



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re:

MANITOBA PUBLIC INSURANCE CORPORATION (MPI)

2026/27 MPI GRA

Before Board Panel:

Irene Hamilton, K.C.- Panel Chairperson

Patrick Ireland - Board Member

Kim Sharman - Board Member

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

Oct 20, 2025

Pages 802 to 1051

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1 --- Upon commencing at 9:03 a.m.

2

3 PANEL CHAIRPERSON: Good morning,  
4 everyone. This morning, we are going to start with  
5 the MPI Expenses and Financial Forecasting Panel.

6 Mr. Scarfone, would you introduce your  
7 Panel please?

8 MR. STEVE SCARFONE: Yes. Thank you,  
9 Madam Chair. This is indeed our financial forecasting  
10 presentation. And so, to my right already sworn, Dr.  
11 Christle, is Ryan Kolaski, Vice President and Chief  
12 Financial Officer. And beside Mr. Kolaski is Sabrina  
13 Kauk. She is our Director of Financial Planning and  
14 Analysis.

15 We have a large back row this morning,  
16 but I'll start on the -- my far right at the back is  
17 Tamara Bobinski, Vice President and Chief People  
18 Officer. Beside her is Amanda Hildahl, our Director  
19 of Customer Experience Strategy Planning and  
20 Execution.

21 Next to her is Lynn Onofreychuk,  
22 Manager Project Accounting and Value Assurance.  
23 Beside her is Ms. Jatana, President and Chief  
24 Executive Officer, Dorothy Scott Director of Finance  
25 and Accounting, Maria Campos, Vice President and Chief

1 Customer and Product Officer, and Scott Patton,  
2 Customer Insights Lead.

3 So, we'll have Ms. Kauk sworn or  
4 affirmed. And then I'll mark some exhibits, Madam  
5 Chair.

6

7 MPI PANEL: EXPENSES AND FINANCIAL FORECASTING:

8 RYAN KOLASKI, previously Sworn

9 SABRINA KAUK, Affirmed

10

11 MR. STEVE SCARFONE: Thank you. And  
12 before I have Mr. Kolaski lead off with the  
13 presentation this morning, MPI will mark Exhibit  
14 number 40, which is the finance report from its first  
15 quarter of 2025/'26. And Exhibit number 41 is the  
16 2026 expenses and financial forecasting presentation.  
17 Thank you.

18

19 --- EXHIBIT NO. MPI-40: Finance report from its  
20 first quarter of  
21 2025/'26

22

23 --- EXHIBIT NO. MPI-41: 2026 expenses and  
24 financial forecasting  
25 presentation

1

2

MR. BRIAN KOLASKI: I'll start, yeah.

3

4

EXAMINATION-IN-CHIEF BY MR. STEVE SCARFONE:

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6

MR. STEVE SCARFONE: And Mr. Kolaski,  
we'll start with his presentation. If we can have

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that to put up before us, please.

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(BRIEF PAUSE)

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MR. BRIAN KOLASKI: Thank you. If you  
could go to the next page, please. In terms of  
agenda, given the scale, scope, and depth of the  
materials that have been filed with respect to the  
expense chapter, we would like to give some attention  
and context to a few running themes contained within  
the materials that have been filed.

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These themes are as follows: The  
forecasted Basic MCT and the impact of Extension  
transfers on capital to highlight the indirect  
financial support and dependency that is present;  
trends of our operating expenses, both normal  
operations and initiatives; a few insights into  
emerging trends related to specific corporate  
operating expenses; an update on our internal budget

1 process; a few selected insights with respect to the  
2 integrated cost allocation methodology commonly  
3 referred to as the ICAM.

4           And lastly, MPI's proposed treatment of  
5 initiative expenses as a proxy for the regulatory  
6 concept of intergenerational equity given our request  
7 to discharge the regulatory deferred asset and its  
8 related practice in this GRA. Next page, please.

9           In terms of key messages for today, MPI  
10 continues to ensure that expenses support affordable  
11 rates by maturing its budget processes containing FTE  
12 -- containing FTEs and right-sizing spend on  
13 improvement initiatives.

14           Basic is forecasted to remain in a  
15 strong capital financial position as MPI intends to  
16 continue to utilize Extension access capital for the  
17 benefit of the Basic line of business.

18           The PUB should accept MPI's request to  
19 depart from the practice of deferring initiative  
20 expenses and discharge the regulatory deferred  
21 account. I will now turn it over to Sabrina to walk  
22 us through the balance of the presentation.

23           MS. SABRINA KAUK: Thank you, Ryan.  
24 Next slide, please. So, as you can see on this slide,  
25 MPI has filed its five (5) year forecast on the basis

1 that all Extension capital exceeding Extension's 200  
2 percent target will continue to be transferred to  
3 subsidize the Basic line of business.

4           With these forecasted Extension  
5 transfers, Basic is forecasted to return to its target  
6 MCT level in 2027/'28 of 100 percent and, as you can  
7 see, by 2029/2030 forecasted to return to -- sorry, to  
8 hit 121 percent. Thank you.

9           So, we will now walk through the  
10 forecasted corporate operating expenses and some key  
11 drivers of those expenses. Corporate operating  
12 expenses consists of what we call both normal  
13 operating expenses as well as initiative or project  
14 expenses.

15           Although we're talking about corporate  
16 operating expenses here, it is important to  
17 distinguish that the context in this case is specific  
18 to operating expenses and not the claims incurred  
19 expense, which is a separate expenditure forecasted by  
20 the actuaries and will be covered later this week at  
21 the Claims Forecasting Panel.

22           So, looking to slide 2 -- or line 2  
23 rather of this slide, we'll start by highlighting that  
24 for 2024/'25, the actuals of 457 million when  
25 normalized for NOVA impairment of 60.8 million equate

1 to about 396 million and are exactly almost in line  
2 with the budget forecast of 395 million reported in  
3 the 2025 GRA.

4                   For 2006 -- '26/2027 we're forecasted  
5 for 425 million in operating expenses. The initial  
6 forecast in the 2025 GRA was 394 million. We had a \$9  
7 million increase from 394 million to 403 million for  
8 normal operating expenses, which was based on the top-  
9 down, bottom-up zero-based budgeting exercise, and  
10 then approved by the Board of Directors.

11                   Subsequently, we then finished our  
12 project budget. And the final operating budget  
13 increased \$22 million further, from the preliminary  
14 403 million to the final \$425 million. And, again,  
15 that was driven by the increase in initiative  
16 expenses.

17                   Of the \$9 million increase in normal  
18 operations, \$3 million was due to increase in  
19 salaries, which was not an actual increase in dollars  
20 necessarily, but was predominantly driven by the  
21 release of the vacancy provision which we'll cover  
22 later.

23                   Three million dollars was attributable  
24 to increases in special services, which reflects some  
25 new budgeted items, but also really catches up our

1 forecast with actual expenditure that we're seeing  
2 today. There was about \$1.5 million in postage  
3 increases, which is directly attributable to the  
4 Canada Post increases of 25 percent; that has now been  
5 built into our forecast. And then the balance of a  
6 million dollars was -- relatively consisted of small  
7 amounts adding up to the million across all  
8 categories.

9                   For the \$22 million in initiative  
10 expenses, this is actually not due to increasing the  
11 initiative budget but, rather, this is due to the  
12 weight of items that were now forecasted to be  
13 eligible for capitalization versus what is not  
14 eligible to be capitalized and, therefore, is  
15 forecasted to be immediately expensed as incurred. We  
16 will touch on this as a concept a bit further in the  
17 presentation.

18                   We would also like to keep in mind that  
19 in order to prepare the GRA filing, we are budgeting  
20 for a year in advance. So, at the time of the 2025  
21 GRA, the '26/'27 year was two (2) years away. So,  
22 today we're one (1) year further and we have better  
23 data on which to prepare a budget at this point in  
24 time.

25                   Looking to line 8, we would also like

1 to highlight that Basic as a percentage of total  
2 corporate expenses is forecasted to remain relatively  
3 flat as a percentage. This is outside of the  
4 2024/2025 year.

5                   You'll see there the 58.6 percent.  
6 That weighting was skewed due to the impairment curve  
7 of the \$60.8 million. Another line of business was  
8 more heavily weighted, but there was no changes to  
9 allocation.

10                   On the next few slides, we would like  
11 to take you through a few visuals to highlight some of  
12 these key points.

13                   So, here you can see total Basic  
14 operating expenses as a percentage of premiums earned.  
15 While overall forecasted expenses are increasing, here  
16 you can see that those expenses as a percentage of  
17 total revenue which reflects the magnitude of  
18 operations are actually forecasted to decrease over  
19 the coming five (5) year forecast.

20                   This means that overall, we will be  
21 spending less per premium dollar earned in the  
22 forecast even if overall expenses are rising. As we  
23 have a relatively fixed service delivery model, this  
24 is not a representation of efficiency or better  
25 utilization, but we did want to highlight that

1 overall, we were forecasting to spend less per premium  
2 dollar earned in the forecast.

3           As you would have seen in our  
4 Application, this year we also included a net trend  
5 factor on our revenue, meaning that our revenues have  
6 reflected an increase that is tied to expected loss  
7 trend increases.

8           Overall, total operating expenses  
9 represent approximately 20 (20) cents on a premium  
10 dollar with the balance of that dollar representing  
11 claims costs approximately. Next slide. Thank you.

12           So here, this graph shows corporate  
13 expenses, so total corporate, not Basic, over a ten  
14 (10) year period. Over this ten (10) year period,  
15 MPI's top four (4) expense categories represent on  
16 average 82.4 percent of total expenses. These top  
17 four (4) categories are compensation, which is the  
18 blue bar on the bottom, followed by data processing,  
19 which is the orange, special services, which is the  
20 green, and merchant fees, which is the blue, all of  
21 which are relatively fixed expenses to MPI outside of  
22 the initiative expense impact, which is predominantly  
23 classified within the data processing bucket.

24           However, as you will see in the coming  
25 slides, total initiatives do continue to be forecasted

1 at approximately 10 percent of overall costs.

2                   So, this slide highlights that same  
3 information but in another view. Starting on the top  
4 left, you'll see the 2024/'25 actual composition  
5 followed by in the middle, the '25/'26 budget  
6 forecast, and bottom right, the '26/'27 forecast.

7                   So, although expenses are increasing in  
8 '26/'27, as you'll see from these pie charts, the  
9 composition of expenses themselves is largely  
10 unchanged.

11                   Large fixed categories, as mentioned,  
12 such as compensation, data processing, special  
13 services, merchant fees, but also operating building  
14 costs and amortization, make up approximately 90  
15 percent of MPI's total corporate operating expenses.

16                   This gets us down to the balance of 10  
17 percent, which also these expenses contain a lot of  
18 fixed amounts or amounts that are necessary in order  
19 to deliver service operations based on our current  
20 service delivery model to Manitobans. These include  
21 things like safety and loss prevention expenses,  
22 driver education, advertising, postage costs,  
23 regulatory expenses, legal expenses, corporate  
24 training, property taxes, corporate relations, and  
25 such. Moving to the next slide.

1                   This slide represents how we have  
2 tracked on our actuals incurred compared to forecast  
3 and where we're trending for the next five (5) years.  
4 The orange line represents forecast and the blue bars  
5 represent actuals.

6                   We've broken out this data between  
7 normal operations, which is the first chart, followed  
8 by initiative expenses in the middle chart, noting  
9 that we've normalized '24/'25 for the impairment of  
10 \$60.8 million for this purpose, and then total  
11 corporate expenses, which is the sum of the first two  
12 (2) charts on the bottom.

13                   We would like to highlight that actual  
14 normal operation spends compared to forecast, which is  
15 the top chart, historically materializes relatively  
16 close to the forecast with the forecast also remaining  
17 relatively stable for the next five (5) years outside  
18 of normal cost escalation.

19                   Now looking to the middle chart, this  
20 represents our initiative, or project expenses. For  
21 initiative planning, MPI begins with a total corporate  
22 project funding budget which is aligned to our IT  
23 roadmap.

24                   At this stage of planning, we make  
25 estimates about what the implementation effort will

1 look like, including high-level assumptions about  
2 which portions of the work will be capital eligible  
3 and which will be expensed as incurred.

4           These assumptions are preliminary as at  
5 the time of preparing the 2026 GRA filing detailed  
6 business cases due to the pivot that had just incurred  
7 with the closure of NOVA ere not yet completed and no  
8 statements of work had been signed.

9           So, at that time, capital and expense  
10 estimates are simply that, a best estimate. As a  
11 result, the actual breakdown of dollars, how much ends  
12 up being capital versus expensed, may change as  
13 projects progress. This variability is expected in  
14 normal, both the project and corporate level, given  
15 that early stage of planning.

16           The forecast you see here today  
17 reflects only the expected expense portion of those  
18 costs. And those numbers would therefore not reflect  
19 those capital items because those expenses are  
20 deferred.

21           It also includes, however, though, the  
22 future amortization of those capital items in the  
23 future years. And this approach allows us to provide  
24 a reasonable view of the expected expense impacts  
25 while recognizing the actual mix may shift as projects

1 evolve.

2                   The '25/'26 data reflects the revised  
3 budget forecast filed this summer, which our total  
4 corporate project budget was \$60 million. And that  
5 was aligned to the roadmap and initiatives filed in  
6 this GRA. However, the actual approved '25/'26  
7 project budget expenditure which was approved by the  
8 Treasury Board last January reflected a total of \$75  
9 million for the major programs and other corporate  
10 project work.

11                   So, looking to the last few years  
12 there, you do see a misalignment between the orange  
13 forecast and the blue bar actuals. And so, given that  
14 misalignment in the past few years between ambition  
15 versus delivery, during our planning sessions in this  
16 budget cycle we work to level set down from that \$70  
17 million to a lower planned implementation rate in  
18 order to pace the organization relative to the IT  
19 roadmap.

20                   So, this forecast reflects the expense  
21 portion of that total corporate project budget of 60  
22 million. And also included within that expense  
23 portion is approximately \$26 million for ongoing  
24 licensing and support costs that are still contracted  
25 from NOVA. And all together, that reflects the

1 numbers you see there.

2                   When the ongoing licensing and support  
3 costs are normalized, the actual implementation rate  
4 in the forecast is around \$30 million, which is better  
5 aligned to our current capacity to deliver.

6                   As an organization, we are continuing  
7 to work towards maturing our budgeting processes  
8 around project costs. Moving to the next slide.

9                   These pie charts further show that the  
10 forecasted initiative work as a percentage of total is  
11 expected to remain relatively stable, hovering around  
12 13 percent.

13                   In the last slide, we talked about how  
14 total corporate project budget is put forward for  
15 approval annually. And this includes a split of  
16 directly expensed items, meaning they hit the income  
17 statement as incurred versus expected capital items,  
18 which are put onto the balance sheet and slowly  
19 brought into the statement of operations as amortized  
20 over the useful life of the asset.

21                   Under IFRS, intangible assets can only  
22 be capitalized when certain criteria are met. In  
23 simpler terms, expenditures can be capitalized if they  
24 relate to the development phase of a project and meet  
25 certain conditions, like being technically feasible

1 and expected to generate future economic benefits.

2 Expenditures cannot be if they relate  
3 to general overhead, training, advertising, or an  
4 initial research phase. The key distinction under  
5 IFRS is whether expending leads to a clearly  
6 identifiable asset that the entity itself controls and  
7 will bring future economic benefits.

8 With the shift to software as a  
9 service, or SAAS models, compared to historical on-  
10 premise solutions, or MPI and controlled assets, many  
11 software related expenditures are now considered  
12 service contracts rather than asset acquisitions.

13 Many of these costs cannot be  
14 capitalized unless they result in a separately  
15 identifiable and tangible asset that the Company  
16 controls. SAAS and other hosting arrangements often  
17 do not result in asset ownership, but implementation  
18 costs can be capitalized if they meet certain  
19 criteria, for example, if the software is used  
20 internally and there are certain costs incurred during  
21 application development.

22 All this to say certain expenses  
23 incurred during development of intangible assets may  
24 qualify for capitalization and others may be expensed.  
25 However, expensed costs are still essential to

1 bringing the asset to its intended state of use.

2           For example, general administrative  
3 support training or preliminary research as stated may  
4 not meet criteria for capitalization, but they do  
5 contribute meaningfully to the development of an asset  
6 into the process itself. Thank you. And we can move  
7 to the next slide.

8           So here, we've reflected the initiative  
9 expenses as filed in the 2025 GRA versus the 2026 GRA,  
10 blue representing the 2025 GRA data, orange  
11 representing 2026.

12           Looking to the left, the 2025/2026  
13 data, the corporate project budget forecast filed in  
14 this GRA was significantly revised from what was filed  
15 in the 2025 GRA to reflect the closure of project NOVA  
16 in alignment to the new IT roadmap.

17           The total corporate project budget, as  
18 mentioned, was pulled down from the previous 75  
19 million to 60 million. Although there was a pull  
20 down, those bars look relatively the same because the  
21 expense versus capital estimation within those plans,  
22 although drastically different, are approximately  
23 equal.

24           So, even though there is a different  
25 project plan, you don't see a large fluctuation

1 between the '25/'26 data in both filings.

2                   For the year 2026/'27, there was a  
3 significantly higher capital estimate for planned  
4 projects in the 2025 GA compared to the reforecast for  
5 2026. The 2026 reforecast included things like N-4  
6 (phonetic) upgrade, BI3 upgrade, and SRE current and  
7 future state project work.

8                   This resulted in an increase in 2026  
9 corporate initiative expenses from the 2025 GRA. To  
10 give a bit more context, the 2025 GRA estimated about  
11 25 million in capital. This filing has about 5  
12 million, so right here, that \$20 million offset is  
13 about that \$20 million increase that we saw on the  
14 first slide in initiative expenses.

15                   This pattern also follows through to  
16 the future years where NOVA was forecasted to be  
17 completed in that filing, and project estimates  
18 instead now reflect the IT work is aligned to the  
19 roadmap filed.

20                   Modernization for MPI is no longer  
21 optional. It is essential to maintain service  
22 continuity to Manitobans as many systems are end-of-  
23 life. The increase in data processing costs in this  
24 application reflects the advancement of major programs  
25 approved by the Corporation to mitigate this risk.

1                   Ultimately, the Executive Committee  
2 budget direction reflects MPI's capacity and risk  
3 tolerance in managing its technical debt. The IT  
4 roadmap and decisions around which major programs to  
5 advance will continue to have a direct material impact  
6 on future operating costs. Moving to the next slide.  
7 Thank you.

8                   So here, we'll just walk a bit further  
9 through some of those key corporate expenses. So, for  
10 compensation, total compensation reflects about 55  
11 percent of MPI's total operating costs. Of that 55  
12 percent, approximately 70 percent of those dollars are  
13 for unionized in scope employees.

14                   The Treasury Board approved 2,089 FTE  
15 for the 2025/'26 budget year. And this ceiling has  
16 been held as a flawed assumption through the rating  
17 years and the forecast period filed.

18                   When budgeting compensation dollars, we  
19 take the total approved budgeted positions and look at  
20 the most recent payroll data to determine an average  
21 salary cost per position number. And we then apply  
22 economic increases based on collective bargaining  
23 agreements and carry that forward through the five (5)  
24 year forecast. Next slide, please.

25                   When budgeting these compensation

1 dollars, we do need to acknowledge that during a day,  
2 a year, a month, there will always be natural  
3 workforce fluctuations such as hiring delays, leaves,  
4 resignations. These are a normal part of any  
5 business. And based on this, no one would expect a  
6 hundred percent capacity of the budgeted dollars at  
7 2,089 FTE to materialize.

8                   To acknowledge the natural vacancy that  
9 occurs throughout the year, MPI budgets an allowance  
10 called a vacancy provision against the total  
11 compensation dollars. Historically, this provision  
12 has recently been \$6 million, and we've included a  
13 table on the bottom of this slide that was filed in  
14 the application.

15                   And based on this, normalizing '23/'24  
16 for labour interruption results, the average vacancy  
17 dollar over the last three (3) years continues to be  
18 about \$6 million. Compensation dollars reflect all  
19 paid time from payroll records. They're not incurred  
20 on an HR system or an FTE headcount basis.

21                   The HR system records represent filled  
22 roles, and that would be different from our payroll  
23 records because salary dollars include things like  
24 employees being on leave. And another individual  
25 could be filled in their position at that time.

1                   That being said, when using average  
2 salary, one could infer what an implied FTE count is  
3 implicit within the vacancy provision. Next slide,  
4 please.

5                   In this Application, we introduced a  
6 new layer in the provision called the surge capacity  
7 adjustment. When we say 'surge capacity', what we're  
8 saying is there is a reality in our business today  
9 that we are sometimes hiring employees in advance of  
10 an actual vacancy as many roles require a ramp up  
11 during which new hires must undergo training and  
12 supervised onboarding. We see this predominantly  
13 within operational roles in our contact centre and  
14 adjuster roles.

15                   To acknowledge these over budget or  
16 temporary allowances, the Board of directors approved  
17 an over budget surge capacity of 40 FTE for 2026/2027.

18                   So, to translate this into dollars,  
19 although vacancy is based on dollars and not FTE, we  
20 looked at that historical vacancy of \$6 million, which  
21 equated to an implied FTE count of about 60.

22                   And so, to reflect an allowance for  
23 those over budget rules that are temporarily being  
24 filled, we reduced that provision from 60 FTE by 20,  
25 which was conservatively half of the surge adjustment

1 of 40. And then we released those expected nonvacant  
2 salary dollars back into the total compensation dollar  
3 estimate.

4 So, at the time of budget preparation,  
5 we said that's about 40 FTE, multiplied that by the  
6 average salary, and that equated to the \$3.5 million  
7 provision that is now filed in this application.

8 This simply acknowledges that  
9 temporarily at a point in time, there will be dual  
10 field roles. This adjustment is supported by the  
11 current trend we are seeing in 2025/'26 compensation  
12 dollars.

13 When we prorate our total expenditure  
14 for the year to year-end, we can see that our 2025/'26  
15 provision of \$6 million is too high. And that  
16 reflects the current state data that we have in which  
17 to make the best estimate at this point in time.

18 The key takeaway we would like you to  
19 have is that, although we have reduced some of the  
20 expected vacancy dollars to align with current vacancy  
21 assumptions, at all times filled roles remain below  
22 MPI's ceiling of 2,089 FTE. The current vacancy  
23 estimate is just based on best information available  
24 at this time. And we will continue to evaluate that  
25 estimate on an annual basis based on how actual

1 dollars and vacancy are materializing. Next slide.

2                   So, we'll chat a bit further here on  
3 data processing expenses. Again, these represent  
4 about 20 percent of MPI's total expenditure, which is  
5 predominantly fixed in nature as most of these dollars  
6 are contracted.

7                   The large yellow spike standing out on  
8 this chart in 2024/'25 is the \$60.8 million NOVA  
9 impairment. Other notable changes here are that in  
10 the historical actuals you'll see green bars which  
11 represent our data centre expenses. Those have  
12 decreased as we've moved away from control supported  
13 data centers towards cloud-based environment. And  
14 those flip to the light blue that you see at the top  
15 of the forecast years.

16                   In general, you also see a trend up on  
17 data processing expenses which we covered earlier on  
18 slide 13. That is simply the results of the  
19 composition of initiative work and the heavy  
20 forecasted expense composition compared to the 2025  
21 GRA.

22                   The major categories present within  
23 data processing costs are the licensing and support  
24 costs, which are -- is the blue bar on the bottom, as  
25 well as external labor, which is the large orange bar.

1                   For external labour, about 60 percent  
2 of those costs are consultants in the forecast years,  
3 and the balance of 40 percent is attributable to  
4 managed services, vendor costs.

5                   As for licensing and support charges,  
6 we'll flip to the next slide to give a bit more  
7 context there. Thank you.

8                   For total licensing and support costs,  
9 about 50 percent of these are operational and about 50  
10 percent relate to initiative work. Of our operational  
11 licensing and support costs, approximately seven (7)  
12 vendors represent 90 percent of these total costs.

13                   Some other notable comments here on  
14 fluctuations are, compared to 2024 and '25, there is a  
15 spike in 2025 and 2026. That spike is related to a  
16 NOVA vendor contract in which in addition to the fixed  
17 licensing amounts, there was also support costs that  
18 were previously contracted through the year 2025/'26  
19 based on planned implementation work back at that  
20 time.

21                   In addition, for the nonmajor program  
22 projects there's a budget ratio applied for  
23 assumptions of spend on things like external labour  
24 and licensing. For 2025/'26, the total corporate  
25 project was set at \$9 million. And so, assumptions

1 were placed for external labour and licensing based on  
2 that \$9 million. In the forecast years, this amount  
3 has been reduced from 9 million to 5 million, so  
4 naturally there's lower dollars flowing through. Next  
5 slide. Thank you.

6                   So, now we'll take you through some of  
7 the budgeting practices present within these  
8 forecasted dollars. MPI employs a comprehensive and  
9 collaborative budgeting framework. It integrates top-  
10 down guidance from executive leadership, bottom up,  
11 input from operational managers and directors, and a  
12 zero-based budgeting philosophy to ensure that all  
13 budget items are justified from the ground up.

14                   This matters as it ensures fiscal  
15 discipline, strategic alignment, and operational  
16 accountability. By employing zero-based budgeting,  
17 although a lot of our expenses are fixed in nature,  
18 this avoids automatic rollovers and we require  
19 justification for expenses.

20                   The top-down and bottom-up integration  
21 fosters collaboration across the organization and  
22 ensures both strategic vision and operational  
23 realities are reflected in the final budget. This  
24 slide outlines the key stages of those processes,  
25 starting with the budgeting team, which establishes

1 our baseline financials, and also detailed data to  
2 support decision making.

3           Second is our managers who conduct  
4 detailed reviews of financial needs and FTE  
5 requirements. They identify and justify their  
6 budgetary needs based on their operational priorities  
7 and communicate their rationale and requests upward to  
8 directors for further valuation.

9           MPI's directors will refine and  
10 validate budget requests from managers and align the  
11 bottom-up needs with the top-down strategic  
12 priorities. They will collaborate with the managers  
13 to adjust budgets as needed. And then they will then  
14 present their consolidated budget proposals to  
15 executive.

16           Executive leadership is responsible for  
17 setting the top-down direction to the organization.  
18 They set strategic expectations and financial targets  
19 for the budgeting cycle. Their final budget  
20 presentations made to the CEO, CFO, VP of People and  
21 Culture and myself, and final approvals granted to  
22 review and alignment with MPI's goals.

23           The Executive Committee role in setting  
24 initial targets for total corporate operating costs  
25 provides strategic direction and financial discipline

1 within an inherently iterative and dynamic budget  
2 process. These top-down targets serve as a starting  
3 point for alignment across MPI, enabling departments  
4 to assess and adjust their needs while minimizing  
5 unnecessary churn.

6                   While these targets may evolve as more  
7 detailed information becomes available, they do  
8 establish a structured framework that supports  
9 effective decision making and ensures the final budget  
10 remains achievable and aligned with corporate  
11 priorities.

12                   In this past year, we've implemented a  
13 number of improvements around the budget cycle.  
14 These include aligning our annual cycle to this  
15 process. So, in this year's Application, MPI has  
16 gotten back to its roots following the top-down,  
17 bottom-up, zero based budgeting process throughout and  
18 leading up to this annual cycle.

19                   So, the result of all of that work was  
20 filed in the submission, reinforcing alignment and  
21 accountability. Our annual budget cycle is now  
22 anchored to a multi-year Strategic Plan, ensuring  
23 long-term continuity and strategic alignment.

24                   Another control that has been  
25 implemented is divisional monthly meetings between

1 finance and the business to improve operating cost  
2 management and financial understanding. These  
3 meetings allow MPI to proactively monitor financial  
4 performance, understand fluctuations, assess timing  
5 differences, and identify any emerging issues or  
6 trends.

7                   They serve as a forum to understand key  
8 differences between planned and actual spending,  
9 identify timing differences, and foster ongoing  
10 dialogue around financial performance.

11                   For budget purposes, many expenses are  
12 allocated on a straight-line basis, spread evenly over  
13 twelve (12) months. This is for simplicity and  
14 consistency in budgeting.

15                   While this method supports standardized  
16 reporting, it can sometimes create the appearance of  
17 variances that are simply due to timing. For this  
18 reason, it's important that MPI maintains a holistic  
19 training view of expenses across the year in order to  
20 understand our financial picture.

21                   Beyond oversight, these meetings are  
22 intended to build financial literacy and shared  
23 ownership of budget outcomes across the Corporation.  
24 By creating this space for open discussion and  
25 clarification, MPI is helping its team strengthen

1 their understanding of how financial information is  
2 structured, interpreted, and used to support plan  
3 decision making.

