

**PUB (MPI) 1-22**

<b>Part and Chapter:</b>	<b>Part IV Nova Information Technology and Value Management Nov Appendix 9</b>	<b>Page No.:</b>	<b>3, 4</b>
<b>PUB Approved Issue No:</b>	<b>5. Changes to integrated cost allocation methodology;</b>		
<b>Topic:</b>	<b>Project Nova</b>		
<b>Sub Topic:</b>	<b>Allocation of Project Nova Costs</b>		

**Preamble to IR:**

MPI has revised the allocation basis in 2022/23 of Project Nova costs related to both the P&C and Digital Streams.

**Question:**

- a) Please provide the analysis prepared by Accenture to establish the basis of Allocation of costs based on features.
- b) Please provide a detailed analysis that supports the allocation of costs based on features or "story points" for the P&C stream and explain how MPI determined the split 24% to Basic and 24% to Extension.
- c) Please provide a definition of "story point."
- d) Please provide work efforts analysis to support the allocation of the Digital Stream costs to the lines of business (LOB).
- e) Please provide the P&C allocator analysis to support the allocation of Digital Stream costs from the LOB to Basic.

**Rationale for Question:**

To understand changes to the allocation of Project Nova costs to Basic.

**RESPONSE:**

- a) Accenture, the System Integrator (SI) for the MPI property & casualty (P&C) solution, provided a feature breakdown as part of their contracted delivery services. This feature breakdown makes up the Azure DevOps backlog that the NOVA team uses to manage the delivery work. As the first SI for R1A to provide story point breakdown to quantify effort MPI leveraged this proven methodology for our internal allocation analysis and approach. Accenture was not asked to perform an analysis for the purpose of identifying allocation percentages, this analysis was performed internally by MPI.
- b) MPI always planned for NOVA to be able to measure effort through features and story points. As Release 1A is the first release, Accenture finalized its approach first. MPI then leveraged this approach as part of its allocation methodology but did not involve Accenture in defining the allocation model. Now that discovery is complete, MPI will use the story points to determine allocation.

MPI assumed that Basic and Extension will evenly share the balance of the costs:

- i. 24% to Basic
- ii. 24% to Extension

And based on an expectation of effort for Releases 1 and 3, MPI expects 52% of all P&C costs to be allocated to the SRE line of business (LOB).

In future years, MPI will base allocations on the distribution of story points to be implemented (relating to each LOB), once known. MPI will refine allocations based on story points each year to validate and update the above noted percentages. MPI will apply Gross Witten Premiums (GWP) to any story points without an LOB assignment.

- c) A story point is a unit of measure for estimating work effort in an Agile environment. This unit of measure translates to overall capacity, which MPI then

uses to estimate time required for feature delivery. Together, this provides overall effort for each Release, which MPI can then quantify through budget and costs.

d) and e)

As of January 2022, MPI revised the allocation methodology for the Digital stream based on features that equate to project effort by LOB, driven by work-effort analysis performed internally by the Project NOVA Leadership. While MPI will refine this distribution following discovery, it expects this current feature distribution (i.e., insurance and non-insurance) to remain consistent with a flattened delivery model. As indicated, MPI will refine distribution down to story points once discovery is complete.

Below are the resulting allocation impacts to the Digital stream in 2022/23, based on feature distribution to identify insurance versus non-insurance percentages:

Non Insurance LOB (DVA) allocation -	46%
Insurance LOBs allocation -	54%:

- i. Insurance LOBs receive further allocations to each LOB based on the P&C allocator, which applies the 54% allocated to Insurance LOBs as follows:
  - a. 13% to Basic;
  - b. 13% to Extension; and
  - c. 28% to SRE (as defined above).

In future years, once known, MPI will base allocations on the distribution of story points to be implemented (relating to each LOB). MPI will refine allocations based on story points each year to validate and update the above noted percentages. MPI will apply GWP to any story points without an LOB assignment.

**PUB (MPI) 1-47**

<b>Part and Chapter:</b>	<b>Part V Expenses EXP.3.2.3, Fig. EXP-8 Appendix 7 Fig. EXP-7-1 &amp; Fig. EXP7-2</b>	<b>Page No.:</b>	<b>27</b>
<b>PUB Approved Issue No:</b>	<b>8. Cost of operations and cost containment measures</b>		
<b>Topic:</b>	<b>Operating Expenses</b>		
<b>Sub Topic:</b>	<b>Data Processing</b>		

**Preamble to IR:****Question:**

- a) Please provide the detail of Data Processing cost by major component for each of the years 2021/22 through 2024/25.
- b) Please provide the estimated headcount related to the increase in external labour related to Project Nova.
- c) Please explain why external labour for Nova implementation is being expensed versus capitalized.

**Rationale for Question:**

To understand forecast growth in operating expense by line of business.

