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PSC Defers Ferry Rate Decision After Operators Allege Conflict; Report Recommends 21% Rate-Base Cut

PSC deferred action on the St. Thomas-St. John ferry rate report after operators alleged hearing examiner Jed JonHope had a conflict of interest. His report recommends cutting the rate base 21%, from about $7.3 million to $5.7 million, overall, in total.

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The V.I. Public Services Commission on Tuesday deferred action on the final report from its investigation into St. Thomas-St. John ferry rates after the two franchised operators accused hearing examiner Jed JonHope of a conflict of interest and asked commissioners to discard his findings.

JonHope's report recommends reducing the ferry service rate base by approximately 21 percent, from about $7.3 million to $5.7 million. The report follows an investigation into the rates and operations of the territory's franchised ferry system.

"The rate base historically has been about $7.3 million, and I recommended a reduction to 5.7," Mr. JonHope said. "It is up to the commission now to determine how those savings are allocated."

The proposed rate base is shaped substantially by an earlier PSC directive to separate the heavily traveled Red Hook-Cruz Bay route from the less-used downtown Charlotte Amalie-Cruz Bay route.

JonHope said the new calculation would reflect verifiable operating costs associated with the Red Hook route while allowing the ferry companies the full 10 percent profit margin permitted by statute on those expenses.

Ferry Companies Seek to Have Report Discarded

Attorney Maria Hodge, representing Varlack Ventures and Transportation Services of St. John, argued that JonHope's final report should be rejected in its entirety because his conduct during the proceeding created an appearance of conflict that, in her view, compromised the investigation.

Hodge cited public comments in which JonHope said the ferry companies had "overcharged the people of this territory by approximately $7 million."

According to Ms. Hodge, it was "extraordinary and unprecedented for a judicial officer to publish an attack on a party appearing before him in the press and on social media."

"To make it worse, that was a false statement," Ms. Hodge continued.

Hodge also pointed to JonHope's pursuit of elected office while the rate investigation was underway, arguing that it created a "profound conflict of interest."

"He has invalidated his own work, caused this entire proceeding to be invalidated, cost my clients tens of thousands of dollars in fees already paid in…and caused the Public Services Commission to be put in a position…of embarrassment," Ms. Hodge declared.

Government-Owned Ferries Become Another Point of Dispute

Hodge also challenged JonHope's treatment of government-owned vessels when calculating the ferry companies' allowable return.

She argued that the hearing examiner improperly excluded those vessels from the asset base, departing from the methodology the PSC had accepted in an earlier rate case.

According to Hodge, removing government-owned assets from the calculation would effectively turn the operators into a "no-profit, cost-only operation."

JonHope strongly rejected the accusations of bias and argued that the objections were diverting attention from incomplete financial information submitted by the ferry companies.

He said more than half of the requested information from Varlack Ventures remains outstanding, while approximately 16 percent of the requested data from Transportation Services is still missing.

JonHope also pointed out that his recommendations expressly provide the maximum allowable 10 percent profit margin on expenses that can be verified.

He called it “disingenuous” to suggest that his proposal would force the ferry operators into a break-even arrangement.

PSC to Revisit Issue in September

PSC Chairman David Hughes emphasized that JonHope’s report consists of recommendations and does not itself determine the final rates.

The authority to decide what action to take rests with the commissioners.

Rather than act Tuesday, Hughes determined that the commission would consider the ferry operators’ written objections alongside JonHope’s final report at the PSC’s September meeting.

PSC staff findings and recommendations will also be considered at that time.

The delay leaves unresolved both the proposed 21 percent reduction in the ferry service rate base and the operators’ challenge to the process that produced it, with commissioners expected to consider the competing arguments before determining what changes, if any, should be made to the St. Thomas-St. John ferry rate structure.