MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)

2019/2020 GENERAL RATE APPLICATION

HEARING

Before Board Panel:

        Robert Gabor, Q.C. - Board Chairperson

        Irene Hamilton   - Board Member

        Carol Hainsworth   - Board Member

        Robert Vandewater - Board Member

HELD AT:

        Public Utilities Board

        400, 330 Portage Avenue

        Winnipeg, Manitoba

        October 22, 2018

        Pages 888 to 1100

1   APPEARANCES

2

3 Kathleen McCandless   )Board Counsel

4 Robert Watchman   )Board Counsel

5

6 Steven Scarfone   )Manitoba Public

7 Anthony Guerra   )Insurance

8

9 Byron Williams   )CAC (Manitoba)

10 Katrine Dilay   )

11

12 Raymond Oakes   )CMMG

13

14 Erika Miller   (np)   ) CAA Manitoba

15

16

17

18

19

20

21

22

23

24

25

890

1   TABLE OF CONTENTS

2   Page No.

22

23

24

25

891

	EXHIBIT NO.	DESCRIPTION	PAGE NO.

1   LIST OF EXHIBITS

2   EXHIBIT NO.   DESCRIPTION   PAGE NO.

3   PUB-19   PDR (a) from the 2017 rate

4   application.   1020

5   PUB-20   MPI Exhibit Number 17 from the

6   2018 GRA   1027

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 --- Upon commencing at 9:00 a.m.

2

3   THE CHAIRPERSON: Good morning,

4 everyone, I hope you all had a good weekend.

5   Ms. McCandless, do you want to take us

6 through today.

7   MS. KATHLEEN MCCANDLESS: Sure. Thank

8 you. Good morning, Mr. Chair and members of the

9 Panel. Today we have the MPI IT Physical Damage Re-

10 engineering and Value Management Panel. We expect

11 this panel will take us to the end of the day and into

12 tomorrow and -- but we're not sure just how long

13 tomorrow will take, so, thank you.

14   THE CHAIRPERSON: Mr. Scarfone...?

15   MR. STEVE SCARFONE: Good morning, Mr.

16 Chairperson. Good morning, panel members. Yes, this

17 morning, Mr. Chair, we have the information

18 technology, physical damage re-engineering program and

19 the value management panel. There's a lot of

20 material that we'll cover here today and over the next

21 day or two (2) perhaps.

22   So perhaps I'll begin with some

23 introductions, because it has been a while since some

24 of the panel members were before you. And there's

25 some new people here as well. Beginning to my left is

 1 Lawrence Lazarko. He's the director of Information

 2 Technology. Beside Mr. Lazarko is Brad Bunko, vice-

 3 president of Information Technology and Business

 4 Transformation. And he is the Corporation's Chief

 5 Information Officer. Beside Mr. Bunko is Curtis

 6 Wennberg. He returns again. He is vice-president of

 7 Customer Service and the Chief Operations Officer.

 8 Beside Mr. Wennberg John Remillard. Mr. Remillard is

 9 new to this proceeding. He is MPIC's Corporate

10 Business Architect and then beside Mr. Remillard, of

11 course, is Mr. Graham. Ben Graham is President and

12 Chief Executive Officer of Manitoba Public Insurance.

13   And going down the back row beginning

14 with -- behind Mr. Graham is Joe Riel. Mr. Riel is

15 the senior value management specialist; beside Mr.

16 Riel is Carol Hora offering back row support. She is

17 the director of the Service Centre Operations and

18 Claims Control. Beside Ms. Hora is Gary Dessler. He

19 is the MPIC corporate system architect. Beside Mr.

20 Dessler, of course, is Ms. Campbell who you saw last

21 week, the Controller. Mr. Guerra beside Ms. Campbell.

22 Mr. Crozier from Regulatory Affairs. And lastly,

23 beside Mr. Crozier is Shayon Mitra. He is the

24 Director of Physical Damage.

25   And sitting beside me to my right is

894

1 Charles Henry. Mr. Henry will be giving evidence

2 after the panel members are done. He is here to give

3 expert evidence and has been prequalified to speak to

4 physical damage re-engineering report that's in

5 evidence before the Board in this proceeding, and he

6 comes from the Gartner Group.

7   THE CHAIRPERSON: Thank you. Perhaps

8 I could ask the secretary to swear in those witnesses

9 who haven't been sworn in yet.

10

11 MPI WITNESS PANEL 4 - IT/PHYSICAL DAMAGE RE-

12 ENGINEERING PROJECT VALUE MANAGEMENT PANEL

13   BEN GRAHAM, Previously Sworn

14   CURTIS WENNBERG, Previously Sworn

15   BRAD BUNKO, Previously Sworn

16   LAWRENCE LAZARKO, Sworn

17   JOHN REMILLARD, Sworn

18   CHARLES HENRY, Sworn

19

20 EXAMINATION-IN-CHIEF BY MR. STEVE SCARFONE:

21   MR. STEVE SCARFONE: Thank you, Mr.

22 Christle. So if we can begin, just with some

23 introductions and some background information on some

24 of the panel members, Mr. Chair. I'll start firstly

25 with Mr. Lazarko, to my left.

 1   Mr. Lazarko, you are the Director of

 2 Information Technology at MPIC?

 3   MR. LAWRENCE LAZARKO: That's correct.

 4   MR. STEVE SCARFONE: And how long,

 5 sir, have you been the Director?

 6   MR. LAWRENCE LAZARKO: In the current

 7 role, four (4) years?

 8   MR. STEVE SCARFONE: All right, and

 9 how long have you been with MPIC, sir?

10   MR. LAWRENCE LAZARKO: It will be

11 eight (8) Years in March.

12   MR. STEVE SCARFONE: All right. And

13 briefly, could you describe for the -- for the panel

14 members, what your role as Director of Information

15 Technology involves.

16   MR. LAWRENCE LAZARKO: Certainly. As

17 direct -- Director, Information Technology I have

18 responsibility for IT infrastructure. This includes

19 the IBM data centre and the assets within it, as well

20 as personal computing, so, laptops, desktops, printers

21 and related software. I have responsibility for IT

22 vendor management, which includes major contracts,

23 such as the DXC agreement and IBM agreement. I have

24 responsibility for data and analytics. And I have

25 responsibility partnering with John Remillard in the

896

1 delivery of the Technology Risk Management Program.

2   MR. STEVE SCARFONE: Thank you, sir.

3 And just for the benefit of the panel members and for

4 later when questions arise, what parts of the

5 application did you have a hand in preparing or

6 reviewing, Mr. Lazarko?

7   MR. LAWRENCE LAZARKO: Certainly. So

8 I've authored and reviewed the IT chapter. I have

9 participated in the authoring of the IT

10 recommendations related to Gartner benchmarking. I

11 have responded to IRs related to operational expense,

12 IT capital, IRs related to technology, risk management

13 and partnering with Brad and John paired parts of the

14 IT strategy.

15   MR. STEVE SCARFONE: Okay, thank you

16 very much.

17   MR. LAWRENCE LAZARKO: Thank you.

18   MR. STEVE SCARFONE: And, Mr. Bunko,

19 sir, you're vice-president of Information Technology;

20 is that correct?

21   MR. BRAD BUNKO: Yes, it is.

22   MR. STEVE SCARFONE: And the Chief

23 Information Officer of MPIC?

24   MR. BRAD BUNKO: Yes.

25   MR. STEVE SCARFONE: And, how long,

 1 sir, have you been in that role?

 2   MR. BRAD BUNKO: Approximately four

 3 and a half year (4 1/2) years.

 4   MR. STEVE SCARFONE: All right. And

 5 prior to that, were you working with the Corporation?

 6   MR. BRAD BUNKO: Yes. I've worked

 7 with the Corporation for just over nine and a half (9

 8 1/2) years.

 9   MR. STEVE SCARFONE: Okay. And what

10 did you do in your role prior to becoming the vice-

11 president of Information Technology.

12   MR. BRAD BUNKO: Prior to this role, I

13 had a rule that -- that is similar to Lawrence's that

14 managed infrastructure components, and also the

15 application services side.

16   MR. STEVE SCARFONE: I see, all right.

17 And did you have a hand, sir, in the preparation of

18 parts of the application before the Board this year?

19   MR. BRAD BUNKO: Yes, primarily

20 oversight and review.

21   MR. STEVE SCARFONE: Okay and I

22 understand, Mr. Bunko, that you have a presentation

23 that you will be presenting to the Board momentarily?

24   MR. BRAD BUNKO: Yes.

25   MR. STEVE SCARFONE: Okay. And, Mr.

 1 Bunko, do you adopt the presentation as part of your

 2 examination-in-chief here this morning?

 3   MR. BRAD BUNKO: I do.

 4   MR. STEVE SCARFONE: Thank you, sir.

 5 Mr. Wennberg, you're vice-president of Customer

 6 Service and the Chief Operations Officer of Manitoba

 7 Public Insurance?

 8   MR. CURTIS WENNBERG: That's right.

 9   MR. STEVE SCARFONE: And how long have

10 you been in that role, sir?

11   MR. CURTIS WENNBERG: Roughly, two (2)

12 years.

13   MR. STEVE SCARFONE: And have you

14 worked for MPIC prior to becoming a vice-president?

15   MR. CURTIS WENNBERG: No, sir.

16   MR. STEVE SCARFONE: What did you do

17 prior to arriving at MPIC two (2) years ago?

18   MR. CURTIS WENNBERG: I'm born and

19 raised Manitoban, but I'd spent eighteen (18) years

20 outside. I did a Masters in Business in London. Then

21 went down to Australia, worked for a consulting

22 company called Boston Consulting Group. Then five (5)

23 years at GE Capital, switching the roles, and then

24 vice-president roles in marketing, mainly. Then

25 joined HSBC, ran the credit card business in Canada.

1 Then joined Toronto Stock Exchange and so a number of

2 household brand types of companies at the executive

3 level.

4   MR. STEVE SCARFONE: Okay, thank you

5 for that. And, Mr. Wennberg, I understand you'll be

6 also on the heels of Mr. Bunko's presentation

7 presenting to the Board this morning; is that correct?

8   MR. CURTIS WENNBERG: That's correct,

9 yeah.

10   MR. STEVE SCARFONE: And did you, sir,

11 have a hand in preparing parts of the application

12 before the Board?

13   MR. CURTIS WENNBERG: I did with my

14 role, generally, it's -- it's related to about $75

15 million of our operating expense with a lot of the

16 operations folks. It's also managing the -- 800

17 million or in our pro forma going up to close to a

18 billion dollars in total claims cost. So, it's a big

19 portfolio so different areas that touch that.

20   It also includes topics, whether it be

21 paintless dent repair, the -- also the PDRs you see at

22 CCRS and the business case related to that. Rodents,

23 if there's any questions historically on that, of any

24 other physical damage questions, repair shop

25 negotiations, direct repair. PIPP, whether it's the

1 reserving or the changes we're making in PIPP. High

2 school driver's ed and the drivers and licensing

3 areas.

4   MR. STEVE SCARFONE: Okay. Thank you,

5 sir. And so the presentation that you'll give, do you

6 adopt that as part of your evidence of your

7 examination-in-chief here this morning?

8   MR. CURTIS WENNBERG: Yes, I do.

9   MR. STEVE SCARFONE: Okay, thank you.

10 And next to you, Mr. Wennberg, is John Remillard.

11   Mr. Remillard, you're the corporate

12 business architect, correct?

13   MR. JOHN REMILLARD: That's correct.

14   MR. STEVE SCARFONE: And how long,

15 sir, have you been in that role with MPIC?

16   MR. JOHN REMILLARD: Approximately

17 eight (8) years.

18   MR. STEVE SCARFONE: Okay. And prior

19 to that what did you -- I know that you were with MPIC

20 prior to that. What did -- can of work did you do

21 with the Corporation?

22   MR. JOHN REMILLARD: Sure. Prior to

23 that I was the Director of the Business Process Review

24 which was, in essence, the program of initiatives to

25 oversee the integration of driver licensing with MPI.

901

 1   MR. STEVE SCARFONE: Okay, thank you,

 2 sir. And, Mr. Remillard, what areas are you able to

 3 speak to today if questions are posed to you?

 4   MR. JOHN REMILLARD: Certainly. The

 5 value management chapter and all the associated

 6 business cases. I participated in the production of

 7 the IT strategy and, ultimately, responded in

 8 partnership with Joe Riel to the interrogatories

 9 associated with value management.

10   MR. STEVE SCARFONE: All right. Thank

11 you, Mr. Remillard.

12   And then lastly, Mr. Chairperson, of

13 course, beside him is Mr. Graham who introduced

14 himself to the panel last week.

15   So, subject any questions that the

16 Chair has, I think we're ready to proceed with Mr.

17 Bunko's presentation.

18   THE CHAIRPERSON: That's fine, let's

19 go ahead.

20   MR. BRAD BUNKO: Good morning. Today

21 we're here to talk to you about information

22 technology, physical damage re-engineering and value

23 management. On the IT side, you'll hear from me on

24 our IT strategy. How it supports our business

25 objectives and how we become -- compare to our peers

 1 when it comes to IT performance.

 2   Next, you will hear from Mr. Wennberg

 3 who will talk to you about value management processes

 4 and how it's shaping a robust and effective corporate

 5 decision-making process for large projects. Mr.

 6 Wennberg will also talk about the PDR project, some

 7 key learnings and how value management will help us

 8 implement what we've learned.

 9   Finally, you'll hear from Dr. -- from

10 sorry, Chuck Henry from Gartner. He's an expert

11 witness who will talk to you about the PDR project.

12   As we go through the presentation, it

13 should become clear how these topics are closely

14 linked, more specifically, how business operations and

15 IT need to work together for MPI to meet its business

16 objectives.

17   First I'd like to talk about the IT

18 strategy. Purpose of the IT strat -- strategy is to

19 connect strategy to action at MPI and we have a new

20 format this year, one that is clearer in how we start

21 with a business objective found in the business plan,

22 which is actually the anchor document for the IT

23 strategy.

24   IT defines what business capabilities

25 and IT capabilities are needed to meet our business

 1 objectives. We've had Board guidance as part of this

 2 IT strategy. They wanted to be sure that we are

 3 clearly displaying how we have evolved our IT

 4 initiative practices.

 5   The IT strategy focuses on the '18/'19

 6 fiscal year, but needs to be updated annually to stay

 7 relevant. Now important consideration is legacy

 8 modernization. If approved, this will have a major

 9 impact on our IT strategy as it will significantly

10 change our ability to create IT and business

11 capabilities to meet the MPI's business objectives.

12   Here we just have a graphical represent

13 -- representation of the IT strategy. I think what's

14 important when you look at this is, starting on the

15 far left is the business plan, which is essentially

16 the -- as I mentioned, the anchor document or the

17 driver of all other components of the IT strategy.

18 With the business plan, we determine what business

19 capabilities and IT capabilities are required. It

20 also has a couple more boxes on there being projects

21 at the top and operations on the bottom and those are

22 essentially outputs from the IT strategy.

23   So once the business capabilities and

24 IT capabilities are determined that need to be

25 created, a project will be created and once that

904

 1 execution is complete, it will be transitioned to

 2 operations, both a business operations and technology

 3 operations.

 4   I mentioned earlier about, you know,

 5 where we were and -- and where we are now. This table

 6 is a description of how we've evolved over the last

 7 couple of years. And I'd just like to run through

 8 since they are quite important.

 9   So where we were is on the left side

10 and -- and where we are now headed on the right.

11 Previously, we were leaders in creating innovation.

12 Where we are headed now is we want to make sure we are

13 adopting proven mainstream technology, very important.

14 An example of that would have been our CCRS project,

15 whereas now we would be looking for a more off-the-

16 shelf mobile first notice of loss application.

17   Another point of where we were is

18 executing high risk projects. Where we're headed is

19 identifying all risk prior to project initiation and

20 incorporate them into the project decision. This is

21 going across the board on all of our new initiatives

22 coming forward.

23   Customized out-of-the-box -- I'm sorry,

24 project governance with nonbusiness project sponsors

25 for all projects was what was done in the past, but in

 1 the future we've changed that governance structure

 2 significantly where we have an operational business

 3 champion very much involved in the initiatives.

 4   An example would be for our financial

 5 re-engineering we have our controller -- controller

 6 Cynthia Campbell acting as the operational business

 7 champion.

 8   Another point of where we were is

 9 customized out-of-the-box software to suit our

10 process. Where we're headed is to align, wherever

11 possible, our processes to industry best practices

12 that is incorporated in vendor provided software.

13   Customization can be expensive, both on

14 the implementation but also very expensive ongoing.

15 Every time you want to do an upgrade of that

16 application you are -- you are experiencing a lot more

17 cost than you would if it was just the out-of-the-box

18 functionality that you're upgrading. A good example

19 of where we're implementing that structure is with the

20 analysis that we're doing for Legacy Modernization

21 Assessment.

22   Another item where we were is candidate

23 projects were not vetted through a detailed value

24 management process. And where we're headed is value

25 management discipline process becomes ingrained in MPI

1 process and culture. This again is applied to all new

2 initiatives.

3   Where we were, technology driven change

4 within the organization. Where we're headed, IT

5 capabilities are created to support business

6 capabilities. This is well articulated inside the IT

7 strategy. An example of which would be customer self-

8 serve.

9   The IT scorecard --

10

11 CONTINUED BY MR. STEVE SCARFONE:

12   MR. STEVE SCARFONE: Just be -- before

13 you move on to your next -- thank you, Curtis.

14   Mr. Bunko, could you -- there's a lot

15 of change there that's demonstrated on the slide,

16 perhaps from a high level, could you just explain what

17 was the impetus for the change that appears to be

18 happening in the direction that the IT strategy is

19 taking?

20   MR. BRAD BUNKO: Well, we don't like

21 to see projects that fail and a lot of these things

22 pertaining to proper preparation on decision-making

23 for the initiative before we venture into them. Other

24 things pertain to having an extra burden in a -- in

25 technology debt that is not obviously necessary, such

 1 as customization is a technology debt that you will

 2 put on yourself and you will continue to pay for a

 3 very long time to come. So, therefore, that would

 4 increase operational cost of IT ongoing and make it

 5 very difficult to -- to adopt new functionality that

 6 may be provided by the vendors.

 7   MR. STEVE SCARFONE: Thank you.

 8   MR. BRAD BUNKO: IT scorecard. Now

 9 Gartner has been doing this for us for a number of

10 years, formerly called the CIO scorecard is now called

11 IT scorecard and it is our independent assessment of

12 MPI's IT progress in peer comparisons.

13   So we use this scorecard to continually

14 improve. Gartner makes recommendations. We -- the

15 recommendations that we agree with, we make plans to

16 address. There are some recommendations that we are

17 not aligned with, we will have conversations with

18 Gartner and often it is getting to the -- to the

19 clarity of what actually the crux of the problem may

20 be.

21   But our MPI performance is -- has been

22 improving over time quite consistently over the last

23 five (5) years. Two (2) of the major benchmarks

24 inside of the IT score is our IT spend as a percentage

25 of operating expense, which has decreased 7.1 percent

1 year-over-year over the last five (5) years, that's a

2 compounded annual growth rate of negative 7.1 percent.

3   MPI's IT maturity growth is 3.9 percent

4 per year compounded annual growth rate over the last

5 five (5) years. Interesting thing about that is that

6 typically it's difficult to increase your maturity

7 while decreasing your costs because increased maturity

8 reflects a higher level of service delivery capability

9 to the organization, and that typically just costs

10 more.

11   As in one (1) categorization such as

12 information security, if you want to become more

13 capable increase your capacity in that area, you will

14 have to incur expenses to get there to increase your

15 maturity.

16   IT staffing strategy. So this has been

17 going on for proximally three (3) years and it is the

18 whole idea of making sure that we are making effective

19 use of in-house versus external contractors for IT.

20 Our target was seventy-seven (27) positions starting

21 in '16/'17 and ending in '19/'20, with a projected

22 savings of $2.4 million annually.

23   And where we are at right now is we

24 have converted twenty (20) positions and the savings -

25 - we anticipate savings by the end of '19/'20, after

 1 we've converted all twenty-seven (27) to be between

 2 2.4 million and $3 million in annual savings.

 3   My last slide I -- I talk about the

 4 current financial year capital projects. Now these

 5 dollar amounts that you see here are just the dollar

 6 amounts for the '18/'19 fiscal year. Some of them are

 7 multi-year projects.

 8   The business and IT capabilities that

 9 will be created through these projects are identified

10 in the IT strategy which is another good thing about

11 the IT strategy, not only is it -- it's defining what

12 capabilities are required and then it does link them

13 to the initiatives that are in flight. If there's

14 capabilities that are required, and we do not yet have

15 an initiative in flight that is an indication of where

16 a new project may need to be created. And now I'd

17 like to turn it over to Mr. Wennberg.

18   MR. CURTIS WENNBERG: Okay, thank you,

19 Brad. So I've got four (4) pages that are fairly

20 simple to present to everyone and -- and given my role

21 it's -- it's -- it's -- need to be up here with Brad

22 to show you how the IT strategy melds with the value

23 management.

24   Value management is a cultural shift

25 for MPI and maybe we'll describe that through some of

1 the examples big and small.

2   So in the -- in the first page here all

3 big projects now go through some expected rigour where

4 we look internally for all costs and all benefits to

5 be -- to be explicit and even if there's soft benefits

6 we want to make sure that we understand those. But we

7 have a full picture of what something actually is.

8   To give you an example wi -- that can

9 bring what Brad's testimony was, the before-and-after

10 to what happens now, I'll give you a small example

11 that is a microcosm.

12   We were working for a number of years

13 on video-based estimating, so we were working with a

14 local company. We were going to try and innovate to

15 do -- take videos of a vehicle remotely and then have

16 our estimators review that and hopefully it was going

17 be efficient. But, put a person on it from Operations

18 and really decided to -- to get the business case on

19 this and see -- is our efforts worthwhile because we

20 were out there. There was no others that were doing

21 this in the market in North America.

22   And when we looked at it there were

23 some benefits we could see. We don't have to do rural

24 road runs. There is a benefit to some customers, but

25 the use of videos, heavy data, intensive, no one's

911

1 doing this, we'd have to develop some stuff with our

2 use of -- of -- of our own claim system CARS plus --

3 and Mitchell and it -- was complex. It's that

4 innovator's curse of being the first to do something.

5   So in the end once we actually

6 business-cased this thing, we -- we shut it down. And

7 ten (10) months later, here I am at -- with Brad

8 reviewing a room full of other insurance carriers who

9 are using now photo-based estimating which is an

10 industry standard that's come out, where they've got

11 firms such as Mitchell or -- they're not the only ones

12 doing it, but it'll allow you to take pictures of your

13 vehicle and upload that to our estimators and we can

14 actually do almost the same thing that we were

15 anticipating doing and by signing on -- on this as a

16 off-the-shelf type of application, we follow best

17 practice, it should be more robust. We're not doing

18 this now, but we're going to take a strong look at it.

19   So it's an example of where we were

20 trying to be more innovative and more technology and

21 -- and we're pulling back and we're using more best

22 practices.

23   Point 2 is value-managed checkpoint --

24 is value management checkpoint is ingrained in the

25 process. So high school driver's ed is -- is on your

 1 slide as an example. High school driver's ed is, of

 2 course, a multiyear, multimillion dollar program, but

 3 we found as we looked at it with Joe and his team, at

 4 this point, we didn't have a full business case so,

 5 we've gone through and put a business case with the

 6 hard and soft benefits, and I think there'll be some

 7 more questions about that later. And -- and happy to

 8 get into it, but -- but through that process we also

 9 learned some of the positives and other things we --

10 we want to put on with high school driver's ed.

11   Third point is we know when we do this

12 not everything that we invest in is going to have a

13 positive NPV and we're going to still have to take

14 that up to both our board and this Board and just be

15 honest with ourselves and say that sometimes we'll

16 need to invest in things that are just compliance

17 related or that it's strategically important for us to

18 do and -- and move on. But that's not unusual for

19 other businesses and -- and we just -- we shouldn't be

20 stretching out all the time to show a positive NPV.

21   And then the final one is even daily

22 operational decisions are requiring business acumen to

23 be done before we adopt something so some of my team

24 that sit behind me will be -- knowing when I say we

25 asked for a one pager sometimes and we're looking at a

1 process change or policy change or even a technology

2 change to -- to do something, we really push on what's

3 the business acumen. So that's -- that's the first

4 page on value management.

5   To dive deeper on the bigger projects

6 that are subject to this review heavily in IRs,

7 there's the PDR and CCRS. The context for this -- the

8 Board did request a new full NPV and -- and we

9 provided that very early in 2018. The updated NPV, as

10 you know, was -- it was 13 million for years and years

11 and years and not really changed. And that went down

12 to minus 53 million when -- when everything was -- was

13 thrown in there.

14   There were some key costs that weren't

15 included for various reasons. Some benefits were not

16 negotiated into the Light Vehicle Accreditation

17 Agreement that we had, like the loss of use or -- or

18 how we basically pay for rental cars, for example,

19 that we just didn't get in the Agreement what we had

20 assumed would -- was in the business case and the

21 positive NPV.

22   We'd -- we'd stopped doing some

23 components of PDR like total loss and -- and some of

24 the -- some of the aspects of it weren't -- weren't

25 really ready from an operational sense to -- to -- to

914

1 through out there; and then some costs were added in

2 on the LVA, like the eighty-one dollar ($81) direct

3 repair premium. That was -- that was more a -- a new

4 thing from 2016 that was added in but not assumed as

5 part of the costs.

6   In the CCRS implications we -- we

7 internally recommended another review of CCRS as a

8 component. Historically, the culture was to determine

9 an overall project NPV for a big project like PDR,

10 CCRS being one (1) component. Don't look at it as an

11 isolated unit but certainly it's a size that you would

12 want to make sure that we're making our money from it

13 or understand the cost and benefits.

14   It is a very innovative piece and we'll

15 probably get into it later on, but -- but we want to

16 take a look at that. And then in April after Ben

17 joined, we finished our analysis of that and we

18 decided to cancel that project for a number of

19 reasons. And -- and that's all on the record already

20 in terms of why, but -- so you can see that even for

21 some of the smaller projects plus then these larger

22 ones we're -- we're reviewing and doing a fairly full

23 net present value and business casing to support

24 decisions.

25   On lessons learned for PDR and CCRS

 1 there's a few of them. One (1) is that corporate

 2 culture and the tone from the top is absolutely

 3 essential and -- and we need this, not just for the

 4 project budgeting upfront, but we need it for post-

 5 implementation reviews as it goes forward so that we

 6 really learn from what was rolled out and then you

 7 correct any mistakes.

 8   Part of the business case on PDR, for

 9 example, is recognizing what we did with eighty-one

10 dollars ($81) and the value it's giving us or not

11 giving us in our current negotiations and public stuff

12 that we've put out to our trade. They know that we --

13 we can't afford the eighty-one dollars ($81) and it's

14 not industry standard practice. So we're working our

15 way out of that as an example.

16   2. It's gotta stay open to revisiting

17 weak assumptions. So if the assumption, for example,

18 was that we could get direct repair out in shops and

19 do it for nothing but then we had to the eighty-one

20 dollars ($81), you -- you just have to put it in your

21 business case.

22   Third is, third parties may not find

23 all the weak assumptions or missing costs, so we -- we

24 -- we internally have to be true to ourselves and put

25 the right pieces out there. Gartner may not be able

 1 to find everything.

 2   Four is, MPI exec management have to be

 3 accountable for the NPV integrity. And...

 4   Five is, you don't need technical

 5 skills or new technical skills to correct this

 6 historical issue in -- in -- once we effected the

 7 cultural shift with the teams we have in place, we

 8 produce very high quality business cases and the net

 9 present values and -- and so we've got the technical

10 skills to be able to do this.

11   So the last page, in summary, and then

12 I'll hand it off, the updated IT strategy is aligned

13 with our corporate mission and the -- the operational

14 business champion working the strategy through is --

15 is part of that cultural shift. It also allows us to

16 build the right business cases. So the two (2) go

17 hand-in-hand quite a bit and -- and really the

18 following industry practices and not leading it -- is

19 -- is quite useful for MPI.

20   Sometimes it's easy to think as a

21 billion dollar company we have the size to be

22 technology -- technologically leading but there's a

23 lot of bigger players in North America and we can

24 adopt a lot of good standards in a lot better way -- a

25 lot cheaper way.

