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MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE
2010 GENERAL RATE APPLICATION

Before Board Panel:

- Graham Lane - Board Chairman
- Eric Jorgensen - Board Member
- Len Evans - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
October 15th, 2009

Pages 986 to 1181

APPEARANCES

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1 --- Upon commencing at 9:12 a.m.

2

3 THE CHAIRPERSON: Okay. Good morning,
4 everyone. Sorry for the late start.

5 Ms. Everard...?

6

7 MPI PANEL 1 RESUMED:

8 MARILYN MCLAREN, Resumed

9 DONALD PALMER, Resumed

10 OTTMAR KRAMER, Resumed

11

12 CONTINUED CROSS-EXAMINATION BY MS. CANDACE EVERARD:

13 MS. CANDACE EVERARD: Thank you, Mr.
14 Chairman. I'm going to move into a few questions with
15 respect to sustainable development issues. And so to
16 that end, I'd ask you to turn to AI.8, there's a letter
17 there.

18

19 (BRIEF PAUSE)

20

21 MS. MARILYN MCLAREN: Yes, we have that.

22 MS. CANDACE EVERARD: The first page is a
23 letter from Kevin McCulloch, formerly of MPI, to the
24 Board, dated March 2nd, 2009, indicating the Corporation
25 had agreed to provide a response to the Sustainable

1 Transportation Centre, highlighting its green
2 initiatives, and that the Corporation had also agreed to
3 file a copy of that with the Board. So in compliance
4 with that Mr. McCulloch was providing a copy of a letter
5 that you wrote, Ms. McLaren, dated February 20th, 2009,
6 to the Centre for Sustainable Transportation.

7 And then we have that letter attached,
8 yes?

9 MS. MARILYN MCLAREN: Yes.

10 MS. CANDACE EVERARD: And I'm just going
11 through the letter and a few of the points that are
12 mentioned. You say in the first paragraph to the Centre
13 for Sustainable Transportation that you're writing in
14 follow-up to a workshop the previous June.

15 So that would have been June of 2008?

16 MS. MARILYN MCLAREN: Yes.

17 MS. CANDACE EVERARD: And that was a
18 workshop with respect to sustainable transportation
19 issues. And then you launch, in your second paragraph,
20 into a discussion about a particular program that the
21 Corporation's incorporated into the drivers' ed
22 curriculum.

23 Can you just speak to us a little bit
24 about that?

25 MS. MARILYN MCLAREN: The Natural

1 Resource Canada Autosmart program has been built into our
2 high school driver ed program. It is two (2) hours of
3 in-class instruction, followed by in-car reinforcement,
4 dealing with the importance of fuel efficiency and the
5 benefits of that, but also some suggestions on how to
6 make better fuel efficient decisions. From the
7 Corporation's perspective there's a lot of alignment
8 between fuel efficient driving and safe driving.

9 But the paragraph goes on to say that:

10 "Information on this has also been
11 incorporated into the Class 5 driver's
12 handbook and three (3) questions are
13 also included in the bank used for the
14 Class 5 knowledge test."

15 MS. CANDACE EVERARD: Thank you. And
16 obviously these details that you've just described that
17 have been incorporated into drivers' ed continue to be
18 there and will be into the future?

19 MS. MARILYN MCLAREN: Yes, definitely.

20 MS. CANDACE EVERARD: Thank you. In the
21 next paragraph you talk about commitment in 2009 to
22 initiate a green driving program.

23 Can you speak to the Board a little bit
24 about what that entails and what the status of that is at
25 this point.

1 MS. MARILYN MCLAREN: This is really a
2 donation or a sponsorship in kind, where -- where we
3 provide effort and development on our website, which can
4 be linked to science technology, energy and mines
5 website, or other organizations like that. It really is
6 again having online access to it -- tips in information
7 about fuel efficient driving, you know, discouraging jack
8 rabbit starts, and so on and so forth, and linking the
9 benefits from a safety perspective as well as from a fuel
10 efficiency and -- and a green driving perspective.

11 It is underway. I don't believe the work
12 has been completed but we're actively engaged with STEM,
13 making the modifications, developing the website,
14 interactive features, and it should be up and running
15 before the end of the year.

16 MS. CANDACE EVERARD: Thank you. In the
17 next paragraph of the letter, you comment on something
18 else to be incorporated into the drivers' ed curriculum
19 dealing with pedestrian and cyclist awareness. Can you
20 speak to that and -- and how that relates to the
21 sustainable development issues?

22 MS. MARILYN MCLAREN: Sure. What -- what
23 we have done or are doing is -- is adding about thirty
24 (30) minutes on pedestrian and cyclist awareness into the
25 drivers' ed curriculum, as well. We -- we know the --

1 that the use of alternative transportation is growing,
2 more people walking to work then -- and so on, more
3 people cycling. And we really think it's important to
4 see what we can do to focus on reducing potential
5 negative interaction between cyclists and cars on the
6 roadway, actually.

7 I think more adults are likely to use
8 their bikes for transportation if they feel safer.
9 Cycling skills is part of that enhanced safety feeling.
10 And I think we're trying to find ways -- and what this
11 really references -- we're trying to find ways to work
12 with that community to see what we can do, from the
13 perspective of enhancing adult cycling safety, with a
14 particular emphasis on -- on the car and bike
15 interaction.

16 MS. CANDACE EVERARD: Thank you. In the
17 next paragraph of the letter, which is the last paragraph
18 on that page, you referenced the fact that the
19 Corporation is now a member of Safe Communities Winnipeg
20 and is participating in certain other initiatives, with
21 respect to low-speed vehicle use.

22 Can you just speak to that a little bit in
23 terms of that membership and what initiatives flow from
24 that.

25 MS. MARILYN MCLAREN: The Safe

1 Communities Winnipeg is, you know, we -- we're there,
2 we're glad to be there, we will participate sort of at
3 the round table. But it's a huge initiative; it's a --
4 it's about land use planning and transportation
5 infrastructure, so I think we have a limited role there.
6 But it's -- it's appropriate for us to -- to be there.
7 But it is a very broad initiative.

8 Separate from that we did work with the
9 Centre for Sustainable Transportation and Manitoba
10 Infrastructure and Transportation, to look into the issue
11 of low-speed vehicles. The Minister responsible for
12 STEM, I think, is on the record as saying he believes
13 that that's something that Manitoba should pursue.

14 I -- I think the reality though, from my
15 perspective is that the mainstream technology is kind of
16 overtaken the low-speed vehicle world. I'm drawing a
17 blank, I can't think of the name of the -- the vehicle
18 that's made in Quebec -- they just announced -- the Zenn
19 -- the Zenn vehicle, they're stopping produ -- production
20 of them. And GM is coming online with a full electric
21 vehicle, you know, within the next year or two (2).

22 So I think that landscape is changing.
23 I'm not sure that low-speed vehicles will be as
24 interesting as people thought they might have been a year
25 or two (2) ago.

1 MR. LEN EVANS: I wonder if could
2 interject a couple of questions on bicycles and -- and
3 driving in urban areas, in particular. You mentioned
4 this committee in which you're involved in, Safe
5 Communities Winnipeg.

6 Do you ever get into inf -- seeking
7 information on ways and means of reducing bike potential
8 accidents or real accidents that have occurred in -- in
9 the city of Winnipeg?

10 What I'm thinking of particularly, there
11 is a bylaw, I understand, which makes it illegal for
12 cyclists to go on city sidewalks, and yet I can show you
13 and me -- you can show me too, many square miles in this
14 city where there aren't any pedestrians on the sidewalks,
15 they're empty, yet the roads may be filled. And it would
16 seem to me it would be far safer to allow the cyclists to
17 go on the sidewalk, providing they pay due attention and
18 courtesy to pedestrians if there be such, as opposed to,
19 you know, making it illegal and forcing them to be on
20 highways that are very busy, and therefore potential for,
21 you know, accidents, and maybe serious accidents.

22 MS. MARILYN MCLAREN: That's not
23 something that we've had any involvement in at all. That
24 -- that really is, I think, the City of Winnipeg
25 responsibility. I think there's some really interesting

1 things happening. I think the extent to which the -- the
2 City has, you know, made a commitment to improving access
3 for cyclists and -- and dealing with some of those issues
4 --

5 MR. LEN EVANS: Mm-hm.

6 MS. MARILYN MCLAREN: -- is significant.
7 There was something in the paper, I think last week,
8 about potentially pursuing changes to the Highway Traffic
9 Act that would have a somewhat different set of rules for
10 bikes rather than cars. I think -- I think those are all
11 possibilities. I think --

12 MR. LEN EVANS: Yeah.

13 MS. MARILYN MCLAREN: -- there are lots
14 that can be done. Whether bikes should be moved onto
15 sidewalks, that -- that's not something we've pursued at
16 all.

17 MR. LEN EVANS: Mm-hm. Yeah. Well,
18 those are all very good, but it seems to me someone
19 somewhere should take initiative and at least explore
20 this possibility. I've -- I've spoken, oh, a few years
21 ago, to a Winnipeg policeman, you know, about this, and
22 at a particular street in Winnipeg, which is very, very
23 busy, and yet we've looked at the sidewalk, nobody on the
24 sidewalk, and yet cars were bumper to bumper and zipping
25 by, you know. And it seemed to me everyone would be

1 better off, including the motorist, if the cyclist was on
2 the sidewalk instead on -- on the -- on the road.

3 But of course there -- there's always a
4 problem of, you know, pedestrians perhaps being in an
5 accident, you know, hurting pedestrians and so on, if the
6 cyclist isn't careful, and so on. And -- and you do get
7 young people who can get a little reckless at times, but
8 I think that could be overcome.

9 MS. MARILYN MCLAREN: I think that's a
10 valid point.

11 MR. LEN EVANS: Yeah. Do you have any
12 stats on cyclist's accidents? Like, do you keep stats on
13 -- involved with vehicles, of course?

14 MS. MARILYN MCLAREN: Yes.

15 MR. LEN EVANS: Yeah?

16 MS. MARILYN MCLAREN: We -- we --
17 definitely. And vehicle -- pedestrian/vehicle/bikes, we
18 certainly have those.

19 MR. LEN EVANS: Yeah. So do you know of
20 any trend? Is there a...

21 MS. MARILYN MCLAREN: Nothing that's
22 certainly jumped out of the data at us, so that we would,
23 you know, really have a hard look at something new
24 evolving. But we can take a look at that and put
25 something on the record with respect to, you know, the

1 last few years of vehicle/cyclist's claims, injury
2 claims.

3 MR. LEN EVANS: Yeah. Well, okay. Thank
4 you very much.

5
6 --- UNDERTAKING NO. 24: To indicate if there has been
7 a trend in the last few years
8 of vehicle/cyclist's claims,
9 injury claims

10
11 THE CHAIRPERSON: On Mr. Evans' point, it
12 seems to be recognized to some degree by the increase
13 interest in cycling paths. I mean, clearly the
14 separation from the roadway for where the bicyclists are
15 is being recognized in the sense in that the difficulty,
16 being a cyclist myself, is of course that, at least in
17 Winnipeg probably, lacking the money of Calgary or
18 Edmonton, even on the cycling paths you end up with an
19 intersection that, you know, that the -- the bicycles
20 have to pass. So part of it I suppose is just
21 limitations and budgets and things of that nature too.

22 MS. MARILYN MCLAREN: Yeah. I -- I think
23 the recognized best of class, so to speak, is -- is three
24 (3) separate pathways: vehicles, bicycles, and
25 pedestrians. And with a lot less space to work with they

1 have amazing infrastructure in that regard in Europe.

2 You know, I mean, the -- the City's making
3 some headway. I think this city was lagging badly in
4 North America that probably in a year or two (2) that
5 will not be true anymore, if they, you know, deliver on
6 the commitments they've made for sure.

7

8 CONTINUED BY MS. CANDACE EVERARD:

9 MS. CANDACE EVERARD: Thank you. Ms.
10 McLaren, just going to the last -- second last paragraph
11 of your letter from earlier this year, you make reference
12 to your appointment as co-chair to the Vehicle Standards
13 Advisory Board, which was looking for options for more
14 cost effective emission reductions for new private
15 vehicles in Manitoba, as well as other things.

16 Can you speak to us a little about what
17 you may have to say about the work of that board?

18 MS. MARILYN MCLAREN: It's finished, the
19 report's been published, and it was a little bit of a
20 moving target while we were investigating an appropriate
21 approach for Manitoba to take to the new vehicle emission
22 standards. Manitoba's not big enough to influence
23 vehicle manufacturers in any way, shape, or form, and the
24 approach that the board adopted was to basically follow
25 with whatever American standard had been put in place.

1 Since that time, the Obama administration
2 has really adopted quite a high standard, very -- very
3 similar to the California standard, and it looks like
4 that will largely take care of itself. The report also
5 had recommendations with respect to promoting things like
6 fuel efficient driving, green driving, promoting more
7 infrastructure for cyclists and pedestrians, some of
8 those things. Nothing really new or different outside of
9 the -- the core responsibility to make recommendations
10 for Manitoba on the new vehicle emission standards.

11 MS. CANDACE EVERARD: Thank you. In
12 terms of the -- the Corporation's involvement and
13 initiative that it may be taking, aside from those that
14 we've already discussed, is there anything that you can
15 comment on for the Board's benefit?

16 MS. MARILYN MCLAREN: I think there was
17 an IR on that.

18

19 (BRIEF PAUSE)

20

21 MS. MARILYN MCLAREN: The response to
22 PUB/MPI-1-85A. A little bit more detail there, with
23 respect the -- dre -- the Drive Green Program. Also
24 though, we've agreed to co-sponsor and host a number of
25 green -- almost the same idea I guess is the way we

1 envision it is like we do with the child car seat
2 clinics. We make our claim centres, our service centres,
3 available for people to come and have experts check the
4 installation of their child car seats.

5 This means they can come to our service
6 centres, which would be promoted and advertised in the
7 community, to get some tips on things like tire pressure,
8 whether their filters are adequate or need to be changed,
9 green driving tips, things like that. So we'll be
10 working with them. We also supported the EcoDriver
11 Program in Manitoba that was just recently developed and
12 -- and introduced.

13 And I think most of the other things in
14 this IR are things we've talked about. And we supported
15 the Bike-to-Work day and the safe cycling video for
16 adults.

17 I think we would like to find more
18 opportunities to really help promote safe cycling for
19 adults but that hasn't really developed yet.

20 MS. CANDACE EVERARD: Thank you. I'm
21 going to move then to some questions dealing with the
22 second quarter report that MPI has filed as Exhibit 13.
23 I'll ask you to turn to page 6 of the report where we see
24 the statement of operations.

25 MR. DONALD PALMER: I have it.

1 (BRIEF PAUSE)

2

3 MS. CANDACE EVERARD: I'm actually going
4 to ask you to turn back to page 4 for a moment. This is
5 the section that deals with the results of operations.

6 We see that the Corporation reported net
7 income of some 25 1/2 million for the first two (2)
8 quarters of '09/'10, compared with net income of 40.3
9 million for the same period last year.

10 Is that right?

11 MR. DONALD PALMER: That's correct.

12 MS. CANDACE EVERARD: So that's a
13 difference of about 14.8 million?

14 MR. DONALD PALMER: Yes.

15 MS. CANDACE EVERARD: And the components
16 of that net income were 10.4 million in Basic, compared
17 with 22.6 million in Basic last year, so a difference of
18 12.2 million.

19 Is that right?

20 MR. DONALD PALMER: Yes.

21 MS. CANDACE EVERARD: And the second
22 component was from the competitive lines. And -- while
23 it's not referenced in this particular paragraph, the
24 competitive lines took in net income of about 15.1
25 million in the first two (2) quarters, which was about

1 2.6 million less than last year.

2 Is that right?

3 MR. DONALD PALMER: That's correct,
4 subject -- subject to check.

5 MS. CANDACE EVERARD: Thank you. Moving
6 to a discussion of total earned revenues -- and this will
7 be in a couple of places in the report -- there was an
8 increase of about 15.9 million in the current year over
9 the same period last year.

10 Is that right?

11 MR. DONALD PALMER: Yes. And that would
12 be due to volume increase and upgrade increase.

13 MS. CANDACE EVERARD: And in terms of
14 dollars, it was a difference between about 456 million
15 last year, versus about 472 million this year.

16 Is that right?

17 MR. DONALD PALER: Yes.

18 MS. CANDACE EVERARD: Now with respect to
19 claims costs, we note that for the first six (6) months
20 of the current fiscal year, there was an increase of
21 about 2.2 -- or pardon me, 22.6 million which would have
22 been up from about 382 million to 405 million.

23 Is that right?

24 MR. DONALD PALMER: Yes.

25 MS. CANDACE EVERARD: And the factors

1 behind that increase would have been a major hailstorm,
2 in my understanding.

3 And is there anything else that the
4 Corporation can point to that drove that increase?

5 MR. DONALD PALMER: There would have also
6 been an increase due to financial provisions, IBNR
7 adjustments due to low interest rate environment. That's
8 not fully offset by the immunization strategy that we had
9 talked about before.

10 MS. CANDACE EVERARD: Now, in terms of
11 expenses to the Corporation, I'll have you now turn to --
12 back to page 6 where we started, and we'll just go
13 through a few of the dollar amounts that appear, noting
14 that it's the -- the right-hand columns that deal with
15 the six (6) month period, the most recent that we have.

16 Looking at the expense line we see, for
17 the first six (6) months of the current year, expenses
18 were about 96.5 million, which is up from about 85.2
19 million last year, so an increase of about 10.8 million.

20 MR. DONALD PALMER: Yes.

21 MS. CANDACE EVERARD: And can you explain
22 the -- the driving factors behind those increases,
23 whether it was an increase in operating expenses or
24 something else?

25 MR. DONALD PALMER: The main one would be

1 the BPR initiatives that we had talked about. Certainly,
2 some of that cost is offset by transfers from the
3 Extension Development Fund. There's also -- inflationary
4 factors would be involved in that as well.

5 MS. CANDACE EVERARD: Thank you. The
6 next line on the statement of operations is entitled
7 "Underwriting Income," or in this case a loss. We see
8 that there was a loss in the first six (6) months of this
9 year of about 29.7 million, which is about 17.9 million
10 more than the first six (6) months of last year.

11 Is that right?

12 MR. DONALD PALMER: Yes.

13 MS. CANDACE EVERARD: And what accounts
14 for this increased cost of underwriting?

15 MR. DONALD PALMER: That's just a
16 mathematical calculation from the changes in revenue, the
17 changes in claims costs, and the changes in expenses that
18 you've identified.

19 MS. CANDACE EVERARD: The next line on
20 the statement of operations deals with investment income.
21 And we see that for the six (6) months -- for six (6)
22 months of this year there was about 55.2 million in
23 investment income, which was an increase of about 3.2
24 million over the same six (6) month period last year?

25 MR. DONALD PALMER: Yes.

1 (BRIEF PAUSE)

2

3 MS. CANDACE EVERARD: Now, in terms of
4 the overall picture for the year, it's set out on page 5,
5 just the page before that statement of operations, this
6 is in the very last paragraph on that page, that the
7 current projections indicate that the Corporation is
8 expected to realize a net loss of approximately \$0.8
9 million during the current fiscal year.

10 Is that right?

11 MR. DONALD PALMER: That's correct, based
12 on our current financial projections, yes.

13

14 (BRIEF PAUSE)

15

16 MS. CANDACE EVERARD: Now, within the --
17 the overall loss of 0.8 million that we just discussed
18 there's a loss of about 11.4 million to Basic, but the
19 remaining \$12 million or so of income would be attributed
20 to the Competitive lines.

21 Is that right?

22 MR. DONALD PALMER: That's correct.

23

24 (BRIEF PAUSE)

25

1 MS. CANDACE EVERARD: I'm asking you to
2 turn then, Mr. Palmer, to page 7 of the report, which is
3 the balance sheet. Looking at the Other Assets line,
4 which is the third line that appears on that document, we
5 see that the figure for the first six (6) months of this
6 year has increased to 258.6 million over 153.8 million in
7 the same period last year. So that's an increase of
8 about \$104 million.

9 Is that right?

10 MR. DONALD PALMER: That's correct.

11 MS. CANDACE EVERARD: And to what would
12 we attribute that change?

13 MR. DONALD PALMER: Two (2) major --
14 major factors, the biggest one of course is the
15 acquisition of Cityplace, and the second one would be
16 increase in the deferred development asset.

17 MS. CANDACE EVERARD: And that would be
18 related to the business process review initiatives?

19 MR. DONALD PALMER: Yes.

20 MS. CANDACE EVERARD: Now, if we look
21 under the liability section of the balance sheet and the
22 line entitled "Provision For Unpaid Claims," we see that
23 the -- the current figure is 1.65 billion, over 1.56
24 billion for the previous year. So that would be an
25 increase of about 89 million.

1 Is that right?

2 MR. DONALD PALMER: Yes.

3 MS. CANDACE EVERARD: And the one point
4 five (1.5), the figure, as of the close of '08/'09 fiscal
5 year, included the \$90.8 million for the PIPP
6 enhancements?

7 MR. DONALD PALMER: Yes.

8 MS. CANDACE EVERARD: So is the growth on
9 this line in the first six (6) months of the current year
10 related to ongoing operations?

11 MR. DONALD PALMER: Not -- there's
12 normally an increase in the provision for unpaid claims
13 reserves, but a lot of that would be the increase due to
14 the interest rates, lower discount rates which increases
15 the value of the liabilities.

16 MS. CANDACE EVERARD: So is there any
17 impact on that increase due to the PIPP enhancements, or
18 is that not the case?

19 MR. DONALD PALMER: No, we have not
20 adjusted the estimate of the \$90.8 million at this stage.

21 MS. CANDACE EVERARD: Can you tell us
22 what the movement of the interest rates was that resulted
23 in this change for the six (6) month period?

24 MR. DONALD PALMER: We discount most of
25 our liabilities at a real rate of return. The discount

1 rate has dropped about forty (40) or fifty (50) basis
2 points from the end of February to the current. That's a
3 significant drop. We're -- we're looking at about \$12 or
4 \$13 million for every ten (10) basis points, so it's a
5 significant change.

6 MS. CANDACE EVERARD: Thank you.
7 Continuing to look at the balance sheet and now the
8 section entitled "Retained Earnings," we see that the
9 overall balance in RSR has increased, if we look at the -
10 - the subtotal for that section from about 136 or 137
11 million at the year-end of '08/'09, up to about 147.3
12 million for the six (6) months ending August 31st, 2009?

13 MR. DONALD PALMER: Yes.

14 MS. CANDACE EVERARD: And as reflected
15 here, the Immobilizer Incentive Fund, or IIF, is now
16 depleted?

17 MR. DONALD PALMER: That's correct.

18 MS. CANDACE EVERARD: So there would be
19 no further transfers contemplated with respect to that
20 fund?

21 MR. DONALD PALMER: No.

22 MS. CANDACE EVERARD: Looking at the
23 information here for the competitive lines, we see under
24 retained earnings that there's been a decrease from about
25 92.9 million at the year end '08/'09, to about 90.1

1 million for the first six (6) months of this year?

2 MR. DONALD PALMER: Yes.

3 MS. CANDACE EVERARD: And on the next
4 line, the Extension Development Fund, or EDF, as of the
5 close of August 31st, '09, sits at 77.3 million, up from
6 59.4 million at the end of '08/'09?

7 MR. DONALD PALMER: Yes. On March 1st we
8 affected transfer from the competitive lines retained
9 earnings into the Extension Development Fund.

10 MS. CANDACE EVERARD: Thank you. Now if
11 we look at the -- the total for the retained earnings for
12 the Corporation as a whole, we see that as of the close
13 of August 2009 those total retained earnings are 314.8
14 million.

15 MR. DONALD PALMER: Yes.

16 MS. CANDACE EVERARD: I'd ask you to turn
17 back then, to page 3 of the report. This is where we see
18 the dials that the Corporation uses to set out some
19 information. We're looking at, in particular, Goal 5,
20 which relates to retained earnings and the RSR.

21 MR. DONALD PALMER: Yes.

22 MS. CANDACE EVERARD: And if we look at
23 the -- I guess it would be the second dial under Goal 5,
24 the one that relates to Extension retained earnings, we
25 see that Extension is at about 139 percent of its target.

1

2

Is that fair to say?

3

MR. DONALD PALMER: Yes.

4

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MS. CANDACE EVERARD: And just underneath that, the dial that relates to the SRE retained earnings looks to be at about 112 percent or so of its target.

6

7

Is that right?

8

MR. DONALD PALMER: Yeah, that's correct.

9

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MS. CANDACE EVERARD: Given that both of those lines are over their respective targets, are there any plans for further transfers to the EDF?

11

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MR. DONALD PALMER: We would make those transfers on March 1st of each year.

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MS. CANDACE EVERARD: So at this point, the plan would be for another transfer, March 1st of 2010?

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MR. DONALD PALMER: Yes.

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(BRIEF PAUSE)

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2 MS. CANDACE EVERARD: And just to give
3 you a reference, it is set out on page 5 of the report
4 that we're looking at, under the heading of "Retained
5 Earnings," in the last paragraph?

6 MR. DONALD PALMER: Yes.

7 MS. CANDACE EVERARD: And there are
8 actually a couple of other historical transfers
9 referenced there, also. These are transfers into the
10 EDF. It says that on March 1st of '07 there was about
11 \$39 million transferred in, and on July 1st of 2008 there
12 was another 31.7 million.