4 MPI's goal is to empower departments by  
5 providing them with the tools to make them informed  
6 and have financially sound decisions throughout the  
7 year.

8 A visual timeline on the next slide  
9 also illustrates how strategic planning has been  
10 integrated with the business planning cycle,  
11 reinforcing this connection between long-term goals  
12 and annual execution.

13 So, this visual here shows that we are  
14 currently today working through refining our 2026/'27  
15 initiative planning, which is leading to the buildout  
16 of the 2027/'28 initiative planning. That will be the  
17 foundation that will follow through for the '27/'28  
18 budget planning cycle for the upcoming GRA, which will  
19 kick off in December.

20 While we're working towards maturing  
21 our processes and have a ways to go, these controls  
22 are helping MPI ensure that our planning matches our  
23 aspirations. Next slide. Thank you.

24 In Appendix 28 within the Application,  
25 we have filed our budget framework KPIs, which include

1 our Minimum Capital Target or MCT, a loss ratio,  
2 combined ratio, and expense ratio.

3 MCT, capital available into capital  
4 required, is a measure of financial stability. It  
5 ensures there is enough capital to remain solvent and  
6 withstand unexpected financial losses or adverse  
7 financial conditions.

8 The loss ratio, which is claims paid  
9 into premiums, this measures what percentage of  
10 premium is paid out in claims.

11 Expense ratio, which we talked about  
12 earlier, shows the cost of expenses on the dollar.

13 And then our combined ratio, which  
14 combines both the claims and expense ratio and shows  
15 how much is being paid out in expenses.

16 These KPIs, depending on the cadence,  
17 are calculated either monthly, quarterly, or annually  
18 and reported to senior leadership. They serve as  
19 directional tools to track both operational and  
20 financial performance.

21 The expected in-year or budgeted ratios  
22 are derived directly from the board of directors and  
23 Treasury Board approved budget, and these are our  
24 benchmarks for internal tracking and variance  
25 analysis.

1                   Variances are analyzed to provide  
2 context and insight into underlying causes, enabling  
3 us to respond where appropriate, but not necessarily  
4 to correct the variance in year.,

5                   This monitoring supports transparency  
6 accountability, informed planning. This is  
7 particularly important when actual results differ from  
8 expectations due to uncontrollable or unpredictable  
9 shifts in the external environment or economy.

10                  The objective is to use variance as a  
11 diagnostic tool rather than a means of reinforcing  
12 rigid adherence to fixed budgets in a dynamic  
13 insurance context. KPIs must be viewed holistically.  
14 No single KPI alone is a measure of performance, and  
15 MPI must avoid knee-jerk reactions, instead evaluating  
16 trends to support informed decision-making.

17                  The forecast ratios reported in  
18 Appendix 28 are not formal long-term targets, but  
19 calculated outcomes based on current long-term  
20 assumptions. And they will be recalibrated annually  
21 with each new five (5) year forecast.

22                  It is worth noting that, at the time of  
23 Application, the five (5) year forecast did show  
24 favourability across these ratios. These ratios,  
25 however, are subject to variability due to many

1 external factors: claims volatility, inflation,  
2 economic conditions, and regulatory changes.

3           As a public auto insurer, we lack many  
4 of the operational levers that would be available to  
5 private insurers making long-term ratio targets  
6 impractical and potentially misleading. Instead, we  
7 are focused on monitoring, improving performance where  
8 possible, and adapting strategies as conditions  
9 evolve.

10           On our Basic line of business, we price  
11 to break even, and these ratios measure your expenses  
12 in comparison to revenue on the dollar. They're  
13 subject to many variables. For example, as seen  
14 today, the Basic capital target that we talked about  
15 at the beginning of the presentation is subsidized by  
16 Extension transfers. These are balance sheet activity  
17 only.

18           If MPI did not have those transfers,  
19 and theoretically there was capital build requests to  
20 ratepayers, this would actually show as an inflow of  
21 income on the statement of operations that would  
22 result in additional revenue. And that alone would  
23 show increased favourability across all of these  
24 reported ratios, which is not possible today.

25           Further, this year we reported net

1 trend on our forecasted revenues. So, in this  
2 forecast, you see that trending favourability  
3 reported. However, rate increases annually are  
4 subject to PUB order, so it would not be realistic to  
5 lock in targets prior to actually having known  
6 variables based on current year budget Application.

7           Furthermore, annually, we have better  
8 and more data to predict the upcoming year. So, to  
9 lock in a historical forecasted figure when we have  
10 evolving information and data that supports more  
11 realistic expectation about known outcomes would not  
12 be practical.

13           I'll now pass back to Ryan.

14           MR. RYAN KOLASKI: Thank you. Next  
15 slide. This slide is in relation to the ICAM, the  
16 Integrated Cost Allocation Methodology. The PUB  
17 approved ICAM continues to be applied in a consistent  
18 matter; that being said, with the closure of Project  
19 NOVA, MPI has transitioned from story-point based  
20 allocators to ICAM-aligned logic for new initiatives,  
21 reflecting changes in project structure and scale.

22           The primary means of allocation will  
23 now shift to the weighted customer call centre  
24 contracts ratio, commonly referred to as WCCCCR and  
25 claims incurred. These are dynamic and recalculated

1 annually consistent with the ICAM and commonly applied  
2 as tried and true allocators of MPI.

3 MPI will review allocators at the start  
4 of each initiative or project to ensure they remain  
5 transparent, defensible, and fit for purpose,  
6 maintaining alignment with the ICAM and the scale and  
7 scope of each project undertaken. Next page, please,  
8 Regulatory Deferred Asset. Yeah. Thank you.

9 This is the current state. In summary,  
10 the RDA is a theoretical construct and is only tracked  
11 for reporting to the PUB and is not in compliance with  
12 MPI's financial statements under IFRS.

13 PUB Orders 4/23 and 2/25 require MPI to  
14 exclude initiative expenses from rate setting. This  
15 leads to the creation and growth of the RDA account  
16 itself.

17 The rate deficiency caused from  
18 excluding initiative expenses has been subsidized by  
19 capital transfers from the Extension line of business  
20 RSR rather than being recovered through Basic  
21 insurance premiums in line with the break-even mandate  
22 for the line of business. Next slide, please.

23 In terms of future treatments with  
24 respect to initiative expenses and the discharge of  
25 the RDA, a few points for today. MPI has proposed the

1 entire RDA balance be declared of no value and  
2 discharged in the 2026 GRA, resulting in a nil opening  
3 balance for 2027 and ending the -- the practice of  
4 deferral of initiatives.

5 Ongoing deferral of initiative expenses  
6 may lead to a need for capital bill provision,  
7 especially if Extension capital transfers become  
8 unavailable.

9 The PUB has asked MPI to address  
10 intergenerational equity. To this extent, we have  
11 provided an opinion -- or not opinion; an option -- in  
12 terms of addressing this. And this is to include  
13 prior year actual initiative expenses, inflation  
14 adjusted in future rate-setting periods with no  
15 further use of RDAs.

16 Expenses would be assessed for recovery  
17 based on benefits to ratepayers and regulatory  
18 principles that would apply.

19 Just a couple of points of  
20 clarification as to why a declaration of no value and  
21 a discharge of an RDA is independent and separate from  
22 an asset impairment because the two (2) are very  
23 different.

24 RDAs include all initiative-related  
25 expenses to date, which encompass expenditures not

1 eligible for capitalization but necessary in  
2 development of an asset, amortization of capital  
3 assets and impairment of assets that have not yet been  
4 amortized.

5                   This means that even impaired assets,  
6 if they were part of a deferred initiative, are  
7 included in the RDA balance for rate-setting purposes.  
8 The RDA is a notional construct reported only for PUB  
9 purposes by order and does not appear on our reported  
10 external financial statements.

11                   Discharging the RDA is a regulatory  
12 decision, not an accounting one. It reflects MPI's  
13 position that the deferred initiative expenses should  
14 no longer be considered for future recovery through  
15 rates.

16                   Impairment, however, is an accounting  
17 judgment about the recoverable value of a capital  
18 asset and is already reflected in MPI's financials.  
19 Impairment accounting as a concept has no bearing on  
20 whether the RDA should be maintained or discharged.

21                   Thank you. I believe that is the end  
22 of the presentation.

23                   PANEL CHAIRPERSON: Thank you.

24                   Mr. Scarfone...?

25

1 CONTINUED BY MR. STEVE SCARFONE:

2 MR. STEVE SCARFONE: Thank you. Could  
3 we go to slide 3 of the presentation, please?

4 I just wanted to revisit this slide,  
5 Mr. Kolaski, as it represents the key messages that  
6 we're asking this Board to take away from the  
7 presentation, correct?

8 MR. RYAN KOLASKI: That is correct.

9 MR. STEVE SCARFONE: Just focusing  
10 there on Basic being forecasted to remain in a strong  
11 capital financial position. you see that There?

12 MR. RYAN KOLASKI: I do.

13 MR. STEVE SCARFONE: And that, I  
14 expect, sir, would rely on forecasted Extension  
15 capital transfers to the Basic line of business?

16 MR. RYAN KOLASKI: That is correct.

17 MR. STEVE SCARFONE: And what, if  
18 anything, in the forecast of those Extension transfers  
19 to Basic, could change with respect to competing --  
20 competing priorities for those Extension funds, if  
21 anything, in the forecast?

22 MR. RYAN KOLASKI: Well, at present,  
23 there is no direction from the Board or government to  
24 redirect those funds other than to the Basic line of  
25 business.

1                   In terms of impacts related to  
2   profitability and the amount of capital transfers, we  
3   undertake a financial condition test similar to the  
4   Basic line of business. So, depending on the  
5   variables that come into play, it is possible the  
6   forecast will be different, but there is no direction  
7   not to transfer funds over to Basic at this time.

8                   MR. STEVE SCARFONE: Thank you. And  
9   then the second part of that in the last sentence is  
10   that the PUB should accept MPI's request to depart  
11   from the practice of defer initiative expenses?

12                  MR. RYAN KOLASKI: That is our request  
13   in this General Rate Application, yes.

14                  MR. STEVE SCARFONE: Yes. Mr. Dweh,  
15   could you please pull up the legal application,  
16   please, from this year's Application? It'd be part 2,  
17   pages 3 and 4 of the legal application. Thank you.

18                  And there, sir, before you is the legal  
19   application for this year's General Rate Application,  
20   and you see therein under LA.1.1, MPI requests the  
21   following relief.

22                  And if you scroll down, please, to  
23   number 5, thank you. And therein is a reproduction of  
24   your key message, Mr. Kolaski, is that a declaration  
25   that all the assets in the RDA as of March 31st, 2026,

1 including all deferred initiative expenses to be  
2 incurred in the 2026/'27 fiscal year are of no value  
3 and therefore not recoverable from Basic repairs, yes?

4 MR. RYAN KOLASKI: That is correct.

5 MR. STEVE SCARFONE: So, a couple of  
6 questions with respect to that, Mr. Kolaski. The  
7 deferred initiative expenses that are made reference  
8 there, are those primarily with respect to Project  
9 NOVA?

10 MR. RYAN KOLASKI: It's almost equally  
11 split. In Appendix 23, there's a list of all the  
12 initiatives. Primarily, Project NOVA is the main  
13 driver of those costs, but it includes all initiative  
14 expenses of the Corporation.

15 MR. STEVE SCARFONE: Okay. Thank you.  
16 And can you just explain briefly for the layperson  
17 what it means to be declared of no value?

18 MR. RYAN KOLASKI: We are saying that  
19 the current amount that's held in the regulatory  
20 deferred account be set to zero, that they would not  
21 be recovered in future Applications of MPI through the  
22 -- through rates.

23 So effectively, the PUB has deferred  
24 costs into the future that otherwise would've been  
25 included in rates. And we're saying we want to

1 disband that practice and set that balance to zero.

2 MR. STEVE SCARFONE: So, if the  
3 Corporation obtains the declaratory relief that it's  
4 seeking in the 2027 GRA and -- and forward, those  
5 amounts would not be part of the rate indication?

6 MR. RYAN KOLASKI: So, if we are  
7 successful PUB accepts our position, initiative  
8 expenses will be included in rate setting. What  
9 remains to be unknown is how that process will be  
10 undertaken.

11 Historically, MPI would simply forecast  
12 initiative expenses as part of the ongoing rate  
13 application process. We have put forward a proposal  
14 that was asked of MPI in terms of intergenerational  
15 equity.

16 And we have tried to create a proxy in  
17 which we would include the last year's actual expenses  
18 in the actual rate Application. So effectively, what  
19 we actually spent in the previous year would become  
20 part of the Application adjusted for inflation in the  
21 Application going forward.

22 MR. STEVE SCARFONE: And MPI has been  
23 deferring certain expenses since the order following  
24 the 2023 GRA, correct?

25 MR. RYAN KOLASKI: Correct.

1 MR. STEVE SCARFONE: And can you  
2 explain -- you touched upon this in your presentation,  
3 but can you explain how deferring initiative expenses  
4 aligns with MPI's obligations under financial  
5 reporting standards, or does it align?

6 MR. RYAN KOLASKI: Yeah. No, I had to  
7 think about that. It's a fair question. Today, there  
8 is an accounting standard referred to as IFRS 14,  
9 which allows for regulatory deferred accounts. MPI is  
10 exempt from inclusion and applying that currently  
11 today.

12 Specific to that accounting standard,  
13 there is a new accounting standard that is being  
14 developed and released. As of this week, they have  
15 now stated that the release of that accounting  
16 standard will be in early next year, probably Q1. It  
17 was scheduled to be released in Q4 of this year.

18 And that would apply where you could  
19 apply this, but specifically, the Board has said that  
20 if an organization has applied IFRS 17 accounting  
21 standard, which MPI has, then they would be exempt  
22 from applying the new standard of IFRS 14.

23 So effectively, our external reporting  
24 would not allow us to -- to apply for or use  
25 regulatory deferred accounts.

1 MR. STEVE SCARFONE: Okay. Thank you.  
2 So, does it -- perhaps this is a question that's  
3 difficult to answer, but does it put the Corporation  
4 in non-compliance with the financial reporting  
5 standard?

6 MR. RYAN KOLASKI: It creates a unique  
7 environment in which you now have a disconnect between  
8 your external and internal financial reporting and the  
9 Application itself that is before here today from a  
10 financial perspective.

11 It's also unique in that, to my  
12 knowledge, no other insurance company, specifically  
13 our peers, are subject to regulatory deferred  
14 accounts. So, from a comparability point of view, we  
15 are definitely unique in this regard, and we're just  
16 looking to step back to what the industry practice is.

17 MR. STEVE SCARFONE: Thank you. And  
18 just a couple follow-up questions for Ms. Kauk.  
19 Ma'am, you mentioned a couple times in your  
20 presentation at slides 9, 11 -- 9 and 11 -- we don't  
21 have to go there -- but it makes reference to certain  
22 expenses being normalized.

23 And one of the examples provided was  
24 the -- the write-off that's -- that's happening with  
25 respect to Project NOVA. Can you just explain what

1 that means when expenses are normalized in the  
2 accounting world?

3 MS. SABRINA KAUK: We normalize the  
4 impairment of \$60.8 million as that is a one-time item  
5 and it does not make financial results comparable over  
6 periods when you're including one-time expenditure  
7 that is not expected to reoccur.

8 MR. STEVE SCARFONE: So, the  
9 normalization just means that those amounts aren't  
10 accounted for. Is that fair?

11 MS. SABRINA KAUK: They're accounted  
12 for within the financial results. And for purposes of  
13 these illustrative visuals, we've removed that --  
14 i.e., normalized it -- to give a comparable view.

15 MR. STEVE SCARFONE: Got it. Thank  
16 you. And then the second part, the second question I  
17 had for you, Ms. Kauk, was you mentioned new this year  
18 in the Application a net trend factor, correct?

19 MS. SABRINA KAUK: Correct.

20 MR. STEVE SCARFONE: Can you just  
21 explain more fully what that -- what that is?

22 MS. SABRINA KAUK: Historically, when  
23 we filed the Application, we included the rate that  
24 was being applied for in the rating year, and the  
25 forecast years assumed a 0 percent rate increase.

1                   In this Application, we have applied  
2 that net trend assumption, which is aligned to the  
3 loss cost trends that we're seeing on the claims side.

4                   It could be inferred that, if we're  
5 expecting to see certain loss costs or claims trends,  
6 that we would need revenue to offset those expected  
7 expense increases. So, in order to provide a forecast  
8 that is aligned to expectations and not skew results,  
9 we've applied that net trend to revenue.

10                   MR. STEVE SCARFONE: Thank you. And  
11 what is the factor? What is the amount of that factor  
12 or the percentage?

13                   MS. SABRINA KAUK: It's different in  
14 each forecast year. I don't have it. It's different  
15 each year.

16                   MR. STEVE SCARFONE: Thank you. Just  
17 one second.

18

19                   (BRIEF PAUSE)

20

21                   MR. STEVE SCARFONE: Those are my  
22 questions for the panel, Madam Chair.

23                   PANEL CHAIRPERSON: Thank you, Mr.  
24 Scarfone.

25                   Mr. Andres...?

1 MR. TODD ANDRES: Madam Chair, if we  
2 could just have five (5) minutes or so to get our  
3 documents and everything in order, that would be  
4 greatly appreciated.

5 PANEL CHAIRPERSON: Sure.

6 MR. TODD ANDRES: Thank you.

7

8 (BRIEF PAUSE)

9

10 MR. TODD ANDRES: Madam Chair, I'm  
11 ready to proceed if the panel is also.

12 PANEL CHAIRPERSON: Pardon me? I  
13 didn't hear you.

14 MR. TODD ANDRES: Oh. Madam Chair,  
15 I'm ready to proceed if the panel is.

16 PANEL CHAIRPERSON: Thank you. Thank  
17 you, Mr. Andres. Go ahead.

18

19 CROSS-EXAMINATION BY MR. TODD ANDRES:

20 MR. TODD ANDRES: Good morning. My  
21 name is Todd Andres. I'm one of the legal counsel to  
22 the Public Utilities Board. And of course I'll direct  
23 my questions generally to both of you, but of course  
24 whoever feels inclined can feel free to answer them.

25 I'll just start by following up on

1 something that was mentioned by Ms. Kauk a moment ago.  
2 MPI indicated that it used a claims net trend factor.

3 Can you please confirm that this was  
4 used for projecting the corporate level revenues,  
5 whereas the Basic revenues incorporated specific  
6 assumed rate increases in each forecast year?

7 MS. SABRINA KAUK: The loss costs net  
8 or net trend assumption was applied to the Basic line  
9 of business.

10

11 (BRIEF PAUSE)

12

13 MR. TODD ANDRES: Thank you for that.  
14 We'll come back to that momentarily.

15 Just in terms of the financial  
16 forecasts, we're going to talk now about the change to  
17 the -- or the proposed change to the Basic deductible.  
18 And -- and what I'm going to do is lay out two (2)  
19 scenarios, and they're actually indicated in the GRA.

20 In the first scenario, we'll call it  
21 scenario 1, the Basic deductible has not changed, so  
22 remains at seven fifty (750) this year.

23 And as we've seen from the reporting,  
24 the Basic rate increase ends up at 5.01 percent if the  
25 numbers are used, correct?

1 MS. SABRINA KAUK: Correct.

2 MR. TODD ANDRES: Thank you. So just  
3 for the sake of convenience, that's scenario 1.

4 And then the second scenario, which  
5 we'll call scenario 2, is going to include the  
6 proposed change to a thousand dollars (\$1,000) for the  
7 Basic deductible, and that gets the Basic rate to  
8 2.07, correct?

9 MS. SABRINA KAUK: Correct.

10 MR. TODD ANDRES: Thank you. So, what  
11 we'll do is, we're going to look at how those will  
12 affect the Basic and Extension forecasts and the  
13 impact on the Corporation as a whole okay? All right.

14 So, if we start with scenario 1, again,  
15 Basic deductible remains seven fifty (750) with an  
16 increase. But of course, the Basic rate moves to 5.01  
17 percent. And, Ms. Dweh, if you could kindly pull up -  
18 - RI-3 -- pardon me, Appendix 3, Figure 1, please.

19

20 (BRIEF PAUSE)

21

22 MR. TODD ANDRES: Thank you. That's  
23 the one. If we could just expand the table that's at  
24 the bottom of the page, please, Ms. Dweh.

25 And so, in essence, this lays out the

1 scenario 1 and scenario 2 have been discussing, yes?

2 MS. SABRINA KAUK: Correct.

3 MR. TODD ANDRES: Thank you. And so,  
4 this figure shows that the required premium reflecting  
5 discount to the middle of the rating year for  
6 investment income on premiums received would be one  
7 thousand sixty-three dollars and fifty-six cents  
8 (1,063.56), correct? Pardon me, fifty-nine (59)  
9 cents.

10 MS. SABRINA KAUK: Correct.

11 MR. TODD ANDRES: Rate indication at  
12 the bottom of that column is 5.01 percent, yes?

13 MS. SABRINA KAUK: Correct.

14 MR. TODD ANDRES: Thank you. And if  
15 we scroll down to Figure RI, Appendix 3-2, it shows  
16 the difference. If we look at the top line there  
17 where it says Basic projected -- pardon me -- the  
18 average premium under the seven hundred and fifty  
19 dollar (\$750) scenario is one thousand sixty-three  
20 fifty-nine (1,63.59) as discussed, yes?

21 MS. SABRINA KAUK: Correct.

22 MR. TODD ANDRES: And then we see that  
23 the average premium under the Basic, one thousand  
24 dollars (\$1,000) or scenario 2, is one thousand  
25 thirty-three dollars and eighty-six cents (1,033.86),

1 correct?

2 MS. SABRINA KAUK: Correct.

3 MR. TODD ANDRES: Right. And the  
4 difference between those two (2) is twenty-nine  
5 dollars and seventy-three cents (\$29.73), yes?

6 MS. SABRINA KAUK: I'll trust your  
7 math. Correct.

8 MR. TODD ANDRES: Well, it's not my  
9 math. This is the math that was put up by the  
10 Corporation.

11 MS. SABRINA KAUK: Correct, yeah.

12 MR. TODD ANDRES: Thank you.

13 MS. SABRINA KAUK: I see it on the  
14 right. Thank you.

15 MR. TODD ANDRES: Thank you. Now,  
16 this is where you might have to trust my math. So, if  
17 we take that twenty-nine seventy-three (29.73) and  
18 multiply it by thirteen fifty-nine (13.59) -- and  
19 actually, Ms. Dweh, I apologize. If you can scroll  
20 back up to Figure 1 on the previous page. Thank you.  
21 Right.

22 So, if we take that thirteen fifty-nine  
23 (13.59), nine seventy-four (9.74) that we have at the  
24 top line there, which is the projected units -- do you  
25 see where I'm looking? And a nod is helpful, but it's

1 better if you say "yes."

2 MS. SABRINA KAUK: Yes. Thank you.

3 MR. TODD ANDRES: You. So, in both  
4 categories, it's one million three hundred and fifty-  
5 nine thousand nine hundred and seventy-four  
6 (1,359,974) projected units, correct?

7 MS. SABRINA KAUK: Correct.

8 MR. TODD ANDRES: Now this is where  
9 you have to trust my math.

10 So, you multiply that by twenty-nine  
11 seventy-three (29.73), and it ends up being forty  
12 million, four hundred and thirty-two thousand and  
13 twenty-seven dollars (\$40,432,027) of required written  
14 premium.

15 MS. SABRINA KAUK: Correct.

16 MR. TODD ANDRES: Subject to check,  
17 thank you.

18 So, based on MPI's calculations, the  
19 financial forecast for Basic with the rate increase of  
20 5.01 percent, would have additional written premium of  
21 forty million dollars, four hundred and thirty-two  
22 thousand twenty-seven dollars (\$40,432,027) rounding  
23 to the nearest thousand. Correct?

24 MS. SABRINA KAUK: Correct.

25 MR. TODD ANDRES: Thank you. Ms.

1 Dweh, if we can move to EXP 48.

2

3

(BRIEF PAUSE)

4

5 MR. TODD ANDRES: Pardon me, it's

6 Figure EXP 48. Perfect. Thank you, Ms. Dweh.

7

8 Right, and the additional written  
9 premium would have an additional commissions of 3.75  
percent. Correct? That's line 11.

10 MS. SABRINA KAUK: Correct.

11 MR. TODD ANDRES: Thank you. That's  
12 in the 2025/'26 BF column. and it's the same number  
13 in the 2026/'27 forecast line. Correct?

14 MS. SABRINA KAUK: Correct.

15 MR. TODD ANDRES: Thank you. And the  
16 value of that is one million, five hundred and sixteen  
17 thousand, two hundred and one dollars (\$1,516,201).

18 Correct?

19 MS. SABRINA KAUK: Correct.

20 MR. TODD ANDRES: Thank you. So, the  
21 additional written premium would also have a premium  
22 tax of 3 percent, applied to that \$40.4 million.

23 Correct?

24 MS. SABRINA KAUK: Correct.

25 MR. TODD ANDRES: And that's again,

1 trusting my math, about one point two one two nine  
2 sixty-one (1.212,961). Correct?

3 MS. SABRINA KAUK: Correct.

4 MR. TODD ANDRES: Thank you. And the  
5 total commissions and premium taxes is two million,  
6 seven hundred and twenty-nine dollars and one hundred  
7 and sixty-two (\$2,729,162).

8 I'll say that again. I said dollars  
9 too early. So, two million, seven hundred and twenty-  
10 nine thousand, one hundred and sixty-two dollars  
11 (\$2,729,162). Correct?

12 MS. SABRINA KAUK: I don't see that in  
13 front of me on the slide but, subject to check,  
14 correct.

15 MR. TODD ANDRES: Yeah. So, we're --  
16 we're adding the 1.52 million with the 1.21 million  
17 and so that gives you about the 2.7 million.

18 MS. SABRINA KAUK: Correct.

19 MR. TODD ANDRES: Thank you. So, Ms.  
20 Dweh, if we can go back to figure RI-Appendix 3-1.  
21 Thank you.

22 And looking at line 6, there is a  
23 change to the variable operating expense per unit.

24 Correct?

25 MS. SABRINA KAUK: Correct.

1 MR. TODD ANDRES: Between scenario 1  
2 and scenario 2? Yes.

3 MS. SABRINA KAUK: Correct.

4 MR. TODD ANDRES: And that change is  
5 about two dollars and five cents (\$2.05). Correct?

6 MS. SABRINA KAUK: Correct.

7 MR. TODD ANDRES: Thank you. And if  
8 we multiply that two dollars and five cents (\$2.05) by  
9 that 1.359 million, we get about 2.78 million or 2.79  
10 million?

11 MS. SABRINA KAUK: Correct.

12 MR. TODD ANDRES: Thank you. And  
13 that's pretty close to that 2.729 million number we'd  
14 talked about moments ago. Correct?

15 MS. SABRINA KAUK: Correct.

16 MR. TODD ANDRES: Thank you. And does  
17 that reflect -- that -- that does reflect some amount  
18 of interest allocation? Yes.

19 MR. STEVE SCARFONE: Mr. Andres, and I  
20 know you've turned your mind to this, I -- and I'm  
21 loath to interrupt you, but part of this, yes, there -  
22 - like, I appreciate that the lines between ratemaking  
23 and financial forecasting are somewhat blurred, but  
24 some of these questions may be better put to Ms. Low  
25 on the Ratemaking Panel.

1 I know you're getting your yes -- yes's  
2 from Ms. Kauk and you're probably happy with that, but  
3 just she may not be able to fully answer some of your  
4 questions.

5 MR. TODD ANDRES: That's fair. So, if  
6 we get to a point where she can't answer the question  
7 and -- I'm happy to hear about that, but we do need to  
8 dig into the change to the rate deductible and the  
9 impact on the financial forecast. So, we -- we are  
10 getting there --

11 MR. STEVE SCARFONE: Yeah.

12 MR. TODD ANDRES: -- Mr. Scarfone, but  
13 that's understood.

14

15 CONTINUED BY MR. TODD ANDRES:

16 MR. TODD ANDRES: So, Ms. Kauk, if you  
17 are not able to answer the question, you can indicate  
18 so and we can resume this, but thus far you appear to  
19 be doing just fine. So, I'll carry on if that's  
20 acceptable. Thank you.

21 So, to answer the question, I just want  
22 to make sure I did get a response that so now -- this  
23 -- this did reflect some amount of this interest  
24 allocation. Correct?

