirements, dealing with increased competition from various sectors, and work related to the M/V Anna C.[25] Another portion is related to five percent increases in

[23] The Homeland Security expense listed herein is the correct amount as stated in Mr. Edge's testimony and does not correspond to his schedule WEE-7 per his footnote therein. The amount stated in the schedule is $547,460 and is the amount listed as the increase in expense for the Adjusted Rate Year.
[24] Interstate Exhibit 3, WEE 7.
[25] Interstate Exhibit 3, p. 18.

salaries for FY 2004 and FY 2005 for the remainder of the positions. Finally, Mr. Edge made related adjustments to payroll taxes. [26]

Turning to the decrease in charter expenses, Mr. Edge noted that as a result of Interstate purchasing the M/V Anna C there will be no charter expense in the rate year.[27] With regard to the increase in insurance and casualty expenses, Mr. Edge indicated that most of the increase is due to the addition of the M/V Anna C to the fleet as well as an anticipated overall 5% increase in premiums.[28]

With regard to the increase in wharfage and rent expense, Mr. Edge indicated that there is an expected significant increase in the wharfage charge by Interstate Nav. as a result of an independent appraiser's appraisal of the appropriate wharfage charge.[29] Interstate Nav. is raising the Old Harbor lease from $120,000 per year to $237,500 per year. The increased rate includes the current charge for the first four months of the rate year and the increased charge for the remainder as the current lease expires on September 30, 2004. Mr. Edge also made allowances for expected increases in fees to be paid to the State of Rhode Island.[30]

Although Professional Services were kept at the test year level of $377,844, Mr. Edge noted that these fees have been increasing steadily during the previous three years, from $256,213 in 2001 to $377,844 in 2003. These fees include $29,600 for General Accounting Services, $39,800 for Regulatory Related Accounting Services, $4,303 for Pension Administration, $33,246 for lobbyist fees, and "ever increasing legal needs."[31]

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[26] Id. at 18-19. Salary expenses were increased by $58,028 from the test year to FY 2004 and by $257,857 from FY 2004 to the rate year. Id. at 19.
[27] Id. at 20.
[28] Id. at 21.
[29] Interstate Nav. is a separate entity from Interstate Navigation, the regulated entity.
[30] Interstate Exhibit 3, p. 21, WEE 12.
[31] Id. at 22.

Addressing the adjustment for increased advertising expenses, Mr. Edge argued that in order to compete with Island Hi-Speed Ferry's summer-only service advertising budget of $100,000, Interstate requires an increase from its test year expense of $196,917 to $350,000. Mr. Edge pointed to four other reasons for the increase, namely, retention of Connecticut business previously carried to Block Island by Nelseco Navigation Company, erosion of revenues due to competition from the Martha's Vineyard high speed ferry and post-September 11th decrease in tourism, alerting passengers to the addition of the M/V Anna C and renovations to the M/V Carol Jean, advise passengers of improved security, and informing customers of rate increase and new scheduling opportunities.[32]

Addressing the new account listed as Homeland Security, for which Interstate is seeking $702,105, Mr. Edge indicated that the Department of Homeland Security has published "Port Security Regulations" after the September 11, 2001 attacks. There are six parts to the Regulations, three of which have costs attached. According to Mr. Edge, the costs estimated in the Regulations add up to the amount requested. Because the actual extent of the expenses is unknown, Interstate has agreed to put all revenue collected for Homeland Security into a restricted account in order to protect ratepayers from the possibility of excess earnings in the event Interstate does not have to expend the full $702,105.[33]

With regard to the account entitled "Other Vessel Expense" for which Interstate is seeking $101,146, Mr. Edge did not provide any direct testimony. In Schedule WEE-10, Mr. Edge provided a five year history of expenses, which included the test year, and took

[32] Interstate Exhibit 3, pp. 23-24.
[33] Id. at 25-27.

the average to derive the rate year expense, which represents an $84,896 increase over the test year. However, a review of the prior five years shows that the test year expense appears to have been significantly less than any of the prior four years.[34] Mr. Edge used a similar methodology to arrive at a $76,894 reduction in Crew Expense when compared to the test year. However, a review of the prior five years shows that the test year expense appears to have been significantly greater than any of the prior four years.[35]

Turning attention to the calculation or Rate Base and Rate of Return, Mr. Edge explained that rate base is calculated by adding a utility's net investment in fixed assets plus working capital and deferred debits. According to Mr. Edge, the largest item in Interstate's rate base, representing over 95%, is net utility plant. A net investment is the original cost of utility plant minus the accumulated depreciation. Mr. Edge explained that rate base is not simply the result of shareholder equity investment, but rather, is usually the result of both shareholder investment and a utility's long term borrowing.[36]

In calculating working capital, Mr. Edge indicated that in Docket No. 2484, Interstate agreed to working capital in the amount of $655,054 using the Division's methodology, the Balance Sheet approach. This same level of working capital was continued in the last rate case. According to Mr. Edge, this amount has proven adequate, and is once again requested.[37] Mr. Edge indicated that the percentage rate of return on rate base is calculated by adding the weighted cost of borrowing to the weighted cost of equity.[38]

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[34] Interstate Exhibit 3, WEE-10.
[35] Id.
[36] Interstate Exhibit 3, p. 28.
[37] Id. at 29.
[38] Id.

In calculating rate base for the rate year, Mr. Edge indicated that he began with the net utility plant value at May 31, 2003 in the amount of $8,140,478 and added known and measurable utility plant additions for the interim year June 1, 2003 through May 30, 2004. Of the $913,134 in additions, $838,274 was for a Bulkhead on Block Island and Dredging at Montville. Next, Mr. Edge removed the depreciation that would be booked from the end of the test year to the beginning of the rate year in the amount of $864,827 in order to arrive at the beginning of the rate year net utility plant amount for the rate base at June 1, 2004. Next, Mr. Edge added to this amount rate year activity, including additions and depreciation. The additions to rate year total $6,506,233, of which, $6,100,000 accounts for the purchase of the M/V Anna C and the repowering and upgrade of the M/V Carol Jean. The rate year depreciation, according to Mr. Edge will be $1,262,871, for a total Utility Plant at the End of the Rate Year of $13,432,146.[39]

Discussing the benefit of adding the M/V Anna C to Interstate's Fleet, Mr. Edge indicated that it cost Interstate $363,000 to lease the vessel from Nelseco Navigation in the test year. He determined that with a purchase price of $3,100,000, it would only cost Interstate an additional $179,000 per year to own and run the vessel.[40] With regard to the need for repowering the M/V Carol Jean, Mr. Edge explained that after 20 years, the engines have outlived their useful life and as of 2004, the M/V Carol Jean is fully depreciated.[41] After adding the requested working capital to the average utility plant amount, Mr. Edge turned to the calculation of rate of return on rate base.

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[39] Id. at 29-30, WEE-15. The items depreciated during the rate year are as follows: Vessels - $883,408; Vessels Improvements and Equipment - $10,442; Office Equipment - $122,248; Buildings - $36,332; Docks and Ramps - $157,840; Point Judith Project - $25,397; Vehicles - $25,204; Dredging - $2,000. Id. at WEE - 15a.

[40] Interstate Exhibit 3, pp. 30-31. Mr. Edge added all rate year costs and depreciation and compared the total to the Test Year lease cost.

[41] Interstate Exhibit 3, p. 31.

In calculating a return on equity, Mr. Edge indicated that he did not use either the Discounted Cash Flow methodology or the Capital Pricing Model, but rather, started with Interstate's return on equity allowed in the last case and concluded that it should be at least equal to, or greater than, the allowed return on equity for Narragansett Electric Company or New England Gas Company which range from 10.5% to 11% because neither utility has direct competition.[42] Therefore, according to Mr. Edge, if he uses the more recent authorized rate of return of 11% and adds a factor of 0.5% to account for "Interstate's smaller more risky size and competition," he arrived at the same return on equity as allowed in the last docket. Therefore, "in an attempt to save ratepayer dollars, Interstate is proposing the continuance of the 11.5% return calculated by the Division and approved by the Commission in the last Interstate rate case."[43]

Turning to Interstate's Proposed Capital Structure for the Rate Year, all equity is common equity and all debt is characterized as long term debt. The current long term debt is made up of three phases of long term debt which combined, equal 41.95% of the capital structure with debt rates ranging from 6.1% to 7.5%. In addition, the capital structure includes new long term debt relating to the repowering of the M/V Carol Jean and the purchase of the M/V Anna C which total 30.6% of the capital structure with a debt rate of 6.4%. The remainder of the capital structure consists of 27.44% equity at a return on equity of 11.5%. The weighted cost of capital, or the rate of return on rate base, is 8.01%.[44]

Turning to the calculation of federal income tax, Mr. Edge multiplied the weighted return on equity, 3.16%, by the rate year rate base, $11,465,519, to come up

[42] Id. at 32-33.
[43] Id. at 33.
[44] Id. at WEE-17.

with taxable income in the amount of $361,817,76. The tax on the first $100,000 is at a rate of 25%. The remainder is taxed at a rate of 32%, yielding a total federal income tax of $105,701. Mr. Edge noted that there was no federal income tax due during the test year because of the operating loss, resulting in an increase of $105,701 over the test year.[45]

Next, Mr. Edge discussed the proposed rate design, noting that with the exception of cars, vans and SUV's, Interstate has proposed an across-the-board increase of 39.8% on all rates. The increase in the non-commuter rate for cars, vans and SUV's may or may not result in additional income due to a discouraging effect that an almost doubling of rates may have on volume. Mr. Edge also noted that Interstate is seeking flexibility in several of its other tariffs as discussed by Ms. Linda in her testimony.[46]

III. Town's Direct Case

The Town of New Shoreham submitted the pre-filed testimony of James A. Rothschild, President of Rothschild Financial Consulting, specializing in utility regulation, in support of allowing Interstate a rate increase of $244,160, or 3.11%.[47] Mr. Rothschild argued that Interstate is in a period of uncertainty, making it a time to be especially careful when setting permanent rates. Mr. Rothschild pointed to seven factors which he believed make it more difficult than usual to determine the likely future revenues at current rates: (1) inability to isolate reason for passenger loss; (2) effect of the elimination of competition in the market for ferrying automobiles from New London, Connecticut to Block Island, Rhode Island; (3) effect of the elimination of passenger ferry service from New London to Block Island; (4) effect on revenues due to increased

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[45] Id.
[46] Id. at 34-35.
[47] Town of New Shoreham Exhibit 1, p. 5.

capacity and speed as a result of the purchase of the M/V Anna C and the renovation of the M/V Carol Jean; (5) challenge associated with determining cause and effect of various conditions on normal business fluctuations from season to season; (6) uncertainty surrounding the amount of additional effort and expenditures associated with security; and (7) effect of new marketing plan proposals absent any marketing plans to support the proposals.[48]

In order to balance the interests of shareholders and ratepayers in light of this uncertainty, Mr. Rothschild proposed a revenue adjustment proposal based on the assumption that the Commission will reject the pricing flexibility proposals. First, Interstate would be allowed to increase its current rates for service commencing on June 1, 2004 by $244,160 or 3.11%. If Interstate's total actual revenues during the period April 1, 2005 through March 31, 2006 are less than $8,478,000, then Interstate should be allowed a rate increase for service commencing on June 1, 2006 by the lesser of the percentage that actual revenues fall below $8,478,000 or 10%. Then, if Interstate's total actual revenues during the period April 1, 2006 through March 31, 2007 are less than $8,092,191, then Interstate should be allowed a rate increase for service commencing on June 1, 200[7] by the percentage that actual annualized revenues fall below $8,092,191 with a maximum rate increase of 5%. Conversely, if during this same period of time, revenues are higher than $8,092,191, then Interstate shall implement a rate decrease equal to the lesser of the actual percentage revenues exceed $8,092,191 or 10%, whichever is less. All of this assumes that all three vehicle carrying vessels have been utilized and that there are no quality of service problems which would have suppressed revenues. Finally,

[48] Id. at 5-7.

Mr. Rothschild noted that this scheme puts ratepayers at a higher risk than shareholders because the Company could file another rate increase in the interim.[49]

In providing the rationale for the Town's position, Mr. Rothschild first took issue with Mr. Edge's calculation of rate year revenues at current rates of $6,907,031, which, Mr. Rothschild argued, were understated by $941,000. Mr. Rothschild, therefore, maintained that rate year revenues at current rates should be set at $7,848,031.[50] He argued that his calculations are more appropriate based on several factors, all of which can be summed up as a means "to avoid placing illogical blame on the high-speed ferry for the weather-related decline in revenues and to recognize that the increased capacity to carry vehicles will be highly utilized in season."[51]

Expanding on this assertion, Mr. Rothschild noted that the peak season capacity will increase by 50% when the M/V Anna C is added to the fleet. He argued that the addition of the M/V Anna C will improve the desirability of Interstate's service compared to the high-speed ferry because the M/V Anna C is a more comfortable vessel than the existing vessels in the fleet. Furthermore, a majority of current trips have been operating at 100% of capacity for cars. Second, he noted that once upgraded, Interstate will cut the time differential between the M/V Carol Jean and the high-speed ferry from 30 minutes to 20 minutes. He argued that this reduction combined with the location benefits of where the M/V Carol Jean docks will improve the passenger market share of Interstate. Third, he maintained that the elimination of competition for ferrying vehicles from New London will provide visitors to Block Island with no alternative other than to leave from Point Judith. Fourth, Mr. Rothschild maintained that the summer of 2003 had an unusual

[49] Id. at 7-11.
[50] Id. at 11.
[51] Id.

number of cold, rainy weekends and undoubtedly caused a material drop in the number of people visiting Block Island. Additionally, he argued that Mr. Edge did not take into account the positive effect on revenues of the increased vehicle capacity from tourists and island residents alike. Finally, Mr. Rothschild argued that Island Hi-Speed Ferry "has taken most, if not all, of the business it is going to capture from Interstate Navigation as there are just so many passengers that fit the profile of those that will chose the high speed ferry service."[52]

Therefore, taking all of these considerations into account, Mr. Rothschild determined that the total capacity of Island Hi-Speed Ferry is 1,500 passenger round-trips per day. He determined that the addition of the M/V Anna C with a total of 4,600 passenger round-trips per day, a net gain of 2,050 passenger per day capacity is greater than the total capacity of Island Hi-Speed Ferry each day. He noted that the elimination of the automobile service and addition of a high speed service from New London to Block Island will have conflicting impacts on Interstate's business. However, he argued that the addition of a high speed service from New London will provide more competition to Island Hi-Speed Ferry than to Interstate. However, he indicated that in order to take these factors into account, a conservatively low estimate of passenger revenues can be achieved by estimating that revenues at present rates for Interstate will return to the levels achieved during the test year. Furthermore, he estimated that, taking these factors into account the increased vehicle capacity will generate at least $500,000. However, he indicated that in order to be conservative, his recommended rate increase is

[52] Id. at 11-20.

based upon an estimate of $500,000 additional revenues from automobile capacity rather than the estimated $174,000 put forth by the Company.[53]

Next, Mr. Rothschild addressed his cost of capital calculations, noting that Interstate's stock is not publicly traded and there is no proxy group of ferryboat companies that can be used to provide a separate cost of equity calculation for Interstate. Therefore, Mr. Rothschild maintained that it would be appropriate to use a gas utility for comparison purposes because sales for each are both seasonal and weather dependent. However, he argued that Interstate has a risk advantage over a gas utility, being able to move vessels whereas a gas utility cannot move its pipes around. Using this rationale, Mr. Rothschild adopted a 9.5% cost of equity, based on his testimony in a recent South Jersey Gas rate proceeding.[54] Additionally, Mr. Rothschild excluded the debt relative to the purchase of the M/V Anna C from the Company's capitalization rather than leaving it in the capital structure with a downward adjustment to common equity. The effect is to increase the revenue requirement because it increases the overall cost of capital.[55]

In Mr. Rothschild's recommended overall cost of capital, the current long term debt is made up of three phases of long term debt which combined, equal 50.74% of the capital structure with debt rates ranging from 6.1% to 7.5%. In addition, like Interstate's proposal, the capital structure includes new long term debt relating to the repowering of the M/V Carol Jean but no debt for the purchase of the M/V Anna C and totals 16.09% of the capital structure with a debt rate of 6.4%. The remainder of the capital structure

[53] Id. at 20-22.
[54] Id. at 23.
[55] Id. at 24.

consists of 33.18% equity at a return on equity of 9.5%. The weighted cost of capital, or the rate of return on rate base, is 7.68%.[56]

In making adjustments to Interstate's rate base, Mr. Rothschild indicated that he started from the Company's proposal and made the following adjustments: to an allowance for depreciation expense on the M/V Anna C, to the costs associated with the Montville Dredging Project, to working capital, to "Capital Additions Projects," and to deferred income taxes.[57] Mr. Rothschild asserted that a review of Interstate's balance sheets shows that Interstate has no need of working capital, and therefore, he recommended a working capital allowance of zero.[58] With regard to Capital Additions Projects, Mr. Rothschild eliminated the $298,256 in rate base because the Company will be accruing over $1 million per year in its provision for depreciation, sufficient according to Mr. Rothschild, to finance the future Capital Additions Projects.[59] Addressing deferred income taxes, he noted that they are routinely subtracted from rate base because they are a cost-free source of capital to the company. Interstate had not provided an accurate quantification of its deferred income taxes. Therefore, based on a comparison to Narragansett Electric Company's deferred income taxes, Mr. Rothschild estimated that Interstate has $978,722 of deferred income taxes which should be subtracted from rate base.[60] The net result of each of Mr. Rothschild's adjustments lowers rate base from the Company's requested $11,465,520 down to a recommended $7,774,650.[61]

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[56] Id. at JAR-5.
[57] Id. at 25-27.
[58] Id. at 25-26.
[59] Id. at 26-27.
[60] Id. at 27-28.
[61] Id. at 28.

Mr. Rothschild then made the following adjustments to Interstate's operating expenses: lowered depreciation expense to exclude the depreciation on the M/V Anna C; lowered the increases to management salaries and made associated payroll adjustments arguing that the increases are unjustified; eliminated the additional request for advertising expense arguing that there is a lack of accompanying revenue increase to justify the additional expense; eliminated the proposed increase to credit card processing expenses arguing that they will not continue to increase indefinitely; eliminated the proposed increase in telecommunications costs arguing that there is no basis to expect costs will continue to increase just because there were large percentage increases in the past when the crew was being outfitted with cellular telephones; excluded the proposed increase in security costs and rather, proposed the Company accumulate the costs and recover them in the future when they are known and measurable.[62]

After discussing all of his related adjustments, Ms. Rothschild provided comments regarding several issues raised in Interstate's filing. First, he maintained that it would be inappropriate for Interstate's ticket sales to be deregulated because Interstate "has no significant competition in the bulk of its business."[63] Second, Mr. Rothschild indicated that the Company did not provide any marketing plan to support its proposed tariff changes and project benefits that it believes may result.[64] Third, Mr. Rothschild noted that the full cost of Interstate's service for the entire year, not just the summer season, is included in the determination of its rates. Therefore, according to Mr. Rothschild, "even if it were true that the price of summertime service could go down if the off-season service were to be discontinued, such costs are not borne by Interstate

[62] Id. at 29-30.
[63] Id. at 31.
[64] Id. at 31-32.

Navigation, but are borne by the current passengers."[65] Fourth, Mr. Rothschild asserted that the only way to determine whether the summer service subsidizes the winter service would be to undertake an incremental cost study that would exclude fixed costs that the Company would have to incur to continue to provide in-season service, something Mr. Rothschild did not recommend given the importance of the ferry as a lifeline service to the Town.[66] Fifth, Mr. Rothschild expressed concern that allowing Interstate to selectively exclude vital pieces of what is necessary to provide ferry service, such as ownership of docking facilities, could lead to pricing abuse that would not be present if Interstate owned the assets.[67] Finally, Mr. Rothschild argued that reappraisal of the current value of the dock is improper because rate of return regulation includes a return that already provides an allowance for inflation. Therefore, he asserted that providing a return on investment that includes an allowance for inflation and also permits a company to earn a higher return whenever the value of property inflates provides an inappropriate duplicative allowance for inflation.[68]

IV. Division's Direct Case

On March 26, 2004, the Division submitted the pre-filed testimony of its consultants, Andrea C. Crane, Vice President of the Columbia Group, Inc., regarding Interstate's revenue requirement and John Stutz, Ph.D, Vice President of the Tellus Institute, regarding Interstate's rate design. Ms. Crane concluded that the Company has a cost of equity of 10.0% and an overall required rate of return of 7.33%, a pro forma Rate Year rate base of $9,366,404, a pro forma Rate Year net operating income at present rates

[65] Id. at 32.
[66] Id. at 32-33.
[67] Id. at 34.
[68] Id. at 34-35.

of $98,350. Therefore, she recommended Interstate be allowed a revenue requirement increase of $902,951, or 12.29%.[69]

Beginning with the overall rate of return, Ms. Crane first recommended that Interstate's claim to include the M/V Anna C in rate base at a market price of $3.1 million should be denied. As a result, she eliminated the proposed debt issuance related to the M/V Anna C from the capital structure.[70] Second, with regard to the cost of debt, Ms. Crane used a lower interest rate than that proposed by Interstate.[71] Third, Ms. Crane recommended a cost of equity of 10.0%. She explained her calculations of both the discounted cash flow methodology and the Capital Asset Pricing Model, the former yielding a cost of equity of 9% and the latter, 8.76%. However, because Interstate is a smaller company than those in her proxy group of water companies, she recommended a small company premium of 75 basis points, the same recommended in the last Interstate rate case. The result is a cost of equity of 9.51% to 9.75%. However, because Interstate has somewhat more risk in the market than it had in the last rate case, Ms. Crane is recommending a cost of equity of 10.0%.[72]

Responding to Mr. Edge's testimony, she asserted that just because a cost of equity of 11.5% was agreed to in a prior Stipulation, it does not follow that it should be adopted by the Commission at the present. She noted that a Stipulation is based on a series of trade-offs and if the Commission had not approved the Stipulation, it would have been possible that Interstate may have received a rate below 11.5%. Additionally, since March 1997, interest rates have been cut in half, with the March 1997 prime rate at

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[69] Division Exhibit 1 (Pre-filed Testimony of Andrea C. Crane), pp. 5-6.
[70] Id. at 6-8.
[71] Id. at 8.
[72] Id. at 8-15.