13 Is that right?

14 MR. DONALD PALMER: Yes.

15 MS. CANDACE EVERARD: The first transfer,
16 the one on March 1st of '07, was to set up or establish
17 the EDF.

18 Is that right?

19 MR. DONALD PALMER: Yes.

20 MS. CANDACE EVERARD: And these transfers
21 into the EDF are used to fund the development of the
22 service centres, as well as non-Basic business process
23 review initiatives?

24 MR. DONALD PALMER: The service centre
25 project, per se, which is not -- shouldn't be confused

1 with the building of the new service centre.

2 MS. CANDACE EVERARD: I'm sorry, can you
3 -- can you clarify that.

4 MR. DONALD PALMER: Project to -- what we
5 call the service centre project was to convert the
6 existing claim centres and -- into services, which means
7 also moving the -- and -- and closing the existing DVL-
8 only offices. That -- that was the project that we call
9 the service centre project. We are also building new
10 service centres, which is separate from the service
11 centre project.

12 MS. CANDACE EVERARD: Okay. So if I
13 understand you correctly, one (1) project was the
14 conversion, if you will, of what you had or what was
15 existing into the one (1) stop shop service centres, but
16 distinct from that there are the creation of new service
17 centres, which would also be the one (1) stop shop, but
18 the distinction being that they didn't -- they weren't a
19 -- a product of an original claim centre.

20 Is that right?

21 MR. DONALD PALMER: That's correct.

22 MS. MARILYN MCLAREN: And it's only the
23 first one, the service centre project, conversion of
24 claim centres into service centres, that is funded
25 through the EDF.

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(BRIEF PAUSE)

MS. CANDACE EVERARD: So we've referenced the three (3) transfers into the EDF, being in March of '07, July of '08, and March of '09, the total being just under 92 million; that would be the thirty-nine (39) plus the thirty-one point seven (31.7) plus the twenty-one (21).

MR. DONALD PALMER: Yes.

MS. CANDACE EVERARD: And so -- just so that we're clear, those monies are being used to fund the conversion, or the -- or the conversion of the claim centres to the service centres or the establishment of the new service centre that you just described?

MR. DONALD PALMER: Not the establishment of the new claims centres. Those service centre projects, among the other -- also the other non-Basic BPR projects.

MS. CANDACE EVERARD: Okay. How many service centres are there that are being converted -- or how many claim centres are there that are being converted into service centres?

MS. MARILYN MCLAREN: Most of the nineteen (19). Four (4) in Winnipeg, Brandon, Steinbach, Winkler. The new building in Selkirk will be built as a

1 service centre, we're not converting the old one.

2 Portage, Dauphin, the same thing may be
3 true. They're really not -- they're old, and they're not
4 meeting our needs as a claim centre today. We're not
5 going to put any more services into those. So, if we --
6 if and when we get new buildings in Dauphin and Portage,
7 they would become service centres as well.

8 Not exactly sure yet what we are going to
9 do in Flin Flon, The Pas, and Swan River, because the
10 service requirement there is -- is significantly lower
11 than anywhere else.

12 Thompson is already operating as a full
13 service centre. Arborg and Beausejour will also become
14 full service centres.

15

16 (BRIEF PAUSE)

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18 MS. CANDACE EVERARD: So, the conversion
19 of the claim centres to service centres is being funded
20 by the EDF. As you've indicated, this is the ninety one
21 point six (91.6) that we've described that's been
22 transferred into the EDF to-date.

23 What else is being funded by the EDF, if
24 anything?

25 MR. DONALD PALMER: The other non-Basic

1 BPR projects.

2 MS. CANDACE EVERARD: And which are
3 those? Can you just list them for the record.

4 MS. MARILYN MCLAREN: Information that's
5 already on the public record clearly is one (1) part
6 driver licences, the enhanced version of the one (1) part
7 driver licence, enhanced ID cards, and the mainframe
8 decommission that we've talked about.

9 Those are the ones that spring to mind.
10 There might be more; I don't remember off the top of my
11 head.

12 MS. CANDACE EVERARD: Thank you. Just a
13 couple more questions on the second quarter report.

14 Mr. Palmer, you had stated earlier on in
15 this proceeding when we were speaking about take-downs
16 and claims reserves, that you would be able to comment on
17 what, if anything, had been done in that regard in the
18 first two (2) quarters when the report came out. And
19 that would have been at page 487 of the transcript, if
20 you want to go there. It would have been on day 3.

21 You and I were having a discussion about
22 claims forecasting and claims reserves, and I had asked
23 if you could confirm as of what date the current
24 forecasts were based on, and you said, the original
25 estimate would have been based on data up to and

1 including February 28th of 2008, the revised forecast
2 would have been based on data as at February 28th, 2009.

3 So then I asked if you were able to
4 provide us with a sense of whether the current fiscal
5 year to-date experience was tending to narrow or widen
6 the gaps between the original projected and revised
7 forecast claims incurred by coverage for this fiscal
8 year?

9 And your answer was once the second
10 quarterly statement came out you could shed some light on
11 it.

12 So I'm just asking you to do that now.

13 MR. DONALD PALMER: Sure. But that's not
14 specifically on claims reserves. That's our forecast
15 going forward. All claims costs, just to clarify that.

16 I would -- probably the easiest way to do
17 that is to refer to MPI Exhibit 14.

18

19 (BRIEF PAUSE)

20

21 MR. DONALD PALMER: In terms of the
22 bottom line of that, where in fact our -- our forecast
23 for Basic is now about \$23 million less than it was as at
24 the end of the year. I've commented on the reasons for
25 that, mainly the hailstorm which Corporate-wide, if you

1 include both the retention and the reinstatement premium,
2 is about \$15.9 million, of which the bulk of that
3 probably 13 1/2 million or so would be attributed to
4 Basic. And then also the change in the interest rates.

5 Those two (2) are the main factors that
6 contribute to that decrease in net income of \$23 million.

7 On a going-forward basis, in terms of the
8 effect on the -- the years in which this Rate Application
9 is based, there's a decrease for 2010/'11 of just under
10 \$5 million; for '11/'12, just under \$3 million. And
11 that's of course due to the fact that we have less money
12 to invest, so there is a slight decrease in -- in the
13 investment income on that going-forward basis. That's
14 not enough of a decrease for us to have revised our Rate
15 Application. So didn't -- we're still looking at
16 positive bottom lines for both '10/'11 and '11/'12.

17 MS. CANDACE EVERARD: Thank you. I'm
18 going to ask you to turn then to SM.8.8 in Volume I.

19 MS. MARILYN MCLAREN: Ms. Everard, maybe
20 just while we're doing that, I can follow up with a
21 question yesterday about -- let me find it here -- PUB-1-
22 36E.4, when we were talking about capital budget changes.
23 And that was the \$1.6 million increase that was described
24 as being related to zoning and road construction. Zoning
25 in only kind of a roundabout way.

1 In both the new facilities that are being
2 built out by Gateway Road and by Bison Drive, we had to
3 build access roads and pay for them, according to the
4 City. So when we use the word 'zoning' it refers to the
5 Bison property and it went kind of like this: When we
6 were preparing to buy the property, it was zoned as
7 agricultural, and the City said, Well, to put the kind of
8 building on that lot that you want to, it would require a
9 re-zoning to be commercial, and by the way, once it's re-
10 zoned as commercial, it will require a bunch of new
11 access roads, and by the way, you will have to pay for
12 the access roads.

13 So that's the zoning reference. It was
14 not really related to zoning; it was related to wanting
15 to build a building that if not for the building, would
16 continue as agricultural.

17 MS. CANDACE EVERARD: Thank you for
18 confirming that. It's appreciated.

19 THE CHAIRPERSON: Ms. Everard, just
20 before you move on, if I could just follow up on
21 something, just to make sure I understood it properly.

22 Mr. Palmer, just a few confirmations then
23 I'll ask the question. So the unpaid claims as at the
24 end of the second quarter, compared to the end of the
25 second quarter the year before, is up by \$89 million.

1 I think that was the number, was it not?

2 MR. DONALD PALMER: Yes.

3 THE CHAIRPERSON: Okay. You also
4 indicated -- this is the part I am coming to -- that one
5 (1) of the factors that drives that number is the
6 discount rate that you used. And I think you said that
7 as of the end of the second quarter, the discount rate
8 had been lowered by forty (40) to fifty (50) basis
9 points.

10 Is that correct?

11 MR. DONALD PALMER: That's -- that's
12 right, yes.

13 THE CHAIRPERSON: And you also said that
14 each point is 12 to 13 million.

15 MR. DONALD PALMER: Each ten (10) basis
16 points.

17 THE CHAIRPERSON: Thank you. Okay. That
18 certainly shortens my question. Okay.

19 And the opposite side to it, on the
20 immunization approach, would probably mainly be in AOCI
21 then, I would imagine.

22 MR. DONALD PALMER: About two-thirds
23 (2/3s) of it is in the AOCI, about a third of it in the
24 income statement. In -- and it's not a -- quite a full
25 offset yet. Our duration of our bond portfolio is a

1 little less than the duration of our basic liabilities.
2 So it's not an exact match. There's -- there's more of a
3 -- a change in the liabilities than there is in
4 offsetting in the asset side.

5 THE CHAIRPERSON: Yes, perfections for
6 the Gods, as they say, as far as immunization and a lot
7 of other issues.

8 Following up on one (1) other thing that
9 you mentioned, I do not know what you are prepared to
10 answer or not, but I will ask the question. There was
11 some indication about the transfers into the Extension
12 Development Fund, and I think what you said was that you,
13 by practice, do it on March the 1st, so one (1) day after
14 the end of each fiscal year.

15 MR. DONALD PALMER: That's the practice
16 currently, yes.

17 THE CHAIRPERSON: That is of course after
18 the very initial setup of the fund, correct?

19 MR. DONALD PALMER: Yes.

20 THE CHAIRPERSON: And I presume, I think
21 this is almost self-evident, based on the financial
22 statements, but the transfers into the Extension
23 Development Fund would come by way of a resolution of the
24 Board of Directors, I presume.

25 MR. DONALD PALMER: Yes.

1 THE CHAIRPERSON: Does the Corporation
2 have an estimate projection of how much in the end will
3 be transferred into the Extension Development Fund?

4 MR. DONALD PALMER: No.

5 THE CHAIRPERSON: So the Corporation has
6 no projection as to how much would eventually be required
7 to be in the Extension Development Fund, because what's
8 going into the Extension Development Fund presumably is
9 the amounts that aren't being immediately expensed off.

10 Am I correct?

11 MR. DONALD PALMER: I -- that's the
12 expense -- being expensed-off will reduce the Extension
13 Development Fund. That's why the total amount of the
14 transfers, if you add them up, do not equal to the
15 current amount in the Extension Development Fund, because
16 there has been some amounts transferred out of the EDF,
17 as the projects, the non-basic projects, that talked
18 about, are being amortized.

19 THE CHAIRPERSON: But at the end of the
20 day -- I am just talking now on conceptual grounds, and
21 not even asking you for a number specifically -- but at
22 the end of the day the concept that the Corporation is
23 following is the transfers into the Extension Development
24 Fund is meant to fund all of these projects in total,
25 whether they be capital, or operating expenses, or

1 whatever.

2 MS. MARILYN MCLAREN: Yes.

3 MR. DONALD PALMER: Yes.

4 THE CHAIRPERSON: So presumably there is
5 an overall budget then for all of it, capital and
6 operating?

7 MS. MARILYN MCLAREN: Sure, that's true.
8 And -- and I think, you know, we've talked in these
9 proceedings about the BPR itself winding down. That
10 doesn't necessarily mean that we think we have maxed out
11 all the opportunities, to sort of maximize the benefits
12 through the merger, or whether there's something for the
13 competitive lines that -- that we might want to do. But
14 in terms of do we have a specific endpoint for transfers
15 in, solely related to the BPR? We just haven't gone to
16 that point and don't have information really, with
17 respect to that at that point.

18 But at this point as we've said in the
19 annual report, this is what the EDF is for, this is the
20 kinds of things we're funding, and the BPR, under that
21 label, is largely winding down. But that -- that's as
22 far as we've gone with it at this point.

23 THE CHAIRPERSON: And as to the
24 allocation -- if I understand it properly, just to give
25 you an opportunity to correct our understanding if we're

1 misunderstanding you -- you're currently allocating the
2 BPR basically on an incremental basis, not the pro rata
3 one that the -- Deloitte's have now recommended.

4 That's correct is it not?

5 MS. MARILYN MCLAREN: Definitely. And -
6 - and I think that -- to the point, I think that, you
7 know, is -- is evidenced by the discussion that we had
8 about -- even though, you know, Basic ratepayers got a
9 benefit from a new driver licence system, DVL paid for
10 the new driver licence system because we weren't treating
11 it as a incremental 100 percent used to be DVL, charge it
12 to DVL approach, yes.

13 THE CHAIRPERSON: By incremental, it's
14 basically other than the DVL transfer, the expenses would
15 be incurred.

16 That's the concept of incremental, is it
17 not? In other words, if you were just carrying on with
18 your normal operations, you wouldn't have the BPR.

19 MS. MARILYN MCLAREN: Sure.

20 THE CHAIRPERSON: Okay, that's enough for
21 now. Thanks.

22 Ms. Everard...?

23

24 CONTINUED BY MS. CANDACE EVERARD:

25 MS. CANDACE EVERARD: Thank you, Mr.

1 Chairman. So I had asked the panel to turn to SM.8.8,
2 and this is the section where the Corporation reflects
3 back the various recommendations that have been made by
4 this Board in the past and then sets out its views on
5 those.

6 The first one, 8.8.1, relates to the --
7 the jurisdiction or the oversight of this Board, and a
8 recommendation that this Board had made that the
9 Corporation support it in having its oversight expanded.
10 And the Corporation has reflected here that it has
11 provided a position in the past that it does not support
12 that extension and that its position remains the same at
13 this point.

14 Is that correct?

15 MS. MARILYN MCLAREN: That's correct.

16 MS. CANDACE EVERARD: The next
17 recommendation, SM.8.8.2, relates to interprovincial
18 truckers, and a recommendation by this Board that there
19 should be a transfer of net income to cover the annual
20 subsidy out of Basic. And the Corporation again
21 referenced an earlier response that it had made with
22 respect to this issue.

23 Ms. McLaren, maybe I'll just have you read
24 that in and -- and confirm whether the position has
25 changed at this point in time.

1 MS. MARILYN MCLAREN: Would you like me
2 to read in the response from '09 as -- as well?

3 "In the 2009 GRA, the Corporation
4 stated that all Manitoba residents,
5 whether or not they hold a Manitoba
6 drivers licence or register and insure
7 a vehicle with MPI, are entitled to
8 PIPP benefits if they suffer personal
9 injury in an automobile accident.
10 One cannot assume that all
11 interprovincial truckers who hold a
12 Manitoba driver licence are employed by
13 companies who insure their vehicles
14 through SRE.
15 We do know, however, that as holders of
16 a Manitoba driver licence these
17 interprovincial truckers pay an
18 insurance premium to MPI as part of
19 their driver licence fees. The
20 Corporation does not support the
21 suggestion that payment of PIPP
22 benefits to these interprovincial
23 truckers represents a subsidy that
24 would warrant to transfer of funds from
25 SRE to Basic."

1 This year we stated that our position has
2 not changed.

3 MS. CANDACE EVERARD: Thank you. I'll
4 ask you to turn over the page where we see SM.8.8.6,
5 relating to improvements to Basic coverage. And this was
6 a recommendation by the Board that the Corporation list
7 and consider potential improvements to Basic coverage,
8 develop analyses providing the premium and cost
9 implications of options and the potential impact on
10 Extension and/or SRE, for discussion at the next GRA.
11 And in response, the Corporation has made reference to
12 the catastrophic injury PIPP enhancements, which arose
13 from Bill 36.

14 Is that right?

15 MS. MARILYN MCLAREN: Yes.

16 MS. CANDACE EVERARD: And I do have some
17 questions on that back to those PIPP enhancements, but I
18 just have a couple of other questions first.

19 And this has to do with seniors in
20 Manitoba. It's my understanding that the RIB, or the
21 Retirement Income Benefit, that the Corporation offers,
22 is no longer available after age sixty nine (69).

23 Is that correct?

24 MR. DONALD PALMER: That's not correct.
25 When the original PIP was established in 1994 there was a

1 decreasing benefit starting at age sixty-five (65) that
2 steps down to no benefit at age sixty-nine (69). That
3 was replaced in -- by the Retirement Income Benefit, or
4 RIB, in 1999, so that discontinuance at age sixty nine
5 (69) is no longer in effect.

6 MS. CANDACE EVERARD: So, the RIB is
7 available regardless of age, depending on a -- a persons
8 work situation?

9 MR. DONALD PALMER: Yes.

10 MS. CANDACE EVERARD: Thank you. Still
11 speaking about seniors. Has the Corporation given
12 consideration to a premium discount for seniors that
13 voluntarily undergo drivers testing after a certain age?

14 MS. MARILYN MCLAREN: No, we haven't.

15 MS. CANDACE EVERARD: Is that something
16 that the Corporation might give some thought to?

17 MS. MARILYN MCLAREN: Without due
18 consideration, I would suggest, no. Just like, we don't
19 offer discounts to people who go through formal driver
20 training, either high school driver ed, or something
21 other. People come into the system at the base rate, and
22 earn either discounts or surcharges, based on their
23 actual driving performance.

24 MS. CANDACE EVERARD: Thank you. What
25 about whether the Corporation has given consideration in

1 a farming context, where you may have a farmer who has a
2 farm truck and also owns a non-farm vehicle -- the -- and
3 the issue of a discount to recognise the nature of the
4 employment of a farm truck?

5 Is that something that the Corporation has
6 considered?

7 MR. DONALD PALMER: No, but just let me
8 put some context around that. In terms of the rates that
9 are set for farm trucks, they are based on the actual
10 experience. So, to the extent that farm trucks aren't
11 utilized completely would have, on average, a lower
12 utilization. That is reflected in the actual experience.

13 So, whether a -- so, really that -- that
14 usage -- that decreased usage is indirectly reflected in
15 the rates that are charged.

16 MS. CANDACE EVERARD: Thank you. What
17 about the expansion of Basic coverage with respect to
18 motorcycles, is that something that the Corporation has
19 considered?

20 MR. DONALD PALMER: No. And in fact we
21 went the other way a number of years ago, certainly
22 before I started with MPI, but comprehensive used to be
23 part of the Basic package and was cost prohibitive, so it
24 was removed on that basis. So, right now there's no
25 plans to -- to put it back in.

1 MS. CANDACE EVERARD: With respect to
2 Basic coverage generally, is there anything that can be
3 put forward to the Board, either in this Hearing, or in
4 confidence, with respect to any further amendments for
5 benefits or increases in coverage at this point in time?
6

7 (BRIEF PAUSE)
8

9 THE CHAIRPERSON: Why don't we take the
10 break now. We're going to take one shortly anyway, and
11 it gives us a chance to reflect a bit. Thanks.

12 MS. MARILYN MCLAREN: Can you repeat the
13 question just before we do that, just so I'm clear while
14 we're reflecting?

15 MS. CANDACE EVERARD: Sure, the question
16 was whether the Corporation is willing to put anything on
17 the record, or if there is anything to put on the record,
18 or to the Board in confidence, with respect to any
19 considerations that may be ongoing for further Basic
20 benefit amendments or improvements in coverage?
21

22 --- Upon recessing at 10:12 a.m.

23 --- Upon resuming at 10:49 a.m.
24

25 THE CHAIRPERSON: Okay, Ms. Everard.

1 CONTINUED BY MS. CANDACE EVERARD:

2 MS. CANDACE EVERARD: Thank you, Mr.
3 Chairman.

4 MS. MARILYN MCLAREN: Yes, Ms. Everard.
5 The Corporation's certainly prepared to accept the
6 Chairman's position that, you know, that sharing of
7 information privately is -- is a part of the process.
8 And on that basis we would share information about what
9 we may or may not know about potential changes to the
10 coverage.

11 MS. CANDACE EVERARD: Thank you.

12 MR. BYRON WILLIAMS: Mr. -- Mr. Chairman,
13 if I could just speak to that point. Certainly from a --
14 the -- my client's perspective, they're always supportive
15 of the Board getting as much information as possible, in
16 terms of support -- assisting it's deliberations. But,
17 they also believe that it's important that interested
18 parties, Intervenors, have access to the same information
19 so they can assist it in its deliberations as well.

20 So, certainly we're supportive of the
21 principle, but we -- we certainly think that there's
22 creative ways that we might do that. If the Corporation
23 has some confid -- confidentiality concerns, there may be
24 creative ways to involve Intervenors in the process as
25 well that may respect those concerns.

1 The difficulty for our clients, obviously,
2 is if there is some communication privately between the
3 Corporation and Board that -- that the clients are not
4 privy to, we're -- we're not in a position to fully
5 understand the issues before the Board and fully assist
6 it, and fully present the case. So, I'm -- I'm --
7 obviously my clients are supportive of the sentiment,
8 they know from which it springs, but at the same time
9 they -- they're offering that cautionary note, Mr.
10 Chairman.

11 THE CHAIRPERSON: Thank you, Mr.
12 Williams.

13 MR. JERRY KRUK: Mr. Chairman, on behalf
14 of CAA, I would echo Mr. Williams comments. Thank you.

15 THE CHAIRPERSON: We -- we understand
16 from whence they come.

17 Mr. Everard...?

18 MS. CANDACE EVERARD: Thank you, Mr.
19 Chairman --

20 MR. ROBERT DAWSON: Mr. Chairman, might I
21 have a comment?

22 THE CHAIRPERSON: If you wish, Mr.
23 Dawson.

24 MR. ROBERT DAWSON: I wish indeed.
25 Having just arrived, I get to speak.

1 I know it's the practice before this
2 Board, both in these Hearings as well as in other
3 contexts, to have received information on a confidential
4 basis. And indeed, I have acted in previous instances in
5 which it has benefited my client. But, I think that
6 overall it's a practice that a cautious Board may wish to
7 avoid.

8 I don't speak on -- in any way on behalf
9 of my own client, in terms of appeal intentions, but it
10 does taint the proceedings because it does deprive the
11 parties that are here the opportunity to confront and
12 respond to the evidence. It also puts the Board into the
13 unenviable position of having received information that
14 effectively amounts to it's own investigations. It's not
15 a practice that I think a cautious Board ought to pursue.
16 It would be, as they say, a courageous move.

17 So, I certainly echo the concerns that My
18 Learned Friend, Mr. Williams, and the CAA representatives
19 have also put forward. It's not something that I think
20 ought to be considered.

21 There are ways in which these confidential
22 documents could be put before the Board. It is routine
23 in the context of civil litigation, that confidential
24 documents come forward that are shared with other
25 parties. And lawyers, and indeed, sometimes their

1 clients can be under orders from the Board or the Court,
2 not to distribute that, effectively sealing the record
3 and using it only for the purposes of those proceedings.

4 There are, as My Learned Friend, Mr.
5 Williams, said, creative ways that we can address this
6 problem. So, if there are any documents to come before
7 the Board, in what would otherwise have been a
8 confidential way, I would suggest that Board Council
9 perhaps canvass with all of the lawyers, as well as the
10 other Intervenors, an approach that would suit everybody,
11 rather than simply receiving these documents.

12 Thank you, Mr. Chairman.

13 THE CHAIRPERSON: Thank you, Mr. Dawson.
14 And thank all of you. We'll certainly reflect on your
15 comments.

16 Ms. Everard...?

17 MS. CANDACE EVERARD: Actually, Mr.
18 Chairman, Ms. Kalinowsky has a couple of exhibits to
19 file. We'll maybe just do that before I go.

20 MS. KATHY KALINOWSKY: Yes, we have two
21 (2) exhibits. They're responses to outstanding
22 undertakings. I've put them on the desk of the Board
23 Secretary, Mr. Gaudreau, at the break.

24 One (1) is the Undertaking Number 12,
25 which is net premiums written on the different lines of

1 business. We've given a response to that. And yet --
2 and that I would urge the Board mark as Exhibit Number 19
3 from MPI.

4

5 --- EXHIBIT NO. MPI-19: Response to Undertaking 12

6

7 MS. KATHY KALINOWSKY: And Exhibit Number
8 20 would be Undertaking Number 8, which is a breakdown of
9 the PFAD.

10

11 --- EXHIBIT NO. MPI-20: Response to Undertaking 8

12

13 THE CHAIRPERSON: Thank you.

14

15 (BRIEF PAUSE)

16

17 THE CHAIRPERSON: Very good. Thank you,
18 Ms. Kalinowsky.

19

20 CONTINUED BY MS. CANDACE EVERARD:

21 MS. CANDACE EVERARD: Thank you, Mr.
22 Chairman.

23

24 Ms. McLaren, we were looking through
25 SM.8.8 and discussing the issues of improvements to
coverage, and just while we're on that topic, I just have

1 a couple of questions about the PIPP enhancements.

2 Now, we know that there was a booking made
3 in the Corporation's financial statements for the '08/'09
4 year that included the 90.8 million that was anticipated
5 to be spent on the PIPP enhancements, right?

6 MS. MARILYN MCLAREN: Yes.

7 MS. CANDACE EVERARD: And obviously, it
8 would be very trite to say this Board relies on the
9 Corporation's financial statements when it's reviewing
10 things and making its decisions, right?

