

RECORD OF MEETING

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

DATE: December 10, 2019	TIME: 10:00 a.m. – 3:30 p.m.	SITE: 1321 Blanshard Street Victoria, BC
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ATTENDANCE: BCFC: Sheldon Stoilen Eva Hage BCFS: Jason Barabash Alana Gallagher Jason Eamer-Goult Janet Carson Erwin Martinez Karen Tindall Rob McNair	Commissioner Deputy Commissioner Vice President, General Counsel & Corporate Secretary Vice President, Finance & Chief Financial Officer Senior Manager, Regulatory & Freedom of Information Vice President, Marketing & Customer Experience (agenda items 4.c., 7.a., 8.d., 9.f., 9.g., 9.h. and 9.i.) Vice President & Chief Information Officer (agenda items 8.d. and 9.h.) Director, Customer Care (agenda items 4.c., 7.a., 9.f. and 9.g.) Director, Tariff and Revenue (agenda item 9.i.)
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1. ADOPTION OF AGENDA

The agenda was approved as circulated, with some re-ordering of agenda items and the deferral of agenda item 5. 'Drop Trailer – Route Costs and Vehicles' to the next BCFC/BCFS quarterly meeting.

2. DISCLOSURES

BCFS and BCFC both advised that there was nothing new to report.

3. RECORD OF MEETING

- a. September 23, 2019 Quarterly Meeting**
- b. Action Items**

The record of the September 23, 2019 quarterly meeting and action items were reviewed and approved, with a correction to the record of meeting.

6. FUEL DEFERRAL ACCOUNTS

- c. GST Appeal Legal Costs – Status**

BCFS provided an update on its appeal of the Canada Revenue Agency's tax assessment disallowing any recovery of goods and services taxes through input tax credits for fuel costs.

4. FISCAL 2020 – COMPLIANCE REPORTS

a. Q2 Core Service Levels

Reports prepared by BCFS on its performance against core service levels as set out in the Coastal Ferry Services Contract for the quarter ended September 30, 2019 were reviewed and discussed. The reports indicate BCFS' compliance with the core service level requirements in the quarter.

b. Q2 Price Caps

A report prepared by BCFS comparing the quarterly average fare index with the quarterly price cap index by route group for the seven quarters ended September 30, 2019 was reviewed and discussed. The report indicates BCFS' compliance with all regulatory requirements in respect of the average fares charged in the quarter.

c. Q2 Feedback and Engagement Report

BCFS' engagement activities described in the feedback and engagement report for the quarter ended September 30, 2019 were reviewed and discussed.

d. Q2 Drop Trailer

BCFS' calculation of its average drop trailer tariff for the quarter ended September 30, 2019 was reviewed and discussed. The report indicates BCFS is in compliance with Order 16-01.

6. FUEL DEFERRAL ACCOUNTS (Cont'd)

a. Balance at October 31, 2019

A report prepared by BCFS on the deferred fuel account balances as at October 31, 2019 was reviewed and discussed. BCFS noted that the balance in the Fuel Deferral Account for the major and minor routes reached zero dollars during the quarter, and also informed BCFC of its intention to remove the current fuel surcharge on these routes. The report indicates that BCFS has complied with the terms and conditions for fuel deferral accounts set out in Order 15-03A.

b. Forecast

BCFS' projections for the regulatory account balances were reviewed and discussed.

7. PERFORMANCE TERM FIVE

b. Price Cap Compliance Index Reset

There was a discussion of next steps with possibly resetting the price cap compliance index for Performance Term Five.

c. Capital Plan – update

BCFS outlined some of the steps it is taking to ensure that capital costs remain within the overall approved amount for the 12-year capital plan. BCFS noted that the electrification of vessels is not within the current capital plan.

d. Percent Efficiency Target – Possible Metrics and Reporting

BCFS described some of the challenges of meeting the Commission's efficiency target, equivalent to one percent of annual operating, maintenance and administration costs, as required by Order 19-04 regarding the final decision on price caps for Performance Term Five. The challenges derive from the current environment of rising costs and the efforts underway to produce over \$60 million of efficiencies from initiatives identified by BCFS in its Performance Term Five Submission. BCFC noted that efficiencies in initiatives may be found by either reducing costs or improving revenues.

9. UPDATES

b. Efficiency Metric – AEQ Nautical Mile

BCFS described its progress in developing an efficiency metric based on the automobile equivalent (AEQ) nautical mile.