8.5% and the March 2004 prime rate at 4%. Moreover, since 1997, the six-month constant maturity Treasury rate has declined from 5.39% to 1.0% in 2004, while the twenty-year constant maturity Treasury rate has declined from 7.05% to 4.67%. Therefore, Ms. Crane argued that allowing an 11.5% cost of equity would be unreasonable in today's market.[73]

Turning to her Proposed Capital Structure for the rate year, the current long term debt is made up of three phases of long term debt which combined, equal 50.74% of the capital structure with debt rates ranging from 5.98% to 6.10%. In addition, the capital structure includes new long term debt relating to the repowering of the M/V Carol Jean but not to the purchase of the M/V Anna C and totals 16.09% of the capital structure with a debt rate of 5.98%. The remainder of the capital structure consists of 33.18% equity at a return on equity of 10.0%. The weighted cost of capital, or the rate of return on rate base, is 7.33%.[74]

Addressing rate base issues, Ms. Crane recommended adjustments to the Company's claims for dredging at Montville, for the purchase of the M/V Anna C, and for cash working capital. With regard to the Montville project as captured in Interstate's accounting of FY 2004 utility plant in service claim, Ms. Crane suggested limiting it to actual expenditures made to date, noting that the Company did not provide any documentation to support its claim and has only spent $23,049 on this project which commenced three and a half years ago.[75]

The adjustment regarding the M/V Anna C pertains to Rate Year plant-in-service additions. Ms. Crane argued that the amount that should be included in the rate base is

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[73] Id. at 15-16.
[74] Id. at 17.
[75] Id. at 18-19.

$225,215, the net book value of the M/V Anna C during the rate year. She indicated that Interstate may pay Nelseco an amount that exceeds net book value, but such excess should not be included in the rate base.[76] Ms. Crane noted that the sale of the vessel from Nelseco to Interstate is an affiliate transaction, further noting that when the M/V Anna C is rented to Interstate, Ms. Linda, President of Interstate, signs the agreement on behalf of Interstate and also on behalf of Nelseco as its president.[77]

Therefore, Ms. Crane asserted that, as an affiliated transaction, it should be subject to greater scrutiny and evaluated by the following criteria: (1) is the transaction necessary to provide safe and adequate regulated service?; (2) can the regulated entity demonstrate that these projects or services could not have been obtained at a lower cost from a non-affiliated vendor?; (3) can the regulated entity demonstrate that these projects or services could not have been produced internally or performed by the regulated entity itself at a lower cost than that which was charged by the affiliate?; and (4) can the regulated entity demonstrate that any allocation factors used to allocate affiliated interest transactions appropriately reflect cost causation?[78]

Ms. Crane described the asymmetrical pricing standard, which provides that services provided by a non-regulated affiliate to a regulated entity should be priced at the lower of cost or market price. This method is necessary to protect ratepayers from paying for goods and services at rates that are higher than what is available in the competitive market. Ms. Crane noted that NARUC has adopted the asymmetrical pricing methodology for affiliated transactions.[79] She also discussed how, in the past, the

[76] Id. at 25-26.
[77] Id. at 20.
[78] Id. at 21.
[79] Id. at 22-24.

Commission has closely scrutinized the affiliated transactions involving Interstate, specifically when reviewing the lease agreement for the M/V Anna C between Nelseco and Interstate.[80] Therefore, utilizing the lower of cost or market value reasoning, Ms. Crane noted that the cost is significantly less than market value and is consistent with past practice relating to transactions involving the M/V Anna C.[81] Furthermore, if Interstate were to choose not to purchase the vessel, but rather, continue to lease it periodically, Ms. Crane would reduce the rental fee to reflect the reduction in net book value since the rate was approved in 1997.[82] After reducing Interstate's claimed plant in service, Ms. Crane reduced the interim year (FY 04) and rate year (FY 05) depreciation reserve additions accordingly.[83]

Addressing Interstate's claim for cash working capital, Ms. Crane recommended the Commission deny the claim based on the fact that a vast majority of the Company's revenues are received in advance of the service being provided. She noted that approximately 60% of tour group sales and 70% of vehicle sales in the summer months are presales. Additionally, the vast majority of expenses have expense lags. Furthermore, the additional debt included for repowering the M/V Carol Jean will increase the capital working capital provided by interest expense. Therefore, she asserted that there is a definite possibility that Interstate really has a negative cash working capital requirement. Finally, she noted that because Interstate's fiscal year begins on June 1st, the Company collects the majority of its revenues early in its fiscal year, in advance of

[80] Id. at 25.
[81] Id. at 26.
[82] Id. at 27.
[83] Id.

the less busy winter months when both revenues and expenses are lower.[84] In summary, Ms. Crane reduced the Company's proposed rate base by $2,099,116, and recommended a total rate base of $9,366,404.

Ms. Crane made one adjustment to Interstate's claim for rate year revenues, recommending that the total rate year passenger revenues be set at $3,552,672 for a total rate year revenues level of $7,348,276, an increase of $441,246 over the Company's claim. She arrived at this number by assuming that one-half of the interim year decline of 8.4% was weather related and would have occurred absent other factors. Furthermore, Ms. Crane recommended the Commission reflect no further decline in passenger levels from FY 04 to the rate year.[85]

Next, Ms. Crane made sixteen downward adjustments to the Company's claim for operating expenses, summarized as follows: Salaries and Wages and related taxes – ($106,188); Pension Expenses – ($2,868); Wharfage Fees – Montville – ($107,532); Wharfage Fees – Old Harbor – ($69,289); Homeland Security – ($151,514); Lobbying Expenses – ($33,246); Legal Fees – ($264,093); Advertising – ($111,730); Rate Case Expense – ($20,000); Telephone Expense – ($24,445); Miscellaneous Expenses – ($5,305); Depreciation – Montville Dredging – ($17,695); Depreciation – Anna C. – ($287,479);[86] Federal Income Taxes – ($105,701);[87] and Gross Receipts – ($90,672).[88]

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[84] Id. at 28-30.
[85] Id. at 32-33.
[86] Id. at 55-56. Ms. Crane's adjustment was discussed above.
[87] Id. at 56-58. Ms. Crane noted that she did not disallow the Company's claim for tax recovery, but rather, simply moved the claim from the present rate scenario to the proposed rate scenario. Furthermore, she used the statutory tax rate of 34% and represented that Mr. Edge agrees with its use. Id. at 57.
[88] Id. at 58. Ms. Crane included gross receipts taxes in her Income Statement as they vary with changes to the pro forma revenue. However, she also used a rate of 1.25% in accordance with the statutory rate as opposed to a 1.5% used by the Company. Id.

The net effect of Ms. Crane's reductions to operating expenses is Total Operating Expenses of $7,301,144, a reduction of $1,397,757 from the Company's claim.[89]

Ms. Crane recommended that the rate year increases to the Linda family members be limited to 10%, noting that it is higher than the salary increases in the past five years and is well above the rate of inflation. Because Mr. Edge's calculation already includes a 5% increase in all salaries, she recommended that any additional management salary increase be limited to 5%. She indicated that Mr. Edge provided no support for his claim that the salaries for the Linda family members are below market and furthermore, she maintained that, with the exception of homeland security issues, the types of projects the family will be managing during the Rate Year are not materially different than those they have managed in prior years.[90]

Ms. Crane explained that wharfage expense consists of amounts paid for dock space for the Company's vessels. She did not recommend any adjustments to the leases with the State. However, she made adjustments to both leases between Interstate Nav. Co. (not Interstate Navigation Company, the regulated entity) and Interstate (the regulated entity) for the docking facility on Block Island and between Waterfront Realty and Interstate (the regulated entity) for the docking and storage space at Montville. She asserted that the increases to the lease payments between the private entities are significantly higher than those leases with the State of Rhode Island. The State's lease payments increase by 7.12% for Fort Adams and 10.25% for Point Judith compared to increases of 65.3% at Old Harbor and 219.07% at Montville. Ms. Crane noted that Ms. Linda signed each of the leases on behalf of Interstate and Waterfront Realty and argued

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[89] Id., ACC-5.
[90] Id. at 33-36. Ms. Crane also made corresponding adjustments to related payroll taxes and pension expense. Id. at 36-37.

that Ms. Linda cannot objectively negotiate with herself. She also noted that the board members of Waterfront Realty are Susan, Raymond and Joshua Linda. Although Interstate disputes whether the Interstate Nav. lease is an affiliated entity, Ms. Crane noted that all of the officers and directors of Interstate are also owners of Interstate Nav. Co. Therefore, regardless of whether the entities are legally affiliated entities and the leases affiliated transactions, she maintained that they were not arm's length transactions and thus, should be treated as affiliated transactions.[91]

Accordingly, Ms. Crane argued that the Commission should apply the principles presented in her discussion regarding the M/V Anna C sale and should utilize a lower of cost or market standard for each of the leases in order to be priced at levels that reflect what it would cost Interstate to provide these services for itself.[92] In other words, according to Ms. Crane, the lease rates should be cost-based and return requirements should reflect the net book value of the plant being leased and Interstate's cost of capital.[93] The Company provided the net book value of the Montville facility and Ms. Crane made a $107,532 downward adjustment to include in rates a wharfage fee based on the average net book value of the Montville facility during the rate year, for a total pro forma expense of $30,573.[94] Because the Company did not provide the net book value for the Old Harbor facility, she recommended that the rental fee be based on a continuation of the current contract which limits the annual rental increases to the

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[91] Id. at 37-41.
[92] Id. at 41.
[93] Id. at 42.
[94] Id. at 42, ACC-14.

Consumer Price Index. Her downward adjustment of $69,289 yields a pro-forma rate year expense of $129,044.[95]

Ms. Crane expressed several concerns regarding the Company's claim for homeland security expenses, noting that the first year costs used by Interstate are higher than the costs for subsequent years estimated in the regulations, although the full expected amount of costs are being included in the claim. She also maintained that it is likely that Interstate's facilities will prove to be a lower cost than the average cost contained in the regulations because of the smaller size and location. Third, she indicated that it appears from the regulations that there are a number of items from which ferry boat companies may be exempted. Therefore, she believed that using the average costs contained in the regulations as a basis for inclusion in rates may be excessive. Therefore, because the Company agreed to a restricted account, she recommended that the Commission use the average costs as stated in the regulations, but should use an average annual cost over a multi-year period.[96] Ms. Crane's calculations according to this methodology show a total five year cost of $1,979,729, annualized over five years for an average annual cost of $395,946, a $151,514 reduction from the Company's claim.[97] Together with this recommendation, Ms. Crane suggested the restricted account be maintained as a separate interest bearing account, so that ratepayers reap the benefits of any over collection, and that the Company be required to provide an annual report detailing the amounts collected from ratepayers, the amounts spent for homeland security and the balance in the account.[98]

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[95] Id. at 42, ACC-15.
[96] Id. at 43-44.
[97] Id. at 44, ACC-16.
[98] Id. at 45.

With regard to her recommendation to disallow all lobbying expenses, Ms. Crane stated that "regulatory agencies generally disallow costs involved in lobbying, since most of these efforts are directed toward promoting the interests of the regulated entity's shareholders rather than its ratepayers." Furthermore, she argued that there is no functional relationship between providing safe and adequate service and lobbying activities. She clarified that this recommendation is specific to lobbying costs paid to Trion Communications.[99]

Addressing legal fees, Ms. Crane noted that Interstate's claim represents a more than 700% increase over the legal expenses approved in the last rate case. She further indicated that over the past five years, Interstate was heavily involved in litigation related to Island Hi-Speed Ferry's entry into the Rhode Island market, litigation which is essentially complete. Furthermore, she noted that Interstate was involved in disputes with the Town which have also been resolved. Likewise, legal work related to the Point Judith project is nearing an end. Additionally, legal work undertaken to address issues regarding the death of certain shareholders and issues involving the captain of the M/V Nelseco, occurrences which should not reoccur in the immediate future. While there will likely be legal expenses relative to homeland security issues, Ms. Crane maintained that her recommended revenue requirement includes significant cost recovery for those activities. Therefore, Ms. Crane asserted that the legal expenses over the most recent five years were unusually high and should not be expected to remain at such a high level. Therefore, she recommended that the Commission allow annual legal expenses of $44,350 in Interstate's revenue requirement, the level of legal expenses included in the

[99] Id. at 45-46.

Company's last base rate case adjusted for inflation through the rate year. This recommendation is $264,093 less than the $308,443 claimed by Interstate.[100]

With regard to Interstate's claim for a 78% increase over actual test year costs for advertising, Ms. Crane recommended that the Commission reflect 10% annual increases in advertising costs from the test year through the rate year, for an increase of $41,353 and a total allowance of $238,270. Ms. Crane noted that there is no comprehensive program associated with the requested $350,000 budget which contains a line item for "marketing budget development".[101] She expressed a concern that the request is based on a "wish list created by the very entity that stands to gain the most from an inflated advertising budget."[102] Furthermore, she maintained that "budgeted numbers are rarely acceptable for ratemaking purposes because they often represent a hopeful expectation rather than a meaningful attempt to develop the best possible program for a regulated entity."[103]

Finally, Ms. Crane summarized her revenue requirement recommendations, noting that the Division is recommending a rate increase of $902,951 for a total cost of service of $8,251,227. She maintained that Interstate has pro forma revenue at present rates of $7,348,276, pro forma operating expenses of $7,301,144, and pro forma gross receipts taxes of $91,853. At present rates, Ms. Crane projected the Company's operating income at $98,350 in the rate year. She indicated that the recommended rate increase will result in pretax income of $846,943 and after an interest deduction of $376,078 and federal income tax payment of $160,094, Interstate will have net income at

[100] Id. at 46-49, ACC-18.
[101] Id. at 49-51.
[102] Id. at 50.
[103] Id.

proposed rates of $310,771. According to Ms. Crane, the total operating income of $686,849, which includes net income (return on equity) of $310,771 and interest expense (return on debt) of $376,078, will be sufficient to provide an overall rate of return of 7.33%, allowing Interstate to earn 10.0% on equity. The result of Ms. Crane's recommendations is a 12.29% increase on total revenue.

Working off of Ms. Crane's recommended revenue requirement, Dr. Stutz presented the Division's recommended rate design. Dr. Stutz recommended that the Commission increase vehicle charges to meet the rate year revenue requirement and reject the flexible pricing and limited deregulation proposed by Ms. Linda.[104]

Addressing the proposal to increase non-commuter vehicle rates by 93%, Dr. Stutz noted that Mr. Edge did not make any adjustment for increased revenues related to this proposal due to Mr. Edge's concern that the impact is impossible to quantify in that if the rate doubles and the traffic is cut in half, there would be no impact. However, Dr. Stutz took issue with this statement, arguing that it is unlikely that a reduction in tourist traffic will occur, indicating that the increase in vehicle rates only adds a 5.2% increase to the cost of a long weekend and 2.0% to the cost of a week-long stay for two adults and a child, not enough in Dr. Stutz's mind to dissuade many tourists. Therefore, Dr. Stutz estimated that, absent any reduction in tourist vehicle traffic, a 93% increase in charges would produce $725,377 more in revenue than the increase calculated by Mr. Edge. Accordingly, Dr. Stutz recommended reducing Interstate's proposed increases in vehicle charges to the level required to produce Ms. Crane's recommended increase, resulting in a 49.69% increase for tourist vehicles (as opposed to a 93% increase) and a 21.28% increase (as opposed to a 39.8% increase) for other vehicles. He noted that even if the

[104] Division Exhibit 2 (Pre-Filed Testimony of John Stutz), p. 2.

Commission were to allow an increase up to $1,689,819 in rates, the increases could still be entirely funded through Interstate's proposed vehicle increases alone, leaving the passenger rates unchanged.[105]

Turning to the proposals for flexible pricing and partial deregulation, Dr. Stutz noted that Interstate has provided no evidence that the pricing flexibility will increase revenues and in fact, he argued that flexible pricing could easily reduce Interstate's revenues by actually encouraging passengers to choose the competitor as described for weekends. Furthermore, he noted that Mr. Edge's calculations included no additional revenue from such pricing flexibility. Therefore, Dr. Stutz argued that not increasing passenger charges is the easiest way to avoid the concern that passengers will choose the competitor.[106]

Finally, Dr. Stutz reiterated that both Interstate and Island Hi-Speed Ferry are both regulated entities. Additionally, he noted that all of Interstate's costs and its allowed return are included in the Company's revenue requirement. Furthermore, Interstate's proposal for limited deregulation would allow it the opportunity to earn a higher return than the Commission finds reasonable in this proceeding. Therefore, even if the Commission were to approve the request, the Company should be required to return any over earnings.[107]

V. Interstate's Rebuttal Testimony

On April 22, 2004, Interstate submitted the pre-filed rebuttal testimony of Walter Edge, William McCombe, a security consultant for Interstate as well as its Company Security Officer, David Preston, Interstate's lobbyist, and Robert Tobin, an attorney

[105] Id. at 3-6.
[106] Id. at 7-8.
[107] Id. at 8-9.

representing members of the Wronowski, Hewett and Tyrseck families, shareholders of Interstate Navigation Company, Nelseco Navigation Company, Interstate Nav. Co., and Waterfront Realty.

Mr. Edge conceded only to a $5,305 adjustment made by the Division to miscellaneous expenses. With regard to the remainder of the Division's adjustments to Interstate's initial position regarding operating expenses, Mr. Edge maintained that the Company's initial position is necessary to the continued operation of Interstate because of a "perfect storm of competition" brewing. According to Mr. Edge, the major issues in the case relate to the purchase of the M/V Anna C, legal fees, homeland security, advertising, wharfage fees at Montville, and salaries and wages.[108] Mr. Edge also discussed revenue adjustments and the Company's proposed tariff flexibility.

Beginning with the purchase of the M/V Anna C, Mr. Edge indicated that the majority non-voting shareholders of Nelseco will not allow the vessel to be sold for less than the $3,100,000 appraised value and therefore, if that amount is not allowed in rates, Nelseco will sell the vessel on the market and Interstate will be forced to purchase a new vessel on the market in order to continue to provide safe and adequate service.[109] Further, Mr. Edge indicated that the Division and Town's position that the boat should be transferred to Interstate for the net book value on Nelseco's books is unreasonable because Interstate did not obtain ownership in the vessel simply because it had leased it from Nelseco in the past. Therefore, Interstate's ratepayers were not paying depreciation on the boat.[110] Mr. Edge also noted that Interstate would have purchased the M/V Anna

[108] Interstate Exhibit 4 (Pre-Filed Rebuttal Testimony of Walter E. Edge, Jr.), pp. 2-3.
[109] Id. at 2-3. Mr. Edge indicated that if the full purchase price of the vessel is not included in rates, Interstate will not purchase the vessel. Id. at 3.
[110] Id. at 3-6.

C up front, but received too much opposition back in 1985 when the Company proposed such a purchase as part of its rate case.[111]

With regard to the Division's adjustments to legal expenses, Mr. Edge indicated that Interstate has provided the Division with more detailed supporting information for the past three years. He argued that the legal assistance the Company needs is far greater than in 1996 because of post-9/11 requirements. He noted that fees for one attorney have increased from $195 to $275 per hour, an increase of approximately 6% per year as opposed to the consumer price index of approximately 3% per year. Therefore, according to Mr. Edge, even if the Commission were to accept the Division's methodology for calculating rate year expenses, the appropriate number would be $90,000. However, he believed that the Division's adjustment was unreasonable.[112]

Discussing the Division's adjustments to projected homeland security expenses, Mr. Edge maintained that the Division's recommendation to allow the five year average of expenses to be allowed in rates rather than the higher first year cost would be inadequate to cover actual costs. Therefore, he stated that since the Company agreed with the Division's recommendation that the costs be maintained in a restricted account, the Commission should approve the higher first year costs in rates.[113] Furthermore, in response to the Town's recommendation that Interstate fund the costs up front and collect the expense in rates after the fact, Mr. Edge maintained that the expense will be too much for Interstate to front without rates to support the expenses at the time they are incurred.[114]

[111] Id. at 6-7.
[112] Id. at 8-10.
[113] Id. at 10.
[114] Id. at 16-17.