 1   Improvements on IT is improving

 2 relative to our peers and there's a number benchmark

 3 studies to prove it. We've made some mistakes

 4 managing large IT and we're here to -- to talk about

 5 that, whether it's the BI3 or the PDR types of

 6 projects and the ramifications of those.

 7   The new value management process is

 8 operational and we use it for large and small and

 9 legacy modernization is underway. One (1) of the

10 things we want to make sure -- or -- or the -- or the

11 feel we give to this Board is that we understand with

12 BI3 and PDR, they were large, multi-year, heavy

13 projects. Legacy modernization is another multi-year

14 heavy project, and -- and we don't want -- we don't

15 want you to think that some of the mistakes in the

16 past are going to be on the future when we go through

17 legacy modernization. We will adopt business cases

18 and be doing with them upfront like what you've seen

19 with -- with the reviews of PDR and others, and -- and

20 work them through the process, and rework them.

21   So at this point, I'll hand off to --

22 to Chuck Henry from Gartner, who will complete his

23 view of this, and then we'll be taking cross-

24 examination and questions.

25   MR. STEVE SCARFONE: Thank you, Mr.

918

 1 Wennberg, and -- and Mr. Bunko. Just before we turn

 2 to Mr. Henry, I just have a couple follow-up questions

 3 on the presentation. I think Mr. Wennberg or Mr.

 4 Bunko can probably answer these.

 5   Relating to the value of some of the

 6 information technology projects, with the cancellation

 7 of CCRS, Mr. Wennberg, think I know the answer, but

 8 would MPIC describe the Physical Damage Reengineering

 9 Project as a good investment in the -- with the

10 benefit of hindsight?

11   MR. CURTIS WENNBERG: PDR -- the

12 overall PDR is -- is a $65 million project. I'd say

13 the core of it was moving off a paper basis of

14 estimating and faxes -- we're getting faxes back and

15 forth from our repair shops, and that just didn't make

16 sense. Most other companies and insurance companies

17 has adopted the standards of -- there's three (3) of

18 them, CCNC (phonetic), Mitchell, and AutoText

19 (phonetic). They -- they do software-based

20 estimating.

21   The core of PDR was really going and --

22 and doing that. We -- we also then pieced on or

23 bolted on a few other -- a few other elements that,

24 probably in hindsight, we wouldn't have done. We

25 would have probably scoped down to more of getting a -

 1 - a Mitchell system in, and then reviewed the other

 2 systems on their merits.

 3   And this is easy to say as an armchair

 4 quarterback a few years later down into the road of

 5 this project, but -- but that's probably the summary

 6 of it, that the overall, it's a -- it's a very deep

 7 negative. It probably combined too many things over

 8 time, and -- but -- but at its core, there -- there

 9 made sense to do it.

10   MR. STEVE SCARFONE: Thank you. And

11 then my second question was, as it concerns the

12 cancellation of the customer claims reporting system,

13 is anyone able to explain how the value management --

14 the new value management process was able to -- to

15 capture, if you will, this project, and -- and what --

16 and lead to its cancellation?

17   MR. CURTIS WENNBERG: Yes. So -- so

18 over the -- the beginning years, like I said, the --

19 the -- for right or wrong, and -- and we know better

20 now, but PDR was just evaluated as a great big

21 project, and CCRS was never evaluated on its own

22 merits.

23   So as we went through this with the

24 value management, and as it being the last big piece

25 to get finalized, it -- it had to. You had to

920

 1 actually split it out, and split out all the benefits,

 2 and all the cost structures related to CCRS.

 3   But like I say, with PDR, you could

 4 have split out Mitchell, and you could have split

 5 CCRS. You -- we could -- we could we could do that.

 6 It wasn't -- it wasn't, like, mental gymnastics to be

 7 able to strip out the cost and benefits. So, you

 8 know, there was a -- there was a few that may have

 9 been a little tricky, but it really wasn't too bad,

10 and so it was relatively easy to do.

11   With CCRS, the acronym is Customer

12 Claims Reporting System, for those in the court that

13 don't know. CCRS, just as a -- as a one (1) minute

14 summary, was our ability to allow a customer in

15 Manitoba to go online and register their first notice

16 of loss, or register their claim online, and we would

17 take them through a series of pictures of it -- of

18 what could have been an accident, like a car turning

19 right, and they be able to go online and -- and tell

20 us what happened in the accident using these pictures

21 and using some questions, and we would be able to

22 adjudicate them, actually tell them, You are not

23 responsible, or you're a hundred percent responsible

24 for your accident. And then they could go on fairly

25 seamlessly and book their car in for -- for both

921

1 estimating and then -- and then repair.

2   So the idea is good. The idea actually

3 generally is where the industry is trying to think

4 about, but the industry is also thinking about doing

5 it in -- in slightly different ways as well. So in

6 Australia, for example, you're looking at customers

7 just writing free-form text and having artificial

8 intelligence figure out within the text the

9 probability of -- of liability in certain directions.

10   And -- and so what we have to do in MPI

11 is just wait a little bit. We have a lot more things

12 we can put online, as -- as Ben or as Brad's

13 submissions have -- have stated, that is following

14 best practice. Let's do that, and then watch where

15 claims go, and adopt that best practice when we get

16 there.

17   MR. STEVE SCARFONE: I see. So the --

18 the CCRS project, do I understand that to mean then

19 that it hasn't been entirely abandoned,

20 notwithstanding its cancellation?

21   MR. CURTIS WENNBERG: No, it hasn't.

22 So there's some very good work done around the

23 intellectual property of how we picture these

24 accidents and -- and can visualize them to customers.

25 So as we watch this develop in the marketplace, we

922

 1 still have that body of work that we can rely on.

 2   MR. STEVE SCARFONE: Thank you. And

 3 so now, Mr. Chair, we will have Mr. Henry present.

 4   Kristen, if you could -- could you pull

 5 up for me, please, Exhibit number 4? Sorry to put you

 6 on the spot. I should have given you a heads-up, but

 7 that would be Mr. Henry's curriculum vitae.

 8

 9   (BRIEF PAUSE)

10

11   MR. STEVE SCARFONE: There we are.

12 Good morning, Mr. Henry.

13   DR. CHARLES HENRY: Good morning.

14   MR. STEVE SCARFONE: Sir, you're with

15 Gartner Consulting. Is that correct?

16   DR. CHARLES HENRY: That's correct.

17   MR. STEVE SCARFONE: And how long,

18 sir, have you been consulting with Gartner?

19   DR. CHARLES HENRY: About seven and a

20 half (7 1/2) years.

21   MR. STEVE SCARFONE: All right. And

22 what is your title with Gartner, sir?

23   DR. CHARLES HENRY: Vice-president,

24 solution and pricing.

25   MR. STEVE SCARFONE: Okay. And

1 briefly, if you could, your duties as -- as vice

2 president of -- of consulting with Golt -- Gartner?

3   MR. STEVE SCARFONE: I -- I have two

4 (2) roles. One (1) is an internal role. I look at

5 all the jobs that we do in North America to make sure

6 that we're maximizing the value to our country, and

7 secondly, I am a practicing consultant looking at how

8 people are using IT to advance their business.

9

10   (BRIEF PAUSE)

11

12   MR. STEVE SCARFONE: Thank you. I

13 will give you my mic.

14   DR. CHARLES HENRY: Okay. Thanks.

15   MR. STEVE SCARFONE: And sir, I

16 understand that that you took a look at the Physical

17 Damage Re-engineering Program for Manitoba Public

18 Insurance and prepared a -- a report for the

19 Corporation this past year, correct?

20   DR. CHARLES HENRY: That's correct.

21   MR. STEVE SCARFONE: And that, sir,

22 was a -- a comparison as against the report prepared

23 by your firm last year. Is that right?

24   DR. CHARLES HENRY: That's correct.

25   MR. STEVE SCARFONE: And, sir, you've

924

1 been prequalified in this proceeding to give expert

2 evidence, which means, sir, that you're allowed to

3 provide your opinion on certain matters. Two (2)

4 areas in which you been so qualified is the use and

5 planning of information technology. Is that right?

6   DR. CHARLES HENRY: That's correct.

7   MR. STEVE SCARFONE: And the second

8 area of expertise is with respect to information

9 technology governance. Is that your understanding?

10   DR. CHARLES HENRY: That's correct.

11   MR. STEVE SCARFONE: And the first

12 one, it seems to me, is rather self-explanatory, but

13 can you just elaborate a bit for the panel on what

14 information technology governance means?

15   DR. CHARLES HENRY: For us, governance

16 means making decisions around the investments in IT.

17 So who has decision rights around spending money to

18 use IT to advance your business interests.

19   So in the previous presentation, they

20 were talking about changing the roles within an IT

21 project to make sure that the business had a larger

22 role. That's part of governance, and something that

23 we -- we very heavily support, and I'll talk a little

24 bit about that towards the end of my presentation.

25   MR. STEVE SCARFONE: Okay. Thank you.

1 And just before we begin your presentation, Mr. Henry,

2 how long have you been working with Manitoba Pub --

3 Public Insurance?

4   DR. CHARLES HENRY: This engagement we

5 started in -- in April. I was here in 2012, I

6 believe, as part of kind of that year's iteration with

7 my colleague Martin Geffen.

8   MR. STEVE SCARFONE: Yes, and I was

9 just going to touch upon that. So last year, we heard

10 from Mr. Geffen. Did you have consultations with Mr.

11 Geffen in the preparation of this year's report?

12   DR. CHARLES HENRY: Yes, I did.

13   MR. STEVE SCARFONE: Okay. Thank you.

14 And then lastly, sir, could you just confirm for me

15 that the presentation that you are about to -- to give

16 to the Board will form part of your examination-in-

17 chief here this morning?

18   DR. CHARLES HENRY: Yes, it will.

19   MR. STEVE SCARFONE: Okay. Thank you.

20 And if you're ready to go, we'll proceed with your

21 presentation.

22   DR. CHARLES HENRY: All right. Thank

23 you. So table of contents is kind of an outline of

24 what I -- I hope to talk about this morning. I'm

25 going to give you little kind of context and

 1 background, talk about the team, which is me,

 2 primarily, and -- and the approach that we took, a

 3 little bit of PDR history and current state, a

 4 comparison between our 2017 and 2018 analysis, the

 5 lessons that we learned from doing this, our view of

 6 the CCRS cancellation decision, and a couple of

 7 perspectives from us in our research.

 8   One (1) is on IT project success, so

 9 talking about what our database is around how to

10 manage successful IT projects, and the second is what

11 we view as the digitalization of property and casualty

12 insurance, so what we see that MPI is going to be

13 forced to look at over the next, you know, three (3),

14 four (4), five (5) years, so that's some of the

15 challenges that are coming to them going forward. So

16 that's -- that's kind of an outline of what we want to

17 talk about.

18   So, for context and background, we've

19 been working with MPI for over seven (7) years,

20 providing research and advisory insights. We've

21 helped to benchmark the -- the IT organization. I

22 haven't done it, but colleagues have, so help MPI just

23 understand how it's spending money on IT relative to

24 peers. And also the application of our PPM -- our

25 program and portfolio management research to MPI.

 1   In the last year, MPI has contracted

 2 with us as requested by the PUB to update the report

 3 and to provide an independent assessment of the

 4 development and rollout of the -- of the PDR project.

 5 So I'm -- I'm here to -- to help fulfill that.

 6   The team -- we assigned some additional

 7 resources. So I continue to work with Martin, also a

 8 colleague, Rand Guy, who's the managing partner of --

 9 for Gartner Consulting in Western Canada.

10   Myself, I'm a VP with Gartner

11 Consulting. I'm sixty-five (65) years old, which

12 means I've seen a lot of projects, good and bad, way

13 too many bad. IT projects are hard, and we'll talk a

14 bit about that as we go forward.

15   In previous roles, I was the chief

16 technology officer of the Government of Canada. So I

17 looked at the 5 billion a year that Canada spends on

18 IT. That was before Phoenix, I might like to add.

19   We did project reviews of major Crown

20 corporations. I'd helped develop the cloud strategy.

21 We did a digital maturity model for Service Canada.

22 We've done a application program management model just

23 based on our time, which the Government of Canada

24 uses. And I spent thirty (30) years at IBM, from 1975

25 to 2005. So I've -- I've seen lots of projects and I

 1 hope be able to share some of that -- that background

 2 with you.

 3   In terms of the approach, we started by

 4 reviewing a bunch of artifacts that MPI provided, plus

 5 the previous Gartner reports, including a management

 6 presentation on the PDR program that was dated April

 7 19th, which happens to be the day we were -- or I'm --

 8 I'm -- the -- Martin and Rand were in Winnipeg,

 9 physically present with MPI.

10   Following that day, we had a large

11 number of conversations as I sought out clarifications

12 on the information that I had been provided, and

13 started writing my report, and I also wrote the report

14 in consultation with Martin to make sure that I fully

15 understood the previous reports that that -- that

16 Gartner had provided.

17   Some history, over the -- it's been

18 five (5) plus years the MPI's been on a journey to

19 improve service to Manitobans in -- in basically three

20 (3) areas: One (1) is physical damage, the second is

21 loss prevention and road safety, the third is customer

22 service.

23   And this evolved into a -- business

24 case for PDR with projections for a $65 million cost

25 and the identification of a high-level benefit stream.

 1 And -- and what we've observed mainly in the last

 2 year, as -- as the program evolved, two (2) things

 3 came out, is MPI had difficulty measuring and breaking

 4 down those high-level estimates into detailed

 5 estimates for each element of the program, as was

 6 outlined earlier.

 7   And I will say the Mitchell licence is

 8 complex. Parts of it are used and reused in different

 9 ways, so it's not completely straightforward how to --

10 how to do that analysis, but MPI had not done it until

11 this year to start to look at where all the costs

12 were, and how they should be aligned to -- to their

13 use in the project.

14   And the second thing is that senior

15 executives had been negotiating with the repair

16 industry, which was a significant portion of the --

17 the savings for the -- for the project. And there

18 was, quite frankly, limited engagement with the

19 business at the business unit level about the impact

20 of some of those negotiations. So the resulting

21 agreements often made it difficult for MPI to realize

22 the benefits that the -- the PDR project had been

23 assuming would be achieved.

24   So it's a -- it's a complex program.

25 Lots of external factors that affect the benefits, and

 1 MPI had been at -- to that point in time, unable to

 2 bring all of that information together into an updated

 3 business case.

 4   So currently, the overall business case

 5 has been analyzed and refined by MPI's value

 6 management team and the project team over the past

 7 year, and they've conducted a detailed assessment

 8 where they now have very current cost of expenditures

 9 to date. They understand the balance of the approved

10 available budget, and they have a detailed evaluation

11 of the benefits that could be achieved from the

12 expenditure of the remaining funds, and they concluded

13 that the benefits to be achieved would not be

14 supported by the cost to achieve them. They

15 recommended to the Board that CCRS be cancelled.

16   So now we talk about the difference

17 between 2017 and '18. So our report from 2017 set a

18 positive NPV of around $13.7 million. The MPI

19 analysis this year says a negative NPV of about 49.9

20 million, with CCRS cancelled.

21   We did a discount rate of 3 percent.

22 MPI was not using NPV as a project management

23 technique or tool in -- in 2017, so we introduced NPV.

24 We assumed a discount rate of 3 percent. MPI has

25 adopted NPV as a project management tool, and has

 1 actually a couple of different discount rates that

 2 they applied based on the risk associated with the

 3 project. The high risk of -- of projects like CCRS

 4 demands a discount rate of 9 1/2 percent.

 5   We saw costs of $65 million. With CCRS

 6 cancelled, MPIC's cost of $57 million in our analysis

 7 period was '16/'17, the assumed first year of benefits

 8 to '25/'26, and their analysis shows '17/'18 to

 9 '26/'27. So basically, move forward a year to follow

10 the benefits.

11   So obviously, there's a significant

12 difference in some of the costs, and the benefits, and

13 the overall NPV. And there's three (3) things:

14 Obviously, some cost that should have been attributed

15 to PDR in the past weren't.

16   Secondly, that new evidence shows that

17 some of the benefits of the PDR were -- are going to

18 be lower than what was projected.

19   And thirdly, that MPI's using this 6

20 1/2 or 9 1/2 percent discount rate, 9 1/2 percent for

21 high risk projects, and that causes the NPV numbers to

22 change. So those are the -- kind of the three (3) big

23 changes between our '17 analysis and MPI's '18

24 analysis.

25   So some lessons learned for us. We

 1 made a number of requests to MPI regarding operating

 2 cost and benefit projections in '17, and we reported a

 3 cost and benefit stream based on the high-level data

 4 that MPI provided. In retrospect, we should have

 5 highlighted a lot more firmly that the 2017 report

 6 were based on high-level numbers, and it not been

 7 validated through detailed analysis. That's on us.

 8   And so we've agreed that all analysis

 9 going forward will include consideration of detail

10 supporting data, and that the necessary level of

11 detail was not available. That will be clearly

12 defined. So that's the lesson learned for us in --

13 from our 2017 report.

14   So our view of the CCRS cancellation

15 decision, we've reviewed the latest iteration of the

16 PDR value management business case. First of all, I'd

17 say it's great that MPI's followed Gartner's advice,

18 and has applied a much more rigourous approach to the

19 business case and the application of the value

20 management framework. It's much more detailed than it

21 was in the past. It's much more complete. It's a lot

22 more sophisticated, and there's a lot more focus on

23 value management as a cultural change in the

24 organization, and we believe that's going to lead to

25 higher project success.

 1   So you'll see in some of the -- my

 2   subsequent presentation that -- that value management

 3   is a key element of successful IT project management.

 4   We'll talk a little bit more about that later from a -

 5   - from an industry perspective.

 6   MPI has now continued to mature its

 7   value management capability. It is now formally

 8   tracking benefits with accountability, so that the

 9   business is accountable for delivering the benefits

10   that these projects are supposed to deliver. If they

11   can't deliver them, there's analysis to see if it was,

12   you know, an assumption that the IT project perhaps

13   isn't delivering the function that was required, or,

14   you know, there's some process change that needs to be

15   made in the business in order to achieve the -- the

16   savings. So a lot more rigour around looking at the

17   benefits of projects, which is also rate and an

18   element of best practice for -- for project

19   management.

20   So finally, we support MPI's decision

21   to terminate CCR component and finish the few

22   remaining elements of -- of the PDR program this year.

23   So Gartner's a -- a research company.

24   We -- what we do is -- is go out and -- and look at

25   what vendors and industry are doing with IT, collect

1 as much data about what they're doing and -- and

2 present that back. We -- our core business is

3 providing research around IT, HR, finance, supply

4 management, material management, marketing, sales.

5 That's -- that's our business.

6 And if you look at our project

7 database, you'll see that even among those projects

8 that are delivered at least 90 percent on time and on

9 budget, the majority fail to deliver business

10 outcomes. So the top-performing projects in terms of

11 budget and schedule compliance attain an average of

12 only 15 percent of their business outcome

13 expectations.

14 IT projects are hard --

15 THE CHAIRPERSON: Sorry to interrupt.

16 I just want to make sure the record's correct. I

17 think you said 15 percent rather than 53 --

18 DR. CHARLES HENRY: Fifty-three (53)

19 percent, yeah. Yeah. Sorry.

20 So IT projects are hard. I have

21 personal opinions why, I which I'd be happy to share,

22 but, I mean, the net of it is our database shows that

23 -- that IT projects are hard. Delivering those

24 benefits is difficult. That's why the governance

25 around these projects and accountability for benefits

1 is so important.

2   So some of our observations for MPI

3 based on -- on what we've learned from our database is

4 -- one (1) is -- big thing is continue to invest in

5 value management. So MPI has made a lot of progress

6 in applying value management principles to its project

7 portfolio. We obviously recommended this focus be

8 extended in the project management teams and to your

9 project management methodology.

10   So a couple of things specifically

11 emphasize that the general management skill required

12 for project managers. So project managers aren't just

13 experts in Gantt charts. They need to be really that

14 utility outfielder, somebody who can play all the

15 positions, understand the business, understand IT, and

16 help the communications between IT and the business so

17 everybody's on the same page around what's going to be

18 required to deliver the benefits, and continue to

19 explicitly link project objectives to organizational

20 goals.

21   So it's very easy for a project to get

22 wrapped up in itself and what its own definition of

23 success is. It needs to be continually reminded and

24 forced to look outside and make sure that its project

25 outcomes are linked to the business outcomes that are

936

 1 driving the success of the organization.

 2   Further increase the focus of plans to

 3 business outcomes. So had I talked about the IT

 4 strategy is starting from the business strategy, which

 5 is exactly what we like to see. We like to see a

 6 resource management plan that include resources at

 7 project conceptualization and stay -- that include

 8 both business and IT resources, and that define

 9 project success in terms of business outcome.

10   Well, you know, we're not doing an IT

11 project in order to put a PC on your desk. We're

12 doing an IT project in order to give you a tool to

13 make you more effective in doing your job, and what we

14 should be measuring is, you know, have we helped you

15 do your job more effectively?

16   And you need to make up-front

17 investment that -- to try and create leading indicates

18 of benefit realization. So as you incrementally go

19 through a project, you'd like to see leading

20 indicators that says that this project is actually

21 going to start. We see good signs that this project

22 will deliver the value that its anticipated it's

23 delivered throughout its life.

24   And finally, want to talk about

25 harnessing the power of stakeholders. So the people

937

 1 that are in the business at the coal face, as we say,

 2 are the ones that have the -- the best possibility of

 3 defining what success is, what successful change will

 4 look like. If you do that early, that's the best time

 5 to foster the collaboration that's needed to drive a

 6 successful project and provide the delivery

 7 flexibility, because there's always going to be

 8 issues, and changes, and unexpected things that happen

 9 that need to be incorporated into the projects to make

10 sure you can derive the benefits.

11   And we need to educate sponsors in what

12 they need to know to take ownership and address issues

13 throughout the course of the project. So just as we

14 need to have, you know, very capable project managers,

15 we need to have very capable sponsors. And we can't

16 expect an executive with no background in, you know,

17 in being an executive in charge of an IT outcome to be

18 able to then manage it. We need to give them training

19 and insights to make sure that they have all the

20 capabilities needed to be a successful sponsor.

21   And the next thing I'd like to briefly

22 mention is what we call the digitalization of property

23 and casualty insurance. So digitalization is

24 affecting every business, government, to

25 manufacturing, to insurance, to banking. There's a

938

 1 lot of changes coming, and MPI is going to be forced

 2 to look at these changes. This is a great time to be

 3 out looking at the industry and see what successful

 4 organizations are doing, and figure out how you can

 5 adopt those things.

 6   The number 1 thing will be mobility.

 7 So as I said, I'm sixty-five (65) years old. I'm a PC

 8 guy. I've had, you know, a PC or a machine in front

 9 of me since the '80s. I have 34-year-old twin

10 daughters that live in Alberta, they are not PC

11 people, they're phone people. They live and die on

12 their phones. That's the future.

13   So whatever MPI does going forward,

14 they're not going to be -- you know, your customers

15 are not going to be tethered to a -- to a laptop or a

16 PC, they're going to expect mobile service on their

17 phone through mobile devices, things like text

18 messaging and social media.

19   This has already been mentioned today.

20 Artificial intelligence is going to be moving into

21 this business. So in areas such as claims handling,

22 which is also being mentioned today, where the

23 combinations of cognitive computing, things like

24 chatbots are going to support touchless claims

25 processing so that your client can have a conversation

1 potentially with a -- with a robot around what

2 happened in the course of an accident. From there,

3 the claim will be processed.

4   Cars are incredibly smart, hundreds of

5 millions of lines of code in the modern car. We know

6 exactly where it is. We know exactly how it's been

7 driven. That's going to radically change your ability

8 to make insurance decisions, to make claim's

9 decisions, but also to change your insurance products.

10   So there is already companies out there

11 that are offering insurance by the trip. So the

12 actual very fabric of what insurance is going to be is

13 going to evolve over -- over the coming years.

14   From an IT perspective, cloud-based

15 services such as software as a service are -- are

16 coming into being used by property and casualty firms.

17 MPI is going to -- going to have to look at those,

18 keeping in mind its requirements for security and

19 integrity of -- of the data of Manitobans.

20   And there's lots of iterations around

21 product development, different ways of doing product

22 development, including on-demand insurance products

23 and improvements in customer experience and

24 management.

25   So, net of this is we see the next, you

940

1 know, five, (5) eight, (8), ten (10) years as a time

2 of big change in the insurance business. MPI is going

3 to have to -- to be a part of that change and figuring

4 out the pace of change is going to be a key element of

5 their -- both business and IT strategies going

6 forward.

7   That's the end of my presentation.

8 Back to you.

9

10 CONTINUED BY MR. STEVE SCARFONE:

11   MR. STEVE SCARFONE: Thank you, Mr.

12 Henry. Just a couple questions following up on your

13 presentation. Kristen, if you could pull up Mr.

14 Henry's report, it's at Value Management, Appendix 6.

15 And we'd have you scroll, when you find it, to the

16 executive summary, page 4, please. Just back up a

17 little bit. Thank you.

18   Sir, we see there in the executive

19 summary of your report that, as you've indicated,

20 there was a comparison done between last year and this

21 year.

22   Reading that, the third paragraph, Mr.

23 Henry, you state therein that there is a significant

24 difference in some of the costs and the benefits and

25 the overall net present value between this year and

1 last, correct?

2   MR. CHARLES HENRY: Correct.

3   MR. STEVE SCARFONE: And as we've

4 heard, that significant difference, as I calculate it

5 to be, about a $65 million swing in net present value?

6   MR. CHARLES HENRY: Yes.

7   MR. STEVE SCARFONE: And we heard Mr.

8 Wennberg speak to some of these factors, if I can call

9 them that.

10   Would you confirm that these factors

11 would include understating the net present value of

12 the project?

13   MR. CHARLES HENRY: I would say

14 understating the -- the -- the inputs to the project.

15 So, understating the costs and overstating the

16 benefits. And that results in the change in NPV.

17   MR. STEVE SCARFONE: Yes, so some of

18 the costs as we understand it were -- Gartner wasn't

19 aware of some of the ongoing operating costs,

20 including the Mitchell license and fees.

21   Is that correct?

22   MR. CHARLES HENRY: That's correct.

23   MR. STEVE SCARFONE: And that, as I

24 understand it, amounted to about $30 million.

25   MR. CHARLES HENRY: Over the life of a

1 project, that's correct, yes.

2   MR. STEVE SCARFONE: And the -- the

3 change of the discount rate, initially it was at 3

4 percent I think you said?

5   MR. CHARLES HENRY: Yes, that's

6 correct. So, as I said, MPI was not using NPV as a --

7 as a project management tool. We used it as a way of

8 introducing it, and we picked a discount rate of 3

9 percent and, you know, we should have gone back to MPI

10 and worked harder with them to -- to determine a

11 discount rate.

12   But as they weren't using NPV, they

13 didn't have one (1) available to us.

14   MR. STEVE SCARFONE: Right, and so

15 that's what I meant earlier, sir, when I said that the

16 cost of capital was perhaps understated, because the

17 discount rate was -- that was selected was too low, is

18 that fair?

19   MR. CHARLES HENRY: Yes, that's fair.

20   MR. STEVE SCARFONE: And I understand

21 that particular factor, if you will, as it concerns

22 the $65 million swing, amounted to approximately $20

23 million. Is that your understanding?

24   MR. CHARLES HENRY: Yes. Although I

25 didn't do that calculation, but...

943

 1   MR. STEVE SCARFONE: And then lastly

 2 we heard Mr. Wennberg speak to an agreement with the

 3 light vehicle or the trades that had MPIC paying the

 4 shops a premium.

 5   Is that your understanding?

 6   MR. CHARLES HENRY: Yes, the $81

 7 premium.

 8   MR. STEVE SCARFONE: And that

 9 particular information wasn't known to Gartner when it

10 prepared its report last year. Is that right?

11   MR. CHARLES HENRY: That's correct.

12   MR. STEVE SCARFONE: And then lastly,

13 Mr. Henry, the cancellation of the customer claims

14 reporting system that we understand amounts to about

15 $13 1/2 million dollars toward the $65 million swing?