11 MS. MARILYN MCLAREN: Yes.

12 MS. CANDACE EVERARD: So what I'm
13 wondering about is just some of the timing. We know that
14 Bill 36, which deals with the PIPP enhancements -- I've
15 looked at it and found that the first reading that it had
16 in the Legislature was on May 26th of '09.

17 Does that sound about right to you or
18 would --

19 MS. MARILYN MCLAREN: Yes, it --

20 MS. CANDACE EVERARD: -- you --

21 MS. MARILYN MCLAREN: -- does.

22 MS. CANDACE EVERARD: And the second
23 reading was in September, on September 21st?

24 MS. MARILYN MCLAREN: I believe so.

25 MS. CANDACE EVERARD: It then went to the

1 Legislative Affairs Committee, where there were no
2 amendments, on September 29th of '09?

3 MS. MARILYN MCLAREN: Yes.

4 MS. CANDACE EVERARD: And then it
5 received concurrence. And the third reading, on October
6 7th of '09?

7 MS. MARILYN MCLAREN: Yes.

8 MS. CANDACE EVERARD: And I believe it
9 received royal ascent on October 8th of 2009?

10 MS. MARILYN MCLAREN: I believe so too.

11 MS. CANDACE EVERARD: so it's now in
12 force? I believe it was to be in force on royal ascent,
13 so as of today it should -- well, today it's in force,
14 having been put into force on October the 8th?

15 MS. MARILYN MCLAREN: Agreed.

16 MS. CANDACE EVERARD: And it's my
17 understanding that, coming back to the Corporation's
18 financial statements for the '08/'09 year, as we've
19 talked about the ninety point eight (90.8) was included,
20 but I don't believe that there was a note of any kind in
21 the financial statements that that booking had been made
22 on the basis of legislation that hadn't yet been passed.

23 Is that fair to say, or am I wrong about
24 that?

25 MR. DONALD PALMER: We'll just dig up the

1 wording of the note.

2

3

(BRIEF PAUSE)

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MR. DONALD PALMER: The wording in the annual report is at the end of Note 10, the provision for unpaid claims, and I'll just read it in.

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"Improvements to the Personal Injury Protection Plan, PIPP, benefits have been in -- approved in principle by Government for claimants who meet the definition of catastrophic injury, as it will be defined in the Manitoba Public Insurance Corporation Act and Regulations."

16

17

18

MS. CANDACE EVERARD: So -- just so that I'm clear, what did the Corporation mean in the note when it --

19

20

MS. MARILYN MCLAREN: Sorry. If you could start over?

21

22

23

24

25

MS. CANDACE EVERARD: For sure. Just so that I understand, when the Corporation said in that note that it had been approved in principle, what was it referring to because the first reading hadn't -- hadn't happened yet?

1 MS. MARILYN MCLAREN: The Corporation --
2 no, the first reading would not be approval in principle,
3 that would be the actual bill tabled in the Legislature.
4 The -- the Corporation was told by the Government that it
5 had approved these changes in principle, that the -- and
6 the financ -- basically, on that basis, we knew we had to
7 recognize the financial impact.

8 MS. CANDACE EVERARD: And we know that
9 there weren't any amendments to the bill as it flowed
10 through the process, but it would -- would it be fair to
11 say that there could have been amendments?

12 MR. DONALD PALMER: The -- the basis of
13 booking that would reasonable expectation. So we -- we
14 did have a reasonable expectation that they would be
15 passed, as -- as proposed. There would've been a change
16 in -- as any provision there is some uncertainty with any
17 booking of any IBNR financial provision, so it was on the
18 basis that it was booked, and it was signed off by the
19 auditors on that basis.

20 MS. CANDACE EVERARD: So the Corporation
21 was satisfied with the information that it had, that it
22 was reasonable, that there was enough certainty to -- to
23 make the booking?

24 MR. DONALD PALMER: Again, reasonable
25 expectation of -- of those benefits being enacted in the

1 legislation.

2 MS. CANDACE EVERARD: And as we've said
3 they were enacted without amendment, although in theory
4 there could have been amendments?

5 MR. DONALD PALMER: Yes.

6 MS. CANDACE EVERARD: Okay. Thank you.
7 Let's continue looking at 8.8 of SM. We looked at 8.8.6.
8 8.8.7 relates to the issue of new drivers or new
9 Manitobans, and a recommendation that the Board had made
10 that new people coming into our jurisdiction should not
11 get a DSR rating of higher than five (5) due to our
12 weather and road conditions and whatnot. And the
13 Corporation has stated that placement of new drivers or
14 drivers from another jurisdiction is regulated by the --
15 the regulation, which has been registered by the
16 province.

17 Is that right?

18 MS. MARILYN MCLAREN: Yes, that's right.

19 MS. CANDACE EVERARD: So it is fair to
20 say that at this point there is no change being compli --
21 or change being contemplated on that score?

22 MS. MARILYN MCLAREN: I think it's fair
23 to say that the Corporation would accept responsibility
24 for drawing to the Government's attention this
25 recommendation from the Public Utilities Board. It --

1 it's their decision as to what they would do with that.
2 To this point, we have not drawn it to their attention,
3 but we will.

4 MS. CANDACE EVERARD: Thank you. The
5 next section is SM.8.8 is -- SM.8.8.8, which relates to
6 claim buybacks, and a recommendation from the Board that
7 no further buybacks, with respect to passenger vehicles,
8 should occur from the date of implementation of DSR,
9 except for situations where the buyback is for an
10 accident for which no injury or fatality occurred, and
11 which the total claim did not exceed a thousand dollars.

12 With respect to commercial fleets, no
13 buyback should be permitted excepting in the case that
14 neither an injury nor a fatality was involved. And the
15 Corporation has stated that it is considering this and
16 will report back to the Board at the next GRA, which
17 would be for the 2011/'12 fiscal year.

18 Is that right?

19 MS. MARILYN MCLAREN: That's right, yes.
20 And at this point, we've done nothing to consider this
21 recommendation yet.

22 MS. CANDACE EVERARD: Just one (1) other
23 section in this part of the Application that I wanted to
24 speak about, which is 8.8.10, dealing with DVL. And this
25 was a recommendation that MPI transfer DVL operations

1 from Extension into Basic, and the Corporation has stated
2 that it confirmed its advice from the '09 GRA that did --
3 did not intend to make that transfer and that it feels
4 that it's made its position clear.

5 That's right?

6 MS. MARILYN MCLAREN: Yes.

7 MS. CANDACE EVERARD: Now, we know that
8 the Corporation receives from Government \$21 million a
9 year, on account of having taken responsibility for DVL.
10 Has the Corporation approached the Government to seek to
11 amend that agreement and up the dollar amount?

12 MS. MARILYN MCLAREN: No.

13 MS. CANDACE EVERARD: And can you explain
14 why the Corporation hasn't taken that step?

15 MS. MARILYN MCLAREN: Because we're in
16 the middle of the re-engineering of the business
17 processes. We don't have a clear picture yet what you
18 might call a status quo cost of doing business might be
19 for that line.

20 MS. CANDACE EVERARD: So would it be the
21 case that once that number becomes crystallized in the
22 future, that the Corporation might consider seeking a re-
23 negotiation?

24 MS. MARILYN MCLAREN: We would always
25 need to keep the option open to consider that, for sure.

1 THE CHAIRPERSON: I recall from a prior
2 proceeding related to DVL that -- my understanding of the
3 agreement goes back several years now, but if I recall it
4 properly, I believe the Corporation indicated that the 21
5 million could be added to, if new services or changes
6 occurred. I think that was the comment from MPI, two (2)
7 or three (3) GRAs ago.

8 MS. MARILYN MCLAREN: Yes. I -- I think
9 the master agreement between Manitoba and MPI is -- is a
10 public document, and it makes provision for both kinds of
11 changes. If in fact the Government didn't want us to
12 administer driver testing anymore, we would expect the 21
13 million would -- would have to decrease. If they asked
14 us to do something new that they hadn't asked us to do
15 before, we would expect to have the opportunity to -- to
16 seek increases.

17 THE CHAIRPERSON: Thank you.

18

19 CONTINUED BY MS. CANDACE EVERARD:

20 MS. CANDACE EVERARD: Thank you, Mr.
21 Chairman.

22 Those are my questions with respect to
23 SM.8, so we can move away from that. And I just have a -
24 - a few additional questions in -- in several follow-up
25 areas.

1 One (1) of those areas relates to the
2 transfer of funds from the competitive lines into the
3 Basic RSR. And I know that there's already some evidence
4 on the record on that. The Board, that is the Public
5 Utilities Board, over the last three (3) years has
6 ordered rebates to policyholders in Basic. And I believe
7 that the aggregate or the total amount that was ordered
8 to be paid out over a three (3) year period was
9 approximately 200 million.

10 Does that sound about right to you?

11 MR. DONALD PALMER: Yeah, ballpark. It
12 might be a little high, but I think the total rebates
13 were two hundred and sixty (260), but that included the
14 one in 2001 which I think was about ninety (90). So if
15 you want 200 million plus or minus fifty (50), I'll grant
16 -- grant you that.

17 MS. CANDACE EVERARD: That's fair. And
18 the evidence of the Corporation has been that the
19 transfers from the competitive lines into the Basic RSR
20 stopped at the point in time -- or that there were not
21 any further transfers once rebates had been ordered by
22 the Board.

23 MR. DONALD PALMER: Not quite. The RSR
24 was fully funded to the maximum, so there was no need for
25 further injections into that because it was at its

1 maximum.

2 MS. CANDACE EVERARD: And that was the
3 maximum, in terms of the target that had been established
4 by this Board, the Public Utilities Board?

5 MR. DONALD PALMER: Yes. Yes.

6 MS. CANDACE EVERARD: Now speaking about
7 the three (3) year period over which the rebates were
8 ordered, and if we use your number -- the 200 million
9 plus or minus 50 million that we've agreed on, can you
10 confirm that the difference between the forecast and
11 actual claims incurred for that same three (3) year
12 period exceeded 200 million?

13 MR. DONALD PALMER: We'd have to check
14 that. I know in those years we had significant higher
15 investment income, for the years in question. So the
16 specific claims numbers, I don't have that at my
17 fingertips.

18 MS. CANDACE EVERARD: If you wouldn't
19 mind looking it up and just letting us know, we'd
20 appreciate it.

21

22 --- UNDERTAKING NO. 25: To confirm that the
23 difference between the
24 forecast and actual claims
25 incurred for the three (3)

1 income.

2 So, I don't know, given that rate making
3 is always a prospective endeavour, I don't know that it's
4 -- it's right to say that they paid more than they should
5 have.

6 MS. CANDACE EVERARD: Okay. Thank you.
7 I just have one (1) question about interest rates and
8 AOCI, and it's as follows...

9

10 (BRIEF PAUSE)

11

12 MR. DONALD PALMER: I'm with you.

13 MS. CANDACE EVERARD: Okay. I was just
14 waiting because I figured it would probably be either
15 yourself or Mr. Kramer that would answer this, so I
16 wanted to make sure we were all together.

17 Here's the question: Given the
18 preponderance of Held For Trading Bonds in the portfolio,
19 as at the end of the second quarter of '09/'10, what
20 would the AOC balance be -- AOCI balance be, if interest
21 rates, both short term and long term, were higher by 1
22 percent than was the case on the date of August 31st of
23 '09?

24 You'll probably -- I don't know if you can
25 answer this off the top, or if you need to do a

1 calculation.

2 MR. DONALD PALMER: We would have to do a
3 separate calculation on that. And again, about two-
4 thirds (2/3s) of -- of that would be OA -- AOCI. And,
5 of course, you couldn't necessarily look at that without
6 also having a corresponding change in the liabilities.
7 So, looking at either one in isolation is with some
8 peril.

9 MS. CANDACE EVERARD: Would you do the
10 calculation though and provide it for the Board?

11 MR. DONALD PALMER: We will do that.

12 MS. CANDACE EVERARD: Thank you.

13

14 --- UNDERTAKING NO. 26: To indicate what the AOCI
15 balance would be, if interest
16 rates, both short term and
17 long term, were higher by 1
18 percent than was the case on
19 the date of August 31st of
20 '09

21

22 CONTINUED BY MS. CANDACE EVERARD:

23 MS. CANDACE EVERARD: Okay. I have
24 another question that doesn't specifically relate to
25 AOCI, but relates to investments. And the question is as

1 follows: The Corporation has confirmed that a larger
2 than normal spread between Government of Canada Bonds and
3 provincial and corporate bonds developed following the
4 global credit crisis, or the economic slowdown that was
5 experienced. Was the pricing for the Corporation's
6 purchases of MUSH bonds from, say October 1st of 2008 to
7 the present, changed to reflect that higher spread for
8 non-Federal bonds?

9 MR. DONALD PALMER: Sorry, could you
10 repeat the first part of that question?

11 MS. CANDACE EVERARD: Yeah, for sure. I
12 believe the Corporation has confirmed that a larger than
13 normal spread exists between Government of Canada bonds
14 and provincial and corporate bonds, which developed
15 following the -- economic issues that arose last fall.
16 So keeping that in mind, the question is whether the
17 pricing for the Corporation's purchases of MUSH bonds
18 from, say October 1st of '08 to present, were changed to
19 reflect that higher spread?

20 MR. DONALD PALMER: The prices were
21 changed, yes. Those spreads are back to, sort of, normal
22 points now. So, there was really only probably about a
23 six (6) month period in there that the spreads would have
24 been different. And in -- in terms of pricing those,
25 because we buy them as new issues they're not marketable,

1 so -- and they're held to maturity, so they're actually
2 held on an amortized value basis.

3 So that -- so, in terms of the context of
4 the question, I'm not quite clear on what you mean by
5 pricing of the -- the MUSH bonds. They're certainly
6 issued with slightly higher yields, due to the credit
7 crisis and -- but they're held in amortized value, so we
8 don't price them, per se.

9

10 (BRIEF PAUSE)

11

12 MS. CANDACE EVERARD: Thank you, that
13 helps. I'm going to go then to what I believe is my last
14 line of questioning, and it is some follow-up on the
15 business process review related issues.

16 We had a conversation this morning about
17 the funds that were transferred into the EDF, that's it's
18 been about 97 million, and we had a conversation about
19 the service centre conversions from claim centres, and
20 then as well the new service centres, and there's just a
21 couple of follow-up questions.

22 How much of the EDF of that 97 million are
23 related to the service centre project?

24 MS. MARILYN MCLAREN: We don't have that
25 available here. And again, we don't have it here because

1 we -- we're -- don't see how it is relevant to Basic
2 rates.

3 MS. CANDACE EVERARD: And I do have
4 another qn about the overall spending for the BPR that'll
5 come too, and so we'll probably have another conversation
6 like that.

7 But following up on these issues of the
8 claims centre, can you give us a sense of the cost to
9 convert per claim centre, that's being converted into a
10 service centre?

11 MS. MARILYN MCLAREN: Again, don't know
12 how that's relevant to these proceedings. Largely, the
13 conversion of existing facilities meant changes -- solely
14 meant changes to the interior of the buildings, less than
15 a hundred thousand dollars (\$100,000) each.

16 MS. CANDACE EVERARD: Are any of the
17 costs related to the service centre amortization going to
18 be allocated to Basic?

19 MS. MARILYN MCLAREN: Service centre
20 projects? No.

21 MS. CANDACE EVERARD: What about the cost
22 of operating the service centres under the cost
23 allocation methodology?

24 MR. DONALD PALMER: Yes.

25

1 (BRIEF PAUSE)

2

3 MS. CANDACE EVERARD: Just so that we
4 understand, the operational costs will be allocated among
5 the lines of business, whereas the conversion costs,
6 you're saying, are not?

7 MR. DONALD PALMER: That's correct.

8 MS. CANDACE EVERARD: So the capital
9 costs are not shared with Basic?

10 MR. DONALD PALMER: The capital cost of
11 the conversion are not shared with Basic. The capital
12 costs of the original construction was all Basic.

13 MS. CANDACE EVERARD: For those claim
14 centres that are now being converted into service
15 centres?

16 MR. DONALD PALMER: Yes, back in the
17 1980s or -- or prior to that when they were -- when they
18 were built, yes. So -- sorry, not all Basic. The --
19 most of it would have been Basic

20 MS. CANDACE EVERARD: And we heard
21 evidence, this -- these past exchanges of question and
22 answers relate to the conversion of the claims centres to
23 service centres. We heard the evidence that the new
24 service centres are not being funded by the EDF -- that's
25 what we discussed earlier today -- so those costs will be

1 allocated under the cost allocation methodology among the
2 lines of business?

3 MR. DONALD PALMER: Yes.

4 MS. CANDACE EVERARD: And my next
5 question relates to the why. Why is it that the
6 conversions are being borne by Extension, whereas new
7 construction or new service centres is being allocated
8 among the lines?

9 MS. MARILYN MCLAREN: Because the
10 additional services are not in any material way related
11 to Basic insurance. The cost of changing the facilities
12 to provide those additional services are not charged to
13 Basic. The new facilities will be multi-functional,
14 multi-lines of business, and on that basis we will
15 allocate the costs.

16 MR. DONALD PALMER: And -- and I think it
17 also goes back to the purpose of the EDF, when we say to
18 fund pro -- projects undertaken to maximize the
19 opportunities presented by the merger of MPI and DVL. So
20 certainly that is all encompassed in that service centre
21 conversion, is to maximize those opportunities.

22

23 (BRIEF PAUSE)

24

25 MS. CANDACE EVERARD: Okay. Now, we had

1 a question and it -- this might have been yesterday on
2 the record. I'm not sure at this point what day it was.

3 But there was a question that I had posed,
4 asking the Corporation to provide to the Board an overall
5 cost for the business process review, including costs
6 that are not borne by Basic, by project. And I had
7 stated, I think, on the record, that it -- I had recalled
8 or believed that that had been provided at some point in
9 the past, and I know that there have been research
10 efforts undertaken on -- on our side and on yours, and --
11 and nobody, I think, has been able to put their fingers
12 on it.

13 Just so that my sanity isn't called into
14 question, I'm not the only person that remembers it. But
15 nevertheless, we haven't put our hands on -- on that past
16 filing.

17 Having said that, I am still asking, or
18 perhaps renewing that question that the Corporation
19 provide that information. And I believe, Ms. McLaren,
20 your response at the time was that you didn't see how it
21 was relevant. Can you confirm, for the record, what the
22 Corporation's position is on that question, whether the
23 information will be provide, hopefully, and if not, why
24 not?

25 MS. MARILYN MCLAREN: Sure. We're not

1 prepared to provide it. It -- it's not relevant to Basic
2 Autopac rates.

3 And just a little -- another little
4 further point of clarification, I think during that
5 exchange you had referenced the number of \$13 million,
6 with respect to the mainframe decommission, and I -- I
7 think implicitly I confirmed that number, although it
8 didn't strike a cord with me. And because no one has
9 been able to find the reference, I'm not confirming that
10 number either.

11 All I can tell you is that we really have
12 not changed our expected cost, whatever it was, for the
13 mainframe decommission. So just a point of a
14 clarification on that, and with respect to project costs
15 for -- that have no effect on Basic, we're not prepared
16 to share that.

17 MS. CANDACE EVERARD: My next question
18 would then -- in light of that response, how can the
19 Board be assured that none of that amortization costs
20 will flow to Basic, if the corporation will not indicate
21 the capital cost that will be amortized?

22 MS. MARILYN MCLAREN: Maybe a two (2)
23 part answer to that. The Corporation strongly believes
24 that the Board's responsibilities to understand and
25 accept the cost basis for the determination of rates

1 includes an understanding of -- and -- and confidence
2 that -- understanding of and acceptance of the
3 Corporation's cost allocation policies and confirmation
4 that they have been followed, adhered to.

5 I think -- I don't think, I know, that
6 pending the outcome of considerations of a new cost
7 allocation methodology, the Corporation would intend to
8 take steps to significantly increase the extent to which
9 the audit of the financial statements of the Basic
10 compulsory program are robust enough to provide that.
11 The Corporation does acknowledge that there was little
12 satisfaction, I think, in -- in the mind of this Board,
13 provided by our external auditor last year at these
14 proceedings, with the expect -- with the extent to which
15 there was confidence in that regard.

16 So what I'm saying is if there is some
17 additional information that the Board believes it needs
18 in the short term, with respect to gaining that
19 confidence of the costs charged to Basic, the
20 Corporation's prepared to -- to do its best, within the
21 framework of -- of, you know, prudent and reasonable, to
22 provide that information and therefore confidence. Going
23 forward, we would expect it to be a formal part of our
24 audit process within the new cost allocation methodology,
25 so that it is clearly there and evidenced and relied upon

1 by an independent third party.

2 MS. CANDACE EVERARD: Okay. Speaking
3 about the business process review in some more general
4 terms, I believe we've heard evidence from the
5 Corporation that it is expected that there will be
6 savings and benefits to policyholders, just as a
7 generality, flowing from the business process review.

8 Is that fair to say?

9 MS. MARILYN MCLAREN: Yes.

10 MS. CANDACE EVERARD: Okay. Getting a
11 little bit more specific, can you comment on whether the
12 expenditures being incurred will lead to reduced
13 premiums?

14 MS. MARILYN MCLAREN: Yes, I think it's
15 fair to say that, definitely. I think you've seen the
16 \$20 million annual saving in commissions that we've
17 talked about. That -- that will, you know, escalate on --
18 -- on some basis, each and every year. We are
19 directionally expecting to direct those savings towards
20 the safest drivers, potentially, through enhanced
21 discounts under DSR. But -- but, you know, we -- we will
22 sort that out through these proceedings in the future.

23 But I think that one (1) discreet, very
24 measurable item, is -- is a direct cost saving that has
25 to result in lower rates, failing an unexpected increase

1 in claims or something, which doesn't seem to be on the
2 horizon. But that's -- that's the one (1) measurable
3 direct saving to Base ratepayers that -- that clearly has
4 -- has not been achieved but is certainly well in hand,
5 given the commission agreement, the regulation, and --
6 and the programs about to be implemented.

7 MS. CANDACE EVERARD: Can you comment on
8 whether the business process review expenditures may lead
9 to increased benefit levels.

10 MS. MARILYN MCLAREN: No. I -- I --
11 that's always -- always an option for the Government to
12 make changes to benefits that affect rates. So, no, that
13 -- that's certainly not part of the consideration within
14 a BPR analysis.

15 MS. CANDACE EVERARD: Can you comment on
16 whether the BPR expenditures are expected to lead to any
17 other reduced operating costs, other than the commissions
18 that you've mentioned. And -- and if you can comment on
19 a reduced staff compliment on that point, that may be one
20 (1) area, or any others that -- that you're aware of.

21 MS. MARILYN MCLAREN: Certainly within
22 the -- the PIPP project we have some staff savings built
23 into that. I expect some reductions in our costs of
24 supporting brokers when we move to a sixty (60) month
25 monthly payment plan, compared to a twelve (12) month

1 payment plan. Things like that.

2 Those are -- are less -- they -- they are
3 not yet specifically determined and built into the
4 forecast, but I certainly think they're -- they're --
5 that's a reasonable expectation.

6 MS. CANDACE EVERARD: Now, can you tell
7 us whether the province or the Government of Manitoba is
8 sharing in any of the costs of the BPR?

9 MS. MARILYN MCLAREN: No, they're not.

10 MS. CANDACE EVERARD: Can you tell us, in
11 the context of the BPR, whether there are any
12 expenditures being incurred that go beyond the simple
13 maintenance of functions that had been performed by DVL
14 when it was a government department?

15 MS. MARILYN MCLAREN: When I said, no,
16 the Government's not funding anything, you know, I guess
17 for -- for reporting purposes, we have included the
18 enhanced card program as part of BPR. That -- you know,
19 that was an additional service that we have been asked to
20 provide by the Government. It was not part of the
21 Corporation's initial strategic vision of BPR, so -- but
22 it's in there now. And -- and the Government's on the
23 record as reimbursing the Corporation for the startup
24 costs of the enhanced card program. So a little over \$13
25 million that was the forecast, and we haven't fully

1 resolved the actuals on that.

2 MS. CANDACE EVERARD: Thank you. One (1)
3 piece of the BPR that we really haven't spoken about a
4 lot, is the PIPP infrastructure project. Can you -- and
5 I believe there's a -- some information on that at AI.20,
6 so why don't we go there and then just have a brief
7 discussion about that piece.

8

9 (BRIEF PAUSE)

10

11 MS. CANDACE EVERARD: Are you with me?

12 MS. MARILYN MCLAREN: Yeah, we've got it.

13 MS. CANDACE EVERARD: Thank you. It's
14 referenced in the first photograph of AI.20, that Phase
15 1, which was the blueprint and roadmap phase, and Phase
16 2, which was the solution/selection phase, have been
17 completed, and that the Corporation initiated Phase 3 in
18 May of 2008.

19 That's right?

20 MS. MARILYN MCLAREN: Yes.

21 MS. CANDACE EVERARD: And it -- it's
22 reflected here that Phase I comprises the effort required
23 to build the integrated people, process, technology, and
24 information solution to enable the vision and objects of
25 PIPP claim's management, yes?

1 MS. MARILYN MCLAREN: Yes.

2 MS. CANDACE EVERARD: The document here,
3 or the filing, then reflects an implementation strategy
4 and sets out a series of phases, including inception and
5 elaboration, that have been completed as reflected here.