25 If -- if you don't know the answer,

1 that's fine, that's --

2 MR. RYAN KOLASKI: If you could just  
3 clarify the comment on interest allocation?

4 MR. TODD ANDRES: Sure. It's a half  
5 (1/2) of the year's interest applied. Essentially 2  
6 percent.

7 MR. RYAN KOLASKI: Effectively, 2  
8 percent. Yeah.

9 MR. TODD ANDRES: Yeah.

10 MR. RYAN KOLASKI: Fair. Yeah.

11 MR. TODD ANDRES: Okay.

12 MR. RYAN KOLASKI: Correct.

13 MR. TODD ANDRES: Thank you. So, it  
14 looks like MPI has covered the changes to the variable  
15 operating expense with the commission and premium tax  
16 amounts. Is that correct? 'Cause there's -- there's  
17 nothing else.

18 MS. SABRINA KAUK: Correct.

19 MR. TODD ANDRES: Thank you.

20 MR. RYAN KOLASKI: Correct.

21 MR. TODD ANDRES: Okay. So, now we'll  
22 move on to scenario 2 and, as mentioned, the  
23 deductible is increased to a thousand dollars (\$1,000)  
24 Extension buydown is purchased, Basic rate remains at  
25 2.07 percent. Right?

1 MR. RYAN KOLASKI: Correct.

2 MR. TODD ANDRES: Thank you. So, for  
3 the financial forecast of the incurred claims  
4 transferred to Extension, did MPI assume that all  
5 Extension eligible customers accepted the Extension  
6 buydown coverage?

7

8 (BRIEF PAUSE)

9

10 MR. RYAN KOLASKI: I'd have to defer  
11 that to Ms. Low.

12 MR. TODD ANDRES: All right. So, for  
13 the purposes of this exercise, let's assume that all  
14 Extension eligible customers purchase the Extension  
15 buydown coverage. And using the assumption of rate  
16 parity, it would be fair to assume that Extension  
17 would have nearly 40 million, the 40.4 million of  
18 additional premium. Correct?

19

20 (BRIEF PAUSE)

21

22 MR. RYAN KOLASKI: On the Extension  
23 side, we only looked and then baked in at 2 percent  
24 rate increase, right. So, it wasn't rate parity. So,  
25 in the forecast, like we -- when we moved the transfer

1 over, we're only showing a 2 percent increase on rate.

2 MR. TODD ANDRES: So, does that mean  
3 you've reduced your other premiums accordingly?

4 MR. RYAN KOLASKI: Within the  
5 Extension line of business?

6 MR. TODD ANDRES: Yes.

7 MR. RYAN KOLASKI: Yeah, 'cause what  
8 happened is, is we took out the profit, right. We  
9 readjusted the profit target for the Extension line of  
10 business. So, what you're seeing is a 2 percent  
11 general increase and then based on how those products  
12 got aligned and allocated, the other products are  
13 impacted as well. So, again, Ms. Low and Khurram  
14 could define how that actually happened, right?

15

16 (BRIEF PAUSE)

17

18 MR. TODD ANDRES: All right. Ms.  
19 Dweh, if you could kindly pull up Part 10, PF1,  
20 Statement of Operations, please.

21 All right. And you see -- you have PF1  
22 in front of you, and you'll see line 3 is revenue from  
23 premiums. Correct?

24 MR. RYAN KOLASKI: Correct.

25 MR. TODD ANDRES: And that's made up

1 of earned vehicle and driver premiums? Yes?

2 MR. RYAN KOLASKI: Correct.

3 MR. TODD ANDRES: Thank you. Now, Ms.

4 Dweh, if we can look at PF1-A, please. It's about 4

5 or 5 pages down. Yeah, there it is, so up by one.

6 Thank you, Ms. Dweh.

7 And, again, in PF1-A, lines 3 through 5

8 show the written premium amounts by fiscal year for

9 motor vehicle premiums, driver's license premiums and

10 reinsurance ceded, respectively. Correct?

11 MR. RYAN KOLASKI: Correct.

12 MR. TODD ANDRES: Thank you. And in

13 line 3, 2024/'25 to 2025/'26 motor vehicle premiums in

14 the 2025 GRA, the overall rate increase approved was

15 5.7 percent. Correct?

16 MR. RYAN KOLASKI: Correct.

17 MR. TODD ANDRES: And, again, if we

18 look at the motor vehicle written premium in 2024/'25

19 we see 1.155991, add 3 zeros to that. Correct?

20 MR. RYAN KOLASKI: Correct.

21 MR. TODD ANDRES: Thank you. 2025/'26

22 we see the one million, two hundred and eight-eight

23 (1,000,288) -- pardon me, one billion two hundred and

24 eight-eight million, two hundred and seventy-seven

25 thousand (1,288,277,000). Correct?

1 MR. RYAN KOLASKI: Correct.

2 MR. TODD ANDRES: And that's an  
3 increase of about 132 million. Correct?

4 MR. RYAN KOLASKI: Correct.

5 MR. TODD ANDRES: Thank you. It's an  
6 increase of 11.44 percent. Yes?

7 MR. RYAN KOLASKI: Subject to check.  
8 Correct.

9 MR. TODD ANDRES: And that 11.44  
10 percent overall increase in motor vehicle written  
11 premium included the rate increase of 5.7 percent.

12 Yes?

13 MR. RYAN KOLASKI: Yes.

14 MR. TODD ANDRES: And included the  
15 volume increase of 1.87 percent?

16 MR. RYAN KOLASKI: Correct?

17 MR. TODD ANDRES: Right. And it also  
18 included the 3.37 percent for vehicle upgrades.

19 Correct?

20 MR. RYAN KOLASKI: Correct.

21 MR. TODD ANDRES: Thank you. As well  
22 as a combination of newer vehicles replacing older  
23 vehicles, the maximum rate group went up by one (1)  
24 and that was worth about 0.7 percent? Yes.

25 MR. RYAN KOLASKI: Approximately, yes.

1 Correct.

2 MR. TODD ANDRES: Thank you. And  
3 included a 0.04 percent increase due to the Driver's  
4 Safety Rating movement. Correct?

5 MR. RYAN KOLASKI: Correct.

6 MR. TODD ANDRES: So, if we aggregate  
7 all of those, that's how we get pretty close to the  
8 11.44 percent overall increase. Yes?

9 MR. RYAN KOLASKI: Correct.

10 MR. TODD ANDRES: So, certain aspects  
11 of this change in premium are attributable to organic  
12 growth. Correct?

13 MR. RYAN KOLASKI: Correct.

14 MR. TODD ANDRES: And the remaining  
15 aspects are due to rate action? Yes?

16 MR. RYAN KOLASKI: Correct.

17 MR. TODD ANDRES: Would it be fair to  
18 consider the rate increase in the increase in the  
19 maximum rate group to be due to rate actions and the  
20 remaining aspects to be considered organic growth?

21

22 (BRIEF PAUSE)

23

24 MR. RYAN KOLASKI: Sorry, could you  
25 repeat the question again?

1 MR. TODD ANDRES: Certainly. Would it  
2 be fair to consider the rate increase and the increase  
3 in the maximum rate group to be due to rate actions  
4 and the remaining aspects to be considered organic  
5 growth?

6 MR. RYAN KOLASKI: That's a fair  
7 assumption. Yeah.

8 MR. TODD ANDRES: Thank you. And, so  
9 you could say that 6.44 percent of that, so that's the  
10 overall rate change of five point seven (5.7),  
11 addition of a rate group of point seven (0.7). Right?  
12 So, 6.44 percent of that is considered due to rate  
13 action. Right?

14 MR. RYAN KOLASKI: Correct.

15 MR. TODD ANDRES: And then the  
16 remaining four point seven (4.7), so that's the volume  
17 increase vehicle upgrades, other than the max rate  
18 group increase, that would be considered organic  
19 growth. Correct?

20 MR. RYAN KOLASKI: Correct.

21 MR. TODD ANDRES: Thank you. Ms.  
22 Dweh, we're on exactly the right place, thank you.

23 So, for 2026/'27, we see total motor  
24 vehicle -- pardon me, total motor vehicle premium of  
25 1.416 billion. Correct?

1 MR. BRIAN KOLASKI: Correct.

2 MR. TODD ANDRES: That's line 6. And  
3 that's an increase of 128 or so million over that  
4 1.288 billion. Correct?

5 MR. RYAN KOLASKI: Correct.

6 MR. TODD ANDRES: And again, that's  
7 growth of about 9.92 percent.

8 MR. RYAN KOLASKI: Correct.

9 MR. TODD ANDRES: Thank you. That  
10 includes then the -- the overall rate increase of 2.07  
11 percent. Correct?

12 MR. BRIAN KOLASKI: Correct.

13 MR. TODD ANDRES: It also includes a  
14 volume increase of 1.72 percent for additional  
15 vehicles. Yes?

16 MR. RYAN KOLASKI: Correct.

17 MR. TODD ANDRES: Thank you. Includes  
18 a vehicle upgrade increase of 5.71 percent. Right?

19 MR. RYAN KOLASKI: Correct.

20 MR. TODD ANDRES: Of which 3.1 percent  
21 is due to the addition of four (4) rate groups and a  
22 cap of five (5) rate groups on the changes?

23 MR. RYAN KOLASKI: Correct.

24 MR. TODD ANDRES: Thank you. That  
25 includes a point-0-five (0.05) increase due to Driver

1 Safety Rating movement. Correct?

2 MR. BRIAN KOLASKI: Correct.

3 MR. TODD ANDRES: And then if we,  
4 again aggregate all of those, we get pretty close to  
5 that 9.92 percent. Yes?

6 MR. BRIAN KOLASKI: Correct?

7 MR. TODD ANDRES: Okay, so similar to  
8 what we did in the previous exercise, here, if we take  
9 the 2.7 percent overall change, pardon me, 2.07  
10 percent overall change, the 3.1 percent max rate group  
11 increase of 5, then 5.23 percent of the increase in  
12 written premiums could be considered due to rate  
13 action. Correct?

14 MR. BRIAN KOLASKI: Correct.

15 MR. TODD ANDRES: And 4.5, pardon me,  
16 4.45 percent could be considered due to organic  
17 growth. Correct?

18 MR. BRIAN KOLASKI: Correct.

19 MR. TODD ANDRES: Thank you. And that  
20 includes the 2.9 -- pardon me, that excludes the 2.29  
21 percent -- pardon me, 2.97 percent of required premium  
22 that is being transferred to Extension. Pardon me,  
23 2.94 percent of required premium being transferred to  
24 Extension due to the increase in the Basic deductible  
25 from seven-fifty (750) to one thousand (1000).

1 Correct?

2 MR. BRIAN KOLASKI: Subject to check.

3 Correct.

4 MR. TODD ANDRES: Thank you. And  
5 assuming customers accept the Extension coverage, the  
6 premium being transferred would be about \$40.4  
7 million. Correct? If there was no adjustment to the  
8 rates.

9 MR. BRIAN KOLASKI: Correct. If there  
10 was no adjustment to the rates. Yes.

11 MR. TODD ANDRES: To the rates for  
12 Extension?

13 MR. BRIAN KOLASKI: Yes.  
14 MR. TODD ANDRES: Thank you. And  
15 that's close to -- yeah, that \$40.4 million is close  
16 to 3 percent of the \$1.4 billion of written premium  
17 for the 2026/27 Basic. Correct?

18 MR. BRIAN KOLASKI: Correct.

19 MR. TODD ANDRES: Thank you. And now  
20 again, on PF-1A for driver premium line 4, you can see  
21 the increase from 60.6 million in 2024/25 to 71.7  
22 million in 2025/26, due to the increase in driver  
23 premiums approved by -- in the 2025 GRA. Correct?

24 MR. BRIAN KOLASKI: That is correct.

25 MR. TODD ANDRES: And increases

1 thereafter are mainly based on assumed increases in --  
2 in the -- the number of drivers. Correct?

3 MR. RYAN KOLASKI: Correct.

4 MR. TODD ANDRES: Thank you. Then in  
5 line 5, you can see the increase in reinsurance ceded  
6 premium from 18.8 million in the 2024/25 year to 27.5  
7 million for the 2025/26?

8 MR. BRIAN KOLASKI: Correct.

9 MR. TODD ANDRES: And that number  
10 remains the same in the following year. Correct?

11 MR. RYAN KOLASKI: Correct.

12 MR. TODD ANDRES: Ms. Dweh, if we can  
13 move to figure REV-31 please. Perfect. Thank you.

14 So, we can see the breakdown between  
15 catastrophe and casualty here. Correct?

16 MR. BRIAN KOLASKI: Correct.

17 MR. TODD ANDRES: Between lines 2 and  
18 3. And figure REV-32, Ms. Dweh. That's the one.  
19 Thank you.

20 Shows that over 90 percent of  
21 catastrophe losses are allocated to Basic. Correct?

22 MR. BRIAN KOLASKI: Correct.

23 MR. TODD ANDRES: Thank you. And  
24 you'll see in the paragraph just below this. Right,  
25 it says:

1 "With this adjustment, the  
2 allocation of the catastrophe  
3 treating premium for Basic now  
4 represents 91.5 percent of the  
5 total reinsurance premium,  
6 compared to 67.1 percent before  
7 the adjustment."

8 Correct?

9 MR. RYAN KOLASKI: Correct.

10 MR. TODD ANDRES: Does MPI know the  
11 basis of the previous 67.1 percent allocation?

12 MR. BRIAN KOLASKI: I'd have to refer  
13 that to Ms. Low and Cherity Ostapowich.

14 MR. TODD ANDRES: Ms. Dweh, if we can  
15 move on to figure REV-33, please. Thank you.

16 And we have here the revised allocation  
17 and change in overall catastrophe premium. Correct?

18 MR. BRIAN KOLASKI: Correct.

19 MR. TODD ANDRES: And would it be fair  
20 to say that the largest increase in allocation was for  
21 the 80 million excess of 70 million layer?

22 MR. BRIAN KOLASKI: That is correct.

23 MR. TODD ANDRES: And was this  
24 increase, which was larger than the increase for other  
25 layers, due to an increase in overall catastrophe

1 premium charged MPI for this layer or, rather, was it  
2 due to the allocation for this layer?

3 MR. BRIAN KOLASKI: I'm pretty sure I  
4 know, but I'll defer to Ms. Low because they handle  
5 the reinsurance piece.

6 MR. TODD ANDRES: Ms. Dweh, if we  
7 could scroll down to figure REV-34, please. Thank  
8 you.

9 And that shows the casualty program  
10 reinsurance premiums. Correct?

11 MR. BRIAN KOLASKI: That is correct.

12 MR. TODD ANDRES: Thank you. And  
13 again, it shows that -- or not again, it does show  
14 that the 10 million -- excess of 10 million layer was  
15 not renewed. Correct?

16 MR. BRIAN KOLASKI: That is correct.

17 MR. TODD ANDRES: Was this due to the  
18 claims -- sorry, was this due to claims that affected  
19 the layer, and the resulting increase in premium  
20 requested by reinsurers, or was a decision by MPI to  
21 increase risk tolerance for this exposure?

22 MR. BRIAN KOLASKI: It was a decision  
23 to increase risk tolerance, right, relative to the  
24 claims experience related to that layer.

25 MR. TODD ANDRES: Now, the layer of 30

1 million excess of 20 million appears to have increased  
2 substantially for Basic. Yes?

3 MR. BRIAN KOLASKI: That is correct.

4 MR. TODD ANDRES: How much was the  
5 overall premium for this layer increased?

6 MR. BRIAN KOLASKI: Again, I'd have to  
7 defer to Ms. Low specifically related to the  
8 reinsurance cost.

9 MR. TODD ANDRES: Is it fair to  
10 conclude that the premium increased for this layer?

11 MR. BRIAN KOLASKI: It did increase in  
12 that layer. Reinsurance costs overall went up.

13 MR. TODD ANDRES: Does MPI have any  
14 insights as to why the premium increased would've --  
15 sorry, would have increased for this layer?

16 MR. BRIAN KOLASKI: Combination of  
17 factors. Obviously, our claims trends are a big  
18 impact related to the assessment, as well as just the  
19 overall market for reinsurance when we go to market.  
20 We go to market on an annual basis. As of today,  
21 we'll be going back to market in December/January.  
22 It's an annual process where it's renewed. I mean,  
23 it's very much based on actuarial trends on claims by  
24 the layer.

25 MR. TODD ANDRES: Thank you. So, the -

1 - the next questions may also be questions for Ms.  
2 Low, but I'll ask them anyway, and you can tell me.

3 MR. BRIAN KOLASKI: Sure.

4 MR. TODD ANDRES: Does -- how many  
5 claims in Basic have exceeded \$10 million to date?  
6 And obviously, that would be an Undertaking in any  
7 event, but perhaps we can give Ms. Low a spoiler that  
8 that's coming.

9 MR. BRIAN KOLASKI: Yeah, that  
10 would ...

11 MR. STEVE SCARFONE: Sorry, Mr.  
12 Andres, could you repeat the request for the  
13 Undertaking?

14 MR. TODD ANDRES: Certainly. And --  
15 and either this panel can undertake it or the next  
16 panel, but how many claims in Basic have exceeded the  
17 \$10 million threshold to date?

18 MR. STEVE SCARFONE: Just one second.

19 MR. TODD ANDRES: And I have a follow  
20 up to that. And it's the same question, but with a 20  
21 min -- \$20 million. So how many claims in Basic have  
22 exceeded \$20 million to date?

23 MR. STEVE SCARFONE: Yes, we can  
24 provide both those Undertakings.

25 MR. TODD ANDRES: Thank you, Mr.

1 Scarfone.

2

3 --- UNDERTAKING NO. 5: MPI to advise how many claims  
4 in Basic have exceeded the \$10 million  
5 threshold to date

6

7 --- UNDERTAKING NO. 6: MPI to advise how many claims  
8 in Basic have exceeded the \$20 million  
9 threshold to date

10

11 CONTINUED BY MR. TODD ANDRES:

12 MR. TODD ANDRES: So, Ms. Dweh, if we  
13 can go back to PF-1A again, please. Perfect. Thank  
14 you.

15 Lines 7 through 9 show the earned  
16 premium amount by fiscal year for the three (3) above  
17 items. Correct?

18 MR. BRIAN KOLASKI: That is correct.

19 MR. TODD ANDRES: Right. And this  
20 would reflect the earning pattern of the written  
21 premium. Correct?

22 MR. BRIAN KOLASKI: Correct.

23 MR. TODD ANDRES: Thank you. And I  
24 don't know that I need to take you there, but I'll  
25 just ask you the question.

1                   In the PF-1, PF-2 and PF-3 included in  
2 the GRA, it includes the 2.07 percent increase for the  
3 2026/27 rating year plus -- plus preliminary  
4 forecasted rate changes in the 2027/28 rating year of  
5 0.87 percent. Correct?

6                   MS. SABRINA KAUK: Correct. Sabrina,  
7 correct.

8                   MR. TODD ANDRES: Thank you, Ms. Kauk.  
9 As well as rate changes in the 2028/29 year and the  
10 2029/30 rating year. Correct?

11                   MS. SABRINA KAUK: Correct.

12                   MR. TODD ANDRES: And so, in the PF-1,  
13 PF-2 and PF-3 included in Exhibit 17, that was the  
14 rate update that included the 1.57 percent increase  
15 for 2026/27, and also includes the same preliminary  
16 forecast rate changes for futer -- future rating years  
17 as was included in the 2026 GRA. Correct?

18                   MR. BRIAN KOLASKI: Correct.

19                   MR. STEVE SCARFONE: Thank you. And  
20 so, if we go to Exhibit 17. Again, this is the rate  
21 update. Right, and if we turn to page 46. Excellent.  
22 Thank you, Ms. Dweh.

23                   It shows that in the 2025/26 column the  
24 incurred claims on line 6 have decreased by \$7.1  
25 million. Correct?

1 MS. SABRINA KAUK: Correct.

2 MR. TODD ANDRES: Thank you. And this  
3 is due to higher interest rates causing a lower  
4 present value of cashflow, so the current year's  
5 claims. Correct?

6 MS. SABRINA KAUK: Correct.

7 MR. TODD ANDRES: Thank you. Net  
8 investment income on line 16, reduced by 61.1 million.  
9 Correct?

10 MS. SABRINA KAUK: Correct.

11 MR. TODD ANDRES: And this is due to  
12 higher interest rate reducing the market value of the  
13 investment portfolio supporting Basic?

14 MS. SABRINA KAUK: Correct.

15 MR. TODD ANDRES: Thank you. Finance  
16 income or expense from insurance contracts increased  
17 by \$49.2 million. Yes?

18 MS. SABRINA KAUK: Correct.

19 MR. TODD ANDRES: Thank you. And this  
20 is due to the -- pardon me, it's due to higher  
21 interest rates reducing the present value of cash  
22 flows for prior year's claims. Correct?

23 MS. SABRINA KAUK: The discount rate.  
24 Correct.

25 MR. TODD ANDRES: Thank you. With an

1 overall change in net income from operations of 5.0  
2 million on line 27, correct?

3 MS. SABRINA KAUK: Correct.

4 MR. TODD ANDRES: We can scroll down,  
5 Ms. Dweh. That's fine. Thank you.

6 And with all the impact due to changes  
7 in interest rates. Correct?

8 MS. SABRINA KAUK: Correct.

9 MR. TODD ANDRES: Thank you. And, Ms.  
10 Dweh, if we move to PF-6.

11 Thank you. Now, this shows changes in  
12 insurance revenue, insurance service expense,  
13 investment income and other expense and net income.

14 Correct?

15 MS. SABRINA KAUK: Correct.

16 MR. TODD ANDRES: Thank you. And this  
17 would be due to the use of the 1.57 percent rate  
18 change in 2027 -- pardon me, 2026/27 rating year  
19 instead of the 2.07 percent in the 2026 GRA, plus the  
20 impact of changes in interest rates. Yes?

21 MS. SABRINA KAUK: Correct.

22 MR. TODD ANDRES: Thank you. Real  
23 estate benchmark return was not adjusted to the 10  
24 year average of the MSCI QPF, but remained at CPI. 4  
25 percent. Yes?

1 MS. SABRINA KAUK: Correct.

2 MR. TODD ANDRES: Thank you. No other  
3 changes included in the Basic forecast. Correct?

4 MR. BRIAN KOLASKI: Correct.

5 MR. TODD ANDRES: Thank you. So, I do  
6 have a few more questions on this topic, but I'm happy  
7 to take a break now before we get into the Statement  
8 of Operations.

9 PANEL CHAIRPERSON: Okay. Thank you.  
10 We'll break now for 15 minutes coming back, please, at  
11 10 to 11:00.

12

13 --- Upon recessing at 10:36 a.m.

14 --- Upon resuming at 10:53 a.m.

15

16 PANEL CHAIRPERSON: Thank you. Mr.  
17 Scarfone, I see that you have an additional person on  
18 your front row panel. Would you introduce your...

19 MR. STEVE SCARFONE: Yes. Thank you,  
20 Madam Chair. Well, we didn't have a seat for Mr.  
21 Rosenthal in the back row. This is Daniel Rosenthal.  
22 He is a lawyer want-to-be, MPI's articling student.

23 So, he's sitting there all bright-eyed  
24 and bushytailed not yet cynical and jaded like the  
25 rest of us, but he's going to here -- here on a

1 watching brief.

2 PANEL CHAIRPERSON: Thank you, Mr.  
3 Scarfone. Welcome, Mr. Rosenthal. Mr. Andres...?

4 MR. TODD ANDRES: Thank you. Madam  
5 Chair. Ms. Dweh, if you could kindly pull up PUB-MPI-  
6 1-70, statement of operations. Ms. Dweh, it appears  
7 that's 2-70, so that's Round 2 IRs. So, if you need a  
8 moment, we can take a moment to get 1-70.

9

10 (BRIEF PAUSE)

11

12 MR. TODD ANDRES: That would be the  
13 one. Thank you.

14

15 CONTINUED BY MR. TODD ANDRES:

16 MR. TODD ANDRES: The 2025 GRA  
17 compliance filing included a 2 percent -- pardon me,  
18 included 2 percent rate changes for each rating year  
19 starting in 2025 that were not included in the 2025  
20 GRA base, correct?

21 MS. SABRINA KAUK: Correct.

22 MR. TODD ANDRES: Thank you. And if  
23 we look at the insurance revenue, so the earned  
24 premium for the 2024/'25 year in the 2025 GRA  
25 compliance filing, it was 221,694,000. So, actually,

1 if you can scroll down to the next page, please, Ms.  
2 Dweh. Yeah. And so, that's line 4. Correct. Thank  
3 you.

4 And in the 2026, GRA, there would be  
5 223,142,000, an increase of about 1.4 million,  
6 correct? Oh, actually, Ms. Dweh, if you can scroll  
7 back. That's fine. We can leave it. Oh, there it  
8 is, yes, in the second column.

9 MS. SABRINA KAUK: Correct.

10 MR. TODD ANDRES: Thank you. So, Ms.  
11 Dweh, if you could scroll back down to the second  
12 page, please. Perfect. Thank you.

13 And the main reason is the upgrade,  
14 volume and policy related service fees, correct?

15 MS. SABRINA KAUK: Correct.

16 MR. TODD ANDRES: Thank you. Ms.  
17 Dweh, if you can move down to page 7 of this document.  
18 Thank you. And this is statement of operations  
19 2025/'26 comparative, correct?

20 MS. SABRINA KAUK: Correct.

21 MR. TODD ANDRES: So, insurance  
22 revenue for the 2025/'26 year and the 2025 GRA  
23 compliance filing was \$246 million, correct?

24 MS. SABRINA KAUK: Correct.

25 MR. TODD ANDRES: Thank you. And then

1 in the 2026 year, it was 246.5 million, correct?

2 MS. SABRINA KAUK: Correct.

3 MR. TODD ANDRES: Thank you. It's an  
4 increase of about half million, correct?

5 MS. SABRINA KAUK: Correct.

6 MR. TODD ANDRES: Thank you.

7 MS. SABRINA KAUK: Give or take --  
8 well --

9 MR. TODD ANDRES: Give or take.

10 MS. SABRINA KAUK: Yeah.

11 MR. TODD ANDRES: Yeah. Thank you.

12 With the largest driver being higher written premiums  
13 from prior year, correct?

14 MS. SABRINA KAUK: Correct.

15 MR. TODD ANDRES: Thank you. In  
16 reviewing the commissions, we note the minimal changes  
17 between the 2025 GRA compliance filing and the 2026  
18 GRA?

19 MS. SABRINA KAUK: Correct?

20 MR. TODD ANDRES: Thank you. Now,  
21 MPI's indicated that it intends to keep the total  
22 Extension premium neutral to the change in Basic  
23 deductible, so there was no net increase in  
24 commissions paid to brokers for Extension, correct?

25 MR. RYAN KOLASKI: Correct.

1 MR. TODD ANDRES: And that's in  
2 26/'27, right?

3 MS. RYAN KOLASKI: Correct.

4 MR. TODD ANDRES: Thank you. So, now  
5 if we can go down two (2) pages to page 9, please.  
6 Thank you, Ms. Dweh.

7 And if we're looking at line 18, higher  
8 incurred claims of 16,937,000 are primarily due to the  
9 increase in Basic deductible, resulting in greater  
10 Extension buydown claims, correct?

11 MR. RYAN KOLASKI: Correct.

12 MR. TODD ANDRES: Thank you. And if  
13 we go down one more page. oh, actually, another page.  
14 page 11, please, MS. Dweh. Thank you.

15 Line 18 shows 35,111,000 higher  
16 incurred claims. If you can scroll down just a bit,  
17 please, Ms. Dweh. Thank you. Yeah, line 18.

18 You see that?

19 MR. RYAN KOLASKI: I do, yes.  
20 Correct.

21 MR. TODD ANDRES: Thank you. And  
22 that's mainly due to the increase in the Basic  
23 deductible resulting in greater Extension buydown  
24 claims, correct?

25 MR. RYAN KOLASKI: Correct.

1 MR. TODD ANDRES: Thank you. And the  
2 impact was about twice as large in 2027 as about only  
3 half the claims incurred in 2026/'27 would be affected  
4 by the change in Basic deductible, correct?

5 MR. RYAN KOLASKI: Correct.

6 MR. TODD ANDRES: Thank you. So, the  
7 Extension forecast appears to reflect increases in  
8 claims for the Basic deductible increase and  
9 accompanying Extension buydown coverage, correct?

10 MR. RYAN KOLASKI: Correct.

11 MR. TODD ANDRES: But the Corporation  
12 deliberately offset the premium increase that would  
13 have occurred due to the new deductible buydown option  
14 by reducing existing coverages by the same amount,  
15 correct?

16 MR. RYAN KOLASKI: I don't believe we  
17 reduced existing coverage. We just offset the  
18 revenue, right. Right. So, I don't understand.