With regard to advertising expenses, Mr. Edge claimed that he would normally accept the Division's recommendation of a 10% increase in advertising as being fair and reasonable, but because of a "perfect storm" of competition brewing, $350,000 is reasonable. He further maintained that a reduction in advertising expenses would be detrimental to ratepayers because there will be competition from Island Hi-Speed Ferry from Point Judith into a port on the opposite side of the island, from a high speed passenger ferry out of New London, Connecticut into Old Harbor at a rate of $25 round trip, and from a high speed ferry out of Quonset in Rhode Island to Martha's Vineyard, Massachusetts. Therefore, Mr. Edge maintained that Interstate is facing competition for passenger travel from every direction.[115]

Addressing Montville wharfage fees, Mr. Edge, an accountant, indicated that it would be illegal to accept the Division's adjustment and allow less in rates than is required under a contract.[116] He then proceeded to state that "the Division continues its crusade to have non-regulated entities provide goods and services to Interstate at less than fair market value"…maintaining that "[i]n the Division's perfect world, Interstate would own all of its landing and docking locations…."[117] However, he stated, "in the real world," Interstate does not own the facilities and has never been provided with an adequate return to invest in the facilities.[118] Therefore, his argument was that because Ms. Linda had signed the contract on behalf of both of her companies, the Commission is bound to accept that amount as reasonable.[119] With regard to the Old Harbor wharfage

[115] Id. at 11-12.
[116] Id. at 13.
[117] Id. at 12.
[118] Id.
[119] Id.

expense adjustment made by the Division, Mr. Edge maintained that acceptance of this recommendation would cause Interstate to lose the lease.[120]

Turning to the increases in management salaries, Mr. Edge conceded that the Division allowed some increase, but not at the level requested by the Company, noting that "Interstate believes that the Commission is well aware of what reasonable salary levels are for management in utility companies in Rhode Island and New England" and that "the Commission will provide an appropriate level of compensation in the rate year."[121]

With regard to the remaining operating expense adjustments, lobbying expense, telephone expense, rate case amortization, and Montville Dredging expense, Mr. Edge indicated that they would either be addressed by other witnesses, additional information provided to the Division, or should not be adjusted in accordance with the Division's "overly optimistic" projections.[122]

Turning to adjustments to revenue projections, Mr. Edge argued that because of competition, projections regarding passenger revenues should be made in the most conservative manner possible, with the expectation that Interstate will lose at least as much in the rate year as it did in the test year. He argued that the Division and the Town put too much emphasis on the test year weather in projecting revenues, arguing that revenues have only declined in the revenue groups subject to competition. He also maintained that, contrary to the Town's assertion, the addition of the M/V Anna C will not provide additional revenues to the extent asserted by the Town.[123] Further, he noted

[120] Id. at 14.
[121] Id. at 13.
[122] Id. at 14-15.
[123] Id. at 18-21.

that the Division agreed with the Company's projection of vehicle revenues and argued that the Town's projection is not supported by the facts.[124]

Next addressing return on rate base, Mr. Edge first noted that after filing his direct testimony, Interstate, with the consent of the Division, locked in its long-term interest rate at a level below 6%. He further noted that neither the Division nor the Town included debt service for the purchase of the M/V Anna C. He indicated that interest rates are now rising and as such, the other parties' estimates of interest rates for overhauling the M/V Carol Jean may be optimistic. He asserted that the Commission should continue to allow an 11.5% return on equity as it did in the last rate case when there was a lack of competition from high speed ferries.[125] With regard to the Division's and the Town's respective positions regarding an appropriate return on equity, Mr. Edge maintained that neither water companies nor a single gas company are appropriate proxies upon which to base Interstate's return on equity.[126] Additionally, Mr. Edge asserted that even his calculations were too low, given the level of equity in the Company.[127]

Moving on to rate base adjustments, Mr. Edge first indicated that because Interstate's accounting firm calculates depreciation the same for tax and book purposes, there is virtually no deferred federal income tax, and therefore, the Town's calculation should be rejected.[128] With regard to the M/V Anna C, Mr. Edge stated that at the time the Commission determines the appropriate purchase price, that amount will be included in the rate base. With regard to the Montville Dredging project adjustment, Mr. Edge

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[124] Id. at 20-21.
[125] There has always been competition from New London, Connecticut in the form of a passenger/vehicle ferry service.
[126] Id. at 21-22.
[127] Id. at 23-24.
[128] Id. at 25.

noted that since its initial filing, Interstate has obtained a bid for the project and has a permit that requires the work to be done in the rate year.[129]

With regard to the Point Judith terminal project, Mr. Edge indicated that Interstate is on track with a schedule to start renovations in the Fall of 2004 with completion expected prior to Memorial Day 2005.[130]

Addressing Interstate's pricing flexibility proposals, Mr. Edge argued that with regard to summer tourists, no one should care what rate of return Interstate earns because they are not concerned with the rate of return earned by Island Hi-Speed Ferry on these same passengers. Therefore, according to Mr. Edge, Interstate is requesting the same rate treatment as Island Hi-Speed Ferry on summer tourist passenger tickets.[131] Next, Mr. Edge indicated that the proposed 15% group discount would not harm ratepayers because if it works and Interstate returns to the Commission for a rate case, ratepayers will benefit, whereas if it does not work, shareholders will bear the cost, assuming Interstate does not return for a rate case. With regard to selling ten ticket books for the price of nine, Mr. Edge argued that it would not cost more than selling ten tickets for the price of ten and would allow Interstate the same flexibility as Island Hi-Speed Ferry. Turning to the proposed 50% discount for weekday passenger tickets in July and August, Mr. Edge argued that it is important to generate as much revenue as possible on off-peak days and the decreased rate would attract more passengers. He also relied on his analysis of the 15% group discount as reason the discount would not harm ratepayers.[132]

[129] Id. at 26.
[130] Id. at 27-28.
[131] Id. at 28.
[132] Id. at 28-30.

Finally, Mr. Edge maintained that any increase in rates should be applied on an across-the-board basis, including for non-commuter car rates. He believed that the Division's proposal to increases only on vehicle rates is short sighted because ratepayers will utilize freight pallets rather than trucks for carrying freight and would cause more costs to Interstate without increasing the revenues.[133]

Mr. David Preston testified that lobbying expenses are an appropriate cost to be borne by ratepayers because the lobbyists' work benefits ratepayers by keeping legislatively-imposed business costs as low as possible. Mr. Preston provided specific examples of lobbying activities during the 2001-2003 legislative sessions that he believed benefited ratepayers. Therefore, he believed that lobbying will be necessary in the future. Finally, Mr. Preston indicated that Interstate has negotiated an agreement with Trion Communications to use lobbying services only during the 2004 legislative session.[134]

Mr. Robert Tobin, Esq. indicated that he represents certain shareholders of Interstate Navigation Company, Nelseco Navigation Company, Interstate Nav. Co., and Waterfront Realty. He explained that Susan Linda controls Interstate Navigation Company, Nelseco Navigation Company and Waterfront Realty. Mr. Tobin's clients and specifically, Mr. John Peter Wronowski control the voting stock of Interstate Nav. Co. It is his clients' position that even though Ms. Linda controls the voting stock of Nelseco Navigation Company, she has a fiduciary duty to obtain the fair market value of the M/V Anna C from Interstate Navigation Company on behalf of the shareholders, or $3.1 million. He believes the replacement value of the vessel would be between $11 million and $11.5 million based on communications with the manufacturer of the M/V Anna C.

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[133] Id. at 30-31.
[134] Interstate Exhibit 6 (Rebuttal Testimony of David Preston), pp. 1-4.

He makes the same argument with regard to the lease arrangement between Waterfront Realty and Interstate Navigation Company. His clients expect a 7% to 10% return on the value of the property which has recently been assessed for tax purposes at almost double recent appraisals on the property. Finally, Mr. Tobin asserted that there is not a mutuality of interest between the shareholders of Interstate Nav. Co. and Interstate Navigation Company.[135]

Mr. William McCombe indicated that United States Coast Guard ("USCG") regulations require each company to have a company security officer, each vessel to have a vessel security officer and each facility to have a facility security officer. The Company must properly train personnel to ensure security measures are followed and to review and adjust to meet a company's ongoing needs. The annual costs are unknown because they are based on several "unknown foreseeable restrictions, mandates, and stability of the MARSEC (marine equivalent of the color code Homeland Security warning system)…." Therefore, he recommended that the company follow the USCG guidelines for funding because safety is paramount and should not be constrained by cost.[136]

VI. Public Comment

On May 5, 2004, the Commission conducted a public hearing at the Old Harbor Meadows Community Center on Block Island for purposes of taking public comment. The Commission heard from six members of the public. Also at that hearing, the parties alluded to an anticipated Settlement. After hearing the fundamentals of the Settlement, including that the proposed rate increase would be reduced to 11.5%, some members of

[135] Interstate Exhibit 7 (Direct Testimony of Robert D. Tobin), pp. 2-6.
[136] Interstate Exhibit 6 (Rebuttal Testimony of William McCombe), pp. 2-3.

the public provided opinions on the reduced proposed rate increase. The commenters generally supported the acquisition of the M/V Anna C, but were concerned with the cost. There was also general support for increases to the non-commuter vehicle rate. There was a general consensus that an 11.5% overall increase would be more reasonable than the initial proposal. Finally, there was a concern that Interstate be required to monitor and report more information to the Commission than in the past.

VII. Proposed Stipulation and Settlement[137]

On May 7, 2004, the Division filed a proposed Stipulation and Settlement ("May 7th Settlement") on behalf of the parties. However, at the time, only Interstate and the Division had signed onto the May 7th Settlement. The May 7th Settlement stated that it was a resolution of all issues relating to the Company's revenue requirement, rate base, rate of return, rate design and certain service related issues. However, the May 7th Settlement indicated that "matters or issues other than those explicitly identified in this [Settlement] have not been settled upon or conceded by any party to this [Settlement], and nothing in this [Settlement] shall preclude any party from taking any position in any future proceeding regarding such unsettled matters."[138] In other words, although the parties resolved their issues with regard to the revenue requirement and certain other formerly disputed items, some of the issues that were sources of disagreement in the parties' pre-filed testimonies, remain in dispute.

The parties agreed to the following: (1) that Interstate requires additional revenues of $1,456,061 for a total stipulated rate year revenue requirement of $8,804,337, based upon the Division's position regarding pro forma revenues at present rates of $7,348,276;

[137] Neither the Division nor the Town filed Surrebuttal Testimony in this matter.
[138] Joint Exhibit 1 (May 7, 2004 Stipulation), p. 5, Section 10.

(2) that the rate of return on equity is settled at 10.75% and Interstate's rate base is settled at $10,862,133; (3) that the rate base will include $3.1 million for the M/V Anna C, as of the mid-point of the rate year and that, for ratemaking purposes, the vessel shall be depreciated over a life of fifteen (15) years; (4) that Interstate will maintain a schedule that will provide a level of service equal to or greater than that which is set forth in the Interstate's 2004 ferry schedule as filed with the Commission through the use of the M/V Anna C, the M/V Block Island and the M/V Carol Jean, absent situations beyond Interstate's control; (5) that, with the exception of cars and related vehicles, which will increase by approximately 47%, all rates will increase by approximately 11.5%; (6) that Interstate will be authorized, through December 31, 2005,[139] to sell ten (10) non-commuter passenger tickets for the price of nine as part of an advance ticket sale, and to provide a fifteen percent (15%) discount on round-trip passenger ticket sales to groups of twenty-five (25) or more; (7) that Interstate shall advise the Division of the disposition or sale of any vessel within sixty (60) days of such disposition and in the event the M/V Manitou is disposed of, Interstate agrees to amortize any sale proceeds over a sixty (60) month period, and any private charter, lease, or other non-utility use of Interstate's assets will be credited to revenue accounts of the Interstate Navigation Company; (8) that in addition to its Annual Report, no later than December 31st of each year, Interstate will report interim ridership statistics and revenues for the period May through September to the Division and Commission broken out by month, separately for the Point Judith/Block Island statistics and Newport/Block Island statistics; and (9) that annual Homeland Security costs, settled at $395,946, shall be deposited into an interest-bearing restricted

[139] Interstate must apply to the Commission for approval to continue the two discount programs beyond December 31, 2005. Joint Exhibit 1, p. 3, Section 6.

account, with reporting requirements to be filed simultaneously with the Company's Annual Report.[140]

The result of the May 7th Settlement would be to increase the adult passenger round trip ticket between Point Judith and Block Island from $12.80 to $14.30, a $1.50 difference and to increase the Commuter round trip ticket from $9.00 to $10.00. Non-commuter auto rates would increase from $25.95 to $38.00, a $12.05 difference, and commuter auto rates would increase from $23.00 to $33.80, a $10.80 difference. Therefore, while the 11% discount on commuter rates would remain in place, the differential between commuter and non-commuter autos increases from $2.95 to $4.20. Non-commuter pickup trucks, SUVs and vans would increase from $31.30 to $45.90, a $14.60 difference and the corresponding commuter rates would increase from $28.00 to $41.10, a $13.10 difference. Again, while the 11% commuter discount is retained, the rate differential increases from $3.30 to $4.80. Bicycle rates would be increased by twenty-five cents ($0.25) to $2.50.[141]

VIII. Amended Settlement

On May 11, 2004, the parties filed an Amended Stipulation and Settlement (May 11th Settlement).[142] The May 11th Settlement did not change the overall revenue increase or the rate of return on equity proposed in the May 7th Settlement, but did alter the rate design. Rather than a 47% increase on all car rates, including commuter cars, the parties agreed that commuter car rates would increase by approximately 11.5% and non-commuter car rates would increase by approximately 50%. Additionally, the parties

[140] Joint Exhibit 1, pp. 2-5, Sections 1-9.
[141] Id. at Schedule Stip. 6. The Newport/Block Island adult round trip fare would increase from $11.20 to $12.50.
[142] Joint Exhibit 2 (May 11, 2004 Stipulation) (Attached hereto as Appendix A).

amended the eligibility requirements for discounted commuter rates, narrowing the field to be applied to only holders of a Rhode Island driver's license with a Block Island address on the license. Furthermore, in order to be eligible for commuter car rates, the vehicle must be driven by a driver with a Rhode Island driver's license containing a Block Island address and the vehicle itself must have a Block Island address on its registration.[143]

With regard to the lease on the Old Harbor docking facility, the parties reaffirmed the Commission's ability to review any transaction for prudence, stating that "any lease of the Old Harbor docking facility will be submitted to the Town, the Division and the Commission and will be subject to a prudency review by the Commission in any rate case as to the appropriate amount of lease payments to be included in rates."[144]

Next, the parties agreed that reporting of statistical information set forth in the Settlement for the period May through September will be reported no later than November 30th of each year rather than the originally agreed-upon date of December 31st. Furthermore, the Company agreed to provide semi-annual financial statements for the six month period ending November 30th and May 31st of each year, and quarterly financial statements for the quarter ending August 31, 2005 and thereafter.

Finally, the parties amended the language in its passenger tariff to eliminate the phrase "from time to time" for advance ticket sales leaving Rule 95 to state: "Carrier may sell advance tickets on a pay for 9 tickets in advance, get 10 tickets basis."[145] Rule 90 was amended to indicate that the 15% discount is a promotional discount.[146]

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143 Id. at 2-4.
144 Id. at 4.
145 Id. (passenger tariff, p. 5).
146 Id. (passenger tariff, p. 5).

The result of the May 11th Settlement would be to increase the adult passenger round trip ticket between Point Judith and Block Island from $12.80 to $14.30, a $1.50 difference, and to increase the Commuter round trip ticket from $9.00 to $10.00. Non-commuter auto rates would increase from $25.95 to $38.90, a $12.95 difference, and commuter auto rates would increase from $23.00 to $25.70, a $2.70 difference. Therefore, the discount on commuter rates would increase from 11% to 34%, with a differential between commuter and non-commuter autos increasing from $2.95 to $13.20. Non-commuter pickup trucks, SUVs and vans would increase from $31.30 to $46.90, a $15.60 difference, and the corresponding commuter rates would increase from $28.00 to $31.20, a $3.20 difference. Again, the discount on commuter rates would increase from 11% to 34%, with a differential between commuter and non-commuter autos increasing from $2.95 to $13.20. Bicycle rates would be increased by twenty-five cents ($0.25) to $2.50.

IX. Hearing on Settlement

On May 11, 2004, a public hearing was held at the Commission's offices, 89 Jefferson Boulevard, Warwick, Rhode Island, for the sole purpose of receiving the May 11, 2004 Settlement into the Record. The following appearances were entered:

FOR INTERSTATE NAVIGATION:	Michael McElroy, Esq.
FOR THE TOWN OF NEW SHOREHAM:	Merlyn O'Keefe, Esq.
FOR DIVISON:	Leo Wold, Esq. Special Assistant Attorney General
FOR COMMISSION:	Cynthia G. Wilson, Esq. Senior Legal Counsel

At the hearing, Mr. McElroy went through each aspect of the May 11, 2004 Settlement and provided the Commission with a detailed explanation of the issues that had been in dispute prior to settlement. The Commission recessed to fully examine the May 11, 2004 Settlement.

On May 12, 2004, the public hearing was reconvened at the Commission's offices, 89 Jefferson Boulevard, Warwick, Rhode Island. The following appearances were entered:

FOR INTERSTATE NAVIGATION:	Michael McElroy, Esq.
FOR THE TOWN OF NEW SHOREHAM:	Merlyn O'Keefe, Esq.
FOR DIVISON:	Paul Roberti, Esq. Assistant Attorney General
FOR COMMISSION:	Cynthia G. Wilson, Esq. Senior Legal Counsel

Interstate presented Mr. Walter Edge and the Division presented Mr. John Bell to testify in support of the May 11th Settlement. With regard to the funding of the Homeland Security account, Mr. Edge indicated that Interstate would determine how many dollars have been approved for homeland security and divide that amount by the total gross revenues approved in the rate filing in order to generate a percentage. For every dollar collected, Interstate will put that percentage into a restricted account. The money will be deposited on a quarterly basis for purposes of administrative efficiency.[147] Mr. Edge also indicated that although not occurring currently, in the future, Interstate may charge the salary of an employee entirely dedicated to homeland security to that

[147] Tr. 5/12/04, pp. 24-25.

account.[148] However, Mr. Edge clarified that none of the homeland security costs incurred prior to the effective date of rates would be charged to that account.[149]

Addressing rising fuel costs, Mr. Edge explained that recent increases in fuel costs are not in the statistics filed by the Company or the Division. Additionally, the Company does not have the ability to lock in rates. However, Mr. McElroy explained that there is a separate diesel fuel surcharge statute that allows the Company to apply to the Division for authorization to add a separate fuel surcharge to the rates in the event fuel costs rise above a certain level.[150]

With response to a question from the Bench, Mr. Edge explained that the Company does not normally charter its vessels to third parties, believing it to be in the best interest of ratepayers to keep control over the condition of the vessels. However, one time vessels were leased for a celebration in New York and that lease generated additional revenues. Additionally, Mr. McElroy indicated that the Manitou, the oldest and smallest boat may be more suitable for use as a crew boat on a dredging project. Because it is on standby, Interstate has used it for that purpose and according to the May 11th Settlement, all income from leasing of vessels must be reinvested into the Company.[151]

With regard to the rate of return on equity, Mr. Edge explained that the parties had not agreed to the methodology for arriving at 10.75%, but rather, it was a mathematical compromise between the parties' positions.[152] With regard to the capital structure, Mr. Edge indicated that it represents a point in time. He noted that the interest

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148 Id. at 26.
149 Id. at 44-45.
150 Id. at 29-30.
151 Id. at 32-33.
152 Id. at 34-35.

rates for the M/V Carol Jean and M/V Anna C are estimates, but that even if the rates increase to 6.5% rather than the estimated 6.4%, the effect on the weighted cost of debt and equity will be relatively de minimus.[153]

Addressing the program allowing the purchase of ten tickets for the price of nine and the other allowing group sales discounts, Mr. Bell explained that when determining whether to extend the program past December 31, 2005, the Commission should look at whether there was any erosion of revenues. Mr. Edge indicated that, if Interstate wishes to extend the programs, the Company will provide the Commission with "a type of break even analysis that shows how it worked." Furthermore, any ticket sold during the program would be honored, even after the program ends.[154]

With regard to the promotional group discount, Mr. McElroy explained that the term promotional was added to indicate the Company's intent to attract new groups of passengers. If the Company were to provide groups that have always used the Company's services, it would be "digging…a hole right away from Day One and actually losing money which was never [the] intent." The discount may apply to a group for the first summer of usage, but not beyond that season.[155]

Addressing the requested effective date of May 28, 2004, the Division indicated that it had no opposition to the Commission allowing rates to be effective on May 28, 2004. Addressing the closing date on the purchase of the M/V Anna C, Mr. Edge noted that the Company is hoping for a June 1, 2004 date. The period between May 28, 2004 and June 1, 2004 will be under the existing lease. Mr. McElroy clarified that the June 1

[153] Id. at 47-49.
[154] Id. at 36-41.
[155] Id. at 46-47.

date may be optimistic, but that the transfer should occur in June 2004.[156] He further indicated that the repairs and upgrades of the M/V Carol Jean will be performed between the Summer 2004 and Summer 2005 seasons in order to fully utilize the vessel during the tourist season.[157]

X. Commission Findings

At an open meeting on May 17, 2004, the Commission approved the May 11th Settlement and the corresponding rates, finding them to be in the best interests of ratepayers.

