

**IN THE MATTER OF:**

**An application by The Manitoba Public Insurance Corporation to The Public Utilities Board of Manitoba for review and approval of its rate bases and premiums charged with respect to compulsory driver and vehicle insurance effective from April 1, 2024 to March 31, 2025, pursuant to s. 25(1) of *The Crown Corporations Governance and Accountability Act*, C.C.S.M. c. C336.**

**AND IN THE MATTER OF:**

**An application by The Manitoba Public Insurance Corporation to The Public Utilities Board of Manitoba for a review of Order 145/23 with respect to compulsory driver and vehicle insurance effective from April 1, 2024 to March 31, 2025, pursuant to Rule 36 of the Rules of Practice and Procedure of The Public Utilities Board.**

## **APPLICATION TO REVIEW ORDER 145/23**

January 17, 2024

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**MANITOBA  
PUBLIC INSURANCE**

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## RV.1 Introduction

Pursuant to Subsection 44(3) of *The Public Utilities Board Act*, C.C.S.M. c. P280 and Rule 36 of The Public Utilities Board of Manitoba (“PUB”) *Rules of Practice and Procedure*, The Manitoba Public Insurance Corporation (“MPI”) hereby applies to the PUB for a review and a rescinding, changing, altering and/or varying of certain aspects of its Order 145/23, dated December 18, 2023, issued in the context of the 2024 General Rate Application (“GRA” or “Application”) and, in particular, the following Directives, paragraphs and/or appendices:

1. Directives 10.10(b), 10.10(c) and 10.10(d);
2. Directive 10.11(b);
3. Directive 10.12; and
4. Directive 10.13(a).

## RV.2 Directive 10.10(b), 10.10(c) and 10.10(d) – Revised Scope of Project Nova and report on Funding Envelopes

### Relevant Facts

The material portions of Directive 10.10 are as follows:

*“In the 2025 GRA, MPI shall file the following with respect to Project Nova:*

...

*b. A revised scope and related detailed strategy and plan to complete Project Nova within the 2022 IT Baseline estimated budget which minimizes usage of contingency;*

*c. A firm and final estimate, inclusive of contingency and timelines to complete Project Nova; and*

*d. A report on Project Nova addressing the following topics:*

*i. The funding envelopes for the project, including description and size of each...”*

In issuing Directive 10.10(b), the PUB appears to have imported the language of Directive 12.18(b) of Order 4/23, which states:

*"12.18 In the 2024 GRA, MPI shall file the following with respect to Project Nova:*

...

*(b) A revised project scope for the Board's information by April 15, 2023, or such other date as agreed upon by MPI and the Board, which provides clear definition of legacy systems modernization elements of the project specifically, the associated cost, and the target dates for achievement of those elements of the project"*

Similarly, in issuing Directive 10.10(d), the PUB appears to have imported the language of Directive 12.18(d) from Order 4/23, which states:

*"12.18 In the 2024 GRA, MPI shall file the following with respect to Project Nova:*

...

*(c) A report from the Project Nova independent governance consultant addressing the following topics:*

*i. The funding envelopes for the project, including description and size of each;"*

MPI previously applied to the PUB to review and vary Directives 12.18(b) and (c)(i) of Order 4/23. And, in Order 35/23, the PUB varied these Directives as follows:

*"12.18. In the 2024 GRA, MPI shall file the following with respect to Project Nova:*

...

*b. A current project scope for the Board's information by April 15, 2023, or such other date as agreed upon by MPI and the Board, which provides clear definition of legacy systems modernization elements of the project specifically, the associated cost, and the target dates for achievement of those elements of the project;*

*c. A report from the Project Nova independent governance consultant addressing the following topics:*

*i. The budget allocations for the project, including description and size of each;"*

In Order 145/23, the PUB again expressed its concern about the Project NOVA budget, stating that it had no confidence in the budget and opining that it may "far exceed \$290 million."<sup>1</sup>

## Grounds

### Directive 10.10(b)

In its reply to its application to review Directive 12.18(b) from Order 4/23, MPI argued that the PUB materially erred by assuming, incorrectly, that the scope of Project Nova is different than the initial Legacy Systems Modernization (LSM) Project. In response to the application, the PUB agreed to vary Directive 12.18(b), stating that its intention could be fulfilled by replacing the words "revised project scope" in the directive with the words "current project scope." If the PUB finds that revising the scope of Project NOVA is the only way that MPI can complete it within the 2022 IT Baseline estimated budget (and in a way which minimizes usage of contingency), MPI respectfully submits that the PUB erred again as there is no evidence to support that fact. The evidence the PUB received in this GRA is that MPI is trending towards a total project spend of \$240.7 million<sup>2</sup> without any changes in its scope.<sup>3</sup>