19

20 (BRIEF PAUSE)

21

22 MR. TODD ANDRES: So, from the  
23 existing compliance filing there was minimal change,  
24 correct?

25 MR. RYAN KOLASKI: Correct.

1 MR. TODD ANDRES: Thank you. So, in  
2 order to fit the \$40 million of premium that we  
3 discussed earlier into the total premiums, premiums  
4 for existing coverages had to be decreased --

5 MR. RYAN KOLASKI: Yeah.

6 MR. TODD ANDRES: -- from the  
7 compliance filing, correct?

8 MS. SABRINA KAUK: Are you referencing  
9 the compliance filing from the '25 GRA last year to  
10 the '26 GRA? Or are you referencing the rate update?

11 MR. TODD ANDRES: Yes.

12 MS. SABRINA KAUK: I'm unclear.

13 MR. TODD ANDRES: No, the comparison  
14 from the 2025 GRA to 2026.

15 MS. SABRINA KAUK: Okay. Can you re-  
16 ask the question again?

17 MR. TODD ANDRES: I'll do my best.  
18 So, from the compliance filing, the -- the 2025  
19 compliance filing, there was minimal change.

20 MS. SABRINA KAUK: For Extension  
21 revenues?

22 MR. TODD ANDRES: Yes. Okay. So, in  
23 order to fit the \$40 million of additional premium  
24 into the total premiums -- and premiums for existing  
25 coverage had to be decreased from the compliance

1 filing?

2 MS. SABRINA KAUK: We -- so, just to  
3 answer the way the question was asked first, we've not  
4 decreased coverage options, right, for Extension. We  
5 have filed as of right now, a line of business  
6 increase of 2 percent to keep it rate neutral for the  
7 customer, but we are still working through pricing on  
8 Extension. Right now, it's a line of business overall  
9 increase of 2 percent.

10 MR. RYAN KOLASKI: The 2025 GRA also  
11 had a 2 percent price increase in the forecast, right.  
12 So, that's kind of your starting point. And then you  
13 have the shift over as well.

14 MS. SABRINA KAUK: So, perhaps to  
15 answer your question, no, there's not a significant  
16 change because the 2 percent is carried through as a  
17 line of business increase.

18 MR. TODD ANDRES: But you've added in  
19 the new coverage, correct?

20 MS. SABRINA KAUK: Correct.

21 MR. TODD ANDRES: With no additional  
22 premium?

23 MS. SABRINA KAUK: We're forecasting 2  
24 percent as the line of business increase. The price  
25 for that coverage is within the line of business

1 increase of 2 percent at this time, but that is still  
2 subject to -- it's not yet determined, still subject  
3 to Board approval.

4 MR. TODD ANDRES: So, how does MPI  
5 account for the \$40.4 million of additional revenue --  
6 additional premium?

7 MS. SABRINA KAUK: It's not a one-for-  
8 one comparison. We're moving an expected increase  
9 within the Extension line, which was already  
10 forecasted at 2 percent before. The 2 percent's being  
11 applied to that base of last year's revenue with other  
12 assumptions such as upgrade and volume changes. And  
13 those also are reflecting the expected change from the  
14 product change.

15 MR. TODD ANDRES: Okay. I think we're  
16 going to have to ask some further questions of Ms. Low  
17 when she's on the panel.

18

19 (BRIEF PAUSE)

20

21 MR. TODD ANDRES: As a result of  
22 moving the deductible in, we can see substantially  
23 lower net income forecast for Extension, correct?

24 MR. RYAN KOLASKI: Correct.

25 MR. TODD ANDRES: Thank you. Ms.

1 Dweh, if you can pull up Exhibit 17. This is the rate  
2 update, EPF number 1. Sorry. It's EPF-1. It's a few  
3 pages down still. That's the one. Thank you, Ms.  
4 Dweh.

5 So, the Extension revenue from premiums  
6 is unchanged from 2026 GRA, correct?

7 MR. RYAN KOLASKI: Correct.

8 MR. TODD ANDRES: Thank you. So, is  
9 the only change for the Extension forecast the impact  
10 of the change in interest rates on the present value  
11 of the claims and on investments and any resulting  
12 changes in Extension transfers to Basic?

13 MR. RYAN KOLASKI: Correct.

14 MR. TODD ANDRES: So "yes"?

15 MR. RYAN KOLASKI: Yes.

16 MR. TODD ANDRES: Thank you. Moving  
17 on to operating expenses. Just for the purpose of  
18 this examination, and while I understand that there  
19 are distinct meetings for write-offs and impairments,  
20 for the purpose of this discussion I may just refer to  
21 the \$60.8 million as a write-off, and you'll  
22 understand what I'm saying.

23 MR. RYAN KOLASKI: I will.

24 MR. TODD ANDRES: Thank you. MPI  
25 noted the decision to close out Project NOVA was as a

1 result of scheduled budget and unaddressed risk,  
2 correct?

3 MR. RYAN KOLASKI: Correct.

4 MR. TODD ANDRES: Thank you. And at a  
5 high level, can you please indicate what led to the  
6 issues with the schedule, budget, and risk?

7 MR. RYAN KOLASKI: With respect to  
8 scheduling, I will defer that to Roy Hart on the IT  
9 panel.

10 MR. TODD ANDRES: That's fair. So,  
11 you'll agree that the total spent on Project NOVA was  
12 a little over \$166 million, correct?

13 MR. RYAN KOLASKI: Correct.

14 MR. TODD ANDRES: And just shy of \$61  
15 million has been written off, correct?

16 MR. RYAN KOLASKI: Correct.

17 MR. TODD ANDRES: And in reference to  
18 the write-off of \$61 million, how did MPI determine  
19 the amount to be written off?

20 MR. RYAN KOLASKI: I believe we filed  
21 it in a response, IR 163, where you have a copy of our  
22 memo to the file, how we went through the impairment  
23 process.

24 That impairment process is done on an  
25 annual basis, and we went through and looked at on a

1 technical basis, what was foundational work, what  
2 could be carried forward, what would have value going  
3 into the future? And from that, we determined  
4 distinctly what was the \$60.8 million write down.

5 MR. TODD ANDRES: Thank you. Ms.  
6 Dweh, if you could pull up Exhibit 27, please, Figure  
7 2. Oh, just -- yeah. Yeah. If you can scroll back  
8 up. There was a Figure 2 on the previous page  
9 actually. There it is. Yeah. That's the one. Thank  
10 you.

11 As I understand it, this table outlines  
12 Project NOVA budget and actuals by line of business,  
13 including impairment write-off and remaining net book  
14 value, correct?

15 MS. SABRINA KAUK: Correct.

16 MR. TODD ANDRES: And that's as of  
17 June 30th, 2025, right?

18 MS. SABRINA KAUK: Correct.

19 MR. TODD ANDRES: Left column -- left  
20 section there with the heading 'Re-baseline 2022 with  
21 30 percent Contingency Budget', that's the budget,  
22 correct?

23 MS. SABRINA KAUK: Correct.

24 MR. TODD ANDRES: And then the section  
25 to the right of that that says 'NOVA Program', that's

1 effectively what was spent, correct?

2 MS. SABRINA KAUK: Correct.

3 MR. TODD ANDRES: And then the section  
4 --there are two (2) sections to the right. One says  
5 'Impairment' and one says 'Remaining NBV'. And so,  
6 the remaining NBV is the remaining net book value,  
7 correct?

8 MS. SABRINA KAUK: Correct.

9 MR. TODD ANDRES: Thank you. And so,  
10 with respect to the re-baseline 2022 with 30 percent  
11 contingency, that was obviously the re-baseline budget  
12 in 2022, right?

13 MS. SABRINA KAUK: Correct.

14 MR. TODD ANDRES: And the number ended  
15 up being higher with contingency in the 2025 GRA,  
16 correct?

17 MR. RYAN KOLASKI: That's correct,  
18 yeah.

19 MR. TODD ANDRES: Thank you. It's  
20 about \$290 million, correct?

21 MR. RYAN KOLASKI: Correct.

22 MR. TODD ANDRES: Thank you. For the  
23 purposes of this discussion, we'll stick with the 2022  
24 re-baseline number. So, we have the budget from the  
25 2022 -- pardon me, 2022, which is \$273.5 million,

1 correct?

2 MR. RYAN KOLASKI: Correct.

3 MR. TODD ANDRES: And if we look at  
4 line 3, about \$54.5 million is going to be spent on  
5 Basic, yes?

6 MR. RYAN KOLASKI: Correct.

7 MR. TODD ANDRES: Thank you. In other  
8 words, MPI's expectation was that it would've been --  
9 it would've had the functionality required for Basic  
10 within that \$54.5 million spend, correct?

11 MR. RYAN KOLASKI: That is correct.

12 MR. TODD ANDRES: Thank you. And  
13 moving on to the section to the right entitled 'NOVA  
14 Program Actual as at June 3rd, 2025', again on line 7,  
15 it appears that the total actual spend on NOVA was  
16 \$167.9 million, correct?

17 MR. RYAN KOLASKI: That is correct.

18 MR. TODD ANDRES: Thank you. And  
19 Basic accounted for \$62.5 million, correct?

20 MR. RYAN KOLASKI: Correct.

21 MR. TODD ANDRES: Forty one point  
22 (41.) -- or, pardon me, forty-one point one (41.1) is  
23 deferred, right?

24 MR. RYAN KOLASKI: Yes.

25 MR. TODD ANDRES: That's on line 3.

1 That's the number --

2 MR. RYAN KOLASKI: Correct.

3 MR. TODD ANDRES: -- under deferred.

4 That's for Basic, right? And 21.4 million for Basic  
5 was expensed, right?

6 MR. RYAN KOLASKI: Correct.

7 MR. TODD ANDRES: And so as of today,  
8 MPI has spent \$8 million more on Basic than initially  
9 budgeted in this project, correct?

10 MR. RYAN KOLASKI: Correct.

11 MR. TODD ANDRES: And as of today, it  
12 doesn't have any of the functionality for Basic  
13 anticipated, correct?

14 MR. TODD ANDRES: Correct.

15 MR. TODD ANDRES: Thank you. Ms.  
16 Dweh, if you could kindly bring up PUB/MPI-2-59. And  
17 if we can scroll down to the table, it looks like the  
18 one that we were looking at before. Thank you. So,  
19 this is on page 2 of 2-59. If you can just scroll  
20 down so we can see Figure 2. Thank you kindly.

21 This is an earlier version of the table  
22 that we were looking at moments ago, correct?

23 MR. RYAN KOLASKI: Correct.

24 MR. TODD ANDRES: That was on Exhibit  
25 27, right?

1 MR. RYAN KOLASKI: Correct.

2 MR. TODD ANDRES: And if we look back  
3 to -- well, we don't have to look at it, but Exhibit  
4 27 is essentially a revised version of this, correct?

5 MR. RYAN KOLASKI: Correct.

6 MR. TODD ANDRES: And if we go back to  
7 Exhibit 27, please, Ms. Dweh, just the document --  
8 just the tab just to the left of this. Thank you.  
9 Perfect.

10 I'm wondering if you can explain the  
11 rationale for the figures that are shifted from the  
12 red strikethroughs to the new numbers that were  
13 produced in this document. And importantly, we're  
14 interested primarily in DVA and Basic because I see  
15 that the biggest swings are in those 2 lines of  
16 business.

17 MS. SABRINA KAUK: Sabrina. Yeah. So  
18 (a) there was an error in the first filing. We just  
19 filed the wrong number as a correction. And then the  
20 second thing was also, in our Excel sheet where we  
21 track, we had not yet -- and this is not for actual  
22 purposes, it was just an error -- we had not updated  
23 the allocators to what was currently being used, again  
24 in oversight, which is why we refiled.

25 So, we updated the net book value to

1 reflect the '25/'26 actual cost allocators being  
2 applied.

3 MR. TODD ANDRES: Thank you. So,  
4 you'll agree that there was a \$16 million difference  
5 between the original allocation to DVA and the  
6 update?

7 MS. SABRINA KAUK: Correct.

8 MR. TODD ANDRES: And \$11 million  
9 difference on Basic?

10 MS. SABRINA KAUK: Correct.

11 MR. TODD ANDRES: And so, is it MPI's  
12 position that all of those shifts was just the change  
13 in allocation?

14

15 (BRIEF PAUSE)

16

17 MS. SABRINA KAUK: I would ask you to  
18 refer to Pre-ask 002, Part B, Figure 1. And while  
19 that's being pulled up within there, we've included a  
20 footnote that explained, following the closure of the  
21 program, the balance sheet allocation was updated to  
22 align to the current allocation structure used for  
23 active projects to ensure consistency with the  
24 foundational work of how the projects are being  
25 allocated.

1                   Again, just an error that those were  
2 the allocators. They're unchanged. When we initially  
3 filed it, we had the wrong allocators in place.

4                   MR. TODD ANDRES:    Okay. So, to be  
5 clear then, the -- the difference can be attributed to  
6 the allocators, is that correct, entirely?

7                   MS. SABRINA KAUK:    That's fair.

8

9                                   (BRIEF PAUSE)

10

11                   MR. TODD ANDRES:    Right. And I see  
12 that it was provided by way of footnote, but I wonder  
13 if you can provide the analysis that supported the  
14 shift. That's by way of undertaking.

15                   MR. STEVE SCARFONE:    Sorry. The  
16 analysis that -- for the rationale in the change in  
17 the allocations?

18                   MR. TODD ANDRES:    Yeah. The rationale  
19 to support the shift from \$20 million from DVA a Basic  
20 in this particular --

21                   MR. STEVE SCARFONE:    I thought the  
22 response was it's entirely attributable to the  
23 allocation change.

24                   MR. TODD ANDRES:    Yeah. So, I guess  
25 what we're looking for is the analysis that supports

1 the change.

2 MS. SABRINA KAUK: Yeah. So as filed  
3 in our cost allocation appendix, with the closure of  
4 Project NOVA, that project no longer exists, nor do  
5 those cost allocators. And so, the cost allocations  
6 now applied are consistent with the rest of our cost  
7 allocation methodology.

8

9 CONTINUED BY MR. TODD ANDRES:

10 MR. TODD ANDRES: So, given that these  
11 are historical costs, why would the new allocator  
12 apply?

13

14 (BRIEF PAUSE)

15

16 MS. SABRINA KAUK: So, the assets on  
17 the balance sheet were based on the story point  
18 allocators, which were filed in historical GRAs. Post  
19 write-off and with closure of the project, we're left  
20 with certain foundational work. And so, the  
21 allocation based on story points is no longer  
22 appropriate.

23 Note that those costs have yet to come  
24 into the statement of operations as an expense to  
25 those lines of business. So, the weighting has been

1 updated to follow and be consistent with the rest of  
2 the internal integrated cost allocation methodology.

3 MR. TODD ANDRES: But it represent --  
4 there -- there was a change in estimate, correct?

5 MS. SABRINA KAUK: Correct. So, for  
6 using R-1 as an example, we took a write-off of R-1  
7 assets. The remaining work is \$5 million net book  
8 value that is foundational work.

9 So based on what is left with the asset  
10 class, in that one example, we have updated the cost  
11 allocator to be consistent with the rest of our cost  
12 allocation methodology. So, it's allocated on a fair  
13 and reasonable basis.

14 MR. TODD ANDRES: That's because the  
15 work remains outstanding?

16 MS. SABRINA KAUK: There's certain  
17 foundational work that is currently capitalized.

18 MR. RYAN KOLASKI: So, the deferred  
19 asset was originally set up through story points,  
20 right? With the closure of NOVA, there -- that no  
21 longer is an option. So, the new allocation, right,  
22 has to -- you have to rebalance that position to align  
23 with the ICAM that we have.

24 So, when you do that, it reallocates  
25 the existing amounts that are left over, and that's

1 using the claims incurred and WCCCCR allocators  
2 primarily.

3 MR. TODD ANDRES: Again, that's  
4 prospectively?

5

6 (BRIEF PAUSE)

7

8 MR. RYAN KOLASKI: That change was  
9 made for the fiscal year end just ended.

10 MR. TODD ANDRES: So, Ms. Dweh, if you  
11 could take us back to the MPI Exhibit 27. It's the  
12 two (2) tabs over there, please. Thank you.

13 So, looking again at this same chart,  
14 if we look at line 3 actual, the deferred amount is  
15 \$41 million, correct?

16 MR. STEVE SCARFONE: One moment  
17 please, Mr. Andres.

18 MR. TODD ANDRES: Certainly.

19 MR. STEVE SCARFONE: Oh, by the way,  
20 was that response satisfactory, so no undertaking  
21 concerning the rationale?

22 MR. TODD ANDRES: I think we can leave  
23 that undertaking alone. Thank you, Mr. Scarfone.

24 MR. STEVE SCARFONE: Thank you.

25 MS. SABRINA KAUK: Sorry. Just to

1 provide context, we're jumping around on dates. So,  
2 we wanted to clarify we're talking about March 31, but  
3 then we're also talking about June 30th, project  
4 close.

5 So, at the March 31st year end date,  
6 the balance sheet allocators were not updated as the  
7 project was not yet closed. It's been updated and  
8 reflected in the June 30th results post year end.

9

10 (BRIEF PAUSE)

11

12 CONTINUED BY MR. TODD ANDRES:

13 MR. TODD ANDRES: So, the shift  
14 happened after year end?

15 MS. SABRINA KAUK: In Q1, correct.

16 MR. TODD ANDRES: The costs incurred  
17 prior to Q1?

18 MS. SABRINA KAUK: Correct. We're  
19 talking about balance sheet allocation. And so, with  
20 the closure of Project NOVA, we updated those balance  
21 sheet allocators from the story points that existed  
22 under NOVA to align to our integrated cost allocation  
23 methodology.

24 MR. TODD ANDRES: Okay. Thank you.  
25 Okay. So back to Figure 2 on Exhibit 27. So again,

1 if we're looking at line 3 actual, deferred amount for  
2 Basic is 41 million, correct? I

3 MS. SABRINA KAUK: Pre-impairment,  
4 correct --

5 MR. TODD ANDRES: Pre-impairment.

6 MS. SABRINA KAUK: -- and amortization,  
7 correct.

8 MR. TODD ANDRES: Thank you. And  
9 you've preempted me. So, \$41 million is the deferred  
10 amount. If we look to the right, the impairment is  
11 noted as \$8.9 million, correct?

12 MS. SABRINA KAUK: Correct.

13 MR. TODD ANDRES: Right. And the net  
14 book value is \$20.7 million, correct?

15 MS. SABRINA KAUK: Correct.

16 MR. TODD ANDRES: But you'll agree with  
17 me, and it may be that my math is not very good, but  
18 41 million less 8.9 million does not equal 20.7  
19 million, correct?

20 MS. SABRINA KAUK: Correct. There --  
21 so what you're referring to, the 41 million --

22 MR. TODD ANDRES: Yes.

23 MS. SABRINA KAUK: -- is the net book  
24 value deferred as of June 30th, pre-amortization.

25 MR. TODD ANDRES: So, there should be

1 potentially another column there that outlines the  
2 amortization.

3 MS. SABRINA KAUK: This exhibit was  
4 not filed as a continuity schedule.

5 MR. TODD ANDRES: And I will ask for  
6 an undertaking here for it to be filed as a continuity  
7 schedule, please.

8 MR. STEVE SCARFONE: Yes, we can make  
9 that undertaking, Counsel.

10

11 --- UNDERTAKING NO. 7: MPI to provide a continuity  
12 schedule

13

14 CONTINUED BY MR. TODD ANDRES:

15 MR. TODD ANDRES: The other  
16 discrepancy I note -- and I -- I don't think it's  
17 because of my eyes, but if you look at line 6 in  
18 Figure 1, net book value as at March 31, 2025, forty-  
19 nine three fifty-nine (49,359), and then we have total  
20 remaining net book value on the lower right-hand  
21 column in Figure 2 is forty-eight three ninety-five  
22 (48,395).

23 Am I correct in assuming that  
24 discrepancy is because of the timing. So, one is at  
25 March 31, 2025 and one is at June 30, 2025?

1 MS. SABRINA KAUK: Correct.

2 MR. TODD ANDRES: Thank you. And for  
3 the \$20.7 million that's being deferred, can MPI  
4 explain what's captured there and why does it have  
5 future value?

6 MS. SABRINA KAUK: Yeah, I would refer  
7 you to PUB pre-ask 2.

8 MR. TODD ANDRES: Okay.

9 MS. SABRINA KAUK: Within that IR,  
10 we've given a breakdown by release of the work that  
11 was done and what remains. And we've showed the  
12 remaining net book value by release as well.

13 MR. TODD ANDRES: Thank you for that.  
14 We can leave that. Now, presumably prior to the  
15 amounts being written off the technology committee and  
16 audit and finance committee and, ultimately, the CEO  
17 would've been made aware, correct?

18 MS. SABRINA KAUK: Prior to the write-  
19 off?

20 MR. TODD ANDRES: Yes.

21 MS. SABRINA KAUK: Correct.

22 MR. TODD ANDRES: Thank you. And it's  
23 understood then that for the parts that have not been  
24 written off, there is some sort of continuing value to  
25 MPI, correct?

1 MS. SABRINA KAUK: An annual  
2 impairment test is done in accordance with IFRS on an  
3 annual basis. So, we will be working through that  
4 annual test for assessment in line with accounting  
5 standard.

6 MR. TODD ANDRES: So, regarding  
7 ongoing costs, MPI's said that it's not going to be  
8 continuing to report against Project NOVA, correct?

9 MS. SABRINA KAUK: Correct. As the  
10 project is closed.

11 MR. TODD ANDRES: And the remaining  
12 scope will be delivered as a part of the five-year  
13 rolling IT roadmap? Correct.

14

15 (BRIEF PAUSE)

16

17 MS. SABRINA KAUK: May I ask you to  
18 repeat the question.

19 MR. TODD ANDRES: And I actually have  
20 a reference for this, if you like, but remaining scope  
21 for Project NOVA will be delivered as a part of its --  
22 of MPI's five-year rolling IT roadmap, correct?

23 MS. SABRINA KAUK: MPI is currently  
24 working through its five-year roadmap.

25 MR. TODD ANDRES: Okay. And so, what

1 about the remaining scope?

2 MS. SABRINA KAUK: It's yet to be  
3 determined.

4 DR. DARREN CHRISTLE: Excuse me.  
5 Sorry to interrupt. But we're having an issue and we  
6 need five (5) minutes.

7 PANEL CHAIRPERSON: Sorry. Thank  
8 you. Okay. Thank you. Five (5) minutes.

9

10 --- Upon recessing at 11:23 a.m.

11 --- Upon resuming

12

13 PANEL CHAIRPERSON: Okay. Thank  
14 you everyone. I apologize for the inconvenience.  
15 Just to let you know that our -- as you heard earlier,  
16 our Team's application is not working. So, what we're  
17 going to do now is we're going to continue. We will  
18 record the session on the server, the PUB server, and  
19 we will provide that information to the court reporter  
20 who will put it into the transcript.

21 The result -- a couple of results,  
22 number 1, there will probably not be a transcript  
23 available for tomorrow morning, of today's  
24 proceedings. Number 2, the MPI people who are on  
25 TEAMS should switch over to the live stream, because

1 they won't be able to come in via TEAMS and I don't  
2 know whether you need a couple of minutes to get them  
3 on or not, but that's where we're at.

4 Mr. Scarfone. . .?

5 MR. STEVE SCARFONE: Well, I don't  
6 believe we'll need any time, Madam Chair, if the live  
7 stream is on downstairs, so they would have heard your  
8 comments and we can carry on.

9 PANEL CHAIRPERSON: Okay. Thank you.  
10 And, Ms. Schubert, do you have any idea whether Mr.  
11 Andre's last couple of questions were recorded or does  
12 he need to repeat those?

13 MR. TODD ANDRES: Yeah, I'm -- I'm  
14 told that, effectively, everything was lost after the  
15 Undertaking that was accepted. So, I can do a do-over  
16 of all those questions subsequent to that.

17 PANEL CHAIRPERSON: Okay. Thank you.  
18 Mr. Andres...?

19 MR. TODD ANDRES: Thank you, Madam  
20 Chair. And just to confirm though, while TEAMS may  
21 not be cooperating, the live stream is functioning, so  
22 it is broadcasting. Okay. Thank you.

23

24 CONTINUED BY MR. TODD ANDRES:

25 MR. TODD ANDRES: So, I apologize, we

1 have a -- a bridged version of groundhog data to deal  
2 with right now. So, dealing again with the \$20.7  
3 million deferral -- well actually all the amounts but  
4 -- being -- strike that.

5 Presumably, prior to the write-off  
6 amounts, presumably -- presume -- presumably prior to  
7 the write-off or the amounts being written off, the  
8 Technology Committee and Audit and Finance Committee  
9 and CEO would have been made aware. Correct?

10 MS. SABRINA KAUK: Correct.

11 MR. TODD ANDRES: Thank you for your  
12 patience. And there would have been disclosure about  
13 the component parts of the write-off. Yes?

14 MS. SABRINA KAUK: Correct.

15 MR. TODD ANDRES: Thank you. And for  
16 those pieces that were written off, the Corporation  
17 had determined that there was no residual value.

18 Correct?

19 MS. SABRINA KAUK: The assets written  
20 off?

21 MR. TODD ANDRES: Yes.

22 MS. SABRINA KAUK: Correct.

23 MR. TODD ANDRES: Thank you. Which  
24 means that the parts that had not been written off,  
25 there was some sort of continuing value to MPI.

1 Correct?

2 MS. SABRINA KAUK: As of the March  
3 31st financial statement date. Correct.

4 MR. TODD ANDRES: Thank you. And  
5 regarding ongoing costs, MPI has stated that it is not  
6 continuing to report against Project NOVA. Correct?

7 MS. SABRINA KAUK: Correct.

8 MR. TODD ANDRES: Thank you. And that  
9 the remaining scope will be delivered as a part of its  
10 5-year rolling IT Roadmap. Correct?

11 MR. STEVE SCARFONE: That question,  
12 Mr. Andres, I'm certain is more properly put to Ms.  
13 St. Laurent (phonetic), as it concerns the scope of  
14 NOVA which, as you know, was the upgrade or  
15 replacement of Legacy Systems in providing digital  
16 services to customers.

17

18 CONTINUED BY MR. TODD ANDRES:

19 MR. TODD ANDRES: So, Ms. Dweh, if you  
20 could, and you -- I didn't give you a forewarning  
21 about this, so apologies, Exhibit 28, which is the MPI  
22 Pre-Asks. And we'll need to scroll down to Pre-Ask  
23 PUB-1. So, it's -- keep scrolling down. It's about  
24 halfway through the document. I am told it's page 27.  
25 Right, and if you can just scroll up just a bit,

1 please. Keep going up, please, Ms. Schubert -- sorry,  
2 Ms. Dweh, and a little bit more. Apologies, it is  
3 page 23 as it turns out -- actually, we'll stop here.  
4 Let's stop here.

5 All right. So, we have Figure 1  
6 Program NOVA Deferred Costs Incurred by a Line of  
7 Business, and release at June 30th, 2025.

8 Do you see that?

9 MS. SABRINA KAUK: Yeah.

10 MR. TODD ANDRES: Thank you. And  
11 you'll confirm that for Release 1, you say all but  
12 about \$2.6 million was written off. Correct?

13 MS. SABRINA KAUK: For Release 1, the  
14 netbook value, June 30th, is five million eighty-four  
15 (5,000,084).

16 MR. TODD ANDRES: Right, and how much  
17 -- sorry, how much for Basic? And the -- the amount  
18 remaining for Basic is two point six (2.6). Correct?

19 MS. SABRINA KAUK: 20.7 million is the  
20 number -- oh, sorry, yeah. I apologize, my laptop's  
21 blocking my screen. Thank you.

22 MR. TODD ANDRES: Thank you. And so,  
23 the enduring value is largely in Releases 2 and 3 as  
24 it relates to Basic. Correct?

25 MS. SABRINA KAUK: Correct.

1 MR. TODD ANDRES: Thank you. Ms.  
2 Dweh, if we could pull up PUB-MPI-1-41, please, from  
3 the 2024 GRA, thank you.

4

5 (BRIEF PAUSE)

6

7 MR. TODD ANDRES: So, in the 2024 GRA,  
8 the forecast compound growth rate for corporate  
9 operating expenses for the 2023 to '24, to the  
10 2025/'26 period, was at 2.8 percent. Sorry, if we can  
11 just scroll down, Ms. Dweh. It's line 26, middle  
12 column, in the growth rates, the column -- so, the  
13 section farthest to the right, second from the right.