16   MR. CHARLES HENRY: That's correct.

17   MR. STEVE SCARFONE: But as it

18 concerns that, part of the physical damage

19 reengineering program, that cancellation wouldn't have

20 been known to Gartner at this time last year.

21   Is that correct?

22   MR. CHARLES HENRY: That's correct.

23   We -- that decision had not been made

24 and -- and the contemplation of making that decision

25 we were not aware of.

944

1   MR. STEVE SCARFONE: Are those the

2 main factors, as I described them, but are those the

3 main contributors, if you will, to the $65 million

4 swing that we see this year from the last?

5   MR. CHARLES HENRY: Yes, that's --

6 those are the big ones.

7   MR. STEVE SCARFONE: So I asked Mr.

8 Wennberg this and I'll ask you, sir. With

9 consideration to the difficulties that you mentioned

10 that large information technology projects face, the

11 black swans and -- in your presentation, how would you

12 describe the physical damage re-engineering program?

13   Would you describe it as a good

14 investment or a poor investment for Manitoba Public

15 Insurance?

16   MR. CHARLES HENRY: I can't comment on

17 the -- on the whole program, but I can say that MPI

18 had no choice but to get to some technology like

19 Mitchell and standardize how estimating was being done

20 across the project. Without that, things like fraud

21 analysis is impossible because the -- the data

22 wouldn't be reliable enough.

23   So there is a huge amount of value in

24 getting to, you know, a platform like Mitchell and

25 having this common standard in place with the repair

945

 1 industry.

 2   And from there, lots of things are

 3 possible going forward. So by having the standard in

 4 place, having good data, you know, there's lots of

 5 possibilities of what MPI and the industry together

 6 can do with this that -- that was not possible in the

 7 past.

 8   So to me, that was essential. I can't

 9 comment on all the other components.

10   MR. STEVE SCARFONE: Very good. And

11 those are my questions for Mr. Henry, Mr. Chair.

12   THE CHAIRPERSON: Thank you.

13   Ms. McCandless, did you want to start

14 now or did you want to take the break and then start?

15   MS. KATHLEEN MCCANDLESS: Mr. Chair, I

16 expect my first area of questioning to take twenty

17 (20) minutes to half an hour, so.

18   THE CHAIRPERSON: Let's start now.

19   MS. KATHLEEN MCCANDLESS: And before

20 we begin, I did steal something from Ms. Schubert

21 before the MPI panel began this morning that I need to

22 return to her before I start my questions, so I'll

23 just return that now. Thank you.

24

25   (BRIEF PAUSE)

946

 1   MS. KATHLEEN MCCANDLESS: So for the

 2 benefit of the MPI panel and for the panel itself,

 3 just to give a roadmap of where I intend to take my

 4 cross-examination, I will start with questions about

 5 value management. I will then move in to questions

 6 about specific IT projects. Later on, in to the

 7 physical damage re-engineering project and questions

 8 for Mr. Henry, and then I will conclude my questions

 9 with questions about IT benchmarking.

10   I will have some questions at the end,

11 the very end, with respect to commercially sensitive

12 information.

13   I spoke with Mr. Williams before we

14 began the proceedings this morning. He also has some

15 questions in that regard. So, our intention is for me

16 to finish my cross-examination with the CSI questions

17 and then immediately Mr. Williams will begin his

18 cross-examination with those commercially-sensitive

19 questions as well so that we don't need to go to a

20 separate tape twice in the course of this panel.

21   And one (1) more comment for the

22 benefit of the MPI panel. In the course of my

23 questions this morning, I will -- I'm careful not to

24 reference any commercially-sensitive information. It

25 may be then responding to one (1) of my questions, you

1 do need to reference commercially-sensitive

2 information. If that's the case, just please advise

3 and I will table that question until later in the

4 process. Thank you.

5   THE CHAIRPERSON: Ms. McCandless, if I

6 could just add that for anybody watching the

7 proceedings, when we get to commercially-sensitive

8 information, the live streaming will be shut down.

9   MS. KATHLEEN MCCANDLESS: Thank you.

10

11 CROSS-EXAMINATION BY MS. KATHLEEN MCCANDLESS:

12   MS. KATHLEEN MCCANDLESS: So my first

13 series of questions will relate to value management,

14 and I would like to understand how the approval

15 process of major projects and stages of major projects

16 were handled previously within the Corporation and

17 what is now different as a result of the

18 implementation of the new value management process.

19   I understand that the Corporation

20 established a business transformation office several

21 years ago to manage IT projects, is that right?

22   MR. BRAD BUNKO: That is correct.

23   MS. KATHLEEN MCCANDLESS: And did the

24 business transformation office manage all IT projects?

25   MR. BRAD BUNKO: Yes, over a certain

 1 size they would be managing them.

 2   MS. KATHLEEN MCCANDLESS: And what

 3 size would they manage?

 4   MR. BRAD BUNKO: It was not always

 5 based upon a dollar amount, but it -- more based upon

 6 different areas of the organization that would be

 7 touched.

 8   We could have had IT projects that were

 9 IT-specific and only impacted, say, infrastructure,

10 within the IT. That project would have been done more

11 from an operational perspective and not through a

12 business transformation perspective.

13   MS. KATHLEEN MCCANDLESS: So is it

14 more in the nature of what the project was rather than

15 a specific dollar value that would move it to the

16 business transformation office then?

17   MR. BRAD BUNKO: That is correct.

18   MS. KATHLEEN MCCANDLESS: And how was

19 the business transformation office organized, what was

20 the composition of that office?

21   MR. BRAD BUNKO: From a personnel

22 perspective?

23   MS. KATHLEEN MCCANDLESS: Yes.

24   MR. BRAD BUNKO: So we had a -- or do

25 have a director of the business transformation office,

 1 who has the general responsibility for oversight, the

 2 business transformation office.

 3   Reporting to them are a couple people,

 4 one (1) that is responsible for delivery of BTO, so

 5 they are a little more into the details as to what the

 6 projects are doing and their status.

 7   We also have a manager of EPMO,

 8 Enterprise Project Management Office, who is also very

 9 involved in the initiatives to ensure that standards

10 are being adhered to for the -- for the initiatives.

11   The structure of project managers will

12 -- we'll have several project managers for the various

13 initiatives. They will report to -- up into the EPMO

14 office.

15   The EPMO office is also responsible for

16 -- for reporting on the projects. And so between

17 those two (2) things of reporting on projects and

18 ensuring that the project managers are adhering to

19 proper project standards, that is their

20 responsibility. That's the bulk of the governance

21 inside of there.

22   In addition to that, we've had for

23 numerous years a project initiatives sponsor, that is

24 the business liaison between the business and the

25 technology that's being implemented.

950

 1   And for many years that's been a single

 2 person, and it's been our corporate business

 3 architect, who is with us here today, John Remillard,

 4 and he played that role of interacting between the

 5 business and the technology in determining what the

 6 business requires to be successful. That is a rule

 7 where we've made that shift to more of an operational

 8 business champion that would come in and play that

 9 role.

10   Lots of benefits by having an

11 operational business champion at the very beginning of

12 the initiative through the project itself, and then

13 accountable for the -- realizing the benefit streams

14 that were indicated inside the business case.

15   MS. KATHLEEN MCCANDLESS: Thank you.

16 So just to clarify, Mr. Bunko, the business

17 transformation office is still an office that is up

18 and running within the Corporation?

19   MR. BRAD BUNKO: Yes, it is.

20   MS. KATHLEEN MCCANDLESS: Now, prior

21 to the implementation of the value management process,

22 was the business -- business transformation office

23 responsible for developing business cases for IT

24 projects?

25   MR. BRAD BUNKO: They did produce some

1 business cases. It was not, as you've heard from

2 previous testimony, it was not a well-defined process

3 and often cannot be necessarily classified as a -- as

4 a full-on business case.

5   There were various initiatives that had

6 benefit streams that were indicated, but in my mind a

7 -- a full business case needs to include all the

8 associated initiative and ongoing costs for the

9 program.

10   So where there were pieces of

11 information throughout the organization prior to an

12 initiative being struck, we did not have the rigour

13 like we have now where all that information is being

14 brought together into a single document.

15   MS. KATHLEEN MCCANDLESS: Thank you.

16 Was the business transformation office responsible for

17 monitoring the management of IT project costs?

18   MR. BRAD BUNKO: Yes.

19   MS. KATHLEEN MCCANDLESS: If we could

20 go to VM section of the application, at -- I believe

21 it's page 43, just towards the bottom of the screen at

22 lines 9 to 12, we see historically all corporate

23 initiative -- initiatives were led from a business

24 perspective by the corporate initiatives sponsor, the

25 corporate initiatives sponsor served as the champion

 1 of all corporate projects and was the principal

 2 interface between the initiatives and the business

 3 community.

 4   Do you see that there, Mr. Bunko?

 5   MR. BRAD BUNKO: Yes.

 6   MS. KATHLEEN MCCANDLESS: To give us

 7 an example, who was the sponsor for the physical

 8 damage re-engineering project?

 9   MR. BRAD BUNKO: John Remillard.

10   MS. KATHLEEN MCCANDLESS: Thank you.

11 And if we go to VM2. Now, I understand that this

12 graph depicts the historical view of the project

13 organizational structure and governance for IT

14 projects, is that right?

15   MR. BRAD BUNKO: Correct.

16   MS. KATHLEEN MCCANDLESS: And so this

17 is no longer in use, we'll see later on during my

18 questioning that there is an updated org chart in that

19 regard, yes?

20   MR. BRAD BUNKO: Yes.

21   MS. KATHLEEN MCCANDLESS: So, with --

22 perhaps you could just walk us through, at a high

23 level, the process that would have been followed in

24 prior years, forgetting specific IT projects approved

25 to proceed.

953

1   MR. BRAD BUNKO: This -- this

2 governance chart is -- is more about the running of

3 the initiative than it is about the approval of the

4 initiative to proceed.

5   MS. KATHLEEN MCCANDLESS: So with

6 respect to approval then, I take it then that we

7 wouldn't refer to this graphic.

8   What was the approval process then with

9 respect to IT projects?

10   MR. BRAD BUNKO: Approvals of the

11 initiatives to proceed could have happened in a couple

12 of different ways. They may have just been directed

13 from -- from executive to proceed with the various

14 initiatives.

15   But you're correct, this is -- this is

16 an operational perspective of the governance of the

17 initiative once it has been approved.

18   MS. KATHLEEN MCCANDLESS: So what you

19 said with respect to approval it -- of an IT project,

20 it could be -- could have been directed by the

21 executive.

22   So when you say "the executive," who

23 within that team would you mean?

24   MR. BRAD BUNKO: I'm going to ask that

25 John help out on this response.

954

 1   MS. KATHLEEN MCCANDLESS: Sure.

 2   MR. JOHN REMILLARD: Certainly. With

 3 respect to the approval process, traditionally

 4 speaking, prior to value management, the majority of

 5 our initiatives are brought forward as part of the

 6 budgetary -- budget setting process, which would've

 7 been built and of course, to our go-forward expenses

 8 from the Public Utility Board projections.

 9   As part of that process, our executive

10 team would review the candidate initiatives. They

11 would agree to the initiatives that would be brought

12 forward to our Board of Directors.

13   Those would traditionally have been

14 brought forward in around the December timeframe and,

15 ultimately, seeking approval of the Board of Directors

16 in a January timeframe to start executing in March.

17   Does that provide a better...

18   MS. KATHLEEN MCCANDLESS: Somewhat,

19 yes. Thank you.

20   But with respect to the -- so the

21 executive team would bring forward a recommendation to

22 the Board of Directors?

23   MR. JOHN REMILLARD: That is correct.

24   MS. KATHLEEN MCCANDLESS: And

25 typically, who among those executives would bring

1 forward the recommendation?

2   MR. JOHN REMILLARD: Traditionally

3 speaking, it was the CEO.

4   MS. KATHLEEN MCCANDLESS: So that was

5 Mr. Guimond?

6   MR. JOHN REMILLARD: That's correct.

7   MS. KATHLEEN MCCANDLESS: Was that the

8 case prior to Mr. Guimond's tenure as CEO as well?

9   MR. JOHN REMILLARD: Yes.

10   MS. KATHLEEN MCCANDLESS: Thank you.

11 Now, with respect to the chart that's on the screen

12 before us, this is the operational organizational

13 chart, then.

14   For how long was this process in place,

15 historically?

16   MR. JOHN REMILLARD: This was a

17 genesis out of the business process review that the --

18 DBL integration initiative. In essence, it was the

19 genesis and creation of the business transformation

20 office.

21   And through there, we established the

22 need for an enhanced enterprise project management

23 office, the need for an ongoing change management

24 discipline, as well as a multi-stream execution

25 discipline, which is depicted in this chart.

 1   So with that, and to answer the

 2   question as to the timing, it would've been around

 3   2009-2010 that it was formalized, Ms. McCandless.

 4   MS. KATHLEEN MCCANDLESS: Thank you.

 5   On the top left-hand side of the screen, we see a

 6   project steering committee, yes?

 7   MR. JOHN REMILLARD: Correct.

 8   MS. KATHLEEN MCCANDLESS: And who

 9   would be part of this project steering committee?

10   MR. JOHN REMILLARD: That would depend

11   on the initiative, something as broad as the physical

12   damage re-engineering, Mr. Bunko would traditionally

13   be on all project steering committees, Mr. Wennberg

14   and depending on the nature of the initiative, other

15   executives, up to three (3).

16   MS. KATHLEEN MCCANDLESS: So with

17   respect to physical damage re-engineering, that was

18   you, Mr. Bunko and Mr. Wennberg?

19   MR. BRAD BUNKO: Yes, I was a member

20   of the PDR steering committee for some point in time,

21   and had had a variety of business owners through some

22   of that journey.

23   MS. KATHLEEN MCCANDLESS: And just to

24   clarify for the record, when you refer to "business

25   owners," what do you mean?

957

 1   MR. BRAD BUNKO: Representation from

 2 operational business units.

 3   MS. KATHLEEN MCCANDLESS: Thank you.

 4 Now, the corporate initiatives sponsor just under the

 5 steering committee, would report to the steering

 6 committee, yes?

 7   MR. BRAD BUNKO: Correct.

 8   MS. KATHLEEN MCCANDLESS: Thank you.

 9 And if we go to VM4, again page 43, we see the

10 responsibilities of the corporate initiatives sponsor,

11 yes?

12   MR. JOHN REMILLARD: Yes.

13   MS. KATHLEEN MCCANDLESS: And was this

14 individual responsible for ensuring the -- the IT

15 project would remain within budget and scope?

16   MR. JOHN REMILLARD: Are you referring

17 to PDR specifically, or any project?

18   MS. KATHLEEN MCCANDLESS: Well, any

19 project and then specifically with respect to PDR?

20   MR. JOHN REMILLARD: Yes. Overall,

21 yes.

22   MS. KATHLEEN MCCANDLESS: For both?

23   MR. JOHN REMILLARD: Both.

24   MS. KATHLEEN MCCANDLESS: Thank you.

25 Where it says "authorize and approve adequate budget,"

 1 the first bullet there, is that where major spending

 2 decisions were made or would those be day-to-day

 3 management of the project?

 4   MR. JOHN REMILLARD: Both.

 5   MS. KATHLEEN MCCANDLESS: And who

 6 ultimately -- ultimately would've been responsible for

 7 the success of a given IT project?

 8   MR. JOHN REMILLARD: Ultimately that's

 9 a shared responsibility, between myself and the

10 members of our business transmission office. So

11 multiple leaders.

12   MS. KATHLEEN MCCANDLESS: Thank you.

13 If we go back to the chart that we were just looking

14 at. Thank you, Kristen. On -- again, on the left

15 side of the screen, we see the corporate initiatives

16 sponsor.

17   MR. Bunko or Mr. Remillard, could you

18 explain how the corporate initiatives sponsor would

19 have interacted with the director of the business

20 transformation office?

21   MR. REMILLARD: Yes. On a day-to-day

22 basis we would discuss project challenges and project

23 issues, determine what we were comfortable with in

24 deciding and, ultimately, things that were more

25 complex in nature would ultimately be exe --

1 escalated, sorry, to our project steering committee

2 for executive decision.

3   MS. KATHLEEN MCCANDLESS: And the

4 director of project delivery, just below the director

5 of the business transformation office, how would the

6 director of project delivery and the program director,

7 who is just below, interact with the business

8 transformation office?

9   MR. JOHN REMILLARD: Ultimately due to

10 the nature and -- and -- and size of the physical

11 damage re-engineering, the multi layers of management

12 there, you would have multiple projects being executed

13 in parallel, ultimately reporting into the program

14 director and the director of project delivery, each --

15 each with escalating authority and through the

16 governance structure dealing with, at a lower level,

17 the day-to-day issues, at a medium level, the longer

18 term issue -- issues management, risk management and

19 dialogue and then, ultimately, escalating to the

20 director of BTO for things that are, in essence, a

21 more serious nature.

22   MS. KATHLEEN MCCANDLESS: Now, with

23 respect to the physical damage re-engineering project,

24 who ultimately from management would've approved the

25 PDR project?

960

 1   MR. JOHN REMILLARD: From a -- can you

 2 maybe elaborate on what perspective, please?

 3   MS. KATHLEEN MCCANDLESS: So, I

 4 suppose it was ultimately the Board of Directors that

 5 would've approved the go forward on the PDR?

 6   MR. JOHN REMILLARD: That is correct,

 7 in July of 20 -- 2012.

 8   MS. KATHLEEN MCCANDLESS: And again,

 9 just to clarify, that would've been a recommendation

10 from the then Chief Executive Officer?

11   MR. JOHN REMILLARD: That's correct.

12   MS. KATHLEEN MCCANDLESS: Thank you.

13 Now, if we go to PUB-MPI-1-66. This Information

14 Request asked at A, the Corporation for information

15 about the lessons learned in the course of the

16 physical damage re-engineering project.

17   And in response -- in the response at

18 page 2, under "lessons learned" we see that large

19 capital programs like PDR should have iterated

20 business cases with no longer than three-year project

21 funding value management period assessments, yes?

22   MR. JOHN REMILLARD: Correct.

23   MS. KATHLEEN MCCANDLESS: And we see

24 reference to, under "Actions," just below there, value

25 management office in the development of business

1 cases, yes?

2   MR. JOHN REMILLARD: Yes.

3   MS. KATHLEEN MCCANDLESS: Now, is

4 that, in essence, a re-labelling of the business

5 transformation office, or is that a completely

6 different business unit?

7   MR. JOHN REMILLARD: It's a completely

8 different business unit, an independent body.

9   MS. KATHLEEN MCCANDLESS: And who's in

10 charge of the value management office?

11   MR. JOHN REMILLARD: Mr. Joe Riel, in

12 the back row.

13   MS. KATHLEEN MCCANDLESS: What is its

14 composition?

15   MR. JOHN REMILLARD: Joe, at this

16 time, the -- the office is still growing. So it's Joe

17 and one (1) other member at this time.

18   MS. KATHLEEN MCCANDLESS: And that

19 member's title would be?

20   MR. JOHN REMILLARD: Value management

21 coordinator.

22   MS. KATHLEEN MCCANDLESS: Thank you.

23 Now, if we could go back to VM4, the very first

24 paragraph here under the heading states:

25   "In recognition of the evolution and

962

1   increased maturity of the value

2   management process, as well as the

3   involvement of the value management

4   office and the development, review

5   and post-implementation reviews of

6   business case realization, as well

7   as the corporate objective of more

8   actively and engaging operational

9   management in the projects

10   associated with their respective

11   business cases, MPI management has

12   decided to change key project

13   leadership roles and

14   responsibilities and introduce the

15   new role, operational business

16   champion."

17   And we heard about that being Ms.

18 Campbell this morning, is that right?

19   MR. JOHN REMILLARD: For the finance

20 re-engineering initiative? That's correct.

21   MS. KATHLEEN MCCANDLESS: And so I

22 gather then from your response, Mr. Remillard, that

23 the individual who will serve in that role will vary

24 from project to project, is that right?

25   MR. JOHN REMILLARD: That is correct.

963

1   MS. KATHLEEN MCCANDLESS: And has

2 there been an operational business champion appointed

3 for the PDR project at this time?

4   MR. JOHN REMILLARD: At this time, the

5 remaining piece is the parts project, and that is Mr.

6 Mr. Shayon Mitra, to my right.

7   MS. KATHLEEN MCCANDLESS: Thank you.

8 Now, if we go to page 46, and that's VM-3, this is

9 what I understand is the new project organizational

10 structure and governance for the operations of IT

11 projects within the Corporation, is that right?

12   MR. JOHN REMILLARD: That's correct.

13   MS. KATHLEEN MCCANDLESS: And perhaps

14 either Mr. Remillard or Mr. Bunko, at a very high-

15 level, because there is a fair amount of detail here,

16 just explain this organizational chart and some of the

17 key differences between that and what we previously

18 reviewed.

19   MR. JOHN REMILLARD: Certainly. I'll

20 maybe start at the bottom. So basically, in essence,

21 the -- the changes are highlighted, I'll say the

22 fuschia -- fuschia and blue, the business relationship

23 managers are ultimately a team of staff that report in

24 to myself. And we -- what we provide is the -- we

25 still provide that liaison between our business

964

 1 transformation office, from project execution, and our

 2 business units.

 3   The primary difference here is that the

 4 business relationship manager, on a day-to-day basis,

 5 is more effectively and more directly working what are

 6 operational business champions.

 7   Myself, off to the left, is corporate

 8 business architect. I'm working in -- in partnership

 9 with our enterprise architecture committee, which is

10 Mr. Gary Dessler, our corporate systems architect, as

11 well as Colin McDonald, who is our corporate security

12 information officer.

13   Ultimately, as corporate business

14 architect, a lot of our operational business champions

15 have not, to date, led large initiatives. And so in

16 the short term I'm providing some -- some coaching or

17 -- or some leadership and advice and -- and not

18 direction. Advice to these -- to these operational

19 business champions as to what things they may want to

20 look out for, things they need to watch for as far as

21 successfully executing that project.

22   The main difference here is that from a

23 direct accountability perspective, the operational

24 business champion is now ultimately accountable for

25 the project success. So the outcomes that are stated

965

 1 in the business case are ultimately under their

 2 purview.

 3   Off to the -- the left is the value

 4 management office. The value management office is --

 5 is basically offering multiple things. In the project

 6 infancy, validating the business case, they're not

 7 responsible for it, but what they do is review it from

 8 a quality assurance perspective.

 9   Looking to ensure that all of our

10 ongoing operating costs are accurately depicted; that

11 the impact operations with respect to -- I don't want

12 to say hidden costs, anticipated costs and/or the

13 changes to software licensing, hardware

14 infrastructure, recurring costs with respect to

15 replacing said infrastructure into the future, as well

16 as any impact to staffing.

17   So that's in the infancy. As the

18 project is being executed, there will be net new

19 learnings and with that the operational business

20 champion is going to have to continue to -- continue

21 to review their business case and determine whether

22 it's still on track.

23   So, ultimately, they will work with the

24 value management office to ensure that the -- the

25 business case is still accurate on a day-to-day basis.

 1   MS. KATHLEEN MCCANDLESS: Thank you.

 2 In the -- roughly the middle of the chart we see the

 3 executive steering committee?

 4   MR. JOHN REMILLARD: Yes.

 5   MS. KATHLEEN MCCANDLESS: Yes. And

 6 what is that current role of the executive steering

 7 committee then?

 8   MR. JOHN REMILLARD: The executive

 9 steering committee, very similar to the -- the prior

10 chart that -- that we depicted and reviewed,

11 ultimately, the operational business champion will

12 report into the executive steering committee, again

13 for decisions that are beyond, in essence, their

14 purview, advising or seeking advise and/or direction

15 from the executive steering committee where warranted

16 and, ultimately, validating and demonstrating and

17 proving to the executive sponsors that ultimately the

18 project's still on track with respect to budget,

19 benefits and delivery.

20   MS. KATHLEEN MCCANDLESS: Thank you.

21 And just to clarify, there are two (2), pardon me, VP

22 business owners at the very top of the chart there?

23   MR. JOHN REMILLARD: In this case, the

24 reason that that's depicted is that for all IT

25 projects, Mr. Bunko will be an active member and then

 1 there may be one (1) or more operational business

 2 owners as part of that.

 3   MS. KATHLEEN MCCANDLESS: And then on

 4 a -- for a given project, who would ultimately be

 5 responsible for the approval of submissions made to

 6 the Board of Directors?

 7   MR. JOHN REMILLARD: That would be the

 8 executive steering committee.

 9   MS. KATHLEEN MCCANDLESS: What size of

10 projects would be required to get approval through the

11 Board of Directors?

12   MR. JOHN REMILLARD: That's a good

13 question.

14   Ultimately there -- there's the

15 approval of the business case side of things, where

16 we're adopting value management. But ultimately when

17 we look at capital projects, it's anything that's

18 going to require capital funding, and traditionally

19 that's been anything in excess of 250,000 or so.

20   MS. KATHLEEN MCCANDLESS: Thank you.

21 Once a project has been approved and when you get to

22 major milestones within a project, are reports going

23 to be prepared on the basis of how things are

24 progressing?

25   MR. JOHN REMILLARD: Yes, we provide

968

1 weekly status reports to our executive sponsors and

2 then there's a quarterly status report that's provided

3 to our Board of Directors.

4   My apologies. There's a monthly report

5 to our executive committee as well.

6   MS. KATHLEEN MCCANDLESS: Thank you.

7 If we could go back to the response to PUB-MPI 1-66.

8   And at the top of the page, again under

9 "lesson learned," there's a reference to large capital

10 programs requiring iterative business cases, yes?

11   MR. JOHN REMILLARD: Correct.

12   MS. KATHLEEN MCCANDLESS: Could you

13 please explain what is meant by "iterative business

14 cases" there?

15   MR. JOHN REMILLARD: Well, ultimately,

16 when you're getting projects that tend to be over an

17 18-month period, things can change. Could be changes

18 in technology, the assumptions that -- that are now

19 getting validated because they were futuristic in the

20 project execution.

21   And so the intent here is that the

22 business case is a living document, it's -- and when

23 you contrast that to physical damage re-engineering, I

24 don't want -- I don't want to say it was a once and

25 done. In essence we created a financial model and --

1 and forecasted benefits and impact to what it could

2 mean for the organization as an opportunity.

3   But in this case, it's a living and

4 breathing document, to the end, and actually post-

5 implementation in the validation of said benefits.

6   MS. KATHLEEN MCCANDLESS: Thank you.

7 And there should be no longer than three-year project

8 funding value management period assessments there as

9 well, yes?

10   MR. JOHN REMILLARD: Preferably. But

11 when we look at something like a large spend that Mr.

12 Bunko had in his opening, legacy will probably be -- a

13 legacy modernization will be -- I don't want to say an

14 anomaly, it will be another large program, but will

15 require incremental rigour as well in that regard.

16   MS. KATHLEEN MCCANDLESS: Thank you.

17 Something like a three-year project funding or value

18 management assessment, that was not done for a PDR, is

19 that right?

20   MR. JOHN REMILLARD: That is correct.

21   MS. KATHLEEN MCCANDLESS: Thank you.

22 Mr. Chair, I maybe have five (5) more minutes of

23 questioning under this area.   Thank you.

24   Then we see that under "Actions," the

25 first -- at the top of the page there, that the value

 1 management office will be involved in active

 2 engagements of review and approval of -- in

 3 development of business cases, yes?

 4   MR. JOHN REMILLARD: Correct.

 5   MS. KATHLEEN MCCANDLESS: And active

 6 engagement of business operations in the development

 7 of business cases?

 8   MR. JOHN REMILLARD: Yes.

 9   MS. KATHLEEN MCCANDLESS: And then

10 formal application of BTO project, gating checkpoints

11 and controls, yes?

12   MR. JOHN REMILLARD: Yes.

13   MS. KATHLEEN MCCANDLESS: What does

14 "gating" mean?

15   MR. JOHN REMILLARD: Yes. Ultimately,

16 and I believe we described this in last year's Public

17 Utility Board application, the gating aspect of it is

18 each project is built into multiple phases. And what

19 those phases, what we've implemented now are gates or

20 checkpoints.

21   With these checkpoints, ultimately, we

22 are expecting a certain level of completion with

23 respect to certain deliverables, key aspects of the

24 project to be complete. And then what we're doing now

25 is incorporating the value management office into the

 1 validation of that, and incrementally that the

 2 business case is still accurate at that checkpoint.