6 MS. MARILYN MCLAREN: Yes.

7 MS. CANDACE EVERARD: The next phase
8 configuration has a target date for conclusion of
9 October, so the month that we're in.

10 Is that still on target, or has there been
11 a chance since June?

12 MS. MARILYN MCLAREN: No, it's on target.

13 MS. CANDACE EVERARD: And then the last
14 phase is the transition phase, which is set to be
15 completed in the spring of 2010.

16 Is that right?

17 MS. MARILYN MCLAREN: Yes.

18 MS. CANDACE EVERARD: And this is the
19 phase of the project that will confirm the quality of the
20 integrated solution be a comprehensive end-to-end system
21 integration, and user experience testing will also focus
22 on education and training on the new technology and
23 business process.

24 Is that right?

25 MS. MARILYN MCLAREN: Yes.

1 MS. CANDACE EVERARD: So in other words,
2 the implementation of this piece of the BPR is well on
3 its way and pretty close to being completed?

4 MS. MARILYN MCLAREN: Definitely.

5 MS. CANDACE EVERARD: Thank you. That's
6 it for -- for AI.20. I just have one (1) other question,
7 which again is, I'm sure, very trite, that is that the
8 board of directors of the Corporation, as with the board
9 of directors in any corporation, is required to act in
10 the best interests of the Corporation as an entity.

11 Would that be fair to say?

12 MS. MARILYN MCLAREN: Yes.

13

14 (BRIEF PAUSE)

15

16 MS. CANDACE EVERARD: Mr. Chairman,
17 unless anybody tells me otherwise, I think I'm done my
18 cross-examination.

19 THE CHAIRPERSON: Thank you, very much,
20 Ms. Everard. We've got half an hour right now. We could
21 either -- Mr. Williams, are you ready to go or...?

22 MR. BYRON WILLIAMS: Yes, I am, Mr.
23 Chairman.

24 THE CHAIRPERSON: Okay. Well, we might
25 as well begin.

1 MR. BYRON WILLIAMS: And, Mr. Chairman,
2 if I -- if I might -- and good morning to you and the
3 other Board members. Just to assist my cross-examination
4 this morning, I have an excerpt from Board Order 98/09,
5 that I've left on Mr. Gaudreau's desk, the Board
6 secretary's desk, and if he could distribute it. And
7 I've certainly shared copies with My Friend, Ms.
8 Kalinowsky, and with the -- the Intervenors.

9

10 (BRIEF PAUSE)

11

12 MR. DONALD PALMER: Just as we're waiting
13 for those to be distributed, I do have the answer to one
14 (1) of the questions that was just asked of us about ten
15 (10) minutes ago, with regard to the difference in claims
16 costs for the rebate years.

17 Those three (3) rebates in question were
18 for the 2004/'05 year that was actually paid out in 2006.
19 The underestimate of claims costs for that particular
20 year, 2004/'05, was 48 million; for '05/'06, that was
21 paid out in 2007, it was 19 million; and for '06/'07,
22 that was paid out in 2008, it was 21 million.

23 So that total of those three (3) years is
24 88 million, certainly significantly less than the hundred
25 and fifty (150) that was quoted in the question. And --

1 and the additional amounts of that, as I indicated, would
2 be excess investment income.

3

4 (BRIEF PAUSE)

5

6 MR. BYRON WILLIAMS: Mr. Chairman, I'm
7 ready to proceed, if you're ready to proceed. And bef --
8 before I start, I certainly would like to -- Ms. Wheiss
9 is unable to attend today, but hiding in the corner, I
10 believe, to your left, is Ms. Desorcy, the Executive
11 Director of CAC. She has to go -- to go to Academia this
12 afternoon and enrich the minds of the eager young
13 students at the University of Manitoba, so she extends
14 her regrets for the -- the afternoon.

15 And she certainly has expressed a keen
16 interest in the rate stabilization reserve issues. So
17 given the fact she won't be here this afternoon, as well
18 as the -- the fact that it's getting late in the week, as
19 well as relatively late in the day, we're going to defer
20 our cross-examination on that and -- and not proceed with
21 that today, but move on to other matters of -- also of
22 great interest.

23 Also, I have an unusually large cheering
24 section today. In the second row there's a number of
25 young students working currently at the Public Interest

1 Law Centre, and from the Board's left to right is Ms.
2 Heather Unger, articling student-at-law; and then in the
3 middle is Ms. Julia Wiebe, who is our social science
4 researcher; and to her left is Ms. Mira Novek, another
5 articling student-at-law.

6 THE CHAIRPERSON: Welcome to all of you,
7 and also, of course, to Ms. Desorcy.

8

9 CROSS-EXAMINATION BY MR. BYRON WILLIAMS:

10 MR. BYRON WILLIAMS: Mr. Chairman, I'm
11 going to ask some questions following up where Ms. -- Ms.
12 -- My Friend, Ms. Everard, left off on the Business
13 Process Review. I do want to note that I believe that
14 there's at least one (1) outstanding undertaking in that
15 regard, relating to amortization expenses, unless I've --
16 I've missed it. So certainly we'll be reserving our
17 right to ask further questions on that specific
18 information, or undertaking when it's provided.

19 And I'm not sure whe -- Mr. Palmer, are
20 you the BPR guy, or is it Ms. McLaren?

21 MR. DONALD PALMER: Yes. Or it could be
22 Mr. Kramer, depending on --

23 MR. BYRON WILLIAMS: Okay. Well, I'll --

24 MR. DONALD PALMER: -- on specific costs.

25 MR. BYRON WILLIAMS: I'll direct my

1 questions to you and you will appropriately refer them
2 through the -- the MPI panel.

3 MR. DONALD PALMER: Given I'm in the
4 middle, on average I'm the right witness.

5 MR. BYRON WILLIAMS: Okay. That's
6 certainly been my experience, Mr. Palmer.

7 And -- and certainly, Mr. Chairman, some
8 of my questions may overlap with ones the Board has asked
9 before. I'll try and avoid that to a maximum possible,
10 but it's just the nature of the beast.

11 Mr. Palmer, let's start with boilerplates.
12 And my clients are here so we might as well start with
13 that. Make me look good by the way.

14 The Corporation is working, you'll agree,
15 on a number of strategic initiatives under the Business
16 Process Review, or BPR banner.

17 Would that be fair, sir?

18 MR. DONALD PALMER: Yes.

19 MR. BYRON WILLIAMS: Some of these are
20 funded in whole or in part by Basic, correct?

21 MR. DONALD PALMER: Yes.

22 MR. BYRON WILLIAMS: And those funded in
23 whole or in part by Basic would include PIPP
24 infrastructure, Driver Safety Rating, or DSR, Streamlined
25 Renewals, Enterprise Data Warehouse, and to some degree,

1 Program Management.

2 Would that be correct, sir?

3 MR. DONALD PALMER: Yes. And -- and we
4 have characterized Program Management -- I know we've
5 listed it as a separate initiative. It's not -- it's
6 further allocated into all the BPR initiatives, and
7 specifically into the four (4) basic ones that have all
8 or part of the cost.

9 MR. BYRON WILLIAMS: And in that regard
10 about 31 percent of the costs of Program Management are
11 being allocated to Basic, subject to check, sir?

12 MR. DONALD PALMER: Yes.

13 MR. BYRON WILLIAMS: And if I understand
14 -- and you do not need to turn there -- if I understand
15 your response to PUB-2-25 correctly, you estimate Basic
16 share of the BPR to be about 48.5 million, leaving aside
17 costs associated with PIPP Phase 1, sir?

18 I see you don't trust me. The reference
19 I'm going for is PUB-2-25, the attachment to it.

20

21 (BRIEF PAUSE)

22

23 MR. DONALD PALMER: Sorry, what was the -
24 - the number again?

25 MR. BYRON WILLIAMS: I'm suggesting that

1 going to the far right column in that attachment, in the
2 range of 48.45 million, Mr. Palmer?

3 MR. DONALD PALMER: Yes.

4 MR. BYRON WILLIAMS: Thank you, Mr.
5 Kramer, for your quick work on the calculator.

6 And if we were looking for the cost to --
7 with regard to PIPP Phase 1, I wonder if you'd accept,
8 subject to check on this one, Mr. Palmer, that there are
9 about 1.4 million based on PUB Response 1-59.

10 Would that be fair, sir?

11 MR. DONALD PALMER: That sounds about
12 right, again subject to check.

13 MR. BYRON WILLIAMS: And you'll advise me
14 if I'm wrong, sir?

15 MR. DONALD PALMER: We will.

16 MR. BYRON WILLIAMS: It doesn't happen
17 that often, does it?

18 MR. DONALD PALMER: No reply was the
19 stern response.

20 MR. BYRON WILLIAMS: So if I add up the
21 45.5 million and the 1.4 million, it's fair to say that
22 the Corporation's evidence in this proceeding is that
23 it's expecting BPR, the Basic portion of it, to cost in
24 the range of \$50 million.

25 Would that be fair, sir?

1 MR. DONALD PALMER: Sure.

2 MR. BYRON WILLIAMS: And certainly during
3 the course...

4 MR. DONALD PALMER: Those would be just
5 developmental cost -- gross cost, without netting you any
6 possible savings in the future.

7 MR. BYRON WILLIAMS: We were talking
8 cost, right, Mr. Palmer?

9 MR. DONALD PALMER: Developmental cost,
10 yes.

11 MR. BYRON WILLIAMS: And just -- you'll
12 excuse my ignorance, Mr. Palmer -- in terms of other
13 costs, i.e., operating costs, are they captured in this
14 \$50 million figure?

15 MR. DONALD PALMER: Not ongoing. These
16 would be the development costs, so there would be some
17 savings in operating cost going on a go-forward basis
18 that are not netted off these numbers.

19 MR. BYRON WILLIAMS: I may come back to
20 that, Mr. Palmer.

21 We -- we talked about the cost allocated
22 to Basic. Is it the -- it's Corp -- Corporation's
23 evidence is all -- as well, and you've certainly had this
24 discussion with Ms. Everard, that other elements of the
25 BPR imitative are not germa -- germane to this Rate

1 Application, in that they will not have an impact on
2 Basic rates.

3 Would that be fair?

4 MR. DONALD PALMER: That's fair.

5 MR. BYRON WILLIAMS: And as I understand
6 it, this would include, at least, three (3) BPR
7 initiatives: one (1) is the conversion of the -- of -- to
8 the full service centre project, I believe is the
9 terminology; another BPR initiative, in your view not
10 germane to Basic, is an enhanced identity card; and
11 the third would be the new enhanced drivers licence.

12 Would that be fair, Sir?

13 MR. DONALD PALMER: And that list, plus
14 one (1) piece driver's licence.

15 MR. BYRON WILLIAMS: And that's the
16 initiative that took place on -- in or about 2006?

17 MR. DONALD PALMER: No.

18 MR. BYRON WILLIAMS: That's ongoing?

19 MR. DONALD PALMER: The one (1) piece
20 driver's licence is ongoing. The -- I think we called it
21 "BPR Long-term," was -- in 2006, was the integration of
22 the driver system and the vehicle system for our
23 registration purposes.

24 MR. BYRON WILLIAMS: And those costs with
25 that, with regard to the 2006 initiative, the

1 Corporation's evidence, they were not born by Basic.

2 Is that right, sir?

3 MR. DONALD PALMER: That's correct.

4 MR. BYRON WILLIAMS: And I'm sorry for
5 the confusion, but in terms of the ongoing initiatives,
6 which the Corporation states are not germane to -- to the
7 basic General Rate Application then, they would include
8 one (1) piece driver's licence, the enhanced driver's
9 licence, the enhanced identity card, and the full service
10 centre conversion, correct?

11 MR. DONALD PALMER: And add mainframe
12 decommissioning to that.

13 MR. BYRON WILLIAMS: And would I be
14 correct in suggesting to you that Corporation uses the
15 acronym EIC as a shorthand version for the Enhanced
16 Identity Card initiative?

17 Is that fair, Sir?

18 MR. DONALD PALMER: Yes.

19 MR. BYRON WILLIAMS: And for enhanced
20 driver's licence it uses the acronym AD -- excuse me,
21 EDL, correct?

22 MR. DONALD PALMER: Yes.

23 MR. BYRON WILLIAMS: Ms. McLaren, just
24 one (1) question for you. I don't want you to feel
25 neglected.

1 In your evidence yesterday, I believe you
2 were talking about the family of BPR projects and -- and
3 suggesting while some are funded in whole or in part by
4 Basic, and others in whole or in part by other parts of
5 the program, the point that I thought you were making
6 yesterday is that these are not separate programs.

7 Do you recall making a statement to that
8 effect, Ms. McLaren?

9 MS. MARILYN MCLAREN: Some of the
10 projects certainly are separate, standalone projects.
11 Some are much more integrated. But, the management of so
12 many substantive initiatives underway at the same time
13 requires an integrated approach to the overall management
14 of strategic initiatives.

15 MR. BYRON WILLIAMS: And I was going to
16 move to that point. And so is -- I understand the point
17 you're making, there's a -- certainly a need to integrate
18 these developments. And I believe you made the point
19 yesterday that it's a very complex environment with many
20 things going on at the same time.

21 Would that be fair, Ms. McLaren?

22 MS. MARILYN MCLAREN: Absolutely.
23 There's an awful lot going on at the Corporation,
24 definitely.

25 MR. BYRON WILLIAMS: And with regard to

1 certain BPR programs that are closely tied together, it
2 is important, and indeed critical, to integrate their
3 development, regardless of whether they're funded by
4 Basic or not by Basic.

5 Would that be fair?

6 MS. MARILYN MCLAREN: Sure, definitely.

7 MR. BYRON WILLIAMS: Turning the PUB book
8 of documents, which is PUB Exhibit Number 9, and in
9 particular to Tab 28, which is the Corporation's response
10 to PUB First Round, Interrogatory 1-58.

11 I wonder if the Board -- or, if the panel
12 could turn there, please?

13

14 (BRIEF PAUSE)

15

16 MR. DONALD PALMER: We have it.

17 MR. BYRON WILLIAMS: Thank you for your
18 assistance, Mr. Palmer. And in particular, I'm going to
19 ask you to turn to about four (4) pages in, to a pretty
20 calendar, I think on the first page. It's headed, "PIPP
21 [P-I-P-P] Phase 2 Milestones."

22 Do you see that, Mr. Palmer?

23 MR. DONALD PALMER: Yes.

24 MR. BYRON WILLIAMS: And you don't need
25 to flip back to the -- the questions posed to you, but

1 you'll agree that one (1) of the questions posed to you
2 by the Board was whether the BPR projects were being
3 delivered on time?

4 Is that correct, sir?

5 MR. DONALD PALMER: Yes, I remember that
6 question.

7 MR. BYRON WILLIAMS: And we'll go through
8 this in detail. But in this attachment, essentially,
9 you're setting out the schedule for the BPR projects
10 related in some -- some way to the Basic program.

11 Is that correct, sir?

12 MR. DONALD PALMER: Yes.

13 MR. BYRON WILLIAMS: And for those
14 struggling to read the -- the coding on the schedules,
15 you've got certain milestones outlined in -- in the first
16 column, and -- to indicate what the actual timeframe is
17 for these -- whether these milestones are being achieved,
18 you're identifying that with a clear diamond or white
19 diamond, sir?

20 Is that fair?

21 MR. DONALD PALMER: The clear diamond,
22 the actuals, yes.

23 MR. BYRON WILLIAMS: And the -- the
24 schedule is set out in the shaded diamonds.

25 Would that be fair, sir?

1 MR. DONALD PALMER: Yes.

2 MR. BYRON WILLIAMS: And you covered a
3 bit of this evidence in your discussion with Ms. Everard,
4 just a few minutes ago. But just turning to the next
5 page of this attachment, PIPP Phase 3, you -- your
6 evidence was that the PIPP Phase 3 milestones are
7 currently on track, correct?

8 MR. DONALD PALMER: Yes.

9 MR. BYRON WILLIAMS: And the -- the
10 transition, as I understand it, based upon your
11 conversation with Ms. Everard, is planned for and
12 forecasted to be achieved by May of 2010.

13 Is that right, sir?

14 MR. DONALD PALMER: Yes.

15 MR. BYRON WILLIAMS: And does that mean --
16 -- just when does the -- this project go live? Is that
17 May 2010?

18 MR. DONALD PALMER: That's May 2010, and
19 current forecast, yes.

20 MR. BYRON WILLIAMS: And we'll come into
21 the business plan for the infrastructure project this
22 afternoon probably, Mr. Palmer. But to the extent that
23 there are benefits realized from the implementation of
24 the infrastructure program, those would start to flow in
25 the 2010/2011 year.

1 Would that be correct, sir?

2 MR. DONALD PALMER: Yes.

3 MR. BYRON WILLIAMS: And to date, as I
4 understand it, in -- in your forecasting approach, you've
5 not built those anticipated savings in because they're
6 still yet to be realized.

7 Is that correct?

8 MR. DONALD PALMER: No, that's not
9 correct. We have built the savings in -- into our
10 forecast.

11 MR. BYRON WILLIAMS: And what have you
12 built in for the 2010/'11 year, in -- in terms of
13 savings, with regard to the PIPP infrastructure project,
14 sir?

15 MR. DONALD PALMER: We have it somewhere
16 in the material. We'll -- we'll dig it out.

17 MR. BYRON WILLIAMS: I would be greatly
18 appreciative if you could do that for the 2010/'11 and
19 '11/'12 years. That would be helpful, sir.

20 MR. DONALD PALMER: Our back row is
21 already working on it.

22

23 --- UNDERTAKING NO. 27: To indicate what has been
24 built in for the 2010/'11
25 year, in terms of savings,

1 with regard to the PIPP
2 infrastructure project
3

4 CONTINUED BY MR. BYRON WILLIAMS:

5 MR. BYRON WILLIAMS: On the -- thank you
6 for that. On the next page you make reference to the
7 Streamlined Renewal product milestones.

8 is that correct, sir?

9 MR. DONALD PALMER: Yes.

10 MR. BYRON WILLIAMS: And -- and just in
11 the big picture, as I understand it, the cost of the
12 Streamlined Renewal project's going to be -- anticipated
13 to be somewhere in the range between \$5 million and \$7
14 million, subject to check, sir?

15 MR. DONALD PALMER: The Basic share is
16 five million nine hundred and forty six thousand dollars
17 (\$5,946).

18 MR. BYRON WILLIAMS: I was being
19 cautious, you'll agree?

20 And I'll draw your attention with regard
21 to the -- the calendar to some notes at the bottom of it.
22 And would I be correct in suggesting to you that the --
23 the target implementation date for Streamlined Renewal
24 was originally September, 2009, sir?

25 MR. DONALD PALMER: Yes, that would have

1 been correct.

2 MR. BYRON WILLIAMS: And then it was
3 subsequently changed to December, 2009, and then
4 subsequently to January 2009, sir.

5 Would that be right?

6 MR. DONALD PALMER: January --

7 MR. BYRON WILLIAMS: January 2010, sir.

8 MR. DONALD PALMER: Yes, that last change
9 was partially driven by the order of this Board, in terms
10 of implementation of DSR. We did have a effective date
11 of -- DSR of February 1st. What that means in the
12 project world is that all the renewals would have to be
13 out, so the effective date of implementation of those
14 projects would be essentially forty-five (45) days before
15 that "effective date," quote/unquote.

16 So what that mid-December -- or the three
17 (3) dates -- originally we had talked about a November 1
18 implementation. That was our original DSR Application.
19 That was moved to February 1, and then subsequently to
20 March 1.

21 So each of those completion dates would be
22 forty-five (45) days prior each of those respective
23 dates.

24 MR. BYRON WILLIAMS: And we'll come to
25 the DSR in a minute, and -- and thank you for that

1 volunteered answer. I -- I wish to direct your attention
2 to the -- the -- in terms of the delay that took place
3 between September 2009 and December 2009, the Corporation
4 attributes that delay to delays in the EIC/EDL programs.

5 Is that right, sir? That's your evidence
6 here, sir?

7 MR. DONALD PALMER: Yes, that's correct.

8 MR. BYRON WILLIAMS: And just to remind
9 us, EIC stands for Enhanced Identity Card, correct?

10 MR. DONALD PALMER: Yes.

11 MR. BYRON WILLIAMS: And EDL stands for
12 Enhanced Driver's Licence, sir, correct?

13 MR. DONALD PALMER: Yes.

14 MR. BYRON WILLIAMS: And these are non-
15 Basic programs?

16 MR. DONALD PALMER: That's correct.

17 MR. BYRON WILLIAMS: Okay. If you'll
18 flip to the next page, Mr. Palmer, you'll see a -- a
19 listing referring to the Enterprise Data Warehouse
20 milestones.

21 Do you see that, sir?

22 MR. DONALD PALMER: Yes.

23 MR. BYRON WILLIAMS: And -- and I know
24 Mr. Kramer has the -- the figures right at his
25 fingertips.

1 In terms of the costing of this project,
2 it's probably a \$2 to \$3 million initiative.

3 Would that be correct, sir?

4 MR. DONALD PALMER: Corporate total Basic
5 share is one point seven three five (1.735).

6 MR. BYRON WILLIAMS: Thank you. Again,
7 referring you to the notes at the bottom of -- of the
8 page, the targeted implementation date for the Enterprise
9 Data Warehouse was -- was again September 2009, sir,
10 correct?

11 MR. DONALD PALMER: Yes.

12 MR. BYRON WILLIAMS: And unfortunately
13 its targeted implementation date was delayed due to
14 delays in the EIC/EDL Program, sir, to December 2009.

15 Would that be right?

16 MR. DONALD PALMER: This is linked to the
17 other programs, and so, yes, you're correct.

18 MR. BYRON WILLIAMS: And if you could
19 just turn to -- to page -- or the next page of this
20 attachment. And we -- and we've spoken of the Driver
21 Safety Rating, and -- and you'll see here, sir, the
22 Driving Safety Rating milestones.

23 Do you see that, Mr. Palmer?

24 MR. DONALD PALMER: I do.

25 MR. BYRON WILLIAMS: And the current

1 estimated cost for -- for these -- for this program
2 development is in the -- in the range of \$8 million, in
3 terms of Basic share.

4 Would that be correct, sir?

5 MR. DONALD PALMER: Nine point nine
6 (9.9).

7 MR. BYRON WILLIAMS: Just -- just on that
8 point, because I want to understand your evidence fully,
9 if you can just flip -- flip back to page 3 of this
10 response, Mr. Palmer, just -- and I want to make sure I
11 understand your evidence here, the Corporation's budget
12 for Driver Safety Rating was 10 million, but it's -- it -
13 - it appear -- appears that its forecast cost is about
14 seven point eight (7.8).

15 Would that be right, sir?

16

17 (BRIEF PAUSE)

18

19 MR. DONALD PALMER: That was an -- an
20 earlier forecast. Those numbers have been updated, as
21 per 2-25. Oh, P -- sorry, PUB/MPI-2-25.

22 MR. BYRON WILLIAMS: Thank you for that
23 and that explains my confusion, Mr. Palmer. So when I'm
24 looking at the -- the Basic share, I should just focus
25 exclusively on PUB-2-25, correct?

1 MR. DONALD PALMER: That's correct.

2 MR. BYRON WILLIAMS: Turning to the
3 Driver Safety Rating milestones, and again directing your
4 attention to the bottom of the page, again the target
5 implementation date for DSR was September 2009.

6 Is that right, sir?

7 MR. DONALD PALMER: For effective date,
8 November 1st, yes.

9 MR. BYRON WILLIAMS: And again,
10 unfortunately it was delayed due to the delays in the
11 EIC/EDL program, would that be correct, sir, till --
12 until December 2009, sir?

13 MR. DONALD PALMER: Yes.

14 MR. BYRON WILLIAMS: Mr. Chairman, this
15 would be an appropriate time for a -- a break, if it
16 suits the pleasure of the Board?

17 THE CHAIRPERSON: Very good. Okay. What
18 do the parties feel like? Do you feel like coming back
19 at one o'clock or 1:15? What's your choice?

20 Ms. McLaren, do you have a preference?

21 MS. MARILYN MCLAREN: 1:00 works.

22 THE CHAIRPERSON: 1:00 it is.

23

24 --- Upon recessing at 12:00 p.m.

25 --- Upon resuming at 1:06 p.m.

1 THE CHAIRPERSON: Okay, we're back. Mr.
2 Williams...?

3 MR. BYRON WILLIAMS: Thank you, and good
4 afternoon. Just in terms of my blueprint, such as it is
5 for this afternoon, Mr. Chair, I hope to spend the next
6 little while having some more discussion about the
7 Business Process Review, and then following up on a bit
8 of Ms. Everard's work in terms of MPI Exhibit Number 13
9 and Exhibit Number 14. That hopefully will take us to a
10 break and then we'll -- we'll do a few follow-up
11 questions on cost allocation and then move into road
12 safety.

13 My estimate is that will take us towards
14 the end of the day which will -- will leave issues
15 related to claims incurred and the RSR, for whenever we
16 resume again, which seems like about two (2) months from
17 now, but I'm -- I'm sure that's not quite accurate.

18

19 CONTINUED BY MR. BYRON WILLIAMS:

20 MR. BYRON WILLIAMS: Mr. Palmer and then
21 to Ms. McLaren, I -- I do want to go to the big picture
22 of BPR for a second. And certainly you've had some of
23 these conversations with Ms. Everard, so I don't want to
24 trip too much over her -- her questions.

