

Ms. Karen Geraghty
Maine Public Utilities Commission
18 State House Station
Augusta, Me 04033-0018

Reference: Casco Bay Transit District Petition
Docket 2009-119

Dear Ms Geraghty:

We are writing in order to address some of the key issues raised in the response to the petition that initiated this investigation. That response was submitted on May 21, 2009 by the Casco Bay Island Transit District (CBITD).

Upon close reading, the CBITD response leaves no doubt the matters raised in the petition have merit and that sufficient grounds exist to warrant a formal public hearing as to those matters. Therefore, we request that the Public Utilities Commission open an investigation of the issues raised in the petition. Specifically, the Commission should investigate (a) the extent to which the revenues generated by CBITD's regularly scheduled routes subsidize the cost of CBITD's cruises, charters, and tours which are not part of scheduled routes: (b) the extent to which the rates charged for freight on the Down Bay/Inner Bay routes do not reflect the cost of carrying freight on those routes: (c) the reasons why the revenues generated by the ticket sales do not match either the ridership count or the numbers input to the CBITD data base: (d) whether the CBITD should be permitted to collect monies to establish a cash-balance reserve when it already has a line of credit with its bank: (e) whether the amount of the CBITD's overall revenue increase : whatever it is calculated to be (we can't tell): is excessive because it is more than necessary to cover the District's projected costs.

Page 1, Introduction. First, the Public Utilities Commission should be aware that both of the petitions filed at the Commission have been signed by 280 islanders or more. The petition dated April 2-10, 2009 was submitted to the CBITD Board of Directors – only - and was accompanied by over 300 signatures of islanders. It raised questions about the proposed budget and rate-hike, and was submitted in advance of the Board's vote.

The second petition dated April, 17, 2009 was directed to the Public Utilities Commission and was signed by 280 islanders including the 8 whose names appeared at the bottom of the second page. Those eight were the primary authors on the second petition. As a courtesy, the Board was made aware of its existence before it was sent to the PUC.

In short, there are large numbers of CBITD ratepayers who are asking the Commission to investigate the CBITD rate filing.

Notices & Meetings While CBITD adheres to the letter of the law in posting notices of meetings, those notices are not prominently displayed, either in the ferry terminal or on boat bulletin boards. Notices are often placed only on the bulletin board

beside the freight payment window - an area not usually frequented by most passengers. Additionally, agendas for those meetings are rarely included. Because there are numerous meetings, and because those meetings are scheduled during working hours, many islanders do not attend – unless people know the agenda items in advance. Therefore, the failure to provide the agenda in the notices for meetings tends to reduce to a bare minimum the number of ratepayers who attend meetings.

In other words, in the notices and elsewhere, public input is definitely not encouraged. Members of the public asking questions or seeking data are not treated in the professional manner that should be accorded to them. Senior captains, whose knowledge and experience is invaluable, are often dismissed. Even dissenting Board members are treated disrespectfully.

Page 3, II Rates; Using the term “ridership” is extremely misleading and inaccurate. “Passenger” tickets are priced according to category of passenger – e.g., Senior, Disabled, Adult, Child, etc., and by island destination. When the ferry is loading, “ridership” is counted by a crew member with a hand-held counter. On the other hand, revenue is generated by the sale of tickets. For the CBITD to simply count the number of people on a boat does not identify accurately the amount of revenue that is being generated by each person. The reduction of “ridership” alone does not equate to the significant amount of the loss of revenue. That loss is also attributable to the rise in expenses. It is necessary to note here that the effect of the rate increases that have occurred in the past has been to make the reduced number of passengers more profitable. According to management, in attachment C, page 7, “Year-to-Date passenger revenues are more than last year (\$1,442,932 v. \$1,345,115) but less than budgeted for the fiscal period by approximately \$25,000”. Those budgeted projections are based on “ridership,” rather than on a projection of the amounts of revenue that will be generated by each category of ticket.

Page 4, Revisions; In the financial reports at the end of September, management states that there was a shortfall of approximately \$175,000. That number is based on the budget comparison, rather than on actual revenue. Revenue was actually up \$70,897 from the previous year. Expenses, however, were \$105,433 above the previous years. By the end of September 2008 there was \$395,747 more in revenue than expenses which does not include the grants and subsidies.

It is important to note here that the Board voted to approve a hedge on diesel fuel which would have protected CBITD from escalating fuel prices, but – at the same time - allowed it to take advantage of any price decrease. The contract would have cost the District a maximum of \$24,000. Nevertheless, management unilaterally, and contrary to the Board’s direction, chose to lock into a contract for fuel at \$3.61 per gallon. That has cost \$142,393.68 from September to March. In short, if fuel usage remains static, management’s decision not to purchase the hedge contract on fuel will cost an additional \$187,517.67 from April to September. Ultimately, that decision will cost the Bay Lines more than \$300,000 before the fuel contract expires in September.

Page 5, Initial FY10 Budget. The Commission should require the District to provide a more detailed description of the “dockside” work that is performed by

specialists. While there are three (3) mechanics on duty, their expertise is often mis-used performing less-skilled tasks such as snow-shoveling, sweeping, etc. Those specialists no longer perform oil changes. Instead, that oil-change work is now contracted out and paid for by a grant. We suggest that the District should return to past practices under which the specialists performed oil changes. That way, the grant money can be used elsewhere to benefit the District and its operations.