 3   MS. KATHLEEN MCCANDLESS: Thank you.

 4 Then under "lesson learned," the second part of lesson

 5 learned, the page that we see before us here, the

 6 bullet says:

 7   "Future software licensing,

 8   maintenance and operational support

 9   resource expenses need to be

10   properly forecasted and included in

11   financial analysis."

12   Yes?

13   MR. JOHN REMILLARD: Correct.

14   MS. KATHLEEN MCCANDLESS: Under the

15 old organizational, I don't know that we need to go

16 back there, but certainly, if you feel we need to let

17 us know.

18   MR. JOHN REMILLARD: No, no.

19   MS. KATHLEEN MCCANDLESS: Who would

20 have been responsible for making sure that this

21 happened with respect to business cases?

22   MR. JOHN REMILLARD: With respect to

23 business cases. I guess the -- the difficulty or --

24 in answering that question is that right or wrong, we

25 weren't incorporating those costs. It was more of a -

1 - a benefits forecast and opportunity, so.

2   MS. KATHLEEN MCCANDLESS: And so I

3 guess more generally then?

4   MR. JOHN REMILLARD: More generally?

5 It was built into our budgeting aspect, so that was

6 occurring and that the go-forward expenses were

7 properly forecasted, but in evaluating projects it

8 wasn't being done, formally.

9   MS. KATHLEEN MCCANDLESS: And that was

10 more of a widespread issue, not specific to PDR, is

11 that right?

12   MR. JOHN REMILLARD: Widespread yes.

13   MS. KATHLEEN MCCANDLESS: Thank you.

14 So now the value management office, I understand, is

15 going to ensure that these costs are properly

16 forecast, is that right?

17   MR. JOHN REMILLARD: That is correct.

18   MR. CURTIS WENNBERG: Actually, in

19 addition to that, we will expect as operational

20 business champions, or my team that might be

21 operational business champions, that if Shayon Mitra,

22 for example, is -- is on a parts manager product --

23 project, he needs to be on top of the business case

24 before it goes to value management office.

25   So value management office is a -- is a

 1 checkpoint and they'll also assist, but -- but we're

 2 going to require our office people to -- to build the

 3 case properly from the beginning, and then it goes

 4 through that group. It's not like it's a complete

 5 cold hand-off, if you will.

 6   MS. KATHLEEN MCCANDLESS: Thank you.

 7 What is meant at the bottom of page 2, the last bullet

 8 there with respect to:

 9   "Active engagement of IT operations

10   enterprise system support in the

11   review of business case

12   development"?

13   MR. JOHN REMILLARD: I can start and

14 maybe I'll turn it over to Mr. Lazarko if I don't

15 catch it all.

16   So ultimately, as part of preparing the

17 business case, there are impacts to software

18 licensing, maintenance, infrastructure, and ultimately

19 that affects Mr. Lazarko's budget for the most part.

20 He is responsible for creating the operational budget

21 going forward, so he needs to be aware of said costs

22 so that they're properly built into his budget.

23   And from the enterprise system support

24 perspective, that is a unit that is responsible for

25 supporting our applications. So ensuring that they

 1 have the necessary staffing and support infrastructure

 2 to support a large program, there may be met -- new

 3 staff that are required in order to do so.

 4   MR. LAWRENCE LAZARKO: Well said.

 5 Nothing to add.

 6   MS. KATHLEEN MCCANDLESS: I just have

 7 one (1) question for clarification then.

 8   So does that mean that IT operations

 9 and enterprise system support will be responsible or

10 involved in the development of the business case, or

11 in the review of business cases?

12   MR. CURTIS WENNBERG: It would be

13 both, really, because what we want is we don't want

14 ops business champions to recommend, let's say, a

15 version of software that doesn't fit well within the

16 IT architecture.

17   And so if we have something that --

18 that seems to make sense, we want to make sure that,

19 architecturally, it -- it isn't going to be a -- a

20 very expensive piece to integrate in.

21   So they would be both on creating the

22 business case and making sure we got those costs in.

23 And -- and -- and then the review of that.

24   MR. BRAD BUNKO: And I would add that

25 very similarly to, you know, business impact, may --

975

1 may it be FTEs, you know, additional processes that

2 are driving additional resources, the same perspective

3 has to be applied to IT in general. And so from an

4 infrastructure and an application services

5 perspective.

6   MS. KATHLEEN MCCANDLESS: Just one (1)

7 last question in this area then.

8   Is -- I take it the Corporation is

9 stating that the new approval structure, the new

10 operational structure, will ensure that there are no

11 significant write-offs such as those experienced in

12 the last fiscal year. Is that right?

13   MR. CURTIS WENNBERG: I think we have

14 to go back to what Gartner presented before, and for

15 us to be in a position where there will never be

16 mistakes within a large project could be very

17 difficult to promise.

18   What you see in this change though, is

19 us adopting a bit more an industry standard approach

20 to how ops will actually work on some of these

21 projects and -- and work with our IT groups.

22   We will make sure that we champion the

23 thing so that it makes sense what gets delivered, and

24 then -- and then we'll work with the value management

25 team to make sure that we actually account for

976

 1 everything the way it should be done. That should

 2 reduce the probability of those types of eventualities

 3 to take place.

 4   MS. KATHLEEN MCCANDLESS: Thank you.

 5   I think this would be an appropriate

 6 time to break then.

 7   THE CHAIRPERSON: Thank you.

 8   We will reconvene at eleven o'clock.

 9

10 --- Upon recessing at 10:40 a.m.

11 --- Upon resuming at 11:04 a.m.

12

13   THE CHAIRPERSON: Ms. McCandless...?

14

15 CONTINUED BY MS. KATHLEEN MCCANDLESS

16   MS. KATHLEEN MCCANDLESS: Thank you.

17 Mr. Remillard and Mr. Bunko, just one (1) follow-up

18 question from my line of questioning earlier this

19 morning -- for clarification.

20   So with respect to approval of IT

21 projects before the van -- value management process

22 was in place with the prior CEO, Mr. Guimond, can you

23 just again reiterate or explain how IT projects got

24 approved by the Board of Directors?

25   MR. JOHN REMILLARD: Yeah, I'll start.

 1 So, ultimately, an issue is brought -- brought forward

 2 as part of our budget establishment process in the

 3 fall of each year, usually by the -- the cutoff that

 4 would be the Sep -- September timeframe.

 5   Ultimately those we've built into the

 6 budget and capital funding which would be brought

 7 forward to the December planning session, and that

 8 would be the first that the -- the Board would hear

 9 about it, but -- the Board of Directors that is -- and

10 then, ultimately, seeking approval from the Board of

11 Directors of the actual budget in January of a -- of a

12 calendar year with the -- with that approval would

13 begin execution in the fiscal year as of March 1st.

14   MS. KATHLEEN MCCANDLESS: And when you

15 say an issue would be brought forward, who would bring

16 the issue forward?

17   MR. JOHN REMILLARD: Ultimately issues

18 would be -- identified by the project, be it myself or

19 the director of the business transformation office;

20 that would be escalated to our executive steering

21 committee and usually as a vi -- vice-president

22 business owners and/or steering committee members,

23 they would bring briefings and/or discussion papers

24 and issues for escalation decision, et cetera to the

25 Board of Directors. So it would be the executive

 1 sponsors.

 2   MS. KATHLEEN MCCANDLESS: And I

 3 believe you said in your evidence this morning that it

 4 was -- usually it was Mr. Guimond himself who would

 5 make the submission to the Board of Directors, is that

 6 right?

 7   MR. JOHN REMILLARD: It would depend

 8 on -- on the project. I guess ultimately, with the

 9 physical damage re-engineering as a -- as an example,

10 which began in -- in 2012 -- at that time Mr. Guimond

11 was the vice-president so, was in essence, the Vice --

12 VP business owner.

13   MS. KATHLEEN MCCANDLESS: And

14 typically was it Mr. Guimond who was -- who would make

15 the recommendation with respect to the larger IT

16 projects?

17   MR. BRAD BUNKO: Yes, it was. Yes. I

18 think if you -- trying to contrast that to what we

19 have now, a few years ago was -- or several years ago,

20 there was much less business involvement in the

21 initiative and building up of what the appropriate

22 solution may be, and what the value from that solution

23 could be and it was done more in isolation with, you

24 know, as described by P -- IT that -- that Dan ran and

25 -- and it was brought forward to executive committee

1 for -- for final approval -- but pretty much most of

2 the solution was complete and it -- it was more of the

3 formality of going through and having it approved and

4 then having the Board approve it.

5   MR. JOHN REMILLARD: Ultimately, the

6 organization was a -- we had a different

7 organizational structure back then, as well. There

8 was a division for Business Strategy and Innovation

9 which Mr. Guimond lead, so, hence why a lot of the -

10 net new initiatives are coming from that division and,

11 in essence, why he was, in essence, a champion for

12 them.

13   MS. KATHLEEN MCCANDLESS: And just to

14 clarify something you said just now, Mr. Bunko. You

15 said in isolation by PIT that Dan ran, so I believe

16 Dan would be Mr. Guimond?

17   MR. BRAD BUNKO: Yes.

18   MS. KATHLEEN MCCANDLESS: And when

19 you say "in isolation," what -- what would that mean?

20   MR. BRAD BUNKO: Well, as -- as John

21 stated, the strategy area is something that -- that

22 reported in through to Mr. Guimond and so between the

23 strategy area and his business knowledge, he had less

24 than maybe optimal business inclusion on -- on an

25 initiative that would be brought forward.

 1   MS. KATHLEEN MCCANDLESS: And P-I-T

 2 would mean?

 3   MR. BRAD BUNKO: Pardon me?

 4   MS. KATHLEEN MCCANDLESS: You -- yeah,

 5 I think you said something P-I-T in the course of your

 6 response.

 7   MR. BRAD BUNKO: Not sure what I said.

 8   MS. KATHLEEN MCCANDLESS: Okay. In

 9 isolation by P-I-T I think is what you said so I was

10 just going to ask you to clarify with --

11   MR. BRAD BUNKO: Drop the 'P' and

12 let's call it IT.

13   MS. KATHLEEN MCCANDLESS: Okay. And

14 so I take it -- I -- I believe, just to clarify,

15 again, from this morning, the approval process for

16 these IT projects wouldn't of been reflected on VM2,

17 the diagram that we see before us, right?

18   MR. BRAD BUNKO: No.

19   MS. KATHLEEN MCCANDLESS: Okay. Thank

20 you. I just have -- some few -- a few questions with

21 respect to the direct repair program. And first if

22 you could just explain for the record what direct

23 repair is.

24   MR. CURTIS WENNBERG: Direct repair is

25 where we'll allow customers to bypass going to an MPI

 1 service centre to have an MPI estimator look at their

 2 car and then we don't have hoists in those -- in those

 3 service centres, for example. So we do the best we

 4 can, take a look at the car and then it's up to the

 5 customer to take their car to any shop that they'd

 6 like to go after that.

 7   Direct repair allows certain types of

 8 accidents hits for a customer to bypass that MPI

 9 service centre visit for an estimate, and they can go

10 directly to certain shops that we've qualified to be

11 able to do direct repair estimates for us.

12   MS. KATHLEEN MCCANDLESS: Thank you.

13 If we could go to PUB-MPI-137. And at page 2 of this

14 IR response towards the bottom of the page, this is

15 with respect to DR is the acronym here, and towards

16 the bottom of the response we see significant

17 efficiency gains have not materialized with DR, so

18 direct repair, and as such, the Corporation has

19 announced its intent to dramatically alter the eighty-

20 one dollar ($81) premium and other DR policies with

21 its respect -- repair shop partner network. Yes?

22   MR. CURTIS WENNBERG: That's correct.

23 And again could you just explain what the eighty-one

24 dollar ($81) premium reference here is?

25   MR. CURTIS WENNBERG: Yes. The

982

1 eighty-one dollar ($81) premium is given to these

2 direct repair shops, but it was negotiated to be

3 provided to them for all jobs they do. So, if it's --

4 it's -- if they're doing a direct repair estimate,

5 they -- they -- they get eighty-one dollars ($81) for

6 each of those estimates they do.

7   But then also, you know, those are only

8 20 percent -- that represent 20 percent of all the

9 work that's out there. So, on the other 80 percent of

10 their jobs they also then get eighty-one dollars

11 ($81). So, MPI does the first estimate, the customer

12 takes the car there, and they -- they follow-up with

13 an estimate. So that's -- that's -- so it's all jobs

14 that a DR shop does.

15   MS. KATHLEEN MCCANDLESS: Thank you.

16 If we go to page 3 of the response. The very top of

17 the page here there are a couple numbers referenced so

18 at the very bottom of the first paragraph there's a

19 variance from $6.3 million down to $3.63 million for

20 2018/'19 for direct repair, yes?

21   MR. CURTIS WENNBERG: Correct.

22   MS. KATHLEEN MCCANDLESS: And the

23 original estimate of $6.3 million, are you able to

24 explain how that number was arrived at?

25   MR. CURTIS WENNBERG: Yes. There was

 1 some assumptions made around how much penetration, if

 2 you wi -- we'd have within our over two-hundred (200)

 3 shops which those would qualify for direct repair and

 4 we looked at the amount of volume that they did and it

 5 was relatively a straight-line view of how much money

 6 we'd be exposed to with this direct repair premium.

 7   So -- so that was the end -- end

 8 result. The -- it -- it -- the second question that

 9 might be in your mind is how did you get down to 6.3

10 and -- and that's because of some of the restrictions

11 that we had put in in terms of how you would get on to

12 the eighty-one dollars ($81) if you're in probation as

13 a shop or if you just got DR or if there's other

14 modifying features you don't quite get it yet.

15   So it would be 3.6 million for this

16 year, which is the first year that the eighty-one

17 dollars ($81) gets turned on, but it would very

18 naturally and easily grow to the 6 to $7 million in

19 the -- in the next year or beyond.

20   MS. KATHLEEN MCCANDLESS: Thank you.

21 And I -- I believe that the subparagraphs here provide

22 some of the explanations for the decrease of 6.3 to

23 3.6 million.

24   Under (I), the very first paragraph --

25 subparagraph here there's a reference to thirteen

1 thousand thirty-one (13,031) in claims paid by the

2 Corporation in Q1 being excluded from the eighty-one

3 dollar ($81) payment due to the change in criteria.

4 Yes?

5   MR. CURTIS WENNBERG: Yes.

6   MS. KATHLEEN MCCANDLESS: What's the

7 timeline for the new direct repair policies or premium

8 amount to be implemented to eliminate eighty-one

9 dollars ($81) for every job?

10   MR. CURTIS WENNBERG: I'm sorry.

11 Could you repeat that question?

12   MS. KATHLEEN MCCANDLESS: So it -- it

13 appears that the eighty-one dollar ($81) payment will

14 be slowly excluded, yes?

15   MR. CURTIS WENNBERG: So maybe --

16 maybe we'll go back on what (I) actually means. The -

17 - at MPI you -- you can have -- you can have a date of

18 loss and just not call us to -- to start a claim, and

19 so what we did was we had to start -- get a starting

20 point, which wasn't explicit in the light vehicle

21 accreditation agreement, or the LVAA, we call it.

22   So there was no explicit start date.

23 So what we agreed with our -- our trade partners is

24 that, okay, we have to -- we have to just have a start

25 on where you got your claim, or when you got your date

985

1 of loss. And so we said, okay, you're not going to

2 get paid on -- eighty-one dollars ($81) on any -- any

3 repair job where the customer had the date of loss

4 before that December date. So it just sets a the

5 starting point.

6   So there's a -- a number of claims, and

7 -- in 2017, for example. Even if they go and get

8 direct repaired tomorrow, we won't pay the eighty-one

9 dollars ($81) on it. So it's just basically starting

10 off the program.

11   MS. KATHLEEN MCCANDLESS: Thank you.

12 At (3), the third subparagraph, there -- there is a

13 reference to direct repair shops needing to be in good

14 standing to be entitled to the direct repair premium,

15 yes?

16   MR. CURTIS WENNBERG: That's correct.

17   MS. KATHLEEN MCCANDLESS: What does --

18 what's meant by "good standing"?

19   MR. CURTIS WENNBERG: So they could be

20 in probation if they're starting up, or having --

21 having issues with our KPIs. We have new key

22 performance indicators where we're measuring shops,

23 and they have to be in -- in certain standing with us.

24 So if -- if there's not -- and there's not many claims

25 are in that bucket, but if a shop's not in good

986

 1 standing, we -- we said they wouldn't get the eighty-

 2 one dollars ($81).

 3   MS. KATHLEEN MCCANDLESS: Thank you.

 4 And that does take me to my next series of questions

 5 with respect the key performance indicators.

 6   MR. CURTIS WENNBERG: M-hm.

 7   MS. KATHLEEN MCCANDLESS: At PUB/MPI-

 8 2-18, and this Information Request asked the

 9 Corporation for details of the key performance

10 indicators, or KPIs, for the repair shops. And we see

11 the KPIs on the table at page 2, I believe.

12   Those are them there, Mr. Wennberg?

13   MR. CURTIS WENNBERG: Yes.

14   MS. KATHLEEN MCCANDLESS: What score

15 on the scorecard is required in order for the direct

16 repair premium to be applied to a given shop?

17   MR. CURTIS WENNBERG: To get into,

18 correct -- to direct repair, there's really three (3)

19 things that you needed to have historically. The

20 ask/approve variance was over 2.63 percent. The total

21 composite score that'd you have as a shop had to be

22 over 60 percent, and you had to have an average five

23 (5) jobs per week, so a certain volume size, to get

24 in.

25   And only this summer, after a number of

1 our teams' review, plus some feedback from shops, we

2 looked at the five (5) per week rule, and we relaxed

3 that. A lot of the direct repair benefits we could

4 see getting in rural areas, and we also didn't see a -

5 - a reduction of quality in terms of writing a -- a

6 direct repair estimate for smaller shops, which was an

7 assumption that was made at the beginning. Really,

8 really small shops do struggle a little bit with it,

9 but we'll monitor that. We'll monitor that with --

10 with KPIs, and quality controls, and go forward.

11   MS. KATHLEEN MCCANDLESS: So is there

12 a total composite score that the shops would need,

13 then?

14   MR. CURTIS WENNBERG: Yeah. The

15 composite score is 60 percent that they would need.

16 And as you can see at the bottom -- so what a

17 composite score means is that we would take

18 percentages of each of these key measures and quality

19 of repair, and we would build one (1) aggregate score,

20 which we call a comp -- composite score.

21   So they have to do well enough in the

22 all of the KPIs to get over 60 percent from a

23 composite score, and the one (1) KPI that's a driver

24 of KPI is an ask/approve variance. And just so

25 everyone understands, that means that if -- if a shop

988

1 asked for eleven hundred dollars ($1,100) on every

2 single estimate, and we only approve a thousand

3 dollars ($1,000) on every single estimate, they would

4 have a 10 percent ask/approve variance. So it's how

5 much more they ask for, on average, and how much we

6 say no, you can't have, to put it in -- in real simple

7 terms.

8   MS. KATHLEEN MCCANDLESS: Thank you.

9 And I understand that MPI is not actively promoting --

10 or has not actively promoted the Direct Repair Program

11 in the twelve (12) months following its implementation

12 date. Is that right?

13   MR. CURTIS WENNBERG: That's correct.

14 And -- and there's a few reasons why. I should also

15 note that the scorecard is not just done for direct

16 repair shops. It -- it may be obvious, but we do it

17 for every single shop that we do. And there are some

18 shops who do have qualifying composite scores, and

19 ask/approve variance, and just self select not to be

20 in the Direct Repair Program. It's -- it's not a -- a

21 large number, but it's a small number that -- that do

22 that.

23   And -- and we find there's -- there's

24 good value, and -- and it -- it's quite useful for us

25 to have the -- the measurements within the shops. We

1 saw some beneficial improvement for all shops, those

2 that were on DR, or even not DR, by just knowing that

3 we're watching, and -- and we know what the

4 ask/approve variances are, and some of the other

5 things.

6   Part of these -- part of these is -- is

7 what you would consider somewhat of an industry

8 standard, and may have -- really benefit us in terms

9 of average severity of our cars -- repair costs over

10 the last roughly eighteen (18) months.

11   MS. KATHLEEN MCCANDLESS: Thank you.

12 Does MPI have plans to promote the Direct Repair

13 Program going forward?

14   MR. CURTIS WENNBERG: Not necessarily,

15 no. So in the -- in the beginning stages, we wouldn't

16 promote it because we had to build up and train people

17 to write direct repair estimates in the way that we

18 want them, so it wouldn't be fair to those shops that

19 were in a pilot and already could do this, so this --

20 when we roll it out, they could advertise, but others

21 just aren't even on the program yet. So we certainly

22 wouldn't want our voice to be in their advertising it.

23   We -- we also think -- we've had some

24 pressure from shops, too, in terms of advertising.

25 It's -- it's a bit of a concern for some shops that

 1 can't get on the program yet. So we want to make sure

 2 that we're really conscious on both the customer

 3 satisfaction and our own efficiency benefits out of

 4 this before we would ever go into any type of

 5 promotional campaign.

 6   And we can also do promotion really

 7 simple, if we wanted to. We -- we could put shop

 8 performance and direct repair in when we're talking

 9 with first notice of loss on customers of the call --

10 contact centre. So just even making sure the

11 customers got informed -- informed choice on what they

12 could do. Some may consider that advertising, but

13 it's really not. We're just educating the customer on

14 options available to them.

15   MS. KATHLEEN MCCANDLESS: Thank you.

16 Could we be please pull up PUB/MPI-1-46. And this

17 Information Request asked for anticipated savings from

18 the use of the predictive analytics tool.

19   And for the record, perhaps Mr.

20 Wennberg -- I -- I'm -- you may be the appropriate

21 person to just describe what pre -- predictive

22 analytics is.

23   MR. CURTIS WENNBERG: Yes. Predictive

24 analytics was our attempt at MPI to use more

25 mathematics to try and predict what would be a fraud.

991

1 So today we get between, say, 6 and 8 million in the

2 average year in terms of fraud in our -- in our

3 business. And that's a -- usually a half and half of

4 bodily injury types of fraud, or physical damage, or

5 vehicle repair hits types of fraud.

6   What we do today, and -- and

7 historically is -- is refer using our adjusters or

8 estimators. They see a piece of damage just doesn't

9 match what they would expect, and their -- their own

10 antenna go up, and they, to their credit, would refer

11 a -- a claim to our SI unit or special investigations

12 unit, that would -- that would track that claim down

13 and ask the customer what was happening.

14   Predictive analytics was going to give

15 us what you would use very much in a financial

16 services environment like a -- credit cards, for

17 example. They have extremely deep algorithms and

18 databases to determine what triggers you might see

19 within a claim, or in -- in that case, a credit card

20 purchase history, that -- that then triggers

21 automatically whether something should be reviewed by

22 the special investigations office.

23   We never had anything like this at MPI.

24 There was a lot of talk in the market about these

25 types of things. And so this part of the PDR, overall

992

 1 big project, was looking at getting that algorithm

 2 into MPI.

 3   MS. KATHLEEN MCCANDLESS: Thank you.

 4 And we see from the first paragraph in the response

 5 that the Corporation is applying the tool only to

 6 total loss claims, which account for less than 20

 7 percent of all physical damage claims, yes?

 8   MR. CURTIS WENNBERG: Correct.

 9   MS. KATHLEEN MCCANDLESS: And the

10 initial projected savings from the use of the tool was

11 five hund -- five hundred thousand dollars ($500,000)

12 annually, yes?

13   MR. CURTIS WENNBERG: That's right.

14   MS. KATHLEEN MCCANDLESS: And it's

15 been amended to project an annual savings of two

16 hundred and fifty thousand dollars ($250,000) by the

17 end of this fiscal year?

18   MR. CURTIS WENNBERG: Yes.

19   MS. KATHLEEN MCCANDLESS: Are you able

20 to comment on the cause of the decrease in projected

21 savings?

22   MR. CURTIS WENNBERG: We've set up --

23 and it took a bit of work, but we have set up the

24 models. We looked at some of the referrals. Our

25 teams have worked them through, and this is basically

1 using the data in front of us on actual practice, and

2 -- and actual hit rates, if you will, on true frauds

3 within what the model is spitting out to determine

4 that that's more -- roughly where we're going.

5   There's two (2) ways of combating

6 fraud. It seems like there's a lot of insurance

7 carriers that would go to a third party provider that

8 may run their own black box or algorithm basis, and --

9 and they would get inputs. I think some would come

10 from MPI. Some would come from the market. Or we

11 could do it internally, like that was done here in

12 MPI, and -- and this is what we've got at this point

13 in time from the internal efforts.

14   MS. KATHLEEN MCCANDLESS: Thank you.

15 Kristen, would we please pull up PUB -- pardon me, MPI

16 Exhibit number 27. That's the presentation from this

17 morning, and slide 9.

18   And I understand from the presentation

19 this morning that these are the IT projects that are

20 currently in flight, yes?

21   MR. BRAD BUNKO: That's correct.

22   MS. KATHLEEN MCCANDLESS: And could

23 you, Mr. Bunko, just describe what in flight would

24 mean?

25   MR. BRAD BUNKO: That they were --

994

 1 they had funding budgeted for them for the '18/'19

 2 fiscal year.

 3   MS. KATHLEEN MCCANDLESS: So

 4 essentially, they're being worked on in the '18/'19

 5 fiscal year?

 6   MR. BRAD BUNKO: Yes.

 7   MS. KATHLEEN MCCANDLESS: Yeah? Okay.

 8 And so with respect to technology risk management,

 9 that has the largest budget of the projects we see in

10 front of us at $4.5 million for fiscal 2018/'19, yes?

11   MR. BRAD BUNKO: Correct.

12   MS. KATHLEEN MCCANDLESS: And when is

13 the Technology Risk Management Project expect --

14 expected to be complete?

15   MR. BRAD BUNKO: This project is

16 something that we do annually. So -- and it's hard.

17 It's about keeping our technology up onto a --

18 supported platforms and addressing risk within the IT

19 organization. So we have an annual budget of forty-

20 five hundred dollars ($4,500). This specif -- I'm

21 sorry, four mill -- $4.5 million.

22   The -- we do have, you know, sometimes

23 we are challenged as far as fitting that twelve (12)

24 months of work that we're hoping to perform within the

25 twelve (12) months of the budget cycle. So some

995

 1 things finish, you know, early in the year. Some

 2 things actually trickle over into the following year,

 3 but the next year, we are still bringing forward the

 4 initiatives that we believe are necessary, again, with

 5 a budget of forty-five (45) -- $4.5 million each and

 6 every year.

 7   MS. KATHLEEN MCCANDLESS: Thank you.

 8 High School Driver Education phase 3 has a capital

 9 budget of 1.9 million for 2018/'19.

10   Mr. Bunko, could you just describe what

11 phase 3 of that program is?

12   MR. BRAD BUNKO: It's primarily a

13 curriculum redesign.

14   MS. KATHLEEN MCCANDLESS: And high

15 school --

16   MR. BRAD BUNKO: That would be -- I'm

17 sorry, but that would be understate -- if I only said

18 that, that would be very much understating what it is

19 doing. It is a redesigned -- that is built around

20 much more student engagement, gamification of -- of

21 the course itself, having the students get a lot more

22 interest in learning how to drive the car correctly

23 than most of the examples of regular driver education

24 that you see out there.

25   MS. KATHLEEN MCCANDLESS: Thank you.

996

 1 And so phase 3, is that something that will be

 2 complete within the fiscal year, or is that an ongoing

 3 --

 4   MR. BRAD BUNKO: Predominantly

 5 finished through this year. There could be a small

 6 amount that goes into next year.

 7   MR. JOHN REMILLARD: The majority of

 8 the spend, yes, will be in this fiscal year. We are

 9 expecting some residual to -- to go into early next

10 year, yes.

11   MS. KATHLEEN MCCANDLESS: Thank you.

12 Customer Self-service phase 1 has a capital budget for

13 2018/'19 of 1.5 million.

14   Again, Mr. Bunko, could you explain

15 what that initiative is?

16   MR. BRAD BUNKO: Well, Customer Self-

17 serve is in -- in general, putting functionality

18 online so that our customers can directly access via a

19 web portal and transact with us. That is at its

20 highest level.