**RESPONSE:**

- a) Please see *Figure 1* below:

**Figure 1 Total Data Processing Expenses – Corporate**

Line No.	Data Processing Category	2021/22A	2022/23FB	2023/24F	2024/25F
1	<i>(\$C 000s, except where noted)</i>				
2	Licence Charges	31,204	38,215	49,468	51,091
3	Computer Maintenance	1,404	1,387	1,420	1,419
4	Software	188	522	355	298
5	IBM Data Centre	11,562	13,861	14,670	15,134
6	IBM Security Operations Centre	548	600	614	613
7	External Labour	13,262	37,892	29,741	32,561
8	Deferred Development Impairment	264	352	-	-
9	Cloud Service Environments	-	732	1,176	1,710
10	Microfilm/Microfiche	46	45	46	46
11	Computer Costs	-	113	113	113
12	<b>Total Data Processing</b>	<b>58,478</b>	<b>93,719</b>	<b>97,603</b>	<b>102,985</b>

- b) The increase in external labour costs identified in fiscal year 2021/22 for the NOVA Leadership stream relates to external vendor assessment costs. MPI included and approved these additional items in the 2022 Re-baseline.
- c) Under Generally Accepted Accounting Principles (GAAP), and in alignment with IAS 38, the nature of the costs incurred dictate what can be capitalized versus what must be expensed. Based on this, MPI expensed the external labour costs incurred to support NOVA overall as they are not directly attributable to the development activities. MPI carries all external labour directly attributable to the development of the asset as deferred development costs.

**PUB (MPI) 1-78**

<b>Part and Chapter:</b>	<b>Part IV Nov Appendix 9 Figure NOV App 9- 1 NOVA Re-baseline One-Time Program Costs Allocation Appendix 18</b>	<b>Page No.:</b>	<b>2</b>
<b>PUB Approved Issue No:</b>	<b>19. Current IT Strategic Plan and IT Expenses and Projects, including Project Nova and other initiatives planned for or ongoing in the rating years; a. Project Nova re-baseline, budget, and financing options, including debt financing;</b>		
<b>Topic:</b>	<b>Project Nova</b>		
<b>Sub Topic:</b>	<b>Basic Deferred Development Cost</b>		

**Preamble to IR:****Question:**

- a) Please reconcile the \$48M in Basic Project Nova Deferred development costs on Appendix 18 line 42 with the \$54.6M in one-time program costs allocated to Basic including contingency, or \$45.9M before contingency, in Figure NOV APP 9-1.
- b) Please provide a schedule detailing the total spending on Nova by year, by period cost and deferred development cost for each of the years 2019/20 through 2025/26.
- c) Please provide the detail of spending by significant component for each category of expenditures in (a).
- d) Please indicate the number of internal FTEs that are working or are forecast to work on Project Nova included and the related compensation expense included in part (c)

**Rationale for Question:**

To understand Project Nova costs.

**RESPONSE:**

a) Expense Appendix 18 Deferred Development and Amortization costs only includes deferred costs, while NOV APP 9-1 Allocation of Re-baselined NOVA Costs includes both deferred and expensed costs. Further, MPI used different allocation percentages with Appendix 18 (i.e., the 2022/23 GRA Allocation % for all years reported) while NOV APP 9-1 used an aggregate allocation %.

b) Please see Figure 1 below:

**Figure 1 Nova Spend by Year by Period and Deferred Development Costs**

Line No.		2019/20A	2020/21A	2021/22A	2022/23F	2023/24F	2024/25F	2025/26F
1	<b>Nova - Deferred</b>	-	13,024	42,242	61,914	52,192	22,634	16,740
2	<b>Nova - Expense</b>	3,254	5,831	12,171	17,656	6,523	8,689	4,799
3	<b>Total</b>	<b>3,254</b>	<b>18,855</b>	<b>54,413</b>	<b>79,570</b>	<b>58,715</b>	<b>31,323</b>	<b>21,539</b>

Please note that Figure 1 is based on Nova Program Forecasts as of March 31, 2022.

c) Please see Figure 2 below:

**Figure 2 Nova Deferred Development by Line of Business**

Line No.		2016/17A	2017/18A	2018/19A	2019/20A*	2020/21A	2021/22A	2022/23F	2023/24F	2024/25F	2025/26F	2026/27F	Total
1	Basic					6,362	16,487	8,553	8,179	4,782	3,678		48,041
2	Extension					532	1,368	8,553	8,179	4,782	3,678		27,092
3	SRE					437	1,109	18,530	17,720	10,362	7,969		56,127
4	DVA					5,693	23,278	26,279	18,114	2,708	1,415		77,487
5	<b>Total</b>					<b>13,024</b>	<b>42,242</b>	<b>61,915</b>	<b>52,192</b>	<b>22,634</b>	<b>16,740</b>		<b>208,747</b>

d) Please see Figure 3 below:

Figure 3 Nova Actual and Forecasted Resources

Line No.	Year	Incremental Resources		Non Incremental Resources		Incremental Resource	
		Actual	Forecast	Actual	Forecast	YTD Actual \$	Forecast \$
1							
2	2020/2021*	40		39		\$ 2,983,722	
3	2021/2022	66		59		\$ 5,464,983	
4	2022/2023	62	62	75	87	\$ 1,338,479	\$ 4,945,654
5	2023/2024		68		86		\$ 7,940,892
6	2024/2025		48		63		\$ 6,371,223
7	2025/2026		43		57		\$ 2,795,368

as at 30-Jun-22



**PUB (MPI) 1-82**

<b>Part and Chapter:</b>	<b>Part IV - Nova, Information Technology, and Value Management - Nova Project NOV.1</b>	<b>Page No.:</b>	<b>4</b>
<b>PUB Approved Issue No:</b>	<b>19. Current IT Strategic Plan and IT Expenses and Projects, including Project Nova and other initiatives planned for or ongoing in the rating years</b> <b>a. Project Nova re-baseline, budget, and financing options, including debt financing</b>		
<b>Topic:</b>			
<b>Sub Topic:</b>			

**Preamble to IR:**

MPI states:

*"It should be noted that this revised timeline depends on the outcome of discovery workshops for Releases 3 and 4, each of which have yet to be completed." [19-21]*

**Question:**

Please indicate if, and describe implications of, the proposed flattened delivery plan resulting in an October 2025 delivery date is uncertain due to the unknown outcomes of the discovery workshops for Releases 3 & 4.