14 MR. RYAN KOLASKI: Correct.

15 MR. TODD ANDRES: Thank you. And at  
16 the same GRA, the actual 4 year compound growth rate  
17 for operating expenses was 5.6 percent. Correct?

18 MR. RYAN KOLASKI: Correct.

19 MR. TODD ANDRES: Thank you. And then  
20 in the 2025 GRA, I can take you there or you can take  
21 my word for it, the forecast compound growth rate for  
22 corporate expenses for the 2024/'25 to the 2026/'27  
23 period was 3.1 percent.

24 MR. RYAN KOLASKI: Subject to check,  
25 correct.

1 MR. TODD ANDRES: Well, we can bring  
2 it up, Ms. Dweh could you --

3 MR. RYAN KOLASKI: No, no, it's okay.  
4 I -- we're good.

5 MR. TODD ANDRES: Okay. Thank you.  
6 And in that same GRA, the actual 4 year compound  
7 growth rate for operating expenses, 5.6 percent.

8 Right?

9 MR. RYAN KOLASKI: Correct.

10 MR. TODD ANDRES: Thank you. And in  
11 the current GRA, I don't see an equivalent of this  
12 document, and I'm not going to ask you to figure out  
13 the actual 4 year compound growth and forecast on the  
14 spot.

15 But I am going to ask you to kindly  
16 undertake to prepare an updated version of what is in  
17 IR-1-41 from the 2024 GRA and IR-1-34 from the 2025  
18 GRA.

19 MR. RYAN KOLASKI: What -- I believe  
20 that's actually in Appendix 4, figure 4.1, Basic Total  
21 Expenses. Wherever...

22 MR. TODD ANDRES: So, if you scroll up  
23 just a little bit, please, Ms. Dweh, sorry --

24 MR. RYAN KOLASKI: -- or is it -- it's  
25 a corporate title.

1 MR. TODD ANDRES: Yeah, that's the  
2 distinction is corporate --

3 MR. RYAN KOLASKI: Oh, yeah,  
4 corporate. Yes, that's fine.

5 MR. STEVE SCARFONE: Yes, Counsel, we  
6 can provide that.

7 MR. TODD ANDRES: Thank you.

8

9 --- UNDERTAKING NO. 8: MPI to prepare an updated  
10 version of what is in IR-1-41 from  
11 the 2024 GRA and IR-1-34 from the  
12 2025 GRA.

13

14 CONTINUED BY MR. TODD ANDRES:

15 MR. TODD ANDRES: So, in looking at  
16 those two (2) years, that was the 2024 GRA and the  
17 2025 GRA, as well as years previous, it's fair to say  
18 that MPI generally forecasts substantially lower  
19 annual -- sorry, lower compound annual growth in  
20 expenses than actually incurred?

21 MR. RYAN KOLASKI: Correct.

22 MR. TODD ANDRES: In other words,  
23 MPI's trend is to forecast a relatively modest growth  
24 rate in expenses, but these tend to dramatically under  
25 represent what is actually happening. Correct?

1 MR. RYAN KOLASKI: Could you just  
2 repeat the question?

3 MR. TODD ANDRES: Sorry. Sure, so,  
4 MPI's trend is to forecast relatively modest growth  
5 rate in expenses, but these tend to under represent  
6 what is actually happening.

7 MR. RYAN KOLASKI: As presented,  
8 correct, yeah.

9 MR. TODD ANDRES: Thank you. Ms.  
10 Dweh, if we could bring up figure EXP-5.

11

12 (BRIEF PAUSE)

13

14 MR. TODD ANDRES: Perfect. And I  
15 believe this -- so figure EXP-5, there are a series of  
16 points in a graph. Correct?

17 MR. RYAN KOLASKI: Correct.

18 MR. TODD ANDRES: And this was part of  
19 the slide presentation that MPI provided earlier?

20 MR. RYAN KOLASKI: Correct.

21 MR. TODD ANDRES: Thank you. And this  
22 shows a 10 year summary of total Basic operating  
23 expenses as a percentage of net premium earned.

24 Correct?

25 MR. RYAN KOLASKI: Actual and

1 forecast. Correct.

2 MR. TODD ANDRES: Yes, thank you. And  
3 it rose to 22.6 percent in 2024/'25. Correct?

4 MR. RYAN KOLASKI: Correct.

5 MR. TODD ANDRES: But then its  
6 forecast to fall to 17.6 percent in 2029/30. Correct?

7 MR. RYAN KOLASKI: Correct.

8 MR. TODD ANDRES: So, in other words,  
9 MPI is anticipating that operating expenses for Basic  
10 will be decreasing in the coming years. Correct?

11 MR. RYAN KOLASKI: Well, it says a  
12 percentage of revenue, right. So, we have shown in  
13 the forecast years, as we had said earlier, right, a  
14 net trend. So, we're predicting rate increases in  
15 those years, whereas in previous years, we haven't.

16 So, the key takeaway is that the  
17 expectation is that our premium revenue will increase  
18 faster than our run rate on expenses. As well, as it  
19 relates to our expenses, we have specifically pulled  
20 down our run rate specifically around data processing  
21 to align to our IT Roadmap.

22 So, we are anticipating to run at a  
23 more consistent pace than what we've put forward in  
24 previous GRAs. So, we have specifically pulled back  
25 our ambition on what we will be able to do in terms of

1 IT technology upgrades.

2 MR. TODD ANDRES: So that -- so -- so,  
3 in other words, I -- I -- I guess you're anticipating,  
4 because of the slower pace of the IT projects and the  
5 IT development, there is an -- an anticipated lowering  
6 in forecast cost. Is that correct?

7 MR. RYAN KOLASKI: Could you repeat  
8 the question? Sorry.

9 MR. TODD ANDRES: I -- I - if I  
10 understand your answer correctly, because Project NOVA  
11 is no more, the timelines for those same IT projects  
12 is being extended and, therefore, they're anticipating  
13 less year-by-year costs being incurred for IT  
14 programs. Is that fair?

15 MS. SABRINA KAUK: The project work  
16 forecasted in the rating years, as seen as in our  
17 application, is specific to things like Infor  
18 (phonetic) upgrade, the I-3 upgrade, SRE current and  
19 future state work. So, context is important there for  
20 which projects are reflected in the rating year  
21 expenses. And our roadmap is still currently under  
22 development for IT.

23 MR. TODD ANDRES: Okay. But in order  
24 to achieve this goal, one (1) of two (2) things has to  
25 happen. Right? Either costs have to go down or rate

1 revenues have to increase. Correct?

2 MR. RYAN KOLASKI: Correct.

3 MR. TODD ANDRES: So, if costs are  
4 either remaining static or are increasing, then we  
5 need to also increase the rate. Correct?

6

7 (BRIEF PAUSE)

8

9 MR. RYAN KOLASKI: So, I'll just ask  
10 you to repeat the question one more time. Sorry.

11 So effectively, we are projecting that  
12 revenues will continue to increase at a faster rate  
13 than our expenses. Our expenses, right, are going to  
14 increase and have increased. We just expect that they  
15 will increase at a lesser rate than the anticipated  
16 premium increases, which is why you're seeing that  
17 decline. It's not because of efficiency or  
18 effectiveness.

19 When you look at the IT roadmap  
20 specifically, the costs have gone up in this year's  
21 GRA, specific to the programs that we have put in  
22 place and are going to run through. We are really  
23 about trying to pace the capacity and capability of  
24 the organization with our deliverability.

25 So, we've chosen to forecast out an

1 expense envelope that matches that, which then ties to  
2 the IT roadmap. And then related to that, you have  
3 your natural premium change, right. And that's why  
4 your operating costs are improving on a forecasted  
5 basis.

6 MR. TODD ANDRES: And when you say  
7 "natural premium change," can you explain that?

8 MR. RYAN KOLASKI: Well, there's an  
9 expectation that every year we can go through the  
10 General Rate Application, right. And receive  
11 reasonable rate action, be it positive or negative  
12 based on our claims experience.

13 So, depending on -- and the net trend  
14 so far in claims, which will be dealt with in a future  
15 panel, is that those costs will continue to increase.  
16 And therefore, we should expect higher premiums going  
17 forward. Those higher premiums will then, as a  
18 percentage of operating expenses, represent lower,  
19 which is what you're seeing here today. But it's very  
20 much about pacing capacity and capability on expenses,  
21 even though they are increasing overall. I think I've  
22 kind of articulated where you were going.

23 MR. TODD ANDRES: Yeah. And I  
24 think so. And just so I understand correctly, and I  
25 believe this was one of the questions I asked earlier,

1 Project NOVA was set to be delivered within a certain  
2 period of time.

3 MR. BRIAN KOLASKI: That's correct.

4 MR. TODD ANDRES: Correct. A certain  
5 capacity, a certain functionality within a set  
6 timeframe. And what we're saying now is we are taking  
7 the end-date off of that and extending it out.

8 Is that fair?

9 MR. RYAN KOLASKI: Yeah. We've closed  
10 Project NOVA and now we've looked at individual  
11 projects related to technical debt in terms of risk,  
12 and then we're slotting in what those projects are  
13 going to be to manage the technical debt of the  
14 corporation relative to the capacity. So yes,  
15 overall, there is now an ongoing requirement for  
16 modernization. Right? It's just a question of  
17 capability and capacity.

18 MR. TODD ANDRES: Right.

19 MR. BRIAN KOLASKI: So, when you talk  
20 about duration, expansion, it comes down to how fast  
21 can the organization pace that out?

22 MR. TODD ANDRES: So, it's effectively  
23 amortizing the costs that are associated with Legacy  
24 Systems Modernization over a longer period of time.

25 Correct?

1 MR. RYAN KOLASKI: So, the Legacy  
2 systems are pretty much fully amortized. So, it's  
3 simply a question of maintenance of those costs. It  
4 is the modernization of new technology that comes with  
5 a cost, which is why you're seeing our licensing costs  
6 increased the way it has so far.

7 MR. TODD ANDRES: Okay.

8 MR. BRIAN KOLASKI: In this specific  
9 GRA, the large jump in data processing is due to the  
10 timing of -- of new modernization licensing.

11 MR. TODD ANDRES: Right. And -- and  
12 just so I understand correctly, in Ms. Kauk's opening  
13 statement, she did say that costs are increasing.

14 Correct?

15 MR. BRIAN KOLASKI: Correct.

16 MR. TODD ANDRES: Okay. And I think  
17 the -- the fundamental trade-off that I want to make  
18 sure that we're establishing is, as costs increase the  
19 way to offset that is through revenue. Correct?

20 MR. RYAN KOLASKI: Well, you can  
21 offset it through efficiencies. Through a -- if you  
22 can gain value through staff reductions or other  
23 improvements. It doesn't all have to come from rate,  
24 but primarily there is a rate component to it.

25 MR. TODD ANDRES: Right. And I

1 thought, correct me if I'm wrong, I thought I had  
2 heard you say that we're -- you were -- MPI was not  
3 planning -- it was not really taking into account  
4 efficiency in terms of how it was managing this --

5 MR. RYAN KOLASKI: Correct.

6 MR. TODD ANDRES: -- operating  
7 expenses.

8 MR. BRIAN KOLASKI: We're basically  
9 looking at our IT debt from a risk perspective and  
10 then slotting out programs related to managing that  
11 technical debt.

12 MR. TODD ANDRES: Thank you. And so,  
13 when we look at EXP-5 -- figure EXP-5, pardon me, is  
14 this an outlook or is this a target?

15 MR. RYAN KOLASKI: That is an outlook  
16 based on our current assumptions and forecast at this  
17 point in time. Obviously, that will change.

18 Part of the challenge with data  
19 processing, when you look at the initiative spend, is  
20 the time lag between the business case, what we  
21 believe is possible, and the Statement of Work and  
22 onboarding SIs or other folks related to it. And  
23 those costs generally escalate and those costs  
24 generally over-time increase. Right.

25 So, you're asking for a forecast that's

1 literally 18 months out and a lot of these projects  
2 haven't landed Statement of Work yet. Right. So,  
3 there is going to be a material drift and, you are  
4 correct, that that drift is, in all likelihood, to be  
5 higher than what is being forecast here today.

6 MR. TODD ANDRES: Thank you. Does MPI  
7 use a metric for forecast accuracy?

8 MS. SABRINA KAUK: Sabrina. Yes. We  
9 absolutely look at our historical results and how they  
10 trend compared to the actuals -- the forecasted  
11 results compared to the actuals.

12 As you'll have seen from our filed  
13 materials, when working through our operating budget  
14 for the Application, we worked through our top-down  
15 bottom-up exercise, and expenses in certain areas came  
16 in initially higher and were pulled down. And some of  
17 those pull-downs are attributable to aligning the  
18 expenses more in line with actual realization and  
19 spend. So, yes, we absolutely take into account  
20 actuals.

21 MR. TODD ANDRES: And again, looking  
22 at this figure EXP-5, you indicated the data  
23 processing is the most difficult to forecast.

24 Correct?

25 MR. BRIAN KOLASKI: It definitely is

1 challenging, yes.

2 MR. TODD ANDRES: And so, if we  
3 strip data forecasting -- or sorry, if we stripped  
4 data processing out of this table, what would the  
5 trend look like?

6 MR. RYAN KOLASKI: The trend would  
7 look similar because, again, it is based off of  
8 premiums. Right. So, when you pull that component  
9 out, that trend line would very much align with that.

10 MR. TODD ANDRES: Thank you for  
11 that. Ms. Dweh, can I ask that you pull up PUB/MPI-1-  
12 61, figure 1, please. Perfect. Thank you, Ms. Dweh.

13 And so, if we look at the first 13  
14 lines is what I'm interested in here. So, the top  
15 half of the chart And this is the chart that  
16 compares the forecast and actuals for corporate  
17 expenses as budgeted in the 2025 GRA versus the 2026  
18 GRA. Correct?

19 MR. RYAN KOLASKI: Correct.

20 MR. TODD ANDRES: Thank you. And if  
21 we take the total differences in each year, so that's  
22 along line 13. It's the -- every third column. You  
23 see the first example is sixty-one nine twenty-five  
24 (61,925). Do you see that?

25 MR. TODD ANDRES: I do.

1 MR. TODD ANDRES: Thank you. So, if  
2 we take the total differences in each year, that's the  
3 61.9, then we've got a negative number 6.184. Then  
4 the next one is thirty-one two thirty (31.230) and the  
5 following one is 24.435, and the final one is 32.052.

6 Do you see that?

7 MR. BRIAN KOLASKI: I do.

8 MR. TODD ANDRES: And again, I'm going  
9 to rely on my lawyer math, but if we add that every  
10 third column, the total up there and obviously  
11 subtract the native number, we'll see that expenses  
12 have increased \$143.3 million from the previous GRA  
13 forecast. Correct?

14 MR. RYAN KOLASKI: Correct.

15 MR. TODD ANDRES: Thank you. And the  
16 majority of that increase is found on line 8,  
17 'Initiative Ongoing Expenses'. Correct?

18 MR. BRIAN KOLASKI: Correct.

19 MR. TODD ANDRES: And roughly \$106  
20 million of the \$143 million increases in that line.

21 Correct?

22 MR. BRIAN KOLASKI: Correct.

23 MR. TODD ANDRES: Thank you. Can you  
24 please define what's captured within Initiative  
25 Ongoing Expenses?

1 MS. SABRINA KAUK: So, implementation  
2 expenses are expenses to implement, right. Ongoing is  
3 certain licensing and support costs. So, in line 9,  
4 the -- first of all, the 61.9 million variance there,  
5 right, is attributable to Project NOVA. So that's a  
6 onetime write-off that is skewing the results as we  
7 just stated.

8 And then in addition to that previously  
9 -- sorry, just one second.

10

11 (BRIEF PAUSE)

12

13 MS. SABRINA KAUK: Apologies for the  
14 delay. Thank you. So previously as part of Project  
15 NOVA, there was ongoing costs that were tracked  
16 relating to the project for licensing and support  
17 those were forecasted -- that was forecasted to  
18 complete in 2026/27.

19 So, what you're seeing through the  
20 revised budget now in the '26 GRA columns is what we  
21 talked about during our presentation. It's the  
22 forecasted initiative costs that we're expecting to  
23 incurring based on the new recasted projects, post  
24 NOVA closure.

25 MR. TODD ANDRES: Understood. Thank

1 you for that. And so again, just so I make sure we're  
2 talking about the same things, in terms of the normal  
3 operations expenses, those are just the costs to run  
4 the business. Correct?

5 MS. SABRINA KAUK: Correct.

6 MR. TODD ANDRES: And they do not  
7 include initiative of --

8 MS. SABRINA KAUK: They do not.

9 MR. TODD ANDRES: Correct. Okay. And  
10 so, the NOVA write off you were just mentioning,  
11 that's captured, if we look at line 7, the second  
12 column in, we see the number is 94.355 million.  
13 That's where the NOVA impairment is captured.

14 Correct?

15 MS. SABRINA KAUK: It's captured in  
16 line 9 that it's within that 61.9 million. Is that  
17 your question?

18 MR. TODD ANDRES: Sure. It's  
19 represented. Well, that's the difference between the  
20 forecast and the 2025 GRA and the 2026 GRA. But, if  
21 you look immediately above that, 457,235 number,  
22 there's a big number there, 94,355 million. Right.  
23 So presumably the NOVA write-off would be captured  
24 within that \$94 million. Correct?

25 MS. SABRINA KAUK: Correct. Yep.

1 MR. TODD ANDRES: Thank you. And that  
2 -- that represents the cost associated with Project  
3 NOVA. The Corporation is determined to have no  
4 recoverable value. Correct?

5 MS. SABRINA KAUK: Within the 60.9  
6 million correct.

7 MR. TODD ANDRES: Thank you. Ms.  
8 Dweh, if we could turn to figure EXP-33, please.  
9 Thank you for that. Right.

10 And so, this is corporate normal  
11 operations compounded annual growth rates. Can you  
12 see that?

13 MS. SABRINA KAUK: Yep.

14 MR. TODD ANDRES: And the four year  
15 2021/22 to 2024/25 shows an increase in compounded  
16 annual growth of 6.2 percent. Correct?

17 MS. SABRINA KAUK: For -- for  
18 salaries?

19 MR. TODD ANDRES: Yes.

20 MS. SABRINA KAUK: Yep. Correct.

21 MR. TODD ANDRES: Sorry.

22 MS. SABRINA KAUK: Line 25.

23 MR. TODD ANDRES: Pardon me. Line 25  
24 is total.

25 MS. SABRINA KAUK: Correct.

1 MR. TODD ANDRES: Right. So that  
2 includes not just salaries, but everything from lines  
3 1 through 23?

4 MS. SABRINA KAUK: Correct.

5 MR. TODD ANDRES: Thank you. So, it's  
6 not just salaries, it's total expenses. Correct?

7 MS. SABRINA KAUK: Correct.

8 MR. TODD ANDRES: Thank you. And  
9 MPI's forecast is for compound annual growth rates of  
10 only 1.1 percent. Correct?

11 MS. SABRINA KAUK: Correct. But for  
12 further context, if you look to line 2, the results  
13 are skewed due to overtime expenses being incurred.  
14 There's a 30 percent increase there.

15 MR. TODD ANDRES: And I assume you'll  
16 tell me that's in part because of the work stoppage?

17 MS. SABRINA KAUK: Correct.

18 MR. TODD ANDRES: Thank you. All  
19 right, Ms. Dweh, if we could pull up PUB/MPI-1-61.  
20 It's just the tab to the right. Perfect. Thank you.

21 So, if we take out the \$61.9 million  
22 impairment in the forecast that leaves again, back to  
23 my 143 million figure that we had added up before,  
24 that leaves an increase of \$82 million over the same  
25 forecast period. Correct? That's just 143 minus

1 61.9?

2 MR. BRIAN KOLASKI: Correct.

3 MR. TODD ANDRES: Thank you. So,  
4 you'll agree that beyond the write-off expenses  
5 continue to increase in later years. Correct?

6 MR. RYAN KOLASKI: Expenses continue  
7 to increase. Correct.

8 MR. TODD ANDRES: Thank you. And  
9 you'll agree that the key contributors are as set out  
10 on page 5 of 35 in PUB/MPI-1-61. So, I'll just tell  
11 you what they are.

12 They are higher data processing  
13 expenses under the new accounting rules. Correct?

14 MR. RYAN KOLASKI: Correct.

15 MR. TODD ANDRES: So, more IT costs  
16 are expensed instead of capitalized. Correct?

17 MR. RYAN KOLASKI: Correct.

18 MR. TODD ANDRES: And contractual and  
19 inflationary increases in wages and other costs.  
20 Right?

21 MR. RYAN KOLASKI: Correct.

22 MR. TODD ANDRES: Thank you. So, what  
23 conditions have changed from a year ago that have led  
24 MPI to escalate costs by \$82 million on top of the  
25 Project NOVA write-off?

1 MR. RYAN KOLASKI: Well, I think you  
2 have to look back at the '25 GRA in which Project NOVA  
3 was scheduled to complete. Right. Obviously, that  
4 has not happened. And we've now shifted to recognize  
5 the technology debt that the organization has, and are  
6 reprioritizing those projects. So, I think that is  
7 your biggest change from a -- from a technology  
8 perspective.

9 As well, the licensing, again, when the  
10 projects become available and known, we have to go  
11 through as a deferred expense. And you're seeing that  
12 in this GRA application in which the expenses are now  
13 kind of rolling through our P&L because we're not  
14 allowed to capitalize them. And that's your biggest  
15 change is really licensing costs going forward.

16

17 (BRIEF PAUSE)

18

19 MR. TODD ANDRES: So, I appreciate  
20 that we've had some delays this morning, I'm going to  
21 move on to a new section. I'm quite content to  
22 continue, but I understand that it's not necessarily  
23 just about me.

24

PANEL CHAIRPERSON: Thank you. Mr.  
25 Andres, may I suggest that given that it's 12:15, we -

1 - excuse me, adjourn for lunch, but for an abbreviated  
2 time. Is forty-five (45) minutes? Okay with  
3 everyone. Okay.

4 MR. TODD ANDRES: Yeah. Thank you.

5 PANEL CHAIRPERSON: Thank you. Back  
6 at one o'clock then please. Thank you.

7

8 --- Upon recessing at 12:15 p.m.

9 --- Upon resuming at 1:01 p.m.

10

11 PANEL CHAIRPERSON: Good afternoon,  
12 everyone. I have some good news. We are back with  
13 Teams live, so we don't have to do the plan C on  
14 getting the transcript up and running.

15 Mr. Andres...?

16

17 CONTINUED BY MR. TODD ANDRES:

18 MR. TODD ANDRES: Thank you, Madam  
19 Chair. And welcome back, Panel. So, I'm moving on  
20 now to the ICAM, or integrated cost allocation  
21 methodology, starting with what was earlier defined as  
22 the WCCCCR, which is, if I have it correct, The  
23 weighted customer contact call centre ratio allocator.

24 Is that correct?

25 MR. RYAN KOLASKI: Correct.

1 MR. TODD ANDRES: Thank you. Now,  
2 historically, the Corporation has undertaken a call  
3 centre cost study as related to its ICAM.

4 Is that correct?

5 MR. RYAN KOLASKI: I believe that is  
6 correct.

7 MR. TODD ANDRES: And I'm hoping you  
8 can answer this. That's the study where the WCCCCR  
9 was derived is that correct?

10 MR. RYAN KOLASKI: That's my  
11 understanding.

12 MR. TODD ANDRES: Thank you. Do you  
13 know how frequently the WCCCCR is updated?

14 MS. SABRINA KAUK: Sabrina. The  
15 methodology remains unchanged, but the calculation is  
16 updated annually to reflect the current four (4) year  
17 historical average.

18 MR. TODD ANDRES: Thank you. And when  
19 was the last call centre -- call centre cost study  
20 undertaken?

21

22 (BRIEF PAUSE)

23

24 MS. SABRINA KAUK: The last service  
25 centre study was completed prior to the implementation

1 of IFRS17.

2 MR. TODD ANDRES: So, was that --

3 MR. RYAN KOLASKI: Approximately 2022  
4 is what we recall.

5 MR. TODD ANDRES: Thank you. So,  
6 prior to 2022; we're not entirely sure of when,  
7 though?

8 MR. RYAN KOLASKI: No. I believe it  
9 was done in 2022.

10 MR. TODD ANDRES: In 2022.

11 MR. RYAN KOLASKI: Yes.

12 MR. TODD ANDRES: Pardon me. Thank  
13 you. The general question. How does the current  
14 allocation model continue to reflect the true cost  
15 drivers within each line of business?

16 MR. RYAN KOLASKI: Well, it is the  
17 PUB approved ICAM and we have gone through with a  
18 third-party study. So, from that perspective, we  
19 follow that process based on your approval.

20 MR. TODD ANDRES: And so, the  
21 allocation methodologies includes assumptions relating  
22 to incurred claims, project management office, WCCCCR,  
23 and service centre are allocated, correct?

24 MR. RYAN KOLASKI: Correct.

25 MR. TODD ANDRES: And so, I request

1 and undertaking here, which is that MPI undertake to  
2 file supporting documentation and datasets used to  
3 determine and validate cost allocation methodologies,  
4 including assumptions for each of those four (4)  
5 areas.

6 MR. RYAN KOLASKI: Could you repeat  
7 the undertaking?

8 MR. TODD ANDRES: Sure. Can MPI  
9 undertake to file the supporting documentation and  
10 datasets used to determine and validate cost  
11 allocation methodologies, including assumptions for  
12 incurred claims, project management office, WCCCCR,  
13 and service centre allocator?

14 MR. RYAN KOLASKI: Just one (1)  
15 second, Mr. Andre.

16 MR. TODD ANDRES: Thank you.

17

18 (BRIEF PAUSE)

19

20 MR. RYAN KOLASKI: So, maybe just  
21 that point of clarification. So, we have filed the  
22 ICAM methodology which we follow. We have filed our  
23 actual results, which you have. So, we're just trying  
24 to understand the dataset that you're looking for.

25

1 (BRIEF PAUSE)

2

3 MR. TODD ANDRES: Thanks for your  
4 patience. So, what we're looking for -- hoping it's  
5 available -- is the dataset -- the dataset we're  
6 looking for is the assumptions that formulate the  
7 overall calculations.

8 So, I don't know that we have the data  
9 and the assumptions that were relied upon.

10 MR. RYAN KOLASKI: So, these  
11 assumptions are specific to the ICAM methodology. So,  
12 I believe you have that.

13 MR. TODD ANDRES: Okay. We'll have  
14 another look at that. Thank you.

15 Since implementing the revised cost  
16 allocation methodology has MPI observed a material  
17 shift in the level of cost being attributed to the  
18 Basic line of business relative to other lines?

19 MR. RYAN KOLASKI: Well, the ICAM is  
20 dynamic. So, when those allocators are updated, you  
21 will see a shift between lines of business just based  
22 on the nature and the weighting average that is used  
23 in the ICAM methodology.

24 Specifically, in this GRA, you'll see  
25 that claims incurred has shifted between lines of

1 business, which is changing part of the allocation, so  
2 to that degree, yes.

3 MR. TODD ANDRES: Okay. Thank you.

4 Has MPI valued -- evaluated alternative cost  
5 allocation approaches to minimize or prevent such cost  
6 transfers to the Basic line of business?

7 MR. RYAN KOLASKI: No. We follow the  
8 PUB approved ICAM methodology.

9 MR. TODD ANDRES: MPI has implemented  
10 a new budget management protocol and methodology,  
11 correct?

12 MR. RYAN KOLASKI: That is correct.  
13 We do a top-down, bottom-up approach that was put  
14 forward this year.

15 MR. TODD ANDRES: Thank you. And MPI  
16 is committed to managing expenses in a fiscally  
17 prudent manner to achieve rate stability, correct?

18 MR. RYAN KOLASKI: That is correct.

19 MR. TODD ANDRES: Thank you. And so,  
20 can you just explain what factors led to the change in  
21 MPI's budget management framework?

22 MR. RYAN KOLASKI: That's a fair  
23 question. I think part of it is previous CEOs had a  
24 very different approach to budgeting than the current  
25 CEO. We also have a new direction in terms of the

1 Board.

2                   So, we wanted to ensure that we had  
3 alignment from the top of the organization to the  
4 bottom of the organization and that people on the  
5 frontline who are closest to the business and  
6 servicing the frontline customers had an opportunity  
7 to ensure that their budget and their requirements  
8 were met, and that's the bottom-up approach.

9                   And then through that process, there's  
10 a dialogue to ensure alignment with the overall  
11 objectives and strategy of the Corporation from budget  
12 to strategy overall. So, it's really about becoming  
13 more effective and efficient with the dollars that we  
14 have.