21   MS. KATHLEEN MCCANDLESS: And when you

22 say "transact with us," that would involve, I imagine,

23 any number of things.

24   MR. BRAD BUNKO: Sure.

25   MS. KATHLEEN MCCANDLESS: What's

1 contemplated by the work being done in this project

2 for 2018/'19?

3   MR. BRAD BUNKO: I think I'll turn

4 that to John.

5   MR. JOHN REMILLARD: Sure. My

6 pleasure. Ultimately, the initial phase is just to --

7 to establish the -- a beginning infrastructure, as --

8 as Mr. Bunko alluded. We need to establish a -- an

9 authentication means, so in essence, a customer portal

10 to be able to access this type of technology via a

11 mobile device, or a home computer.

12   To get into the specifics as to the

13 types of transactions, initially, we're looking at

14 things that are primarily driven from a -- an MPI-

15 centric perspective. And what I mean by that is

16 things that are causing customer delays within our

17 service centres. Ultimately, customers are sitting

18 there, waiting fifteen (15), twenty (20) minutes to --

19 to book and pay for a road test or a knowledge test.

20   These are high-volume transactions that

21 -- that serve, in essence, low complexity and have

22 high value from a customer as far as what they

23 receive, but low value in the type of knowledge or

24 capacity required in order to sell said service.

25   So those are the types of things that

 1 we're looking at. A couple of other transactions,

 2 again, more from an MPI centric perspective versus how

 3 the Autopac agents come into the mix would be our

 4 driver abstracts and claims experience letters. So,

 5 high-volume, low complexity events.

 6   MS. KATHLEEN MCCANDLESS: Thank you.

 7 And then we see "legacy systems modernization," second

 8 from the top of the table there. And I'm going to ask

 9 a series of questions about that initiative.

10   If we could refer to expenses, Appendix

11 19-3. And we heard about the legacy systems

12 replacement in the presentation this morning, and I

13 understand, essentially, what the project involves is

14 replacing old IT systems, yes?

15   MR. BRAD BUNKO: Yes, our core

16 systems.

17   MS. KATHLEEN MCCANDLESS: And Mr.

18 Bunko or Mr. Remillard, what -- what programs are

19 being considered for replacement?

20   MR. BRAD BUNKO: Applications.

21   MS. KATHLEEN MCCANDLESS: If there are

22 many, maybe at a high-level.

23   MR. BRAD BUNKO: Sure. AOL, which is

24 Autopac Online, the CARS system is being looked at.

25 We also are looking at the bodily injury claim system

 1 as a -- as a potential, and also looking at the driver

 2 and vehicle licensing system.

 3   And then with all of that, we have to

 4 know that it will integrate correctly with our

 5 financial systems.

 6   MS. KATHLEEN MCCANDLESS: Thank you.

 7   MR. STEVE SCARFONE: Just for the

 8 benefit of the Board members, CARS is the Claims

 9 Administration and Reporting System that the adjusters

10 make use of in handling claims.

11

12 CONTINUED BY MS. KATHLEEN MCCANDLESS:

13   MS. KATHLEEN MCCANDLESS: And if we

14 look to the table that's on the screen before us now,

15 these are the deferred development costs for corporate

16 capital expenditures.

17   If we could scroll to the top of the

18 table just for one (1) minute, so we can see 2019-2020

19 forecast there.

20   And then scroll down to line 44, we see

21 that the anticipated costs to replace -- replace

22 legacy systems is $10 million starting in 2019, yes?

23   MR. BRAD BUNKO: Correct.

24   MS. KATHLEEN MCCANDLESS: And that

25 increases to $20 million in 2021 and following, yes?

 1   MR. BRAD BUNKO: Yes, these were the

 2   reserved amounts that were placed in. As you know,

 3   we're in the throes of our assessment to actually

 4   determine what that legacy modernization replacement

 5   would look like, what it would cost and over how many

 6   years.

 7   So by next year's GRA, we would have a

 8   much better breakdown as -- as opposed to something as

 9   static like that. It's unlikely that it would be as

10   neat and smooth as what is shown here.

11   MS. KATHLEEN MCCANDLESS: So it's

12   expected that the numbers for 2020, 2021 and beyond

13   will change in future GRAs?

14   MR. BRAD BUNKO: Absolutely, yes.

15   MS. KATHLEEN MCCANDLESS: And does the

16   Corporation anticipate that there would be a

17   continuation of modernization beyond the

18   implementation of this particular project?

19   So would it be an ongoing venture on

20   the part of the Corporation?

21   MR. BRAD BUNKO: No. The -- not for

22   the scope of what we described now.

23   We would -- you know, through the

24   business case process, which we are currently in right

25   now, determine what makes sense and determine what

1001

 1 order makes sense as well, and that would be the

 2 parameters for the scope of the initiative.

 3   Other ongoing initiatives would be

 4 based on future business cases and I'm not sure

 5 exactly what those would be at this time.

 6   MS. KATHLEEN MCCANDLESS: Thank you.

 7 If we could go to expenses, Appendix 17 please,

 8 Kristen.

 9   And this table compares Basic capital

10 expenditures for 2017/'18 as budgeted in last year's

11 GRA, so on the left-side of the table, compared with

12 the actuals, as reported this year, and then the

13 difference between the two (2).

14   And then we see in the second column

15 that we have the forecast for 2018/'19, as filed in

16 last year's GRA and the forecast budget as filed in

17 this year's GRA and the difference, yes?

18   MR. BRAD BUNKO: Yes.

19   MS. KATHLEEN MCCANDLESS: So for the

20 last GRA, for 2018, at line 23 we see the budget for

21 legacy systems modernization was $1.6 million for

22 2018/'19, yes?

23   In the middle of the page?

24

25   (BRIEF PAUSE)

1002

1   MR. BRAD BUNKO: I could translate the

2 answer from Cynthia, or if it's okay with you guys,

3 Cynthia could answer directly.

4   MS. KATHLEEN MCCANDLESS: I believe

5 the Panel's okay with Ms. Campbell answering directly.

6   MS. CYNTHIA CAMPBELL: Yes. The

7 amount for the 2018 GRA is $1.6 million for legacy

8 systems modernization.

9   This is the Basic component of the

10 project. So if you're wondering how come we said 2

11 million this year. It's 1.6 last year. This is 1.6

12 is a component of the total corporate. Some of it

13 would've been allocated to our other lines of

14 business.

15   The other question I'm thinking you're

16 going to have and I'm going to explain, just so that

17 it's fully transparent. In the 2018 GRA it is shown

18 as a capital expenditure. In the 2019 it is not show

19 as a capital expenditure because we are planning on

20 expensing the project work in the current year, due to

21 the nature of the work.

22   What the work is occurring this year is

23 research. It is determining what we're going to go

24 forward with, what it's going to look like, how it's

25 going to be put together.

 1   That is an expense, that is not a

 2   capital item. Last year when we were taking a look at

 3   this when we first started down this path, we thought

 4   it might be capital in nature, and so we put it down

 5   as a capital expenditure. That has changed for the

 6   current year application.

 7   MS. KATHLEEN MCCANDLESS: Thank you,

 8   Ms. Campbell.

 9   And just to follow-up to that then, on

10   the very right-hand side of the screen we have the

11   2019 forecast as reported in last year's GRA, compared

12   to this year's GRA, and there's difference of $8.1

13   million. So a reduction -- or $8.2 million, roughly.

14   Can you explain what that variance is

15   about?

16   MS. CYNTHIA CAMPBELL: Last year we

17   thought we would start with a $20 million in '19/'20,

18   and we're now saying that we would not spend that much

19   in the first year, we would spend less.

20   So that 8.1 million ties to the 10

21   million that you were -- you saw on the other table,

22   on Appendix 19, Appendix 19 being corporate and this

23   appendix being Basic.

24   MS. KATHLEEN MCCANDLESS: Thank you.

25   If we could turn to MPI Exhibit Number 9, and this is

1004

 1 part of an exhibit that was filed by MPI to revise

 2 certain hires that were initially filed with the

 3 request for confidentiality.

 4   This is now on the record and it's

 5 legacy system matters -- modernization. Here we see -

 6 - I believe that's a status or sort of charter with

 7 respect to the legacy systems modernization project.

 8   Is that right, Mr...

 9   MR. JOHN REMILLARD: That is correct.

10   MS. KATHLEEN MCCANDLESS: Thank you.

11 And if we scroll to the bottom of the page, we see the

12 total project budget as at March 1, 2018 is 17 -- $72

13 million, yes?

14   MR. JOHN REMILLARD: That's the

15 forecasted spend, yes.

16   MS. KATHLEEN MCCANDLESS: And that's

17 the forecasted spend to -- to what date?

18   MR. JOHN REMILLARD: That was based on

19 the original projection that was built into our

20 corporate financials, as Mr. Bunko had stated earlier.

21   MS. KATHLEEN MCCANDLESS: Thank you.

22   MR. BRAD BUNKO: I would like to add

23 it was -- it was the number prior to any of the --

24 this year's assessment that we've been doing.

25   And so essentially took what we

1005

 1 believed would be a manageable amount from a capacity

 2 perspective and spread that over what we believe the

 3 duration of the project would be.

 4   I think this is showing four (4) years

 5 of twenty (20), one (1) year of ten (10) and the --

 6 one (1) year of a two-year assessment. I think if you

 7 look at the more detailed sheets. But in other words,

 8 it is a high-level forecast.

 9   MS. KATHLEEN MCCANDLESS: Thank you.

10 With respect to managing the budget, can it be reduced

11 into smaller-sized projects or budgets so that

12 implementation and financial risk would be minimized?

13   MR. JOHN REMILLARD: Are you referring

14 to the -- the large spend ahead?

15   MS. KATHLEEN MCCANDLESS: Yes.

16   MR. JOHN REMILLARD: That would be

17 something that we're looking at as part of developing

18 the business case, as to how it should be executed,

19 yes.

20   MS. KATHLEEN MCCANDLESS: And those

21 business cases would be developed -- when is the

22 Corporation looking to develop those business cases?

23   MR. JOHN REMILLARD: We are expecting

24 to prepare the business case by end of fiscal year

25 this year.

1006

 1   MS. KATHLEEN MCCANDLESS: Thank you.

 2 I now have some questions about the IT staff

 3 internalization, we heard a little bit about that this

 4 morning in the presentation.

 5   MPI capitalizes int -- internal labour

 6 for work on IT projects, is that right?

 7   Maybe a question for Ms. Campbell.

 8   MR. LAWRENCE LAZARKO: Correct.

 9   MS. KATHLEEN MCCANDLESS: If we could

10 go to IT 3, under the heading Effectively Managing IT

11 Labour, we see the bullets there that MPI has

12 transitioned twenty (20) positions from internal to ex

13 -- external to internal with seven (7) more positions

14 being converted by 2019/'20, is that right?

15   MR. LAWRENCE LAZARKO: That's correct.

16   MS. KATHLEEN MCCANDLESS: Thank you.

17 And if we go to figure IT Appendix 1-1.

18   Now, in looking at this table, I

19 understand that after the seven (7) consultant

20 positions are converted into internal full-time

21 equivalents, there is an additional decline of

22 eighteen (18) consultants to eighty-two (82)

23 consultants for 2018/'19, and that would be found at

24 line 7. Is that right? For 2018/'19 budget?

25   MR. LAWRENCE LAZARKO: So -- sorry.

1 Line 7 represents both the combination of reductions

2 due to the external labour strategy, but also

3 reductions to changes in project workload.

4   MS. KATHLEEN MCCANDLESS: So that's

5 why we have -- so it would include the seven (7)

6 consultant positions being internalized?

7   MR. LAWRENCE LAZARKO: That's correct.

8   MS. KATHLEEN MCCANDLESS: And then if

9 we go just below, to the table below, IT personnel

10 costs.

11   This shows a reduction or -- in our

12 projected savings if we look to line 2 of --

13   MR. LAWRENCE LAZARKO: Sorry, I would

14 like to make an amendment to the previous statement,

15 if we could scroll back up, please.

16   MS. KATHLEEN MCCANDLESS: Sure.

17   MR. LAWRENCE LAZARKO: Right. So in

18 2018/'19, it would include five (5) reductions of the

19 seven and 2019/'20 you would see the remaining two

20 (2).

21   MS. KATHLEEN MCCANDLESS: Thank you

22 for that clarification.

23   So at IT Appendix 1-2, if we compare

24 the costs for consultants from 2017/'18 actual to

25 2018/'19 budgeted, we see a reduction or projected

1008

 1 savings of roughly $3 million. Is that right?

 2   MR. LAWRENCE LAZARKO: Subject to

 3 check, yes.

 4   MS. KATHLEEN MCCANDLESS: And then if

 5 we go to figure IT Appendix 1-11. This is the average

 6 cost per full-time equivalent for consultants versus

 7 internal, yes?

 8   MR. LAWRENCE LAZARKO: Correct.

 9   MS. KATHLEEN MCCANDLESS: And this

10 table estimates the actual and forecasted average cost

11 over a ten-year period, is that right?

12   MR. LAWRENCE LAZARKO: That's correct.

13   MS. KATHLEEN MCCANDLESS: And if we

14 look to lines 8 through 10, we see that the average

15 cost per full-time equivalent consultant is expected

16 to first increase in 2018/'19, to 140 -- or one forty-

17 six seventy, yes?

18   MR. LAWRENCE LAZARKO: That's correct.

19   MS. KATHLEEN MCCANDLESS: And then to

20 decrease to one thirty-four eighty-nine in 2019/'20?

21   MR. LAWRENCE LAZARKO: Yes.

22   MS. KATHLEEN MCCANDLESS: And one

23 thirty-four ninety in 2020/'21, yes?

24   MR. LAWRENCE LAZARKO: Yes.

25   MS. KATHLEEN MCCANDLESS: And what is

 1 the reason for such a reduction in the per consultant

 2 cost?

 3   MR. LAWRENCE LAZARKO: In creation of

 4 the table we forecasted which potential positions

 5 could be converted, we've removed them from the amount

 6 and regenerated the averages.

 7   That would be the reason. So the lower

 8 reduction -- sorry, the reductions you see in line 9

 9 and line 10 are based on the anticipated conversions,

10 the anticipated changes we at the time made, 2018,

11 when we created this.

12   MS. KATHLEEN MCCANDLESS: Thank you.

13 I'm now going to move into some questions of Mr.

14 Henry, for the most part, on the PDR evaluation. It

15 is 11:45. I expect that line of questioning will take

16 well over fifteen (15) minutes, maybe an hour or

17 something of that nature, so I could start now and

18 break or we could break early for the lunch.

19   THE CHAIRPERSON: You know, we'll

20 break early for the lunch. I don't -- I don't like

21 breaking cross-examination, so we'll break early and -

22 - how long do you think you'll be this afternoon, Ms.

23 McCandless?

24   MS. KATHLEEN MCCANDLESS: That's a

25 good question. Approximately an hour and a half, two

1 (2) hours. Something like that.

 2   THE CHAIRPERSON: Okay, we'll break

 3 until one o'clock. Thank you.

 4   MS. KATHLEEN MCCANDLESS: Thank you.

 5

 6 --- Upon recessing at 11:45 a.m.

 7 --- Upon resuming at 1:00 p.m.

 8

 9   THE CHAIRPERSON: Good afternoon. If

10 we could start. Ms. McCandless...?

11   MS. KATHLEEN MCCANDLESS: Thank you.

12

13 CONTINUED BY MS. KATHLEEN MCCANDLESS:

14   MS. KATHLEEN MCCANDLESS: Just one (1)

15 follow-up question to the -- to slide 9 from MPI

16 Exhibit 27.

17   With respect to the capital budget for

18 2018/'19 for technology risk management of $4.5

19 million, is that an ongoing capital expense every year

20 following?

21   MR. BRAD BUNKO: Yes, it is.

22   MS. KATHLEEN MCCANDLESS: And that

23 will be at $4.5 million as a capital expenditure

24 throughout the forecast period?

25   MR. BRAD BUNKO: It's -- yeah, go

 1 ahead.

 2   MR. LAWRENCE LAZARKO: Sorry.   In CAC-

 3 1-30 part (a), we explicitly talked about this being a

 4 multi-year program with annual review of investments,

 5 so, that would be what we're looking at doing with

 6 this and why it showed up in our capital master

 7 summary as an ongoing cost.

 8   MR. BRAD BUNKO: But I believe would

 9 have the potential to have part of it expensed. Would

10 that not be correct?   Pieces could be expensed if

11 the initiative was small enough?

12   MR. LAWRENCE LAZARKO: Absolutely

13 correct.

14   MS. KATHLEEN MCCANDLESS: Thank you.

15   MR. STEVE SCARFONE: Ms. McCandless,

16 just before you go on, before I lose sight of it,

17 there was some testimony given by Mr. Remillard this

18 morning that he'd like to correct if -- if now is an

19 appropriate time because we are on the issue of

20 capital projects.

21   MR. JOHN REMILLARD: Yes, there was a

22 question regarding the threshold for capital

23 approvals. My apologies, I had stated 250,000. The

24 actual number is 500,000. My apologies.

25

1 CONTINUED BY MS. KATHLEEN MCCANDLESS:

2   MS. KATHLEEN MCCANDLESS: And that was

3 in the context of the approval process prior to the

4 implementation of the value management process, is

5 that right?

6   MR. JOHN REMILLARD: That's correct,

7 yeah.

8   MS. KATHLEEN MCCANDLESS: Thank you.

9 All right, Mr. Henry, I'm going to have some questions

10 for you now with respect to your report or the PDR

11 program evaluation.

12   MR. CHARLES HENRY: Okay.

13   MS. KATHLEEN MCCANDLESS: Thank you.

14 And just by way of background, what is the role of

15 Gartner within MPI on an annual basis?

16   MR. CHARLES HENRY: So we're a

17 research and advisory company. So we -- our core

18 business is selling research that we develop around

19 how to do to -- or how to take advantage of IT

20 technology and -- and -- and how to execute other

21 business processes like HR, finance, et cetera.

22   We provide a consulting service on top

23 of that, so that people can apply that research to --

24 to their context. MPI has hired us to do an annual

25 look at the IT program to make sure that it's

1013

 1 following best practices as we've defined to do things

 2 like the IT scorecard to look at their spending

 3 relative to peers based on our database.

 4   MS. KATHLEEN MCCANDLESS: Now, we know

 5 that with respect to the PDR program evaluation that

 6 was filed in this year's GRA that you were the lead

 7 with respect to that report?

 8   MR. CHARLES HENRY: Yes, I'm the lead

 9 author.

10   MS. KATHLEEN MCCANDLESS: With respect

11 to the IT score which I believe used to be called the

12 CIO scorecard?

13   MR. CHARLES HENRY: Yep.

14   MS. KATHLEEN MCCANDLESS: Have you had

15 any involvement in that in the past?

16   MR. CHARLES HENRY: I have not, not

17 with MPI. I mean, I can talk to you about the Gartner

18 process, but not about any of MPI's results.

19   MS. KATHLEEN MCCANDLESS: And with

20 respect to the previous PDR program evaluations, there

21 was one (1) filed in last year's GRA and one (1) filed

22 in the GRA previous.

23   What was your level of involvement with

24 those reports?

25   MR. CHARLES HENRY: I was not involved

 1 with those.

 2   MS. KATHLEEN MCCANDLESS: I take it

 3 you are familiar with those -- the contents of those

 4 reports, however?

 5   MR. CHARLES HENRY: I am, yes.

 6   MS. KATHLEEN MCCANDLESS: Thank you.

 7 Now if we could go to the PDR program evaluation and

 8 that's value management Appendix 6 and just to start

 9 off at pages 14 and 15.

10   To reiterate what we heard from you

11 this morning, Mr. Henry, at the top of the page we see

12 that there is a significant difference in some of the

13 costs and benefits in the overall net pre -- present

14 value between the 2017 Gartner report and the 2018 MPI

15 team restatement; yes?

16   MR. CHARLES HENRY: Correct.

17   MS. KATHLEEN MCCANDLESS: And as we

18 know, the key difference are an expected project cost

19 of $57 million as opposed to the originally projected

20 65 million?

21   MR. CHARLES HENRY: Correct.

22   MS. KATHLEEN MCCANDLESS: And now a

23 negative net present value of 49.9 million as opposed

24 to the Gartner projected 13.7 million; yes?

25   MR. CHARLES HENRY: That's correct.

1   MS. KATHLEEN MCCANDLESS: Now, there's

2   some wording in the second line of this paragraph that

3   I would just like you to clarify. It's referred to in

4   one (1) place as the 2017 Gartner report and then the

5   2018 MPI team restatement.

6   So, the way I read that is one (1) is -

7   - was Gartner's findings and the second, the 2018, is

8   based on MPI's information, is that the proper way to

9   understand it?

10   MR. CHARLES HENRY: Correct. So MPI

11   as they built up their value management went back and

12   applied the principles to -- to the PDR program, went

13   back and, you know, updated the costs, updated the

14   benefits, that's what lead them to make a number of

15   decisions, including the cancellation of CCRS so.

16   We'd done analysis in 2017 when -- when

17   MPI was not using NPV as a project management tool.

18   They are now starting to use NPV and have done their

19   own calculations in 2018.

20   MS. KATHLEEN MCCANDLESS: And is there

21   significance to the fact that one (1) is termed as,

22   essentially, as Gartner's findings and the other is --

23   is now MPI's findings? Does that mean that Gartner

24   itself did not make those findings?

25   MR. CHARLES HENRY: So I -- I checked

1 the arithmetic, but I did not go in and -- we had a

2 number of conversation so that I could understand the

3 contents of those findings and I checked the

4 arithmetic as it was when -- when I did the work,

5 which is back in May.

6   MPI has continued to refine those

7 numbers so they're -- you know, they would be a little

8 bit different today than they would've been in -- in

9 May but -- but I'd say they are directionally correct

10 and precisely wrong.

11   MS. KATHLEEN MCCANDLESS: Thank you.

12 And then we see the bullets here that describe the

13 factors contributing to the change in the net present

14 value.

15   So first, as we heard some cost that

16 have been attributed to the program were not included

17 in the analysis --

18   MR. CHARLES HENRY: Correct.

19   MS. KATHLEEN MCCANDLESS: -- previously.

20 And new evidence shows that some of the benefits of

21 the PDR program without CCRS are plan to be lower than

22 projected?

23   MR. CHARLES HENRY: Correct.

24   MS. KATHLEEN MCCANDLESS: And of

25 course, as we also heard the corporate cost of capital

 1 is now being used at -- at between 6.5 percent and 9.5

 2 percent for NPV calculations; yes?

 3   MR. CHARLES HENRY: Correct.

 4   MS. KATHLEEN MCCANDLESS: Thank you.

 5 Now, if we go to page 3 of your report, Mr. Henry,

 6 under "evaluation approach," we heard again from you

 7 this morning about this.

 8   In this year's report, Gartner assigned

 9 additional senior resources to conduct an updated

10 assessment, yes?

11   MR. CHARLES HENRY: Yep.

12   MS. KATHLEEN MCCANDLESS: So perhaps

13 you could just elaborate on what the change was in

14 resources from last year as compared to this year?

15   MR. CHARLES HENRY: So last year the

16 work was led by Martin who's had a long-standing

17 relationship with MPI. Because of the restate, we

18 wanted to have another set of eyes looking at the

19 numbers. So, Martin asked me if I would participate,

20 and I was, of course, happy to do that.

21   MS. KATHLEEN MCCANDLESS: Okay. So

22 the additional resources was yourself being added to

23 the team?

24   MR. CHARLES HENRY: Yes and Rand Guy

25 who's the managing partner for Gartner Consulting in

1 Western Canada. He attended the April the 19th

2 meetings in -- here in Winnipeg and did some QA on the

3 report, but I -- I wrote the report.

4   MS. KATHLEEN MCCANDLESS: Thank you.

5 And I understand your evidence, just a few minutes

6 ago, was that you were not involved in previous PDR

7 program evaluations but you are aware that in 2015

8 that this Board did order an independent review of the

9 PDR program?

10   MR. CHARLES HENRY: Yes.

11   MS. KATHLEEN MCCANDLESS: And then I

12 believe your evidence was this morning that Gartner

13 introduced the net present value calculation into the

14 analysis in the 2017 version of the report?

15   MR. CHARLES HENRY: Yeah, last year,

16 that's correct.

17   MS. KATHLEEN MCCANDLESS: Was it not

18 actually introduced in the 2016 version of the report?

19   MR. CHARLES HENRY: I'd have to look

20 at that vision. I think I have it here but I'm not

21 positive.

22   MS. KATHLEEN MCCANDLESS: Kristen,

23 would you mind pulling that report up. So that's --

24 if we just scroll to the top for -- for the record/

25   So that was the physical damage re-

 1 engineering attachment, PDR (a) --

 2   MR. CHARLES HENRY: M-hm.

 3   MS. KATHLEEN MCCANDLESS: -- from the

 4 2017 General Rate Application?

 5   MR. CHARLES HENRY: Okay.

 6   MS. KATHLEEN MCCANDLESS: And if we go

 7 to page 4 under cost, we see that initially the

 8 overall program budget was consistently $65 million in

 9 2012 dollars, yes?

10   MR. CHARLES HENRY: M-hm.

11   MS. KATHLEEN MCCANDLESS: And then we

12 see at the bottom of that paragraph that Gartner --

13 and I take it that would be Mr. Geffen who was the

14 author --

15   MR. CHARLES HENRY: Yep.

16   MS. KATHLEEN MCCANDLESS: -- wrote

17 that:

18   "However, it also introduces the

19   potential for additional cost,

20   extended timeline and differed

21   benefits realization."

22   Yes?

23   MR. CHARLES HENRY: Yep.

24   MS. KATHLEEN MCCANDLESS: And then to

25 the top of page 5, in this previous report:

1   "The program as planned and approved

2   shows a lengthy payback period, an

3   internal rate of return of 8 percent

4   and a net present value of $18

5   million, using a 3 percent cost of

6   capital over the period from

7   inception 2010/2011 until ten (10)

8   years after go live when benefits

9   start to accrue in 2016/'17."

10   Yes?

11   MR. CHARLES HENRY: Okay, yeah, I'd

12 forgotten this.

13   MS. KATHLEEN MCCANDLESS: Okay, thank

14 you. Kristen, (sic) if we could please enter PDR (a)

15 from the 2017 rate application as PUB Exhibit -- I

16 believe it's Number 19.

17

18 --- EXHIBIT NO. PUB-19:   PDR (a) from the 2017 rate

19   application.

20

21 CONTINUED BY MS. KATHLEEN MCCANDLESS:

22   MS. KATHLEEN MCCANDLESS: Now, Mr.

23 Henry, I take it because you are familiar with this

24 report, you would also know that the 2016 version of

25 the PDR evaluation did not include an assessment of

 1 the operating and maintenance costs for the program?

 2   MR. CHARLES HENRY: Yes.

 3   MS. KATHLEEN MCCANDLESS: And then if

 4 we would go to the PUB Order 126/'16. And so for your

 5 benefit, Mr. Henry, this was the Order that the Board

 6 issued following the hearing in which the previous

 7 report that we just reviewed had been filed.

 8   So if we go to page 29. We'll just

 9 skip ahead to the directives from the Order, then, if

10 that's possible -- oh, now we do have the full Order.

11 Twenty-nine (29), please.

12   So we see the paragraph that starts

13 "with respect."   We see:

14   "With respect to the savings and

15   benefits of the PDR project, Mr.

16   Geffen noted that Gartner had

17   determined the net present value

18   benefit overall, the project of $18

19   million. The cost benefit analysis

20   by Gartner did not include the cost

21   of maintaining the program. Gartner

22   estimated the maintenance cost based

23   on industry standards to be 18 to 20

24   percent per annum."

25   You see that?

 1   MR. CHARLES HENRY: Yep.

 2   MS. KATHLEEN MCCANDLESS: Thank you.

 3 And then if we could jump to Directive 10.10.

 4   Now, this is the section of the Order

 5 in which the Corporation was directed by this Board to

 6 file another independent assessment on the development

 7 and rollout of the PDR project. You see that there?

 8   MR. CHARLES HENRY: Yep.

 9   MS. KATHLEEN MCCANDLESS: And the last

10 sentence of that directive states that this project

11 cost benefit analysis -- analysis shall incorporate

12 all maintenance costs in the program evaluation. Yes?

