



BRITISH COLUMBIA
FERRY COMMISSION

ORDER
NUMBER: 04-02

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IN THE MATTER OF

Statutes of British Columbia Bill 18-2003, Coastal Ferry Act and
Establishment and Calculation of a Deferral Account Mechanism
in relation to Fuel Oil Prices and Costs

BEFORE: Martin Crilly, Commissioner

ORDER

WHEREAS:

- A. The operating costs of ferry operators are being significantly affected by price volatility in world fuel oil markets;
- B. It is desirable for ferry customers that the effect of such price volatility should not have an impact on ferry fares over the short-term future;
- C. Uncertainty over the duration of current price levels and the future direction of fuel oil prices make any application for an extraordinary price cap increase under Section 42 at this date premature and not suitable for the current circumstances;
- D. It is desirable that ferry operators should have assurance that if significantly higher prices for fuel oil continue through March 31, 2008 the significant increase in prices, net of any decreases that may occur, will be taken into account in setting allowable price cap increases in the future;
- E. Ferry customers should be assured that any future adjustment permitted in ferry fares should reflect the net effect of increases and decreases in fuel oil prices;
- F. It is desirable that ferry operators should continue to have the incentive to be fuel efficient;

NOW THEREFORE the Commissioner orders as follows:

- 1. Ferry operators are authorized to establish Deferral Accounts, to be operated as described in the attached Schedule A.
- 2. The Deferral Accounts will be maintained until March 31, 2008 at which time the Commissioner will decide on their continuation.
- 3. The balance in the Deferral Accounts, at a date prior to March 31, 2008, to be determined at the time of the price cap review required under Section 40, will be taken into account

in setting the allowable price cap increase, by route group, for the performance term commencing April 1, 2008.

4. If an application is made by a ferry operator under Section 42 for an extraordinary price cap increase because of an increase in the price of fuel oil, and if such application is approved by the Commissioner to take effect before March 31, 2008, then the balance in the Deferral Accounts will be adjusted to reflect the extraordinary price cap increase.
5. Any balance remaining in the Deferral Accounts at March 31, 2008, not taken into account in setting the price cap for the term commencing April 1, 2008, will be taken into account in a subsequent price cap review.

DATED in Comox, in the Province of British Columbia, this 28th day of September 2004.

BY ORDER

A handwritten signature in black ink, appearing to read 'M Crilly', written in a cursive style.

Martin Crilly
British Columbia Ferries Commissioner

SCHEDULE A

The operation of the Deferral Accounts shall be as follows:

For the year commencing April 1, 2004 ferry operators shall charge to operating expenses, by route group, fuel oil costs calculated as the delivered price per litre budgeted for 2004/05 (the “set price”) multiplied by the actual litres consumed to operate, redeploy, refit and maintain vessels.

For years subsequent to 2004/05 the set price for each route group shall be increased each April 1 by the percentage increase reported by Statistics Canada in the Consumer Price Index (Vancouver) for the previous calendar year.

The variance between the set price and the actual delivered price per litre will be held, by route group, in the Deferral Account to be shown on the ferry operator’s Balance Sheet.

The balance in the Deferral Account, at a date to be determined by the Commissioner during the price cap review, shall be taken into account in setting the allowable price cap increase, by route group, for the performance term commencing April 1, 2008.

The balance in the Deferral Account at March 31, 2008, less the amounts taken into account by the Commissioner in setting the price cap for the performance term commencing April 1, 2008 and the net effect of an application under Section 42, shall be taken into account by the Commissioner in setting future price cap increases.

Any gains or losses on fuel oil futures contracts (“hedging” gains or losses) shall be charged or credited, as the case may be, to the Deferral Account, proportionate to fuel oil use by route group.

The set price, by route group, for the year commencing April 1, 2004 is shown below:

Route Group	Routes	Set Price (C\$ per litre)
1	Major Routes	0.3978
2	Horseshoe Bay / Langdale	0.4011
3	Northern Routes	0.4029
4	Discovery Coast	0.4030
5	Brentwood Bay / Mill Bay	0.4058
6	Minor Routes	0.4117
7	Langdale / Gambier / Keats	(not required)