**Rationale for Question:**

To enhance the understanding of the updated Nova delivery strategy.

**RESPONSE:**

The 2022 Re-baseline dates considers all of the information currently available, including details gathered from the RFP process, the contract negotiations process,

lessons learned from Releases 1 and 2 and validations from the System Integrators based on shareables received MPI.

The purpose of discovery activities is to fully flesh out and validate the epics, features, and story points required to identify a minimum viable product scope. This drives the capacity, effort and velocity required to validate the ability of MPI to achieve its current flattened delivery target dates. The discovery process will remove any uncertainty that might now exist.

**PUB (MPI) 1-86**

<b>Part and Chapter:</b>	<b>Part IV - Nova, Information Technology, and Value Management - Nova Project NOV.2</b>	<b>Page No.:</b>	<b>5-6</b>
<b>PUB Approved Issue No:</b>	<b>19. Current IT Strategic Plan and IT Expenses and Projects, including Project Nova and other initiatives planned for or ongoing in the rating years a. Project Nova re-baseline, budget, and financing options, including debt financing</b>		
<b>Topic:</b>			
<b>Sub Topic:</b>			

**Preamble to IR:**

*"In February 2021, the BoD approved the first re-baseline of the NOVA Business case, which increased NOVA project costs from \$85.4M to \$111.7M. Shortly after MPI initiated NOVA in Spring 2021, the following concerns began to appear:*

- *Underestimation of the organizational maturity 1 level required by MPI to successfully implement NOVA.*
- *Magnification of identified risks, including numerous complexities, competing priorities, and organizational maturity pain points during the early stages of the implementation of spring 2021.*
- *Materialization of some pre-identified risks shortly after implementation."*

[Pg 5: 8-11, Pg 6: 1-8]

**Question:**

- a) Please indicate the total costs for development (creation) of the original LSM business case.

- b) Please indicate the total costs incurred to develop and deliver the Feb 2021 re-baseline business case.
- c) Please indicate the total costs incurred to develop and deliver the Feb 2022 re-baseline business case.
- d) Please describe why the approach undertaken for the Feb 2022 re-baseline will result in a higher confidence to finalize both the estimated budget and timeline for Nova.

**Rationale for Question:**

To enhance the understanding of the evolution towards the updated Nova delivery strategy based on previous year activities.

**RESPONSE:**

- a) The cost associated with the creation of the original Legacy Systems Modernization (LSM) business case was \$1,837,058. This amount includes both the Avasant and Deloitte LSM assessments.
- b) The estimated cost associated with the development and delivery of the February 2021 Re-baseline business case is approximately \$100,000. MPI completed this work using internal leadership and key resources.
- c) MPI prepared the February 2022 Re-baseline business case concurrently with implementation work. It completed this re-baseline through additional efforts outside of delivery work and involved all organizational leadership engaged in NOVA. MPI then engaged McKinsey to provide an external assessment of the 2022 Re-baseline business case. MPI previously filed the assessment conducted by McKinsey and the associated costs confidentially in its response to CAC (MPI) CI 1-34.

d) MPI completed the 2022 Re-baseline at a significantly more advanced stage of NOVA, compared to the 2021 Re-baseline. Specifically, MPI completed the following key activities , which increased its confidence in the 2022 Re-baseline results:

- Selection of all products and system integrators (SIs) and finalization of their respective contracts.
- Completion of a three-month discovery with the SIs for Releases 1A and 2A, which included validation of effort (epics, features, story points) and a Minimum Viable Product.
- Standing up of the technologies for all solution products, including Duck Creek, Mulesoft, Celtic and Microsoft Dynamics 365.
- Completion of over 2 program increments (6+ sprints), which provided MPI a good understanding of effort and complexity around configuration, development, integrations, testing and all other delivery activities.

With this additional information, the 2022 Re-baseline followed a more pragmatic approach that included a detailed review to assess and measure the confidence levels by delivery categories and releases based on the new flattened delivery schedule. This included validations with all organizational leadership and teams involved in the program, the goal of which was to:

- Identify readiness of all activities required for program success at each Release, including having the required technology available in time to achieve program objectives, having sufficient people in place with the correct skills, and having the ability to execute the required processes,
- Document actions and mitigation steps,
- Validate the new schedule to ensure sufficient time to successfully deliver and execute all actions and mitigation steps,

- Confirm budget impact and contingency for all activities under the new schedule.

MPI measured the following categories by Release for confidence: Program Delivery, User Experience, Capacity Management, Technical and Quality Shared Services, Product Vendor Contracts, System Integrator Contracts, Operational Readiness Shared Services, Solution Management, Architectural Runway, and External Dependent Projects.

In sum, MPI is more confident in the 2022 Re-baseline because of the stage at which the project was at and because of the detailed assessment and engagement of teams for each category, by release. MPI assessed the contingency by category and release to ensure the accurate assignment of funding, including for releases without completed discovery activities.