Addressing the purchase of the M/V Anna C., the Commission notes that the Division had an independent appraisal conducted, resulting in a determination that $3.1 million was a fair price for the vessel. The Commission was interested in Ms. Crane's arguments regarding the appropriate review of an affiliate transaction. However, in this case, given the fact that the vessel is a tangible item, it is more likely that if the regulated entity were not allowed to pass the cost of $3.1 million through in rates, Nelseco would simply sell the vessel on the open market, requiring Interstate to seek a vessel from a third party. With regard to the repowering of the M/V Carol Jean, the Commission believes that this will make the Company more attractive to passengers.

The Commission is concerned with the recent increases in Interstate's professional fees. The Commission notes that In Docket No. 2484, Interstate's most recent rate case, Interstate requested $70,221 for professional services for the rate year (FY 1998), an increase of $20,668 over the test year amount (CY 1995) of $49,553. While that case was based on a Stipulation, even assuming the requested rate year

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[156] Id. at 55, 58.
[157] Id. at 55.

expense, Interstate's professional fees increased by over 300% in three years and another 47% in the ensuing two years.[158] While the May 11, 2004 Stipulation reduces the requested amount, it is still $90,650 more than that recommended by the Division.

With regard to Mr. Edge's assertion that it would be illegal to accept the Division's adjustment to the Montville Wharfage Fees and allow less in rates than is required under a contract, apparently on the basis that because Ms. Linda had signed the contract on behalf of both of her companies the Commission is bound to accept that amount as reasonable, Mr. Edge's argument is faulty. An adjustment to this line item would not require the non-regulated entity to collect less than it believes it can get for the wharfage fees, but rather, would require the regulated entity to collect in rates the amount determined to be reasonable and to match the resulting fee of an arm's length transaction between two entities with only their own self interest in mind. Likewise, with regard to the increases in management salary, what Mr. Edge did not recognize is that the Company can choose to pay more for salaries than are allowed in rates but the shareholders will need to absorb the difference.

Addressing Interstate's pricing flexibility proposals, Mr. Edge argued that with regard to summer tourists, no one should be concerned with what rate of return Interstate earns because they are not concerned with the rate of return earned by Island Hi-Speed Ferry on these same passengers. Therefore, according to Mr. Edge, Interstate is requesting the same rate treatment as Island Hi-Speed Ferry on summer tourist passenger tickets. However, Mr. Edge's testimony does not correspond with Ms. Linda's testimony, which requested rate treatment that is different from Island Hi-Speed Ferry's. Ms. Linda's idea for a non-tariffed rate appeared to indicate that the market on a given

[158] See Order No. 15300 (issued May 23, 1997), Interstate Exhibit 3, p. 22.

day should be allowed to set the rate in order to control prices in the competitive market. Ms. Linda has attempted to justify her position by mischaracterizing the rate structure of Island Hi-Speed Ferry. Her explanation of Island Hi-Speed Ferry's rates is inaccurate. Island Hi-Speed Ferry's rates are tariffed and are set at a specific amount above a pre-determined price floor. They do not change from day to day. While the form of regulation is a price floor, Island Hi-Speed Ferry may not charge more for its tickets than the tariffed rate. There will be no auction on the docks to sell tickets to the highest or lowest bidders. Regardless, at this time, the Commission is not changing Interstate's current form of regulation which is traditional cost based rates with a reasonable rate of return because the majority of Interstate's revenues are for services not subject to direct competition.

The Commission commends the parties for their hard work in negotiating a stipulated rate structure and revenue requirement that is reasonable and in the best interest of ratepayers. The Commission notes that it has been seven years since Interstate's last rate case and the Commission is hopeful that the dire predictions of Interstate's witnesses with regard to future declines in revenue do not come to fruition.[159] In summary, the Interstate Navigation Company's cost of service and tariffs provided for in the Stipualtion and Settlment are approved for effect on May 28, 2004. The Commission's Cost of Service Schedule is attached hereto as Appendix B.

[159] Although not included in the May 11, 2004 Stipulation, in response to suggestions by the Town's witness, the Commission notes that it has a history of denying automatic rate increases or decreases, even requiring companies to put on evidence when there is a pass through of costs in rates. The Commission has previously determined that circumstances change too frequently to put ratepayers at risk of automatic rate changes without a full opportunity for review. Therefore, the Commission simply takes this opportunity to again reiterate that policy determination.

Accordingly, it is

(17929) <u>ORDERED</u>:

1. That the Petition for General Rate Increase filed by Interstate Navigation Company on December 2, 2003, is hereby denied and dismissed.
2. That the Stipulation and Settlement filed by the parties on May 11, 2004, is hereby approved and adopted in toto.
3. That Interstate Navigation Company's annual revenues shall be increased by $1,456,061 for a total rate year revenue requirement of $8,804,337.
4. That the compliance tariffs filed with the May 11, 2004 Settlement are hereby approved for effect on May 28, 2004.
5. That Interstate Navigation Company's authorized return on equity is 10.75%.
6. That funding provided for Homeland Security costs is to be kept in a restricted, interest-bearing account; funds not expended shall continue to be reserved and carried over to subsequent years for their designated purpose.

7. That Interstate Navigation Company shall comply with all other terms and conditions contained in this Report and Order of the Commission and in the May 11, 2004 Settlement.

EFFECTIVE AT WARWICK, RHODE ISLAND ON MAY 28, 2004, PURSUANT TO AN OPEN MEETING DECISION ON MAY 17, 2004. WRITTEN ORDER ISSUED ON JULY 28, 2004.

PUBLIC UTILITIES COMMISSION

____
Elia Germani, Chairman

____
Kate F. Racine, Commissioner

____
Robert B. Holbrook, Commissioner

APPENDIX B

Interstate Navigation Company
Docket 3573
Cost of Service Schedule

Total Revenues		$ 8,804,337
Expenses:		
Operating Expenses	$ 7,723,969	
Federal Income Taxes	165,066	
State Gross Receipts Tax	110,054	
Total Expenses		$ 7,999,089
Net Operating Income		$ 805,248
Rate Base		$ 10,862,133
Rate of Return		7.41%

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
BEFORE THE PUBLIC UTILITIES COMMISSION

IN RE: INTERSTATE NAVIGATION COMPANY : DOCKET NO. 3573
GENERAL RATE FILING :

STIPULATION AND SETTLEMENT

Interstate Navigation Company ("Interstate" or "Company"), the Division of Public Utilities and Carriers ("Division"), and the Town of New Shoreham hereby agree to this stipulation and settlement which constitutes a settlement of all revenue requirement and rate design issues in this docket.

Recitals

On December 1, 2003, Interstate filed with the Commission an application to increase its rates by $2,750,712, or approximately 39.8 percent above its currently authorized revenue level in the rate year at current rates of $6,907,030. The primary purpose of the rate increase, as stated in Interstate's filing, was to allow the Company sufficient revenue to (1) purchase the *MV Anna C* at a cost of $3,100,000; (2) implement Homeland Security mandates estimated to cost $702,105; and (3) and to fund other cost increases that have occurred during the approximate 7 year period since Interstate's last rate case.

In response to the Company's filing, the Division conducted an investigation of the Company's rate increase request through extensive discovery methods by aid of its staff and outside consultants. Based upon its investigation and findings, the Division filed its direct case with the Commission and recommended that Interstate's present revenues be increased by $902,951, resulting in a downward adjustment to Interstate's revenue request by $1,847,761. Interstate's rebuttal case was substantially the same as its initial filing. The Town of New

Shoreham also filed a direct case addressing cost of service and rate design issues. The Town recommended that Interstate's present revenues be increased by $244,160 resulting in a downward adjustment to Interstate's revenue request of $2,506,552.

After due consideration of the testimony, exhibits and other documentation included in the filings by Interstate, the Division, and the Town of New Shoreham, the Parties now have agreed to a comprehensive settlement in the rate case which resolves all issues relating to the Company's revenue requirement, rate base, rate of return, rate design, and certain service related issues.

The settlement agreement is as follows:

Section 1: The Company's additional revenue requirement for this stipulation is settled at $1,456,061, which results in total stipulated rate year revenue of $8,804,337. This stipulation is based upon the Division's position concerning pro forma revenues at present rates of $7,348,276. The following supporting schedules are attached hereto and incorporated by reference herein: Stip 1 (revenue requirement summary), Stip 2 (required return), Stip 3 (rate base summary), Stip 4 (operating income statement), Stip 5 (operating expense summary), Stip 6 (analysis of proposed rates), Stip 7 (analysis of proposed rates – revenue proof), Stip 8 (passenger and vehicle rates and tariffs), and Stip 9 (class and commodity rates and tariffs).

Section 2: The rate of return on equity for this stipulation is settled at 10.75%. Interstate's rate base is settled at $10,862,133.

Section 3: The parties agree to include $3.1 million in rate base for the MV Anna C, as of the mid-point of the rate year, as proposed by the Company in its filing.

The parties agree that the boat shall be depreciated over a life of 15 years for rate making purposes.

<u>Section 4:</u> The Company agrees to provide a level of service equal to the service level set forth in the Company's 2004 ferry schedule on file with the Commission, and the Company agrees that the *MV Anna C*, *MV Block Island*, and *MV Carol Jean* shall be the vessels in service for trips made between Point Judith and Block Island, except during situations beyond Interstate's control, such as major repairs, severe weather, acts of God, sinking, etc.

<u>Section 5:</u> The rate increase will be applied as follows: All rates except non-commuter cars (and related non-commuter vehicles such as SUVs, pick ups, and vans) will increase by approximately 11.5%. Non-commuter cars (and related non-commuter vehicles such as SUVs, pick ups, and vans) will increase by approximately 50%. The new rates and tariffs are set forth on Stip 6, Stip 8 and Stip 9 attached hereto and incorporated by reference into this Stipulation and Settlement. The eligibility requirements for discounted commuter rates are hereby changed so that only the holders of a Rhode Island driver's license with a Block Island address on the license are eligible for commuter rates, and to be eligible for the commuter car, SUV, van and pick up rates, the vehicle (1) must be driven by a driver with a Block Island license, and (2) must have a Block Island address on its registration.

<u>Section 6:</u> The Parties agree that the Company will be permitted to offer the following volume and group discounts: (1) an advance purchase of 10 non-commuter passenger tickets may be sold at a price of 9 tickets (a discount of approximately 10%); and (2) group purchases of 25 or more passengers may receive a round-trip ticket discount of 15% (not including the landing fee). Authorization for these discount programs will expire on December 31, 2005, but may be extended by the Company only after making application to the PUC and obtaining approval. Other than expressly agreed herein, all other proposals for pricing flexibility as set forth in the Company's rate filing are rejected.

Section 7: In the event that the Company disposes of the *MV Manitou*, the Company agrees to amortize any sale proceeds (less any commissions, sale expenses, and remaining book value) over a 60 month period beginning with the month following the transaction. The Company agrees to report the disposition or sale of any vessel to the Division and Commission within 60 days of the sale date. Such report shall include the amount of the sale, any net book value at the time of the sale, and an identification of the person or entity that purchased the vessel(s). Any private charter, lease, or other non-utility use of the Company's assets will continue to be credited to the revenue accounts of the Interstate Navigation Company. Any lease of the Old Harbor docking facility will be submitted to the Town, the Division and the Commission and will be subject to a prudency review by the Commission in any rate case as to the appropriate amount of lease payments to be included in rates.

<u>Section 8:</u> In order to provide more timely reporting of relevant financial information (as a result of the May 31 fiscal year end), the Company agrees to report interim ridership statistics and revenues to the Division and the Commission broken down by month in the following categories:

(a) Passengers (non-commuter)
(b) Passengers (commuter)
(c) Passengers (block ticket/group sales)
(d) Cars (non-commuter)
(e) Cars (commuter)
(f) Trucks
(g) Freight
(h) Charter
(i) Mail
(j) All other

The Company will report this information, for the May through September period, no later than November 30th of each year. For reporting purposes, the Newport/Block Island statistics will be separately broken out. The Company also agrees to provide to the parties semi-annual financial statements (including profit and loss statements) for the six month period ending November 30 and May 31 of each year, and quarterly financial statements for the quarter ending August 31, 2005 and thereafter.

<u>Section 9</u>: The Parties agree to an annual funding of Homeland Security costs in the amount of $395,946. The Company agrees to maintain Homeland Security funds in an interest-bearing restricted account. The funds may only be used to satisfy Homeland Security mandates. The Company agrees to document all such expenses, including an explanation for each expense category, in a

Homeland Security expense report to be filed with the Commission simultaneously with the Annual Report.

<u>Section 10:</u> By entering into this Settlement, 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.

<u>Section 11:</u> This Agreement is the result of a negotiated settlement. The discussions which have produced this Settlement have been conducted with the explicit understanding that all offers of settlement and 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 Agreement 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 Agreement, or modifies this Agreement or any provision therein, then this Agreement shall be deemed withdrawn and shall be null and void in all respects.

<u>Section 12</u>: This Stipulation and Settlement may be executed in counterparts.

The Parties hereby submit this Stipulation and Settlement to the Commission for approval.

IN WITNESS WHEREOF, this document has been executed by the appropriate representatives of the parties identified below, each being fully authorized to do so. Dated at Warwick the 12th day of May, 2004.

RESPECTFULLY SUBMITTED,

INTERSTATE NAVIGATION COMPANY

By Its Attorney,

____

Michael R. McElroy, Esq.
SCHACHT & McELROY
21 Dryden Lane
P.O. Box 6721
Providence, RI 02940-6721

DIVISION OF PUBLIC UTILITIES AND CARRIERS

By Its Attorney,

____

Paul J. Roberti, Esq.
Assistant Attorney General
Department of Attorney General
150 South Main Street
Providence, RI 02903

TOWN OF NEW SHOREHAM

By Its Attorney,

____

Merlyn O'Keefe, Esq.
Packer & O'Keefe
1220 Kingstown Road
Peacedale, RI 02879

Schedule ACC-1

INTERSTATE NAVIGATION COMPANY Stip 1

RATE YEAR ENDING MAY 31, 2005

REVENUE REQUIREMENT SUMMARY

	Company Claim (A)	Recommended Adjustment	Recommended Position	
1. Pro Forma Rate Base	$11,465,519	($603,386)	$10,862,133	(B)
2. Cost of Capital	8.01%	-0.59%	7.41%	(C)
3. Required Return	$918,190	($112,942)	$805,248	
4. Operating Income @ Present Rates	(1,791,871)	$1,648,131	(143,740)	(D)
5. Operating Income Deficiency	$2,710,061	($1,761,073)	$948,988	
6. Revenue Multiplier	1.0150	1.5343	1.5343	(E)
7. Revenue Requirement Increase	$2,750,712	($1,294,651)	$1,456,061	

8. Pro Forma Operating Revenue at Present Rates	$7,348,276	(F)
9. Percent Increase	**19.82%**	

Sources:
(A) Schedule WEE-5.
(B) Schedule ACC-3.
(C) Schedule ACC-2.
(D) Schedule ACC-4.
(E) Schedule ACC-29.
(F) Schedule ACC-10.

Schedule ACC-2

Stip 2

INTERSTATE NAVIGATION COMPANY

RATE YEAR ENDING MAY 31, 2005

REQUIRED RETURN

	Amount	Capital Structure (A)	Cost Rate	Weighted Cost
1. Common Equity (A)	4,125,242	27.44%	10.75%	2.95%
Long Term Debt :				
2. Phase 1 (B)	2,000,000	13.30%	6.10%	0.81%
3. Phase 2 (C)	2,000,000	13.30%	5.91%	0.79%
4. Phase 3(C)	2,307,947	15.35%	5.91%	0.91%
5. Loan For MV Carol Jean (B)	2,000,000	13.30%	6.40%	0.85%
6. Loan for MV Anna C. (B)	2,600,000	17.30%	6.40%	1.11%
7. Total Capital Structure	$15,033,189	100.00%		7.41%

Sources:
(A) Amount per Testimony of Ms. Edge, Schedule WEE-17; cost of equity per ACC-2A.
(B) Testimony of Mr. Edge, Schedule WEE-17.
(C) Reflects updated cost per Mr. Edge, March 9, 2004.

INTERSTATE NAVIGATION COMPANY Strip 3

RATE YEAR ENDING MAY 31, 2005

RATE BASE SUMMARY

	Company Claim (A)	Recommended Adjustment		Recommended Position
1. Net Utility Plant @ 5/31/03	$8,140,478	$0		$8,140,478
2. Plant Additions, 6/1/03-5/31/04	913,134	0	(B)	913,134
3. Acc. Dep. Additions, 6/1/03-5/31/04	(864,827)	0	(C)	(864,827)
4. Net Plant @ 5/31/04	$8,188,785	$0		$8,188,785
5. Estimated Rate Year Additions	6,506,233	0	(D)	6,506,233
6. Rate Year Depreciation	(1,262,871)	103,333	(C)	(1,159,538)
7. Net Plant @ 5/31/05	$13,432,147	$103,333		$13,535,480
8. Average Plant in Service	$10,810,466	$51,667	(E)	$10,862,133
9. Cash Working Capital	655,054	(655,054)	(F)	0
10. Total Rate Base	**$11,465,520**	**($603,387)**		**$10,862,133**

Sources:
(A) Company Schedule WEE-15.
(B) Schedule ACC-6.
(C) Schedule ACC-8.
(D) Schedule ACC-7.
(E) Average of Line 4 and Line 7.
(F) Schedule ACC-9.

Schedule ACC-4

Stip 4

INTERSTATE NAVIGATION COMPANY

RATE YEAR ENDING MAY 31, 2005

OPERATING INCOME STATEMENT

	Present Rates	Recommended Adjustments	Proposed Rates
1. Pro Forma Revenue (A)	$7,348,276	$1,456,061	$8,804,337
2. Operating Expenses (B)	7,723,969	0	7,723,969
3. Revenue Taxes @ 1.25% (C)	91,853	18,201	110,054
4. Income Before Taxes (D)	($467,547)	$1,437,861	$970,314
5. Interest Expense (E)	484,826	0	484,826
6. Taxable Income (F)	($952,373)	$1,437,861	$485,487
7. Federal Income Tax (G)	(323,807)	488,873	165,066
8. Net Income (H)	($628,566)	$948,988	$320,422
9. Operating Income (I)	**($143,740)**	**$948,988**	**$805,248**

Sources:
(A) Schedule ACC-10.
(B) Schedule ACC-5.
(C) Line 1 X 1.25%.
(D) Line 1 - Line 2 - Line 3.
(E) Schedule ACC-28.
(F) Line 4 - Line 5.
(G) Reflects statutory rate of 34%.
(H) Line 6 - Line 7.
(I) Line 4 - Line 7.