25 But my understanding, that in terms of the

1 external consultants working for MPI, as of June 30th,
2 that that number was about one hundred and two (102).

3 Would that be right?

4 MR. DONALD PALMER: Yes.

5 MR. BYRON WILLIAMS: And in addition to
6 these one hundred and two (102) consultants, there is
7 about two hundred and twenty-eight point nine (228.9), or
8 about two hundred and twenty-nine (229) full time
9 equivalent MPI employees assigned to the process, as of
10 February of 2009.

11 Fair enough, sir?

12 MR. DONALD PALMER: That's fair, sure.

13 MR. BYRON WILLIAMS: And, Ms. McLaren, I
14 did my best to follow your conversation with Ms. Everard
15 yesterday, in terms of what happens to those employees as
16 BPR winds down, but I have a few followup questions if
17 you'll indulge me.

18 As I understand your evidence yesterday,
19 you indicated that some of these full-time equivalents
20 will be required for the new operating environment.

21 Is that right?

22 MS. MARILYN MCLAREN: Yes.

23 MR. BYRON WILLIAMS: And could you
24 provide me with a rough estimate of how many that will be
25 please?

1 MS. MARILYN MCLAREN: No, not really.
2 Not off the top of my head, no.

3 MR. BYRON WILLIAMS: You would undertake
4 to do so, though, Ms. McLaren?

5
6 (BRIEF PAUSE)

7
8 MS. MARILYN MCLAREN: Any of the
9 positions that are expected to remain with the
10 Corporation are included in the forecast going forward.
11 So whether we can actually go back and reconcile those
12 numbers, we -- we can do that, you know, within some
13 measurable reasonableness. But they are -- it's not like
14 we're suggesting that somehow some of the two twenty-nine
15 (229), or whatever it is, will end up on the
16 establishment in a way that's not already included. That
17 -- that wouldn't be true. But we can rationalize that to
18 a certain extent.

19 MR. BYRON WILLIAMS: So you'll -- you'll
20 undertake to -- to --

21 MS. MARILYN MCLAREN: Yes.

22 MR. BYRON WILLIAMS: -- do that exercise,
23 understanding that what we'll be getting is not absolute
24 certitude, but an order of magnitude.

25 Would that be fair?

1 MS. MARILYN MCLAREN: Yes.

2

3 --- UNDERTAKING NO. 28: To indicate how many full-
4 time equivalents will be
5 required for the new
6 operating environment

7

8 CONTINUED BY MR. BYRON WILLIAMS:

9 MR. BYRON WILLIAMS: And that's in terms
10 of the new operating environment. And you also indicated
11 that

12 -- that some would be involved, as they are now, in
13 change management, but moving towards other activities
14 within the Corporation.

15 Is that fair, Ms. McLaren?

16 MS. MARILYN MCLAREN: Yes.

17 MR. BYRON WILLIAMS: And again, I'm going
18 off of memory, but I think in PUB-1-33 there's twelve
19 (12) or thirteen (13) currently involved in -- in change
20 management, or in Human Resources at this point in time?

21 MS. MARILYN MCLAREN: There's that many
22 in Human Resources. They're not all in change management
23 but the majority would be.

24 MR. BYRON WILLIAMS: And so my -- my
25 question to you, in terms of those in human resources, on

1 a going-forward basis after BPR, how many might we expect
2 to be there, Ms. McLaren?

3 MS. MARILYN MCLAREN: I think maybe five
4 (5).

5 MR. BYRON WILLIAMS: And in terms of the
6 other seven (7) or eight (8), what will happen to them?

7 MS. MARILYN MCLAREN: Many of them are on
8 term positions right now. If they are permanent
9 employees temporarily assigned, they would revert to
10 their previous position. If they're term positions, they
11 would likely end.

12 MR. BYRON WILLIAMS: And you did speak of
13 eighty (80) -- about -- approximately eighty (80) term
14 positions, as I understand your evidence yesterday, being
15 laid off as of March 1st, 2009. Or I'm not sure if term
16 is the -- or "laid off" is the right word, but their
17 contracts will be finished at that point in time --

18 MS. MARILYN MCLAREN: Yes --

19 MR. BYRON WILLIAMS: -- in term --

20 MS. MARILYN MCLAREN: -- that's right.

21 MR. BYRON WILLIAMS: So in terms of the -
22 - the remainder, Ms. McLaren, what happens to them?

23

24

(BRIEF PAUSE)

25

1 MS. MARILYN MCLAREN: If you're talking
2 in terms of the two hundred and twenty-nine (229) minus
3 the eighty (80), what -- what happens with the rest of
4 them, again, any number of those positions may be
5 temporary positions that would end. Probably more of the
6 people in those temporary positions are permanent
7 employees who will revert to their previous assignments,
8 and that would cascade all the way through the
9 organization so that likely some entry-level clerical
10 position, temporary positions, would end.

11 MR. BYRON WILLIAMS: Thank you, Ms.
12 McLaren. I'll -- I'll reflect on that, and I may --
13 after I review the transcript, may have a few follow-up
14 questions in that regard.

15 I handed out an excerpt of Board Order
16 98.09, and I wonder if the -- the -- the MPI panel can
17 turn to that, please. And, Mr. Chairman, I don't believe
18 this needs to be marked as an exhibit, it's...

19

20 (BRIEF PAUSE)

21

22 MR. BYRON WILLIAMS: Just in -- in terms
23 of the background, the -- this Board Order 98/'09, if the
24 panel can confirm, is an order with regard to the DSR
25 application.

1 is that right?

2 MS. MARILYN MCLAREN: Yes.

3 MR. BYRON WILLIAMS: And your initial DSR
4 order was given in Board Order 89.0 -- or /'09, correct?

5 MS. MARILYN MCLAREN: Yes.

6 MR. BYRON WILLIAMS: And just to help me
7 follow along, if -- or to help pa -- the readers follow
8 along, You might want to flip to page 6 of Order number
9 90 -- 98/'09, please.

10 Do you have that?

11 MS. MARILYN MCLAREN: We do.

12 MR. BYRON WILLIAMS: And, again, I don't
13 think this is controversial, but just directing your
14 attention to the bottom paragraph on that page, as I
15 understand it, after Order 89/'09 was given, MPI launched
16 a review and vary order, and suggesting that there were
17 business and technicum considerations -- excuse me, one
18 (1) minute.

19

20 (BRIEF PAUSE)

21

22 MR. BYRON WILLIAMS: Sorry about that.
23 MPI initiated a review and vary order suggesting that
24 there were business and technicum considerations, the PUB
25 should be taking into account in considering the review

1 and vary order.

2 Fair enough?

3 MS. MARILYN MCLAREN: Yes.

4 MR. BYRON WILLIAMS: And it devoted a --
5 a considerable amount of discussion to what's described
6 here as a computer system software related to the BPR
7 review, known as BPR-2A.

8 Do -- is that correct?

9 MS. MARILYN MCLAREN: Yes.

10 MR. BYRON WILLIAMS: And as I understand
11 it, BPR-2A was, and is, a -- comprised of a number of
12 corporate BPR initiatives, including the one (1) piece
13 drivers' licence, the enhanced driver's licence, the
14 Streamlined Renewal Process and DSR.

15 Would that be fair?

16 MS. MARILYN MCLAREN: Yes.

17 MR. BYRON WILLIAMS: And as we've
18 discussed before, some of those initiatives are under the
19 Basic banner and other are -- are not funded under Basic,
20 either in whole or in part.

21 Fair enough?

22 MS. MARILYN MCLAREN: Yes.

23 MR. BYRON WILLIAMS: And at page 7 -- and
24 again directing your attention to the second last
25 paragraph -- the Corporation indicated that it would not

1 be able to comply with the Board's original order in
2 89/'09, and still meet the critical path and milestones
3 it had established for BPR-2A.

4 Is that right?

5 MS. MARILYN MCLAREN: Yes.

6 MR. BYRON WILLIAMS: And if you could
7 just direct your attention to page 10 of the order,
8 please. Just turning to the first full paragraph there,
9 there's a reference to a suggestion -- the suggestion
10 that Board Order 89/'09 would result in -- or could lead
11 to a six (6) month delay in the overall BPR project
12 implementation.

13 Is that correct?

14 MS. MARILYN MCLAREN: Yes.

15 MR. BYRON WILLIAMS: And again, the
16 suggestion was made that, that would cost the Corporation
17 about \$18 million, right?

18 MS. MARILYN MCLAREN: Yes.

19 MR. BYRON WILLIAMS: And it was suggested
20 that -- that the six (6) month delay costing \$18 million,
21 about half of that would be attributed to -- to Basic and
22 about half to -- to other lines of -- of the Corporation.

23 Is that right?

24 MS. MARILYN MCLAREN: Yes.

25 MR. BYRON WILLIAMS: And in terms of

1 understanding the -- the costs that would be associated
2 with the delay of six (6) months, it'd be fair to say
3 that your concern was that any delay in the
4 implementation of BPR would lead to a significant
5 additional out -- outlay, both for MPI staff and for the
6 consultants retain -- retained to work on BPR.

7 Fair enough?

8 MS. MARILYN MCLAREN: Yes.

9 MR. BYRON WILLIAMS: So, in essence the
10 Corporation's argument was that for every month of delay
11 there would be a \$2.5 million cost, with about half of
12 that being allocated to Basic.

13 Fair enough?

14 MS. MARILYN MCLAREN: Yes.

15 MR. BYRON WILLIAMS: To assist my
16 clients, and for the record of this proceeding, I wonder
17 if you could provide to them a detailed derivation, both
18 by project and by expenditure category, of the estimated
19 \$18 million in costs associated with the impact of that -
20 - that 6 million -- six (6) month delay, and as well, the
21 mechanism by which you estimated that one (1) half of the
22 costs could be attributed to Basic?

23 Would you like me to repeat that, Ms.
24 McLaren?

25 MS. MARILYN MCLAREN: No, thank you.

1 (BRIEF PAUSE)

2

3 MS. MARILYN MCLAREN: I think the first
4 thing we would do, would be to go back and have a look at
5 the Corporation's request to review and vary, with
6 respect to any additional detail that may have been in
7 there that's not in this excerpt from the order. And we
8 can have a look at what that would take.

9 But, I think part of our consideration of
10 figuring out what it would take to respond to that
11 request, is also the consideration of the -- the
12 relevance to these proceedings. It's something the Board
13 has already ordered and -- and dealt with.

14 MR. BYRON WILLIAMS: Are you -- usually
15 one would expect your counsel to be expressing that
16 concern, as to relevance. But the -- just from -- Mr.
17 Chairman, through Ms. McLaren, and I -- I guess the
18 question has been raised in terms of relevance, the --
19 the relevance, certainly from my client's perspective is
20 twofold.

21 One (1) is we expect that, that
22 calculation would give insight into the robustness of the
23 Corporations cost allocation methodology, which would be
24 of -- be of assistance in this proceeding. And it's also
25 insightful, because we've identified, in the course of

1 this cross-examination, another three (3) month delay,
2 and we -- associated with non-Basic programming. And we
3 certainly want to use the Corporation's derivation of
4 that \$18 million figure to test any conclusions related
5 to the three (3) month delay.

6 THE CHAIRPERSON: You're not expecting
7 sort of a detailed set of calculations that go on for
8 pages? Or you're looking for sort of an approximation of
9 the factors would be in the cost?

10 MR. BYRON WILLIAMS: We're looking for an
11 approximation. And -- and for greater clarity, Mr.
12 Charity (sic), by expenditure category, I mean,
13 compensation, consulting, data processing equipment. And
14 we want a -- a one (1) or two (2) page summary, I'm quite
15 confident would be helpful.

16 THE CHAIRPERSON: Ms. McLaren...?
17

18 (BRIEF PAUSE)
19

20 MS. KATHY KALINOWSKY: Well, since I've
21 been invited by Mr. Williams to speak on the aspect of
22 relevancy, I'll speak to that.

23 He first raised the idea of relevance
24 being to test the robustness of the cost allocation
25 methodology. Well, obviously we put the cost allocation

1 methodology forward as something new this year. The
2 Board has not ruled on it yet, and so I don't see how it
3 can possibly test it at this point. So I don't think
4 there's any argument there.

5 With respect to a three (3) month delay
6 that has been identified earlier on in this cross-
7 examination, a three (3) month delay in earlier 2000 and
8 -- I believe it was either 2008 or 2009 -- isn't
9 necessarily going to trans -- translate, let's say at a
10 50/50 level, to a six (6) month delay later on.

11 Obviously, different projects are ramped
12 up at different speeds and different times and so on, so
13 I really don't think there's any kind of relevance there
14 that can be displayed by bringing forward these numbers
15 to the Board.

16 MR. BYRON WILLIAMS: Mr. Chairman, we --
17 we renew our request and merely point out that in
18 comparing the derivation of the two (2) figures, insight
19 may be given both by the similarities and -- and the
20 contrast.

21 THE CHAIRPERSON: Well, for the
22 Corporation to come up with an estimate, you would have
23 had to do some approximation and some estimation. Mr.
24 Williams seems to be willing to accept that. I can't --
25 I can't see the problem with filing that.

1 MS. MARILYN MCLAREN: Okay.

2 THE CHAIRPERSON: Thank you.

3

4 --- UNDERTAKING NO. 29: To provide a derivation, both
5 by project and by expenditure
6 category, of the estimated
7 \$18 million in costs
8 associated with the impact of
9 the six (6) month delay, and
10 as well, the mechanism by
11 which you estimated that one
12 (1) half of the costs could
13 be attributed to Basic
14

15 MS. MARILYN MCLAREN: And with respect to
16 the cost of delays referenced in the three (3) months,
17 for the BPR-2A projects, the Corporation's on the record
18 that those project costs have not increased. Those
19 projects are not bearing additional costs.
20

21 CONTINUED BY MR. BYRON WILLIAMS:

22 MR. BYRON WILLIAMS: Well, I'd like to
23 just follow that along and thank you, Mr. Chairman and --
24 and MPI.

25 So my understanding is first of all that

1 the Corporation is -- am I correct in understanding that
2 their undertakings provide an estimate of the derivation
3 of the \$18 million figure, first of all?

4 MS. MARILYN MCLAREN: Yes.

5 MR. BYRON WILLIAMS: And, Ms. McLaren,
6 your -- your evidence just now, is that, if I understand
7 you correctly, while a six (6) delay in late 2009/early
8 2010 would cost the Corporation \$18 million. A three (3)
9 month delay between September and December of 2009/'10
10 had no cost consequences for the Corporation whatsoever.

11 Is that your evidence under oath?

12 MS. MARILYN MCLAREN: Absolutely not. No
13 consequences for the Basic program.

14 MR. BYRON WILLIAMS: So you -- you had a
15 hundred and two (102) consultants and two hundred and
16 twenty-eight point nine (228.9) FTs sitting around for an
17 extra three (3) months and there were no cost
18 consequences, Ms. McLaren?

19 MS. MARILYN MCLAREN: No. I think the
20 point is that they weren't sitting around because it took
21 longer to complete the work associated with the enhanced
22 card programs. The delay for the enhanced card programs
23 was a delay of a year ago. The work required for the
24 BPR-2A started late, effectively, because they stopped
25 working on EICs late.

1 MR. BYRON WILLIAMS: I'll -- we'll follow
2 that up once I get your response to the undertaking, Ms.
3 McLaren.

4 MS. CANDACE EVERARD: Mr. Williams, sorry
5 to interrupt. Just before you continue, I know you
6 weren't planning to mark this as an exhibit, but I think,
7 Mr. Chairman, it should be marked. Although it is an
8 excerpt from a Board Order, it's not on the record in
9 this proceeding, and just for record keeping purposes and
10 clarity, I think it should be an exhibit.

11 MR. BYRON WILLIAMS: I certainly have no
12 objections to that, Mr. Chairman.

13 THE CHAIRPERSON: Do we have a number?

14 MR. BYRON WILLIAMS: I -- I have a
15 recommendation, that it be CAC/MSOS Exhibit Number 4,
16 with gratitude to Mr. -- the Board's secretary's very
17 quick fingers.

18 THE CHAIRPERSON: That's fast. Okay,
19 fine.

20

21 --- EXHIBIT NO. CAC/MSOS-4: Excerpt of 89/'09 Board
22 Order

23

24 MR. BYRON WILLIAMS: And thank you for
25 that guidance, Ms. Everard.

1

2 CONTINUED BY MR. BYRON WILLIAMS:

3 MR. BYRON WILLIAMS: Ms. McLaren just to
4 -- to follow through -- and I -- once I see your
5 undertaking I will have some additional questions. But,
6 the -- your evidence, as I understand it, is that the --
7 the delays flowing from the enhanced identification card,
8 and the EDL delays, had no cost quan -- consequences for
9 the -- the Basic program.

10 Is that right?

11 MS. MARILYN MCLAREN: Yes.

12 MR. BYRON WILLIAMS: Would you agree with
13 me that, to the extent that, for example, the -- the roll
14 out of DSR was delayed by a number of months, that that
15 might have some cost con -- or some impacts for
16 individual ratepayers?

17 MS. MARILYN MCLAREN: Very little, based
18 on the rates that were applied for an approved through
19 the DSR Rate Application process. Most whose rates will
20 change will change by five dollars (\$5). Remembering
21 that the implementation strategy for DSR was to implement
22 the new process with as little disruption as possible,
23 there was very little rating impact for people.

24 MR. BYRON WILLIAMS: So -- so just to go
25 back to my question, you're not dis -- disagreeing that

1 there was some impact for ratepayers of the Basic program
2 as a consequence of the delays with the EIC and EDL
3 program, correct?

4 You're questioning the magnitude of it?

5 MS. MARILYN MCLAREN: The DSR rate
6 changes are coming in three (3) months later than
7 initially anticipated. There are no project costs that
8 could potentially have a rating impact that would affect
9 Basic ratepayers.

10 MR. BYRON WILLIAMS: And just to follow
11 it through, just to make sure I -- I've completed the
12 thought. And the delay in bringing in the DSR can be
13 attributed to delays with the non-Basic part of the
14 program, i.e. the enhanced identification card, and the
15 EDL.

16 Fair enough?

17 MS. MARILYN MCLAREN: Yes.

18

19 (BRIEF PAUSE)

20

21 MR. BYRON WILLIAMS: I want to -- in a
22 similar vein, turn, if you would, to the Corporation's
23 response to Information Request PUB-1-36, which I believe
24 is in the -- the Board's book of documents, Exhibit 9, at
25 Tab 23.

1 Mr. Chairman, if I could be excused for
2 one (1) minute, please?

3

4 (BRIEF PAUSE)

5

6 MR. DONALD PALMER: Go ahead.

7 MR. BYRON WILLIAMS: Thank you, Mr.
8 Palmer. I think I was the one responsible for the delay,
9 so I apologise for that.

10 Just start out -- in terms of directing
11 your attention for just a moment to PUB/MPI-1-36E and
12 'F', and I'll paraphrase these questions and perhaps you
13 can just confirm that I've presented them correctly.

14 (e) asks the Corporation to provide a
15 schedule for '09/'10 and '10/'11 comparing by category
16 the current forecasts in projected expenditures, with
17 those provided in the last year's GRA with an explanation
18 for significant variances.

19 That's correct?

20 MR. OTTMAR KRAMER: Yes, that's correct.

21 MR. BYRON WILLIAMS: And again, I'm
22 paraphrasing, and (f) was to provide a detailed breakdown
23 of deferred development costs by major project for a
24 number of years, indicating which projects relate to each
25 line of business.

1 Is that fair?

2 MR. OTTMAR KRAMER: Yes, that's correct.

3 MR. BYRON WILLIAMS: Thank you. And I --
4 we -- we've got to do a bit of page flipping in this
5 exhibit, or in this Information Request, and if you'll
6 just excuse me for one (1) second.

7 In the main body of the Information
8 Request, if you can just keep your hands, if you would,
9 Mr. Kramer, on pages 2 and -- 2 and 3, and there's also
10 schedules attached, and if you could keep an eye on page
11 4 of Schedule 'E' and page 5 of Schedule 'F'. Are -- I
12 know it's asking a lot, Mr. Kramer, man -- dexter --
13 dexterity-wise, but are you able to do that, sir?

14 MR. OTTMAR KRAMER: I'll try my best.

15 MR. BYRON WILLIAMS: Thank you. And I
16 apologize for the cumbersomeness -- the cumbersomeness of
17 the request.

18 Perhaps if you could turn first to
19 Schedule 'E' of -- at page 4 of the attachments, please.

20 MR. OTTMAR KRAMER: Yes, I'm there.

21 MR. BYRON WILLIAMS: And we're just
22 looking -- I'll draw your attention first of all to the
23 2009 to 2010 year, the second last line you'll see
24 deferred development costs, Mr. Kramer.

25 Do you see that?

1 MR. OTTMAR KRAMER: Yes, I do.

2 MR. BYRON WILLIAMS: And they -- they
3 were originally forecast in the 2009 GRA to be about 34.8
4 million and they -- that forecast was subsequently
5 revised to 40.3 million.

6 Is that fair, sir?

7 MR. OTTMAR KRAMER: Yes, that's correct.

8 MR. BYRON WILLIAMS: Or about \$5.581
9 million higher. Is that right?

10 MR. OTTMAR KRAMER: Yes.

11 MR. BYRON WILLIAMS: And just going
12 across one (1) more line for -- again, for the deferred
13 development costs, but for the 2010/'11 year, you'll see
14 they were originally at 13.3 million and -- and that
15 subsequently upgraded by about 2 million to 15.4 million
16 for 2010, sir, correct?

17 MR. OTTMAR KRAMER: Yes, I see that.

18 MR. BYRON WILLIAMS: And just flipping to
19 the -- to the next page, to page 5 of attachment Schedule
20 'F', when I look at the Basic related deferred
21 development costs by major project in 2009/'10, the big
22 three (3) would be the BPR project management, the PIPP
23 infrastructure, and the Streamlined Renewal.

24 Would that be fair?

25 MR. OTTMAR KRAMER: Yes, that would be

1 correct.

2 MR. BYRON WILLIAMS: And then if you
3 could go back to the main text of the response at page 2.
4 So that, for those struggling to follow along, that's
5 PUB/MPI-1-36, page 2 of the main answer.

6 In the response to (e) you'll see towards
7 the bottom of page 2, a -- an explanation for the
8 deferred development costs, and there's a -- a suggestion
9 that budgets being carried over into '09/'10 and '10/'11
10 is a result of timelines being later than anticipated.

11 Do you see that reference?

12 MR. OTTMAR KRAMER: Yes, I see that
13 reference.

14 MR. BYRON WILLIAMS: And in terms of the
15 timelines, could you just elaborate on which timelines
16 are being referred to, please?

17 MR. OTTMAR KRAMER: The -- the budgets
18 are -- are prepared at times a year in advance for some
19 of these projects, and we have a rough estimate on when
20 the spending would be, and the spending was delayed
21 according to what we had forecast.

22 But I'd like to bring to your attention
23 our response to PUB-1-58, which -- which shows that the
24 overall project costs really haven't changed. In -- in
25 the attachment, Schedule 'D', to PUB-1-58, the 2010 GRA

1 for those projects is at \$77.1 million and at the '09 GRA
2 it was 78.1 million. So actual decline of \$1 million on
3 an overall total project basis, not split between years.

4 So that's why our answer was the increase
5 was due to budgets being carried over, but no -- no real
6 change to the overall costs.

7 MR. BYRON WILLIAMS: Just so I can
8 perhaps go back to the question I asked, in terms of the
9 timelines being delayed, Mr. Kramer, which time lines was
10 the Corporation referring to? I'm presuming they're BPR
11 initiatives, sir.

12 MR. OTTMAR KRAMER: I -- I was referring
13 to the expenditure of the cost, the timelines of the
14 expenditure of the costs.

15 MR. BYRON WILLIAMS: And their BPR costs?

16 MR. OTTMAR KRAMER: Yes.

17 MR. BYRON WILLIAMS: And just so I
18 understand, the result of the timelines being later than
19 anticipated, the cause of the delay, is this the same
20 answer as we had previously?

21 What -- what was the cause of this -- of
22 the delay, Mr. Kramer?

23 MR. OTTMAR KRAMER: The delay that we're
24 referring to in this response was the delay of -- of the
25 expenditures of the project. And as I'd indicated, these

1 projects are -- are budgeted years in advance and -- and
2 forecasted by year, and our forecast on the cost per year
3 were -- were slightly off, and that's the delay of the
4 cost.

5 MR. BYRON WILLIAMS: What caused the
6 timelines to be later? That's all I'm asking, Mr.
7 Kramer.

8 MS. MARILYN MCLAREN: EIC delays.

9 MR. BYRON WILLIAMS: And for 2008-- or
10 excuse me, for 2009 -- for the 20 -- for this -- the year
11 in question, in terms of the response to (e), the
12 Corporation's evidence is that there was no cost
13 consequences to the Corporation as a result of the delay.

14 MS. MARILYN MCLAREN: No cost
15 consequences to these projects, which are largely paid by
16 Basic.

17 MR. BYRON WILLIAMS: Okay. And let's
18 just move onto -- on page 3 of the same response. You
19 see Entry Number 8 to (e), deferred development costs, a
20 reference to \$2 million. And again, that's the -- the
21 change in forecasts from the 2009 GRA to the 2010 GRA.
22 And that's an additional \$2 million in the 2010/'11
23 budget year, related to deferred development costs from
24 what was forecast in the 2009 GRA.