Additionally, as the PUB heard that MPI defines the scope of Project NOVA to be replacement of its legacy systems with commercial off-the-shelf solutions in a manner that does not require them to be highly customized<sup>4</sup>, revising the scope of the project means not replacing some aspect of its legacy systems (e.g., CARS). Further, MPI led evidence that it has already stood up in Releases 1 and 2 many of the same products needed for Releases 3 and 4 (which accounts for approximately a third of the one-time foundational

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<sup>1</sup> PUB Order 145/23, pgs. 11-12;

<sup>2</sup> 2024 GRA, MPI Exhibit #119, pg. 45;

<sup>3</sup> 2024 GRA, MPI Exhibit #119, pg. 44;

<sup>4</sup> 2024 GRA, MPI Exhibit #119, pgs. 41-42;

costs for the entire project).<sup>5</sup> Accordingly, MPI would not pursue a strategy to replace fewer of its identified legacy systems if it was of the opinion that could replace all of them within its current budget and believes it can complete Project NOVA within the 2022 IT Baseline estimated budget and in a way which minimizes usage of contingency.

Directive 10.10(c)

Although MPI appreciates and shares the desire of the PUB to see a firm and final estimate for Project NOVA (inclusive of contingency and timelines), its ability to do so in the 2025 GRA is rendered impossible by several factors. In the 2024 GRA, the PUB heard that:

1. missing requirements for Releases 1 and 2 and the labour interruption impacted the overall project timeline; and
2. the extent of the impacts will not be known until MPI completes the discovery phase of Release 3.<sup>6</sup>

The PUB also heard that MPI had yet to begin the Discovery Phase for Release 3<sup>7</sup> and that it expected that phase to take 4 months<sup>8</sup> to complete. In fact, MPI identified 6 critical activities<sup>9</sup> that must be completed before it can start work on Discovery for Release 3 and indicated that these critical activities are in addition to the activities needed to complete Release 2 and resolve the labour interruption.<sup>10</sup> In the interim, the budget remains unchanged from the 2022 Re-baseline exercise and MPI submits that it would be irresponsible to provide a "firm and final" estimate without completing, at the very least, Release 3 Discovery. This is why MPI stated in its closing submission:

*"...the best approach is for MPI to continue to report on its progress in completing Releases 1 and 2, proceed to complete discovery for Release 3 (provided that the entry criteria are satisfied) and report back to the PUB on its findings and any changes to any of the elements of the iron triangle*

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<sup>5</sup> 2024 GRA, MPI Exhibit #119, pg. 46;

<sup>6</sup> 2024 GRA, MPI Exhibit #119, pg. 44;

<sup>7</sup> 2024 GRA, MPI Exhibit #119, pg. 55;

<sup>8</sup> 2024 GRA, MPI Exhibit #119, pg. 44;

<sup>9</sup> 2024 GRA, MPI Exhibit #119, pg. 50;

<sup>10</sup> 2024 GRA, MPI Exhibit #119, pgs. 55-56;

*(i.e., scope, budget, time) and, more importantly, seek endorsement of its implementation strategy before proceeding.”<sup>11</sup>*

Directive 10.10(d)(i)

MPI previously advised the PUB that it could not comply with Directive 12.18(c)(i) from Order 4/23 because its Board of Directors does not approve funding envelopes for Project NOVA.<sup>12</sup> In Order 35/23, the PUB stated in respect of Directive 12.18(c)(i) from Order 4/23:

*“...recognizing again that the terminology “funding envelopes” may not be applicable here, the Board will vary Directive 12.19(c)(i) to require a report from the Project NOVA independent governance consultant addressing the budget allocations for the Project, including a description and size of each.”<sup>13</sup>*

MPI led no evidence during the 2024 GRA that its Board of Directors approves funding envelopes for Project NOVA.

### Resulting Prejudice or Damage from Existing Order

If the PUB did not vary Directive 10.10(b), MPI would comply with the directive, but would not action the accompanying strategy and plan. In so doing, MPI would devote time and resources away from its current strategy.

If the PUB did not vary Directive 10.10(b), MPI would file a revised strategy and plan to complete Project NOVA within the 2022 IT Baseline estimate but would qualify that its budget is contingent on the outcome of Release 3 Discovery. As a result, there exists a strong possibility that the PUB will conclude (in the context of the 2025 GRA) that MPI did not comply with this directive.