13   MR. CHARLES HENRY: Yep.

14   MS. KATHLEEN MCCANDLESS: Thank you

15 and then, Kristen, if we could please jump to Order

16 130/'17, at page 55.

17   Now, this was the Order that this Board

18 issued last year after having received in evidence the

19 2017 PDR program evaluation. If we go five (5) lines

20 up from the bottom of this paragraph we see that the

21 Board makes a finding which is:

22   "The Board further finds that the

23   net present value and internal rate

24   of return calculations for the PDR

25   program are of limited value as they

 1   do not take into account the cost of

 2   operating and maintaining the

 3   program and utilize a 3 percent

 4   discount rate, which may not reflect

 5   the risks of the project. The Board

 6   also notes that there has been a

 7   deterioration in the assessed

 8   benefits of the PDR program since

 9   the Gartner analysis filed in the

10   2017 GRA."

11   Do you see that there?

12   MR. CHARLES HENRY: Yeah.

13   MS. KATHLEEN MCCANDLESS: So with --

14 with that in mind, having review those two (2) Board

15 Orders, it appears then that MPI or Gartner did not

16 include the cost of operating and maintaining the PDR

17 program in the -- in the two (2) analyses filed

18 previously to the one that you authored; is that

19 right?

20   MR. CHARLES HENRY: Yeah, correct. We

21 -- you know, as stated in the report we asked multiple

22 times for -- for the breakdowns. MPI didn't have them

23 available so we -- we did the analysis based on the

24 high level data that was available to us.

25   MS. KATHLEEN MCCANDLESS: So I take it

 1 then that the reason why the operating costs were not

 2 included from Gartner's perspective was because the

 3 information was not provided to it by MPI previously?

 4   MR. CHARLES HENRY: Correct.

 5   MS. KATHLEEN MCCANDLESS: Thank you.

 6 And I take it the updated evaluation filed this year,

 7 which you authored, now includes all of the costs?

 8   MR. CHARLES HENRY: Well, all the

 9 costs that we're aware of.   So -- it's clear that MPI

10 has got a much more holistic view of project

11 management this year than they had in previous years

12 and has done a lot of work at looking at costs.

13   To the point as I said where their cost

14 documents are now living documents, so you can see the

15 evolution and they can trace -- it will tell you why a

16 number is different, you know, this month from last

17 month which -- which they often couldn't do in the

18 past. So it's a much more fulsome review available

19 today than it was available a year ago.

20   MS. KATHLEEN MCCANDLESS: Thank you.

21 If we could pull up Slide 17 from MPI Exhibit Number

22 27, and it's...

23   Now, I -- it was in the context of, I

24 bel -- it was either Mr. Wennberg or Mr. Remillard's

25 evidence this morning. In reviewing this slide, slide

 1 17.

 2   Pardon me, Slide 13. At item 3 the

 3 lessons learned from PDR and CCRS is:

 4   "Third parties may not find all the

 5   week assumptions or missing costs."

 6   Yes?

 7   MR. CHARLES HENRY: Yep.

 8   MS. KATHLEEN MCCANDLESS: So -- and

 9 this question I would direct to the MPI

10 representatives.

11   What would be Gartner's role with

12 respect to finding assumptions or missing costs? Is

13 Gartner to audit MPI's information?

14   MR. JOHN REMILLARD: The role that

15 Gartner's played to date is to review the available

16 information. So, in essence, the project status

17 reports, the issues, register, risk registers and so

18 forth for the program. So they would provide an

19 assessment and opinion whether they were deemed full,

20 whether there was good mitigation strategies, et

21 cetera.

22   MS. KATHLEEN MCCANDLESS: So it was the

23 response -- pardon me.

24   MR. CHARLES HENRY: If I could add, we

25 are not an audit firm.

 1   MS. KATHLEEN MCCANDLESS: So it's a --

 2   it was the responsibility and continues to be the

 3   responsibility of MPI to provide the information that

 4   Gartner requires?

 5   MR. CHARLES HENRY: Correct.

 6   MS. KATHLEEN MCCANDLESS: And

 7   historically within MPI who has been the main contact

 8   to provide Gartner with this information?

 9   MR. JOHN REMILLARD: I have over the

10   last three (3) years.

11   MS. KATHLEEN MCCANDLESS: Thank you.

12   Now, in undertaking its review last year Gartner had

13   reviewed a number of key program artifacts and

14   interviewed a number of key individuals.

15   And are you aware of that Mr. Henry?

16   MR. CHARLES HENRY: In 2017?

17   MS. KATHLEEN MCCANDLESS: Yes.

18   MR. CHARLES HENRY: Yes.

19   MS. KATHLEEN MCCANDLESS: Okay. And I

20   -- perhaps for your reference, Mr. Henry, if we could

21   pull up MPI Exhibit 17 from the 2018 GRA. So that was

22   the presentation that Mr. Geffen gave last year to

23   this Board. And slide 5.

24   So we see here, Mr. Henry, at the

25   second bullet that the initial initiative and it was

 1 made up of five (5) programs and twenty (20) projects

 2 within those programs. Eight (8) were completed,

 3 seven (7) were cancelled after determining they were

 4 not strategic and did not add to the business case and

 5 five (5) restructured projects were created which now

 6 comprised the remainder of the PDR program.

 7   Are you familiar with this?

 8   MR. CHARLES HENRY: Yeah.

 9   MS. KATHLEEN MCCANDLESS: Thank you.

10 And then at slide 9. These were the savings and

11 benefits to be realized based on the 2017 PDR program

12 evaluation and we see the second -- under the fourth

13 bullet two (2) lines down we see:

14   "Ramping up to a steady state

15   ongoing $13.65 million annual

16   benefit."

17   Yes?

18   MR. CHARLES HENRY: Yep.

19   MS. KATHLEEN MCCANDLESS: And for the

20 record, I would ask that this presentation be entered

21 as PUB Exhibit Number 20 and that was MPI Exhibit

22 Number 17 from the 2018 GRA.

23

24 --- EXHIBIT NO. PUB-20:   MPI Exhibit Number 17 from

25   the 2018 GRA.

1 CONTINUED BY MS. KATHLEEN MCCANDLESS:

2   MS. KATHLEEN MCCANDLESS: And we know,

3 Mr. Henry, that the total budget historically had

4 remained unchanged until this year when it was revised

5 from $65 million to $57 million; yes?

6   MR. CHARLES HENRY: That's correct.

7   MS. KATHLEEN MCCANDLESS: And now the

8 scope of what is being delivered by the PDR project

9 has changed as a result of this reduction in the

10 budget?

11   MR. CHARLES HENRY: Correct. I would

12 probably phrase that the other way around. The

13 reduction in scope of the project resulted in a

14 reduction in the budget.

15   MS. KATHLEEN MCCANDLESS: Thank you.

16 If we could go back to evaluation approach at Appendix

17 6. So, the current PDR program evaluation.

18   I gather from your report and from your

19 presentation this morning that the bulk of the

20 analysis undertaken by Gartner was a review of an MPI

21 management presentation dated April 19, 2018; yes?

22   MR. CHARLES HENRY: And a lot of

23 spreadsheets and project status reports, but yes.

24   MS. KATHLEEN MCCANDLESS: Thank you.

25 We do see here as well there was an MPI generated

1 value management analysis. Yes? The second bullet.

2   MR. CHARLES HENRY: Yep.

3   MS. KATHLEEN MCCANDLESS: And project

4 status reports, and interviews on site as well. Yes?

5   MR. CHARLES HENRY: correct.

6   MS. KATHLEEN MCCANDLESS: Now the

7 refinements in the budget for the program from 65

8 million down to 57 million, did Gartner review the

9 refinements with MPI management?

10   MR. CHARLES HENRY: Yes, we did.

11   MS. KATHLEEN MCCANDLESS: Now if we go

12 to page 3 of your report, we -- there -- if we scroll

13 down we see just above in items 1 and 2 there that the

14 -- as the program involved Gartner found two (2)

15 conditions developed; yes?

16   MR. CHARLES HENRY: Yep.

17   MS. KATHLEEN MCCANDLESS: And the

18 first was that MPI had difficulties measuring and

19 breaking out costs, especially licensing due to the

20 complex license schemes that we heard you speak about

21 this morning, yes?

22   MR. CHARLES HENRY: Yes.

23   MS. KATHLEEN MCCANDLESS: And then we

24 also heard you speak about number 2, which was that

25 the senior executives had lead negotiations with

1 repair industry with limited engagement at the

2 business -- at the business unit level, yes?

3   MR. CHARLES HENRY: Correct.

4   MS. KATHLEEN MCCANDLESS: Now if we go

5 to page 4 under Gartner Perspective, we see that,

6 second line down in the first paragraph there, that

7 Gartner has found that MPI has followed the advice

8 provided by Gartner and applied a much more rigourous

9 approach to the PDR business case and application of

10 value man -- management framework, yes?

11   MR. CHARLES HENRY: Yes.

12   MS. KATHLEEN MCCANDLESS: Had Gartner's

13 independent analysis last year did not reflect this

14 rigourous approach?

15   MR. CHARLES HENRY: Correct, the

16 numbers in last year were much higher level numbers.

17   MS. KATHLEEN MCCANDLESS: So knowing

18 that we have a much higher level of detail this year,

19 are you able to speak -- appreciating that you were

20 not involved in the previous PDR evaluations but are

21 you able to speak as to how Gartner was able to have a

22 level of comfort with its previous PDR evaluations?

23   MR. CHARLES HENRY: I mean, I cannot

24 put words in Martin' mouth. I think you'll see in our

25 comments that we repeatedly said that the information

1 provided was at a high level, and the lesson learned

2 for us is that we should have been much clearer in our

3 conclusions that the high level numbers showed, you

4 know, the 13.7 million NPV, but that further analysis

5 was required, and we should have been stronger in

6 making the point.

7   MS. KATHLEEN MCCANDLESS: Thank you.

8 If we could go to page 8 of your report, Mr. Henry.

9   So we see at the top of the page here

10 that there were a number of deliverables that the PDR

11 program was expected to provide per its report in

12 2017, yes?

13   MR. CHARLES HENRY: Yep.

14   MS. KATHLEEN MCCANDLESS: And I won't

15 review all of them. But if we scroll to the bottom of

16 the page, we now see that based on the evaluation you

17 conducted this year that there -- a number of benefits

18 are now not going to be achieved; is that right?

19   MR. CHARLES HENRY: That's correct,

20 but it's not just me, right? So this is part of the

21 effect of the value management office having a much

22 more rigourous look at the benefit stream and us

23 reviewing what value management is said and comparing

24 it to our previous reports and the various categories

25 that we built to find benefit, so, it's not just us.

1 It's us and value management.

2   MS. KATHLEEN MCCANDLESS: With respect

3 to the second bullet "direction of nearly 85 percent

4 of estimates to distributed estimating shops," that's

5 a benefit that is no longer expected to be achieved?

6   MR. CHARLES HENRY: Correct.

7   MS. KATHLEEN MCCANDLESS: What

8 percentage of estimates is currently included in the

9 benefit stream?

10   MR. CHARLES HENRY: I think we'd have

11 to ask M -- MPI for that.

12

13   (BRIEF PAUSE)

14

15   MR. CURTIS WENNBERG: We're going to

16 have to take that away. We can bring that back this

17 afternoon.

18   MS. KATHLEEN MCCANDLESS: Okay. You

19 will be able to provide on the record this afternoon.

20 We could also do it by way of undertaking and MPI

21 could answer in writing if it prefers.

22   MR. JOHN REMILLARD: We'll attempt to

23 to get to this afternoon. If we can't, we'll take it

24 as an undertaking, though.

25   MS. KATHLEEN MCCANDLESS: Thank you.

 1   MR. CURTIS WENNBERG: If I can give

 2 context to you, it's at 20 percent now in terms of

 3 penetration of direct repair. It's -- it's probably

 4 going up around the 40 percent mark and that's --

 5   MR. STEVE SCARFONE: But just -- I

 6 don't know if we should provide a conditional

 7 undertaking. Either we can provide the information

 8 later this afternoon or we'll provide an undertaking.

 9   MR. CURTIS WENNBERG: We found it,

10 it's 40 percent.

11

12 CONTINUED BY MS. KATHLEEN MCCANDLESS:

13   MS. KATHLEEN MCCANDLESS: Thank you.

14 So no undertaking is required. Thank you.

15   So we also see the fourth bullet that

16 once a vehicle is at a repair shop the claim is ready

17 for repairs 98 percent of the time. No waiting for

18 customer or shop.

19   So that's no longer expected to be

20 achieved -- will not be achieved, correct?

21   MR. CHARLES HENRY: That's

22 understanding, correct.

23   MS. KATHLEEN MCCANDLESS: Similarly,

24 with respect to the fifth bullet:

25   "Less hands-on MPI involvement for

1034

```
1              most processes for simpler claims

2              through a reduction in the amount of

3              adjuster time and effort required

4              for new first notice of loss

5              claims."

6         Yes?

7         MR. CHARLES HENRY:   Correct.

8         MS. KATHLEEN MCCANDLESS:   And then

9  with respect to the sixth bullet, the lower overall

10 claims spend in comparison to current operations which

11 also preserve relative claims costs in relation to

12 industry.

13        Are these benefits no longer achievable

14 because of the cancellation of CCRS?

15        MR. CHARLES HENRY:   I think the

16 cancellation of CCRS is -- is part of that.  But I

17 also think, you know -- and again, I'm speaking for

18 MPI.  And I would like them to comment after but the

19 cost of repair is going up year over year as

20 automobiles get more com -- complex, so I think

21 there's an element of that as well that I think MPI

22 should -- should comment.

23        MR. CURTIS WENNBERG:   Yeah, I think

24 while generally cars are going to be more expensive to

25 fix going forward, this is really related to: Are we
```

 1 going to be finding the RFP savings or our people

 2 savings as a result of some of the technology, what's

 3 anticipated, plus then some of the parts strategy

 4 savings, part of the loss of use of the rental car

 5 savings, and -- and total loss savings.

 6   Some of the -- some of this -- the

 7 full-time employee reductions that we would get if we

 8 got people to put their claims online through the CCRS

 9 system just simply won't happen. We -- we're not

10 going to put them out on line.

11   As some of the estimates around the

12 savings from estimators that we wouldn't need anymore,

13 if you put 85 percent of your estimates through to the

14 body shops, purely, you'd be able to reduce a lot more

15 of those roles than we have today. However, we are

16 studying those and we want to make sure that we go --

17 we go reasonably and appropriately to -- to the higher

18 number. Even at 40 percent we want to make sure that

19 as shops or underwriting these -- these estimates that

20 -- that they're appropriate and doesn't increase our

21 severity beyond a level when we write our own

22 estimate. So -- so we look at that.

23   As it -- as it relates in the business

24 case to savings from, let's say, loss of use or rental

25 car savings, we haven't given up, and we, you know,

 1 underneath everything, we pay a lot of money for our

 2 rental cars here in -- in MPI. On average it's about

 3 forty-nine dollars ($49) a day. And so we've

 4 undertaken to do an -- effort to try and reduce that

 5 spend anyway, regardless of our decision on PDR and so

 6 we just had an agreement with the Car and Truck Rental

 7 Association so that we're actually going to -- go

 8 after that rental agreement and reduce the amount that

 9 we paid.

10   And I don't think I'll make it public

11 at this point. We just signed that agreement, but

12 it's a fairly significant reduction for us. So, no IT

13 spend's been required just more process change. So --

14 so while the business case is -- is -- it is going to

15 have some lower spend in certain areas, it's going to

16 have a little higher in -- from the FTEs that we're

17 not able to get out but -- but we'll do the best we

18 can with what we have.

19   MS. KATHLEEN MCCANDLESS: Thank you.

20 At the very bottom of the page, Mr. Henry, you write

21 that:

22   "The benefits below are projected to

23   be achieved and have MPI's

24   management commitment to track the

25   achievement of the benefits."

 1   And then we have a number of bullets

 2 gain and this is written as MPI's management

 3 commitment to track the achievement.

 4   Does Gartner have any view on whether

 5 these benefits will be achieved?

 6   MR. CHARLES HENRY: So, we can't

 7 predict the future, but we can say is that for things

 8 like part saving, MPI has a dashboard so they can

 9 actually now accurately track the part savings that

10 have come from using recycled or other kinds of used

11 parts. So that what was conjectured in the past, now

12 there's an actual dashboard in place to -- to -- to

13 track and then you can start to compare your tracking

14 to your assumptions and -- and if there were any

15 flawed assumptions, fix them, make sure the business

16 case is accurate.

17   So, I can't predict whether all of

18 MPI's predictions will come true, but what I can say

19 is that they have fact-based dashboards in place for -

20 - for most, if not all, of these commitments, and can

21 accurately then say, Are our assumptions coming true

22 and if they are coming true, are there savings coming

23 as we predicted. If not, what's the flawed

24 assumption? Are there changes we could make in the

25 system in order to -- to recover that money or, you

1038

 1 know, have we been conservative, in fact, we're

 2 getting more.

 3   So I can't predict whether the claims

 4 will actually come through, but I can say that -- that

 5 they now have a fact-based capability upon which they

 6 can do the analysis to determine if the benefits are

 7 being achieved. If not, why not and -- and what --

 8 what else is possible.

 9   MS. KATHLEEN MCCANDLESS: Thank you.

10 If we go on to page 9 in the middle of the page it

11 stated that:

12   "In addition, MPI is achieving other

13   benefits to which it is not possible

14   to assess a finan -- assess

15   financial benefits. These are

16   improved customer service, reduce

17   technical risk and reduced fraud

18   risk."

19   Yes?

20   MR. CHARLES HENRY: Correct.

21   MS. KATHLEEN MCCANDLESS: And can you

22 elaborate on each of these three (3) bullets and how

23 the program will prov -- improve these areas?

24   MR. CHARLES HENRY: So, customer

25 service is either the availability of multiple

 1 channels so, not just, you know, in person, but over

 2 the phone, over the web. So different channels that

 3 suit the -- the needs of different kinds of clients;

 4 the speed of service or getting service in, you know,

 5 seconds or minutes instead of hours or days; technical

 6 risk.

 7   Part of what MPI has done and doing

 8 PDR is refresh a bunch of their infrastructure or move

 9 to infrastructure provided by third parties, which is

10 more current, more reliable, also so that their

11 technical risk is -- is going down across the

12 platform. And -- and the Mitchell system gives them a

13 basis of good and consistent information across the

14 entire province around which now you can do the

15 analytics for fraud detection that you couldn't do

16 before 'cause you didn't have a strong information

17 base.

18   So it's hard to figure out, you know,

19 what is the impact of that other than good data means

20 good data management means good analytics means the

21 ability to come up with positive outcomes.

22   You know, is there more fraud happening

23 in Manitoba than is being detected? Is fraud -- is

24 Manitoba, you know, a less fraudulent place than

25 Ontario or California? I can't comment on any of

1040

1 that. I'd like to think, yes, but I don't know.

2   MS. KATHLEEN MCCANDLESS: Thank you.

3 Now the table that's just below the bullets here, this

4 -- this schedule is now the updated benefits to be

5 achieved from the PDR program; is that right?

6   MR. CHARLES HENRY: In our view of the

7 benefits and as of that point in time which was, you

8 know, when I wrote this which was, you know, May of --

9 of -- of this year. So as I said, MPI because they

10 have a much more holistic and interactive, they

11 probably have a, you know, a more up-to-date view of

12 this dashboard than -- than I do.

13   They may have it in different buckets

14 'cause that's -- we did spend some time cross-

15 referencing the way MPI tracked the savings versus the

16 way Gartner tracked their savings because I tried to

17 make it consistent with our 2017 report and MPI has

18 moved on.

19   So -- so, you know, it's -- it's

20 attempting to make the MPI numbers consistent from '17

21 to '18. They have a different level of granularity,

22 but they've bucketized them somewhat differently. So

23 as I said before, I believe they're directionally

24 correct but probably precisely wrong.

25   MS. KATHLEEN MCCANDLESS: And from

 1 MPI's perspective, does it have any follow-up to Mr.

 2 Henry's comment that MPI may have more up-to-date

 3 information on the benefits stream?

 4   MR. CURTIS WENNBERG: Like we

 5 mentioned, the predictive analytics is now down to

 6 more of a quarter of a million dollars ($250,000).

 7   On the loss of use side, those numbers

 8 are still accurate as it relates to the work done

 9 through the -- the -- the PDR initiative, but the

10 negotiated reductions in loss of use that we've --

11 we've secured are -- are to the tune of about a

12 million and a half (1,500,000) a year roughly.

13   Again, in -- in pure form, though, we

14 can't attribute that to the project. It was -- it --

15 it's -- it was a different approach entirely in terms

16 of getting those numbers so -- so -- so being purist I

17 wouldn't change that loss of use. The other pieces

18 remain as they are.

19   In terms of defending the certain

20 numbers, the biggest one there is the 3 million on the

21 labour rate differential and that probably gets into

22 some of the sensitive stuff where we can speak about a

23 component of the Mitchell license that is related.

24   MS. KATHLEEN MCCANDLESS: Thank you.

25 And if we scroll down to the tenth (10th) page under

 1 PDR Program Progress, we see -- we see that toward the

 2 end of fiscal 2016/'17, as reported by Gartner in the

 3 May 2017 report, that eight (8) PDR projects were

 4 completed, seven (7) were cancelled and five (5)

 5 comprised the remainder the PDR program, yes?

 6   MR. CHARLES HENRY: Correct.

 7   MS. KATHLEEN MCCANDLESS: And then if

 8 we scroll further down to completed projects, we see

 9 now appointment manager number 1, enhanced direct

10 repair capabilities; number 2, and partner por --

11 portal number 3, yes?

12   MR. CHARLES HENRY: Yeah.

13   MS. KATHLEEN MCCANDLESS: And then

14 continuing down the page we see in-flight projects

15 that complete in 2018/'19 so the parts loss of use

16 budgeted with an enhanced direct repair, yes?

17   MR. CHARLES HENRY: Yes.

18   MS. KATHLEEN MCCANDLESS: And then the

19 cancelled projects of which we've heard already, the

20 customer claims reporting system, CCRS and remote

21 estimating, yes?

22   MR. CHARLES HENRY: Correct.

23   MS. KATHLEEN MCCANDLESS: Now you

24 spoke, Mr. Henry, this morning about CCRS, among

25 others, not being included in the net present value

 1 analysis that was provided last year; yes?

 2   MR. CHARLES HENRY: I believe it was

 3 in the NPV analysis provided last year. I'd have to

 4 go back and check, but it's not in the NPV analysis

 5 that we did this year.

 6   MS. KATHLEEN MCCANDLESS: Okay.

 7   MR. CHARLES HENRY: 'Cause it was part

 8 -- CCRS was still part of PDR last year.

 9   MS. KATHLEEN MCCANDLESS: If we go to

10 PUB-MPI-1-68, so question (a) is -- asked the

11 Corporation to identify which costs were excluded from

12 the NPV of an analysis that was prepared by Gartner

13 last year and --

14   MR. CHARLES HENRY: Like I said, I'd

15 have to go back and -- and look at the report and

16 check with -- and check with Martin, so.

17   MS. KATHLEEN MCCANDLESS: We -- we do

18 see some bullets underneath (a) here: direct repair

19 operations, direct repair premium, Mitch -- Mitchell

20 software licensing, CCRS software licensing, Partner

21 Portal software licensing; Car Part software licensing

22 and Predictive Analytic software licensing and

23 operations, yes?

24   MR. CHARLES HENRY: Yeah.

25   MS. KATHLEEN MCCANDLESS: And I gather

 1 based on what we've heard from you already, Mr. Henry,

 2 that the reason that these were not included as part

 3 of the NPV analysis was the information was not

 4 provided to Gartner?

 5   MR. CHARLES HENRY: It -- it was not

 6 provided to Gartner and I don't think MPI could break

 7 it out as we -- we talked about earlier, assigning --

 8 I'll use an analogy. You buy a ladder to paint a wall

 9 and then you use it to fix your roof. Who paid for

10 the ladder? Right?

11   So, I -- I don't -- I think MPI was

12 struggling with -- with appropriately allocating the

13 costs of all of those things to all the various

14 components that they're used for. I think value

15 management has done a lot of work in order to figure

16 out how to allocate those costs in an appropriate

17 manner that wasn't available last year and -- and we

18 didn't have the details so it wasn't included.

19   MS. KATHLEEN MCCANDLESS: Thank you.

20 Kristen, could we please go to Figure VM-1 from the

21 Value Management section and this is likely a question

22 for Mr. -- well, any of Mr. Bunko, Mr. Wennberg or Mr.

23 Remillard.

24   So at the top of the figure here we see

25 the forecasted benefit stream for the PDR as reported

1 in the 2017/'18 GRA, is that right?

2   MR. JOHN REMILLARD: Correct.

3   MS. KATHLEEN MCCANDLESS: And then at

4 the bottom under the heading April 19, 2018 those are

5 the CCRS termination, MPI evaluation per the Gartner

6 categories, yes?

7   MR. JOHN REMILLARD: Correct.

8   MS. KATHLEEN MCCANDLESS: Now, can you

9 explain, Mr. Remillard, what is shown here at line 19?

10   MR. JOHN REMILLARD: Line 19 depicts

11 the material differences between this year's volume

12 and for projections from a benefits' perspective

13 opposite last year's submission and evaluation.

14   MS. KATHLEEN MCCANDLESS: And so MPI

15 had cancelled several projects last year and

16 reallocated the funds spent to other projects, is that

17 --

18   MR. JOHN REMILLARD: That's fair, yes.

19   MS. KATHLEEN MCCANDLESS: And then if

20 we go to PUB-MPI-1-63 and at question (b). So the

21 Corporation was asked to provide detail of the

22 spending by year in each cancelled PDR project, yes?

23   MR. JOHN REMILLARD: Correct.

24   MS. KATHLEEN MCCANDLESS: And on page

25 2 are paid -- yes, page 2 at Figure 1 we see the

1046

1 impairment of deferred development costs at

2 approximately $20.3 million at a corporate level, yes?

3   MR. JOHN REMILLARD: At a corporate

4 level, correct.

5   MS. KATHLEEN MCCANDLESS: And so I

6 understand that if MPI determined that there was no

7 future value related to the expenditure, or if the

8 expenditure rate -- rate -- related to investigative

9 platform or software the company had decided not to go

10 forward with then it was part of the -- the differed

11 or the impairment, yes?

12   MR. JOHN REMILLARD: Correct.

13   MS. KATHLEEN MCCANDLESS: And so those

14 were the primary reasons for the $20.3 million

15 writeoff?

16   MR. JOHN REMILLARD: Overall, yes.

17   MS. KATHLEEN MCCANDLESS: And at

18 Figure 2, we see the impairment of PDR projects, yes?

19   MR. JOHN REMILLARD: Correct.

20   MS. KATHLEEN MCCANDLESS: And at line

21 6 on the far right-hand side of the table we see total

22 impairment of $17.5 million, yes?

23   MR. JOHN REMILLARD: Correct.

24   MS. KATHLEEN MCCANDLESS: And the vast

25 majority of the writeoff at line 4 relates to customer

 1 claims reporting system, yes?

 2   MR. JOHN REMILLARD: It does, yes.

 3   MS. KATHLEEN MCCANDLESS: That's $15.6

 4 million for the record, yes?

 5   MR. JOHN REMILLARD: Correct.

 6   MS. KATHLEEN MCCANDLESS: And then if

 7 we could scroll to the top of the page again, at line

 8 5 under Figure 1, we see a writeoff for high school

 9 driver education Phase 2 of $2.1 million, yes?

10   MR. JOHN REMILLARD: That's correct.

11   MS. KATHLEEN MCCANDLESS: And can you

12 explain the reason for that writeoff?

13   MR. JOHN REMILLARD: Sure. Phase 2 we

14 were look -- we did a proof of concept on quite a few

15 different technologies like Telematics is an example.

16 Determining whether Telematics could serve as a

17 meaningful assessment of how our young drivers were

18 performing; as well, we did a proof of concept with

19 respect to some simula -- simulation software with

20 respect to road test simulations.

21   We were looking at evaluating that

22 software from the context of (a) the highschool driver

23 ed. program, but even a broader sense as to what it

24 could mean for driver testing period.