25 Is that right?

1 MR. OTTMAR KRAMER: Yes, that's correct.

2 MR. BYRON WILLIAMS: Thank you. It was
3 not a well asked question , I -- I thank you for the
4 answer.

5 And in terms of the explanation for -- for
6 the variance, again a reference is made to timelines
7 being later than anticipated.

8 Is that right?

9 MR. OTTMAR KRAMER: Yes. They're -- the
10 response refers to the -- to the previous year's answer.

11 MR. BYRON WILLIAMS: Okay. And again
12 without overly complicating this, the cause of the delay
13 would be EIC EDL.

14 Is that fair enough?

15 MR. OTTMAR KRAMER: As -- as Ms. McLaren
16 has indicated, the delay in the projects, yes, is caused
17 by that. However, I'll -- I'll restate my answer that I
18 indicated earlier. The -- the breakdown of the
19 expenditures by year are done numerous years in advance,
20 and at times the -- the split between the years on these
21 major projects, items do move around between years. And
22 that made -- not -- a delay in the cost might not
23 necessarily mean that the project is delayed but just
24 that the -- the costs were -- ran over one year or the
25 other.

1 secondly, PUB-2-26.

2

3

(BRIEF PAUSE)

4

5

MR. DONALD PALMER: I have them both.

6

7

MR. BYRON WILLIAMS: Thank you, very
much, Mr. Palmer. I think some people are still looking
so if you'll bear with us for a second.

8

9

10

(BRIEF PAUSE)

11

12

13

MR. BYRON WILLIAMS: I'll just wait, Mr.
Palmer.

14

15

(BRIEF PAUSE)

16

17

18

19

20

MR. BYRON WILLIAMS: Thank you. You'll
agree that CAC Information Request 1-75 was directed to
the PIPP infrastructure project and was asking for a copy
of the most recent business case?

21

Would that be fair?

22

23

MR. DONALD PALMER: Yes, I would agree
with that.

24

25

MR. BYRON WILLIAMS: And it would be fair
to say, in terms of the Corporation's response, it -- it

1 didn't actually provide the business case but it -- it
2 did provide, through this and subsequently through PUB-2-
3 26, a summary of the business case in any event?

4 Is that fair, sir?

5 MR. DONALD PALMER: I would agree with
6 that.

7 MR. BYRON WILLIAMS: And in terms of the
8 summary, the response suggests that the -- the business
9 case was based upon a duration of seven (7) years, with
10 an estimated cost of 27.1 million, and estimated benefits
11 of 41.9 million.

12 Would that be fair?

13 MR. DONALD PALMER: Yes.

14 MR. BYRON WILLIAMS: And -- and in broad
15 strokes, we'll get into the details in a minute, but is
16 this consistent with the -- the Corporation's current
17 expectations, in terms of both the cost and the benefits
18 of the -- the PIPP infrastructure project?

19 MR. DONALD PALMER: It is.

20 MR. BYRON WILLIAMS: And, Mr. Palmer, I
21 realize that pieces of this information are -- are
22 throughout the record, but in terms of the 27.1 million,
23 in terms of costs, I wonder if the Corporation would
24 undertake to provide my clients with a detailed analysis
25 of the derivation of those costs, of the cost estimate of

1 27.1 million, including the nature and category of the
2 expenditures anticipated, the estimated cost of each, and
3 the year in which the costs were expected to be incurred?
4

5 (BRIEF PAUSE)
6

7 MR. DONALD PALMER: We can do that at
8 some level. You've asked -- detail is a bit of a
9 subjective term. We will break it down into the
10 categories you've mentioned at some -- some level of
11 detail.

12 MR. BYRON WILLIAMS: And you'll also set
13 out the costs and the year in which the costs are
14 expected to be incurred, sir?

15 MR. DONALD PALMER: Yes.
16

17 --- UNDERTAKING NO. 30: To provide a detailed
18 analysis of the derivation of
19 the cost estimate of 27.1
20 million, including the nature
21 and category of the
22 expenditures anticipated, the
23 estimated cost of each, and
24 the year in which the costs
25 were expected to be incurred

1 CONTINUED BY MR. BYRON WILLIAMS:

2 MR. BYRON WILLIAMS: If you can turn now
3 to the Corporation's response to PUB-2-26, and we'll
4 follow up on this line of inquiry, please?

5 MR. DONALD PALMER: Yes.

6 MR. BYRON WILLIAMS: I'm going to try and
7 -- to high level this, Mr. Palmer, but we've talked a
8 little bit about the costs. In terms of the estimated
9 benefits, or the estimated savings of \$40 -- \$41.9
10 million, my -- my understanding is that those estimated
11 benefits are expected to be comprised of about 8.56
12 million in productivity, in brackets, FTE improvements,
13 and about 33.36 million in leakage avoidance.

14 And if you're looking for reference, you
15 might want to turn to the top of the next page, Mr.
16 Palmer.

17 MR. DONALD PALMER: Yes, I'll confirm
18 those numbers.

19 MR. BYRON WILLIAMS: I want to focus
20 first, if I could, on the productivity and improvements.
21 And again, you did -- and I believe it was Ms. McLaren,
22 but one (1) of you had a bit of a discussion with Ms.
23 Everard today but I'm going to ask a bit more detail.

24 By productivity improvements you refer, in
25 particular, to two (2) improvements: 1) the benefits of a

1 paperless claims environment, and 2), the ability to
2 process a certain percentage of claims in an automated
3 fashion.

4 Would that be accurate?

5 MR. DONALD PALMER: Yes.

6 MR. BYRON WILLIAMS: And just directing
7 your attention to the second paragraph of the
8 Corporation's response. You indicate that in terms of
9 the anticipated benefit of -- economic benefit of
10 introducing a paperless claims environment, the PIPP
11 infrastructure project assumed a 15 percent productivity
12 improvement.

13 Would that be fair, sir?

14 MR. DONALD PALMER: Yes.

15 MR. BYRON WILLIAMS: And that improvement
16 would be with regard to the annual claims FTE complement.

17 Is that fair?

18

19 (BRIEF PAUSE)

20

21 MR. DONALD PALMER: That would be
22 specifically the injury claims, not a savings on the
23 adjusters for the physical damage components.

24 MR. BYRON WILLIAMS: If I'm paraphrasing
25 you incorrectly, you'll correct me, Mr. Palmer, as -- as

1 you rarely have to do, but sometimes have to do.

2 Am I correct in suggesting to the -- to
3 you that in essence you expect that you'll be able to
4 reduce the total number of injury -- PIPP injury claims
5 staff by 15 percent as compared to what they would
6 otherwise be?

7 Is that your point? At least as measured
8 in FTEs, full-time equivalents?

9 MS. MARILYN MCLAREN: I think that's fair
10 to say that that's the impact of the expected savings.
11 Whether it actually translates into FTEs, sort of like a
12 hard calculation of 15 percent of the FTEs, I'm not sure.
13 But the savings really is what's being predicted, and
14 translated to FTEs.

15 So the productivity improvement may
16 ultimately take other forms than a direct offset to FTEs,
17 but the savings are expected to be an equivalent amount
18 of dollars.

19 MR. BYRON WILLIAMS: Ms. McLaren, maybe
20 it's because it's late in the week, I'm not sure I
21 followed you. In terms of a -- something as a direct
22 offset to FTEs, I'm not sure what you meant by that.

23 MS. MARILYN MCLAREN: One should not
24 expect that there will be a measurable direct correlation
25 in -- by virtue of a reduction of 15 percent of the FTEs

1 in the injury management departments when the project is
2 complete.

3 MR. BYRON WILLIAMS: If -- and I
4 appreciate that. If -- if one is trying to measure the
5 business case and -- and to measure that PIPP, the
6 infrastructure project is actually doing what it -- it
7 says it would do, can you give me some insight into how
8 one might look retrospectively and test the premise that
9 this is going to result in a 15 percent productivity
10 improvement is measured in -- in the equivalent of FTEs?

11 MS. MARILYN MCLAREN: Well, I guess it's
12 fair to say that, you know, the way you've positioned the
13 -- the earlier question as a reduction in the number of
14 FTEs from what they otherwise would have been, that's
15 true. And I think you can expect to see that and -- and
16 that we will demonstrate that through time.

17 It may not, in fact, mean 15 percent less
18 than we have today. I think that's the point I was
19 really trying to get at.

20 If, in fact, there is 5 percent more, we
21 will expect to be able to demonstrate that if not for the
22 PIPP project it might have been 20 percent more.

23 MR. BYRON WILLIAMS: And so presumably to
24 -- to measure and to be able to demonstrate that, you're
25 going to have to establish a baseline in terms of a

1 certain amount of claims FTEs that you would expect to be
2 in play but for the -- the PIPP productivity improvement.

3 Is that how you propose to do this, Ms.
4 McLaren?

5 MS. MARILYN MCLAREN: No, no. In part.
6 Of course, you have to do that to calculate the 15
7 percent, definitely, but you also have to track your
8 baseline and your expected savings and any emerging
9 changes to the business. So that's the other piece of it
10 that sometimes organizations running projects lose sight
11 of tracking any other changes to the business. And then
12 at the end of the day they're not down by 15 percent and
13 they're not sure why. So that's what I'm referring to as
14 we need to be able to -- to track all of that to
15 demonstrate the savings.

16 MR. BYRON WILLIAMS: And -- and I
17 certainly accept the second part of your answer in terms
18 of the -- you have to check -- track emerging changes to
19 the business. And thank you for that.

20 In terms of the baseline, is that baseline
21 developed? Is there a number you can refer me to?

22 MS. MARILYN MCLAREN: Well, it -- it's
23 today's environment. It's today's organizational
24 structure, FTE counts.

25 MR. BYRON WILLIAMS: And on the record

1 somewhere? Is that number on the record, Ms. McLaren?

2 MS. MARILYN MCLAREN: We will point you
3 to the reference, yes.

4 MR. BYRON WILLIAMS: Thank you, I
5 appreciate that.

6

7 --- UNDERTAKING NO. 31: To provide the reference on
8 the record regarding baseline
9 development

10

11 CONTINUED BY MR. BYRON WILLIAMS:

12 MR. BYRON WILLIAMS: Staying with the
13 paperless claims environment for a -- for a moment -- and
14 you have to realize my background is from the Workers
15 Compensation Appeal Commission and God knows I'd love to
16 see a paperless claims environment, goodness knows.

17 When -- when do you anticipate achieving a
18 paperless claims environment and how will I know it when
19 you've achieved it, Ms. McLaren?

20 What does that mean?

21 MS. MARILYN MCLAREN: It means that all
22 the information pertinent to a particular claim file is
23 online, digitized, not in a paper file.

24 Today we have a combination. We have
25 information in the claims processing system and we have

1 extensive paper files.

2 As part of the PIPP infrastructure
3 project, we're working now to scan those paper files of
4 existing claims. So that is what you would know when you
5 see it, is people would bring a laptop and not boxes full
6 of paper.

7 MR. BYRON WILLIAMS: That would be a
8 happy day indeed. Would it be fair to say that you
9 expect to achieve the paperless claims environment by May
10 or June of 2010?

11 MS. MARILYN MCLAREN: Yes, yes, that is
12 certainly our expectation.

13 MR. BYRON WILLIAMS: And again, excuse my
14 -- my slowness with regard to this. In terms of the
15 productivity improvements, the 15 percent productivity
16 improvements that you expect to flow from the paperless
17 claims environment in place in May or June of 2010, when
18 -- then we would fully expect to see those reflected in
19 the -- the results of the Corporation for 2010 and '11?

20 MS. MARILYN MCLAREN: No, I think again
21 on -- on the second page of PUB-2-26.

22 MR. BYRON WILLIAMS: Yes, I should have
23 read more carefully.

24 MS. MARILYN MCLAREN: The expectation is
25 in terms of really, you know, change management, changing

1 the behaviour of case managers and so on. It'll take
2 some time, some number of years, about six and a half (6
3 1/2) years after May of 2010.

4 MR. BYRON WILLIAMS: Do you expect some
5 benefits to flow through the bottom line in 2010/'11?

6 MS. MARILYN MCLAREN: Probably not,
7 because while there may be productivity improvements,
8 some things will happen instantly, some of the
9 opportunities to really streamline the business processes
10 will happen instantly. But the extent to which staff
11 will take longer to do the new way what they used to do
12 the old way really would negate any benefits in the first
13 six (6) or -- or ten (10) months of -- of using the new
14 system.

15 MR. BYRON WILLIAMS: So those wouldn't --
16 any anticipated benefits would not be reflected in the
17 2010/'11 rates then?

18 MS. MARILYN MCLAREN: I think that's
19 fair.

20 MR. BYRON WILLIAMS: And in terms of the
21 Corporation's projections for the outlook year -- I'm not
22 sure if outlook year -- but the '11/'12 year, again would
23 it be fair to say that any anticipated savings would not
24 be reflected in that?

25 MR. DONALD PALMER: The savings are built

1 into '11/'12 going forward in terms of head count and
2 other operational savings going forward.

3 MS. MARILYN MCLAREN: And I think, again,
4 we need to go back to the last paragraph of 2 -- PUB/MPI-
5 2-26, we're not suggesting we will see no savings for six
6 and a half (6 1/2) years. What this says is that the
7 forty-one point nine (41.9) is the sum of the savings
8 over time, not the present value. And the total was
9 anticip -- the total was anticipated to be realized once
10 the new bodily injury claims management integrated
11 solution had been in place for approximately six and a
12 half (6 1/2) years.

13 So there will be savings flowing,
14 beginning in the -- in the '11/'12 insurance year.

15 MR. BYRON WILLIAMS: Thank you for that.
16 And at the end of the -- this line of questioning, I'm
17 going to give you an opportunity to put the -- the
18 savings together with the costs so we can have it in --
19 in one (1) package.

20 Just again, and turning to the second part
21 of the productivity improvements, the ability to produce
22 more invoices, you'll confirm, first of all, that the --
23 the second part of the productivity improvements is the
24 ability to provide more invoices in an automated fashion.

25 Would that be fair?

1 MS. MARILYN MCLAREN: Process invoices,
2 which means receive them and pay them, generally.

3 MR. BYRON WILLIAMS: I misspoke and I
4 apologize for that.

5 And the assumption is, as I understand it,
6 in terms of paragraph 3 of your response, that your -- in
7 terms of processing standardized invoices your -- the
8 assumption is that 20 percent of these could be processed
9 in an automated way, thus reducing the FTE requirements
10 for processing these invoices manually.

11 Fair enough?

12 MR. DONALD PALMER: Yes.

13 MR. BYRON WILLIAMS: And would it be fair
14 to suggest -- well, perhaps you can indicate to me, when
15 do you expect to achieve this capability?

16

17 (BRIEF PAUSE)

18

19 MS. MARILYN MCLAREN: Certainly, certain
20 aspects of that will be in place with implementation next
21 spring.

22 MR. BYRON WILLIAMS: And how do you
23 propose to calculate and monitor the -- the savings that
24 flow from this so that they can be measured?

25 MS. MARILYN MCLAREN: We will know the

1 number of hands-off invoices processed, so to speak. We
2 will know the number of invoices that may continue to be
3 processed the traditional way. I guess, generally that
4 would be the heart of it.

5 MR. BYRON WILLIAMS: And are you able to
6 provide that number as a baseline, the number that you
7 propose to use to us, please?

8 MS. MARILYN MCLAREN: I expect so. We'll
9 -- we'll go back and find out and let you know if we
10 can't for some reason.

11 MR. BYRON WILLIAMS: So, as I understand
12 it, you're going to review that and -- and if it's
13 possible, to produce that answer, you will undertake to
14 do so?

15 MS. MARILYN MCLAREN: Yes.

16
17 --- UNDERTAKING NO. 32: To provide a baseline number
18 for hands-off invoices
19 processed invoices and
20 traditionally processed
21 invoices

22
23 CONTINUED BY MR. BYRON WILLIAMS:

24 MR. BYRON WILLIAMS: I want to turn to
25 the subject of leakage, as I giggle as I use that word.

1 Essentially though, the objective is
2 through the use of work fair based software to enable
3 ineligible benefit payments to be -- to be ceased
4 earlier, is that correct?

5 MR. DONALD PALMER: That's correct.

6 MR. BYRON WILLIAMS: And again, you
7 estimated the Corporation will save \$33 million over the
8 six (6) point -- you know, over a period of time as a
9 result of the introduction of the work fair based
10 software program.

11 Is that right?

12 MR. DONALD PALMER: That's correct.

13 MR. BYRON WILLIAMS: And when do you
14 expect the Corporation to achieve this capability? I'm
15 presuming May/June of 2010, would that be fair?

16 MR. DONALD PALMER: That's -- that's the
17 start of it, yes. So again as -- it may take some time
18 to understand the -- the flow. I think this is certainly
19 analogous to the -- Ms. McLaren's comments with regard to
20 the paperless claims. These two (2) are very much
21 linked.

22 So it could take -- there likely wouldn't
23 be savings in that in 2010/'11, but beyond that we would
24 gradually see the savings going in over that six and half
25 (6 1/2) year period.

1 MR. BYRON WILLIAMS: Okay. Thank you for
2 that. And -- and in terms of how you propose to
3 calculate and monitor these savings, I wonder if you
4 could elaborate on that for my clients, as well?

5 MR. DONALD PALMER: Again, we have the
6 current accident year incurred PIPP claims as -- as a
7 baseline, and then had savings from those claims, from --
8 from that base.

9 MR. BYRON WILLIAMS: I'm sorry, Mr. --
10 Mr. Palmer, I was distracted. If you could repeat that,
11 please?

12 MR. DONALD PALMER: As part of our claims
13 forecasting methodology we have the -- the base of PIPP
14 claims. We have the trends that we have seen going
15 forward. So that would be our -- our baseline, and then
16 we subtracted savings from those -- from that baseline.

17 MR. BYRON WILLIAMS: And how does one
18 determine that the savings flow from the stopping the
19 leakage as opposed to other changes in trends, for
20 example?

21 MR. DONALD PALMER: The easy answer is,
22 you can't. You can certainly make some assumptions as to
23 what would have happened. There could be other factors
24 involved in that. And you have to look at the
25 environment, the contributing factors.

1 We do -- for instance, if we had no
2 decrease in claims but we had a bad winter or something
3 like that, an increase in the number of serious claims,
4 you can measure, based on past history, what that effect
5 could have been, but to exactly have a factor analysis of
6 one (1) factor versus another on an exact basis, you --
7 you basically can't.

8 MR. BYRON WILLIAMS: And again, we'll --
9 we'll come to a completed business case in a second. But
10 in -- in fairness to the Corporation, in -- in addition
11 to the financial benefits that may -- may flow to the
12 bottom line from this technology, there's other benefits
13 that the Corporation has identified as -- as well.

14 And I -- I wonder if -- if it can
15 elaborate on them just for -- to -- to a small degree,
16 please.

17 MR. DONALD PALMER: They're outlined in
18 CAC-1-75, the paragraph that says:

19 "In addition to the financial benefits
20 there are a range of strategic benefits
21 that the PIPP transformation program
22 expects to realize."

23 Did you want me to read in the --

24 MR. BYRON WILLIAMS: Don't read it, Mr. -
25 - Mr. Palmer, but if you just -- the high level in terms

1 of what you're attempting to achieve.

2 MR. DONALD PALMER: Improved customer
3 service, certainly to get payments out faster, better
4 case management, effectiveness, better recovery from
5 injuries through utilizing techniques better and faster,
6 to really get the case managers out in the field so to
7 speak to assist the claimants rather than being in the
8 office doing more mundane clerical tasks, essentially
9 getting the right people doing the right case management
10 job. That's probably the biggest part.

11 The other benefits here are with regard to
12 some reduction in risk in terms of a paperless office.
13 Certainly not the risk of losing files and -- and not
14 being able to locate files, all those kind of things.

15 From a risk reduction with fire and all
16 those things, coffee spills and all those various things
17 that can happen to paper files, that -- that risk is --
18 is reduced certainly.

19 MR. BYRON WILLIAMS: Fair enough, Mr.
20 Palmer. I noticed you were looking at me when you were
21 referring to coffee spills and I wonder -- I wonder why.

22 Just as you're aware, I've already asked
23 you and you've agreed to provide me a kind of a rollout
24 of the expected costs of the program.

25 I wonder if you can undertake to do

1 something similar with the expected financial benefits of
2 the program, where you expect them to flow from and also
3 the years in which you expect them to -- to roll out,
4 please.

5 MR. DONALD PALMER: You're talking the
6 reduced claims cost?

7 MR. BYRON WILLIAMS: Reduced claims costs
8 and also the other productivity improvements, Mr. Palmer.

9 MR. DONALD PALMER: Yes.

10

11 --- UNDERTAKING NO. 33: To provide the expected
12 financial benefits of the
13 program, where they are
14 expected to flow from, and
15 the years in which they are
16 expected to roll out

17

18 THE CHAIRPERSON: If you find you have an
19 ineligible claim because of the paperwork just processing
20 around, do you seek refunds?

21 You know, if you've got someone on a --

22 MS. MARILYN MCLAREN: Can you just repeat
23 the question? What kind of claims?

24 THE CHAIRPERSON: Well, I'm thinking
25 about a claim when you have someone on a weekly indemnity

1 and it's running on and you got to -- you're relying on
2 paper and you've got to transfer it from department to
3 department, I presume.

4 I'm assuming in some cases the need for
5 the compensation has concluded but the payment could
6 still go out. And I'm wondering now does the Corporation
7 seek refunds in those cases or just accept it as a --

8 MS. MARILYN MCLAREN: There's at least
9 two (2) different ways that can happen. If the
10 claimant's circumstances change, they really are
11 obligated to report that to us.

12 If they go back to work and we keep paying
13 them, absolutely, we will recover that. What -- I think
14 more appropriate within the context of the conversation
15 around leakage is we may have been able to encourage them
16 back to work sooner than we end up encouraging them back
17 to work because we have not been as on top of that if we
18 -- as we could have been given the cumbersome paper
19 oriented claims management system we have.

20 In those cases, we certainly wouldn't
21 attempt to recover their income replacement indemnity.

22 THE CHAIRPERSON: Like your rehab could
23 be a lot faster, for example?

24 MS. MARILYN MCLAREN: Yes.

25 THE CHAIRPERSON: Assessments could be

1 made, references to doctors and things of that nature?

2 MS. MARILYN MCLAREN: Exactly, yeah.

3 Yeah, return to work, reductions in personal care
4 assistance through recovery and medical necessity of
5 treatments, those are probably the three (3) largest
6 areas that we would expect to reduce the leakage.

7 THE CHAIRPERSON: I remember from my WCB
8 days that in times when the economy slowed, the duration
9 tended to expand, and I'm wondering whether you'd be
10 having that same experience?

11 MS. MARILYN MCLAREN: You know, we -- we
12 have those discussions, nothing obvious in the last year
13 or so at MPI, you know, and the Manitoba economy is still
14 doing pretty well and unemployment is still low. So, no,
15 in the recent experience of the economy we've seen no
16 reflection of that in our PIPP claims.

17 THE CHAIRPERSON: Yes, I know. I've seen
18 the manufacturing shipments out of Manitoba and they were
19 down by 11 percent year-over-year June, which was the
20 lowest actually in the country. Still significant.

21 MS. MARILYN MCLAREN: For sure, yeah.

22 THE CHAIRPERSON: Sorry, Mr. Williams.

23

24

(BRIEF PAUSE)

25

1 MS. MARILYN MCLAREN: Section 153 (2) of
2 the Act talks about the fact that we are not able to
3 recover payments unless the fact that we paid them was
4 because of fraud on the part of the claimant. That kind
5 of speaks to them not reporting they're back at work.
6 But if we had not managed the claim as effectively, we
7 would -- that would not be recoverable.

8

9 CONTINUED BY MR. BYRON WILLIAMS:

10 MR. BYRON WILLIAMS: Just to finish off
11 in -- in this general area of the infrastructure project,
12 I believe your evidence suggests that both in terms of
13 the paperless office and also improving claims
14 management, you expect that there will be a time of
15 transition in the 2010/'11 year as -- as people adjust to
16 the technology and -- and to a changed way of doing
17 business.

18 Is that fair?

19 MS. MARILYN MCLAREN: Definitely, yeah,
20 that's fair.

21 MR. BYRON WILLIAMS: And perhaps you can
22 assist my clients in understanding, how does the
23 Corporation stay on top of that to make sure that the
24 promise of these changes is -- is actually realized?

25 MS. MARILYN MCLAREN: It -- it's --

1 realizing the expected benefits is quite a structured
2 part of our project management protocols at -- at
3 Manitoba Public Insurance. In this particular case it
4 would require a lot of effort which means that the change
5 management resources, the management and the training
6 resources that are all part of the development of this
7 study will be basically onsite in the injury case
8 management departments, working with the staff,
9 overseeing the staff, really having direct opportunity to
10 -- to assess the extent to which they are adopting the
11 changes as intended.

12 MR. BYRON WILLIAMS: They'll be onsite in
13 -- in -- in terms of seeing the activities or the
14 opportunities are realized and presumably they'll be
15 reporting to you on a -- on a regulation basis?

