



September 22, 2017

Cynthia Lukaitis  
Vice President and Corporate Secretary  
British Columbia Ferry Services Inc.  
Suite 500, 1321 Blanshard Street  
Victoria BC V8W 0B7

Dear Ms. Cynthia Lukaitis:

This is in response to correspondence from Dennis Dodo, Chief Financial Officer, dated June 16, 2017, regarding BC Ferries Commissioner Order 14-01.

Mr. Dodo's letter confirms that BC Ferries has complied with conditions 1(c)(i), 1(c)(ii) and 1(e) of Order 14-01.

The Commissioner accepts Mr. Dodo's assurance that the conditions have been met, and reserves the option to audit compliance in future at the Commissioner's discretion.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gord Macatee".

Gord Macatee  
BC Ferries Commissioner

June 16, 2017

Mr. Gordon Macatee  
British Columbia Ferries Commissioner  
BC Ferry Commission  
RPO Hillside P.O. Box 35119  
Victoria, BC V8T 5G2

Dear Mr. Macatee:

**Re: Cable Ferry Project update**

We write in regard to Order 14-01 (the "Order"), by which the Commission approved the major capital expenditure of British Columbia Ferry Services Inc. ("BC Ferries" or the "Company") for the new cable ferry and associated infrastructure (the "Project"), subject to certain conditions.

By letter dated January 14, 2016, BC Ferries provided the Commission with a description of the actions taken and/or planned to address and satisfy the conditions set out in the Order. By response dated January 22, 2016, the Commission asked that in due course the Company provide certain additional details regarding the progress of the Project. This correspondence is intended to address and satisfy the outstanding items in the Commission's letter.

***1. BC Ferries to report within 12 to 18 months on the ongoing suitability of the cable inspection, testing and replacement protocols***

BC Ferries remains confident that its comprehensive cable maintenance and inspection program (the "Program") will continue to support a safe and reliable cable ferry system.

The Program was implemented when the *Baynes Sound Connector* entered into service in February, 2016 and continues to be refined as operational experience is gained. The Program presently includes installation and change-out procedures, re-tensioning procedures, cable load monitoring, cable condition inspections and programed cable replacements commensurate with cable wear and loading experience.

In particular, BC Ferries has successfully completed three preventative maintenance cable change outs / cable rotations since the ferry entered into service. The change-out procedures and preventive maintenance plans have been refined, ensuring cabling handling equipment is reliable and change-outs are completed without impacting service. Spare cables continue to be stored locally for scheduled change-outs and also in the event of any unplanned cable change-outs.

BC Ferries has further developed a rigorous cable inspection and monitoring process consisting of the following:

- Daily monitoring of cable tension via load cell pins to detect any potential abnormalities. We have developed processes to determine if it is necessary to re-tension a cable to its nominal pretension value, and to ensure cumulative cable re-tensions do not exceed criteria for maximum allowable cable stretch.
- Weekly visual inspections of each cable to observe any potential abnormalities. We have developed new visual processes to assess the type and severity of such potential abnormalities.
- Quarterly monitoring by qualified professionals using an electromagnetic testing device whereby the cable is physically inspected to detect any potential abnormalities.

In a continued effort to ensure service reliability and further refine the cable inspection process, post-operational condition assessments are also conducted on retired cables. An assessment has been completed on the south guide cable, which was retired as part of the preventative maintenance program. The analysis determined that the length of cable which the cable ferry operates was found to be in good condition, with corrosion pitting isolated only to areas where the cable passes inside the berthing pontoons. BC Ferries is currently completing remedial actions to ensure that the safety of the cables is maintained:

- A bushing system will be installed inside the pontoons to minimize the galvanic corrosion caused by contact between the steel cable and stainless steel hawse pipe inside the pontoon.
- As a result of our cable assessment findings, cables have been procured with sacrificial coatings for improved corrosion resistance. These new cables are the same size and construction to match the existing cables, with an equivalent breaking strength.

The Company will also continue to assess the condition of the cables to determine whether the notional operational service life of three years is appropriate or could be extended. Initially, the cables will be rotated annually from the center drive cable position to either of the guide cable locations, where they will remain for two years. This procedure is considered to be both prudent and safe and may be modified with condition assessments, experience and engineering review.

**2. BCFS to report within 12 to 18 months on any refinements to the operating limits and parameters in the operational matrix based on data gathered over the period**

BC Ferries commissioned an independent consultant to test and validate the simulations the consultant had previously conducted in 2012, and which had been used to develop the operability matrix (i.e., the heavy weather matrix) for the *Baynes Sound Connector*. The consultant's report, which is based on sensor data collected on board the vessel and associated terminal infrastructure in 2016, did not suggest that there was any basis for revising the heavy weather matrix, and no changes to the matrix have been proposed or made.

**3. At least one vessel on the minor routes will be retired so that the cable ferry does not result in a net increase in the overall size of the fleet**

Further to our letter dated February 24, 2016, we confirm that the *Tenaka* has now been retired and sold, and that with the introduction of the *Baynes Sound Connector*, there has been no net increase in the overall size of the fleet.

Sincerely,



Dennis M. Dodo, MBA, CPA  
Chief Financial Officer

Copy: Sheldon Stoilen, Deputy British Columbia Ferries Commissioner