25   What we had found with the Telematics

 1 is that interesting results can be interpreted and/or

 2 through that technology, however, it deemed to be a

 3 cost prohibitive to do on a large-scale. We are

 4 certainly still looking at it and looking at the

 5 marketplace as Mr. Wennberg's kind of expanded in his

 6 general testimony earlier today, and that we'll always

 7 watch what's happening as -- as these advancements

 8 occur but right now it's cost prohibitive.

 9   On the simulator technology what we

10 have found with that technology is, again, could --

11 could serve a meaningful purpose, however, what we are

12 finding is that -- that there -- there was at least 25

13 percent of the population that was getting motion

14 sickness due to the technology and with that, our

15 concern was, is that they would actually perform this

16 test, be it a preliminary test before getting into a -

17 - performing a road test and, ultimately, they may not

18 be in a state to properly drive.

19   And so from a road safety context

20 perspective that presented a very large concern to us.

21 So it wasn't necessarily the -- that -- whether the --

22 the software could provide a meaningful value. From a

23 testing incompetency, it was the outcome that we were

24 concerned about. So, therefore, we did not proceed.

25   MS. KATHLEEN MCCANDLESS: Thank you.

1049

1 If we could go to MPI Exhibit 9 and the response

2 provided MPI -- PUB-MPI-1-61(d) at this Information

3 Request, response the Corporation provided detail of

4 the $15.6 million writeoff related to CCRS, yes?

5   MR. JOHN REMILLARD: Yes.

6   MS. KATHLEEN MCCANDLESS: And we see

7 at line 3, with respect to optimize adjusting a total

8 write-off of $5.3 million, yes?

9   MR. JOHN REMILLARD: Correct.

10   MS. KATHLEEN MCCANDLESS: And are you

11 able to tell us what the opt -- optimized adjusting

12 expenditure is related to?

13   MR. JOHN REMILLARD: Certainly. In

14 the early aspects of the Physical Damage Re-

15 engineering Program, we weren't -- we were looking at

16 different -- a different software alternative, and we

17 were exploring the utilization of FINEOS as a platform

18 for our first notice of loss.

19   And so we -- we explored that and

20 worked with FINEOS on that -- on that front only to

21 find that ultimately the advancements on that -- that

22 platform could be meaningful, but there was probably a

23 more strategic benefit of pursuing the Mitchell

24 customer claims reporting system.

25   MS. KATHLEEN MCCANDLESS: And so you

1050

 1 mentioned that was earlier on in the project, so that

 2 would explain why there is little to no spending after

 3 2014/'15?

 4   MR. JOHN REMILLARD: That is correct.

 5   MS. KATHLEEN MCCANDLESS: And then at

 6 line 2, we see CCRS spending in 2017/'18 of $4.03

 7 million, yes?

 8   MR. JOHN REMILLARD: Yes, correct.

 9   MS. KATHLEEN MCCANDLESS: Are you able

10 to advise what the nature of that spending was?

11   MR. JOHN REMILLARD: Certainly. This

12 is where we were looking at -- like I said, we -- we

13 were partnering with Mitchell on -- on trying to

14 establish that -- the platform, and a solution. This

15 was ultimately broken down with our internal --

16 internal costs, as well as we have external labour

17 consultants of the -- complementing our team to

18 complete that project.

19   MS. KATHLEEN MCCANDLESS: Thank you.

20 And then interim FNOL, that's first notice of loss,

21 and we see a total write-off of approximately $6.3

22 million?

23   MR. JOHN REMILLARD: Yes.

24   MS. KATHLEEN MCCANDLESS: And can you

25 advise as to the nature of the -- the project costs,

 1 there?

 2   MR. JOHN REMILLARD: The nature of

 3 that project cost, again, was primarily consultant

 4 resources, as we were exploring the first notice of

 5 loss solution. So this is where we were transitioning

 6 from the FINEOS-based option, and starting to turn our

 7 eyes towards the Mitchell -- Mitchell solution. So we

 8 were working in the background to try and create the

 9 architecture for that, as well as the intellectual

10 property that -- associated with our accident profiles

11 that Mr. Wennberg provided the testimony to earlier

12 today.

13   MS. KATHLEEN MCCANDLESS: And so the

14 nature of the spending in 2017/'18, there is nearly a

15 million dollars of spend there. Can you explain what

16 that was for?

17   MR. JOHN REMILLARD: This is where --

18 ultimately, it was the -- I'm going to call it a

19 rebranding between what -- what -- for what -- for all

20 intents and purposes, one could lump in term -- FNOL

21 and CCRS into one (1) overall solution. We'll call it

22 a rebranding of sorts.

23   MS. KATHLEEN MCCANDLESS: Thank you.

24 Mr. Henry, I'm going to have some more questions now

25 for you. If we could go back to your report at page

1052

```
 1  11.

 2

 3                    (BRIEF PAUSE)

 4

 5              MS. KATHLEEN MCCANDLESS:   If we scroll

 6  up a little bit to cancelled projects, we see here

 7  that the cancellation of Customer Claims Reporting

 8  System had termination costs of $10.2 million, yes?

 9              MR. CHARLES HENRY:   Correct.

10

11                    (BRIEF PAUSE)

12

13              MS. KATHLEEN MCCANDLESS:   Now I'm not

14  sure if this is a question that can be answered on the

15  public record now, so MPI can advise, but the detail

16  as to the termination costs of $10.2 million, is that

17  something that can be provided, or that be deferred

18  to...

19              MR. JOHN REMILLARD:   Sorry, the

20  breakdown of the ten point-two (10.2)?  I -- I should

21  be able to find that, if I could just have some time.

22  Yeah.

23

24                    (BRIEF PAUSE)

25
```

1053

 1   MR. JOHN REMILLARD: Did you want me

 2 to get back to you in a little bit? My apologies. I

 3 don't want to keep you waiting if -- if --

 4   MS. KATHLEEN MCCANDLESS: Why don't we

 5 just have that given by way of undertaking, then?

 6   MR. JOHN REMILLARD: Okay.

 7   MR. STEVE SCARFONE: That, I was going

 8 to suggest, Ms. McCandless, because I -- I believe Mr.

 9 Remillard is -- is -- once he finds the information,

10 he's going to conduct a review of that to see if he

11 has any confidentiality concerns, so maybe we could

12 just defer it to the confidential session, because I

13 understand our Friend Mr. Williams has some questions

14 about the costs of the PDR project and stuff that he's

15 waiting to ask on that -- in that panel. So maybe we

16 just defer to the in-camera session.

17   MS. KATHLEEN MCCANDLESS: My

18 suggestion would be perhaps over the afternoon break,

19 the determination can be made as to whether or not

20 it's confidential. If it's not, we will answer it on

21 the public record, if not, defer it to the CSI. Thank

22 you.

23

24 CONTINUED BY MS. KATHLEEN MCCANDLESS:

25   MS. KATHLEEN MCCANDLESS: So I'll move

 1 on, then. If we could just go to page 14 of your

 2 report, Mr. Henry, and this is just to summarize the

 3 analysis of the difference between the Gartner 2017

 4 report and the April 2018 analysis, yes? And if we

 5 scroll down, there is a table here. So as we heard

 6 from you, the -- one (1) of the major differences was

 7 the --the discount rate, yes?

 8   MR. CHARLES HENRY: Correct.

 9   MS. KATHLEEN MCCANDLESS: And then

10 scrolling onto the next page, we have the Mitchell

11 licensing fees that were not included in the total

12 cost of the program correct?

13   MR. CHARLES HENRY: Correct.

14   MS. KATHLEEN MCCANDLESS: And the

15 eighty-one dollar ($81) premium, about which we heard

16 this morning, yes?

17   MR. CHARLES HENRY: Correct.

18   MS. KATHLEEN MCCANDLESS: The next

19 section is changes in the benefit stream. So we see

20 internal efficiencies were revised by MPI from $2.65

21 million per year by '21/'22 to $1.65 million per year,

22 yes?

23   MR. CHARLES HENRY: Correct.

24   MS. KATHLEEN MCCANDLESS: Part source

25 savings were reduced to $2.05 million from the earlier

 1 $2.8 million by '21/'22?

 2   MR. CHARLES HENRY: Correct.

 3   MS. KATHLEEN MCCANDLESS: Loss

 4 prevention and predictive analytics, so that showed an

 5 initial increa -- savings of $.5 million, increasing

 6 to 1 million by 2019/'20, which was revised to $.5

 7 million, and continuing at that level, yes?

 8   MR. CHARLES HENRY: That's my analysis

 9 as of May, but I believe MPI has updated that so that

10 it's now two hundred and fifty thousand (250,000).

11   MS. KATHLEEN MCCANDLESS: Right. And

12 then from -- for loss of use, we've heard about loss

13 of use benefit. So again, there's a reduction there,

14 from 1.05 million down to a hundred thousand

15 (100,000), yes?

16   MR. CHARLES HENRY: Correct.

17   MS. KATHLEEN MCCANDLESS: Total loss

18 benefit was removed, yes?

19

20   (BRIEF PAUSE)

21

22   MR. CHARLES HENRY: Yes. Sorry.

23   MS. KATHLEEN MCCANDLESS: And --

24   MR. CHARLES HENRY: I'll be right

25 back.

 1   MS. KATHLEEN MCCANDLESS: And then

 2 lastly, the claims audit recoveries --

 3   MR. CHARLES HENRY: Yeah, so net new

 4 benefit.

 5   MS. KATHLEEN MCCANDLESS: Right.

 6 That's a -- a new benefit?

 7   MR. CHARLES HENRY: Yes.

 8   MS. KATHLEEN MCCANDLESS: Thank you.

 9 Now with respect to Exhibit number 28, so your

10 presentation, Mr. Henry, these are the questions

11 actually for the representatives from MPI.

12   On slide 12, so there is the first

13 observation for MPI which was to continue to invest in

14 value management. And I take it from MPI's

15 perspective, based on what we're seeing in this year's

16 GRA, that MPI agrees with this recommendation and is

17 continuing to implement it. Is that right?

18   MR. CURTIS WENNBERG: Yes.

19   MS. KATHLEEN MCCANDLESS: And slide

20 13, so the recommendations here include increasing the

21 focus of plans to business outcomes and harnessing the

22 power of stakeholders.

23   Could I just have some comment from MPI

24 on those recommendations?

25

 1   (BRIEF PAUSE)

 2

 3   MR. BRAD BUNKO: I'm sorry, could you

 4 repeat the question, please?

 5   MS. KATHLEEN MCCANDLESS: What are MPI

 6 -- from MPI's perspectives with respect -- or

 7 perspective with respect to the observations here, so

 8 the increase of focus of plans to business outcomes

 9 and harnessing the power of stakeholders, can MPI

10 elaborate on what it is doing, and -- and whether it

11 agrees with these recommendations?

12   MR. CURTIS WENNBERG: I -- I think --

13 I think basically, the observation here is -- is a

14 little bit around the power of stakeholders. So when

15 we think about our agreements, whatever we do have in

16 the agreements, we have to go back and check our

17 assumptions in the major business cases that we have,

18 and also if there is implications for negotiations to

19 come up as a result of some of the PDR things that we

20 found through -- through real strong and proper NPV

21 analysis, that we'll put them in and talk to our

22 partners about them, and other stakeholders.

23   I think from the IT strategy that Brad

24 presented this morning, we -- we are also trying to

25 make sure that there's an operational business

1 champion, so that if an idea comes up, it -- it --

2 there really is strong merits to it internally, and we

3 don't end up cancelling it. Like, as we saw, the --

4 the degree of projects that were cancelled are PDR.

5   So the -- the new plan that -- that

6 Brad and -- and all of us at MPI have -- have put in

7 front of you is to try and make sure that the key

8 stakeholders that know what's happening in the

9 business or are definitely involved at the outset and

10 -- and build the NPVs up.

11   MS. KATHLEEN MCCANDLESS: Thank you.

12 And Mr. Wennberg, this morning in your presentation,

13 you made a comment to the effect that sometimes, the -

14 - a -- a given project may not have a positive net

15 present value, but you still would recommend that the

16 Corporation undertake the project. Do you recall

17 saying that?

18   MR. CURTIS WENNBERG: Yes, that's

19 right.

20   MS. KATHLEEN MCCANDLESS: And with

21 respect to the PDR project, what's MPI's perspective

22 on it?

23   MR. CURTIS WENNBERG: Well, we also

24 covered that a little bit this morning, too, when the

25 -- the question came up of -- of is this worthwhile

 1 doing? And the magnitude of the loss, would you do it

 2 as an armchair quarterback today? Would you do the

 3 exact same thing? No, I think the this executive team

 4 and -- and Board wouldn't do that, without putting

 5 words in their mouth.

 6   But -- but the nuggets -- we have to

 7 understand that the nuggets of getting into a -- a

 8 Mitchell-based or an estimating-based system that's

 9 software instead of faxes and paper, that made sense

10 to do. And -- and what we need to do is streamline

11 and really double check on some of the other

12 components of PDR, and -- and make sure before we --

13 we -- particularly as you heard Brad say, before we

14 innovate in-house, given our size, do we -- do we know

15 where industry best practice is that we can lift and

16 shift back in here for all Manitobans?

17   MS. KATHLEEN MCCANDLESS: Thank you.

18 I'm now going to move into the area of benchmarking in

19 IT. Mr. Chair, I expect this will take, if my

20 estimates bear out, roughly half an hour. So we'll

21 continue.

22   THE CHAIRPERSON: Okay.

23

24 CONTINUED BY MS. KATHLEEN MCCANDLESS:

25   MS. KATHLEEN MCCANDLESS: Thank you.

1060

 1   Now we heard this morning that the --

 2 the previous CIO scorecard that Gartner would provide

 3 for MPI on -- on a yearly basis is now -- they're

 4 called the IT scorecard. Is that right?

 5

 6   (BRIEF PAUSE)

 7

 8   MR. CHARLES HENRY: That is correct.

 9   MS. KATHLEEN MCCANDLESS: And I

10 understand that many of my questions will be directed

11 to Mr. Lazarko in this regard. Is that right? And

12 so, Mr. Lazarko, are you able to comment on or explain

13 the -- the nature of the change from the CIO scorecard

14 to the IT scorecard?

15   MR. LAWRENCE LAZARKO: Yes. One

16 moment, please.

17

18   (BRIEF PAUSE)

19

20   MR. LAWRENCE LAZARKO: Could you

21 please bring up CAC-1-46(a).

22

23   (BRIEF PAUSE)

24

25   MR. LAWRENCE LAZARKO: With your

1061

 1 leave, I'd like to walk through this, if you please.

 2   MS. KATHLEEN MCCANDLESS: Yes.

 3   MR. LAWRENCE LAZARKO: All right. So

 4 the -- there are two (2) different instruments

 5 provided by Gartner to measure the process maturity

 6 and compare MPI to benchmark groups. CIO scorecard is

 7 the measure -- the instrument we've been using for a

 8 number of years.

 9   As part of our ongoing conversations

10 with Gartner, they've indicated that the CIO scorecard

11 was being discontinued, and some of the pure data

12 which we rely upon to compare ourselves to would no

13 longer be up-to-date. So as a result, we worked with

14 Gartner to move from CIO scorecard to the IT

15 scorecard.

16   What we prepared in this Information

17 Request is Gartner's own words in terms of the

18 differences between the two (2). So again, the key

19 change is that we've moved from an unscored toolset to

20 a newer toolset. We can retain the pure data, which

21 we absolutely desire. The numbers are good, but

22 numbers in context are better, so understanding how we

23 compare to a peer group is a -- a real value for us.

24   We've also changed the different

25 categories that are being measured so that if you

 1 scroll down, you can see specific ones covered in the

 2 assessment. So things like infrastructure and

 3 operations, and application organization are

 4 continuing. Things like business process management

 5 that has been captured and measured for years is no

 6 longer con -- continuing, and enterprise architecture,

 7 area that is deeply important to us, has changed. So

 8 when we talk with the actual benchmarking details, we

 9 can show scores before and after.

10   So to facilitate the change, we worked

11 with Gartner to complete both score -- scorecards this

12 year. So we used the CIO scorecard, completed those

13 questionnaires, that information, complete the new

14 scorecard for the purposes of comparison, then -- to

15 ensure we make a smooth transition. The subsequent

16 year, we'll only using the IT scorecard.

17   MS. KATHLEEN MCCANDLESS: Thank you.

18 And if we go to Attachment A from the benchmarking

19 section of the application. Now, this is prepared by

20 Gartner, yes?

21   MR. LAWRENCE LAZARKO: Yes.

22   MS. KATHLEEN MCCANDLESS: But I

23 understand you're able to speak to the contents of the

24 report. Is that right?

25   MR. LAWRENCE LAZARKO: Yes.

1063

```
 1              MS. KATHLEEN MCCANDLESS:   And it's --

 2   it's called a Benchmark Findings and Recommendations

 3   Executive Report, yes?

 4              MR. LAWRENCE LAZARKO:   Yes.

 5              MS. KATHLEEN MCCANDLESS:   So this

 6   incorporates findings from the CIO scorecard and the

 7   IT score.  Is that --

 8              MR. LAWRENCE LAZARKO:   And the

 9   infrastructure and operations report, yes.

10              MS. KATHLEEN MCCANDLESS:   Thank you.

11   So if we go to slide 2, just at the second bullet

12   here, we see that MPI had engaged Gartner to prepare

13   CIO and IT budget scorecards using 2010/'11 budget

14   data and repeated through the years, right?

15              MR. LAWRENCE LAZARKO:   Yes.

16              MS. KATHLEEN MCCANDLESS:   And that

17   this report is based on the 2016/'17 actual financial

18   results, yes?

19              MR. LAWRENCE LAZARKO:   That's right.

20              MS. KATHLEEN MCCANDLESS:   And then

21   going down to page 3, we see that the four (4)

22   structure evaluation instruments are IT budget

23   assessment, CIO dashboard survey, infrastructure and

24   operations scorecard, and the IT score survey, yes?

25              MR. LAWRENCE LAZARKO:   Correct.
```

1064

 1   MS. KATHLEEN MCCANDLESS: If we go to

 2 page 6, and these are key findings on the left side of

 3 the page. With respect to some of the benchmarking,

 4 we see that the personnel spending and staffing levels

 5 remain higher for MPI than peers with a slight

 6 increase in IT to company full-time equivalent ratio

 7 of 16.7 percent to 17 percent, yes?

 8   MR. LAWRENCE LAZARKO: Yes.

 9   MS. KATHLEEN MCCANDLESS: The fourth

10 bullet, we see that similar to previous years, MPI

11 spends 62 percent of the IT budget on personnel, as

12 compared to 45 percent for peers?

13   MR. LAWRENCE LAZARKO: That's correct.

14   MS. KATHLEEN MCCANDLESS: And that 32

15 percent of MPI staff -- IT staff is made up of

16 contractors versus 24 percent for the peers, yes?

17   MR. LAWRENCE LAZARKO: Yes.

18   MS. KATHLEEN MCCANDLESS: And higher

19 staffing levels relative to peers is pem --

20 particularly evident in infrastructure and operations?

21   MR. LAWRENCE LAZARKO: That is what

22 Gartner stated. We can review the details. There are

23 some points that we need to talk about in regard to

24 that one.

25   MS. KATHLEEN MCCANDLESS: If you could

1065

1 explain, that would be appreciated. Thank you.

2   MR. LAWRENCE LAZARKO: Right. So if

3 you progress to slide 14, if you take a look at -- so

4 this refers to the infrastructure and operation

5 staffing as assessed by Gartner. Gartner has a

6 specific method. They count the number of staff in

7 the infrastructure and operations area.

8   For -- for context, infrastructure and

9 operations is really focused on two (2) key pieces.

10 It's the data centre, so managing server storage,

11 which we have IBM do, but there are also some

12 functions MPI retains, like some database activities,

13 and then personal computing. So this is related to

14 the service desk that takes calls, set up of printers,

15 laptops, desktops, et cetera.

16   The assertion is that MPI's staffing

17 compared to peer is higher. I would indicate that

18 based on the method used by Gartner, we are actually

19 within peer groups. If you take a look at the chart

20 on the left, MPI 2016/'17, peer average is fifty (50).

21 Peer 25th percentile, which is the bottom 25 percent

22 is thirty-seven point-nine (37.9). Peer 75th

23 percentile is fifty-eight (58). So we are within that

24 range.

25   Gartner -- what they assert, though, is

 1 because we have some of our services provided by IBM,

 2 managed services, that there are additional staff that

 3 are included in that number. So while we are thirty-

 4 five point-seven (35.7), we are well under the peer

 5 average, it is only for a portion of that particular

 6 function. Does that help?

 7   MS. KATHLEEN MCCANDLESS: Yes, thank

 8 you. If we could go to -- back to the previous slide,

 9 so page 6, the last bullet states that business

10 process management and enterprise architecture

11 maturity remains generally low and appears to be an

12 opportunity for improvement, yes?

13   MR. LAWRENCE LAZARKO: Yes.

14   MS. KATHLEEN MCCANDLESS: And on the

15 right-hand side of the page, we see at the fifth

16 bullet, that MPI should continue its current -- the

17 efforts currently underway to review the size of its

18 retained staff and the number of contractors as it

19 increases the use of third-party support for

20 infrastructure services, yes?

21   MR. LAWRENCE LAZARKO: Yes.

22   MS. KATHLEEN MCCANDLESS: Now with

23 respect to the bullet we just reviewed, so the review

24 of size of retained staff and number of contractors,

25 is MPI making any progress with respect to a staffing

1067

1 strategy?

2   MR. LAWRENCE LAZARKO: Definitely. So

3 we -- in 2016/'17, shared a staffing strategy to

4 replace twenty (20) -- up to twenty-seven (27)

5 external resources with internal resources. We

6 outlined a process to do that, either through posting

7 and potentially converting, or hiring and attracting

8 the right level of talent and replacing over time or

9 cross-training over time.

10   So as we've reported in this year's

11 rate application, we have twenty (20) out of twenty-

12 seven (27). That was as of May, 2018. We have an

13 additional, I would say, two (2) to three (3) more in

14 progress actively right now, within that twenty-seven

15 (27), and we've increased the benefits from a

16 projected 2.4 million to a range of two point-four

17 (2.4) to three point-o (3.0). So yes, I would

18 classify it actions in progress that are successful.

19   MR. BRAD BUNKO: I'm sorry, is your

20 question pertaining more to the total number of

21 staffing, or is it pertaining to consultant staffing

22 versus FTEs?

23   MS. KATHLEEN MCCANDLESS: I would say

24 essentially with respect to consulting versus FTEs.

25   MR. BRAD BUNKO: Okay. There are some

1068

1 conditions that drive up the number of consultants

2 that we have -- that we have with the Organization,

3 and it's often tied to the number of initiatives that

4 you have -- that your organization is performing.

5 They are usually staffed initiatives that are

6 primarily staffed with consultants. So the more

7 initiatives you have, the higher number of consultant

8 staffing you have.

9 What we have done over the last few

10 years is taken a very close look at that and said,

11 well, okay, we do need some flexibility to be able to

12 increase staffing for various initiatives, because we

13 don't know when they're going to come, and how large

14 they will be, but at the same time, what are the staff

15 that we will have year in and year out that we find

16 are supporting the baseline of projects and/or

17 operational type activities? And that is where we've

18 identified the twenty-seven (27) consultant

19 conversions that we've previously identified, and are

20 also investigating other potential consultant

21 conversions from consultants to regular FTEs.

22 MS. KATHLEEN MCCANDLESS: Thank you.

23 The next bullet down -- so second up from the bottom

24 on the right side says internal skills development and

25 training should be a priority.

 1   Can MPI comment on what types of

 2 training the IT staff might need?

 3   MR. LAWRENCE LAZARKO: Absolutely. So

 4 one (1) of the areas that Gartner's highlighted has

 5 related to infrastructure and operations. So again,

 6 that's the personal and enterprise computing piece.

 7   As we roll out new technologies, it's

 8 important that our staff are trained on them. So a

 9 different database technology or operating system

10 technology has different support tools, different

11 administrative tools. And it's, again, very important

12 that we train our staff in these technologies as or

13 before we roll them out. So that would be a -- a good

14 example.

15   The other is new development languages,

16 new platforms. That's an area that we continue to

17 look at, especially as we talk about something like

18 legacy. We want to make sure we have the right

19 skills, not just for the platforms we have now, but

20 the platforms in the future.

21   MS. KATHLEEN MCCANDLESS: Thank you.

22 If we could go to page 10. And the graphic in the --

23 on the right-hand -- or pardon me, left-hand side of

24 the screen shows that MPI's overall staffing level as

25 a percentage of company employees for 2016/'17 is 17

1 percent, an increase of the prior year at 16.7

2 percent, yes?

3   MR. LAWRENCE LAZARKO: Yes.

4   MS. KATHLEEN MCCANDLESS: And the peer

5 average there is 13 percent, yes?

6   MR. LAWRENCE LAZARKO: Yes.

7   MS. KATHLEEN MCCANDLESS: Okay. Now,

8 on the right side of the screen, under observations,

9 we see that Gartner has observed that MPI's staffing

10 level is 33 percent higher than the peers, yes?

11   MR. LAWRENCE LAZARKO: Yes.

12   MS. KATHLEEN MCCANDLESS: And under

13 implications, just down the page, it states that

14 higher staffing levels may be due to business growth,

15 which limits the ability to optimize costs, yes?

16   MR. LAWRENCE LAZARKO: Yes.

17   MS. KATHLEEN MCCANDLESS: Can you

18 explain the -- the need for higher staffing levels,

19 bearing this in mind?

20   MR. BRAD BUNKO: I can. While every

21 organization's IT structure is -- is different, we

22 have legacy applications, and legacy applications

23 takes more manpower to both maintain and to make

24 changes to. We have, through some of the prelim --

25 preliminary feedback on our legacy modernization

 1 assessment, reviewed the potential reductions in IT

 2 staffing by adopting newer technology. It was a

 3 belief that we've had in the past, and it's been

 4 somewhat solidified through this year of assessment.

 5   So it is -- it is dependent upon the

 6 actual organization and what it is that you're

 7 managing. Because we have that older legacy

 8 modernization, we do have higher staffing levels.

 9   MS. KATHLEEN MCCANDLESS: This bullet

10 references business growth, so perhaps you could

11 explain how legacy modernization would play into

12 business growth.

13   MR. BRAD BUNKO: Well, the business

14 growth com -- compartment of that is -- is the

15 initiatives that we would be doing. And when you have

16 more initiatives, you are hiring more consultants to

17 make the changes. I think if you compare -- and I'm

18 not sure what page it's on -- the amount of

19 initiatives that we have compared to our peers is

20 considerably higher than the run the operation type

21 activities.

22   So if we were doing probably the same

23 kind of a ratio, you would see that our staffing would

24 be more in line with our peer group.

25   MS. KATHLEEN MCCANDLESS: Thank you.

1 The last bullet on the right-hand side, under

2 implications, states that the move to third-party

3 services comes with additional requirements for

4 oversight and operational processes staff in managing

5 the vendor. Mr. Bunko, this may be a question for you

6 to answer.

7   Could you please explain or elaborate

8 on the implications of -- of this bullet?

9   MR. BRAD BUNKO: Sure. So it's very

10 interesting. Gartner is -- is -- when they measure,

11 you know, your cost allocation for -- for IT at a

12 corporation, they can't just leave it at, here's all

13 the dollars and cents. They really have to look at

14 what the service delivery capabilities are that you're

15 providing to the organization, because there is a

16 balance between the two (2).

17   As I mentioned earlier, a more mature

18 service delivery typically costs more, right? And so

19 in this -- what this bullet point is -- is referring

20 to is that when you do have to outsource some -- some

21 service that you're getting so that you can get a

22 higher level of maturity with it, it will increase

23 your maturity, but it will also increase some staffing

24 that you have internally to manage that outside

25 service.

1073

 1   So it is a combination of those two (2)

 2   things, increasing maturity will help -- will increase

 3   your staff, in some instances -- actually, quite a few

 4   instances, and yeah, and -- and that's -- that's the

 5   reason for that.

 6   But I'd also note that our IT spend as

 7   a percentage of Op Ex, we have been able to maintain

 8   it at a very reasonable level, and actually have shown

 9   a very steady decrease of the last five (5) years,

10   again, a difficult thing to do while you're increasing

11   your maturity.