Stip 5

INTERSTATE NAVIGATION COMPANY

RATE YEAR ENDING MAY 31, 2005

OPERATING EXPENSE SUMMARY

			Schedule No.
1.	Company Claim	$8,698,901	WEE-5
	Recommended Adjustments:		
2.	Salaries and Wages	(95,596)	11
3.	Payroll-related Taxes	(10,592)	12
4.	Pension Expense	(2,868)	13
5.	Wharfage Fees-Montville	(107,198)	14
6.	Wharfage Fees-Old Harbor	(69,289)	15
7.	Homeland Security	(151,514)	16
8.	Lobbying Expenses	(33,246)	17
9.	Legal Fees	(173,443)	18
10.	Advertising	(111,730)	19
11.	Rate Case Expense	(20,000)	20
12.	Telephone Expense	(24,445)	21
13.	Miscellaneous Expenses	(5,305)	22
14.	Depreciation - Montville Dredging	0	23
15.	Depreciation - Anna C	(103,333)	24
16.	Federal Income Taxes	(105,701)	25
17.	Gross Receipts	(90,672)	27
18.	Settlement Adjustment	130,000	
19.	Total Operating Expenses	$7,723,969	

Analysis of Proposed Rates
Interstate Navigation

A Between Newport and Block Island

B Between Point Judith and Block Island

<u>Stip 6</u>

	Proposed Rates		Current Rates	
	A	B	A	B
Adult Passenger Fares				
One Way Adult	8.50	8.70	7.65	7.80
Round Trip Adult	12.50	14.30	11.20	12.80
Children Passenger Fares				
One Way Children	4.00	4.50	3.60	4.05
Round Trip Children	5.80	7.10	5.20	6.40
Commuter Rate		10.00	N/A	9.00
Auto	N/A	38.90	N/A	25.95
Bicycles	2.50	2.50	2.25	2.25
Motorcycles	17.00	17.00	N/A	15.20
Pickup Trucks SUV & Vans	N/A	46.90	N/A	31.30
Trucks	N/A	4.40 /lf	N/A	3.92 /lf
Hazardous Trucks	N/A	6.60 /lf	N/A	5.88 /lf
Commuter Vehicles				
Auto	N/A	25.70	N/A	23.00
Pickups, SUV	N/A	31.20	N/A	28.00

Analysis of Proposed Rates
Interstate Navigation Company
May 31, 2005

Stip 7

	Test Year 5/31/2003	Adjustments	Company Position Rate Year	Division Adjustment	Division Position
Revenue					
-Passengers	$ 3,708,426	$ (597,000)	$ 3,111,426	$ 441,246	$ 3,552,672
-Vehicles	2,248,003	174,000	2,422,003		2,422,003 *
-Bar	450,775	-	450,775		450,775
-Charter	94,704	-	94,704		94,704
-Freight	569,338	-	569,338		569,338
-Bikes, Mopeds, etc.	133,740	(18,000)	115,740		115,740
-Mail	33,515	-	33,515		33,515
-Other	5,326	4,674	10,000		10,000
Landing Fee Commissions	31,735	(5)	31,729		31,729
Sale of MV Manisee	67,800	-	67,800		67,800
			-		
Total Revenues	$ 7,343,361	$ (436,331)	$ 6,907,030	$ 441,246	$ 7,348,276

*	Cars	1,765,332
Commuter	Cars&PU/Van/SUV	160,954
	Trucks	495,717
	Vehicles	2,422,003

	Division Position	11.5% Increase all tarrif except cars	49.98% cars	Proposed Revenue
Revenue				
-Passengers	$ 3,552,672	$ 408,557		$ 3,961,229
-Vehicles (Car)	1,765,332		882,312	2,647,644
-Vehicles (Commuter Car&SUVs)	160,954	18,510		179,464
-Vehicles (Trucks)	495,717	57,007		552,724
-Bar	450,775	-		450,775
-Charter	94,704	10,891		105,594
-Freight	569,338	65,474		634,812
-Bikes, Mopeds, etc.	115,740	13,310		129,050
-Mail	33,515	-		33,515
-Other	10,000	-		10,000
Landing Fee Commissions	31,729	-		31,729
Sale of MV Manisee	67,800	-		67,800
Total Revenues	$ 7,348,276	$ 573,749	$ 882,312	$ 8,804,337

*	Cars	1,604,378
Commuter	Cars&PU/Van/SUV	160,954
	Vehicles	1,765,332

Stip 8

STATE OF RHODE ISLAND   PUBLIC UTILITIES COMMISSION

Docket No. 3573

INTERSTATE NAVIGATION COMPANY

LOCAL TARIFF

Naming

PASSENGER AND VEHICLE RATES

APPLYING BETWEEN

POINTS AND PLACES IN THE STATE OF

RHODE ISLAND

(As Indicated Herein)

EFFECTIVE: May 28, 2004

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:

(a) Baggage may be either personal or sales sample cases defined as follows: Personal luggage or baggage consists 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 salesman containing samples or articles or merchandise for sale and for future transportation and not articles for immediate sale forthwith.

(b) 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.

(c) 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 ACCOMPANYING PASSENGERS:

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:

Carrier will not be responsible for articles left in automobiles when not loaded in car trunks.

RULE NO. 25 DAMAGE TO AUTOMOBILES IN TRANSIT:

Any alleged damage to automobiles aboard ship shall be reported to ship's officers prior to leaving the dock at destination.

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 VEHICLES:

Deck space in general is restricted in the vessels by height and width. Outside deck space (which can accommodate higher vehicles) is also very limited in availability. Therefore, Oversized Vehicles, (which include cars, pick-up trucks, SUV's and vans) that do not fit the standard sized description of a standard car, pick-up truck, or van, will be charged the per linear foot truck rate. A standard car is no more than 18' long, 6' wide, and 5' high. As examples, without limiting the generality of the foregoing, the following are Oversized Vehicles and will be charged the per linear foot truck rate:

- Any vehicles (including but not limited to cars, vans, and pick-ups) that are over 7' in height at the highest point.
- Any vehicles (including but not limited to cars, vans, and pick-ups) that are over 6' in width at the widest point.
- Extended cab pick-up trucks.
- Dual-wheel vehicles (including but not limited to the F350 Ford Series).
- Small dump trucks with a pick up front, and a dump body.
- Stake body trucks.
- Vehicles where racks extend the length of the car, van or pick-up.
- Vehicles that are wider than standard. For example, the vehicle has a utility body containing tool boxes, or the body of the vehicle is not ordinary or standard open backed.
- Vehicles that have ladder racks, or racks that hold pipes or other items on their roof.
- Any vehicles that require the use of the limited outside deck space will charged the per linear foot truck rate. For example, people will often put their bikes on their car, and they often need outside deck space due to the extra height.

We cannot guarantee them the outside deck space (trucks have priority) and the bikes and racks may have to come down. In such a case, if the bikes and racks come down and the car, van or pick-up is then otherwise standard size, the standard car, van or pick-up truck rate will apply, and the standard charges will also apply to the bikes, racks, or other items removed from the vehicle.

- Any trailers (including but not limited to utility trailers), that are longer or wider then a standard car or are over 6' wide at the widest point or are over 7' high at the highest point.

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 six (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 the minimum rates provided in the company's tariffs.

RULE NO. 55 DAMAGE TO AUTOMOBILES:

All vehicles are transported at owner's sole risk. Drivers must accompany vehicles. The company will not be responsible for any damages to vehicles while in transport or while they are being loaded and unloaded aboard the vessel. The owner or driver must drive the vehicle on and off the vessel. In the event a vessel is canceled, the car reservation is also canceled. Any alleged damage to automobiles shall be reported to vessel's officers prior to leaving dock at destination.

RULE NO. 60 CAR RESERVATION CANCELLATIONS:

There is a $5.00 charge for each cancellation per one way reservation.

RULE NO. 65 VEHICLE OVERHANG CHARGE:

There is a $5.00 charge per overhang one way in addition to the vehicle fee for each top, front, back, or side overhang, such as car top carriers, bike racks, cooler racks, etc.

RULE NO. 70 NON-STANDARD VEHICLE CHARGES:

Vehicles that require more than one car space (such as limousines) may be charged an increased rate based on the amount of deck space required for the vehicle as opposed to a standard car or SUV (see Rule 35).

RULE NO. 75 BLOCK TICKET SALES CHARGE:

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 online 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:

Carrier may from time to time apply a 15% group discount rate to groups of 25 or more.

RULE NO. 95 ADVANCE TICKET DISCOUNT:

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

EXPLANATION OF ABBREVIATIONS

No. = Number
P.O. = Post Office
R.I. = Rhode Island
R.I.P.U.C = Rhode Island Public Utilities Commission
NA = Not Available
PLF. = Per Linear Foot

PASSENGER RATES
(Rates in Dollars and Cents Per Passenger)

ITEM:

Between Newport and Block Island Apply Column A Rates
Between Point Judith and Block Island Apply Column B Rates

COLUMN

	A	B					
5 ADULT PASSENGER FARES							
ONE WAY ADULT	8.50	8.70					
ROUND TRIP ADULT	12.50	14.30					
10 CHILDREN PASSENGER FARES							
ONE WAY	4.00	4.50					
ROUND TRIP	5.80	7.10					

Commuter Rate $10.00

Senior Discount (over 65 years):
$ .50 off non-commuter one way tickets
$1.00 off non-commuter round trip tickets

NOTE a. The passenger rates for children published in Item No. 10 will apply to children five (5) years of age up to and including children eleven (11) years of age when accompanied by an adult. For children twelve (12) years of age and older the adult passenger fares published in Item No. 5 will be charged.

NOTE b. Children under five (5) years of age when accompanied by an adult will be transported free.

FOR EXPLANATION OF ABBREVIATIONS AND REFERENCE MARKS SEE PAGE 6.

VEHICLE RATES

ITEM:

Between Block Island and Newport Apply Column A Rates
Between Block Island and Point Judith Apply Column B Rates

RATES IN DOLLARS AND CENTS PER UNIT

		COLUMN A	COLUMN B
15	Automobiles (See Rules 20, 25, 35, 50, 55, 60, 65 and 70 herein and Rule 20 of Freight Tariff)	n/a	38.90
16	Bicycles	2.50	2.50
17	Motorcycles	17.00	17.00
18	Pick-up trucks, vans, and SUV's (See Rules 20, 25, 35, 50, 55, 60, 65 and 70 herein and Rule 20 of Freight Tariff)	n/a	46.90
19	Trucks* (See note)	n/a	4.40/lf
20	Hazardous Trucks* (See note)	n/a	6.60/lf

Commuter Vehicle Rates:

- Automobiles $ 25.70
  (See Rules 20, 25, 35, 50, 55, 60, 65 and 70 herein and Rule 20 of Freight Tariff)
- Pick-up Trucks, Vans, and SUV's $ 31.20
  (See Rules 20, 25, 35, 50, 55, 60, 65 and 70 herein and Rule 20 of Freight Tariff)

* Note: Except as set forth below, trucks carrying hazardous materials or dangerous goods, as defined by 49 CFR, Subchapter C Hazardous Materials Regulations, the U.S. Coast Guard, and the International Maritime Organization, can not be transported aboard passenger vessels. Therefore, except as set forth below, when carrying these materials, the vessel must operate strictly as a cargo vessel, and the per foot rate is as set forth above for hazardous trucks. For this purpose, the Carrier will make a vessel available as a cargo vessel on a reservation only, as available basis, at the rate set forth above per same day round trip run from Point Judith to Block Island and return (maximum 4 hours). When available, the cargo vessel must be scheduled to leave Point Judith and complete the run at the discretion of the Carrier.

Trucks which carry sludge for the New Shoreham Sewer Commission will be required to travel on the hazardous truck cargo vessel, and will not be allowed to travel on a vessel with passengers, but will be allowed to travel at the regular truck rate of $4.40 per linear foot, because the sludge is not a hazardous material or dangerous good as defined by 49 CFR, Subchapter C, but odor from the truck is a problem for ferry passengers. In addition, trucks which carry garbage for the Town of New Shoreham will also be allowed, on an as-needed basis, to travel on the hazardous truck cargo vessel, but at the standard truck rate of $4.40 per linear foot, or they may travel on the usual passenger ferry.

Strip 9

STATE OF RHODE ISLAND PUBLIC UTILITIES COMMISSION

Docket No. 3573

INTERSTATE NAVIGATION COMPANY

LOCAL TARIFF

Naming

CLASS AND COMMODITY RATES

APPLYING BETWEEN

POINTS AND PLACES IN THE STATE OF

RHODE ISLAND

(As Indicated Herein)

For reference to the governing Classification and other governing publications, see Rule No. 5 herein.

EFFECTIVE: May 28, 2004

ISSUED BY:

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

EXPLANATION OF ABBREVIATIONS AND REFERENCE MARKS

Bbl= Barrel	Min= Minimum Charge
Co= Company	No.= Number
Col= Column	NOIBN= Not Otherwise indexed by name in classification
Conn= Connecticut	Pkg= Package
Ctn= Carton	Pt= Point
I.C.C.= Interstate Commerce Commission	R.I.= Rhode Island Department of Public Utilities
KD= Knocked Down	SU= Set Up
Lbs= Pounds	Viz= Namely
M= Thousand	&= And
MT= Empty	

RULES GOVERNING ALL TARIFFS

RULE NO. 5 GOVERNING CLASSIFICATION, RULES AND EXCEPTIONS TARIFF

Governed, except as otherwise provided herein, by the Coordinated Freight Class- No. 11, The New England Motor Rate Bureau, Inc., Agent's MF-I.C.C. No. A-210, MF-R.I.D.P.U. No. A-84 and by the Rules, Regulations and Exceptions thereto, the New England Motor Rate Bureau, Inc., Agent's MF-I.C.C. No. A-202, MF-R.I.D.P.D. No A-82, supplements thereto or successive issued thereof.

RULE NO. 10 APPLICATION OF RATES

(a) Commodity rates named in this tariff are applicable only on shipments tendered to the carrier in exact accordance with the commodity description and packing requirements set forth herein.

(b) Unless otherwise provided, the rates shown herein apply only on articles received on one bill of lading at one time and place from one consignor for delivery to one consignee at one place, at one destination.

(c) The transportation obligation of the carrier under this tariff consists of the receipt of freight at its dock at the shipping point and its transportation to the dock of the carrier at destination.

RULE NO. 15 MAXIMUM CHARGES

In no case shall the charge for a given shipment be greater than the charge for a shipment of the same commodity, of a greater weight, between the same points.

RULE NO. 20 MINIMUM CHARGES

Except as provided in individual items herein rates named are subject to the following minimum charges per shipment.

BETWEEN	AND	MINIMUM CHARGE
Newport or Pt. Judith, R.I.	Block Island, R.I.	4.00

RULE NO. 25 LIABILITY FOR FEEDING LIVESTOCK

The carrier will not be responsible for the feeding or watering, of livestock transported. It shall be the responsibility of the consignor to guarantee the carrier that a plentiful supply of feed and water shall be placed aboard vessel prior to the boarding of such shipments of livestock.

RULE NO. 30 HOUSEHOLD GOODS, DESCRIPTION OF

The rates on Household Goods apply to all Household Goods, new or used, including but not limited to goods and personal effects such as furniture, clothing and residence furnishings and when shipped uncrated will only be accepted at owner's risk.

RULE NO. 35 EMPTY CONTAINERS RETURNED, RATES APPLICABLE

The rates in cents per can, case, carton or other empty alcoholic or nonalcoholic beverage container including bottles in racks, or other containers not otherwise shown herein will apply as follows:

BETWEEN	Pt. Judith & B.I.
(a)	
Containers with bottles, each	.52
Containers without bottles, each	.45
Milk Cans, Each	.45
Milk Dispensers, each	.52
Beer Kegs, each	1.07

(b)

The rates in cents per empty tank shall be returned as follows:

Soda Fountain tanks, each	.80
Pyrofax tanks, each	1.07
Propane Gas Tanks, each	1.07

RULE NO. 40 C.O.D. SHIPMENTS, COLLECTION AND REMITTAL CHARGES

The following charges will apply for the collection and the remittance of C.O.D. bills collected from consignees between all points in Rhode Island:

When the amount collected is:			Charge for Collection and remittance will be:
Not over		$ 10.00	$ .90
$ 10.01	TO	20.00	1.07
20.01	TO	30.00	1.25
30.01	TO	40.00	1.43
40.01	TO	50.00	1.61
50.01	TO	75.00	1.78
75.01	TO	100.00	2.23
100.01	TO	150.00	2.85
150.01	TO	200.00	3.57
200.01	TO	300.00	4.65
300.01	TO	400.00	5.72
400.01	TO	500.00	6.79
500.01	TO	1,000.00	8.03
	OVER	1,000.00	8.03 per $1,000

RULE NO. 45 FREIGHT TRANSPORTED AT OWNER'S RISK

Shipments of livestock, pinball machines, music machines, neon or electric signs and pianos will be accepted for transportation at owner's risk.

RULE NO. 50 TRANSPORTATION OF LIVESTOCK

All Livestock, except household pets accompanied by an owner or handler, dogs cats and animals of like size in portable kennels, and fowl in crates, will be carried only in animal vans or trailers. The tariff for such transportation will be the tariff for such vans or trailers.

RULE NO. 55 PERSONAL PALLETS

Personal pallets are $7.85 each. Personal pallets can be used on an as available basis in the discretion of the Carrier and are solely to be used for the transportation of personal items (such as groceries and luggage). Each pallet is 3½' high and no items may be loaded on a personal pallet that are higher than 3½'. Personal pallets will be given to customers on a "first come, first served" basis, and the boats are limited to how many pallets can be taken. The number of personal pallets which can be taken will vary trip to trip in the discretion of the Carrier based on the availability of deck space and pallets.

RULE NO. 60 INTEREST

Interest will be charged on overdue accounts (past 30 days) at 1.5% per month, plus reasonable attorney's fees if collection efforts are needed.

COMMODITY RATES

```
OLD FERRY: BI BLOCK ISLAND TR
CAPACITY:. 28  STATUS:BOOKED
AVAILABLE:  0
DEMOGRAPH: 22 CAR(S)   2 STR   1 TT
-----------------------------------
NEW FERRY: BI BLOCK ISLAND

R-NUMBER  VEHICLE     #OF LNGTH HIGHT WIDTH DEPOSIT STATS NAME              CONTACT NAME        PHONE NO.1  PHONE NO.2     *-REMARKS
-------------------------------------------------------------------------------------------------------------------------------------
---------
  0* RESERVATION(S) WILL NOT BE RE-ASSIGNED.
-----------------------------------
NEW FERRY: BI BLOCK ISLAND
CAPACITY:. 35  STATUS:AVAILABLE
AVAILABLE:  7
DEMOGRAPH: 22 CAR(S)   2 STR   1 TT.
------------------------
*** PLEASE NOTE:        <--DECIDED TO RE-ASSIGN THE FERRY...
```

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
ABC	ABC	ABC ITEM MASTER RECORD. THIS W AS THE FIRST TEST ITEM ENTERED	EA	1.00000	1.00000	1.290	1.420	1.540
					AFTER:	1.440	1.580	1.720

1*

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
006	45-00	EMPTY CONTAINER WITH BOTTLES RULE 45	EA		AFTER:			.480 .540
	45-01	EMPTY CONTAINER W/O BOTTLES RULE 45	EA		AFTER:			.410 .460
	45-02	EMPTY MILK CASES, CANS RULE 45	EA		AFTER:			.410 .460
	45-03	EMPTY MILK DISPENSERS RULE 45	EA		AFTER:			.480 .540
	45-04	EMPTY BEER KEGS RULE 45	EA		AFTER:			.960 1.070
	45-06	EMPTY BREAD TRAY, PLASTIC	EA		AFTER:			.410 .460

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CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
C07	015-02	AREA WALL	EA					2.250
					AFTER:			2.510
	030-05	BAIT BARRELS, EMPTY	EA					1.120
					AFTER:			1.250
	035-05	BATHTUB, CAST IRON	EA					11.890
					AFTER:			13.260
	035-06	JACUZZI, WHIRLPOOL RULE #40 APPLIES	EA					17.290
					AFTER:			19.280
	035-07	SHOWER BASE, GRANITE, NOIBN	EA			5.220	5.220	5.220
					AFTER:	5.820	5.820	5.820
	040-00	BATTERIES, USED, CAR	EA					.640
					AFTER:			.710
	040-03	BATTERIES, USED INDUSTRIAL MARINE	EA					1.600
					AFTER:			1.780
	045-00	KEG; WINE 1/4	EA					2.010
					AFTER:			2.240
	045-08	COLD PLATE W/COOLER	EA					2.570
					AFTER:			2.870
	10-03	ANCHOR, MOORING, 200-499LB	EA					6.430
					AFTER:			7.170
	10-04	ANCHOR, MOORING, 500-799LB	EA					13.490
					AFTER:			15.040
	10-05	ANCHOR, MOORING, 800-999	EA			20.110	20.110	20.110
					AFTER:	22.420	22.420	22.420
	10-06	ANCHOR, SMALL	EA			1.290	1.290	1.290
					AFTER:	1.440	1.440	1.440
	10-07	ANCHOR, MOORING, 100-199LB	EA			4.810	4.810	4.810
					AFTER:	5.360	5.360	5.360
	30-05	BARREL, 15 GAL	EA			3.190	3.190	3.190
					AFTER:	3.560	3.560	3.560
	30-08	BARREL, 30 GAL	EA			4.820	4.820	4.820
					AFTER:	5.370	5.370	5.370
	40-02	BATTERIES, ELECTICAL, SOLAR INDUSTRIAL, MARINE	EA					3.190
					AFTER:			3.560
	45-38	KEG; WINE-1/2	EA					2.890
					AFTER:			3.220