16 MS. MARILYN MCLAREN: That's right. And
17 it's part of the lead-up, as well, you know. I mean,
18 we've got case managers right now able to play with the
19 system, experience the system. We are working now to
20 work on the changes to the position descriptions, the
21 policies and procedures.

22 So with a very comprehensive
23 implementation plan, you can increase the likelihood that
24 people will truly understand what's expected of them,
25 will buy into it, and will be able to accommodate the

1 changes when they come.

2 MR. BYRON WILLIAMS: And do you
3 anticipate retaining anyone or undertaking any
4 independent evaluation of the success of this
5 implementation plan with regard to the PIPP
6 infrastructure project?

7 MS. MARILYN MCLAREN: Not at this point,
8 not separate from the external service providers that --
9 that we have working with us already. We would certainly
10 take a much harder look at it if we were concerned that
11 it was not implementing the way we expect it to. But all
12 else being equal, we would do the post-implementation
13 review with the same resources that were working on the
14 project.

15 Conversation very briefly in the last
16 couple of days around the fact that Gartner is one (1) of
17 the external consultants working with us that they
18 provide that external independent third party advice, as
19 to how these projects are going, whether or not there are
20 any areas of concern and, for the ones that have been
21 implemented or will be implemented, have you realized the
22 benefits.

23 MR. BYRON WILLIAMS: And so in terms of
24 the PIPP infrastructure project, for example, the Gartner
25 Group will be providing reports to the Corporation in

1 terms of whether not it's realized its potential.

2 Is that correct?

3 MS. MARILYN MCLAREN: More specifically,
4 they would provide their perspective on the robustness
5 and appropriateness of the post implementation review
6 that -- that would have been done more internally.

7 MR. BYRON WILLIAMS: And would you be
8 prepared to file that in future proceedings with
9 intervenors? Excuse me, with the Board?

10 MS. MARILYN MCLAREN: At this point I'm -
11 - I'm -- would anticipate that we could.

12 MR. BYRON WILLIAMS: And you'll advise us
13 if there's any reason why you don't expect you can, Ms.
14 McLaren?

15 MS. MARILYN MCLAREN: Sure, that's fair.

16 MR. BYRON WILLIAMS: Mr. Chairman, just a
17 few more questions, I hope, on -- on the business process
18 review. And I'd -- I'd ask the Corporation to turn to
19 the First Round Information Request to the Board, PUB-1-
20 28, please, (a).

21

22 (BRIEF PAUSE)

23

24 MR. BYRON WILLIAMS: For those of you
25 still looking, Mr. Kramer, PUB-1-28A.

1 Mr. Kramer, essentially what you've set
2 out in your response to 1-28A is -- in the Attachment 'A'
3 was a schedule outlining the changes -- or, excuse me,
4 outlining the following -- a number of expense
5 categories, one (1) of which is amortization.

6 Is that correct, sir?

7 MR. OTTMAR KRAMER: Yes, that is correct.

8 MR. BYRON WILLIAMS: And if you can, and
9 we'll try and move through this quickly, just turn to
10 page 1 of that -- that attachment and the bottom of page
11 1 specifically where you'll see the heading
12 "Amortization." Do you see that, Mr. Kramer?

13 MR. OTTMAR KRAMER: Yes, I see that.

14 MR. BYRON WILLIAMS: And just in terms of
15 these PIPP projects or, excuse me, these BPR initiatives
16 as they affect Basic, would I be correct in suggesting to
17 you that we're seeing about in the 2010/'11 year
18 amortization costs of about 6.6 million being flowed
19 through with PIPP accounting for a bit less than half of
20 that?

21 Would that be fair?

22 MR. OTTMAR KRAMER: Yes, that would be
23 correct.

24 MR. BYRON WILLIAMS: And again, for
25 2011/'12 we've got costs of 7.6 million approximately

1 related to the amortization of the PIPP initiatives with
2 PIPP accounting for about three point three (3.3) of
3 that.

4 Would -- would that be fair, sir?

5 MR. OTTMAR KRAMER: Yes.

6 MR. BYRON WILLIAMS: And I believe you'd
7 canvassed this with Ms. Everard. For the purposes of
8 amortization the expected life of the technology related
9 to the PIPP initiatives is five (5) years.

10 Is that correct?

11 MR. OTTMAR KRAMER: Deferred development
12 is amortized over five (5) years.

13 MR. BYRON WILLIAMS: Thank you for that
14 precision that you've added. Just moving forward, in
15 terms of the estimated cost to Basic of PIPP, how, if at
16 all, is technological obsolescence factored into the
17 financial forecast?

18 The question was less than elegant. Let
19 me put it this way and -- and I apologize for the
20 imprecision.

21 When I'm looking at estimated costs for
22 the BPR initiatives -- and I probably misspoke -- of in
23 the range of \$50 million, do those include costs related
24 to the estimated costs of maintaining the new technology,
25 or estimated replacement costs?

1 (BRIEF PAUSE)

2

3 MS. MARILYN MCLAREN: They do. Our
4 practice is to include in the estimate of the project
5 costs, the -- as best as we're able, the ongoing cost of
6 the changes that are being implemented.

7 If I can give you an example: If we need,
8 you know, a couple of new servers to do the Driver Safety
9 Rating system the capital cost would be built into the
10 project cost. But also if we have an expected life of
11 the servers of three (3) years and we're running these
12 costs out over five (5) years, we would budget to replace
13 the servers at the end of the third year, and that would
14 all be in the -- the project costs.

15 MR. BYRON WILLIAMS: Thank you for that
16 answer, Ms. McLaren. Just a final question in -- in this
17 general area. The Corporation elsewhere in the record,
18 and I don't have a reference right at hand, but it's
19 identified about forty (40) different risks it is
20 tracking. Do you recall that?

21 MS. MARILYN MCLAREN: Yes, I think we
22 said something about that.

23 MR. BYRON WILLIAMS: And are technology
24 risks tracked as part of the forty (40) -- those forty
25 (40) risks?

1 MS. MARILYN MCLAREN: Yes, definitely.

2 MR. BYRON WILLIAMS: In terms of
3 technology risk, does -- does the Corporation -- is it
4 able to provide a -- a summary of it's -- of the risks
5 that it sees with regard to technology, and also of it's
6 proposed measures to -- to react to any potential risks?

7 MS. MARILYN MCLAREN: At -- at a high
8 level I think there's two (2) that -- that are worth
9 talking about in a general way in these proceedings. One
10 (1) is, as you've mentioned, technology obsolescence.
11 There was a time years ago in the Corporation's history
12 where it let its systems get obsolete, was running
13 software that the manufacturers didn't support anymore.
14 We don't do that anymore. We -- we have guidelines and -
15 - and a corporate commitment that we will not allow
16 obsolescence.

17 The way we manage that risk is to stay
18 actively in touch with the various technology suppliers
19 that we use, we plan for upgrades, we make sure that we
20 have a hard schedule, as much as one can have a hard
21 schedule, of upgrade implementation that keeps us well
22 ahead of the manufacturer's specified obsolescence date.

23 So that's -- and all of those are really
24 just embedded in the Corporation's ongoing operations,
25 and budgeted, and operationalized as -- as just a core

1 part of how we manage IT at Manitoba Public Insurance.

2 Something else might be the -- the loss of
3 systems; not that we forget where we put them, but, you
4 know, if Autopac online and the claim system crashes
5 irrevocably, what does that mean to us, what do we do?

6 And we have disaster recovery plans to
7 deal with that. And we also have a back-up system that
8 we could operationalize depending on the business unit's
9 assessment of how critical it is to recover which systems
10 within certain time frames. We have plans in place to do
11 that, just like we have catastrophic hail response plans,
12 and -- and other kinds of catastrophe planning at the
13 Corporation. So those are two (2) examples and how we
14 manage them.

15 MR. BYRON WILLIAMS: Okay. Thank you.

16 Mr. Chairman, it would probably be an
17 opportune time for the mid-afternoon break, if that suits
18 the rest of the Board?

19 THE CHAIRPERSON: That's fine. Thank
20 you. We'll be back in fifteen (15) minutes.

21

22 --- Upon recessing at 2:24 p.m.

23 --- Upon resuming at 2:51 p.m.

24

25 THE CHAIRPERSON: Okay, Mr. Williams.

1 Before we begin I believe Ms. Kalinowsky has some
2 undertakings to file.

3 MS. KATHY KALINOWSKY: Yes, I have two
4 (2) undertakings to file. The first one would be
5 Undertaking Number 9, which I recommend be MPI Exhibit
6 Number 21, and it's comparison of benefits with other
7 insurers.

8

9 --- EXHIBIT NO. MPI-21: Response to Undertaking 9

10

11 MS. KATHY KALINOWSKY: And the next
12 exhibit would be Exhibit Number 22. It's a response to
13 Undertaking Number 15 which is the amortization expense
14 by BPR project.

15

16 --- EXHIBIT NO. MPI-22: Response to Undertaking 15

17

18 THE CHAIRPERSON: Thank you.

19

20 (BRIEF PAUSE)

21

22 THE CHAIRPERSON: Okay, Mr. Williams.

23 MR. BYRON WILLIAMS: Excuse me, Mr.

24 Chairman. I -- I'm just -- have we -- I'm just looking -

25 - have we received the -- the Undertakings?

1 THE CHAIRPERSON: Oversight.

2

3 (BRIEF PAUSE)

4

5 CONTINUED BY MR. BYRON WILLIAMS:

6 MR. BYRON WILLIAMS: Thank you, Mr.
7 Chair.

8 In just a couple of minutes we're going to
9 be turning to the second quarter financial reports, but
10 if I could just draw the Corporation's attention to its
11 response to CAC/MSOS-1-16 for a moment please?

12

13 (BRIEF PAUSE)

14

15 MR. BYRON WILLIAMS: Thank you, Ms.
16 McLaren. You'll confirm that the Information Request
17 itself notes that a reference in the annual -- 2008
18 annual report to the responsibility of the audit
19 committee for evaluating about forty (40) specific risk
20 profiles by likelihood and severity?

21 Do you see that, Ms. McLaren?

22 MS. MARILYN MCLAREN: Yes.

23 MR. BYRON WILLIAMS: And certainly you
24 were kind enough at a high level to share some
25 information about one (1) of those risks being

1 technological risk a few minutes ago.

2 But the Corporation when requested to
3 provide the information -- the submission to the audit
4 committee declined on the basis that it's confidential.

5 Is -- is that correct?

6 MS. MARILYN MCLAREN: Yes.

7 MR. BYRON WILLIAMS: You understand, Ms.
8 McLaren, from -- from the perspective of -- of my clients
9 dealing as they are with issues related to the -- the
10 rate stabilization reserve and the financial well being
11 of the -- of the Corporation because it has an effect on
12 -- on ratepayers, why they might be interested in -- in
13 the Corporation's perspective on specific risks and their
14 likelihood and potential severity.

15 You'd understand why that might be
16 important to my clients?

17 MS. MARILYN MCLAREN: Sure.

18 MR. BYRON WILLIAMS: And certainly -- I'm
19 not sure I was very successful previously, Ms. McLaren,
20 in -- in trying to offer creative ways to deal with
21 confidential information, but my clients certainly are --
22 are interested in -- in the Corporation's -- the
23 Corporation's assessment of potential risks and their
24 likelihood and severity.

25 And I'm wondering if it's prepared to

1 provide a -- some sort of a compromise or redacted
2 version of this -- of this document for -- for their
3 benefit?

4 MS. MARILYN MCLAREN: No, that -- that
5 would be -- I don't know what would be left of the
6 document if it was a redacted version. It would be a
7 significant effort to do that. I'm not sure that there
8 would be anything substantive left. I am prepared to
9 talk in more detail about the process itself.

10 But, I guess, you know, the other thing I
11 would say is that investment risk, the risk of claims
12 incurred being significantly different than expected,
13 those are -- those are significant risks to the basic
14 program that we talk a lot -- a lot about in these
15 proceedings.

16 So there are opportunities within these
17 proceedings to talk about risk to the Basic program. And
18 if it would be helpful I could talk, you know, in some
19 more detail about the process itself without disclosing
20 the content of the Corporation's risk management
21 approach.

22 MR. BYRON WILLIAMS: Ms. McLaren, just --
23 just so I can understand your reluct -- reluctance, and I
24 -- I'm sure it's a careful considered reluctance, are you
25 concerned about disclosing the specific risk profiles, or

1 are you concerned about information relating to their
2 likelihood and severity?

3 MS. MARILYN MCLAREN: I would have to
4 give that some thought. It is a comprehensive process
5 that the Corporation has and I have not thought of this
6 in terms of discreet components of it. I would have to
7 give that some thought.

8 MR. BYRON WILLIAMS: What I'm going to
9 suggest then, Ms. McLaren, is I'm going to give it some
10 thought, as well, and -- and consult with my clients and
11 -- and perhaps I'll have some discussions offline with
12 your counsel in terms of what -- what would satisfy their
13 requirements. And we may revisit this the next time we -
14 - we resume, okay?

15 MS. MARILYN MCLAREN: Sure.

16 THE CHAIRPERSON: Is the problem the
17 information, or the fact that this was something that MPI
18 staff provided to its Board?

19 MS. MARILYN MCLAREN: Sorry?

20 THE CHAIRPERSON: Is the problem in
21 providing a response the information itself -- because,
22 as you say, we've heard an awful lot about risk. You
23 might say the hearings are consumed about risk in many
24 ways.

25 But is the problem the listing of the

1 various risks and quantifications, et cetera, or leaving
2 that aside, simply the fact that it was a report from the
3 management to the audit committee?

4 The reason I ask is because, you know,
5 you've got the, you know, the DCAT and everything else
6 concerns itself with risk in adverse situations and
7 everything else. And I can understand Mr. Williams'
8 interest. You know, when it says forty (40) specific
9 risk profiles, one's imagination begins to leap, what
10 could be, you know, forty (40) different risk profiles?

11 But I'm wondering whether that question
12 helps you. Like, is it the fact that it was a report
13 that wasn't for this particular process, but for the
14 audit committee, or is it the information in the report
15 itself that gives you the problems? Maybe you want to
16 reflect on that, too.

17 MS. MARILYN MCLAREN: No, it -- it really
18 is both. And you know, I mean, there -- therefore, the
19 wording is that it is a confidential submission to the
20 audit committee. Things, you know, things like the DCAT
21 certainly deal with risk, absolutely, and financial risk
22 specifically, that clearly needs to be discussed in these
23 proceedings.

24 So it is -- it's confidential. I think it
25 would add to the Corporation's risk profile if this was

1 widely available public information. So the confidential
2 nature of it in terms of the Corporation's risk
3 management is a component of that. But it is a
4 submission to the audit committee, as well, so it is
5 really both of those. Maybe as Mr. Williams suggested,
6 we can all think about it a little bit more.

7 THE CHAIRPERSON: Okay. I think I'll ask
8 Board Counsel to participate too, if you don't mind, Mr.
9 Williams?

10 MR. BYRON WILLIAMS: Certainly not, and I
11 think we'll all be interested in recognizing the
12 Corporation's sensitivities and we'll see where -- where
13 it leads us.

14 THE CHAIRPERSON: Okay, Mr. Williams.

15

16 CONTINUED BY MR. BYRON WILLIAMS:

17 MR. BYRON WILLIAMS: Just to -- if the
18 Corporation could have at hand three (3) exhibits that
19 have been filed in this -- this hearing, PUB Exhibit
20 Number 10, and then MPI Exhibits Number 13, and MPI
21 Exhibit Number 14, please.

22

23 (BRIEF PAUSE)

24

25 MR. DONALD PALMER: I have all three (3).

1 MR. BYRON WILLIAMS: Thank you very much,
2 Mr. Palmer.

3 Let's turn, first of all, to PUB Exhibit
4 Number 10, and earlier in the hearing, I can't even
5 remember if it was this week or last week, you had a
6 discussion with PUB counsel about this exhibit, which is
7 titled "The Overall Net -- MPI Overall Net Financial
8 Position as of February 28, 2009."

9 Do you recall that conversation, Mr.
10 Palmer?

11 MR. DONALD PALMER: I do.

12 MR. BYRON WILLIAMS: And in -- in terms
13 of this table itself, the accumulated -- accumulated
14 other comprehensive income at that point in time was in a
15 negative position, being about 118 million in the bad
16 place.

17 Is that right, Mr. Palmer?

18 MR. DONALD PALMER: Yes.

19 MR. BYRON WILLIAMS: And -- and if memory
20 serves me right, subsequent to -- to -- to the review of
21 this document, the Corporation generously filed its
22 second-quarter report for the period ended August 31st,
23 2009 with this Board, and that -- that's marked as PU --
24 MPI Exhibit Number 13, correct?

25 MR. DONALD PALMER: Yes.

1 MR. BYRON WILLIAMS: And that -- that
2 quarterly report suggests a material change in
3 accumulated other comprehensive income, the acronym being
4 AOCI, in that it moved from negative 118 million
5 approximately in February 2009 to positive 2.7 mill. as
6 of August 31st, 2009.

7 Is that your understanding, as well, sir?

8 MR. DONALD PALMER: Two point five
9 million, but, yes, I -- I would agree that.

10 MR. BYRON WILLIAMS: Those lawyers say
11 they're always trying to get an extra couple hundred
12 thousand. I apologize for that.

13 And again, I don't think you need to turn
14 there just yet, MPI also filed Exhibit 14, which is --
15 was a revised forecast for '09/'10 and a revised
16 projection for 2010/'11, is that right, sir?

17 MR. DONALD PALMER: And revised outlooks
18 right through 2013/'14, yes.

19 MR. BYRON WILLIAMS: Thank you. Thank
20 you for that precision.

21 Focussing in just for a second on MPI-14,
22 it suggests, as you've discussed with Ms. Everard, a loss
23 of \$11 million currently forecast for the '09/'10 year.

24 Is that right, sir?

25 MR. DONALD PALMER: That's correct.

1 MR. BYRON WILLIAMS: And -- and if this
2 forecast proves accurate, turning to the second page of
3 this exhibit, the result will be an RSR balance going --
4 at the close of the 2009/'10 year of about 123.4 million,
5 sir?

6 MR. DONALD PALMER: Yes.

7 MR. BYRON WILLIAMS: And just to make
8 sure I understand it, when -- when the Corporation
9 reports on the RSR it doesn't include, for better or for
10 worse, the accumulated other comprehensive income.

11 Would that be accurate, sir?

12 MR. DONALD PALMER: That's correct.

13 MR. BYRON WILLIAMS: And again, and I'm
14 not meaning to criticize the Corporation for this, in --
15 in MPI-14, while it provides projections and -- forecast
16 projections and outlooks with regard to the basic
17 program, it doesn't provide an estimate going -- a
18 revised estimate going forward for the Extension or SRE,
19 would that be fair, sir?

20 MR. DONALD PALMER: That's correct.

21 MR. BYRON WILLIAMS: And just turning
22 back to PUB Exhibit 10 for a moment, Mr. Palmer, you'll --
23 -- you'll agree with me the -- the result for that exhibit
24 would probably look a lot different if we substituted a
25 figure of 2.5 million for AOCI as opposed to a negative

1 of 118 million?

2 Would that be fair?

3 MR. DONALD PALMER: Yes, that -- that
4 would be fair.

5 MR. BYRON WILLIAMS: Would it be possible
6 for the Corporation to take PUB Exhibit Number 10 and
7 just update it to reflect the Corporation's status as of
8 the August 31st, 2009 second quarter results, sir?

9

10 (BRIEF PAUSE)

11

12 MR. DONALD PALMER: Yes, and I would
13 suggest that it's not very hard to do. Those numbers
14 available from MPI-13.

15 MR. BYRON WILLIAMS: So you'll -- so
16 you'll undertake to update this exhibit -- and I'm
17 getting heck for the poor quality of my undertakings --
18 by updating it as of August 31st, 2009, sir?

19 MR. DONALD PALMER: Yes.

20

21 --- UNDERTAKING NO. 34: To update Exhibit MPI-13 to
22 reflect the Corporation's
23 status, as of August 31st,
24 2009

25

1 CONTINUED BY MR. BYRON WILLIAMS:

2 MR. BYRON WILLIAMS: And, Mr. Palmer --

3 MR. DONALD PALMER: If -- if you'd -- if
4 you'd like, I could just read that into the record right
5 now.

6 MR. BYRON WILLIAMS: Mr. Palmer, and I
7 don't mean to make too much work for the Corporation, but
8 I'd rather have it on -- on paper if you -- if you don't
9 mind.

10 MR. DONALD PALMER: Okay.

11 MR. BYRON WILLIAMS: Thank you for that
12 offer.

13 Just as an aside, Mr. Palmer, and
14 recognizing that -- that the concept of AOCI is -- is
15 rather new, certainly to -- to my clients, to your
16 knowledge is there any reliable methodology in place to
17 forecast for future AOCI results both in terms of bonds
18 and in terms of equity and -- and other non-bonds?

19 MR. DONALD PALMER: In terms of the --
20 the financial forecasts, and we do have a forecast of
21 investment income, and for rate setting purposes, we do
22 include a projection of the ultimate value of that
23 investment income.

24 The issue with AOCI is mostly around
25 timing rather than sort of an -- an eventual investment

1 return, so as we've seen, certainly in the past year, a
2 real fluctuation in that unrealized capital gain or
3 capital loss. So given that in our investment policy
4 statement, we really are looking at investments over the
5 long term. It's not a -- a case of really being
6 opportunistic investors. It is buying high-quality stock
7 over the long term and other investments over the long
8 term.

9 So from that standpoint, projecting what
10 AOCI would be at any particular time is very difficult
11 and I daresay it would be very difficult to do.

12 MR. BYRON WILLIAMS: Okay, and certainly
13 my clients have -- have not taken a position on how, if
14 at all, to use AOCI for rate setting purposes or for the
15 purposes of evaluating the -- the health of the
16 Corporation and the rate stabilization reserve.

17 But if you could just -- following up on
18 your -- your comments, you'll agree with me that
19 projecting for the purposes of rate setting eight -- you
20 know, eighteen (18) months into the future is, at the
21 best of the times, somewhat challenging.

22 Fair enough?

23 MR. DONALD PALMER: Yes. And I think
24 it's even probably further in advance than that because
25 of that two (2) year window on -- on rates. But again,

1 we're looking on a -- for a rate-setting perspective kind
2 of a -- a long-term outlook. So that's different than
3 short-term fluctuations that would be recorded in your
4 AOCI.

5 MR. BYRON WILLIAMS: Would -- would it
6 become -- so the natural flow from your -- from your
7 answer is that it would become even more challenging if
8 you were trying to take AOCI into account in the rate-
9 setting process?

10 MR. DONALD PALMER: Sure, and again, I'll
11 give you an illustration of us taking into account
12 investment income. We do have forecasts of interest
13 rates. We do have forecasts of equity returns. But
14 those equity returns would include both dividend income
15 and capital appreciation that would be realized over some
16 period of time. But there are short-term fluctuations
17 which would be reflected in AOCI.

18 So a snapshot of that at any particular
19 point in time is likely not of any value.

20 MR. BYRON WILLIAMS: I -- I promised both
21 the Board and -- and my clients that I wouldn't ask any
22 material questions about the RSR until our -- our next --
23 our next visit, but just -- just as a kind of a -- a
24 followup to the question I just posed, you recall some --
25 your conversation with My Friend, Mr. Saranchuk, in terms

1 of the M -- of the MCT and -- and the fact that AOCI was
2 taken into account for the purposes of calculating the
3 MCT.

4 Is that right? Do you recall that
5 conversation?

6 MR. DONALD PALMER: Yes, I recall and I
7 recall having an MCT score dropping from about 70 percent
8 to about 7 percent and likely it's back up to about
9 seventy (70), although we haven't done that calculation
10 at the quarter.

11 MR. BYRON WILLIAMS: Mr. Palmer, and I
12 wonder, the -- if I can again just get some thoughts from
13 you, both pro and con, in terms of both the -- the value,
14 if any, of using an AOCI for purposes of calculating the
15 RSR and also any concerns you would have. And you've
16 already ultimate -- outlined some but, you know, I -- I
17 wonder if you can offer the pros and cons from -- from
18 your perspective?

19 MR. DONALD PALMER: The -- the AOCI
20 unrealized -- unrealized gains or losses is generally
21 what it is. It does include some income there that you
22 would expect to be permanent. It does also include some
23 that you know that the markets will rebound or -- or come
24 off extreme highs.

25 So the RSR actually sort of tries to take

1 and averages those out best -- best it can and filter out
2 any temporary gains or losses. That's -- it's because
3 those gains or losses might be temporary, that we filter
4 them out and prefer not to measure them as part of our
5 RSR.

6 MR. BYRON WILLIAMS: To -- to the -- to
7 the extent that there's a positive element of the AO --
8 AOCI for the purposes of calculating the RSR, it's --
9 flowing from your answer, it would be that it would
10 capture some gains or losses that are likely or -- or
11 will be realized but which aren't otherwise captured in
12 the calculation.

13 That would be the one (1) advan -- the
14 advantage of it?

15 MR. DONALD PALMER: In terms of
16 measurement of -- of the overall financial stability of
17 the Corporation, I would agree with that. But again, we
18 only have to look at PUB Exhibit 10, see that we were --
19 had an unreserved equity of \$254 million. Take out the
20 competitive lines and you're left with about \$150
21 million.