**PUB (MPI) 1-87**

<b>Part and Chapter:</b>	<b>Part IV - Nova, Information Technology, and Value Management - Nova Project NOV.3</b>	<b>Page No.:</b>	<b>9</b>
<b>PUB Approved Issue No:</b>	<b>19. Current IT Strategic Plan and IT Expenses and Projects, including Project Nova and other initiatives planned for or ongoing in the rating years</b> <b>a. Project Nova re-baseline, budget, and financing options, including debt financing</b>		
<b>Topic:</b>			
<b>Sub Topic:</b>			

**Preamble to IR:**

*"The program review conducted by MPI recommended de-risking NOVA by "flattening" the delivery plan and extending implementation timelines to 5 years. These recommendations ensured the acquisition of required technology, people and processes in order to succeed and identified potential impacts of discovery workshops, planned for Fall 2022, for Releases 3 and 4 on timelines and the budget."*

[12-16]

**Question:**

- a) Please list the identified risks noted in the first re-baseline (Feb 2021) business case that are mitigated via the flattened delivery plan and briefly describe how the flattened delivery plan has mitigated the risks and/or fully de-risked.
- b) Please indicate whether Nova has been de-risked given the discovery workshops for Releases 3 and 4 are not completed and provide rationale for the answer.

**Rationale for Question:**

To enhance the understanding of the updated Nova delivery strategy risk profile.

**RESPONSE:**

a) Risks identified in the 2021 Re-baseline included numerous complexities, competing priorities (capacity), and organizational maturity pain points (capability). MPI is addressing these identified risks through mitigation activities by providing additional resources/services to increase capacity and capability, adjusting the delivery schedule by 20 months (to reduce parallel competing priorities), accelerating IT required enablers outside of NOVA, and adding resources to focus on customer journeys for Releases 3 and 4. Budget increases reflect these mitigation steps and the result is an increase in one-time cost estimates and a contingency range of 20-40% to accommodate potential risk owing to incomplete discovery for Releases 3 and 4.

The slides below detail all the risks and issues, including the tactical and strategic mitigation steps that MPI is addressing through the 2022 Re-baseline:

## Progress With Program Issues Impacting Releases

10 key categories, and tactical and strategic activities to enable Novás success:

	Tactical	Strategic
General Contractor inexperience	<ul style="list-style-type: none"> <li>Applying Solution Management focus</li> <li>Completed external program assessments</li> </ul>	<ul style="list-style-type: none"> <li>Organizational General Contractor capabilities development under Strategy and Portfolio Management Directorate</li> </ul>
*Immature Centres of Excellence (CoEs)	<ul style="list-style-type: none"> <li>Testing and integration</li> <li>Leveraging external partners for immediate maturity</li> </ul>	<ul style="list-style-type: none"> <li>Deliver IT enablers</li> <li>Accelerate of IT CoE maturity</li> </ul>
*Operational Readiness	<ul style="list-style-type: none"> <li>Engaging Accenture on R1A</li> </ul>	<ul style="list-style-type: none"> <li>Mature Organizational Change Management to deliver R2A and beyond without System Integrator support</li> </ul>
*Architectural Runway (AR)	<ul style="list-style-type: none"> <li>Prioritizing AR alignment to Program Increment (PI)</li> </ul>	<ul style="list-style-type: none"> <li>Mature Enterprise Architecture</li> <li>Plan AR at least 1 PI ahead</li> </ul>
*Consistent leadership and ownership	<ul style="list-style-type: none"> <li>Leveraging external resources to fill gaps</li> <li>Shifting to business ownership</li> </ul>	<ul style="list-style-type: none"> <li>Develop key leadership capabilities corporately</li> <li>Mature business ownership</li> </ul>

\*Strategic objectives to be achieved organizationally to completely mitigate and support Nova objectives.



## Progress With Program Issues Impacting Releases

10 key categories, and tactical and strategic activities to enable Nova’s success:

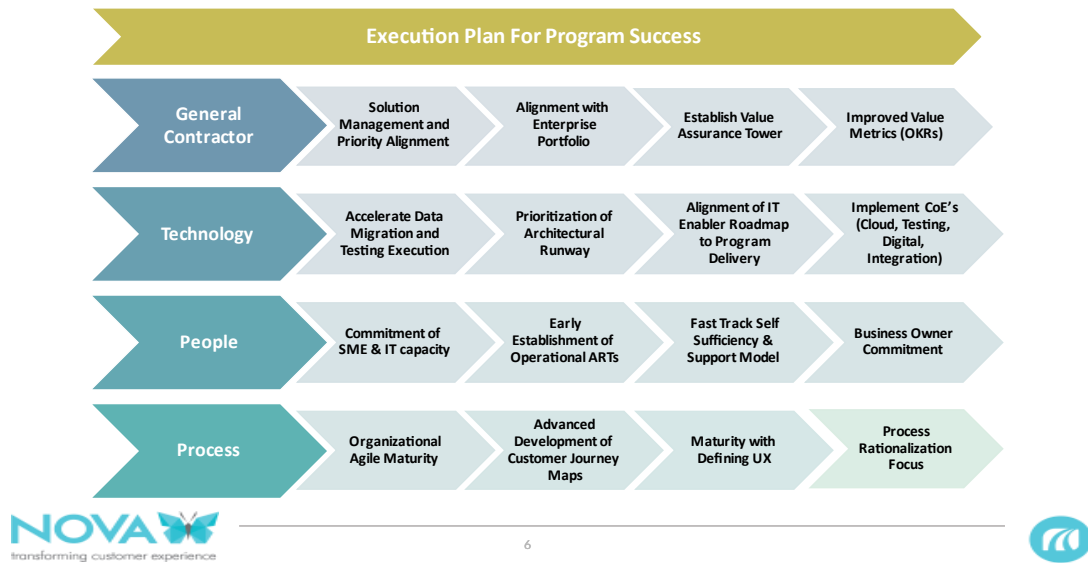
	Tactical	Strategic
Sequencing	<ul style="list-style-type: none"> <li>Implementing Solution Management</li> <li>Accelerating End to End process design &amp; mapping</li> </ul>	<ul style="list-style-type: none"> <li>Leverage new Business Architecture directorate</li> <li>Flatten Release Schedule (de-risk)</li> </ul>
Turnover	<ul style="list-style-type: none"> <li>Leveraging external partners to fill capacity gaps</li> <li>Onboarding IT bubble staff</li> </ul>	<ul style="list-style-type: none"> <li>Execute organizational succession planning &amp; Organizational Readiness pipeline</li> </ul>
Limited resources and capabilities	<ul style="list-style-type: none"> <li>Leveraging external partners to fill capability gaps</li> <li>Identifying domain gaps</li> </ul>	<ul style="list-style-type: none"> <li>Mature organization workforce planning</li> <li>Flatten Release Sched (de-risk)</li> </ul>
Divided focus among teams	<ul style="list-style-type: none"> <li>Extending R1A &amp; R2A</li> <li>Prioritizing PI objectives to Solution Management</li> </ul>	<ul style="list-style-type: none"> <li>Flatten Release Sched (less parallel work)</li> </ul>
Scope increase in Digital	<ul style="list-style-type: none"> <li>Validating sprint capacity</li> <li>Right-sizing story point measurements</li> </ul>	<ul style="list-style-type: none"> <li>Engage KPMG to deliver additional Billing scope</li> </ul>