If the PUB did not vary Directive 10.10(d)(i), MPI would file a report from the Project NOVA Independent Governance and Risk consultant addressing the budget allocations for the project, including description and size of each. As the report would not address the

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<sup>11</sup> 2024 GRA, MPI Exhibit #119, pg. 58;

<sup>12</sup> PUB Order 35/23, pg. 10;

<sup>13</sup> PUB Order 35/23, pgs. 26-27;

description or size of any “funding envelopes,” there exists a strong possibility that the PUB will conclude (in the context of the 2025 GRA) that MPI did not comply with this directive.

## Remedy Sought

MPI respectfully submits that the PUB must:

1. vary Directive 10.10(b) to remove the words “revised scope and related” therefrom, leaving the Directive to read:

*“b. A strategy and plan to complete Project NOVA within the 2022 IT Baseline estimated budget which minimizes usage of contingency.”*

2. change and/or alter Directive 10.10(c), so that it reads:

*“c. A report on its progress in completing the implementation phase for Releases 1 and 2, the discovery phase for Release 3 and any changes to the scope, budget and time resulting therefrom.”<sup>14</sup>*

3. change and/or alter Directive 10.10(d), part i, so that it reads:

*“d. The budget allocations for the project, including description and size of each.”*

## RV.3 Directive 10.11(b) – Interim Governance Report

### Relevant Facts

Directive 10.11(b) reads as follows:

*“11. An IT summit shall take place no later than May 2024, to review progress on Project Nova and on IT projects beyond the scope of Project Nova. The IT Summit shall provide the following information and/or reporting:*

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<sup>14</sup> 2024 GRA, MPI Exhibit #119, pg. 58;



...

*b. An interim governance report prepared by MNP covering all observations/recommendations/status to date;”*

In the 2024 GRA, the PUB heard that MPI secured MNP as its new Project NOVA Governance and Risk Advisor and completed the onboarding process with them in September 2024.<sup>15</sup> MPI further explained that it had already secured the agreement of MNP to share their monthly reports with the PUB (via the confidential process) and was working with MNP to assess the possibility of producing a public-facing reporting system.<sup>16</sup>

## Grounds

Directive 10.11(b) assumes that MPI will be able to obtain an interim governance report from MNP covering all observations/recommendations/status to date and discounts the fact that MPI has already secured an agreement with MNP to share their monthly reports with the PUB. The current agreement<sup>17</sup> does not include an interim report in its scope of work. Without the cooperation of MNP, MPI may not be able to obtain an interim governance report for the PUB and/or share any of its existing reports with the PUB outside of the pre-established confidential process (including an IT Summit). MPI is currently in the process of consulting with MNP on these topics but is unable to confirm their position by the filing deadline.

## Resulting Prejudice or Damage from Existing Order

Without a change and/or alteration to Directive 10.11(b), there exists a strong possibility that the PUB will conclude (in the context of the 2025 GRA) that MPI did not comply with this directive if MPI is unable to secure the necessary agreement from MNP.

## Remedy Sought

MPI respectfully requests that the PUB change and/or alter Directive 10.11(b) so that it reads:

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<sup>15</sup> 2024 GRA, MPI Exhibit #119, pg. 51;

<sup>16</sup> 2024 GRA, MPI Exhibit #119, pg. 52;

<sup>17</sup> Affidavit of Tadeu Augusto Costa de Albuquerque Meira, affirmed January 17, 2024;

"b. With its consent, all reports prepared by MNP as the Governance and Risk Advisor for Project NOVA;"

## RV.4 Directive 10.12 – Funding Envelopes

### Relevant Facts

Directive 10.12 reads:

"12. MPI shall meet with Board staff and advisors to review all aspects of Project Nova, including but not limited to project deliverables, timeline, budget, discount rate, and any new elements added to the initiative, within 30 days after funding envelopes have been presented to the MPI Board of Directors."

Directive 12.19 from PUB Order 4/23 reads:

"19. MPI shall meet with Board staff and advisors to review all aspects of Project Nova and MPI 2.0, including but not limited to project deliverables, timeline, budget, discount rate, and any new elements added to the initiative, within 30 days after funding envelopes have been presented to the MPI Board of Directors."

MPI led no evidence during the 2024 GRA that its Board of Directors approves funding envelopes for Project NOVA. However, in addition to its Board, MPI submits that the Government of Manitoba must also be informed of and/or approve changes to Project NOVA when such changes will impact its budget, timeline or scope. Given these additional reporting requirements, MPI may not be able to schedule meetings with PUB staff and advisors within 30 days of presentation to its Board of Directors.