Page 9, paragraph 1. In a January workshop, the CBITD Board discussed the idea of creating a cash balance reserve but did not vote to create it at that meeting. However, now it is that proposed cash-balance reserve that is the primary item that drives the District's proposed rate increases. Contrary to CBITD's assertion, it is unlikely that the reserve was the Auditor's recommendation. The decision to include the cash balance reserve was made prior to the budget and rate hike vote which took place on April 2, 2009. The Auditor's report was presented to the Board in May, a month later. Like many businesses, CBITD has a line of credit that it uses when necessary. Given the poor condition of the economy, this year is not the appropriate year to institute a cash reserve – particularly when the District could use its line of credit, as it has in the past. Even though suggested by a Board member, a reduced reserve amount was not even considered. The 2009 revised budget figure is actually \$15,222, not the \$55,529 stated in the deficits Table III.

Page 10, Service Change/Reduction Discussion. During the past year, the management has twice suggested substantial changes in the scheduled service to the islands. The Board voted against the service reductions both times. It is incumbent upon management to work within the parameters set by the Board whether they agree or not. Since the CBITD's managers are not island residents, they are unaware of the unique lifeline that the District's ferry service provides.

Page 15, Vehicle Rate Increases. The rate increases on automobiles (vehicles) amounts to 3.3% during peak season on the peak days; an increase of 4.42% during peak season on the lower days and 7.79% every day during the off-peak season. Peak season runs from the middle of April until Columbus Day. During Peak season, Monday, Tuesday and Wednesday rates are lower. Off peak is from Columbus Day until the middle of April and affects year round residents to the greatest extent. This amounts to a change in policy. In the past, the rates charged to summer residents and tourists helped defray the costs for year round residents. With the new policy, the year round residents will be paying a greater percent during the period when the scheduled service is more restricted.

Page 15, Freight Rate Increases. In the CBITD response, the statement that the cost of transporting freight is identical on both the Peaks and Down Bay/Inner Bay routes is questionable at best. The costs of carrying freight on the Down Bay/Inner Bay route are higher because those routes require 13,000 more miles of travel a year, and because all Down Bay/Inner Bay freight must be loaded into carts available in the freight shed, then moved by hand by crew members and arranged in a precise fashion so it is easily accessible when each island is reached. By itself, the additional fuel required for the

greater mileage on the Down Bay/ Inner Bay routes means that the cost to carry freight on those routes is greater. Therefore, the freight rates for those Down Bay/ Inner Bay routes should be set at a level sufficient to cover the additional cost.

Page 20, employee input. A Commission investigation will show that, contrary to the statements in the CBITD's response, CBITD's management does not respond positively to ideas submitted by employees. In an effort to reduce costs, senior captains-fully aware of operation parameters – had devised ways to “tweak” the schedule that would result in savings. However, their suggestions have been completely ignored by CBITD's management. Management is resistant and continues to present the “all or nothing” schedule cuts. Indeed, contrary to the text of the CBITD response, the relationship between management and the employees had deteriorated to the point that a facilitator must be present at all times.

Page 22, cruises, charters and tours. This issue is an issue of cost allocation. As indicated in the petition, one of the key matters that requires investigation is whether the costs of the CBITD cruises, charters, and tours that are not part of scheduled routes are being subsidized by the revenues generated by CBITD's scheduled runs. CBITD ratepayers should not be put in a position where they are subsidizing tourists. For over two years, members of the Board and islanders have both been seeking specific information on the expenses and the revenue generated by the non-scheduled cruises, charters and tours. Despite these repeated requests, that information has not been provided. To state simply – as the District does- that its non-scheduled cruises, tours and charters produce a net revenue of \$xx,xxx without delineating the associated costs is unacceptable.

Page 25, bookkeeping. Finally, we ask the Commission to investigate the extent of errors (i.e., the error rate) that exists in the District's calculations of its revenues. An islander who is a trained mathematician, tracked 6 months of the public monthly financial reports issued by CBITD and found a 78% error rate in the amounts of revenues generated by ticket sales. He noted the following errors, or unacceptable practices; (a) cumulative passenger numbers were incorrect, (b) revenues exceeded the quantity of tickets that would have generated that amount of money, (c) various categories of tickets were not counted; instead, a lump sum was simply added at the end of the month, (d) automobile ticket sales do not agree with actual revenue collected, (e) customers, primarily business owners, who normally charge their freight find that their payment checks are not submitted to the bank for four to six weeks, and (f) the amount of revenue produced by the ticket sales and the number of “riderships” do not agree.

In summary, together the islander's petition and CBITD's response leave no doubt that the matters raised in the petition have merit, and that sufficient grounds exist to warrant a formal public hearing as to those matters. We request that the Commission hold such a public hearing so that islanders can attend and observe.

Thank you for your consideration of the issues raised in our petition and in this rebuttal.

Respectfully submitted

Sidney and Jane Gerard

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