\*Strategic objectives to be achieved organizationally to completely mitigate and support Nova objectives.

## Summary of Issues



## Flattened Delivery Execution Plan



b) To address the risks attributable to incomplete discovery for Releases 3 and 4, MPI has taken the following actions:

- Increasing contingency up to 40% to allow the for any unplanned or unknown activities.
- Applying mitigations steps based on lessons learned from Releases 1 and 2, including maturing key capabilities across the enterprise.
- Alleviating organizational capacity constraints by removing parallel activities and implementing a sequential (flattened) delivery model for Releases 3 and 4.

**PUB (MPI) 1-92**

<b>Part and Chapter:</b>	<b>Part IV - Nova, Information Technology, and Value Management - Nova Project NOV.4</b>	<b>Page No.:</b>	<b>17</b>
<b>PUB Approved Issue No:</b>			
<b>Topic:</b>			
<b>Sub Topic:</b>			

**Preamble to IR:**

MPI states:

*"MPI is considering future enhancements to the stream delivery structure (starting with Release 3) as part of its continuous improvement approach. As Release 3 is the most complex and impacts all Manitobans, MPI will organize the delivery team structure around customer/employee journeys and shared platforms to bring focus on customer experience and business operations usability." [9-13]*

**Question:**

- a) Please list and describe the future enhancements under consideration.
- b) Please indicate whether the costs for the future enhancements have been accounted for in the Feb 2022 re-baseline.
- c) If yes for (b) what budget and/or actual expenditure have applied to each of the applicable future enhancements.

**Rationale for Question:**

To enhance the understanding of the updated Nova delivery strategy.

**RESPONSE:**

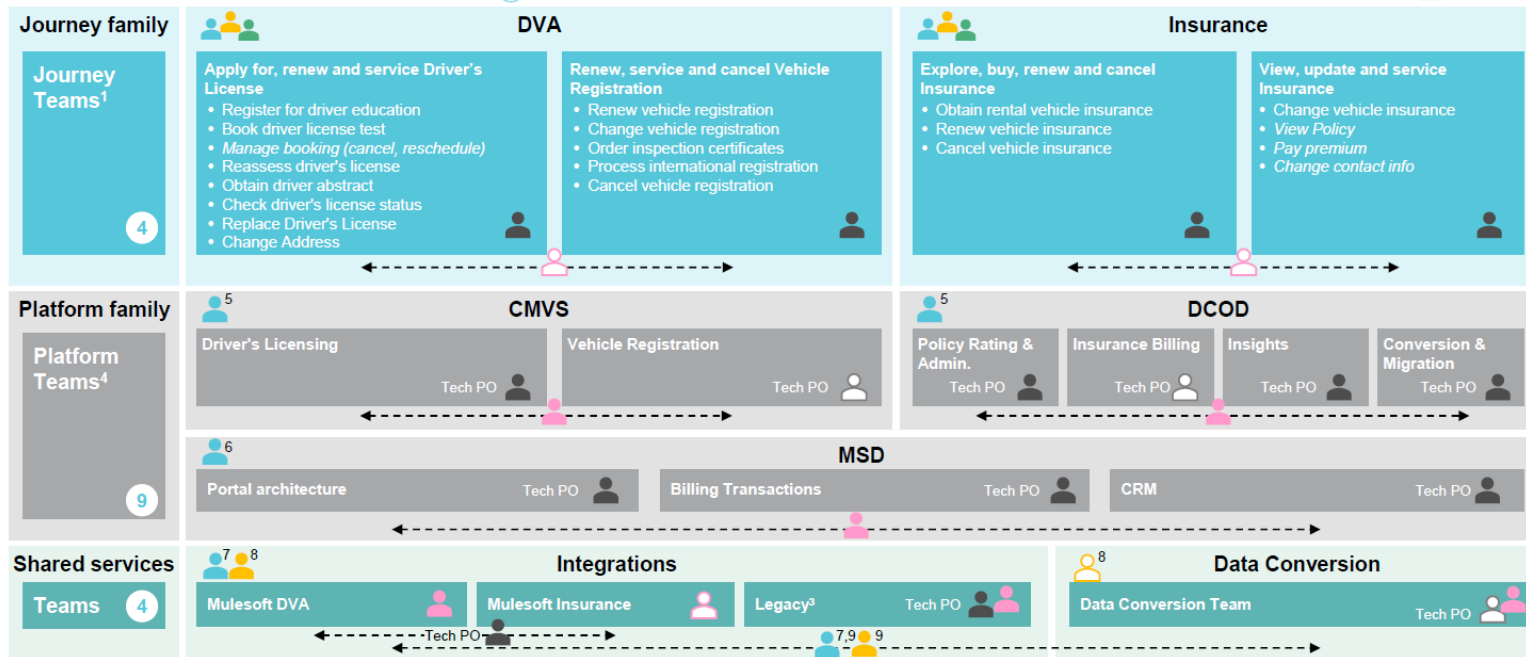
- a) The following slide depicts the future enhancements currently under consideration. It closely resembles the current structure with emphasis on teams focused on user journeys. Please see below.

