

October 10, 2023

Ms. Eva Hage
British Columbia Ferries Commissioner
BC Ferry Commission
PO Box 9279 Stn Prov Gov
Victoria BC V8W 9J7

Dear Ms. Hage:

Re: Use of Carbon Reduction Investment Account ("CRIA") funds towards the Island Class Phase III and Terminal Electrification Program

By Order 22-01, the Commissioner authorized British Columbia Services Inc. ("BC Ferries" or the "Company") to create the Carbon Reduction Investment Account ("CRIA") in support of funding infrastructure investments identified in its Clean Futures Plan and to progress greenhouse gas ("GHG") emission reduction projects. Before accessing funds from the CRIA, the Company must submit a plan for Commissioners' approval for the use of the funds.

In accordance with Order 22-01, the Company hereby requests the Commissioner's approval to contribute funds available through the CRIA towards the Island Class Phase 3 & Terminal Electrification Program's ("IC3TEP" or the "Program") planned direct cost of electrification. The Program is described in detail in a concurrent application to the Commissioner pursuant to section 55(2) of the *Coastal Ferry Act* for the Program ("Section 55 Application"). IC3TEP will construct and deliver into service four plug-in hybrid Island class vessels that will be able to operate exclusively in battery-electric mode, in addition to electrical upgrades for rapid charging from ashore at four terminal on the two routes connecting Nanaimo Harbour and Gabriola Island (route 19 – two vessels) and Campbell River and Quadra Island (route 23 – two vessels).

BC Ferries estimates that the electrification portions of the Program will cost approximately \$< >. This estimate includes the full cost of all terminal electrification infrastructure, as well as the estimated premium cost for including vessel electrification equipment into the new vessels during their build. As described in the Section 55 Application, the Company has identified external opportunities (separate from the CRIA), totaling up to \$< >, to partially offset the \$< > in electrification costs.

The Company therefore proposes to fund the balance from the CRIA, as needed, to cover up to the remaining costs of the electrification portion, which are currently forecast at \$< > as identified in the table below:

< >

The use of CRIA funds for the purpose of Island class electrification is consistent with the intent of that account. Island class vessel electrification is an investment in cleaner technologies that leads to a reduction in GHG emissions. Ferry customers will benefit financially over time with the proposed approach. It will reduce the Company's incremental borrowing needs to fund this capital investment and net capitalized cost, as well as provide the opportunity for the Company to earn additional carbon credits in the future through its use of electricity and other lower carbon intensive fuels in place of ultra-low sulfur diesel.

Please do not hesitate to contact us if additional information is required.

Sincerely,

Original signed by:

Jill Sharland
Vice President and Chief Financial Officer