### Grounds

Like Directive 10.10(b) above, Directive 10.12 appears to borrow from the language contained in Directive 12.19 from Order 4/23. In PUB Order 35/23, the PUB agreed to vary Directive 12.19 from Order 4/23 to remove reference to "funding envelopes" and to require

MPI instead to meet with the Board staff and advisors no later than May 12, 2023 or such other date as may be agreed upon by MPI and the Board.<sup>18</sup>

As Directive 10.11 already requires MPI to attend an IT Summit (to address, among other things, progress on Project NOVA) no later than May 2024, MPI submits that it would be most appropriate to address the information intended to be obtained through Directive 10.12 by adding a requirement to Directive 10.11 that MPI review all aspects of Project NOVA at the IT Summit.

In the alternative, MPI submits that it would be most appropriate for any meeting with PUB staff and advisors to occur following any required reporting to the Government of Manitoba.

### Resulting Prejudice or Damage from Existing Order

Without a change and/or alteration to Directive 10.12, the PUB could find that MPI failed to comply with the Directive.

### Remedy Sought

MPI requests that the PUB:

1. rescind Directive 10.12; and
2. vary 10.12 to read as follows:

*"12. An IT summit shall take place no later than May 2024, to review all aspects of Project Nova, including but not limited to project deliverables, progress, timeline, budget, discount rate, any new elements added to the initiative and all IT projects beyond the scope of Project Nova. The IT Summit shall provide the following information and/or reporting:"*

3. in the alternative, vary Directive 10.12 to read as follows:

*"12. MPI shall meet with Board staff and advisors to review all aspects of Project Nova, including but not limited to project deliverables, timeline, budget, discount rate, and any new elements added to the initiative,*

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<sup>18</sup> PUB Order 35/23, pg. 27;

*within 30 days after the budget allocations have been presented to the MPI Board of Directors and to the Government of Manitoba.”*

## RV.5 Directive 10.13 (a) – Strategy for Assignment of Contingency Percentages

### Relevant Facts

*Directive 10.13(a) reads as follows:*

*"13. In the 2025 GRA, MPI shall file the following with respect to IT Value Management/Assurance:*

*a. Documented guidelines denoting the strategy MPI utilizes to assign contingency percentages to Projects/Epics..."*

MPI led no evidence in the 2024 GRA that it uses a strategy to assign contingency percentages to Projects/Epics. The PUB did hear however that it was standard for MPI, as part of the financial analysis, to use 15% as a contingency for all projects.<sup>19</sup>

### Grounds

Directive 10.13 assumes that MPI uses a strategy to assign contingency percentages to Projects/Epics when that fact was not established by the available evidence.

### Resulting Prejudice or Damage from Existing Order

Without a variation of Directive 10.13(a), there exists a strong possibility that the PUB will conclude (in the context of the 2025 GRA) that MPI did not comply with this directive.

### Remedy Sought

MPI requests that the PUB vary Directive 10.13(a) to:

1. remove the word "strategy" and replace it with the word "process."

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<sup>19</sup> 2024 GRA Transcript, October 11, 2024, pg. 598, lines 2-15;

**RV.6 Other adjustments**

In addition, MPI requests that the PUB also review and correct the following typographical or similar errors identified in Order 145/23, namely:

Page No(s).	Directive/ Paragraph	Error(s) Identified	Correction(s) Sought
140	Directive 10.09	Directive combines two unrelated matters.	<ol style="list-style-type: none"> <li>1. Directive 10.09 should read: "The Board hereby dismisses MPI's request for approval of the Blanket Policy."</li> <li>2. Add Directive 9.1, which new Directive would incorporate the balance of the wording from Directive 10.09 that is not included in the revised version proposed above.</li> </ol>
92 and 141	DSR Vehicle Insurance Premium Table	<ol style="list-style-type: none"> <li>1. Rightmost column heading reads "2023/24 Discount".</li> <li>2. DSR Level 13 discount does not equal 36%.</li> </ol>	<ol style="list-style-type: none"> <li>1. Change rightmost column to "2024/25 Discount".</li> <li>2. DSR Level 13 discount increase should be 3% (instead of 2%).</li> </ol>
151	Appendix C	<ol style="list-style-type: none"> <li>1. Khurram Masud's name is misspelled.</li> <li>2. Glenn Bunston's role is incorrectly identified.</li> <li>3. Martin Marion is not identified as a witness.</li> <li>4. Dean Dunstone's role is incorrectly identified.</li> </ol>	<ol style="list-style-type: none"> <li>1. Correct name to "Khurram Masud."</li> <li>2. Correct Glenn Bunston's role to Director, ALM and Investment Management.</li> <li>3. Add Martin Marion, Manager, Valuation to the list of MPI witnesses.</li> <li>4. Correct Dean Dunstone's role to Manager, Forecasting.</li> </ol>

Date: January 17, 2024

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