II. Operating Model and Governance recommendations

## C. Proposal for Release 3: Create teams that own the user journey experience, with platform teams standing up the enabling technology

ESTIMATED AS OF 1/18/2022

# Number of teams   ← → Shared resource   Product Manager   Sol Arch.<sup>2</sup>   CX lead   PO   Tech lead   Resource gap

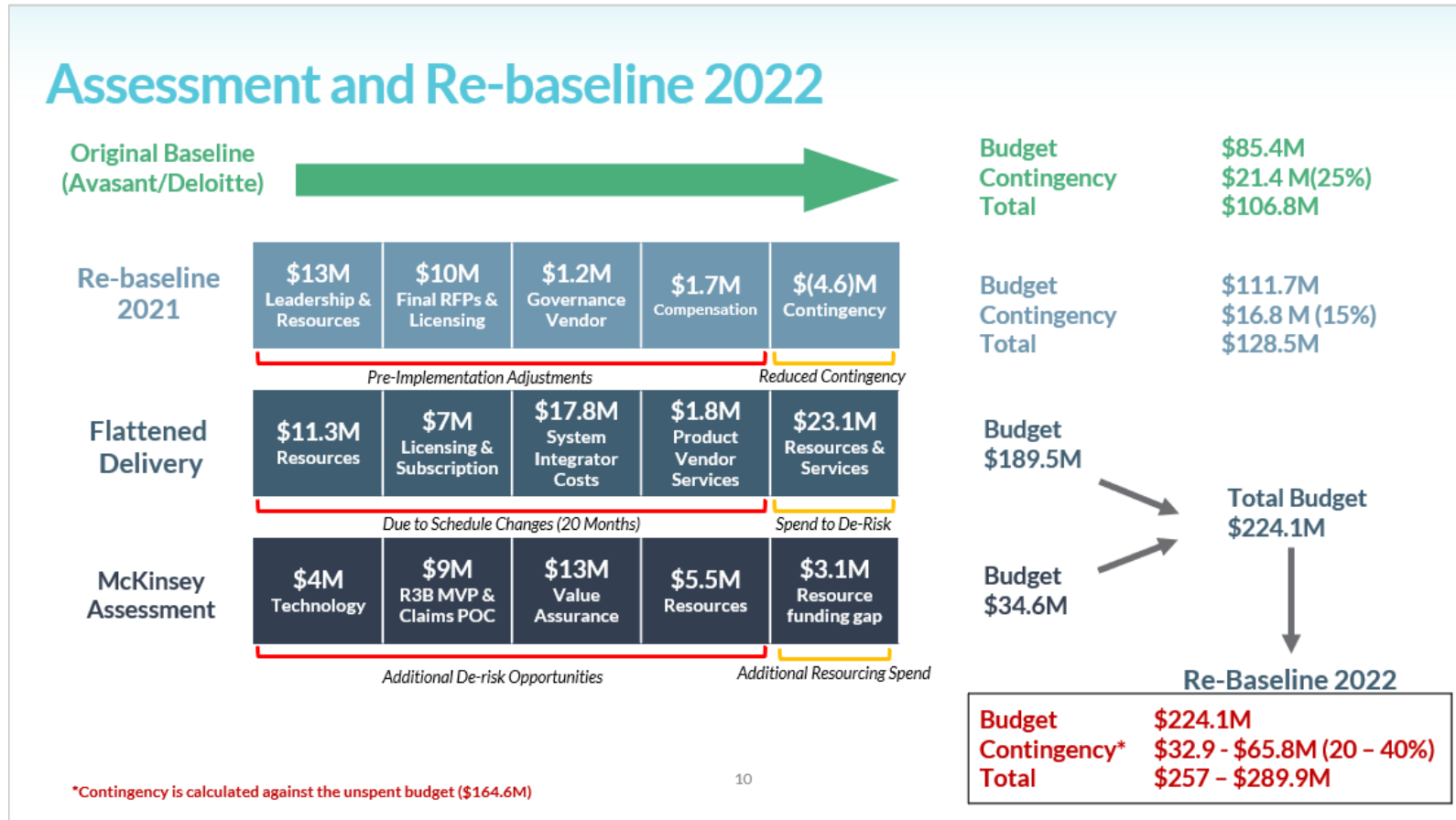


1. Listed in each Journey team box are the Nova's online transactions included in the Journey (incl. potential adds). 2. Sol Arch support end-to-end solution, including platform and shared services teams (also receiving tech guidance from vendors / SI partners / IT team); 3. Acting tech leads from the IT team are supporting Legacy integrations; 4. Tech leads supported heavily by SI architects; 5. Product Release Manager (MPI) paired with Tech Product Manager from SI; 6. MPI Tech Product Manager; 7. Tech Product Managers are from the IT team (non incremental), and are supported in Nova by two Project Managers (one dedicated to Integrations; one overseeing Shared Services and IT enablers); 8. System architects; 9. Oversees Shared Services and IT enablers (e.g., security, IBAM, infrastructure)