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
	45-10	DISPENSER, WATER	EA			7.710	7.710	7.710
					AFTER:	8.600	8.600	8.600
	50-00	WATER, BOTTLE, >5GAL	EA					1.290
					AFTER:			1.440
	55-02	BICYCLE, UNCRATED	EA					2.570
					AFTER:			2.870
	500-21	SOLAR PANEL APPROX 4X8	EA			21.910	21.910	21.910
					AFTER:	24.430	24.430	24.430
	005-01	ALUMINUM LOUVERS, VENTS	PC					.720
					AFTER:			.800
	005-02	ANTI-FREEZE COMPOUNDS, NOIBN, LIQUID, IN CASES, EA.	EA					1.290
					AFTER:			1.440
	005-03	ANTI-FREEZE COMPOUNDS, NOIBN, LIQUID IN BARRELS OR DRUMS EA.	EA					6.570
					AFTER:			7.330
	005-04	ANGLE IRON BY LINEAR FEET	FT					.410
					AFTER:			.460
	010-01	AUTOMOBILE PARTS VIZ: EXHAUST PIPES OR MUFFLERS, EA	EA					1.290
					AFTER:			1.440
	010-02	AUTO SEATS	EA					5.460
					AFTER:			6.090
	015-01	AUTO TRANSMISSIONS	EA					5.460
					AFTER:			6.090
	020-01	BAGS, BURLAP, GUNNY OR JUTE, NOIBN	EA					4.820
					AFTER:			5.370
	025-01	BARRELS(NOT OIL OR TAR), DRUMS PAILS, TUBS, WOOD/IRON/STEEL	EA					.480
					AFTER:			.540
	030-02	BARRELS, TAR, EMPTY, EACH	EA					1.120
					AFTER:			1.250
	030-03	BARRELS, TAR, FULL, EACH	EA					6.570
					AFTER:			7.330
	030-04	BAIT BARRELS	EA					4.820
					AFTER:			5.370
	035-01	BATHTUBS, EACH	EA					7.710
					AFTER:			8.600
	035-02	COMBINATION TUB AND SHOWER (FIBERGLASS)	EA					15.440
					AFTER:			15.330

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
	035-03	SHOWER IN BOX BY PIECE	EA					2.720
					AFTER:			3.030
	035-04	SHOWER (FIBERGLASS)	EA					11.240
					AFTER:			12.530
	040-01	BATTERIES, ELECTRIC, STORAGE, EACH	EA					1.600
					AFTER:			1.780
	045-01	BEVERAGES, ALCOHOLIC, VIZ. M.T. KEGS	KEG					.960
					AFTER:			1.070
	045-02	BEER, 24 PER CASE,	CAS					1.120
					AFTER:			1.250
	045-03	BEER IN KEGS EACH	KEG					2.010
					AFTER:			2.240
	045-04	LIQUORS, SPLITS PER CASE	CAS					2.170
					AFTER:			2.420
	045-05	WINE, PER CASE	CAS					1.600
					AFTER:			1.780
	045-06	BEER 48 BOTTLES PER CASE, EACH	CAS					1.600
					AFTER:			1.780
	050-01	BEVERAGES, SODA, JUICE, WATER	CAS					.880
					AFTER:			.980
	050-02	BEVERAGES, NON-ALCOHOLIC: SODA , PRE-MIXED CANS, EACH	CAS					1.120
					AFTER:			1.250
	050-03	BEVERAGES, NON-ALCOHOLIC: CO2 + O2 TANKS AND CYLINDERS	CYL					2.010
					AFTER:			2.240
	055-01	BICYCLES, NOIBN, IN BOXES OR CRATES, EACH	EA					3.300
					AFTER:			3.680

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CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
008	065-04	COBBLESTONE	EA			.400	.400	.400
					AFTER:	.450	.450	.450
	065-05	COBBLESTONE, LESS THAN 10 INCH	EA			.200	.200	.200
					AFTER:	.220	.220	.220
	65-03	BLOCK, PATIO	EA			.480	.480	.480
					AFTER:	.540	.540	.540
	70-00	BUOY, CARTON, LOOSE, SMALL 2'X2' BOX	EA					1.930
					AFTER:			2.150
	70-01	BUOY, CARTON, LOOSE, LARGE OVER 2'X2' BOX	EA					3.190
					AFTER:			3.560
	70-02	BUOY, LOBSTER	EA			.320	.320	.320
					AFTER:	.360	.360	.360
	70-04	BOBCAT TRACTOR	EA			26.030	26.030	26.030
					AFTER:	29.020	29.020	29.020
	70-05	BOBCAT TRACTOR WITH BACK ATTACHMENTS	EA			34.390	34.390	34.390
					AFTER:	38.340	38.340	38.340
	060-01	BLINDS, WINDOW OR SHUTTERS	EA					.720
					AFTER:			.800
	065-01	BLOCKS, CHIMNEY 9 X 13	EA					.410
					AFTER:			.460
	065-02	BLOCKS, BUILDING, CEMENT OR CINDER EACH	EA					.480
					AFTER:			.540
	070-00	KAYAK, CANOE, WALK ON	EA					10.000
					AFTER:			11.150
	070-01	BOATS, PER LINEAR FOOT	FT					1.290
					AFTER:			1.440
	075-01	BOAT TRAILERS, EACH	EA					16.520
					AFTER:			18.420
	080-01	BOILER/FURNACE	EA					21.910
					AFTER:			24.430
	085-01	BOOKS, BY THE CARTON	CTN					2.170
					AFTER:			2.420
	085-02	BOOTS OR SHOES, IN CARTONS, EACH	CTN					2.170
					AFTER:			2.420
	090-01	BOOTHS, TELEPHONE, STEEL WOODEN, SU LOOSE OR IN BOXES, CRATES EA	EA					10.910
					AFTER:			12.160

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
	090-02	BRASS FITTINGS, CARTONS	CTN					3.300
					AFTER:			3.680
	095-01	BREAD, BAKERY PRODUCTS, IN CARTONS EACH (1.56 MIN)	CTN					.880
					AFTER:			.980
	095-02	BREAD RACKS OR CARRIERS (R.T. EACH)	EA					8.030
					AFTER:			8.950
	100-01	BRIDGING BOX METAL	EA					.240
					AFTER:			.270
	100-02	BROOM, ROAD, ATTACHMENT	EA					22.950
					AFTER:			25.590
	105-01	BOTTLES,CARBOYS,DEMIJOHNS,JAR, NOIBN,GLASS OTHER CUT,EMPTY RT	EA					.790
					AFTER:			.880
	110-01	BOXALUM DRIP EDGE	EA					3.300
					AFTER:			3.680
	115-01	BOXES, FISH, EMPTY, EACH	EA					.240
					AFTER:			.270
	120-01	BRICKS, BUILDING, COMMON, LESS THAN M, EACH	EA					.080
					AFTER:			.090
	120-02	BRICKS, BUILDING, COMMON OVER 1,000 BRICKS	M		1,000.00000			54.550
					AFTER:			60.820
	125-01	BRIDGING METAL, BOX	EA			1.290	1.600	1.290
					AFTER:	1.440	1.760	1.440
	125-02	BRICKS, FACE, EACH	EA					.090
					AFTER:			.100
	125-03	BRICKS, FIRE, EACH	EA					.120
					AFTER:			.130

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CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
003	130-02	WEED WHACKER, ELECTRIC	EA			3.190	3.190	3.190
					AFTER:	3.560	3.560	3.560
	170-00	COMPUTER EQUIPMENT;MONITOR,CPU	EA					6.570
					AFTER:			7.330
	170-01	CASH REGISTERS,BOOKKEEPING,FAX COPY,TYPING OR STENOGRAPH MACH	EA			6.570	8.750	6.570
					AFTER:	7.330	9.760	7.330
	170-02	COMPUTER PRINTER, SCANNER	EA			4.880	4.880	4.880
					AFTER:	5.440	5.440	5.440
	175-09	CABINET, FILLER	EA			1.290	1.290	1.290
					AFTER:	1.440	1.440	1.440
	175-10	CABINET, PANEL	EA			2.880	2.880	2.880
					AFTER:	3.210	3.210	3.210
	175-11	CABINET, FILING RULE # 40 APPLIES	EA			5.460	5.460	5.460
					AFTER:	6.090	6.090	6.090
	175-12	CABINET, QUAD RULE #40 APPLIES	EA			16.040	16.040	16.040
					AFTER:	17.880	17.880	17.880
	175-13	CABINET, FILING, SMALL 2 DRWR RULE #40 APPLIES	EA			2.570	2.570	2.570
					AFTER:	2.870	2.870	2.870
	180-05	CASKET, GRAVE, LINER	SET			17.030	17.030	17.030
					AFTER:	18.990	18.990	18.990
	180-06	PRECAST STAIRWAY	EA					34.570
					AFTER:			38.550
	180-07	CART, SHOPPING	EA			3.190	3.190	3.190
					AFTER:	3.560	3.560	3.560
	185-04	EXPANSION JOINT	EA			.130	.130	.130
					AFTER:	.140	.140	.140
	240-00	COUNTER TOP	FT			.830	.830	.830
					AFTER:	.930	.930	.930
	240-01	COPPER SHOWER PANS	EA.			2.400	3.040	2.400
					AFTER:	2.680	3.390	2.680
	130-01	BRUSH/ WEED CUTTER,GAS POWERED	EA			5.460	6.830	5.460
					AFTER:	6.090	7.620	6.090
	135-01	BULKHEAD STEEL	EA			7.790	9.600	7.790
					AFTER:	8.690	10.700	8.690
	140-01	BURLAP, ROLL OR BALE	EA			6.570	8.150	6.570
					AFTER:	7.330	9.100	7.330

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
	145-01	BUOY FLOAT, MAST HEAD	EA			1.120	1.370	1.120
					AFTER:	1.250	1.530	1.250
	150-01	BUFFER/POLISHER	EA			7.620	9.540	7.620
					AFTER:	8.500	10.640	8.500
	155-01	CALCIUM CHLORIDE PER BAG	EA			2.170	2.720	2.170
					AFTER:	2.420	3.030	2.420
	160-01	BUILDING-SHED, HOUSE, FABR STEEL PER CWT.	EA			3.610	4.570	3.610
					AFTER:	4.030	5.100	4.030
	165-01	CANDY OR CONFECTIONERY, IN BOXES OR CARTONS	EA			2.170	2.720	2.170
					AFTER:	2.420	3.030	2.420
	165-02	CANDY OR CONFECTIONERY MINIMUM CHARGE PER SHIPMENT	EA			2.720	3.300	2.720
					AFTER:	3.030	3.680	3.030
	175-01	CABINET, MEDICINE	EA			1.600	2.080	1.600
					AFTER:	1.780	2.320	1.780
	175-03	CAN, REFUSE AND PLASTIC, TIN, FUEL EMPTY	EA			1.600	2.080	1.600
					AFTER:	1.780	2.320	1.780
	175-04	CARTONS: GAMES, TOYS	EA			2.170	2.400	2.170
					AFTER:	2.420	2.680	2.420
	175-05	CABINET, SINGLE RULE 40 APPLIES	EA			3.300	4.090	3.300
					AFTER:	3.680	4.560	3.680
	175-06	CABINET, DOUBLE RULE 40 APPLIES	EA			5.460	6.830	5.460
					AFTER:	6.090	7.620	6.090
	175-07	CARPETS OR LINOLEUM/ROLL	EA			6.430	6.430	6.430
					AFTER:	7.170	7.170	7.170
	175-08	FOAM PADDING/ROLL	EA			2.010	2.010	2.010
					AFTER:	2.240	2.240	2.240
	180-02	CASKETS OR VAULT, BURIAL, CASKET, WOODEN, EACH	EA			10.910	14.200	10.910
					AFTER:	12.160	15.830	12.160
	180-03	CASKETS OR VAULTS, BURIAL, CASKET, STEEL, EACH	EA			15.310	18.620	15.310
					AFTER:	17.070	20.750	17.070
	180-04	CASKETS OR VAULT, BURIAL, VAULT, CEMENT, EACH	EA			26.240	32.820	26.240
					AFTER:	29.260	35.590	29.260
	185-01	CEMENT, MASONRY, NATURAL OR PORTLAND, IN BAGS EACH	EA			1.290	1.650	1.290
					AFTER:	1.440	2.060	1.440
	185-02	POWER CEMENT TROWEL	EA			5.450	6.830	5.450
					AFTER:	6.090	7.620	6.090

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
	185-03	SAKRETE, MORTAR OR ANY 25 LB BAG	BAG			.640	.640	.640
					AFTER:	.710	.710	.710
	190-01	CESSPOOLS, COMPLETE, EACH	EA			49.250	54.710	49.250
					AFTER:	54.910	61.000	54.910

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CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
010	180-03	STAIRWAY, FOLDING ATTIC	EA			4.490	4.490	4.490
					AFTER:	5.010	5.010	5.010
	180-10	STAIRWAY, PREFAB 8 FEET / LESS	EA			4.490	4.490	4.490
					AFTER:	5.010	5.010	5.010
	180-11	STAIRWAY, PREFAB GREATER THAN 8 FEET	EA					8.090
					AFTER:			9.020
	195-01	CHARCOAL, OTHER THAN ANIMAL OR WOOD, IN CLOTH BAGS	BAG			1.600	2.170	1.600
					AFTER:	1.780	2.420	1.780
	200-01	CAULKING COMPOUND, ACCESS PER BOX	BOX			1.290	1.600	1.290
					AFTER:	1.440	1.780	1.440
	205-01	CHEMICALS, NOIBN, IN CARBOYS, EACH	CRB			2.170	3.300	2.170
					AFTER:	2.420	3.680	2.420
	205-02	CHAIN, 500-799 LB BARREL	EA			13.680	13.680	13.680
					AFTER:	15.250	15.250	15.250
	205-03	CHAIN, 200-499 LB BARREL	EA			9.060	9.060	9.060
					AFTER:	10.100	10.100	10.100
	205-04	CHAIN, LESS THAN 200 LB	EA			4.490	4.490	4.490
					AFTER:	5.010	5.010	5.010
	210-01	CHIMNEY FLUE LINING, CLAY, 8"X8" LINEAR FOOT	EA.			.480	.560	.480
					AFTER:	.540	.620	.540
	210-02	CHIMNEY FLUE LINING, CLAY 8" X 12 "	EA.			.560	.640	.560
					AFTER:	.620	.710	.620
	215-01	CIGARETTE VENDING MACHINE	EA.			12.040	15.310	12.040
					AFTER:	13.420	17.070	13.420
	220-01	CLAY THIMBLE 8"X8"	EA.			.560	.720	.560
					AFTER:	.620	.800	.620
	235-01	CLOTH, DRY GOODS, FABRIC, BAGGING, GUNNY, IN BNDL OR CTN	CTN			1.120	1.600	1.120
					AFTER:	1.250	1.780	1.250
	245-01	COAL OR COKE IN CLOSED BAGS PER TON (2000 LBS)	TON			12.040	14.200	12.040
					AFTER:	13.420	15.830	13.420
	245-02	COAL OR COKE IN CLOSED BAGS, PER 50 LBS BAG	BAG					.410
					AFTER:			.450
	245-03	CORD WOOD: PER PALLET OR 1/2 CORD	CRD					8.030
					AFTER:			8.950
	245-04	CORD WOOD: PER CORD	CRD					16.030
					AFTER:			17.870

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN E	COLUMN C
	250-01	CROCKERY OR EARTHENWARE IN BOXES OR BARRELS	BXS			2.720	3.300	2.720
					AFTER:	3.030	3.680	3.030
	255-01	DOORS, WOODED, GLAZED, EACH	EA.			2.720	3.300	2.720
					AFTER:	3.030	3.680	3.030
	255-02	DOORS, SCREEN	EA.					2.720
					AFTER:			3.030
	255-03	DOOR, ALUMINUM	EA.			2.720	4.010	2.720
					AFTER:	3.030	4.470	3.030
	255-04	DOOR, GARAGE, DOUBLE OR OVERHEAD, EACH	EA.			6.570	8.750	6.570
					AFTER:	7.330	9.760	7.330
	255-05	DOOR FRAMES	EA.			2.170	2.720	2.170
					AFTER:	2.420	3.030	2.420
	255-06	DOOR, STEEL FIRE, EACH	EA.			10.430	13.640	10.430
					AFTER:	11.630	15.210	11.630
	255-07	DOOR, CELLER, EACH	EA.			10.910	13.640	10.910
					AFTER:	12.160	15.210	12.160
	255-08	DOORS, PRE-HUNG, EACH	EA.					4.410
					AFTER:			4.920
	255-09	DOOR, SLIDING GLASS	EA.					9.600
					AFTER:			10.700
	255-13	DOOR, DOUBLE PRE-HUNG	EA			8.810	8.810	8.810
					AFTER:	9.820	9.820	9.820
	255-14	DOOR, BIFOLD	EA			2.720	2.720	2.720
					AFTER:	3.030	3.030	3.030
	255-16	DOOR, WOOD, W/WINDOW	EA			3.190	3.190	3.190
					AFTER:	3.560	3.560	3.560
	255-17	DOOR, COMBO	EA			4.010	4.010	4.010
					AFTER:	4.470	4.470	4.470
	255-18	DOOR, SLIDING GLASS, DOUBLE	EA			19.260	19.260	19.260
					AFTER:	21.470	21.470	21.470
	255-19	GATE, LARGE 16' OR LESS	EA			4.950	4.950	4.950
					AFTER:	5.520	5.520	5.520
	255-20	GATE, LARGE 17' OR GREATER	EA			8.420	8.420	8.420
					AFTER:	9.390	9.390	9.390
	260-01	DRUGS OR MEDICINES, NOIBN IN CARTONS	CTN			2.720	3.300	2.730
					AFTER:	3.030	3.680	3.041

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UCM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
	260-02	DURA-WALL 500 LINEAL FEET 8"	EA.					6.200
					AFTER:			6.600
	260-03	DURA-WALL 500 LINEAL FEET 12"	EA.					6.010
					AFTER:			6.700
	270-00	WIRE, COIL	EA			1.600	1.600	1.600
					AFTER:	1.780	1.780	1.780
	300-08	DRESSER, CHEST	EA			5.460	5.450	5.450
					AFTER:	6.090	6.090	6.090
	602-00	DUMPSTER, 15YRD	EA					32.130
					AFTER:			35.830
	602-01	DUMPSTER, 10-14 YRDS	EA					25.730
					AFTER:			28.660
	602-02	DUMPSTER, 6-9 YRDS	EA					19.280
					AFTER:			21.500
	602-03	DUMPSTER, 3-5 YRDS	EA					16.040
					AFTER:			17.880
	602-04	DUMPSTER, LESS THAN 3 YRDS	EA			6.430	6.430	6.430
					AFTER:	7.170	7.170	7.170
	245-00	COOKIES	BOX					.550
					AFTER:			.620
	255-00	DOOR, SHOWER	EA					3.190
					AFTER:			3.560
	255-10	DOOR, STORM	EA					3.190
					AFTER:			3.560
	255-11	SCREEN, SLIDING	EA					2.440
					AFTER:			2.720

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CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
011	15-02	ENGINE BLOCK	EA			4.820	4.820	4.820
					AFTER:	5.370	5.370	5.370
	15-03	ENGINE, COMPLETE	EA			9.610	9.610	9.610
					AFTER:	10.720	10.720	10.720
	265-01	EGGS, NOIBN, IN CASES EACH	CS			2.720	3.300	2.720
					AFTER:	3.030	3.680	3.030
	265-03	ELECTRIC SUPPLIES PER CARTON	CTN					1.600
					AFTER:			1.780
	265-07	TRANSFORMER, 75 KVA	EA			64.230	64.230	64.230
					AFTER:	71.620	71.620	71.620
	265-08	TRANSFORMER, 112.5 KVA	EA					83.480
					AFTER:			93.080
	265-09	TRANSFORMER, 5 KVA	EA			6.430	6.430	6.430
					AFTER:	7.170	7.170	7.170
	265-10	TRANSFORMER, 37 KVA	EA			30.820	30.820	30.820
					AFTER:	34.360	34.360	34.360
	265-11	TRANSFORMER, 45 KVA	EA			44.960	44.960	44.960
					AFTER:	50.130	50.130	50.130
	265-12	UTILITY ENCLOSURES	EA			11.890	11.890	11.890
					AFTER:	13.260	13.260	13.260
	270- 0	WIRE, SPOOL	EA			1.600	1.600	1.600
					AFTER:	1.780	1.780	1.780
	270-01	FELT, BUILDING IN ROLLS PER ROLL	EA.			.720	.880	1.290
					AFTER:	.800	.980	1.440
	270-02	FENCE, PER ROLL: SNOW	EA.					4.410
					AFTER:			4.920
	270-03	FENCE, PER ROLL, CHICKEN WIRE	EA.					1.750
					AFTER:			1.950
	270-04	FENCE, PER ROLL, STEEL	EA.					6.010
					AFTER:			6.700
	270-05	FENCE, STOCKADE >3'X8'	SEC					3.850
					AFTER:			4.290
	270-09	FENCE, STOCKADE < OR = 3'X8'	SEC					2.450
					AFTER:			2.730
	270-13	FENCE, SHEET 5'X10' BY PALLET	PLT			28.660	28.660	28.660
					AFTER:	31.960	31.960	31.960

