

RECORD OF MEETING

BRITISH COLUMBIA FERRY COMMISSION (BCFC) BRITISH COLUMBIA FERRY SERVICES INC. (BCFS) QUARTERLY COMPLIANCE MEETING

DATE: October 3, 2012	TIME: 10:30 a.m. – 4:30 p.m.	SITE: 1321 Blanshard Street Victoria, BC
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ATTENDANCE: BCFC: Gord Macatee Sheldon Stoilén BCFS: Rob Clarke Cynthia Lukaitis Alana Gallagher Jim Murray David Hendry Joanne Carpendale Jason Eamer-Goult Others: Mike Tretheway Kate Markhvida	Commissioner Deputy Commissioner Executive Vice President & Chief Financial Officer (<i>recused for agenda item 11</i>) Vice President & Corporate Secretary Treasurer Comptroller Director, Strategic Planning Director, Corporate Planning Manager, Regulatory & Freedom of Information <i>(in attendance for agenda items 3, 4, 5, 6)</i> InterVISTAS Consulting Inc. InterVISTAS Consulting Inc.
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1. ADOPTION OF AGENDA

The agenda was approved as circulated.

2. RECORD OF MEETING

a. June 18, 2012 Quarterly Meeting

b. Action Items

The record of the June 18, 2012 quarterly meeting and action items were reviewed and approved, with some updates to the action items.

3. FISCAL YEAR 2013 – QUARTER ENDED JUNE 30, 2012 (“Q1”) COMPLIANCE REPORTS

a. Q1 Price Caps

Reports prepared by BCFS comparing the quarterly average fare index with the quarterly price cap index by route group for the eight quarters ended June 30, 2012 were reviewed and discussed. The reports indicate BCFS' compliance with all regulatory requirements in respect of the average fares charged in the quarter. Amendments to the format of the reports for performance term three (“PT3”) were discussed and agreed to. BCFS will re-submit the Q1 report to BCFC in the amended format as soon as is practicable.

b. Q1 Core Service Levels

Reports prepared by BCFS on its performance against core service levels as set out in the Coastal Ferry Services Contract ("CFSC") for the quarter ended June 30, 2012 were reviewed and discussed. The reports indicate BCFS' compliance with the core service level requirements in the quarter.

c. Q1 Drop Trailer

BCFS' calculation of its average drop trailer tariff for the quarter ended June 30, 2012 was reviewed and discussed. The calculation indicates that BCFS has complied with the Minimum Allowed Average Tariff for the quarter based on the methodology set out in Order 11-01A.

d. Q1 Complaints Resolution

BCFS' complaint resolution report for the quarter ended June 30, 2012, prepared in accordance with Memoranda 40 and 40A, was reviewed and discussed.

4. FUEL DEFERRAL ACCOUNTS

a. Balances at June 30, July 31 and August 31, 2012

BCFS confirmed that it is currently revising its reports on deferred fuel costs for the months of June, July and August, 2012 to reflect the new provisions for the PT3 accounts set out in BCFC Order 12-03 issued September 30, 2012, and will forward the reports to BCFC shortly.

5. PRICE CAP METHODOLOGY OVERVIEW

Dr. Tretheway provided an overview of various matters respecting price cap methodology. Discussion ensued.

6. PT3 PRICE CAP RESETTING ISSUES

a. Inclusion of Reservations

b. Integration of Route 3 into the Major Route Group

c. Re-basing to 100

Reports from InterVISTAS Consulting Inc. confirming its findings of the correctness of the methodology and specific computations used by BCFS to address various PT3 price cap resetting issues, including the incorporation of reservations, the integration of route 3 into the major route group and re-basing of the index were presented.

7. PT3 ORDERS – FOLLOW UP

a. Price Caps

BCFC Order 12-02 setting the final price caps for PT3 was reviewed. In this context, BCFS reported on its discussions with the Province regarding the government's plans and timelines for community consultation on service level adjustments referenced in Item 6 of the Order.

b. Fuel Deferral Accounts

i. Northern Routes Account

ii. Reporting

BCFC Order 12-03 establishing the fuel deferral accounts for PT3 was reviewed. The Commissioner confirmed that the conditions set out in Item 3(a) of Order 12-03 are not applicable to the fuel deferral account established for the northern routes (Prince Rupert – Port Hardy (route 10), Skidegate – Prince Rupert (route 11), and Discovery Coast (route 40)). The reporting requirements of BCFS set out in the Order respecting fuel consumption, fuel procurement and transition to alternate fuels were discussed.

c. Major Capital

BCFC Order 12-04 establishing the criteria to determine when a capital expenditure is deemed to be a major capital expenditure for regulatory purposes was reviewed.

The Commissioner confirmed that by virtue of project expenditures having commenced prior to the Order, the *Tachek* life extension and automated customer experience program do not require approval by the Commissioner. However, BCFS is to brief BCFC on these major capital projects as soon as is practicable.

BCFS confirmed that it expects to file applications under section 55 of the CFA in the near term respecting the cable ferry and the vessel replacements for the *Nanaimo* and *Burnaby*.

8. ON-TIME PERFORMANCE REPORTING FOR NORTHERN ROUTES

BCFS proposed an amendment to the methodology for calculating and reporting to BCFC on the on-time performance of northern routes 10, 11 and 40. BCFS noted that at the prior request of BCFC, the on-time performance for these routes is presently calculated and reported to BCFC on the basis of time of departure. BCFS advised that due to the length of voyage and the ability this provides to make up time on the trip to ensure customers get to their destination on time, it considers a metric based on the time of arrival as opposed to departure to be a more meaningful measure. BCFS confirmed that the Company corporately measures the on-time performance of these three routes using arrival times. Following discussion, BCFC approved the amendment such that the on-time

performance for these routes will be calculated and reported to BCFC on the basis of trips arriving within 10 minutes of the scheduled arrival time.

9. OTHER BUSINESS

Nil

10. NEXT MEETING

The date for the next BCFC/BCFS quarterly meeting is December 13, 2012.

[Meeting subsequently rescheduled for December 19, 2012.]

11. CABLE FERRY UPDATE

BCFS reported on the status of the process to seek alternative service providers for the cable ferry project.

12. TERMINATION

The meeting terminated.