8. REGULATORY FILINGS

b. Section 55 Guidelines – status

BCFC described its progress in updating the guidelines to be used by BCFS for its applications for major capital expenditures under section 55 of the *Coastal Ferry Act*. The draft guidelines will be posted on BCFC's website for public input.

c. Public Input Process – status

BCFC described its progress in developing draft guidelines for the participation costs of eligible organizations under section 46.2 of the *Coastal Ferry Act*. The draft guidelines will be posted on BCFC's website for public input. There was a discussion of avenues for informing the public that the costs paid to eligible organizations under section 46.2 ultimately are recovered from the fares paid by customers.

e. Potential Section 55 Filings – timing

BCFS provided an update regarding timing related to the potential filings to seek approval of major capital expenditures under section 55 of the *Coastal Ferry Act*.

4. FISCAL 2020 – COMPLIANCE REPORTS

c. Q2 Feedback and Engagement Report (Cont'd)

BCFS reported that it does not have any details regarding the Province's visioning process regarding the future of coastal ferry services in British Columbia.

9. UPDATES (Cont'd)

a. Traffic Forecast

BCFS provided an update with regard to vehicle and passenger traffic trends.

c. Island Class Vessels Phase 1

i. Full Electrification – Status

d. Salish Class Vessel 4 and Island Class Vessels Phase 2

e. New Major Class Vessel Program

BCFS provided updates regarding the progress of the delivery of the phase 1 Island class vessels including their transportation to British Columbia, and the progress of the construction of the phase 2 Island class vessels. BCFS provided an update on consideration of possible full electrification of the Island class vessels.

BCFS also provided updates on the procurement process for the fourth Salish class vessel, and on the progress of the New Major Class Vessel Program.

f. Feedback and Engagement Report – revisions

BCFS provided an overview of the revisions made to the feedback and engagement report for the quarter ended September 30, 2019, including infographic and other content added for ease of readability.

4. FISCAL 2020 – COMPLIANCE REPORTS (Cont'd)

c. Q2 Feedback and Engagement Report (Cont'd)

The feedback described in the BCFS feedback and engagement report for the quarter ended September 30, 2019 was reviewed and discussed.

9. UPDATES (Cont'd)

g. Customer Service Crisis Management Plan

BCFS provided an update regarding its progress in implementing its crisis management plan for customer service recovery when responding to extended service disruptions.

7. PERFORMANCE TERM FIVE (Cont'd)

c. Performance Reviews – status

There was a discussion of the performance reviews currently planned or under way.

9. UPDATES (Cont'd)

h. Major IT Projects

BCFS provided updates for the Automated Customer Experience program and Fare Flexibility and Digital Experience Initiative (FFDEI), including its progress with user acceptance testing.

8. REGULATORY FILINGS (Cont'd)

d. Fare Flexibility and Digital Experience Initiative

BCFC reviewed next steps regarding BCFS' filing seeking approval of an increase in the amount previously approved under section 55 of the *Coastal Ferry Act* for the major capital expenditure for FFDEI.

a. Conditions Status Update

There was a discussion of the interpretation of certain conditions in Order 15-01 (Application for a Major Capital Expenditure for FFDEI) dated February 2, 2015.

9. UPDATES (Cont'd)

d. Major IT Projects (Cont'd)

i. FFDEI – Transition to Sustainment

This item was deferred to the next BCFC/BCFS quarterly meeting.

i. Variable Pricing Launch

BCFS provided an overview of the roll-out plan and possible end-state for variable pricing for vehicle and passenger fares. There was a discussion of BCFS' communication plan to assist the public in understanding the changes to BCFS' website and fare products.

8. REGULATORY FILINGS (Cont'd)

a. Conditions Status Update (Cont'd)

BCFS' progress in meeting the conditions set out in BCFC's orders under the *Coastal Ferry Act* was reviewed and discussed.

With regard to Order 18-02 (Application to Temporarily Reduce Service on Routes 5 and 9) dated May 10, 2018, the Commissioner advised that BCFC has reviewed the various correspondence received from BCFS and confirmed that condition 2(a) is satisfied.

10. OTHER BUSINESS

Nil.

11. NEXT MEETING

The meeting date for the next BCFC / BCFS quarterly meeting is to be determined.

The BCFC / BCFS meeting for the first quarter of Fiscal 2021 is scheduled for June 16, 2020.

12. TERMINATION

The meeting terminated.