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
	270-11	FENCE, PER ROLL, SILT	EA			1.750	1.750	1.750
					AFTER:	1.950	1.950	1.950
	275-01	FERTILIZER COMPOUNDS, HOBIN, LIME, MANURE IN BAGS	EA.			1.750	2.170	1.750
					AFTER:	1.950	2.420	1.950
	275-02	MULCH, PEAT MOSS	EA			1.290	1.290	1.290
					AFTER:	1.440	1.440	1.440
	275-03	SOIL	EA			1.290	1.290	1.290
					AFTER:	1.440	1.440	1.440
	275-04	MULCH, PEAT MOSS PALLET SIZE BALE	PLT			17.820	17.820	17.820
					AFTER:	19.870	19.870	19.870
	280-00	FISH,LARGE, FRESH, BOXED	EA			5.140	5.140	5.140
					AFTER:	5.730	5.730	5.730
	280-01	FISH, FRESH OR FROZEN, IN BARRELS, EACH	EA.			3.300	4.330	3.300
					AFTER:	3.680	4.830	3.680
	280-02	FISH, FRESH OR FROZEN, BOXES	EA.			2.170	2.720	2.170
					AFTER:	2.420	3.030	2.420
	280-03	FISH, FRESH OR FROZEN, IN BAGS , EACH	EA.					1.600
					AFTER:			1.780
	280-04	LOBSTERS, IN BARRELS OR CRATES , EACH	EA.			4.330	6.570	4.330
					AFTER:	4.830	7.330	4.830
	280-045	LOBSTER, IN LARGE BBL OR CRATE	EA					10.260
					AFTER:			11.440
	280-11	FISH, X-TUB	TUB					14.430
					AFTER:			16.090
	280-12	X-TUB, EMPTY	EA			7.220	7.220	7.220
					AFTER:	8.050	8.050	8.050
	285-00	FLAG STONES, BLUESTONE, SLATE PALLET	PLT					25.700
					AFTER:			28.660
	285-01	FLAG STONES, BLUESTONE, SLATE	EA					1.750
					AFTER:			1.950
	285-02	FIRE EXTINGUISHERS	EA.					1.600
					AFTER:			1.780
	290-01	FLOWERS, ARTIFICIAL, CUT OR UNCUT: PER BOX OR CARTON	CTN					1.290
					AFTER:			1.440
	290-02	FLASHING: ALUMINUM OR LEAD 8" ROLL	ROL					1.100
					AFTER:			1.230

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
	290-03	FLASHING, ALUMINUM OR LEAD 12" ROLL	ROL					1.440
					AFTER:			1.610
	290-04	FLASHING, BOXED	BOX			1.290	1.290	1.290
					AFTER:	1.440	1.440	1.440
	290-05	FLASHING: COPPER	RL			2.250	2.250	2.250
					AFTER:	2.510	2.510	2.510
	290-06	ALUMINUM, SHEET, BY SQUARE FOOT	SQF					.190
					AFTER:			.210
	295-01	FRUITS OR VEGTABLES	LB		100.00000			1.935
					AFTER:			2.160
	300-06	TABLE, FOLDING RENTAL RULE #40 APPLIES	EA			2.570	2.570	2.570
					AFTER:	2.870	2.870	2.870
	300-07	DESK RULE #40 APPLIES	EA					6.430
					AFTER:			7.170
	300-09	TABLE, PICNIC	EA			6.430	6.430	6.430
					AFTER:	7.170	7.170	7.170
	300-1	CHAIR, FOLDING IN RACK	RAK			25.700	25.700	25.700
					AFTER:	28.660	28.660	28.660
	300-10	ENTERTAINMENT CENTER/ ARMOIRE	EA			6.430	6.430	6.430
					AFTER:	7.170	7.170	7.170
	300-12	CHAIR: PATIO, SLEEVE	SLV			7.430	7.430	7.430
					AFTER:	8.280	8.280	8.280
	305-02	GALLEY	EA.			21.910	27.340	21.910
					AFTER:	24.430	30.480	24.430
	305-03	DIST. BOXES	EA.					5.220
					AFTER:			5.820
	305-04	1,000 GAL SEPTIC TANK	EA.					76.990
					AFTER:			85.840
	305-05	SHALLOW GALLEY/FLOW DIFFUSOR	EA			11.890	11.890	11.890
					AFTER:	13.260	13.260	13.260
	305-06	BUTCHER BLOCK TABLE	EA			2.570	2.570	2.570
					AFTER:	2.870	2.870	2.870
	310-01	GLASS, BOX OF, CRATED, LOOSE	EA.			4.330	3.450	4.330
					AFTER:	4.830	3.850	4.830
	310-02	GLASSWARE, CARBOYS, EMPTY EACH	EA.			.480	.640	.480
					AFTER:	.540	.710	.540

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
	310-03	GLASSWARE, IN CARTONS, INCLUDE POTTERY, ETC.	EA.					2.170
					AFTER:			2.420
	315-00	PET FOOD	PKG			1.290	1.290	1.290
					AFTER:	1.440	1.440	1.440
	315-01	GRAIN, FEED, SEED, BAG (UNDER A TON)	EA.			1.120	1.290	1.120
					AFTER:	1.250	1.440	1.250
	315-02	GRAIN, FEED, SEED, BAG, OVER TON	EA					.720
					AFTER:			.800
	315-03	GRAVEL MIX, 90#	EA.			1.120	1.290	1.120
					AFTER:	1.250	1.440	1.250
	315-04	GRAIN, FEED, SEED, 1 TON BAG / OR 2 1/2 TON BAGS	EA					23.120
					AFTER:			25.780
	320-01	GREASE DRUM, 120#	EA.			2.010	2.480	2.010
					AFTER:	2.240	2.770	2.240
	320-02	GREASE, ENGINE OR MOTOR, IN BOXES, OR BARRELS	EA.			1.750	2.170	1.750
					AFTER:	1.950	2.420	1.950
	325-01	GROCERIES, BAG OF: EACH	EA.			.480	.560	.480
					AFTER:	.540	.620	.540
	325-02	GROCERIES, BY CWT	CWT		100.00000	1.930	2.400	1.930
					AFTER:	2.150	2.680	2.150
	325-03	GROCERIES, BY CARTON	CTN					.960
					AFTER:			1.070
	325-04	GROC. SUPPLIES ARE DESCRIBED IN COMMODITY LIST #1 P.18 & 19				1.750	1.930	1.750
					AFTER:	1.950	2.150	1.950
	325-05	GROCERY SUPPLIES MINIMUM CHARGE PER SHIPMENT	CTN					.950
					AFTER:			1.070
	325-06	GROCERIES, MINIMUM CHARGE PER SHIPMENT	LBS	10.00000				1.370
					AFTER:			1.530
	330-02	GUTTERS OR EAVE TROUGHS, PER LINEAR FOOT	LF			.120	.140	.120
					AFTER:	.130	.160	.130
	330-03	GYPSOLITE, BY BAG	BAG			1.120	1.370	1.120
					AFTER:	1.250	1.530	1.250
	335-04	TRANSFORMER, 10 KVA	EA					9.610
					AFTER:			10.720
	335-05	TRANSFORMER, 15 KVA	EA					12.980
					AFTER:			14.330

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
	265-06	TRANSFORMER, 25 KVA	EA					19.280
					AFTER:			21.500
	270-05	FENCE, POST AND/OR RAIL	EA					.640
					AFTER:			.710
	270-06	FENCE, HOLDER, POST	EA					.320
					AFTER:			.360
	290-00	FORMICA	RL					5.590
					AFTER:			6.230
	295-00	PRODUCE	LB		100.00000			1.935
					AFTER:			2.160
	300-00	CHAIRS; PATIO, FOLDING RULE 40 APPLIES	EA					1.290
					AFTER:			1.440
	300-01	CHAIRS; LOUNGE, CTN OR LOOSE RULE 40 APPLIES	EA					2.570
					AFTER:			2.870
	300-02	SOFA; COUCH, SLEEPER RULE 40 APPLIES	EA					8.030
					AFTER:			8.950
	300-03	TABLE; DINNING ROOM RULE 40 APPLIES	EA					6.430
					AFTER:			7.170
	300-04	TABLE; END RULE 40 APPLIES	EA					2.570
					AFTER:			2.870
	300-05	TABLE; COFFEE RULE 40 APPLIES	EA					3.850
					AFTER:			4.290

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CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
012	310-04	FOTTERY BY PALLET	FLT			21.690	21.690	21.690
					AFTER:	24.180	24.180	24.180
	330-01	GROUND RODS, PER LINEAR FOOT	LF			.050	.080	.050
					AFTER:	.060	.090	.060
	335-01	HAMPERS, LAUNDRY EMPTY RETURN RULE 40 APPLIES	EA.					2.570
					AFTER:			2.870
	335-03	HAMPERS, LAUNDRY, OPEN COVERS RULE 40 APPLIES	EA.			4.330	5.460	4.330
					AFTER:	4.830	6.090	4.830
	335-04	HAMPER, DIRTY LAUNDRY RULE 40 APPLIES	EA					3.850
					AFTER:			4.290
	335-05	LAUNDRY, DIRTY RULE 40 APPLIES	EA					1.290
					AFTER:			1.440
	340-02	SPADES,SHOVELS, BROOMS, POST HOLE DIGGERS, RAKES, PER BNDL.	BDL					1.440
					AFTER:			1.610
	340-03	SPADES, SHOVELS, BROOMS, POST HOLE DIGGERS, ECT. EACH	EA.					1.290
					AFTER:			1.440
	340-04	HARROW	EA.			22.950	28.710	22.950
					AFTER:	25.590	32.010	25.590
	340-05	WHEEL BARROW	EA			4.490	4.490	4.490
					AFTER:	5.010	5.010	5.010
	345-01	HAY, IN BALES, PER TON	TON			16.440	21.910	16.440
					AFTER:	18.330	24.430	18.330
	345-02	HAY, BALES	EA			.880	.880	.880
					AFTER:	.980	.980	.980
	345-03	SHAVINGS	BAG			1.290	1.290	1.290
					AFTER:	1.440	1.440	1.440
	350-01	HEATERS, AIR, ELECTRIC, FANS, OR COMB. IN BOXES OR CTNS.	CTN			1.600	2.170	1.600
					AFTER:	1.780	2.420	1.780
	350-02	HEATER, LARGE, CRATED	EA			4.820	4.820	4.820
					AFTER:	5.370	5.370	5.370
	350-03	HEATER, KEROSINE	EA			3.190	3.190	3.190
					AFTER:	3.550	3.550	3.550
	355-01	HEATERS, GAS OR ELECTRIC, HOT WATER LESS THAN 40 CAP.	EA.			5.460	7.620	5.460
					AFTER:	6.090	8.500	6.090
	355-02	HEATERS, GAS OR ELECTRIC HOT WATER, 40-79 CAP	EA.			7.620	9.870	7.620
					AFTER:	8.500	11.010	8.500

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
	355-03	HEATERS, GAS OR ELECTRIC HOT WATER, 80 OR GREATER CAP	EA					12.500
					AFTER:			13.940
	360-01	HOUSES, PREFABRICATED: BUNGALOW OR RANCH PER SQ.FOOT	PSF			.560	.720	.560
					AFTER:	.620	.800	.620
	360-02	HOUSES, PREFABRICATED: TWO STORY, PER SQUARE FOOT	PSF			.880	1.120	.880
					AFTER:	.980	1.250	.980
	365-00	ICE, BAG BY PALLET	EA					25.700
					AFTER:			28.660
	365-01	ICE, ARTIFICIAL OR NATURAL, PER BLOCK	BLK			2.170	2.720	2.170
					AFTER:	2.420	3.030	2.420
	365-02	ICE, ARTIFICIAL OR NATURAL, PER BUSHEL BASKET OR BAG	EA.			1.290	1.600	1.290
					AFTER:	1.440	1.780	1.440
	370-01	ICE CREAM, PER CARTON	CTN			2.720	3.300	2.720
					AFTER:	3.030	3.680	3.030
	370-02	ICE CREAM JACKET, OVER TWO GALLONS CAPACITY (ALWAYS)	EA.					4.410
					AFTER:			4.920
	375-01	ICE CREAM JACKETS, EMPTY RETN PER ONE OR TWO GALLON JACKETS	EA.			.880	1.120	.880
					AFTER:	.980	1.250	.980
	375-02	ICE CREAM JACKETS EMPTY RETN OVER TWO GALLON CAPACITY	EA.			1.290	1.600	1.290
					AFTER:	1.440	1.780	1.440
	375-03	ICE CREAM, IN PALLET BOX, PER UNIT/PKG.	EA					1.290
					AFTER:			1.440
	380-01	IRON OR STEEL, BUILDING, PREFABRICATED NOIEN PER TON	TON			40.410	54.710	40.410
					AFTER:	45.060	61.000	45.060
	380-02	IRON OR STEEL, JUNK OR SCRAP PER TON	TON			40.410	54.710	40.410
					AFTER:	45.060	61.000	45.060
	380-03	INSULATION, PER ROLL	EA.			.880	1.120	.880
					AFTER:	.980	1.250	.980
	380-04	INSULATION, PER BATT	EA.					1.290
					AFTER:			1.440
	380-05	INSULATION, SHEETS 1"	EA.					.790
					AFTER:			.880
	380-06	INSULATION, SHEETS 2"	EA.					1.120
					AFTER:			1.250
	380-07	INSULATION, SHEETS 3"	EA					1.440
					AFTER:			1.610

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
	330-08	INSULATION, 4" SHEETS	EA			1.930	1.930	1.930
					AFTER:	2.150	2.150	2.150
	330-09	INSULATION, SHEETS 5"	EA					2.240
					AFTER:			2.500
	330-12	STYROFOAM LOGS	EA			2.570	2.570	2.570
					AFTER:	2.870	2.870	2.870

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CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UCM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
013	280-09	LOBSTER TRAP, FENCE, ROLLS OVER 20"	EA			3.850	3.850	3.850
					AFTER:	4.290	4.290	4.290
	280-10	LOBSTER LINE, COIL	EA			1.290	1.290	1.290
					AFTER:	1.440	1.440	1.440
	300-11	HEADBOARD/FOOTBOARD	EA			2.570	2.570	2.570
					AFTER:	2.870	2.870	2.870
	385-00	COLUMN, WOOD	EA			3.530	3.530	3.530
					AFTER:	3.940	3.940	3.940
	385-02	LOLLY COLUMNS	EA					2.170
					AFTER:			2.420
	390-00	SINK, TRIPLE	EA			8.810	8.810	8.810
					AFTER:	9.820	9.820	9.820
	390-07	LAWN MOWER, WALK BEHIND	EA			9.600	9.600	9.600
					AFTER:	10.700	10.700	10.700
	390-08	LAWNMOWERS, FLAIL, TOW MOWER	EA			5.460	5.460	5.460
					AFTER:	6.090	6.090	6.090
	390-09	LAWN MOWERS - LARGE RIDING	EA					26.030
					AFTER:			29.020
	395-00	LIVESTOCK, VIZ: BEES IN CRATES	CRT					2.810
					AFTER:			3.130
	395-01	LIVESTOCK, DOGS, CATS IN PORTABLE KENNELS	EA					3.300
					AFTER:			3.680
	395-02	LIVESTOCK, HENS, DUCKS, OR TURKEYS IN CRATES	CRT					4.330
					AFTER:			4.830
	400-05	TRUSS	EA			9.610	9.610	9.610
					AFTER:	10.720	10.720	10.720
	400-06	FLOORING, BOXED, BUNDLED	EA			1.600	1.600	1.600
					AFTER:	1.780	1.780	1.780
	405-01	AIR CONDITIONER	EA			5.460	5.460	5.460
					AFTER:	6.090	6.090	6.090
	405-05	POWER WASHER	EA			5.460	5.460	5.460
					AFTER:	6.090	6.090	6.090
	405-07	GALLON JUG	EA			1.290	1.290	1.290
					AFTER:	1.440	1.440	1.440
	405-09	ROTOTILLER, ELECTRIC	EA					4.880
					AFTER:			5.440

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
	405-09	ROTOTILLER, GAS POWERED	EA					5.460
					AFTER:			6.090
	405-10	ROTOTILLER, RIDING	EA					9.600
					AFTER:			10.700
	405-11	VACUUM	EA			4.880	4.880	4.880
					AFTER:	5.440	5.440	5.440
	525-17	MACHINE, WELDER	EA					6.570
					AFTER:			7.330
	595-05	DISPOSAL	EA			4.490	4.490	4.490
					AFTER:	5.010	5.010	5.010
	595-06	COMPACTOR	EA			5.460	5.460	5.460
					AFTER:	6.090	6.090	6.090
	595-07	COOK TOP	EA			4.490	4.490	4.490
					AFTER:	5.010	5.010	5.010
	280-05	LOBSTER TRAP	EA			1.930	1.930	1.930
					AFTER:	2.150	2.150	2.150
	280-06	LOBSTER TRAP, FENCE, ROLLS UP TO 20"	RL					1.930
					AFTER:			2.150
	280-07	LOBSTER TRAP, MESH APPROX 3X4 BY PALLET	PLT					25.700
					AFTER:			28.660
	280-08	LOBSTER TRAP, MESH APPROX 3X4	EA					1.290
					AFTER:			1.440
	385-01	LADDERS, ALUMINUM, STEEL,WOOD, PER LINEAR FOOT	FT					.320
					AFTER:			.360
	385-03	LATTICE	SH					2.060
					AFTER:			2.300
	385-04	LAUNDRY, SMALL PKG RULE 40 APPLIES	BND					1.230
					AFTER:			1.370
	385-05	LAUNDRY, LARGE BAG RULE 40 APPLIES	EA					1.600
					AFTER:			1.780
	390-01	SINK	EA					4.410
					AFTER:			4.920
	390-03	TOILET, TANK/BOWL	EA					4.410
					AFTER:			4.920
	390-05	TOILET, 1 PIECE	EA					8.810
					AFTER:			9.820

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
	400-01	LUMBER-FINISH (OVER 1000 BOARD FEET)	BFT		1,000.00000			54.710
					AFTER:			61.000
	400-02	LUMBER-FINISH-LESS-1000-	BFT					.090
					AFTER:			.100
	400-03	LUMBER-UNFINISH OVER-1000	BFT		1,000.00000			40.100
					AFTER:			44.710
	400-04	LUMBER-UNFINISH-LESS-1000	BFT					.050
					AFTER:			.060
	405-00	MACHINES - CANDY, CIG, VENDING	EA					12.040
					AFTER:			13.420
	405-02	MACHINES POWER TOOLS	EA					5.460
					AFTER:			6.090
	405-03	MACHINES VIDEO GAMES, JUKE BOX PINBALL	EA					18.620
					AFTER:			20.760
	405-04	MACHINES COMPRESSOR	EA					6.570
					AFTER:			7.330
	405-05	MACHINES COFFEE	EA					4.370
					AFTER:			4.870
	410-00	GRAVE STONES	WT		100.00000			2.720
					AFTER:			3.030
	415-00	MATTRESSES SINGLE BED	EA					2.170
					AFTER:			2.420
	415-01	MATTRESSES DOUBLE BED	EA					3.300
					AFTER:			3.680
	415-02	FRAMES/FOLDING CARTS/BEDS	EA					2.720
					AFTER:			3.030
	420-00	MILK-PER-CASE	CS					1.230
					AFTER:			1.440
	420-01	MILK-DISPENSERS	EA					1.600
					AFTER:			1.750
	380-02	LAWN MOWERS - PUSH	EA					4.800
					AFTER:			5.370
	380-04	LAWN MOWERS - RIDING	EA					9.600
					AFTER:			10.700

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CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
014	270-07	FENCE, HOLDER, POST BUNDLE	EA		AFTER:	1.290 1.440	1.290 1.440	1.290 1.440
	430-02	MOTORCYCLE	EA		AFTER:			19.290 21.500
	435-03	LAWN TRACTOR MOWER DECK	EA		AFTER:		14.000 15.610	6.850 7.640
	440-04	NEWSPAPER, PALLET	EA		AFTER:	9.610 10.720	9.610 10.720	9.610 10.720
	450-01	MEATS	LB		100.00000 AFTER:			2.010 2.240
	450-02	DRY FOOD GOODS CTN OR BAG	EA		AFTER:	1.290 1.440	1.290 1.440	1.290 1.440
	455-02	PAINTS/PER-CTN	CS		AFTER:			1.290 1.440
	500-27	PIPE, EMT 2"	FT		AFTER:	.150 .170	.150 .170	.150 .170
	500-28	PIPE, EMT 1 1/2"	FT		AFTER:	.120 .130	.120 .130	.120 .130
	500-29	PIPE, COPPER 3"	FT		AFTER:			.260 .290
	500-33	SONO TUBE, 36"	FT		AFTER:	.350 .390	.350 .390	.350 .390
	500-34	PIPE, BLACK IRON 1/2"	FT		AFTER:	.040 .040	.040 .040	.040 .040
	500-35	PIPE; BLK IRON, 1 1/4"	FT		AFTER:			.060 .070
	500-36	PIPE: BLACK IRON 8"	FT		AFTER:	.390 .430	.390 .430	.390 .430
	500-37	SONO TUBE, 6"	FT		AFTER:	.060 .070	.060 .070	.060 .070
	500-38	PIPE: BLACK IRON 6"	FT		AFTER:	.320 .360	.320 .360	.320 .360
	500-39	SONO TUBE 24"	FT		AFTER:	.240 .270	.240 .270	.240 .270
	500-40	PIPE: BLK IRON, 1 1/2	EA		AFTER:	.070 .080	.070 .080	.070 .080

