



OFFICE OF THE
BRITISH COLUMBIA
FERRIES COMMISSIONER

ORDER NUMBER: 15-03A

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IN THE MATTER OF

Establishment of Fuel Deferral Accounts
Pursuant to Section 41.1 of the *Coastal Ferry Act*

BEFORE: Gordon Macatee, BC Ferries Commissioner
Sheldon Stoilen, BC Ferries Deputy Commissioner
(the “commissioner”)

ORDER

WHEREAS:

A. Section 41.1 of the Act provides as follows:

- (1) The commissioner may
 - (a) require a ferry operator to establish a fuel deferral account in relation to one or more route groups; and
 - (b) establish terms and conditions for the use of any fuel deferral account established by the ferry operator;
- (2) The commissioner may, on any conditions the commissioner may specify,
 - (a) allow a ferry operator to add a temporary fuel surcharge, or
 - (b) require the ferry operator to provide a temporary discount to reflect fluctuations in the fuel deferral account for any period;

- B. The commissioner authorized the establishment of fuel deferral accounts for performance term three (“PT3”) pursuant to Order 12-03 dated September 30, 2012.
- C. Under Order 15-03 the commissioner has made a final price cap decision for performance term four (“PT4”) which authorizes the use of fuel deferral accounts in PT4.

NOW THEREFORE the commissioner orders that:

1. Effective April 1, 2016, BC Ferries is authorized to use fuel deferral accounts, one for the major and minor routes and one for the northern routes as defined in the Coastal Ferry Services Contract (“CFSC”) for PT4 (the “Fuel Deferral Accounts”) pursuant to the following terms and conditions:
 - a) The balances from existing Fuel Deferral Accounts at the end of PT3 will be recorded in the applicable Fuel Deferral Accounts at the start of PT4.
 - b) The terms and conditions for the Fuel Deferral Account for the northern routes shall be as described in the CFSC.
 - c) The set price per litre for the operation of the Fuel Deferral Accounts, being a required input into the calculation for fuel surcharges or rebates on the base fares to be charged within the price caps established for PT4, shall be 91.5 cents per litre for marine diesel and 46.4 cents per litre for LNG in the first year of PT4 and inflated by 2% per year for the balance of PT4.
 - d) All variances between the set price for fuel and the delivered price for fuel will be recorded to the respective Fuel Deferral Account.
 - e) The Fuel Deferral Account balances will be reported to the commissioners on a monthly basis in the format adopted in PT3 and in a manner that is consistent with applicable securities laws regarding disclosure of information.
 - f) BC Ferries shall ensure that the balance in the Fuel Deferral Account for the major and minor routes reaches zero dollars at least once during PT4.
 - g) Except for the northern routes and subject to Sub-Paragraph (l) and Paragraph 2 below, BC Ferries may implement, adjust or remove fuel surcharges or rebates at any time.
 - h) If the month-end balance in the Fuel Deferral Account for the major and minor routes is a credit balance which exceeds 4% of the annual pre-surge tariff revenue (the “fuel rebate trigger”), BC Ferries will have a grace period of two quarters to reduce the credit balance below the fuel rebate trigger. The fuel rebate trigger will revert to 3% for the third year of PT4 and 2% for the final year of PT4.


- i) BC Ferries must obtain prior approval to apply fuel surcharges or rebates on the northern routes. The commissioner may order BC Ferries to apply fuel surcharges or rebates on these routes if the Fuel Deferral Account balance is deemed to be excessive.
 - j) Interest shall not be applied on balances in the Fuel Deferral Accounts.
 - k) Surcharges and rebates will be applied equally on the applicable fare on routes within each Fuel Deferral Account.
 - l) Fuel surcharges cannot exceed 10% of the applicable fare without the approval of the commissioners.
2. BC Ferries shall provide 15 days public notice of any increase in fares which results from:
- a) the imposition of a fuel surcharge;
 - b) an increase in a fuel surcharge;
 - c) the removal of an existing rebate; or
 - d) a decrease in the amount of an existing rebate.

DATED at Victoria in the Province of British Columbia, this 28th day of September, 2015.

BY ORDER



Gordon Macatee
BC Ferries Commissioner



Sheldon Stoilen
BC Ferries Deputy Commissioner