15                   MR. TODD ANDRES:    Okay.  And so, what  
16 -- what measurable controls or safeguards are in place  
17 to ensure this, to ensure the fiscally prudent  
18 management under the new budget framework?

19                   MR. RYAN KOLASKI:    Our budget goes  
20 through a governance of approval by the EC, approval  
21 by the Board of Directors, approval by the Treasury  
22 Board.  We also have this process in which you are  
23 allowed to vet and review our plans on a go forward  
24 basis with each General Rate Application.

25                   MR. TODD ANDRES:    And in PUB-MPI-2044

1 -- I don't know that we need to bring it up -- but it  
2 says:

3 "MPI indicated that it does not  
4 have specific standalone budget  
5 management metrics. Budget  
6 performance is actively monitored  
7 and assessed as part of a holistic  
8 set of KPIs."

9 Do you recall that?

10 MR. RYAN KOLASKI: I do recall that.

11 MR. TODD ANDRES: What is meant by  
12 "actively monitored and assessed"?

13 MR. RYAN KOLASKI: We have a cadence  
14 in which all those KPIs that are laid out be IT  
15 quarterly, monthly, or annually are reviewed. It's  
16 reviewed by management. It's reviewed by the  
17 executive team. It's reviewed by the Board of  
18 directors. You have a copy of those KPIs, so in some  
19 respects, you are also part of the review process  
20 itself.

21 MR. TODD ANDRES: So, if we pull up  
22 appendix -- sorry, Exp Appendix 28, please.

23

24 (BRIEF PAUSE)

25

1 MR. TODD ANDRES: And so, looking at  
2 Appendix 28, can you explain which one of these are  
3 your bottom-up metrics?

4 MR. RYAN KOLASKI: KPIs are derived  
5 from the financial forecast model. So, those are  
6 derived from the results of putting together the  
7 forecast model itself.

8 So, you have to look at your operating  
9 expenses, which are done at a departmental basis. So,  
10 the operating expenses that are put forward to EC for  
11 approval is where your bottom-up approach is. And  
12 this is an outcome.

13 MR. TODD ANDRES: So, just to confirm,  
14 is this the -- the Appendix 28 budgeting framework  
15 KPIs, is this one of the wholistic sets of KPIs that  
16 were referenced in the previous answer?

17 MR. RYAN KOLASKI: Correct.

18 MR. TODD ANDRES: And so how would MPI  
19 measure success in this area in particular -- or in  
20 these areas?

21 MR. RYAN KOLASKI: So, the KPIs, as  
22 have been stated, are diagnostic in nature. So, when  
23 the treasury Board approves their budget, it forms  
24 what is referred to as targets. Those targets are  
25 based on assumptions point in time. And then as we

1 move through the year, those assumptions are either  
2 validated or proven to be false.

3           What it allows the management team to  
4 do is focus on areas of concern or trending that is  
5 happening in order to make corrective decisions in  
6 future GRAs. It is not meant to be reactionary,  
7 moment in time. It is meant to work through what are  
8 the issues that are presenting and how do we contain  
9 those costs over a future period of time.

10           How that materializes is what you've  
11 seen in this GRA. We have shifted the deductible from  
12 seven fifty (750) to one thousand dollars (\$1,000).  
13 That decision was not made lightly. That is a  
14 decision in order to achieve affordability relative to  
15 the change in our claims incurred. That continues to  
16 be a concern overall, something that is out of our  
17 control. But nonetheless, it guides decision-making  
18 based on diagnostic tools overall.

19           MR. TODD ANDRES: Okay. So, I think  
20 you said, if I -- if I heard you correctly, the  
21 targets are based on assumptions that are either --  
22 either validated or proven false, correct?

23           MR. RYAN KOLASKI: So budget is  
24 forecast, which obviously the accuracy of that  
25 forecast will be proven over time based on actual

1 results incurred.

2 MR. TODD ANDRES: And so, those  
3 targets will then, in certain cases, make up the KPI.  
4 Is that fair?

5 MR. RYAN KOLASKI: So, the budget,  
6 which is the target stated here, is derived from the  
7 forecasting model.

8 MR. TODD ANDRES: Right.

9 MR. RYAN KOLASKI: So, the assumptions  
10 that are rolled into the forecasting model set the  
11 target or the budget for that year. And that is our  
12 baseline reference point in order to gauge how the  
13 business is doing overall.

14 MR. TODD ANDRES: So, will the  
15 baseline change then over time?

16 MR. RYAN KOLASKI: The baseline won't  
17 change because the budget, once set, is your baseline.  
18 But every year we do another budget process based on a  
19 different point in time, based on a different actual  
20 set of assumptions, based on new experience gained.  
21 So, in that particular year, then the baseline will  
22 change yet again.

23 MR. TODD ANDRES: All right. Ms.  
24 Dweh, could you please pull up PUB-2-44, Figure 1.  
25 All right. Stop there, please. Thank you.

1 Now this shows -- if I'm correct, this  
2 shows 12 KPIs, correct?

3 MR. RYAN KOLASKI: Correct.

4 MR. TODD ANDRES: And -- and just  
5 curious as to what this is. Is this a dashboard? Or  
6 what is this used for exactly?

7 MS. SABRINA KAUK: We report KPIs  
8 internally as part of our monthly executive package,  
9 as Ryan stated, to management and to executive. This  
10 was to provide a summary view as requested in the IR  
11 of those monthly results for the first quarter.

12 MR. TODD ANDRES: And is this used to  
13 control costs? Or how is this used to control costs I  
14 guess a better question.

15 MS. SABRINA KAUK: I think we've  
16 answered that question through the IR response and  
17 through Ryan's previous testimony that we monitor, and  
18 it is not to perform reactive action, but to  
19 understand performance and examine areas where there  
20 needs to be --

21 MR. TODD ANDRES: But just in respect  
22 to this figure itself, is there a particular reporting  
23 style or reporting format or document prepared using  
24 this dashboard?

25 MS. SABRINA KAUK: We report all KPIs

1 as part of our monthly financial results depending on  
2 the cadence, MCT's calculated quarterly, for example,  
3 but we report all of our KPIs on a respective cadence  
4 within our monthly results.

5 MR. TODD ANDRES: And so then is this  
6 -- again, perhaps I'm not quite understanding how this  
7 is used, but this -- if it is indeed a dashboard, can  
8 you tell me what the form of reporting is that is  
9 created or that is used relying on this dashboard or  
10 that reflects this dashboard?

11 MR. RYAN KOLASKI: So, again, all the  
12 KPIs that are presented in that appendix along with  
13 this table are cascaded in the reporting cadence that  
14 we have. So, there is a monthly executive reporting  
15 package that goes out based on financial results for  
16 that month.

17 That package includes actuals versus  
18 budget. It includes actuals versus prior year. And  
19 those KPIs serve as benchmarks as to actual  
20 performance versus the expectations. That same  
21 information is, again, cascaded on a quarterly basis  
22 to the Board of Directors.

23 And again, we also have similar KPIs,  
24 not all of them, in our annual report as well that is  
25 cascaded as well.

1 MR. TODD ANDRES: All right. Ms.  
2 Dweh, if you could pull up PUB-MPI-1-41, please.  
3 Thank you. If we can scroll down to figure 1, please.  
4 Right.

5 So, Figure 1 shows data processing  
6 expenses actual and forecast in the 2025 and 2026 GRA,  
7 correct?

8 MR. RYAN KOLASKI: Correct.

9 MR. TODD ANDRES: Thank you. And if -  
10 - Ms. Dweh, if we can scroll down to the next page and  
11 show Figure 2. Thank you.

12 And then Figure 2 shows the difference  
13 between the two tables contained in Figure 1, correct?

14 MR. RYAN KOLASKI: Correct.

15 MR. TODD ANDRES: Thank you. And I  
16 note the initiative impairment and write-off is all  
17 included in the data process and category of expenses,  
18 correct?

19 MR. RYAN KOLASKI: Correct.

20 MR. TODD ANDRES: And that's the  
21 principal reason for the increase in data processing  
22 expenses in the 2026 GRA relative to the 2025 GRA,  
23 correct?

24 MR. RYAN KOLASKI: Correct.

25 MR. TODD ANDRES: And that's that

1 \$62.1 million impairment and write-off recorded for  
2 Project NOVA, correct?

3 MR. RYAN KOLASKI: Correct.

4 MR. TODD ANDRES: Thank you. So, if  
5 we scroll back up to Figure 1.

6 The 2026 GRA reflects a reduction of  
7 \$8.9 million in external labour compared to the 2025  
8 GRA in respect to the 2024/'25 year, correct?

9 MR. RYAN KOLASKI: Correct.

10 MR. TODD ANDRES: And this carries on  
11 to 2025/'26, the year in which we're currently. And  
12 that shows a reduction of a further \$6.81 million than  
13 was forecast last year, right?

14 MR. RYAN KOLASKI: Correct.

15 MR. TODD ANDRES: And this reduction  
16 in external labour costs is because of the  
17 cancellation of project NOVA.

18 Is that correct?

19 MS. SABRINA KAUK: Correct.

20 MR. TODD ANDRES: Thank you. So, then  
21 is it fair to say that in the following year the  
22 Corporation is expecting an increase in external  
23 labour from what was forecast in the 2025 GRA?

24 MS. SABRINA KAUK: So, context, as  
25 presented this morning, right, with the cancellation

1 of Project NOVA, the '26 GRA contains different  
2 projects in the rating years. So, those include  
3 things like ERP replacement and for upgrade.

4 And so, the external labour balance  
5 also consists of vendor managed services costs. And  
6 so, the assumptions within relate to vendor managed  
7 services, as well as consulting costs related to the  
8 projects that are currently forecasted, as well as the  
9 weight of what is expense versus capital in nature.

10 MR. TODD ANDRES: Thank you. And  
11 these figures are consistent with what was shown this  
12 morning in slide number 18 in the presentation?

13 MS. SABRINA KAUK: Correct.

14 MR. TODD ANDRES: Thank you. So just  
15 in terms of comparing again the 2026 to 2025 numbers,  
16 we've got a gulf of about \$25.5 million, correct?

17 MS. SABRINA KAUK: Correct. But  
18 again, context, as stated this morning, it's not just  
19 increasing expenses, it's the weight of what is  
20 expensed as incurred -- estimated to be expensed as  
21 incurred versus what is not eligible to be -- versus -  
22 - sorry, what is eligible for capitalization. And  
23 that context matters when talking about increasing  
24 expenditure.

25 MR. TODD ANDRES: Of course. But just

1 looking at the chart again, MPI reduced expenses by  
2 \$17 million over two (2) years, correct?

3 MS. SABRINA KAUK: Sorry, you're -- I  
4 just can't see. Can you clarify which line you're  
5 referring to?

6 MR. RYAN KOLASKI: Sure. You just got  
7 to scroll up one.

8 MR. TODD ANDRES: Oh, yeah. Sorry.  
9 Sorry. Ms. -- Ms. Dweh, can you scroll up to -- yeah.  
10 Thank you. Or scroll down to figure --

11 MR. RYAN KOLASKI: Or scroll down.  
12 Sorry.

13 MR. TODD ANDRES: Yeah.

14 MS. SABRINA KAUK: Correct.

15 MR. TODD ANDRES: Thank you. So,  
16 reduced by 17 million over two (2) years, increased by  
17 25.5 million the year after that, correct?

18 MS. SABRINA KAUK: Correct.

19 MR. TODD ANDRES: Thank you. And then  
20 another 21 million higher in the 2027/'28 year after  
21 that, correct?

22 MS. SABRINA KAUK: Correct.

23 MR. TODD ANDRES: Thank you. So  
24 overall, this represents an increase of 30.9 million  
25 over this four (4) year period in excess of what was

1 previously forecast?

2 MS. SABRINA KAUK: So, at the time of  
3 the 2025 GRA, that application was filed on the basis  
4 that Project NOVA would be completed -- and I know I'm  
5 repeating myself, so bear with me -- would be  
6 completed in 2026/'27.

7 The forecast years then only had our  
8 other nonmajor program corporate project initiatives  
9 forecasted. With the closure of Project NOVA and what  
10 has been filed, those projects, like ERP replacement  
11 in four (4) upgrade, BI3 cumulatively have higher  
12 expense estimates, and that is what is reflected in  
13 this Application.

14 MR. TODD ANDRES: Understood. And  
15 thank you for that explanation. And that represents a  
16 36 percent increase, correct?

17 MS. SABRINA KAUK: Subject to your  
18 check, yes.

19 MR. TODD ANDRES: Thank you. Now,  
20 looking at the IBM data centre lines in the 2025 GRA -  
21 - and actually, sorry, Ms. Dweh, if you can scroll  
22 back up to Figure 2. Sorry, Figure 1. Thank you for  
23 that.

24 So, the IBM data centre lines, if you  
25 look there, we have 14.067 -- or actual for the

1 2024/'25 GRA and 1.385 forecast for the 2025/'26. But  
2 if we're comparing to the 2025 GRA, again, we see  
3 numbers that go all the way across indicating that the  
4 Corporation had anticipated that the IBM data centre  
5 would be in use to 2027/'28.

6 Does this mean that MPI has moved to  
7 the cloud and away from its data centre sooner than  
8 anticipated?

9 MR. RYAN KOLASKI: There was an  
10 expedited migration off of the IBM data centre. I  
11 can't say that we're a hundred percent off of it, but  
12 we have radically reduced our requirement for it.

13 MR. TODD ANDRES: Thank you for that.  
14 And looking at the cloud service costs, can you  
15 explain the increase in cloud service costs in this  
16 year's GRA versus last year's?

17 MR. RYAN KOLASKI: As a general  
18 statement, we are moving more and more to cloud-based  
19 environments and cloud-based services. So that line  
20 item, it definitely will increase over time. As we  
21 more and more migrate to cloud-based services, we  
22 decided to track it as a separate line item just  
23 because we do believe it is going to become a material  
24 line item as we move forward.

25 MR. TODD ANDRES: And do you know if

1 those costs are contracted on a fixed or variable  
2 basis?

3 MR. RYAN KOLASKI: They would  
4 definitely vary, but again, Roy Hart would be able to  
5 answer that more specifically.

6 MR. TODD ANDRES: Thank you for that.  
7 And how confident is the Corporation in these  
8 forecasts given the I think understood volatility in  
9 cloud pricing and material year over year variances?

10 MR. RYAN KOLASKI: So, I think where  
11 we have fixed contracts or negotiated contracts, that  
12 pricing is relatively fairly defined and easy to -- to  
13 appreciate and forecast.

14 Where the Corporation is challenged, as  
15 I had indicated prior, is that when you're looking at  
16 initiatives and onboarding new services or software,  
17 it is very difficult to forecast what those dollars  
18 will be until you actually have a statement of work  
19 landed.

20 So, depending on the nature of the  
21 projects, we do put in placeholders of what we believe  
22 is reasonable based on the information that is known,  
23 but that information will naturally change over time.  
24 So, from a risk perspective, if it's not project  
25 related, probably high confidence. From a project

1 perspective, again, it's based on a best estimates  
2 point in time assumption.

3 MR. TODD ANDRES: Thank you. MPI  
4 engaged KPMG to prepare an ICAM review report,  
5 correct?

6 MR. RYAN KOLASKI: We did. We were  
7 required to produce that for the (INDISCERNIBLE)  
8 seventeen (17) changes. And then the PUB requested  
9 confirmation that the ICAM had not changed, which is  
10 the report that was filed in this 2026 GRA.

11 MR. TODD ANDRES: Thank you. And that  
12 report was finalized and issued by KPMG in May of  
13 2025, correct?

14 MR. RYAN KOLASKI: Correct.

15 MR. TODD ANDRES: That's the one.  
16 Okay. And KPMG noted that there are only minimal  
17 changes in the allocation of expenses across MPI's  
18 lines of business post IFRA-17, correct?

19 MR. RYAN KOLASKI: Correct.

20 MR. TODD ANDRES: Thank you. And  
21 based on the KPMG study, the largest changes to the  
22 ICAM allocations were the incurred claims allocator  
23 and the PMO allocator, correct?

24 MR. RYAN KOLASKI: Correct.

25 MR. TODD ANDRES: Thank you. You'll

1 agree that Basic's percentage share of corporate  
2 operating expenses has fluctuated over time?

3 MR. RYAN KOLASKI: Correct?

4 MR. TODD ANDRES: And this can occur  
5 when there are shifts in allocators from one line of  
6 business to the other, correct?

7 MR. RYAN KOLASKI: Correct.

8 MR. TODD ANDRES: Thank you. Ms.  
9 Dweh, if you could please pull up Figure EXP4 from the  
10 2026 GRA.

11

12 (BRIEF PAUSE)

13

14 MR. TODD ANDRES: Thank you. Now,  
15 line 2 represents total corporate expenses, correct?

16 MR. RYAN KOLASKI: Correct.

17 MR. TODD ANDRES: And then line 7 is  
18 the total dollars allocated to Basic, right?

19 MR. RYAN KOLASKI: Correct.

20 MR. TODD ANDRES: Line 8 is the  
21 percentage of corporate operating expenses that has  
22 been allocated to Basic through the ICAM, right?

23 MR. RYAN KOLASKI: Correct.

24 MR. TODD ANDRES: Starting with the  
25 2025/26 budget year, it's up to 64.7 percent, correct?

1 MR. RYAN KOLASKI: Correct.

2 MR. TODD ANDRES: And then 2026/'27  
3 goes up to 65.2, right?

4 MR. RYAN KOLASKI: Correct.

5 MR. TODD ANDRES: And then the next  
6 column, 2027/'28, it's up to 67 percent?

7 MR. RYAN KOLASKI: Correct.

8 MR. TODD ANDRES: Then 2028/'29 goes  
9 up to 67.3 percent, yes?

10 MR. RYAN KOLASKI: Correct.

11 MR. TODD ANDRES: Now, if we flip to  
12 the 2025 GRA, Figure EXP5 -- and maybe we can do a  
13 side-by-side. Sorry. And this is the 2025 GRA.

14

15 (BRIEF PAUSE)

16

17 MR. TODD ANDRES: Thank you, Ms.  
18 Dweh. Now, if we could do a side-by-side or top and  
19 bottom with Figure EXP5 from the 2025 GRA and Figure -  
20 - Figure EXP-4 from the 2026 GRA, please.

21

22 (BRIEF PAUSE)

23

24 MR. TODD ANDRES: Thank you, Ms. Dweh.  
25 So, if we can have it so it shows the -- starting with

1 the 2025/'26 budget year on both. It's just... So,  
2 it may be challenging to see, but in the document on  
3 the left-hand side, we appear to have the 2026 GRA  
4 document. On the right-hand side, we appear to have  
5 the 2025 GRA.

6 And so, 2025/'26 budget year in the  
7 2025 GRA forecast allocation was 61.9 percent,  
8 correct? I don't know if you'll be able to that.

9 MR. RYAN KOLASKI: Correct, yeah.

10 MR. TODD ANDRES: Yeah, as opposed to  
11 the 64.7 percent in the 2026 GRA?

12 MR. RYAN KOLASKI: Correct.

13 MR. TODD ANDRES: Thank you. And  
14 that's 2.8 percent lower than forecast in the current  
15 GRA?

16 MR. RYAN KOLASKI: Correct.

17 MR. TODD ANDRES: And then 2026/'27  
18 year, the forecast had been for 62.5 percent as  
19 opposed to the 65.2 percent, correct?

20 MR. RYAN KOLASKI: Correct.

21 MR. TODD ANDRES: And that's 2 percent  
22 -- 2.7 percent lower?

23 MR. RYAN KOLASKI: Correct.

24 MR. TODD ANDRES: And then again, in  
25 the 2027/'28 year, in the 2025 GRA, it was 61.9

1 percent?

2 MR. RYAN KOLASKI: Correct.

3 MR. TODD ANDRES: And then that's  
4 about 5.1 percent lower than it was forecast?

5 MR. RYAN KOLASKI: Correct.

6 MR. TODD ANDRES: Thank you. And the  
7 2028/'29 year, it was 63.5 percent --

8 MR. RYAN KOLASKI: Correct.

9 MR. TODD ANDRES: -- in the 2025 GRA?  
10 And that's 3.8 percent lower than was forecast this  
11 year, right?

12 MR. RYAN KOLASKI: Correct.

13 MR. TODD ANDRES: So, in other words,  
14 based on the new allocation methodology, more of the  
15 Corporation's expenses are being allocated to Basic?

16 MR. RYAN KOLASKI: Well, it's not a  
17 new methodology. We follow the PUB approved ICAM  
18 methodology. So, that methodology is consistently  
19 applied. So, it's dynamic, those allocators. So,  
20 every year you're going to see variability. So,  
21 you're just naturally seeing that variability show up  
22 in the GRA as it presents.

23 MR. TODD ANDRES: You'll agree though  
24 that Basic ratepayers are paying a larger share of the  
25 cost than in previous years, correct?

1 MR. RYAN KOLASKI: Based on the PUB  
2 approved ICAM, yes.

3 MR. TODD ANDRES: Thank you. So, in  
4 terms of compensation, included under the broad  
5 heading of 'compensation for employees' includes  
6 employee benefits like defined benefit pension plans,  
7 post-retirement extended health benefits, employment  
8 insurance premiums, Canada pension plan premiums,  
9 group life premiums, employer contributions to medical  
10 and dental plans, correct?

11 MR. RYAN KOLASKI: Correct.

12 MR. TODD ANDRES: Thank you. When was  
13 the last compensation review study done?

14

15 (BRIEF PAUSE)

16

17 MR. RYAN KOLASKI: Thank you for your  
18 patience. We do compensation studies every three (3)  
19 to five (5) years as best practice. In the interim,  
20 we do spot check roles throughout the year just to  
21 make sure nothing is completely out of line with the  
22 marketplace.

23 The last report that was done  
24 comprehensively was when the previous VP of HR was  
25 present, which is approximately, I'm going to say,

1 year and a half, two (2) years ago.

2 MR. TODD ANDRES: Thank you for that.  
3 You had mentioned this morning the concept of surge  
4 capacity for employees, yes?

5 MR. RYAN KOLASKI: Correct.

6 MR. TODD ANDRES: And you explained  
7 the status. And if I remember your explanation  
8 correctly, these are employees that are hired in  
9 anticipation of a need, correct?

10 MR. RYAN KOLASKI: That is correct.

11 MR. TODD ANDRES: And so, generally  
12 speaking, they will be going through a period of  
13 training while they're considered surge employees.

14 Is that correct?

15 MR. RYAN KOLASKI: Yeah. So, again,  
16 to put some context around surge employees, when we  
17 came out of labour interruption, we had about a  
18 hundred and twenty-five (125) what you would classify  
19 as surge employees. We have brought that number down.  
20 And our target is to land this fiscal year with forty  
21 (40).

22 So, part of surge capacity is to bring  
23 folks onboard earlier, our anticipation of retirement,  
24 so that there's an onboarding process and also a  
25 service capacity. Certain roles have a very high

1 turnover. So, even though that role is filled, that  
2 person moves on either out of the Corporation or  
3 within the Corporation, so there is a constant churn.  
4 A good example of that is adjusters has a very high  
5 turnover rate.

6                   So, you have to kind of be ahead of the  
7 game in terms of having people available and  
8 onboarding just because of the natural churn that's  
9 occurring. So, that churn is very specific within the  
10 Corporation. Other roles obviously don't require  
11 that, but that is the nature of search capacity.

12                   And part of the onboarding and  
13 retaining of staff; it's a challenging labour force  
14 market as we all know. So, just because someone  
15 retires today doesn't mean you have someone in the  
16 wings within two (2) weeks. It would be great. But  
17 typically, it takes a few months to find the right  
18 person, go through the interview process, and bring  
19 them inboard.

20                   So, if you wait until you need that  
21 person and it's our -- and it's known, you find  
22 yourself very short, which is why the vacancy  
23 provision historically has been a lot higher. We are  
24 actively trying to manage the service issues and bring  
25 that down. So, that's kind of the context in and

1 around surge capacity.

2 MR. TODD ANDRES: So, in terms of how  
3 it's budgeted, would this almost be considered in the  
4 nature of a contingency for FTE? So, surge capacity  
5 is effectively like a budget contingency for  
6 additional employees?

7 MR. RYAN KOLASKI: The way we've  
8 looked at it, you're not far off, but not technically  
9 correct, in my mind. So, the way we budget FTEs is we  
10 assume the full allotment of two thousand and eighty-  
11 nine (2,089) staff are fully employed. And then we  
12 run out the budget based on dollars and estimate the  
13 benefits related to that portfolio of staff.

14 We then say, we know there's going to  
15 be staff churn or vacancies throughout the course of  
16 the year, so we want to level set a dollar amount  
17 related to that vacancy of that natural staff churn  
18 that's going to occur.

19 So, what we're trying to do is  
20 anticipate what that looks like. Historically, it's  
21 been around 6 million. We pulled it down to 3 1/2  
22 million because again we believe the vacancy allowance  
23 is a better way from a dollar perspective to forecast  
24 and budget that overall.

25 MR. TODD ANDRES: Thank you for that.

1 So, for employees that fall within the surge capacity  
2 category, I guess, those could be considered both in-  
3 scope roles and out-of-scope roles. Is that fair?

4 MR. RYAN KOLASKI: That's fair.

5 MS. SATVIR JATANA: Maybe if I can  
6 just support Ryan a little bit here, when we're  
7 talking about surge capacity or -- it's a term really  
8 to help to understand, first of all, our budget is our  
9 budget. And we have -- two thousand eighty-nine  
10 (2,089) is the budget that we've been operating under.

11 We are never over that budget, so that  
12 is the ceiling. What -- traditionally, what we know  
13 in couple of the areas adjusting, it takes us six  
14 (6)months to train an employee before they are able to  
15 take any customer claims.

16 Contact centre is another example.  
17 It's a high turnover area, and I believe the training  
18 there is probably eight (8) weeks. I'm going by  
19 memory. It might be even be a little bit longer than  
20 that.

21 However, in both of these area, due to  
22 high turnover, taking the time that it takes us to  
23 train, we build up capacity in both of the areas. And  
24 even right now, there probably is eight (8) to ten  
25 (10) adjusters going under training that are not

1 taking calls, but they're prepared to go into the  
2 system.

3                   So that's kind of really -- it's  
4 allowing couple of the areas to over hire in  
5 anticipation of that turnover. But at no point are we  
6 going over our budget of twenty eighty-nine (2,089).  
7 So even though both of these area might be over  
8 budgeted or surge capacity, as an organization we  
9 manage our overall budget, and that is kind of how  
10 we're managing our -- our resources.

11                   Coming out of strike, because we had a  
12 large backlog, there was number of areas that we  
13 allowed to overbuild to deal with the backlog. But at  
14 all point at that time, our -- our budget was lot  
15 higher than twenty eighty-nine (2,089). I believe we  
16 reduced it by fifty (50). So, 2089 is the budget that  
17 we're working under over the last couple of years.

18                   So just don't want to leave an  
19 impression that this is outside or over budget. We're  
20 -- we're operating with under our capacity. So, for  
21 us to over hire in a couple of these areas, meaning  
22 that there's other areas that are quite a bit under  
23 budget or we're holding those vacancy to allow couple  
24 of these areas to have additional resources for those  
25 reasons. Thank you.

1

2

(BRIEF PAUSE)

3

4

MR. TODD ANDRES: Now we heard from  
ATA and MMDA earlier about the downward pressure that  
the rising expense of materials and labour is having  
on their viability.

8

Does the adequacy of rates paid to  
automotive dealers and repair shops factor into MPI's  
assessment of whether the rate applied for is just  
reasonable?

12

MR. RYAN KOLASKI: I think the answer  
to that is correct. We go through a process and we  
look at all of our costs, and through the AAP we roll  
up those costs and anticipated costs.

16

We have a rigorous process internally.  
We also benchmark externally what other crowns are  
paying so we kind of know where we fit in the realm.  
So, I believe it's -- it's fair and presented as at  
current.

21

MR. TODD ANDRES: Thank you for that.  
Ms. Dweh, if you could now pull up BMK-1, page 5 of  
17.

24

25

(BRIEF PAUSE)

1

2

MR. TODD ANDRES: Thank you, Ms. Dweh.

3

And so, you'll see here, the top paragraph says:

4

"In section BMK.4, Operational

5

Efficiency, MPI previously

6

included the results of a Crown

7

benchmarking exercise comparing

8

various corporate and operational

9

metrics with ICBC and SGI.

10

However, this practice has been

11

discontinued due to new

12

confidentiality restrictions from

13

the data providers who now only

14

permit the use of their

15

information for internal

16

collaboration."

17

Do you see that?

18

MR. RYAN KOLASKI: I do.