b) MPI did account for the costs of future enhancements in the 2022 Re-baseline.

c) The budget for these enhancements is \$5.5M and \$3.1M, as per the McKinsey Assessment recommendation as indicated in the 2022 Re-baseline slide below. MPI validated the \$5.5M amount when assessing the McKinsey recommendation and added the \$3.1M amount when it identified gaps in the recommendation that required additional resources to fill.



**PUB (MPI) 1-93**

<b>Part and Chapter:</b>	<b>Part IV - Nova, Information Technology, and Value Management - Nova Project NOV.4</b>	<b>Page No.:</b>	<b>18</b>
<b>PUB Approved Issue No:</b>	<b>19. Current IT Strategic Plan and IT Expenses and Projects, including Project Nova and other initiatives planned for or ongoing in the rating years</b> <b>a. Project Nova re-baseline, budget, and financing options, including debt financing</b>		
<b>Topic:</b>			
<b>Sub Topic:</b>			

**Preamble to IR:**

MPI states:

*"Overall, resourcing makes up 53% of the NOVA budget. Management of the resource type (external consultant or vendor services, incremental employee, non-incremental employees) is critical to program financial objectives. Any deviation on the type of resources assigned has financial impacts for the program." [2-5]*

**Question:**

- a) Please indicate risks to achieving resource levels estimated for the project.
- b) Please describe the implications of the COVID-19 work environment to the resource plan for both incremental and non-incremental resources.
- c) Please indicate which releases and associated PI [Program Increments] are of the highest risk (time and financial) of having an impact, if either incremental or non-incremental resources, are not available at the levels budgeted.
- d) Please indicate risks and level of impact associated to acquire and retain staff to support Project Nova.

**Rationale for Question:**

To enhance the understanding of the risk profile related to staffing for Project Nova.

**RESPONSE:**

- a) Risks related to achieving resource levels include organizational capacity and capabilities, constraints from competing projects and operational activities requiring the same resources, limitation on Subject Matter Expert resources, attrition, and succession plans being in place and successfully executed. Additionally, resources being over capacity, competing projects, resource retention and overall organizational maturity in new platforms and ways of working are potential risks related to staffing for Project NOVA.
- b) To date MPI has not experienced, nor does it foresee any MPI resource impacts due to COVID-19 work environments. Program resources demonstrated the ability to work remotely with no impacts on costs or schedule.
- c) Releases 3 and 4 (Program Increments 7 to 20) are currently at the highest risk, as Releases 1 and 2 have identified resources assigned, thereby limiting the probable risks to attrition and succession planning. Future work has more unassigned resources and therefore has more risks associated with resourcing.
- d) For each risk identified above, the loss of a resource can impact both schedule and cost. Currently, MPI employs the following mitigation steps:
  1. Succession planning utilizing MPI resources with the knowledge and skills to replace the resource. This has the least potential cost impact but typically the most schedule impacts.
  2. System Integrator (SI) services, which MPI can leverage further if none of its own resources are available or in place. This typically has the potential for more cost impacts but transfers risk to the SI for deliverables.



3. Leverage consulting services, which is typically more costly and risky, as risk is not transferred to the vendor but rather to independent consultants under MPI leadership.

**CAC (MPI) 1-11**

<b>Part and Chapter:</b>	<b>Part V – EXP.1</b>	<b>Page No.:</b>	<b>6 of 70</b>
<b>PUB Approved Issue No:</b>	<b>9. Cost of operations</b>		
<b>Topic:</b>	<b>Increases in FTE’s to mitigate risk</b>		
<b>Sub Topic:</b>			

**Preamble to IR:**

On page 6 of the Expenses chapter, MPI states:

*“Increases in Corporate FTE staffing to mitigate issues identified from the internal/external review of Project NOVA and corporate mandates for digital transformation and capacity build ups within the organization.”*

**Question:**

Please provide a narrative discussion on the FTE increases intended to mitigate identified Project Nova issues. Please include a discussion of management’s confidence level that the increase in FTE’s will solve Nova’s issues and not result in additional costs and delays.

**Rationale for Question:**

To better understand management’s strategy and confidence in increasing FTEs in ensuring Project Nova’s success.

**RESPONSE:**

MPI continues to finalize its overall budget for 2023/24. For its 2022/23 budget, MPI added \$5.1M to the operational budget for External labour (equal to 28.9 FTEs) to

support Project NOVA by ensuring organizational requirements and stabilizing the IT business requirements for its adoption.

The approved NOVA project costs capture the FTE adjustments MPI made to mitigate the issues identified in the internal/external review(s).