22 Conceivable last year that had we reported
23 that as RSR, \$50 million of -- of that could have been
24 awarded in a -- in a rebate; round numbers to get us down
25 to the PUB target. And then, all of a sudden you lose

1 \$118 million as part of the AOCI in a year, and you're
2 down to an RSR less than zero, and it's purely because of
3 those unrealized capital losses.

4 Then we come back up again and we're -- so
5 we say we're at zero now, and we need a sur -- a
6 surcharge. We come to these hearings, the Board grants
7 our -- our surcharge because we're basically in a
8 negative position in RSR, and then we -- and six (6)
9 months later we get back to a zero (0) and all of a
10 sudden we might be in a refund.

11 So it's almost rate setting, or rebate
12 setting, or surcharge setting by yo-yo. There really is
13 some inherent difficulties with that.

14 MR. BYRON WILLIAMS: Thank you, Mr.
15 Palmer. And, you know, in a long time from now we may
16 revisit that -- that slightly.

17 Going back to MPI Exhibit Number 14, which
18 is the -- the updated statement of operations. If I --
19 if I were to -- and if I were to compare this -- and I
20 don't know if you want it at hand or not, Mr. -- Mr.
21 Palmer, TI.13 and TI.14, from the current -- current
22 application, but if that will assist you, you may want to
23 have them at hand, as well.

24

25

(BRIEF PAUSE)

1 MR. DONALD PALMER: I think I'm armed and
2 ready to go.

3 MR. BYRON WILLIAMS: Thank you. And --
4 and just a few questions, but -- and again, you've
5 covered some of this with Ms. Everard, but I want to make
6 sure I -- I have your point.

7 In -- in terms of the updated forecast for
8 2009, 2000 -- the 2009/'10 fiscal year, in terms of net
9 income, you're essentially talking about a \$23 million
10 swing from the -- the initial forecast to the -- to the
11 current forecast.

12 Would that be correct, Sir?

13 MR. DONALD PALMER: Yes.

14 MR. BYRON WILLIAMS: And in terms of
15 retained earnings, we're talking about, in the initial
16 forecast found as -- in the 2010 rate application as
17 TI.14, you're talking about 146.5 million, is -- is that
18 right, in terms of the Basic program RSR, Mr Palmer?

19 MR. DONALD PALMER: That's correct.

20 MR. BYRON WILLIAMS: And as a consequence
21 of the revised forecast, you're almost \$20 million less
22 in the RSR reserve, being a hundred and twenty-six (126)
23 -- almost 127 million, would that be fair, 19 million
24 less, sir?

25 MR. DONALD PALMER: No, that wouldn't be

1 fair. You're looking at the --

2 MR. BYRON WILLIAMS: I misspoke.

3 MR. DONALD PALMER: -- '10/'11.

4 MR. BYRON WILLIAMS: Yeah, let me try
5 that again. You would be about twenty (20) -- \$23
6 million less. How does that work, Mr. Palmer?

7 MR. DONALD PALMER: It's the same number
8 that our net income is -- is different because it flows
9 directly into the RSR.

10 MR. BYRON WILLIAMS: And in terms of the
11 GRA, or the 2010/'11 year, your net income is about 5
12 million lower than originally forecast in the
13 application.

14 Would that be accurate?

15 MR. DONALD PALMER: Yes.

16 MR. BYRON WILLIAMS: And the RSR is in
17 the range of 28 million less, Mr. Palmer?

18 MR. DONALD PALMER: Yes, and just to
19 expand that one (1) -- one (1) step further, because this
20 rate application does span through the earnings period of
21 '10/'11 and '11/'12, the '11/'12 net income is \$2.9
22 million less than our original GRA application.

23 MR. BYRON WILLIAMS: You got there just
24 ahead of me, Mr. Palmer, so I thank you for that.

25 Just in terms of the 2010/'11 year with

1 the forecast net income of in the range of 3.5 million,
2 the Corporation would essentially consider that a -- a
3 breakeven forecast.

4 Is that fair, sir?

5 MR. DONALD PALMER: Yes. And -- but
6 again, from a rate setting perspective again you'd have
7 to average that out with the '11/'12 years, bringing us
8 up to -- it's about a \$9 million average annual gain.
9 So, again, a breakeven is probably plus or minus \$10
10 million. We're certainly on that cusp of that \$10
11 million averaged over those two (2) years.

12 MR. BYRON WILLIAMS: And recognizing that
13 point, would I be wrong to suggest that you're absolutely
14 confident that your results in the 2010/'11 year will
15 remain on the positive side as opposed to the negative
16 side? That's an easy one.

17 MR. DONALD PALMER: There is a range
18 around these estimates. We've seen our estimates change
19 by \$23 million for the current year in a -- basically a
20 three (3) month period. So this is our best estimate for
21 '10/'11 and '11/'12 but there certainly could be some
22 variation around those two (2) years when we get there.

23 MR. BYRON WILLIAMS: If we look at the
24 time period -- again, based upon this revised forecast,
25 if we look at the time period from '09/'10 through

1 '11/'12 the updated forecast suggests a deterioration in
2 the Corporation's forecast of net income, somewhere in
3 the range of \$30 million.

4 Would that be fair?

5 MR. DONALD PALMER: Over the current year
6 and the next two (2) fiscal years, yes, that's true.

7 MR. BYRON WILLIAMS: Mr. Palmer, if you
8 could turn back to MPI Exhibit 13, the -- the quarterly
9 financial report and in particular page 5.

10 Just under the heading "Outlook," Mr.
11 Palmer, you'll see the statement that:

12 "The Corporation remains committed to
13 achieving its seven (7) corporate goals
14 and that actual results will be
15 monitored and corrective actions taken
16 when necessary to ensure that expected
17 outcomes are realized."

18 You see that statement, sir?

19 MR. DONALD PALMER: I do see that.

20 MR. BYRON WILLIAMS: And without asking
21 you to elaborate too much, corporate goal number 5 is
22 that the rate stabilization reserve will be maintained
23 within established target levels, correct, sir?

24 MR. DONALD PALMER: Yes.

25 MR. BYRON WILLIAMS: And from the

1 Corporation's perspective, maintaining the RSR within the
2 target range assists Manitoba in -- in achieving
3 deservable and stabable -- stable premiums over the long
4 term, fair enough?

5 MR. DONALD PALMER: Yes.

6 MR. BYRON WILLIAMS: And as I understand
7 the Corporation's evidence -- and we'll get into this
8 next in two (2) weeks -- but its target level, its bare
9 minimum for the basic RSR is no less than -- than \$185
10 million, fair enough?

11 MR. DONALD PALMER: We are still
12 selecting a single point target of \$185 million. That's
13 a level that would allow us to -- through any of the
14 adverse scenarios and I know we're getting into next week
15 -- to still maintain a positive rate stabilization
16 reserve.

17 MR. BYRON WILLIAMS: That's the bare
18 minimum from the Corporate's perspective and we'll get
19 into this more next week in terms of an acceptable RSR
20 target level.

21 MR. DONALD PALMER: That's the target
22 level, yes.

23 MR. BYRON WILLIAMS: The bare minimum?

24 MR. DONALD PALMER: I guess that -- I --
25 I don't know that I would necessarily say that that's the

1 bare minimum and I'll just -- basically, that it would
2 always be in our plan that some -- in our financial
3 forecast we have that \$185 million as an achievable
4 objective. So that's always the target that we would
5 adjust up and down for.

6 But if we were at \$184 million, for
7 instance, we wouldn't be looking for a surcharge for that
8 extra million dollars. It depends on our outlook, if
9 you're below that hundred and eighty-five (185) how you -
10 - how you got there. If you would expect to recover over
11 without any rate adjustments then if that's part of your
12 forecast then that's an acceptable level.

13 MR. BYRON WILLIAMS: If we look to the --
14 the Corporation's best estimate of where it will be at
15 the end of the 2010/'11 year, you're going to be at
16 around 127 million, Mr. Palmer, is that correct, in terms
17 of the basic rate stabilization reserve?

18 MR. DONALD PALMER: That's correct.

19 MR. BYRON WILLIAMS: So you're almost 60
20 million short of what you say is the -- the target level
21 for the Corporation?

22 MR. DONALD PALMER: Yes, but I will also
23 say in our outlook period without any rate intervention
24 we get to something above that or get to that \$185
25 million target in that '13/'14 year. So we wouldn't be

1 looking for a rate intervention to get us to that hundred
2 and eighty-five (185) level because it's built into our -
3 - baked into our forecasts.

4 MR. BYRON WILLIAMS: And you're
5 absolutely confident that those forecasts will -- as
6 into the outlook years will -- will prevail?

7 MR. DONALD PALMER: These forecasts are
8 struck every year and will be adjusted every year based
9 on the emerging conditions. So am I going to bet on us
10 hitting the \$185 million exactly in the 2013/'14 year?
11 No, but we will always adjust our forecasts on that
12 basis.

13 MR. BYRON WILLIAMS: So notwithstanding
14 the fact that the Corporation is some 58 million short
15 based upon its current best estimate in the 2010/'11
16 year, it's not proposing to seek any general rate
17 application to add some additional loading towards the
18 RSR?

19 MR. DONALD PALMER: In fact, within our
20 rates I mean, we've talked about having an average \$9
21 million net income over the next two (2) years that the
22 rates apply to so that implicitly, because we are not
23 seeking any overall rate change, there implicitly in
24 there is an amount that would go into the RSR above
25 strictly the breakeven that we would have to see.

1 If -- if we were strictly on a breakeven
2 basis we would be applying today for about a point and a
3 half rate decrease. As at the time of the application,
4 and this is in the -- in the evidence, we would -- a
5 breakeven actuarial indication would have been a rate
6 decrease I think of 2.4 percent.

7 MR. BYRON WILLIAMS: So -- so at the --
8 your evidence is, at the time of the application there
9 was an implicit RSR surcharge built in in the range of 2
10 percent, correct?

11 MR. DONALD PALMER: Yes.

12 MR. BYRON WILLIAMS: And subsequent to
13 that you've had a \$30 million deterioration in your
14 position over that year, over the '09/'10 through
15 2011/'12 year, correct?

16 MR. DONALD PALMER: Yes.

17 MR. BYRON WILLIAMS: Leaving you, based
18 upon your best estimates, about \$58 million short of what
19 you -- you say you need?

20 MR. DONALD PALMER: That we have got in
21 our outlook period to achieve that in sometime in
22 2013/'14, yes.

23 MR. BYRON WILLIAMS: And notwithstanding
24 that, you see there's -- given that RSR target, there's,
25 in the Corporation's view, no need to seek additional

1 levies to rebuild the RSR?

2 MR. DONALD PALMER: That's correct.

3

4 (BRIEF PAUSE)

5

6 MR. BYRON WILLIAMS: Do you understand
7 how you might be characterized as not taking that \$185
8 million target very seriously, given the material
9 deterioration in your forecast and no actions to -- to
10 correct it?

11 MR. DONALD PALMER: No, I wouldn't agree
12 with that at all, Mr. -- Mr. Williams. We are very
13 serious about the financial stability in the RSR. We
14 have a short-term fluctuation. Both of the events that
15 have characterized as the -- or resulting in that \$30
16 million deterioration which you have referenced is a one
17 (1) time hail event and a interest rate decrease to
18 interest rates that have been basically real rates
19 unprecedented over the last little while.

20 In our interest rate forecasts, the
21 consensus forecasts that we were looking -- looking at,
22 it is widely expected by economists generally when we --
23 we look at a consensus of -- of these forecasts, that
24 interest rates would return to some slightly higher level
25 over the -- the near to medium term. And we will see a

1 flip, so to speak, from that deterioration going the
2 other way.

3 So -- so it won't be a smooth ride to that
4 \$185 million. We will likely see some gains due to
5 interest rates. We may very well see changes in claims
6 forecasts, as well, being under our forecast. So in
7 terms of us saying that we don't take this seriously,
8 that's very much untrue. We are projecting to the long -
9 - long term and essentially don't get too distracted by
10 the bumps if we deem those to be one (1) time events.

11 MR. BYRON WILLIAMS: Okay, thank you.

12 MS. MARILYN MCLAREN: Mr. Williams,
13 further to Mr. Palmer's response, the Corporation rejects
14 your characterization of these updated forecasts being a
15 material deterioration. We also would point out that
16 this target of \$185 million is being proposed for the
17 consideration of this Board. We are very serious about
18 our best efforts to resolve the issue of the RSR target
19 level and believe that that is one (1) of the primary
20 objectives of -- of the proceedings this year. We do
21 have an implicit 1 to 1 1/2 percent RSR rebuilding
22 surcharge in the rate application that's before this
23 Board.

24 So on both those counts we -- we reject
25 the characterization as -- as a material deterioration

1 and we believe we are very serious about working towards
2 \$185 million, but first and primary if this Board accepts
3 it.

4 MR. BYRON WILLIAMS: Thank you. Just in
5 terms of the quarterly financial report, just for your
6 reference again, page 5, and -- and Ms. Everard chatted
7 about this a bit with the Corporation before -- but
8 there's -- there's reference in terms under the heading
9 of "Retained Earnings" to appropriations both from the
10 Basic Stabilization Reserve for the Immobilizer Fund --
11 Incentive Fund -- and also from the -- from the other
12 side of the business towards the Extension Development
13 Fund.

14 Do you see those references?

15 MR. DONALD PALMER: Yes.

16 MR. BYRON WILLIAMS: In terms of the
17 Basic side of the program, does the Corporation
18 anticipate at some -- at any point in the future that
19 there might be further appropriations from the -- the
20 Basic side of the program?

21 MR. DONALD PALMER: We don't anticipate
22 that right at this point in time. I'm not going to shut
23 the door on that. If there are deemed projects or -- or
24 loss prevention activities that are as significant as the
25 Immobilizer Program ended up being, then certainly we

1 would -- if -- if we could find another \$50 million to
2 appropriate to save the same amount of money that we have
3 saved under the Immobilizer Strategy with that kind of
4 certainty then we'd have to look at it, but there's
5 certainly not a plan to do that currently.

6 MR. BYRON WILLIAMS: Thank you for that.
7 My -- my clients appreciate that answer.

8 Mr. Palmer, yesterday in your -- and I'm
9 moving on to a different topic that'll probably, Mr.
10 Chairman, take us to about quarter to or ten (10) to and
11 that would probably be an appropriate time to -- to
12 break.

13 Mr. Palmer, my -- in your -- you spoke
14 yesterday morning, which I believe was Wednesday morning,
15 with regard to work that the Corporation might be doing
16 or anticipated doing with regard -- further work that the
17 Corporation anticipated doing with regard to cost
18 allocation.

19 Do you recall discussing that, sir?

20 MR. DONALD PALMER: I do.

21 MR. BYRON WILLIAMS: And you outlined a
22 number of areas where the Corporation anticipated doing
23 more work, one (1) of those being more work at the level,
24 at Level D with regard to the claims incurred allocator.

25 Do you recall that, Mr. Palmer?

1 MR. DONALD PALMER: Yes, I -- I recall
2 that discussion in terms of that allocation being
3 recommended in the Deloitte report as an allocation by
4 claims incurred and doing work into the determination of
5 really what that means in terms of the details of -- of
6 that, whether it's allocated over a one (1) year period
7 or a rolling five (5) year period or something different
8 than that.

9 MR. BYRON WILLIAMS: And thank you for
10 that. And -- and I understand that in terms of doing that
11 analysis one (1) of the perspectives that you would be
12 bringing to that would be the -- an interest in -- in the
13 issue of stability.

14 Do you recall using that language, sir?

15 MR. DONALD PALMER: I think that was your
16 terminology but we adopted it, yes.

17 MR. BYRON WILLIAMS: Okay. Well, let's
18 just make sure we're on all fours on that discussion.

19 What do you mean by "stability," Mr.
20 Palmer, within that context?

21 MR. DONALD PALMER: That would be that
22 the percentage -- in this context of allocation the
23 percentage of allocation cost to Basic on a percentage
24 basis would not vary materially from one (1) year to the
25 next through some range of material opening.

1 MR. BYRON WILLIAMS: And I thank you for
2 the copyright protection that you offered me in terms of
3 the term, Mr. Palmer. When you say the Corporation
4 adopted it, are you meaning used the word or endorsed the
5 concept?

6 MR. DONALD PALMER: I -- both Ms. McLaren
7 and myself have used the word from a rate setting
8 perspective of -- a rate setting goal of stability,
9 stability, stability. This would be one (1) aspect of
10 that, so either way.

11 MR. BYRON WILLIAMS: You endorsed it from
12 the perspective of cost allocation?

13 MR. DONALD PALMER: Yes.

14 MR. BYRON WILLIAMS: And -- and without
15 getting into tiresome detail and it may not be available,
16 I understand that, in -- in terms of the -- you -- you
17 mentioned looking at one (1) year or three (3) years, I
18 believe in your evidence yesterday, or five (5) year
19 rolling average.

20 Can you elaborate a little bit more at --
21 at how you'll examine that concept, Mr. Palmer, please?

22 MR. DONALD PALMER: Generally, when we
23 evaluate we would do a -- a back-cast, a what would have
24 happened had we been using a different methodology in the
25 past, and applying different rules and see what would

1 have happened.

2 MR. BYRON WILLIAMS: Okay. And, Mr.
3 Palmer, you also spoke of some additional work to be done
4 at the Level D level, at the -- at Level D in terms of
5 normalizing for abnormal call volumes, that's correct?
6 You don't need to elaborate, just...

7 MR. DONALD PALMER: That would have been
8 at the Level 'C level.

9 MR. BYRON WILLIAMS: Excuse me.

10 MR. DONALD PALMER: So a -- that would be
11 the allocation between insurance and non-insurance. But
12 apart from that one (1) correction, yes, I was talking
13 about whether we would (a) need to introduce the concept
14 of normalization and, if we did decide to do that, to put
15 some parameters around that.

16 MR. BYRON WILLIAMS: Thank you, Mr.
17 Palmer. And just in terms of the cost allocation,
18 earlier the Corporation -- and I believe even in your
19 comments yesterday -- the Corporation has spoken of
20 another -- some further work needed to be done in -- and
21 I'm not asking you to elaborate -- but a number of other
22 areas including purification.

23 Is that fair, sir?

24 MR. DONALD PALMER: The -- the two (2)
25 other areas that we did identify were cost purification

1 and also work effort studies. Both of those concepts are
2 in the allocation methodology and have to be a little
3 extra work. Going to have -- take some work to determine
4 exactly how they're implemented.

5 MR. BYRON WILLIAMS: And -- and you used
6 the descriptor of a little extra work. I guess what I'm
7 getting at, Mr. Palmer, in terms of the Corporation's own
8 work in refining the cost allocation process, how much
9 work is it, a lot, a little bit?

10 When does it expect that it could be
11 completed?

12 MR. DONALD PALMER: We would expect to
13 have it completed for the 2011 GRA.

14 MS. MARILYN MCLAREN: A little hard to
15 answer your question completely without seeing the order
16 of this Board. On the face of it, with what we know we
17 had to do if it was accepted as submitted as a proposal,
18 you know, there's reasonably significant work, not to the
19 extent of BPR-2A but it's a significant amount of work
20 that we have to figure out how to make this meaningful
21 and measurable and auditable.

22 MR. BYRON WILLIAMS: And thank you for
23 the -- the helpful segue, Ms. McLaren. It's -- it's
24 conceivable and I'm certainly not speaking for my clients
25 but groups like my -- my clients may be saying, you know,

1 great conception. We've got a question on a few areas
2 and -- and it is conceivable that the -- the Board may
3 recommend a bit of future -- further work with regard to
4 -- to the cost allocation methodology while endorsing the
5 overall concept.

6 That's conceivable?

7 MS. MARILYN MCLAREN: That's conceivable.

8 MR. BYRON WILLIAMS: And I'm cognizant of
9 your comments to the -- to the Board yesterday about the
10 Corporation's desire for as much clarity as possible.

11 You recall those comments, Ms. McLaren?

12 MS. MARILYN MCLAREN: I do.

13 MR. BYRON WILLIAMS: And you can see the
14 poten -- a poten -- perhaps you'll -- you'll agree with
15 me that a potential issue may arise in that while the
16 Corporation desires clarity there's a bit more work that
17 needs to be done and it may be the interests of many
18 parties not to have to do that work in the next General
19 Rate Application?

20 I'll come at this differently, Ms.

21 McLaren, and I apologize for the -- for the question.

22 Deloitte Touche, in its work in surveying
23 activities with regard to cost allocation in other
24 jurisdictions, talked a little bit about the BC
25 experience.

1 You recall that?

2 MS. MARILYN MCLAREN: Yes.

3 MR. BYRON WILLIAMS: And one (1) of the
4 outcomes from the January 2005 order of the BCUC was a
5 request for additional analysis on a few allocators, and
6 -- and subsequently a workshop was held between ICBC, the
7 Utility, and Intervenors.

8 Do you recall that, at least a high level?

9 MS. MARILYN MCLAREN: Yes.

10 MR. BYRON WILLIAMS: And I guess, Ms. --
11 Ms. McLaren, I'm -- I'm looking for insight from the
12 Corporation, to the extent that -- that if -- whether
13 that sort of workshop concept might be something that
14 would be feasible in further refining the -- the cost
15 allocation methodology of -- of the Corporation,
16 subsequent to any board order?

17 MS. MARILYN MCLAREN: I'm sorry, you're
18 asking, might it be feasible?

19 MR. BYRON WILLIAMS: Let me put it
20 another way. From a Corporation's perspective, is that
21 an approach that -- that might assist the Corporation to
22 the degree that there's a bit more work yet to be done?

23 MS. MARILYN MCLAREN: I --it's hard to
24 speculate. So much will depend on comments from the
25 Board in it's next order. I think it's important to note

1 a couple of things, that -- that the participants in the
2 ICBC process found themselves, basically, in a six (6)
3 year process. They were really starting from scratch,
4 much more so than the Corporation, who -- that has,
5 basically a vetted and accepted cost allocation
6 methodology, that today produces a result that is
7 materially, you know -- does not hit the Corporation's
8 test of materiality, in terms of the dollar impact of the
9 approach that's being proposed.

10 So, if we're talking, you know, far less
11 than 1 percent on basic Autopac rates, how much effort
12 and involvement and formal proceedings are required, I
13 think is a question, again, that this Board would need to
14 consider. I think we are much closer to the goal line
15 than they were in BC.

16 MR. BYRON WILLIAMS: And recognizing that
17 we're much closer to the goal line -- let's accept your
18 premise for a second -- within that context does the
19 Corporation believe that there may be some merit to some
20 sort of workshop, if there's a few outstanding issues yet
21 to be resolved?

22 MS. MARILYN MCLAREN: It -- it's
23 possible. Too soon to say.

24 MR. BYRON WILLIAMS: Fair enough. Mr.
25 Chairman, that's a suitable time to end my -- end this

1 section of our cross.

2 THE CHAIRPERSON: Very good. Thank you,
3 Mr. Williams.

4 Ms. Everard, I believe we come back on the
5 26th. And are we having -- are we breaking in and having
6 Doctors Hum and Simpson then, or are we just carrying on
7 with the cross?

8 MS. CANDACE EVERARD: We'll just carry
9 on, Mr. Chairman, on the 26th, that is the next hearing
10 date. Thereafter it's November 2nd. And I -- the last
11 that I have from Mr. Williams is that the professors will
12 be here the afternoon of November 2nd. And he's nodding
13 his head.

14 MR. BYRON WILLIAMS: And he's also
15 saying, "yes."

16 MS. CANDACE EVERARD: So, I think the
17 situation we're in is that probably the cross-
18 examinations of the Intervenors will be done by noon on
19 Monday, November 2nd, Doctors Humm and Simpson will
20 testify thereafter in the afternoon, possibly into the
21 morning of the 3rd, pending, and then that would, I
22 think, be the conclusion of the evidentiary part of the
23 hearing.

24 Then I would do closing remarks later on
25 November 3rd, possibly some of the Intervenors would do

1 the same. And we're going to need to set another date,
2 either later that week, or soon -- as soon thereafter as
3 possible, for MPI to do their closing. That -- that's
4 how it looks at the moment.

5 THE CHAIRPERSON: The Intervenors might
6 want a break from the close of the examinations too,
7 before they prepare their closing arguments. And then by
8 custom, we provide the Applicant a bit more time.

9 MS. CANDACE EVERARD: And that's a fair
10 comment, Mr. Chairman. My plan was to, in the next ten
11 (10) days or so before we're back on the 26th, speak to
12 Mr. Gaudreau with respect to the Board's availability,
13 speak to Ms. Kalinowsky, and go from there, to see what
14 we can do to see what we can do to get all these parties
15 back together.

16 THE CHAIRPERSON: My understanding is
17 that MPI hasn't changed. You generally like to get a
18 decision by early December, correct?

19 MS. MARILYN MCLAREN: Absolutely. Some -
20 - some growing concern on the part of the Corporation, on
21 part of the Applicant, that we have not, in my memory,
22 had hearing days into November, and -- and the date by
23 which we need the order really doesn't move, yeah.

24 THE CHAIRPERSON: Yes, okay, that's our
25 understanding. Thank you. We'll see you back at that

1 time.

2

3 (MPI PANEL NO. 1 WITNESSES RETIRE)

4

5 --- Upon adjourning at 3:51 p.m.

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9 Certified correct,

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Cheryl Lavigne, Ms.

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