19

MR. TODD ANDRES: What is meant by

20

"internal collaboration"?

21

MR. RYAN KOLASKI: Fair question. We

22

have a very good dialogue and working relationship

23

with both ICBC and SGI. So, we caucus on a number of

24

things, financial related, claims related, kind of

25

internal sound checking as to best practices and

1 whether or not they can be integrated into MPI or vice  
2 versa.

3                   So, from that perspective, we -- we  
4 basically collaborate internally and have access to  
5 information that they don't necessarily disclose  
6 publicly.

7                   MR. TODD ANDRES:    Right.  So internal  
8 collaboration means that SGI provides information to  
9 MPI, but subject to very strict confidentiality  
10 obligations to be used internally by MPI.

11                  MR. RYAN KOLASKI:    Correct.

12                  MR. TODD ANDRES:    Got it.  And then in  
13 the next paragraph, it says:

14                               "Going forward, MPI will place a  
15                               greater emphasis on internal  
16                               performance evaluation by relying  
17                               more heavily on budgeting  
18                               processes and key performance  
19                               indicators to assess its  
20                               operational efficiency and ensure  
21                               accountability in the absence of  
22                               external crown benchmarking data."

23                  You see that?

24                  MR. RYAN KOLASKI:    I do.

25                  MR. TODD ANDRES:    And so, in

1 establishing the KPIs, does MPI look to the previous  
2 benchmarking comparisons as a starting point?

3 MR. RYAN KOLASKI: We looked at the  
4 previous benchmarking comparisons. We've looked at,  
5 based on our discussions with the other Crowns, what  
6 they look at. We also subscribe to a service called  
7 MSA Research, which compiles data of insurance  
8 companies across Canada based off of OSFI information.

9 So, we have access to kind of a data  
10 pool. They have a number of metrics, so we have  
11 selected from that. So, we do have third-party  
12 external benchmarks that we can look at, so it's not  
13 like we're just doing it in isolation on our own.

14 MR. TODD ANDRES: Thank you for that.  
15 And you've just answered my next three (3) questions.

16 MR. RYAN KOLASKI: I also would add,  
17 we also have an interesting relationship with Mitchell  
18 for claims data. We actually have MPI's claims data  
19 versus SGI and ICBC. So, we literally can see  
20 trending in our jurisdiction and their jurisdiction as  
21 well.

22 That is very helpful in terms of trends  
23 that are in different asset classes for vehicles or  
24 things of that nature. And that helps us assess and  
25 determine affordability and what action we may or may

1 not require overall.

2 MR. TODD ANDRES: Thank you for that.

3 And now turning to KPIs -- and I just want to make  
4 sure that I'm understanding some of the things that  
5 MPI's put forward correctly, so I'm going to take you  
6 to three (3) separate IRS.

7 Ms. Dweh, if you could pull up CC/MPI-  
8 1-28, page 16 of 18. We'll just start there.

9

10 (BRIEF PAUSE)

11

12 MR. TODD ANDRES: Thank you, Ms. Dweh.

13 And so actually, if we are able to see the -- the page  
14 as a whole, it does list what appear to be eighteen  
15 (18) KPIs and as well as the description as to where  
16 those fit within the strategic plan, correct?

17 MR. RYAN KOLASKI: Correct.

18 MR. TODD ANDRES: All right. Now, Ms.  
19 Dweh, I'm going to send you off to look for another  
20 document. It's PUB/MPI-2-44C, Figure 1. And we may  
21 have looked at this one already.

22

23 (BRIEF PAUSE)

24

25 MR. TODD ANDRES: Right. And we had

1 looked at this document and it lists twelve (12) KPIs  
2 on this if I count correctly.

3 MR. RYAN KOLASKI: Correct.

4 MR. TODD ANDRES: Okay. And then if  
5 we -- Ms. Dweh, if you go back to the document we were  
6 just looking at it a second ago, it was that CC/MPI-1-  
7 28. Right. And if we scroll back to pages 5 and 6.  
8 Start with page 5, please. Just scroll down right to  
9 the bottom right.

10 And so, if you see that, it says:

11 "As of July, 2025, MPI has  
12 confirmed a set of eight (8)  
13 strategic measures aligned to the  
14 five (5) corporate focus areas."

15 And, Ms. Dweh, if you just scroll down  
16 a little bit.

17 MR. RYAN KOLASKI: That is correct.

18 MR. TODD ANDRES: Yeah. Back up just  
19 a little bit more so we can see the list. Thank you.

20 So average insurance premium is a  
21 percentage of median income, medium -- minimum capital  
22 test, et cetera. Those look like a series of eight  
23 (8) KPIs, correct?

24 MR. RYAN KOLASKI: Correct.

25 MR. TODD ANDRES: So perhaps you can

1 enlighten me and explain the disparity between the  
2 various numbers of KPIs and how each is used keeping,  
3 in mind that last year the Board ordered -- or said  
4 that it anticipated in the 2026 GRA there would be  
5 some analysis of the measurements against the multi-  
6 year strategic plan as it relates to KPIs.

7 MR. RYAN KOLASKI: Sure. So, there  
8 was a Board order related to KPIs. That was broken  
9 down between strategic KPIs, claims KPIs, and  
10 financial budgeting KPIs. And that's really what  
11 you're seeing between the three (3) differences on the  
12 IRs you pulled up.

13 When you break them down that way, they  
14 all kind of lead and are interrelated to one another.  
15 The strategic KPIs guide the Corporation as to where  
16 it wants to go. The claims KPIs are about claims  
17 leakage, cost containment, ensuring our claims  
18 processes are active and enforced. And all those then  
19 rolled into the budgeting forecasting, which then  
20 create the financial KPIs overall.

21 So, they're kind of distinct, but what  
22 is new for this year is the claims KPIs that were  
23 introduced.

24 MR. TODD ANDRES: Thank you.

25

1 (BRIEF PAUSE)

2

3 MR. TODD ANDRES: There was a comment  
4 made earlier this morning, and it's also in one of  
5 your IR responses, about the figures listed for the  
6 2025/'26 to 2029/'30 APIs and EXP, Appendix 28, are  
7 not performance targets. They're forecasted values  
8 generated from MPI's Long-Term Financial Forecasting  
9 Model and represent MPI's best estimate of expected  
10 performance based on current assumptions.

11 MR. RYAN KOLASKI: That is correct.

12 MR. TODD ANDRES: And one of the other  
13 comments made was regarding Board and government  
14 approvals so that this process, which is requiring  
15 government approval of its budget, also prevents MPI  
16 from setting targets for future fiscal years, correct?

17 MR. RYAN KOLASKI: Yeah. The Treasury  
18 Board has an annual process, so we're Basically guard  
19 railed into an annual process. But I would say that  
20 each GRA isn't specific and unique to itself.

21 As you've seen, a number of your  
22 questions come from looking at this GRA Application  
23 versus last year's Application. What are the core  
24 assumptions that have changed? What are -- you know,  
25 and that plays into also the cost factor or what the

1 budget will entail from a service perspective.

2                   So -- and a lot of consideration is  
3 given into nice to have versus need to have. And a  
4 lot of our world falls into that need to have  
5 category.

6                   MR. TODD ANDRES: And so then in terms  
7 of your -- the response that I read to you about  
8 requiring government approvals and the limitations on  
9 setting targets for future fiscal years, does that  
10 apply to expenses and loss ratios or to all KPIs?

11                   MS. SABRINA KAUK: That would apply to  
12 all KPIs. That was given as one example of the impact  
13 that Board direction could have on premium revenue  
14 with claims, which is in the numerator in some of  
15 those calculations, claims expenses.

16                   Every year we have better or more  
17 recent information, right, related to the valuations  
18 that are performed as well. So those amounts are also  
19 recalculated based on best information available.

20                   MR. TODD ANDRES: Thank you. And  
21 turning to the issue of metrics and measurements, MPI  
22 -- one of the studies that MPI relies upon is the  
23 Forrester CX study, correct?

24                   MR. RYAN KOLASKI: Correct.

25                   MR. TODD ANDRES: And that's the sole

1 metric for customer satisfaction, correct?

2 MR. RYAN KOLASKI: Correct.

3 MR. TODD ANDRES: And that has eight  
4 (8) components, right?

5 MR. RYAN KOLASKI: Correct.

6 MR. TODD ANDRES: And the CX score is  
7 an index measure with a rating of 73.2? I can pull  
8 that up if wish.

9 MR. RYAN KOLASKI: Correct.

10 MR. TODD ANDRES: Yeah.

11 MR. RYAN KOLASKI: Seems right.

12 MR. TODD ANDRES: And it's propped up  
13 by CSAT scores with glass only drivers only, policy  
14 only, and AutoPac renewals, correct?

15 MR. RYAN KOLASKI: Correct.

16 MR. TODD ANDRES: Thank you. Now,  
17 arguably those services can be characterized as  
18 repetitive and transactional, correct?

19 MR. RYAN KOLASKI: That's a fair  
20 statement.

21 MR. TODD ANDRES: Thank you. And when  
22 it comes to physical damage, injury, and road test  
23 appointments, which are arguably more complex and  
24 adjudicated, the scores are -- and I can take you  
25 there if you wish, but you probably know them --

1 injury is sixty-five (65), so that fits in the okay  
2 category?

3 MR. RYAN KOLASKI: Correct, yeah.

4 MR. TODD ANDRES: Physical damage is  
5 sixty-four (64), so also in the okay category?

6 MR. RYAN KOLASKI: Correct.

7 MR. TODD ANDRES: And then road test  
8 is fifty-eight (58), which is in the poor category,  
9 right?

10 MR. RYAN KOLASKI: Correct.

11 MR. TODD ANDRES: Thank you. And we  
12 also note that MPI has a target -- target score of  
13 seventy (70) with a stretch target of eighty (80),  
14 correct?

15 MR. RYAN KOLASKI: Correct.

16 MR. TODD ANDRES: So, I'm wondering if  
17 you can just speak to this. How is MPI specifically  
18 addressing the lower scores within the framework of  
19 the Strategic Plan, strategic programs, and specific  
20 remediation activities?

21

22 (BRIEF PAUSE)

23

24 MS. MARIA CAMPOS: Maria Campos, for  
25 MPI. Can I just ask you to repeat the question?

1 MR. TODD ANDRES: Sure. So how is MPI  
2 specifically addressing these lower scores within the  
3 framework of the Strategic Plan, strategic programs,  
4 and specific remediation activities?

5 MS. MARIA CAMPOS: Sure. I can -- I  
6 can give a few examples. I'll -- I'll help on this  
7 one. So, when you looked at -- when we reviewed our  
8 corporate strategy specifically under Pillar 1, it  
9 talks about the work that we're doing obviously to  
10 improve customer experience.

11 And so, some of the initiatives that I  
12 can bring to light as some examples, the training  
13 safety requirement is one that MPI launched recently.  
14 And so that -- essentially, what that did was any  
15 individuals after three (3) failed attempts at road  
16 tests were required to take some additional training -  
17 - five (5) hours I believe additional training.

18 That's resulted in some fairly  
19 significant improvements, not just to the customer  
20 experience, but also to our pass rates, so from a road  
21 safety perspective.

22 We're also looking at end-to-end  
23 strategies for our adjuster group to ensure that we  
24 are gaining some operational efficiencies and of  
25 course being mindful of how we can best serve our

1 customers.

2                   So those are two (2) examples. And  
3 then maybe the final thing to bring in is our -- we've  
4 evolved how we look at our customer experience data.  
5 And one of the things we've done over this last year  
6 is we've looked at overlaying the customer experience  
7 data with the operational metrics and the customer  
8 satisfaction scores.

9                   So really understanding from a customer  
10 experience perspective is the way that we're  
11 delivering service, having the impact on how  
12 Manitobans feel MPI's performing and what their actual  
13 overall experience is.

14                   So, we want to overlay the operational  
15 experience with the customer experience to really  
16 understand the gains that we're making and where we  
17 obviously can continue to improve as an organization  
18 to drive better results for our customers.

19                   MR. TODD ANDRES: Thank you for that,  
20 Ms. Campos.

21                   So, this morning, I believe it was Mr.  
22 Kolaski that was speaking to this, the new standard  
23 that is going to be released, the new IFRS standard.  
24 It's not been released yet, correct?

25                   MR. RYAN KOLASKI: That is -- that is

1 correct.

2 MR. TODD ANDRES: And it's anticipated  
3 release date, my understanding was second quarter  
4 2026, and you indicated this morning anticipated as  
5 first quarter 2026?

6 MR. RYAN KOLASKI: That's correct.  
7 They did an update on their website.

8 MR. TODD ANDRES: Right. So, we don't  
9 have the standard yet, correct?

10 MR. RYAN KOLASKI: We do not have the  
11 standard.

12 MR. TODD ANDRES: Right. You  
13 indicated, though, in the presentation that you expect  
14 MPI to be excluded from the upcoming IFRS standard,  
15 correct?

16 MR. RYAN KOLASKI: That is correct.

17 MR. TODD ANDRES: I believe the word  
18 you issued this morning, you said this morning was  
19 exempted?

20 MR. RYAN KOLASKI: Correct.

21 MR. TODD ANDRES: Now, you'll agree  
22 with me that being exempt from the standard doesn't  
23 necessarily mean you cannot apply the standard.

24 It just means you don't necessarily  
25 have to apply the standard, correct?

1 MR. RYAN KOLASKI: That is one  
2 interpretation. I believe we will be exempt from  
3 applying the standard because we've applied it for  
4 seventeen (17). And I to just say that because the  
5 Board has unanimously said that if you apply here for  
6 seventeen (17) and they gave a series of criteria as  
7 to would you qualify or not, I believe MPI would be in  
8 the not category, and therefore we would not be  
9 eligible to actually apply the new standard. Once  
10 it's released. That being said, we still have to see  
11 the final standard.

12 MR. TODD ANDRES: Thank you for that  
13 qualification. So, it's not necessarily that they're  
14 exempted, it's that they're ineligible. Is that  
15 correct?

16 MR. RYAN KOLASKI: Correct.

17 MR. TODD ANDRES: That's your  
18 understanding. Thank you. And you'll agree that in  
19 each of the 2024 and 2025 GRAs, MPI also took the  
20 position that it was not eligible to create a  
21 regulatory deferral account, correct?

22 MR. RYAN KOLASKI: Correct.

23 MR. TODD ANDRES: And as you've  
24 indicated here, you've relied upon opinions by third  
25 parties for that position, correct?

1 MR. RYAN KOLASKI: Correct.

2 MR. TODD ANDRES: And MPI did not  
3 create a regulatory asset as directed by the Board,  
4 correct?

5 MR. RYAN KOLASKI: Only in the context  
6 for the General Rate Application, non an external  
7 basis.

8 MR. TODD ANDRES: It did create a, you  
9 know, sort of notional regulatory deferral account,  
10 correct?

11 MR. RYAN KOLASKI: Correct.

12 MR. TODD ANDRES: And I was doing air  
13 quotes while saying 'notional' --

14 MR. RYAN KOLASKI: Yeah.

15 MR. TODD ANDRES: -- just for the  
16 record. Thank you. And this is because MPI  
17 determined that it was not allowed to do so under the  
18 criteria of the IFRS, correct?

19 MR. RYAN KOLASKI: Correct.

20 MR. TODD ANDRES: You'll agree that  
21 MPI is subject to rate regulation by the PUB, correct?

22 MR. RYAN KOLASKI: We are.

23 MR. TODD ANDRES: Thank you. And  
24 you'll agree that the Board has previously not allowed  
25 certain costs to be considered when setting the rate

1 for Basic insurance, correct?

2 MR. RYAN KOLASKI: Correct.

3 MR. TODD ANDRES: And that's  
4 consistent with actuarial standards, correct?

5 MR. RYAN KOLASKI: Correct.

6 MR. TODD ANDRES: Thank you. I'll  
7 just get you to confirm that at the end of the  
8 2024/'25 year, MPI had included \$44.3 million in NOVA  
9 implementation expenses related to Basic in the RDA.  
10 I can pull up a document if you --

11 MR. RYAN KOLASKI: Yeah. No, that is  
12 the total --

13 MR. TODD ANDRES: Yeah.

14 MR. RYAN KOLASKI: -- yes.

15 MR. TODD ANDRES: Thank you. And the  
16 entire balance was never actually recorded on MPI's  
17 books, correct?

18 MR. RYAN KOLASKI: Oh, I'm sorry.  
19 Could you repeat the question?

20 MR. TODD ANDRES: Certainly. The  
21 entire balance was not actually recorded on MPI's  
22 books, correct?

23 MR. RYAN KOLASKI: That is correct.  
24 It's a notional account within the GRA itself. And as  
25 I had indicated earlier today, it's not just NOVA

1 expenses. It's all initiative expenses, right, just  
2 for clarification related to that.

3 MR. TODD ANDRES: Thank you. And can  
4 you confirm that the accumulated expenses have been  
5 expensed in the accounting records and reflected as an  
6 expense in MPI's Financial reporting?

7 MR. RYAN KOLASKI: You're relating to  
8 the 44.3 million?

9 MR. TODD ANDRES: Yes.

10 MR. RYAN KOLASKI: It's a combination.  
11 There's a deferred asset, and then there's also  
12 ongoing expenses which are expensed. So, I believe in  
13 our friends to the left, they have an IR in which the  
14 amount that was expensed was approximately \$24 million

15 So, I would suggest that approximately  
16 \$24 million of the \$44.3 million has already been  
17 expensed. It's not recorded as a deferred asset on  
18 our books.

19 MR. TODD ANDRES: All right. So, Ms.  
20 Dweh, can I get you to pull up EXP Appendix 29?  
21 That's Figure EXP, Appendix 29-1.

22

23 (BRIEF PAUSE)

24

25 MR. TODD ANDRES: Right. And keep

1 scrolling down. It's on page 3, Ms. Dweh. Thank you.  
2 So, if you can just make that a little bit larger,  
3 please. Very good. All right.

4 So, Mr. Kolaski, can I just get you to  
5 identify what this document is?

6 MR. RYAN KOLASKI: Sure. So, this is  
7 just a quick summary of the Basic allocation of  
8 initiative expenses specifically related to the RDA  
9 account.

10 So pursuant to the PUB order, we are  
11 not allowed to include in rates certain expenses, but  
12 we are tracking the total expenses that we have been  
13 disallowed or deferred for consideration to bring back  
14 into rate setting in a future GRA.

15 So, the first column, rows 1, if you  
16 just look at it that way, '23/'24, '24/'25 are  
17 actuals. That is the actual amount of initial  
18 expenses that have been added to the RDA. So, the  
19 total to date is the 44.3 million that you had  
20 referred to before.

21 Then going forward, it is a forecast  
22 for the current year. We believe we'll land with 26.5  
23 million, bringing that total to 70.8 million. And  
24 then the balance is tied to our forecast for  
25 initiatives being around 31 million a year going

1 forward.

2                   So, for the '26/'27 GRA, the total  
3 cumulative balance of the deferred initiative expenses  
4 would total \$102 million.

5                   Underneath that on line 4, we did  
6 include a provisional impairment, write-off adjustment  
7 for 9.9 million. That is predominantly related to  
8 NOVA related to NOVA write-down, along with the other  
9 data warehouse write-down.

10                   So that would bring your total  
11 cumulative balance with the write-off being adjusted  
12 for which was asked for in an -- in an IR to  
13 approximately \$35 million. And then we just kind of  
14 did the same calculation going forward.

15                   MR. TODD ANDRES: Thank you. And so,  
16 I guess the question is: Given that this is a  
17 notional RDA, what is MPI attempting to illustrate by  
18 showing a \$9.9 million write-off?

19                   MR. RYAN KOLASKI: Well, so there's  
20 two (2) components. There's the notion -- so if you  
21 go back to the '23/'24 and '24/'25, when we did the  
22 Application, we would have forecasted what our actual  
23 expenses would be.

24                   From that perspective, we would then  
25 have those included in rate action. What we've shown

1 is the \$10 million of actuals. So there actually is a  
2 difference which is shown down below in the further  
3 lines down at the bottom, the difference between what  
4 was in our Application versus what we actually spent.

5 And that is what the purpose of the  
6 calculation is showing is the total dollars that we --  
7 have not been included in Basic rates as a result of  
8 the PUB orders.

9 MR. TODD ANDRES: Okay. And one  
10 number you didn't touch is that MPI forecast the  
11 balance to go to \$201 million on Basic implementation  
12 expenses for NOVA by 2029/'30, correct? That's --

13 MR. RYAN KOLASKI: Correct. That's  
14 just the total of the -- the line above, yeah.

15 MR. TODD ANDRES: Understood. And  
16 just so I can be clear, what is MPI trying to convey  
17 on line number 14? So, what is the 10.2 percent?

18 MR. RYAN KOLASKI: So, the concept of  
19 the RDA is that, in theory, you could bring the RDA  
20 balance into rates in any given setting. So, if I was  
21 to include the \$102 million into rate setting as  
22 opposed to writing it off, that would represent  
23 approximately a 10.2 percent rate increase specific to  
24 this year.

25 It's a proxy based on \$10 million and

1 creating to about a 1 percent rate increase. So, the  
2 illustration is to show, rather than writing the  
3 balance off, I could have brought it into rates to  
4 settle this balance, right?

5 That in turn, that, if we collected the  
6 \$102 million, I would suggest would trigger a rebate  
7 over time and people would get their money back from a  
8 ratepayer perspective.

9 But effectively, all it's trying to  
10 illustrate is you can settle it by settling it to  
11 zero, or you can bring it into rates and settle it.  
12 But if we brought it into rates, the rate expectation  
13 would be approximately 10.2 percent.

14 MS. SABRINA KAUK: Sabrina speaking.  
15 I think Ryan stated at the beginning, but just to  
16 clarify on your questioning, it's not just NOVA  
17 expenses. It's all project expenses.

18 MR. TODD ANDRES: Right? All -- all  
19 initiative expenses. Understood.

20 MS. SABRINA KAUK: Yes.

21 MR. TODD ANDRES: Thank you for that  
22 clarification.

23

24 (BRIEF PAUSE)

25

1 MR. TODD ANDRES: And just to be  
2 clear, it's Basic initiative.

3 MR. RYAN KOLASKI: It only relates to  
4 the Basic line of business.

5 MR. TODD ANDRES: Thank you.

6 And in this GRA, MPI seeks PUB  
7 direction to defer the accumulated initiative expenses  
8 forecast to be incurred in 2026/'27 rating year, which  
9 are valued at \$31 million into the RDA, correct?

10 MR. RYAN KOLASKI: That is correct.

11 MR. TODD ANDRES: And after this MPI,  
12 is seeking that the PUB issue a declaration that the  
13 RDA assets serve of no value?

14 MR. RYAN KOLASKI: Correct.

15 MR. TODD ANDRES: So MPI is therefore  
16 asking that -- that the PUB deem these amounts to not  
17 be recoverable from Basic ratepayers, correct?

18 MR. RYAN KOLASKI: Correct.

19 MR. TODD ANDRES: And that would  
20 effectively discharge the RDA balance, setting it at  
21 zero?

22 MR. RYAN KOLASKI: Correct.

23 MR. TODD ANDRES: So, going forward,  
24 MPI submits that PUB should abandon this practice of  
25 deferring initiative crosses, right?

1 MR. RYAN KOLASKI: Correct.

2 MR. TODD ANDRES: Costs. Thank you.

3 Now, MPI's position is that this proposed approach  
4 ensures that costs actually incurred are considered  
5 for the purposes of setting rates, correct?

6 MR. RYAN KOLASKI: Correct.

7 MR. TODD ANDRES: As opposed to the  
8 current system based on expenses forecast to be  
9 incurred, correct?

10 MR. RYAN KOLASKI: Correct.

11 MR. TODD ANDRES: Thank you. And it  
12 also ensures that customers pay for service that  
13 directly benefit them in the subject period, correct?

14 MR. RYAN KOLASKI: Correct.

15 MR. TODD ANDRES: Thank you. So, to  
16 confirm, this means that MPI is planning to bring back  
17 into its expenses that \$31 million in the following  
18 year, correct?

19 MR. RYAN KOLASKI: Correct.

20 MR. TODD ANDRES: Plus inflation?

21 MR. RYAN KOLASKI: Plus inflation.

22 MR. TODD ANDRES: Thank you. So, are  
23 the functions and services or features that are  
24 associated with the amounts MPI is asking to be  
25 written off going to be operational in 2027/'28?

1 MR. RYAN KOLASKI: No. That's why the  
2 -- the proxy is related to intergenerational equity,  
3 right? So, the way the industry works today is what  
4 existed prior to the PUB order we would simply  
5 forecast our expected initiative spend. That would be  
6 brought into rates.

7 The problem with that is, as we've  
8 seen, there's large material variances between our  
9 ability to forecast and land actual initiatives going  
10 forward.

11 So, what we're proposing is that the  
12 initiative spend be based on a leap year, so bringing  
13 in the prior year actuals as a proxy to  
14 intergenerational equity, because over time, right,  
15 it's weighted over two (2) test years.

16 So, you're easing that cost back into  
17 the rate, but you're not exactly forecasting it  
18 exactly the way it was before.

19 MR. TODD ANDRES: Right. So just from  
20 an impairment --

21 MR. RYAN KOLASKI: So, you won't have  
22 functionality related to some or all of those  
23 initiatives, but they will be -- the ask is to put the  
24 \$31 million into rate.

25

1 (BRIEF PAUSE)

2

3 MR. RYAN KOLASKI: I guess to just add  
4 some context around that, so when you look at the IT  
5 roadmap, a lot of the initiatives are meant to be one  
6 (1) or two (2) year of duration.

7 So, when you look at the test years  
8 over two (2) years, there's a pretty good proxy  
9 between the ask of having spent it last year and  
10 having functionality within that one (1) to two (2)  
11 year window.

12 Is it going to be perfect? No, but the  
13 notion of the previous NOVA multi-year budget and plan  
14 isn't on the table anymore for MPI.

15 MR. TODD ANDRES: Thank you. So out  
16 of curiosity, why is it adjusted for inflation?

17 MR. RYAN KOLASKI: So that is actually  
18 a request of Cara Low because she said that she wants  
19 to see it adjusted for inflation so it matches the  
20 AAP. So, I would have to defer to her why she thought  
21 that was appropriate, but that was the request from  
22 her.

23 MS. SABRINA KAUK: And Sabrina. So  
24 theoretically, right, when we're preparing the 2027  
25 GRA Rate Application, that will be for the '27/'28

1 rating year.

2                   The '26/'27 expenses will not yet be  
3 completed, right? We'll only be -- and we won't even  
4 have yet entered that fiscal year. So, we'll be using  
5 '25/'26 actual expenditure implying inflation to get  
6 us to a current year expense figure.

7                   MR. TODD ANDRES: Thank you for that.  
8 And so, I guess a follow-up question is: How many  
9 years will it take before initiatives are expected to  
10 be live and adding value for ratepayers?

11                   MR. RYAN KOLASKI: That's going to  
12 vary by initiative. As I indicated, the IT roadmap  
13 kind of maps out what the duration will be. So, you  
14 have effectively a three (3) year window 'cause we're  
15 using last year's actuals and then bringing them in  
16 over a two (2) year test year period. So, you have a  
17 three (3) year window of amortization into the rates  
18 prior to the order.

19                   The previous standing and a long  
20 standing run rate was just to include the forecast in  
21 rates. And that is consistent with the industry, it's  
22 consistent with our peers, SGI and ICBC, but we have  
23 modified that in order to accommodate a proxy for  
24 intergenerational equity.

25                   MR. TODD ANDRES: So, then I guess

1 maybe I'm not understanding. So then how is it that,  
2 if MPI writes off \$31 million saying that it's of no  
3 value, then it can be brought back in the following  
4 year as having value to ratepayers in that year?

5 MR. RYAN KOLASKI: 'Cause moving to a  
6 new model where we're going to -- the spend of the  
7 previous year is coming into rate setting for the next  
8 year.

9 So, we can disband the entire practice  
10 of doing that and just move back to the industry  
11 standard of forecasting our initiative spend and  
12 including the initiative spend based on forecast.

13 MR. TODD ANDRES: So, for all of the  
14 initiatives currently in the RDA, is there value  
15 that's been added for ratepayers?

16 MR. RYAN KOLASKI: Well, there's a --  
17 if you go to Appendix 23, there's a series of  
18 initiatives that are there. Some of those are  
19 complete, some of those are ongoing. So, depending on  
20 the specific initiative, the answer would be yes.