To clarify, MPI did not increase operational FTEs to directly to support NOVA and address NOVA-specific issues. Rather, it added these FTEs to enhance the ability of MPI to mature in key areas in order to support NOVA and successfully operationalize its solutions, post-release. These additional FTEs do not directly support the delivery of NOVA. Instead, they allow MPI to ready itself for what NOVA will deliver and the required transition of that delivery to operations.

**CAC (MPI) 1-29**

<b>Part and Chapter:</b>	<b>Part IV – Project Nova Appendix 9</b>	<b>Page No.:</b>	<b>2 of 5</b>
<b>PUB Approved Issue No:</b>	<b>19. Project Nova</b>		
<b>Topic:</b>	<b>Project Nova Allocations among lines of business</b>		
<b>Sub Topic:</b>			

**Preamble to IR:**

Page 2 of Appendix 9 to Part IV – NOV details the allocation of capital and ongoing costs among lines of business and streams.

The P & C stream (Duck Creek) capital costs is \$88.9 million, of which \$26.4 million is allocated to Basic, \$20.0 million to Extension and \$42.5 million to SRE.

**Question:**

Please provide a narrative discussion explaining why SRE would be allocated 47.8% compared to Basic being allocated 29.7% of the total P & C Stream costs. In this discussion, please address whether software customization a factor and if so please identify the costs associated with this customization.

**Rationale for Question:**

To better understand the rationale for MPI's Project Nova costs allocation amongst lines of business.

**RESPONSE:**

SRE is allocated at a higher cost percentage as it is the first release and implements the foundational aspects of the Duck Creek solution that future releases will leverage.

The features and story points for the foundational activities fall under the Release 1A efforts. As a result, MPI allocated the costs of same to that Release.

Customization is not a driver for costs, with the exception of billing, a feature not available within the Celtic platform. In its stead, MPI decided to leverage Microsoft Dynamics for its billing functionality.

**CAC (MPI) 1-56**

<b>Part and Chapter:</b>	<b>Part VIII – AR Appendix 5</b>	<b>Page No.:</b>	<b>10 of 27</b>
<b>PUB Approved Issue No:</b>	<b>6. Annual Business Plan</b>		
<b>Topic:</b>	<b>2.1.4 Nova &amp; Technology---Front load customer-value deliverables</b>		
<b>Sub Topic:</b>			

**Preamble to IR:**

On page 10, Part VIII – AR Appendix 5 it states:

*"In early 2022, Management completed an updated re-baseline assessment of Project Nova, which will see a **flattened delivery schedule and will front load customer-value deliverables**. This will deliver customer value sooner and increase program success. The impacts of the flattened delivery along with other de-risking strategies are expected to have a material impact on the overall program budget. MPI is working with Government to obtain the necessary approvals and understand how to best reflect the budgetary impacts for the 2022/23 fiscal year." **Emphasis added.***

**Question:**

Please provide a narrative explanation of MPI's plans to 'front load customer-value deliverables' including the costs related to front loading customer-value deliverables and the allocation methodology used in allocating these costs.

**Rationale for Question:**

To gain a better understanding of the impact of front loading customer-value deliverables in the implementation of Project Nova.

**RESPONSE:**

The statement referenced in the pre-amble refers to a recommendation from McKinsey that MPI included in its Annual Business Plan. McKinsey made this recommendation to MPI in regard to Release 3B (R3B), which focuses on enabling customer self-service. Instead of delivering all customer self-service functionality at once, McKinsey recommended that MPI consider splitting up the release of functionality through multiple minimum viable product iterations throughout the development cycle. While the result would front-load the release of customer self-service functionality in R3B, it would not do so as part of the 2022 Re-baseline flattened delivery schedule.

MPI evaluated this recommendation by McKinsey and believes that, based on the complexity of integrating the new solutions with the existing legacy systems and with decoupling some services, it may not be feasible to implement same.

The main objective of the 2022 Re-baseline is to de-risk Project delivery. The flattened delivery schedule focuses on this objective by alleviating parallel work and by moving to a more manageable sequential schedule to reduce organizational capacity and mitigate capability constraints.

**CMMG (MPI) 1-25**

<b>Part and Chapter:</b>	<b>Part VI – DSR Appendix 1</b>	<b>Page No.:</b>	<b>6 of 13</b>
<b>PUB Approved Issue No:</b>	<b>11. Driver Safety Rating 19. Current IT Strategic Plan and IT Expenses and Projects including Project NOVA</b>		
<b>Topic:</b>			
<b>Sub Topic:</b>			

**Preamble to IR:**

In the 2023 GRA MPI stated as follows:

*"As a result, understanding that changing the DSR model from RO to PD model would be considered a large-scale change to the operating model, MPI submits that any implementation of a new PD Model should occur at least 12-18 months following Project NOVA Release 3."*

In the 2022 GRA Mr. Mitra provided the following testimony during examination on October 26, 2021 at page 2372-2373 of the Transcript:

*"So, Duck Creek is the platform in which we would – we would implement the primary driver model. That functionality or configuration exists in Duck Creek."*

(...)

*"So, short answer is it'll still be within the nine (9) to twelve (12) month window through our program increments irrespective of when we do it."*

**Question:**

Please clarify MPI's position on how long after configuration of the Duck Creek to the PD model it will require before the implementation.



**Rationale for Question:**

**RESPONSE:**

The two quotes address two different matters. The first quote (from 2023 GRA) addresses when the implementation of any new driver model should occur – 12 to 18 months following Project NOVA Release 3. The second quote (viva voce evidence in October 2021) addresses how long it would take to complete the configuration work related to the new driver model.