

September 25, 2019
 revised September 25, 2019
 June 20, 2019

MPI Exhibit #37
 2020 GENERAL RATE APPLICATION
 Part IV(ii) - VM Appendix 13a

PROJECT NAME: B13/Fineos Upgrade 2020

	FY 18/19 Year 1	FY 19/20 Year 2	FY 20/21 Year 3	FY 21/22 Year 4	FY 22/23 Year 5	FY 23/24 Year 6	FY 24/25 Year 7	Total
Project Costs	(65,000)	(250,000)	(185,000)	0	0	0	0	(500,000)
Project Benefit	0	0	126,930	130,807	134,809	138,179	0	530,725
Net Project Impact	(65,000)	(250,000)	(58,070)	130,807	134,809	138,179	0	30,725
Cumulative Net Project Impact	(65,000)	(315,000)	(373,070)	(242,263)	(107,454)	30,725	30,725	
Net Present Value	(30,817)		based on discount rate of 6.00%					
IRR	2.6%							
Payback Period in years						5.78		
Return on Investment	-100%	-100%	-75%	-48%	-21%	6%	6%	
Discounted Payback Period in years								

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List all major financial assumptions used to develop the Financial Template

Spreadsheet Assumptions	Percentage	Source
Project Contingency	0%	Project
Interest/Discount Rate for NPV calculation	6.00%	See Note 1 for guidance on discount rate to use for calculating net present value. 4% for low risk project; 6% for medium risk project; or 9% for high risk project.
Short Term Interest Rate for Cash Flow impact	0.90%	Finance
Inflation increase on expenses/costs	2.50%	Finance unless fixed price - amend specific cells
Benefits Gross up as % of Salary	30%	HR/Finance covers pension, cpp, ei, health benefits, etc

Note 1

Risk free discount rate (i.e. Corporate Cost of Capital or the average expected investment return from MPI's investment portfolio as projected for the next several years (See 2018 GRA) is 4%. This is the rate to be used on low risk initiatives such as repetitive MPI work where the risks to the success of the project are known and have been managed well in the past. A premium rate can be added to the discount rate to reflect riskier than normal project initiatives where there is greater uncertainty of realizing the forecasted future cash flows or of estimating costs. For these medium risk projects we recommend a discount rate of 6%. For instance, the longer the period of expected cash flows, the riskier the realization of such cash flows. Also initiatives in areas new to the corporation or where the corporation has no past experience, increases the risk of realizing forecasted cash flows or estimating costs. In such circumstances, this warrants a higher discount rate in calculating the net present value of a project's cash flows. For these high risk projects we recommend a discount rate of 9%.

Project Specific Assumptions (please list)

- project will start in June of FY2018/19 and will be completed by December 2020
- the upgrade will not have any impact to ongoing licensing, maintenance, hardware or staff support expenses
- the upgrade will not require any net new hardware to be purchased as part of the project costs or post-implementation costs
- BI3 platform is on a 4 year vitality cycle, option for 2 year extended but a 2% increase in the annual license fee and 10% increase in the annual customized license fee if 4 year vitality cycle is not adhered to.
- Project will be completed by ESS team (vs. BTO) and associated supporting business/operation teams
- As provided by Alex Ramirez

Fineos Annual License Costs	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
BI Enterprise License	\$288,795.54	\$292,261.08	\$296,937.36	\$308,813.85	\$321,165.41	\$334,011.02	\$347,370.47	\$361,264.28	\$375,713.86	\$390,741.41
BI Covered Customized SW	\$371,808.75	\$352,289.14	\$357,824.17	\$372,136.14	\$387,020.58	\$402,500.41	\$418,599.42	\$435,342.40	\$452,755.09	\$470,864.30
CPI Enterprise (Actual)		1.20%	1.60%	TBD	TBD	TBD	TBD	TBD	TBD	TBD
CPI Customized (Actual)		N/A	1.57%	TBD	TBD	TBD	TBD	TBD	TBD	TBD
Contractual Max CPI		4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