12   MS. KATHLEEN MCCANDLESS: Thank you.

13   Could we go to page 7. On the right side of the

14   screen, there's a table at the bottom with MPI's

15   maturity score from 2010 to 2011 through to 2016/'17

16   as compared to peers, yes?

17   MR. LAWRENCE LAZARKO: Yes.

18   MS. KATHLEEN MCCANDLESS: And we see

19   from 2015/'16 to 2016/'17, that the overall maturity

20   score has improved from 3.42 to 3.52, yes?

21   MR. LAWRENCE LAZARKO: Yes.

22   MS. KATHLEEN MCCANDLESS: And this is

23   a composite score of seven (7) key criteria, which I

24   believe are found at page 16?

25   MR. LAWRENCE LAZARKO: Yes.

 1   MS. KATHLEEN MCCANDLESS: And so,

 2 going from -- sorry, back to page 16, Kristen, thank

 3 you.

 4   So, going from right to left, we see

 5 the change from 2011/'12 through to 2016/'17, yes?

 6   MR. LAWRENCE LAZARKO: Yes.

 7   MS. KATHLEEN MCCANDLESS: With respect

 8 to business process management, which is the fourth

 9 line down in the table, we see that as of 2016/'17

10 MPI's score is 1.6 compared to the peer average of

11 1.76, yes?

12   MR. LAWRENCE LAZARKO: Yes.

13   MS. KATHLEEN MCCANDLESS: And to the

14 extent you're able to comment, Mr. Lazarko, what do

15 you know that's being measured when it comes to

16 business process management?

17   MR. LAWRENCE LAZARKO: Going to move

18 down to section 18 -- or page 18, section 1, which is

19 Gartner's feedback on business process management.

20   One moment please.

21

22   (BRIEF PAUSE)

23

24   MR. LAWRENCE LAZARKO: Sorry, I'll

25 need a minute to find that in detail.

1075

 1   (BRIEF PAUSE)

 2

 3   MR. STEVE SCARFONE: I'm watching them

 4 navigate the screens, we're almost there, Ms.

 5 McCandless.

 6

 7   (BRIEF PAUSE)

 8

 9   MR. LAWRENCE LAZARKO: So the key --

10 key theme is how well does your IT organization

11 understand the Company's critical business processes.

12   Key things Gartner considers in this,

13 there are six (6) dimensions, culture, process --

14 sorry, organization and culture, process competencies,

15 methodologies, technology and architecture, measures

16 and metrics and governance.

17   These six (6) factors are scored based

18 upon MPI responses to questions, Gartner reviews and

19 compares those to industry averages, makes

20 recommendations based upon where MPI could grow

21 further or is below an industry peer.

22   So Gartner may make recommendations in

23 cases where MPI is ahead of a peer to grow and

24 improve. They don't just make recommendations related

25 to things we are deficient or below.

 1   MS. KATHLEEN MCCANDLESS: And just to

 2 clarify for the record, Mr. Lazarko, the source of the

 3 information that you just provided?

 4   MR. LAWRENCE LAZARKO: There's a -- so

 5 what we review on an annual basis is the executive

 6 summary.

 7   Gartner has a supporting document to

 8 that which has additional details, including things

 9 like recommendations that flow up into the executive

10 summary.

11   MS. KATHLEEN MCCANDLESS: Is that

12 something that's on the record?

13   MR. LAWRENCE LAZARKO: It's not.

14   MS. KATHLEEN MCCANDLESS: Pardon me?

15   MR. LAWRENCE LAZARKO: It is not

16 something we traditionally file.

17   MS. KATHLEEN MCCANDLESS: I see.

18 Okay. Are there confidentiality concerns with it, or

19 is it just...

20   MR. LAWRENCE LAZARKO: I would say

21 there is, yes.

22   MR. CHARLES HENRY: I'd say that the

23 methodology is Gartner's IP, so we would not want it

24 on the public record, but I'm sure confidentially we

25 would be okay with that.

1   MS. KATHLEEN MCCANDLESS: Thank you.

2   Now, with respect to page 7. So back to the scoring.

3   Pardon me, page 16. So back to

4   business process management. We've got the insurance

5   average of 1.76 and MPI score of 1.6, which has

6   remained static since 2014/'15.

7   Mr. Lazarko, are you able to provide

8   any information as to why that score has remained

9   constant since 2014/'15?

10   If -- I'm not asking you to provide

11   information that's not available, that you don't have

12   yourself, if it's --

13   MR. LAWRENCE LAZARKO: No, the

14   hesitation was we're preparing a report for review

15   next year. It's still in progress. I was thinking

16   through what exactly I could share about our interim

17   findings in terms of -- I can tell you what we're

18   doing next and how it would potentially improve

19   things. But that's still draft in progress.

20   In terms of why we haven't moved on

21   this area, I -- I would say we have had other

22   priorities as shared in some of our responses to IRs.

23   We focused on enterprise architecture extensively this

24   year. It's a very important capability for both our

25   IT strategy and legacy modernization. Business

 1 process maturity is also very important, but when we

 2 had to choose earlier in the year, we chose enterprise

 3 architecture to focus our efforts on.

 4   MS. KATHLEEN MCCANDLESS: And then if

 5 we go down to enterprise architect -- architecture, we

 6 see that MPI is higher than peers at 3.18 as compared

 7 to insurance average of 2.53. But again, enterprise

 8 architect -- architecture has remained constant since

 9 2014/'15.

10   And so again, my question would be the

11 reason why it has remained constant for three (3)

12 fiscal years?

13   MR. BRAD BUNKO: Again, I would say

14 given all the other movements in -- in various things

15 that we're trying to make, that was one (1) that did

16 not come to the top as to high-priority.

17   We are 10 percent off of our insurance

18 peer average, we're not that far off of what the

19 mainstream peers are.

20   MS. KATHLEEN MCCANDLESS: Thank you.

21 Can we go to page 17 now. This is the IT score, as

22 you see on the right-hand side of the top of the page.

23 This is the new scoring tool that we discussed?

24   MR. LAWRENCE LAZARKO: Yes.

25   MS. KATHLEEN MCCANDLESS: And with

 1 respect to enterprise architecture, and again we see

 2 now that the insurance average is 3.0 as compared to

 3 MPI at 2.3 percent, yes?

 4   MR. LAWRENCE LAZARKO: Yes.

 5   MS. KATHLEEN MCCANDLESS: So I -- I

 6 take it then that enterprise architecture scored

 7 something different in the IT score than it did in the

 8 previous CIO scorecard?

 9   MR. LAWRENCE LAZARKO: That's right.

10 So, when they transitioned from the CIO scorecard to

11 the IT scorecard, Gartner focused on some different

12 measures and metrics, things have changed

13 significantly. Our -- specifically governance and

14 metrics related to enterprise architecture.

15   So these are areas that are not fully

16 matured MPI, and thus we received lower scores, and

17 thus in the new scorecard it was a lower score than

18 we'd seen previously.

19   MR. BRAD BUNKO: I think in summary,

20 while the name has remained the same, the criteria for

21 evaluating has changed.

22   MS. KATHLEEN MCCANDLESS: And can MPI

23 explain how it plans to move forward on improving this

24 score then?

25   MR. BRAD BUNKO: As part of our IT

1 strategy, we actively used enterprise architecture

2 concepts as part of our legacy modernization

3 assessment.

4   We've actively leveraged enterprise

5 architecture concepts as well, and it's an area that

6 we continue to invest in operationally within the

7 Corporation as we progress through the legacy

8 modernization assessment, as we create our next

9 version of the IT strategy next year.

10   MS. KATHLEEN MCCANDLESS: Thank you.

11 And then with respect to applications organization, we

12 see that MPI is on par with peers at 2.4. Yes?

13   MR. LAWRENCE LAZARKO: Yes.

14   MS. KATHLEEN MCCANDLESS: And if we go

15 back up to page 16 in the previous CIO scorecard, we

16 see with respect to applications organization, that

17 MPI was higher than peers so MPI score was 3.17,

18 compared to the insurance average of 2.76, yes?

19   MR. LAWRENCE LAZARKO: Yes.

20   MS. KATHLEEN MCCANDLESS: So I take it

21 then that what goes into scoring applications

22 organization has now changed from the CIO scorecard to

23 the IT score, yes?

24   MR. LAWRENCE LAZARKO: Yes.

25   MS. KATHLEEN MCCANDLESS: And are you

 1 able to provide any information as to how this

 2 differs?

 3   MR. LAWRENCE LAZARKO: It would take

 4 me another minute or two (2), if that's all right.

 5   THE CHAIRPERSON: I don't have a

 6 problem with the minute or two, (2) I'm just a little

 7 concerned about proprietary information coming out.

 8   So I guess the -- you know, we'd like

 9 to have the answer. You need to look at it and see if

10 there's proprietary information. If there is, we'll

11 deal with it in CSI. If there's not, we'd be happy to

12 hear from you.

13   MR. LAWRENCE LAZARKO: Absolutely.

14

15   (BRIEF PAUSE)

16

17   MR. LAWRENCE LAZARKO: I would

18 recommend that we review this one through the

19 confidential portion.

20   MS. KATHLEEN MCCANDLESS: Thank you.

21 Mr. Lazarko, are you able to provide any information

22 as to how MPI intends to move forward on improving

23 this score?

24   So if we go back to page 17 for

25 applications organization.

1082

1   (BRIEF PAUSE)

2

3   MR. LAWRENCE LAZARKO: MPI has

4 introduced a program called Application Portfolio

5 Management. We've submitted a copy of the program

6 earlier this year. That is a way that measures the

7 health of applications using both business and IT

8 measures and metrics.

9   So we're going to continue to evolve

10 that program to identify the top applications that

11 require remediation and prioritize those for business

12 cases.

13   So that is a -- a discipline that we've

14 been using for about a year and a half (1 1/2) to two

15 (2) years, and there are some new ways we can involve

16 that further, better including risks, security, for

17 instance, and including that in business cases such as

18 those that you see for the technology risk management

19 program, application related projects.

20   MS. KATHLEEN MCCANDLESS: Thank you.

21 Kristen, can we please go to BMK Appendix 1. And this

22 appendix includes a listing of previous

23 recommendations made by Gartner and MPI's status

24 update.

25   And I understand that with the

1 transition to the new assessment tool from the CIO

2 dashboard to the IT score, that changes have been made

3 to the status update. Is that right?

4   MR. LAWRENCE LAZARKO: Yes.

5   MS. KATHLEEN MCCANDLESS: So if we

6 look to the bullets here at lines 18 to 23, the

7 changes are identified there, yes?

8   MR. LAWRENCE LAZARKO: Yes.

9   MS. KATHLEEN MCCANDLESS: And so if we

10 go to page 5 of the update, recommendations 3.02

11 through to 3.07 start here.

12   And we see that they have now been

13 consolidated into a recommendation 5.02, yes?

14   MR. LAWRENCE LAZARKO: Yes.

15   MS. KATHLEEN MCCANDLESS: And if we

16 jump to page 9, that's where 5.02 is contained.

17   So on the left-hand side of the screen,

18 we see the description of recommendation 5.02, which

19 includes to continue to improve the enterprise

20 architecture maturity, yes?

21   MR. LAWRENCE LAZARKO: Yes.

22   MS. KATHLEEN MCCANDLESS: And the

23 second paragraph states that the recommendation or the

24 description is to establish reporting for the

25 enterprise architecture program using metrics to track

1084

 1 value delivered to the organization and business

 2 outcomes, as well as metrics to track continuous

 3 improvement of the EA practice itself, yes?

 4   MR. LAWRENCE LAZARKO: Yes.

 5   MS. KATHLEEN MCCANDLESS: And I

 6 understand that this recommendation is ongoing?

 7   MR. LAWRENCE LAZARKO: Yes.

 8   MS. KATHLEEN MCCANDLESS: And it's

 9 tied to the current evaluation of the legacy

10 modernization program?

11   MR. LAWRENCE LAZARKO: The

12 recommendation itself is tied to general process

13 maturity related to enterprise architecture. Our

14 response is tied to legacy and strategic plan.

15   These are two (2) areas that we plan to

16 use enterprise architecture fully and further.

17   MS. KATHLEEN MCCANDLESS: And we have

18 the current status as reported at the time of filing

19 of the GRA.

20   Is there a status update to this

21 recommendation?

22   MR. LAWRENCE LAZARKO: It continues to

23 be a work in progress in the area of focus, and as

24 we've shared, we will have a great update for this one

25 in GRA 2020/'22 -- or sorry, 2020.

 1   MS. KATHLEEN MCCANDLESS: Thank you.

 2   MR. BRAD BUNKO: I can provide some

 3   feedback.

 4   What we've seen is we've gone through

 5   the legacy modernization assessment is that it's

 6   required an enormous amount of individuals from the

 7   organization, quite a -- quite across the organization

 8   because we are impacting so many functionalities

 9   within the organization.

10   So we've had a lot of the directors

11   involved in steering committees with both of the

12   assessment vendors. It has been very well

13   participated and very engaging from the employees.

14   And that's an example of enterprise architecture in

15   that they are coming together to describe their needs

16   and to look towards a solution that is going to -- I

17   don't want to say satisfy everybody, but will be the

18   best solution for the Corporation.

19   So they are not just looking at it from

20   a singular perspective of their own. They get to

21   review everybody else's perspective and get an

22   understanding of what everybody's needs are, and

23   therefore, make a corporate decision as opposed to

24   individual sideload decisions.

25   MS. KATHLEEN MCCANDLESS: Thank you.

 1 If we could go to page 10, and recommendation or

 2 description 5.03. This is to improve IT governance

 3 maturity, yes?

 4   MR. LAWRENCE LAZARKO: Yes.

 5   MS. KATHLEEN MCCANDLESS: And to

 6 summarize the first line, it would be to continue the

 7 existing process by matching IT services to business

 8 demand and by capturing better metrics to measure the

 9 achievement of business outcomes, is that right?

10   MR. LAWRENCE LAZARKO: That's right.

11   MS. KATHLEEN MCCANDLESS: And Gartner

12 also indicated that the governance structure needs to

13 be made more explicit and should incorporate multiple

14 levels within the organization that are capable of

15 resolving process and policy discrepancies, yes?

16   MR. LAWRENCE LAZARKO: Yes.

17   MS. KATHLEEN MCCANDLESS: Now, under

18 current status it's indicated that a further review of

19 the recommendation would occur. Yes?

20   MR. LAWRENCE LAZARKO: That's correct.

21   MS. KATHLEEN MCCANDLESS: Has that

22 taken place?

23   MR. LAWRENCE LAZARKO: It has not. It

24 has not.

25   MS. KATHLEEN MCCANDLESS: And has the

 1 Corporation determined when that review might occur?

 2   MR. LAWRENCE LAZARKO: I anticipate

 3 completion before the end of fiscal.

 4   MS. KATHLEEN MCCANDLESS: Has the

 5 Corporation determined a cost -- the cost of complying

 6 with this recommendation?

 7   MR. LAWRENCE LAZARKO: Not at this

 8 time.

 9   MS. KATHLEEN MCCANDLESS: Is that

10 something that it will cost at some point?

11   MR. LAWRENCE LAZARKO: Yes.

12   MS. KATHLEEN MCCANDLESS: And prior to

13 the end of fiscal or following?

14   MR. LAWRENCE LAZARKO: The plan would

15 be prior to the end of fiscal.

16   MS. KATHLEEN MCCANDLESS: Thank you.

17 If we could go to 5.05 at page 12. This is to improve

18 the IT strategic plan, yes?

19   MR. LAWRENCE LAZARKO: Yes.

20   MS. KATHLEEN MCCANDLESS: And it makes

21 recommendations on the implement -- implementation of

22 three (3) processes, yes?

23   MR. LAWRENCE LAZARKO: It does.

24   MS. KATHLEEN MCCANDLESS: On the

25 right-hand side of the screen, under current status,

 1 it's indicated that the IT strategy and major

 2 corporate initiatives address the first and -- first

 3 and fourth parts of the further exploration of

 4 infrastructure operations, including operational plans

 5 linked to corporate strategy will be reviewed further

 6 in 2018/'19, with an update provided in 2020, GRA,

 7 yes?

 8   MR. LAWRENCE LAZARKO: Yes.

 9   MS. KATHLEEN MCCANDLESS: So what

10 aspects of this recommendation are currently being

11 explored then?

12   MR. LAWRENCE LAZARKO: The focus of

13 this is talk about infrastructure and operations. As

14 I shared earlier, this is the personal and enterprise

15 computing and it's really looking at specific plans

16 and activities related to the corporate business plan,

17 the IT strategic plan. This would be another level of

18 detail.

19   So we finished our IT strategic plan

20 earlier in the year. This recommendation focuses on

21 the creation of another level of planning.

22   The further exploration is to

23 understand that -- the gaps between the current level

24 of planning we do as part of our budgeting process and

25 what Gartner recommends and look at the potential

1089

 1 additional time, effort, cost associated with that and

 2 determine if there is additional value.

 3   So there is work done as part of the

 4 budgeting process, but not to the level Gartner has

 5 recommended in this particular update, and that's what

 6 we want to explore further.

 7   MS. KATHLEEN MCCANDLESS: Thank you.

 8 At Recommendation 5.07, this is to improve IT

 9 financial management disciplines and key performance

10 indicators, yes?

11   MR. LAWRENCE LAZARKO: Yes.

12   MS. KATHLEEN MCCANDLESS: And under

13 current status, it was indicated at the time of filing

14 that MPI is reviewing to determine potential benefits

15 associated with these changes and that review would be

16 in 2018/'19, yes?

17   MR. LAWRENCE LAZARKO: Yes.

18   MS. KATHLEEN MCCANDLESS: And what is

19 the current status of this recommendation?

20   MR. LAWRENCE LAZARKO: Outstanding.

21 We will have an update for this by the end of fiscal.

22   MS. KATHLEEN MCCANDLESS: So, has MPI

23 developed any key performance indicators at this time?

24   MR. LAWRENCE LAZARKO: The focus of

25 this one is less about the key performance indicators

 1 and understanding how the costs of the IT organization

 2 are allocated. As we've seen in the Gartner

 3 benchmarking scorecard, there's a particular way that

 4 we've allocated those costs in order to facilitate

 5 benchmarking.

 6   This recommendation indicates some

 7 additional ways or different ways of doing that. So

 8 that's what we want to explore further is -- is there

 9 an alternate way or a complementary way to what

10 Gartner shared with us that we should do. The

11 additional PPIs and metrics are a level above and

12 beyond that.

13   Some of -- yeah.

14   MS. KATHLEEN MCCANDLESS: So at the

15 very bottom on the left side of the page, there is a

16 recommendation to develop KPIs for financial

17 management of business applications, et cetera.

18   So, I take it from your response that

19 MPI does not intend to develop KPIs or...

20   MR. LAWRENCE LAZARKO: To clarify.

21 So, earlier this year MPI undertook a cost exercise to

22 understand the key applications in its infrastructure

23 -- sorry, its environment for the purposes of

24 supporting the legacy modernization assessment

25 activity.

 1   These -- this was a significant and

 2 positive step forward for MPI. The crux of this

 3 recommendation is expanding further still. So looking

 4 at the work that we did around cost modeling and

 5 saying, Are there additional ways to measure that, are

 6 there additional KPIs that could be put in place? We

 7 still need to do additional work on this one.

 8   MR. BRAD BUNKO: If I could go a

 9 little further on that.

10   So, prior to us getting too far into

11 the legacy modernization assessment, we did an in-

12 depth review of all of our applications and what the

13 ongoing cost of ownership of those applications were.

14   This is something that will feed into

15 our financial management of these applications. It

16 was also a baseline for going forward if -- if we are

17 looking at replacing some of these applications, what

18 is the true ROI on doing so.

19   MS. KATHLEEN MCCANDLESS: Next, with

20 respect to 5.09, at page 16. This recommendation is

21 to improve vendor management capabilities, yes?

22   MR. LAWRENCE LAZARKO: Yes.

23   MS. KATHLEEN MCCANDLESS: And we see

24 under current status that in July 2017/'18 MPI

25 consolidated IT vendor management into one (1) team,

1 yes?

2   MR. LAWRENCE LAZARKO: Yes.

3   MS. KATHLEEN MCCANDLESS: And who was

4 the team comprised of?

5   MR. LAWRENCE LAZARKO: We'd previously

6 created a team called IT managed services. This team

7 was put in place to manage the IBM agreement when that

8 first came into being.

9   So when we're talking about the

10 scorecard or the Gartner scorecard earlier, where they

11 recommended additional resources to support third-

12 party agreements, this is an example of how we did it.

13   There was an -- a separate vendor

14 management group that supported a number of different

15 business-focused contracts, and we combined these two

16 (2) groups into one (1) unit that managed all IT

17 strategic contacts -- sorry, contracts going forward.

18   MS. KATHLEEN MCCANDLESS: One (1) of

19 the recommendations is to put in place reporting

20 capabilities for spending management. It's the very

21 bottom on the left side of the page, the screen.

22   Has MPI implemented any of the vendor

23 management performance metrics?

24   MR. LAWRENCE LAZARKO: So as part of

25 many of our key agreements we have service-level

1 agreements and our vendor management team will be

2 responsible to work with our vendors to ensure these

3 standards are met.

4   These could be levels of service, these

5 could be reviews of levels of spend. There are

6 different metrics by different contracts that are

7 managed by that group.

8   MS. KATHLEEN MCCANDLESS: So I -- have

9 they been implemented or are they in the planning

10 stages at this time?

11   MR. LAWRENCE LAZARKO: It varies by

12 contract. So there are some contracts that have very

13 robust sets of measures, there are others that we're

14 in the process of developing or working with our

15 partners to create.

16   So it varies. That's why we want to

17 focus on a strategy that talks about our approach to

18 each one (1) and what timeframe these things can be

19 reasonably completed in.

20   MR. BRAD BUNKO: Yes, we are in the

21 process of standardization.

22   As -- as Lawrence indicated, we had one

23 (1) department managing one (1) of our largest vendors

24 and they were doing a great job. We wanted to be able

25 to extrapolate from that and go across the

 1 organization for other strategic partners, but that

 2 requires a little bit of extra effort, certainly from

 3 a personnel perspective, and the standardization.

 4   So, it is in the throes of it and we

 5 have not gone to the end of that yet.

 6   MS. KATHLEEN MCCANDLESS: Thank you.

 7 And does MPI have particular areas on which it will be

 8 focusing that need attention with respect to vendor

 9 management?

10   MR. LAWRENCE LAZARKO: The key areas

11 will be continual growth and development of the team.

12 We have some new people with that group and we want to

13 ensure they're exposed to both industry best

14 practices, as well as practical hands-on training.

15   And we also want to continue to mature

16 our partnerships and governance, specifically around

17 key meetings and the outcomes of those meetings, key

18 deliverables and the outcomes of those deliverables

19 and ensure that's clear and consistent for our major

20 agreements.

21   MS. KATHLEEN MCCANDLESS: Thank you.

22 This is the last recommendation I will ask you about.

23 It's 5.12 at page 18.

24   The recommendation on the left side of

25 the screen is to explore the utilization of cloud

1095

1 services, yes?

2   MR. LAWRENCE LAZARKO: Yes.

3   MS. KATHLEEN MCCANDLESS: And on the

4 right side of the screen, we see that the

5 recommendation was reported as complete in the GRA

6 2018, but needs to be re-evaluated and 2018/'19

7 fiscal, yes.

8   MR. LAWRENCE LAZARKO: That's correct.

9   MS. KATHLEEN MCCANDLESS: And can you

10 explain why the recommendation needs to be re-

11 evaluated?

12   MR. LAWRENCE LAZARKO: As we explore

13 our legacy modernization assessment, we may have one

14 (1) or more new strategic partners that are cloud-

15 based, and depending on the outcome of that

16 assessment, we need to look at our -- our long-term

17 strategy.

18   Our previous strategy was assessed when

19 we had limited cloud offerings, so -- and also the

20 markets change. This is an area that's rapidly

21 evolving and we want to make sure that we understand

22 the latest trends and we are leveraging -- leveraging

23 them to the fullest.

24   MS. KATHLEEN MCCANDLESS: Does MPI

25 have an -- a sense of what applications it might be

1 using in the cloud?

2   MR. LAWRENCE LAZARKO: One moment.

3

4   (BRIEF PAUSE)

5

6   MR. LAWRENCE LAZARKO: So we have

7 ideas on different types of applications we can look

8 at, but we can't go through the specifics due to our

9 competitive process related to the upcoming RFP.

10   MS. KATHLEEN MCCANDLESS: Thank you.

11 Are you able to advise as to what extent MPI currently

12 uses cloud services?

13

14   (BRIEF PAUSE)

15

16   MR. LAWRENCE LAZARKO: There are three

17 (3) applications that primarily come to mind.

18 Mitchell, as we've talked about previously, an address

19 validation service and -- a address validation service

20 and a learning management platform.

21   MR. JOHN REMILLARD: If I could add.

22 We also have a Microsoft portfolio project management

23 service that was recently introduced in the last

24 twelve (12) months.

25   MS. KATHLEEN MCCANDLESS: Thank you.

 1   And does MPI plan to start

 2 investigating other cloud services this coming year or

 3 within -- within this fiscal year?

 4   MR. LAWRENCE LAZARKO: Yeah.

 5   MR. JOHN REMILLARD: I'll start the

 6 response.

 7   Outside of legacy assessment and where

 8 we may go with that, there are no other in-flight

 9 initiatives that are pursuing a cloud option at this

10 time.

11   MS. KATHLEEN MCCANDLESS: Thank you.

12 The remainder of my questions are with respect to

13 commercially sensitive information. So I appreciate

14 that I've gone a while without a break. So I

15 apologize.

16   THE CHAIRPERSON: We're going to take

17 twenty (20) minutes now.

18   The reporter is going to switch the

19 tapes. For those who are watching the live streaming

20 that will end the session for today. I expect that

21 the rest of today's session will be on commercially

22 sensitive information.

23   MR. STEVE SCARFONE: Mr. Chairperson,

24 there is one (1) response that Mr. Remillard can

25 provide on the public record, and that was in response

 1 to Ms. McCandless's question concerning the breakdown

 2 of the termination of CCRS.

 3   MR. JOHN REMILLARD: So I'm not trying

 4 to test your patience with this response.

 5   Ultimately, when you asked about the

 6 10.6, specifically.

 7   MS. KATHLEEN MCCANDLESS: 10.2, I

 8 believe, yes.

 9   MR. JOHN REMILLARD: My apologies.

10 The 10-ish of CCRS, are you looking for the definitive

11 of that number or the overall termination of CCRS

12 overall?

13   The reason being is that we -- when we

14 evaluated the termination, it was on the basically

15 cost to date. So that assessment, we didn't look at

16 the micro cost, we could take -- certainly take that

17 away and ultimately provide that, or we could show the

18 breakdown of 15.6 when we get into the confidential

19 matters.

20   MS. KATHLEEN MCCANDLESS: We would be

21 looking for the full cost determination.

22   MR. JOHN REMILLARD: Okay, so

23 including the historical, the other five (5) that was

24 written up?

25   MS. KATHLEEN MCCANDLESS: Yes.

1099

 1   MR. JOHN REMILLARD: Is that fair?

 2 Then we have that.

 3   MS. KATHLEEN MCCANDLESS: So we'll --

 4 you'll provide it by way of?

 5   MR. JOHN REMILLARD: It would be

 6 confidential.

 7   MS. KATHLEEN MCCANDLESS: It would be?

 8 Okay, thank you.

 9   MR. JOHN REMILLARD: Yes.

10   THE CHAIRPERSON: Okay, we will --

11 sorry, further to that, are we going to deal with that

12 in CSI now?

13   MS. KATHLEEN MCCANDLESS: Yes.

14   THE CHAIRPERSON: Okay, good.

15 So we will break for twenty (20) minutes and then

16 we'll be back into commercially sensitive information.

17   I'm going to check and make sure that

18 the live stream is terminated. Thank you. I will be

19 -- 10 after.

20

21 --- Upon recessing at 2:48 p.m.

22

23   (CSI PORTION UNDER SEPARATE COVER)

24

25

1100

 1

 2 Certified Correct,

 3

 4

 5

 6 _____

 7 Cheryl Lavigne, Ms.

 8

 9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25