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR		COLUMN A	COLUMN B	COLUMN C
	500-41	PIPE, PVC 1/2"	FT						.020
						AFTER:			.020
	500-43	PIPE, CORREGATED, 12" DIAMETER	FT						.640
						AFTER:			.710
	500-44	PIPE, CORREGATED, 18" DIAMETER	FT						.880
						AFTER:			.980
	500-45	SONO TUBE 18"	FT				.190	.190	.190
						AFTER:	.210	.210	.210
	500-46	PIPE, EMT, 1 1/4"	FT				.090	.090	.090
						AFTER:	.100	.100	.100
	500-47	SONO TUBE, 16"	FT				.170	.170	.170
						AFTER:	.190	.190	.190
	500-48	PIPE; BLK IRN, 12"	LFT				.580	.580	.580
						AFTER:	.650	.650	.650
	500-49	PIPE, CORREGATED, 24" DIAMETER	FT				1.120	1.120	1.120
						AFTER:	1.250	1.250	1.250
	500-50	PIPE, BLACK IRON, 2 1/2	FT				.130	.130	.130
						AFTER:	.140	.140	.140
	500-51	PIPE, PVC, 18"	FT				.350	.350	.350
						AFTER:	.390	.390	.390
	500-52	SONO TUBE BASE, FOOTING	EA				.500	.500	.500
						AFTER:	.560	.560	.560
	500-53	PIPE; BLACK IRON 4"	EA						.210
						AFTER:			.230
	500-54	PIPE; BLACK IRON 3"	FT				.130	.130	.130
						AFTER:	.140	.140	.140
	500-55	PIPE, EMT, 4"	FT				.290	.290	.290
						AFTER:	.320	.320	.320
	500-56	PIPE, CORREGATED, 10" DIAMETER	FT				.590	.590	.590
						AFTER:	.660	.650	.660
	500-57	PIPE, EMT, 3"	FT				.240	.240	.240
						AFTER:	.270	.270	.270
	505-07	SHEETROCK 4X8X1/4-1/2	EA						1.640
						AFTER:			1.830
	505-13	PANEL: GLASSTEEL, PLASTIC WALL PANEL, CRINKLE CUT	EA				.910	.910	.910
						AFTER:	1.010	1.010	1.010

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
	505-14	PEG BOARD 4X8X1/4	EA					1.640
					AFTER:			1.830
	510-01	FILON	EA			2.470	2.470	2.470
					AFTER:	2.750	2.750	2.750
	425-00	MIRRORS	EA					4.330
					AFTER:			4.830
	430-00	MOPEDS	EA					7.650
					AFTER:			8.530
	430-01	MOLDING-PER-100-LF	LF		100.00000			1.290
					AFTER:			1.440
	435-02	TRACTOR MOWER DECK	EA					12.850
					AFTER:			14.330
	440-01	NAILS-IN-CTN	EX					1.290
					AFTER:			1.440
	440-02	NEWSPAPERS, MAGAZINES BY BNDL	BDL					.560
					AFTER:			.620
	440-03	NEWSPAPER, MAGAZINES BY CARTON	CTN					2.170
					AFTER:			2.420
	445-01	OIL-PER-CASE	EA					1.290
					AFTER:			1.440
	445-02	OUTBOARD-MOTOR	EA					5.220
					AFTER:			5.820
	455-01	5-GALLON-PAILS	EA			1.290	1.290	1.290
					AFTER:	1.440	1.440	1.440
	500-00	PIPE, EMT, 1/2"	FT					.040
					AFTER:			.040
	500-01	PIPE, EMT, 3/4"	FT					.080
					AFTER:			.080
	500-02	PIPE/HOSE PLASTIC	FT					.080
					AFTER:			.090
	500-03	PIPE, STEEL, GALV.	FT					.130
					AFTER:			.140
	500-04	PIPE, EMT, 1"	FT					.080
					AFTER:			.090
	500-05	PIPE, BLACK IRON, 1"	FT					.080
					AFTER:			.070

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
	500-07	PIPE, BLACK IRON, 3/4"	FT					.040
					AFTER:			.040
	500-09	PIPE, BLACK IRON, 2"	FT					.100
					AFTER:			.110
	500-10	PIPE, PVC, 1"	FT					.030
					AFTER:			.030
	500-11	PIPE, PVC, 1 1/2"	FT					.030
					AFTER:			.030
	500-12	PIPE, PVC, 2"	FT					.040
					AFTER:			.040
	500-13	PIPE, PVC, 2 1/2"	FT					.050
					AFTER:			.060
	500-14	PIPE, PVC, 3"	FT					.050
					AFTER:			.060
	500-15	PIPE, PVC, 3 1/2"	FT					.070
					AFTER:			.080
	500-16	PIPE, PVC, 4"	FT					.080
					AFTER:			.090
	500-17	PIPE, PVC, 6"	FT					.120
					AFTER:			.130
	500-18	PIPE, PVC, 8"	FT					.150
					AFTER:			.170
	500-19	PIPE, PVC, 12"	FT					.240
					AFTER:			.270
	500-20	PIPE, COPPER, 1/2"	FT					.080
					AFTER:			.090
	500-21	PIPE, COPPER, 3/4"	FT					.090
					AFTER:			.100
	500-22	PIPE, COPPER, 1"	FT					.120
					AFTER:			.130
	500-23	PIPE, COPPER, 1 1/4"	FT					.130
					AFTER:			.140
	500-24	PIPE, COPPER, 1 1/2"	FT					.140
					AFTER:			.160
	500-25	PIPE, COPPER, 1 3/4"	FT					.150
					AFTER:			.170

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
	500-26	PIPE, COPPER, 2"	FT					.190
					AFTER:			.210
	500-30	SONO TUBE, 8"	FT					.080
					AFTER:			.090
	500-31	SONO TUBE, 10"	FT					.100
					AFTER:			.110
	500-32	SONO TUBE, 12"	FT					.120
					AFTER:			.130
	505-00	PLYWOOD 4X8X1/4-1/2	EA					1.640
					AFTER:			1.830
	505-01	PLYWOOD 4X8X3/4-5/8	EA					2.470
					AFTER:			2.750
	505-02	PLYWOOD 4X12X1/2	EA					2.470
					AFTER:			2.750
	505-03	PLYWOOD 4X12X3/4,5/8	EA					3.700
					AFTER:			4.130
	505-04	PLYWOOD (AC) 4X8X1/4-3/8	EA					2.470
					AFTER:			2.750
	505-05	PLYWOOD (AC) 4X8X1/2	EA					2.880
					AFTER:			3.210
	505-06	PLYWOOD (AC) 4X8X5/8-3/4	EA					3.700
					AFTER:			4.130
	505-08	SHEETROCK 4X8X5/8-3/4	EA					2.470
					AFTER:			2.750
	505-09	SHEETROCK 4X12X1/4-1/2	EA					2.470
					AFTER:			2.750
	505-10	SHEETROCK 4X12X5/8-3/4	EA					3.700
					AFTER:			4.130
	510-00	POLES, TELEPHONE, FLAG	LF					.480
					AFTER:			.540
	500-42	PIPE, PVC 3/4"	FT			.020	.020	.020
					AFTER:	.020	.020	.020

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CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
015	305-06	CEMENT STORM DRAINS	EA			9.500	9.500	9.500
					AFTER:	10.590	10.590	10.590
	525-00	REFRIGERATORS-LESS THAN 8 CU FEET	EA					7.710
					AFTER:			8.600
	525-01	REFRIGERATORS-8\CUBIC-FT-LESS THAN 15 CU	EA					9.870
					AFTER:			11.010
	525-02	REFRIGERATORS-15/19-CUBIC-FT	EA					21.910
					AFTER:			24.430
	525-03	REFRIGERATORS-20\CUBIC-FT	EA					32.820
					AFTER:			36.590
	525-04	REFRIGERATORS, WALK-IN	EA					44.960
					AFTER:			50.130
	525-07	ICE MACHINE WITHOUT BIN	EA			12.850	12.850	12.850
					AFTER:	14.330	14.330	14.330
	525-08	ICE MACHINE WITH BIN	EA					21.910
					AFTER:			24.430
	525-09	ICE MACHINE BIN	EA					10.260
					AFTER:			11.440
	525-10	MACHINE, SODA	EA			21.910	21.910	21.910
					AFTER:	24.430	24.430	24.430
	525-11	MACHINE, GENERATOR <10 KW	EA			5.460	5.460	5.460
					AFTER:	6.090	6.090	6.090
	525-12	ICE MAKER	EA			3.190	3.190	3.190
					AFTER:	3.560	3.560	3.560
	525-13	MACHINE, EXERCISE	EA			5.460	5.460	5.460
					AFTER:	6.090	6.090	6.090
	525-14	DEHUMIDIFIER	EA					4.880
					AFTER:			5.440
	525-15	MACHINE, GENERATOR 10-20 KW	EA					15.420
					AFTER:			17.190
	525-16	MACHINE, GENERATOR >20 KW	EA					38.530
					AFTER:			42.960
	530-00	SAFE, VAULT LESS THAN 3X3X3	EA					6.570
					AFTER:			7.330
	535-03	SAND,BLASTING	EAG			1.290	1.290	1.290
					AFTER:	1.440	1.440	1.440

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
	535-04	SAND, BULK PALLET, NOT IN BAGS	PLT					25.800
					AFTER:			28.770
	545-03	STEEL I BEAM	FT			.960	.960	.960
					AFTER:	1.070	1.070	1.070
	545-04	STEEL, SHEET, BY SQUARE FOOT	SQF					.320
					AFTER:			.360
	550-02	STOVE, WOOD, FIREPLACE	EA			8.030	8.030	8.030
					AFTER:	8.950	8.950	8.950
	550-03	STEREO EQUIP	EA			4.490	4.490	4.490
					AFTER:	5.010	5.010	5.010
	550-04	GRILL, GAS, OUTDOOR	EA			4.880	4.880	4.880
					AFTER:	5.440	5.440	5.440
	555-02	TANK, PROPANE EMPTY	EA			1.040	1.040	1.040
					AFTER:	1.160	1.160	1.160
	555-03	WATER SOFTENER/ FILTER	EA					2.170
					AFTER:			2.420
	560-02	1000 GAL OIL TANK	EA			28.860	28.860	28.860
					AFTER:	32.180	32.180	32.180
	560-03	TANKS; OIL OR SEPTIC 330GL	EA			10.430	10.430	10.430
					AFTER:	11.630	11.630	11.630
	560-04	CURBING, CEMENT	EA					5.220
					AFTER:			5.820
	560-05	ELJEN DRNS/ SEPTIC INFILTRATOR	EA			1.290	1.290	1.290
					AFTER:	1.440	1.440	1.440
	560-06	TANK; OIL, LESS THAN 275	EA			4.520	4.520	4.520
					AFTER:	5.040	5.040	5.040
	565-02	RANGE HOOD	EA			2.250	2.250	2.250
					AFTER:	2.510	2.510	2.510
	600-13	WELL MATE TANK	EA			7.620	7.620	7.620
					AFTER:	8.500	8.500	8.500
	600-19	PAPER GOODS	EA			1.290	1.290	1.290
					AFTER:	1.440	1.440	1.440
	615-00	POTATO-CHIPS	CTN					.580
					AFTER:			.650
	615-01	PORTA-JOHN	EA					12.020
					AFTER:			13.400

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
	520-00	PUMPS-IN-CTNS	EA					4.330
					AFTER:			4.830
	520-01	PUMP-JACKS-PER-BUNDLE	EA					1.600
					AFTER:			1.780
	520-02	REEL, CABLE,NEW ENGLAND TELEPH ONE, 5FT DIAM.	EA					19.280
					AFTER:			21.500
	520-03	REEL, CABLE, NEW ENGLAND TELEP HONE, > 5FT DIAM	EA					38.530
					AFTER:			42.960
	520-04	REEL, CABLE, EMPTY,NEW ENGLAND TELEPHONE	EA					10.920
					AFTER:			12.180
	525-05	SM-REEL-CABLE	EA					5.970
					AFTER:			6.660
	525-06	RE ROD	FT					.040
					AFTER:			.040
	530-00	ROOFING-PAPER-TAR	EA					1.290
					AFTER:			1.440
	530-01	RED-ROSIN-PAPER	EA					.720
					AFTER:			.800
	535-00	SALT-IN-BAGS	EA					1.290
					AFTER:			1.440
	540-00	SIGNS-NEON-OR-ELECTRIC	EA					10.910
					AFTER:			12.160
	545-00	SHINGLES-WOOD-ASPHALT	BDL					.880
					AFTER:			.980
	550-00	STOVES-GAS-PROPANE	EA					5.460
					AFTER:			6.090
	550-01	STOVES, RANGE; RESTUARANT FURNACE	EA					21.910
					AFTER:			24.430
	555-00	TANKS; PROPANE,GAS,OXY,ACET	EA					2.170
					AFTER:			2.420
	555-01	TURF	PLT					20.850
					AFTER:			23.250
	560-00	TANKS; OIL OR SEPTIC 275GL	EA					7.220
					AFTER:			8.050
	560-01	TANKS; 500 GAL OIL	EA					14.200
					AFTER:			15.830

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CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
015	400-07	THRESHOLD	EA			.640	.640	.640
					AFTER:	.710	.710	.710
	570-03	TELEVISION; LARGE SCREEN	EA					21.910
					AFTER:			24.430
	570-04	TENT, GARDEN	EA			4.490	4.490	4.490
					AFTER:	5.010	5.010	5.010
	575-04	TILE, WELL 24" OR LESS	EA			4.880	4.880	4.880
					AFTER:	5.440	5.440	5.440
	575-05	TILE; WELL COVER 24" OR LESS	EA					3.120
					AFTER:			3.480
	580-021	TIRE, LARGE, TRACTOR	EA			2.250	2.250	2.250
					AFTER:	2.510	2.510	2.510
	580-04	TREE, SHRUB, LIVE OVER 8'	EA					5.460
					AFTER:			6.090
	580-06	PLANT, TRAY	EA					1.290
					AFTER:			1.440
	580-07	TOTE, LOBSTER, EMPTY	EA					1.290
					AFTER:			1.440
	585-01	TABACCO, CANDY, SMOKING ACC	EA			2.170	2.170	2.170
					AFTER:	2.420	2.420	2.420
	590-01	VOTING MACHINE, SMALL, TABLE SIZE	EA					11.350
					AFTER:			12.660
	595-09	WASHER/DRYER COMBINATION	EA					10.920
					AFTER:			12.180
	595-10	DRYER, COMMERCIAL, LARGE	EA			10.920	10.920	10.920
					AFTER:	12.180	12.180	12.180
	600-04	WINDOW; QUAD	EA			26.280	26.280	26.280
					AFTER:	29.300	29.300	29.300
	600-17	TANK, EXTROL, WELL SIZE	EA					7.620
					AFTER:			8.500
	600-18	MIX	EA			1.290	1.290	1.290
					AFTER:	1.440	1.440	1.440
	600-19	WINDSURFER	EA			6.430	6.430	6.430
					AFTER:	7.170	7.170	7.170
	600-20	SURFBOARD	EA			3.990	3.990	3.990
					AFTER:	4.450	4.450	4.450

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
	565-00	TAR;NOIBN, IN BARRELS OR DRUMS	EA					6.570
					AFTER:			7.330
	570-00	TELEVISION SETS; IN CARTONS COLOR	EA					10.910
					AFTER:			12.160
	570-01	TELEVISION SETS; CONSLOE MODELS, BLACK AND WHITE	EA					5.460
					AFTER:			6.090
	570-02	TELEVISION SETS; TABLE MODELS BLACK AND WHITE	EA					4.410
					AFTER:			4.920
	575-00	TILE; WELL OVER 24"	EA					8.160
					AFTER:			9.100
	575-01	TILE; FLOOR, VINYL, ETC.	CTN					1.120
					AFTER:			1.250
	575-02	TILE; WELL COVERS GREATER THAN 24"	EA					4.810
					AFTER:			5.360
	575-03	TILE, CEILING, BOX	EA					1.290
					AFTER:			1.440
	580-00	TIRES; RUBBER, PASSENGER CAR	EA					1.290
					AFTER:			1.440
	580-01	TIRES; TRUCK	EA					1.750
					AFTER:			1.950
	580-02	TREES; SHRUBS UNDER 4'	EA			1.370		1.370
					AFTER:	1.530		1.530
	580-03	TREES; SHRUBS OVER 4'	EA			1.750		1.750
					AFTER:	1.950		1.950
	585-00	TABACCO; CHEWING,CIGARS, CIGAR ETTE,	CTN					2.170
					AFTER:			2.420
	590-00	VOTING / ATM MACHINE	EA					21.810
					AFTER:			24.320
	595-00	WASHING MACHINES	EA					5.460
					AFTER:			6.090
	595-01	RANGE	EA					5.460
					AFTER:			6.090
	595-02	DISHWASHER	EA					5.460
					AFTER:			6.090
	595-03	DRYER	EA					5.460
					AFTER:			6.090

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
	595-04	MICROWAVE	EA					5.460
					AFTER:			6.090
	600-00	WINDOWS; SINGLE, SASHES	EA					3.300
					AFTER:			3.680
	600-01	WINDOWS; DOUBLE MULLION	EA					4.330
					AFTER:			4.830
	600-02	WINDOWS; PICTURE, PLATE GLASS, THERMOFANE OR TRIPLES	EA					21.910
					AFTER:			24.430
	600-03	WINDOWS; IN BOXES OR CARTONS	EA					3.610
					AFTER:			4.030
	600-12	ENVELOPE, MISC	EA					1.290
					AFTER:			1.440
	600-13	TANK, EXTROL SMALL	EA					2.170
					AFTER:			2.420
	600-14	TANK, EXTROL LARGE	EA					4.330
					AFTER:			4.830
	601-11	JOINT COMPOUND	EA					1.290
					AFTER:			1.440

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CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
017	285-03	FIREARMS	EA			2.570	2.570	2.570
					AFTER:	2.870	2.870	2.870
	600-10	EMPTY DRUM, KERO, OIL 55 GAL	EA					2.250
					AFTER:			2.510
	601-07	PALLET, PERSONAL,LARGE	EA					19.300
					AFTER:			21.520
	601-12	PALLET MISC	EA					9.600
					AFTER:			10.700
	601-13	DURA-ROCK, WONDERBOARD 3X5	EA			1.930	1.930	1.930
					AFTER:	2.150	2.150	2.150
	601-14	RADIATOR, CAST IRON	EA			3.190	3.190	3.190
					AFTER:	3.560	3.560	3.550
	601-15	MONEY BOX WASHINGTON TRUST	EA					21.820
					AFTER:			24.330
	601-16	FEDERAL EXPRESS PKG	EA					2.060
					AFTER:			2.300
	601-17	DURA-ROCK, WONDERBOARD 4X8	EA					4.120
					AFTER:			4.590
	601-18	DURA-ROCK, WONDERBOARD 3X6	EA					2.320
					AFTER:			2.590
	601-19	LATH, DIAMOND, GALV, APPROX 27"X96"	EA			1.290	1.290	1.290
					AFTER:	1.440	1.440	1.440
	600-09	DRUM, 55 GAL, KERO, OIL	EA					6.570
					AFTER:			7.330
	601-00	UPS PKG	EA					4.920
					AFTER:			5.490
	601-01	PKG MISC	EA					1.290
					AFTER:			1.440
	601-02	BAG MISC	EA					1.290
					AFTER:			1.440
	601-03	JAMBS	BDL					1.290
					AFTER:			1.440
	601-04	BOX, FITTING	EA					1.290
					AFTER:			1.440
	601-05	TYPAR, TYVEK, ROLL	EA					1.290
					AFTER:			1.440

CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
	601-05	PALLET, PERSONAL	EA					7.100
					AFTER:			7.920
	601-05	BASE BOARD	EA					1.600
					AFTER:			1.780
	601-03	BASE BOARD; CAST IRON	EA					2.570
					AFTER:			2.870
	601-10	BUNDLE MISC	EA					1.290
					AFTER:			1.440
	601-9	CAN, MISC	EA					1.290
					AFTER:			1.440

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CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
090	165-00	CTN MISC	EA					1.290
					AFTER:			1.440

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CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
101	225-01	CLEANING FLUID, NOIBN, IN BARRELS OR DRUMS, EACH	EA			6.570	8.750	6.570
					AFTER:	7.330	9.760	7.330
	230-01	CLEANING FLUID BARRELS OR DRUM EMPTY, EACH	EA.			3.460	4.180	3.460
					AFTER:	3.860	4.660	3.860

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CLASS	ITEM NUMBER	DESCRIPTION OF COMMODITY	UOM	WEIGHT PER UNIT	CONVERSION FACTOR	COLUMN A	COLUMN B	COLUMN C
933	305-07	BLOCK, RETAINING / BARRICADE 3X3X5	EA			11.890	11.890	11.890
					AFTER:	13.260	13.260	13.260

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