Penalty for not upgrading every 4 years	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Total Penalty
BI Enterprise License (2%)	\$6,176.28	\$6,423.31	\$6,680.22	\$6,947.41	\$7,225.29	\$7,514.28	\$7,814.83	\$48,781.61
BI Covered Customized SW (10%)	\$37,213.61	\$38,702.06	\$40,250.04	\$41,859.94	\$43,534.24	\$45,275.51	\$47,086.43	\$293,921.83
Total Yearly Penalty	\$43,389.89	\$45,125.37	\$46,930.26	\$48,807.35	\$50,759.53	\$52,789.79	\$54,901.26	\$342,703.44

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External Labour (list various categories)								
External Vendor Consulting	65,000	250,000	185,000					500,000
Total External Labour	65,000	250,000	185,000	0	0	0	0	500,000
Other External Operating Costs								
Travel								0
Training								0
Total Other External Operating Costs	0	0	0	0	0	0	0	0
Capital Expenditures								
Hardware								0
Software								0
Furniture								0
Total Capital Expenditures	0	0	0	0	0	0	0	0
Total External Cost before Contingency	65,000	250,000	185,000	0	0	0	0	500,000
Contingency	0	0	0	0	0	0	0	0
								0%
Total External Costs	65,000	250,000	185,000	0	0	0	0	500,000
Internal Incremental Costs (list)								
Staffing	0	0	0	0	0	0	0	0
Total Internal Incremental Costs	0	0	0	0	0	0	0	0
Total Project Costs	65,000	250,000	185,000	0	0	0	0	500,000

Project Costs Assumptions (please list)

The upgrade will be delivered by the operational support team and the costs associated to that team are budgeted under the operational budgets. The \$500,000 budget identified in this business case are for incremental costs over and above operational support including fees charged directly by FINEOS in support of this upgrade.

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Project Impact	FY 18/19 Year 1	FY 19/20 Year 2	FY 20/21 Year 3	FY 21/22 Year 4	FY 22/23 Year 5	FY 23/24 Year 6	Year 7	Total
One time Impact								
Cost Savings								0
Cost Avoidance			0	0	0			0
Revenue increase								0
Total One Time Impact	0	0	0	0	0	0	0	0
On Going Impact								
Cost Increases								
Maintenance				0	0	0	0	0
IBM				0	0	0	0	0
Licensing				0	0	0	0	0
Facilities				0	0	0	0	0
Other								0
Total Cost Increases	0	0	0	0	0	0	0	0
Cost Decreases/avoidance								
Staffing (net)	0	0	0	0	0	0	0	0
Maintenance		0	0	0	0	0	0	0
IBM				0	0	0	0	0
Licensing		0	80,000	82,000	84,050	86,151	0	332,201
Facilities			0	0	0	0	0	0
Penalty Avoidance		0	46,930	48,807	50,759	52,028	0	198,524
Total Cost Decreases/Avoidance	0	0	126,930	130,807	134,809	138,179	0	530,725
Claims Incurred Decrease		0	0	0	0	0	0	0
Revenue Increase		0	0	0	0	0	0	0
Total Ongoing Impact	0	0	126,930	130,807	134,809	138,179	0	530,725
Total Project Impact	0	0	126,930	130,807	134,809	138,179	0	530,725

Describe in detail all Project Impact amounts below:

- the costs avoidance dollars are the expenses that would have otherwise been incurred annually as an increase to the licensing fees for not maintaining the 4-year vitality cycle of the software as per the MPI/Fineos software licensing agreement
- cost savings are associated with reduced annual customization software licensing amounts due to transition from customization to out-of-the box functionality with CPI applied in future years

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	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6		
Project Staff								
- N/A								0
Total Salary	0	0	0	0	0	0	0	0
Benefits		0%						0
Total Salary and Benefits	0	0	0	0	0	0	0	0
Impact of Project on Staffing (Increases and Decreases)								
Reduction of Staff		0	0	0	0	0	0	0
New Staff		0	0	0	0	0	0	0
Total Salary	0	0	0	0	0	0	0	0
Benefits		0%						0
Total Salary and Benefits	0	0	0	0	0	0	0	0

Describe in detail all Staffing changes resulting from the project below:

* The B3 Upgrade 2020 project is not anticipated to have an impact on support or operational staff requirements