21 MR. TODD ANDRES: And is it  
22 quantifiable?

23 MR. RYAN KOLASKI: It's in Appendix  
24 23.

25 MR. TODD ANDRES: All right. Ms.

1 Dweh, could you please pull up PUB/MPI-1-23E? Right,  
2 and if we roll down to the response.

3 So, reviewing the illustrative approach  
4 that MPI has provided showing recognition of the  
5 deferred 2025/'26 initiative expenses -- actually,  
6 sorry, Ms. Dweh, if we can roll down one more page so  
7 we can see the figure. Thank you.

8 So, this shows recognition of the  
9 deferred 2025/'26 initiative expenses in the 2026/'27  
10 rating period, correct?

11 MR. RYAN KOLASKI: Correct.

12 MR. TODD ANDRES: And so, if these  
13 amounts were not deferred, the overall indicated rate  
14 change would be 3.98 percent, correct?

15 MR. RYAN KOLASKI: Correct.

16 MR. TODD ANDRES: Thank you. And is  
17 it -- it's fair to say though that MPI could bring in  
18 this amount gradually? In other words, it could bring  
19 in one 10th of the prior year's expenses annually over  
20 say a ten (10) year period, correct?

21 MR. RYAN KOLASKI: I don't know how we  
22 would do that, no.

23 MR. TODD ANDRES: Yeah. So, it would  
24 be a matter of amortizing it over a ten (10) year  
25 period of time. So, you take one 10th of the amount

1 in in one year and then stretch the remainder out over  
2 the remaining nine (9) years.

3

4

(BRIEF PAUSE)

5

6 MR. RYAN KOLASKI: So, if I understand  
7 what you're asking me, rather than writing off the  
8 \$102 million, you would like me to bring in the \$102  
9 million over ten (10) years. So, for each year you're  
10 going to ask me to bring in \$102 million going forward  
11 in each and every GRA?

12 MR. TODD ANDRES: No, it would be one  
13 10th of that.

14 MR. RYAN KOLASKI: So, going to bring  
15 in \$10 million of the 102 million?

16 MR. TODD ANDRES: Correct. For  
17 example, it doesn't necessarily have to be ten (10) --  
18 ten (10) years. It could be some other period of  
19 time.

20 MR. RYAN KOLASKI: It would seem odd  
21 when the \$44.3 million has already been paid for, and  
22 I don't require any rate action related to the 44.3  
23 million because I don't require a capital build.

24 I'm effectively going to increase rates  
25 only to rebate it out back to ratepayers. So, I'm not

1 sure I would agree with the logic of amortizing it in  
2 over a period of time, be it ten (10) years or -- or a  
3 shorter period.

4 MR. TODD ANDRES: So, Ms. Dweh, could  
5 you please pull up Appendix EXP 23 and from part 10.

6

7 (BRIEF PAUSE)

8

9 MR. TODD ANDRES: All right. So  
10 back to an earlier response where you had deferred us  
11 to Appendix 23. If I'm understanding this table  
12 correctly, it shows what MPI has spent, right, but not  
13 when each of these things will actually provide value  
14 to the customers, correct?

15 MR. RYAN KOLASKI: Well, presumably,  
16 the value is when the project ends, so it's in service  
17 and being of use. And equal unto that, you have to  
18 spend money in order to get the item in value and use.  
19 You can't just spend nothing and then have it turn on  
20 in the same point of time.

21 So, the value to ratepayers is the  
22 modernization and the inclusion of the cost in order  
23 to get the project completed up and running and then  
24 deployed and available for use at a point in time.

25 I appreciate you're fixated solely on

1 the end game, but you can't get there without spending  
2 money and time in order to achieve that result.

3

4 (BRIEF PAUSE)

5

6 MR. TODD ANDRES: Right. And so,  
7 someone who is funding that today is funding the  
8 benefit that will be received by someone five (5)  
9 years from now, correct?

10 MR. RYAN KOLASKI: Correct.

11 MR. TODD ANDRES: Back to our  
12 discussion on the regulatory defer account, ICBC, if I  
13 understand correctly, based its decision not to have  
14 an RDA because of the same exemption that MPI has  
15 cited, correct?

16 MR. RYAN KOLASKI: Correct.

17 MR. TODD ANDRES: And that's because  
18 they did not have a regulatory deferral count when it  
19 converted to IFRS, correct?

20 MR. RYAN KOLASKI: That is correct, as  
21 I understand it.

22 MR. TODD ANDRES: And so how does  
23 ICBC's rationale for not having an RDA relate to the  
24 situation of MPI and its expenditures on NOVA? Is  
25 there anything similar that was going on with them?

1 MR. RYAN KOLASKI: They have projects  
2 and modernization just as MPI does, as does SGI. As  
3 far as I know, we are the only Crown Corporation  
4 subject to the RDA practice at this point in time.

5 MR. TODD ANDRES: Mercifully, those  
6 are my questions.

7 MR. RYAN KOLASKI: Thank you.

8 PANEL CHAIRPERSON: Thank you, Mr.  
9 Andres.

10 Ms. Dilay, have you got an approximate  
11 estimate of how much time you are going to take?

12 MS. SABRINA KAUK: I'm hoping that the  
13 upper limit would be about an hour and a half. So, if  
14 we were to take maybe a ten (10) or fifteen (15)  
15 minute break, I should be able to conclude by 4:00.

16 PANEL CHAIRPERSON: Okay. That's  
17 great. Let's take a fifteen (15) minute break then,  
18 coming back at twenty (20) to 3:00. Thank you.

19

20 --- Upon recessing at 2:21 p.m.

21 --- Upon resuming at 2:42 p.m.

22

23 PANEL CHAIRPERSON: Thank you. Ms.  
24 Dilay...?

25 MS. KATRINE DILAY: Thank you, Madam

1 Chair. Good afternoon. My name's Katrine Dilay, and  
2 along with my colleague, Victoria Cloutis. We're here  
3 on behalf of the Consumers Coalition. We'll have some  
4 questions for the panel this afternoon.

5 I'll just pose my questions generally  
6 and whoever's best suited to answer, feel free to jump  
7 in.

8

9 CROSS-EXAMINATION BY MR. KATRINE DILAY:

10 MS. KATRINE DILAY: You'll agree that  
11 MPI ratepayers pay for all of MPI's operating  
12 expenses?

13 MR. RYAN KOLASKI: Correct.

14 MS. KATRINE DILAY: And you'll confirm  
15 that when setting Basic rates, the Public Utilities  
16 board takes into account MPI's forecasted operating  
17 expenses?

18 MR. RYAN KOLASKI: Correct.

19 MS. KATRINE DILAY: And you'll confirm  
20 that as a breakeven line of business, Basic rates are  
21 designed to cover all of MPI's prudent and necessary  
22 operating expenses?

23 MR. RYAN KOLASKI: Correct.

24 MS. KATRINE DILAY: And it's important  
25 to note as a caveat that investment income also serves

1 to reduce what MPI needs to recover through rates,  
2 correct?

3 MR. RYAN KOLASKI: Correct.

4 MS. KATRINE DILAY: You'll agree that  
5 MPI has a responsibility to Manitobans to manage all  
6 operating expenses in a fiscally prudent manner?

7 MR. RYAN KOLASKI: Correct?

8 MS. KATRINE DILAY: You'll confirm MPI  
9 is committed to a disciplined approach to ensuring the  
10 impacts of operating expenses are mitigated as it  
11 relates to the Basic rate requirement?

12 MR. RYAN KOLASKI: Correct.

13 MS. KATRINE DILAY: And this is at  
14 least in part because of the importance that Manitoba  
15 ratepayers place on rates that are affordable?

16 MR. RYAN KOLASKI: Correct.

17 MS. KATRINE DILAY: And so, you'll  
18 agree that MPI is committed to delivering value to  
19 Manitobans?

20 MR. RYAN KOLASKI: Correct.

21 MS. KATRINE DILAY: And you'll agree  
22 that over the last couple of years in particular, MPI  
23 has made improvements to its operating budgeting  
24 process?

25 MR. RYAN KOLASKI: Correct.

1 MS. KATRINE DILAY: And would it be  
2 fair to say that part of the reason for making these  
3 improvements to the operating budget process is to  
4 increase value for MPI ratepayers?

5 MR. RYAN KOLASKI: Correct.

6 MS. KATRINE DILAY: And you'll agree  
7 that the current operating budgeting process was FULL  
8 -- fully operable for the budget presented as part of  
9 the 2026 GRA?

10 MR. RYAN KOLASKI: Correct.

11 MS. KATRINE DILAY: I'm now hoping to  
12 confirm a few aspects of MPI's budget process  
13 framework. If we could please turn to Part 10 of the  
14 Application, EXP Appendix 27, please. Thank you.

15 And so generally, you'll agree that  
16 this appendix sets out the -- the principles and  
17 processes underpinning the budgeting process?

18 MR. RYAN KOLASKI: Correct.

19 MS. KATRINE DILAY: And specifically,  
20 how MPI goes about forecasting its revenues, expenses,  
21 and obtaining approvals for these items?

22 MR. RYAN KOLASKI: Correct.

23 MS. KATRINE DILAY: And if we could  
24 turn to Section 2.4, which starts on page 3. Thank  
25 you.

1                   This is where MPI describes the process  
2 for budgeting its operating expenses specifically,  
3 correct?

4                   MR. RYAN KOLASKI:     Correct.

5                   MS. KATRINE DILAY:     And at the very  
6 bottom of page 3, MPI states there that:

7                             "Because they -- speaking about  
8                             operating expenses -- can be  
9                             controlled by management,  
10                            operating expenses are subject --  
11                            subject to a combined top-down and  
12                            bottom-up approach to ensure  
13                            alignment."

14                   Do you see that?

15                             MR. RYAN KOLASKI:     I do.  
16                             MS. KATRINE DILAY:     Then at the top of  
17 page 4, MPI confirms that the process begins with top-  
18 down guidance from the Executive Committee, correct?

19                   MR. RYAN KOLASKI:     Correct.

20                   MS. KATRINE DILAY:     And in the next  
21 paragraph, it's indicated that:

22                             "Past and current trending on  
23                             expenditures is considered while  
24                             evaluating potential improvements  
25                             in process/new capabilities to

1 product and service levels."

2 You see that?

3

MR. RYAN KOLASKI: I do.

4 MS. KATRINE DILAY: So, in cases where

5 improvement in process or new capabilities are

6 identified, the top-down guidance may request that

7 these be considered in setting annual budgets.

8

Would that be correct?

9

MR. RYAN KOLASKI: Correct.

10

MS. KATRINE DILAY: Including

11 potential reductions from past year's budgets?

12

MR. RYAN KOLASKI: Correct.

13

MS. KATRINE DILAY: And then in the

14 next paragraph, MPI states:

15

"Alignment at the Executive

16

Committee level is then

17

disseminated to individual

18

business units as a guardrail on

19

departmental budget expectations."

20

You see that?

21

MR. RYAN KOLASKI: I do.

22

MS. KATRINE DILAY: We'll get into

23 this in a few more details in a minute, but you'll

24 agree that the reference to 'guardrail' would be meant

25

as a signal regarding an expectation that budgets may

1 need to increase or decrease based on trends and  
2 potential improvements or capabilities.

3 Would that be fair?

4 MR. RYAN KOLASKI: That's fair.

5 MS. KATRINE DILAY: Then in the next  
6 section, after the bolded subheading, the next step in  
7 the budgeting process would be the bottom-up exercise,  
8 which reflects department operating and initiative  
9 plans, budget, and resource requirements while  
10 aligning to the guidance/constraints provided,  
11 correct?

12 MR. RYAN KOLASKI: Correct.

13 MS. KATRINE DILAY: So, in other  
14 words, the individual departments look at their needs  
15 for the next year and come up with -- with their  
16 budget, keeping in mind the guidance provided by the  
17 Executive Committee.

18 Is that fair?

19 MR. RYAN KOLASKI: That's fair.

20 MS. KATRINE DILAY: Then the last step  
21 that we see just below that is the alignment process,  
22 correct?

23 MR. RYAN KOLASKI: Correct.

24 MS. KATRINE DILAY: Where business  
25 unit budgets are aggregated and presented to Executive

1 Committee for final alignment?

2 MR. RYAN KOLASKI: Correct.

3 MS. KATRINE DILAY: And this is also  
4 where competing trade-offs for resources, if any,  
5 between departments are resolved?

6 MR. RYAN KOLASKI: Correct.

7 MS. KATRINE DILAY: And just to  
8 clarify, these would be resolved by the Executive  
9 Committee.

10 Is that right?

11 MR. RYAN KOLASKI: Ultimately, the  
12 resolution would fall to the CEO, but there's  
13 alignment among the executive group.

14 MS. KATRINE DILAY: Thank you. And  
15 would trade-offs happen, for example, where department  
16 budgets are higher than expected and decisions need to  
17 be made about where to allocate resources to keep the  
18 overall operating budget within a certain level?

19 MR. RYAN KOLASKI: It's a fair  
20 statement. It also goes to service levels and  
21 expectations of Manitobans, so sometimes cost  
22 increases can't be offset, and that's part of the  
23 consideration as well.

24 MS. KATRINE DILAY: Thank you. In  
25 terms of the budgeting process, you'll agree that it's

1 MPI's evidence that the Corporation's Strategic Plan  
2 is an important part of what informs the operating  
3 budgeting process?

4 MR. RYAN KOLASKI: I would.

5 MS. KATRINE DILAY: And MPI's 2026/'27  
6 budgeting process was the first to incorporate the  
7 Corporate Strategic Plan, correct?

8 MR. RYAN KOLASKI: Correct.

9 MS. KATRINE DILAY: Specifically,  
10 divisions leveraged planned strategic initiatives  
11 based on initial strategic pillar and program delivery  
12 sequencing to guide budget development, correct?

13 MR. RYAN KOLASKI: Correct.

14 MS. KATRINE DILAY: And it informed  
15 both full-time equivalent staffing discussions and  
16 operating budget requests, correct?

17 MR. RYAN KOLASKI: Correct.

18 MS. KATRINE DILAY: And you'll agree  
19 that the integration of the Corporate Strategic Plan  
20 into the budgeting process will continue to mature?

21 MR. RYAN KOLASKI: Correct?

22 MS. KATRINE DILAY: And as MPI matures  
23 in terms of anchoring resource plans to a multiyear  
24 Strategic Plan, we would expect to see improvements in  
25 terms of aligning departmental budgets and plans with

1 the corporate strategy as well?

2 MR. RYAN KOLASKI: I would agree with  
3 that.

4 MS. KATRINE DILAY: These types of  
5 improvements are items that MPI would report back on  
6 in the PUB process, correct?

7 MR. RYAN KOLASKI: Correct.

8 MS. KATRINE DILAY: At a high level,  
9 you'll agree that conducting multiyear operating  
10 budget -- pardon me, multiyear operating expense  
11 budgets is also a part of the operating budgeting  
12 process?

13 MR. RYAN KOLASKI: It is.

14 MS. KATRINE DILAY: And we can go to a  
15 reference if you need, but MPI does this by providing  
16 departments with a two (2) year view, allowing them to  
17 plan and make detailed forecasts for the subsequent  
18 year, correct?

19 MR. RYAN KOLASKI: That is correct.

20 MS. KATRINE DILAY: Are you able to  
21 clarify how MPI determines the second year of this two  
22 (2) year view?

23 MR. RYAN KOLASKI: Sure. So, the two  
24 (2) years starts with our current year forecast. And  
25 we are currently in the process of doing monthly touch

1 points, so we are reforecasting the current year and  
2 using that new information we're gaining through the  
3 current year to recast and change assumptions into the  
4 second year.

5                   That second year, when we get to it, is  
6 the reference point as a starting point, as a point of  
7 reference for the budget. That isn't the actual  
8 budget, but that becomes a reference point based on  
9 interim changes of experience of what we should expect  
10 in the upcoming year. And that goes back to the  
11 alignment process of the top-down, bottom-up to ensure  
12 it's tight given the time constraints we have in order  
13 to pull the budget together.

14                   Ultimately, that final EC approved  
15 budget is what is submitted into the General Rate  
16 application, and then ultimately to the Treasury Board  
17 itself.

18                   MS. KATRINE DILAY: Thank you. And  
19 when MPI provides the departments with the two (2)  
20 year view, you'd agree that there's still room for  
21 change in year 2 of the two (2) year view, correct?

22                   MR. RYAN KOLASKI: Correct.

23                   MS. KATRINE DILAY: And in terms of  
24 the longer-term outlook, MPI applies assumptions to  
25 generate projections for the following three (3) year

1 forecast years providing a five (5) year view,  
2 correct?

3 MR. RYAN KOLASKI: Correct.

4 MS. KATRINE DILAY: Would it be fair  
5 to say that for years 3 to 5 MPI would extrapolate to  
6 future years using high level assumptions, such as  
7 inflation?

8 MR. RYAN KOLASKI: That is correct.

9 MS. KATRINE DILAY: And so, it would  
10 be fair to say that there's still room for change in  
11 years 3 to 5 of the forecast budget, correct?

12 MR. RYAN KOLASKI: Correct.

13 MS. KATRINE DILAY: For example, in  
14 response to changes in circumstances?

15 MR. RYAN KOLASKI: Correct?

16 MS. KATRINE DILAY: To be more  
17 consistent with actual outcomes?

18 MR. RYAN KOLASKI: Correct.

19 MS. KATRINE DILAY: Including things  
20 that are beyond the control of MPI, correct?

21 MR. RYAN KOLASKI: Correct.

22 MS. KATRINE DILAY: And so, it is  
23 possible that the budgets for a year's 3 to 5 could  
24 materially change?

25 MR. RYAN KOLASKI: Correct.

1 MS. KATRINE DILAY: And following  
2 approval of budgets for a given year, you'll agree  
3 that measurement of actual performance against KPIs  
4 and budget targets is an important part of the  
5 operating budgeting process?

6 MR. RYAN KOLASKI: I would.

7 MS. KATRINE DILAY: And that taking  
8 corrective action is an important part of the  
9 operating budget process?

10 MR. RYAN KOLASKI: Correct.

11 MS. KATRINE DILAY: As well as ongoing  
12 reinforcement?

13 MR. RYAN KOLASKI: Correct.

14 MS. KATRINE DILAY: Could we please  
15 turn to CC-MPI-1-25, Appendix 1. Thank you.

16 And would it be fair to say that this  
17 is the top-down guidance that was provided to MPI  
18 departments as the 2026/'27 budget was under  
19 development?

20 MR. RYAN KOLASKI: Yes.

21 MS. KATRINE DILAY: And if we look  
22 just under the preamble, so under the subtitle  
23 'Corporate operating expenses, 2026/'27 expectations',  
24 we see there total corporate operating expenses,  
25 including initiatives are expected to be at or under

1 394 million, correct?

2 MR. RYAN KOLASKI: Correct.

3 MS. KATRINE DILAY: Okay. And so, we  
4 can understand this language of "at or under" to refer  
5 to an upper threshold, correct?

6 MR. RYAN KOLASKI: Correct. There's  
7 also a caveat in which there's a layering on related  
8 to the change in FTEs as well as the CMS and  
9 initiatives.

10 So, the starting point with this is  
11 three ninety-four (394), knowing that the changes in  
12 initiatives and projects would naturally change, and  
13 then have to be layered in addition to this.

14 MS. KATRINE DILAY: Thank you. And  
15 could we turn to CC-MPI-1-25, Part J, please. Thank  
16 you. And we'll actually go to the response to 'J'.  
17 Thank you.

18 If we look pretty much in the middle of  
19 this paragraph here, the sentence that starts with,  
20 "Divisions." So, MPI states there that:

21 "Divisions were instructed to fit  
22 new strategic efforts within  
23 existing budgets or to  
24 reprioritize and sunset lower  
25 value work to create space for

1 initiatives that directly support  
2 the Strategic Plan."

3 You see that?

4 MR. RYAN KOLASKI: I do.  
5 MS. KATRINE DILAY: And so, would it  
6 be fair to say that this instruction was given in  
7 order to achieve the budget upper threshold that we  
8 previously saw?

9 MR. RYAN KOLASKI: Correct. That  
10 would be the guardrail for setting the expectation  
11 with an understanding that it can be realigned through  
12 the alignment process with the executive team.

13 Part of the reason for the guardrail  
14 is, again, the timeframe is relatively tight. So, if  
15 you just allow folks to put forward a wish list, it  
16 becomes very administratively challenging to narrow  
17 that down to something that is basically acceptable in  
18 terms of reality, right.

19 MS. KATRINE DILAY: Thank you. That's  
20 helpful. And if we could turn to CC-MPI-1-26,  
21 Appendix 2, please.

22

23 (BRIEF PAUSE)

24

25 MS. KATRINE DILAY: Thank you. And

1 so, just in terms of providing some context to this  
2 document, this presentation includes the final  
3 corporate operating budget, correct?

4 MR. RYAN KOLASKI: Correct.

5 MS. KATRINE DILAY: And if we look at  
6 the fourth column from the right, so the -- the column  
7 titled 'Budget Advanced 2026/'27'. So, this was the  
8 final budget that was advanced for '26/'27, correct?

9 MR. RYAN KOLASKI: Correct.

10 MS. KATRINE DILAY: And if we look at  
11 the very bottom of the table, it was 425 million?

12 MR. RYAN KOLASKI: Correct.

13 MS. KATRINE DILAY: And you'll confirm  
14 that is 31 million over the upper threshold of 394  
15 million that we saw in the top-down guidance document  
16 from earlier, correct?

17 MR. RYAN KOLASKI: Correct. And of  
18 that 31 million, \$22 million relates to initiatives  
19 that were naturally changed through this process.

20 MS. KATRINE DILAY: Thank you. And  
21 subject to check, and I believe this is somewhere else  
22 in the filing, but the 425 million is a 7.9 percent  
23 increase over that 394 million top-down guidance  
24 budget, correct?

25 MR. RYAN KOLASKI: Correct.

1 MS. KATRINE DILAY: And you'll agree  
2 that the 7.9 percent increase is about four (4) times  
3 the level of projected inflation in Canada in 2025 and  
4 '26?

5 MR. RYAN KOLASKI: Approximately, yes.  
6 Correct.

7 MS. KATRINE DILAY: Thank you. And if  
8 we could turn to CC-MPI-2-2, Part G, which is on page  
9 10 of that document. Thank you.

10 And so, in this response here -- and --  
11 and you briefly alluded to it as well -- we see MPI's  
12 explanation for that \$31 million over the 394 million  
13 upper threshold operating budget, correct?

14 MR. RYAN KOLASKI: Correct.

15 MS. KATRINE DILAY: And looking at  
16 four (4) lines from the top of response 'D' here MPI  
17 also explains that:

18 "Top-down targets act as  
19 guardrails as the business is  
20 dynamic, certain operational  
21 expenditures are essential and  
22 cannot be fully predicted until  
23 the bottom-up process is  
24 completed."

25 You see that?

1

MR. RYAN KOLASKI: I do.

2

MS. KATRINE DILAY: And so, we can

3 take this to mean from this response that the top-down

4 targets are not meant as upper thresholds, correct?

5

MR. RYAN KOLASKI: No. So, part of

6 the top-down target, as I said, is to set an

7 expectation of where we would like to land. That

8 expectation has to be married and baked in reality

9 with the bottom-up approach of what the Corporation is

10 trying to do tied to its strategic goals.

11

You'll see the \$22 million of

12 initiative expenses. That represents the closure of

13 NOVA and a recast into the IT roadmap. When we sent

14 the -- the top-down guidance out, we did not know

15 exactly what that IT roadmap would look like, so you

16 have to take it with a bit of a grain of salt.

17

As you're building your budget, it is a

18 dynamic and iterative experience in order to get to

19 the \$22 million. That \$22 million is assessed by the

20 Board as well as the EC in terms of capability,

21 capacity, and technical debt.

22

So, you have to weigh all those factors

23 in terms of how fast and how much relative to the

24 technical debt that is present along with the write-

25 off and closure of NOVA.

1                   So, in a typical world where you're not  
2 going through modernization, that guardrail that's set  
3 is probably fairly consistent with expectations, and  
4 there's a very close alignment. The organization is  
5 continuing to do modernization, so you are going to  
6 see variability within that.

7                   You'll also see variability specific  
8 around initiatives because of the timeframe and  
9 duration in which it takes to land that. So, our  
10 initial estimates will change based on statements of  
11 work and requests for proposals.

12                   So, I just want to put context around  
13 the guardrail in light of the operating environment in  
14 which MPI operates today.

15                   MS. KATRINE DILAY: That's very  
16 helpful. Thank you, Mr. Kolaski.

17                   And so, while the top-down guidance had  
18 stated that total corporate operating expenses,  
19 including initiatives, are expected to be at or under  
20 394 million, MPI did not achieve this particular  
21 target for the 2026/'27 budget, correct?

22                   MR. RYAN KOLASKI: That is correct.  
23 And a large portion of that is because, again, the  
24 change in accounting standards from being deferred to  
25 expense and the weighting of those initiatives, right,

1 would not have been known at the time this guidance  
2 was provided.

3 Had that guidance been known at the  
4 time it was provided, you would see a lot tighter,  
5 closer marrying up of that guardrail on the initial  
6 rollout of the budget. But, yes, we did not achieve  
7 the 394.

8 MS. KATRINE DILAY: And you'll agree  
9 that the outcome of the 2026/'27 operating budget  
10 process did not achieve the instruction to the  
11 divisions to fit new strategic initiatives into  
12 existing budgets?

13 MR. RYAN KOLASKI: No. I think it's  
14 more -- it would be fair to say that the new strategic  
15 alignment allowed for the initiatives that are  
16 appropriate for the organization at that time and that  
17 the cost profile changed through the budgeting process  
18 to reflect the change.

19 MS. KATRINE DILAY: And if we look at  
20 the bottom of the page here -- thank you -- MPI  
21 states:

22 "It would be impossible for the  
23 executive to provide a top-down  
24 target to match the bottom-up  
25 proposed needs of the

1 organization."

2 You see that reference?

3 MR. RYAN KOLASKI: I do.  
4 MS. KATRINE DILAY: And this is still  
5 MPI's position.

6 MR. RYAN KOLASKI: It is.

7 MS. KATRINE DILAY: And so, I believe  
8 you alluded to this. But it's fair to say that the  
9 outcome of the operating budget process did not match  
10 the objective of the Executive Committee top-down  
11 target, correct?

12 MR. RYAN KOLASKI: So, the inference  
13 is that there is a very hard and fast ceiling on the  
14 394. And as I have testified already, there's context  
15 around -- there's variability around that 394. So,  
16 from an absolute dollar amount, you would be correct.

17 MS. KATRINE DILAY: Thank you. We'll  
18 move on to performance measurement. At a high level,  
19 you'll agree that there are benefits to measuring a  
20 corporation's performance in key areas?

21 MR. RYAN KOLASKI: Correct.

22 MS. KATRINE DILAY: And in order to  
23 measure performance over time, metrics are put in  
24 place?

25 MR. RYAN KOLASKI: Correct.

1 MS. KATRINE DILAY: And for MPI  
2 specifically, this includes strategic operational and  
3 financial metrics, correct?

4 MR. RYAN KOLASKI: Correct.

5 MS. KATRINE DILAY: Would you agree  
6 one benefit of having such metrics is to guide  
7 decision-making across the organization?

8 MR. RYAN KOLASKI: Correct.

9 MS. KATRINE DILAY: Would another  
10 benefit be to take corrective action when results  
11 deviate from targets or expected outcomes?

12 MR. RYAN KOLASKI: Correct.

13 MS. KATRINE DILAY: And would another  
14 benefit be to measure improvement in key areas over  
15 time?

16 MR. RYAN KOLASKI: Correct.

17 MS. KATRINE DILAY: At a high level,  
18 would another benefit be to encourage improvement  
19 through goals and targets that the Corporation would  
20 aim to achieve over time?

21 MR. RYAN KOLASKI: That's fair.

22 MS. KATRINE DILAY: And such  
23 improvements could include achieving efficiencies  
24 within the organization?

25 MR. RYAN KOLASKI: Correct.

1 MS. KATRINE DILAY: It could also  
2 include increasing affordability of products and  
3 services, correct?

4 MR. RYAN KOLASKI: That is fair.

5 MS. KATRINE DILAY: And these  
6 improvements ultimately would bring value to  
7 ratepayers, correct?

8 MR. RYAN KOLASKI: Correct.

9 MS. KATRINE DILAY: For example, in  
10 the form of lower rates than if those improvements had  
11 not been achieved, correct?

12 MR. RYAN KOLASKI: Correct.

13 MS. KATRINE DILAY: And just focusing  
14 in on the strategic targets that MPI has set, if we  
15 could turn to CC-MPI-1-28, Part A. Thank you. And we  
16 can go towards the bottom of the page here.

17 And we won't read them out, but you'll  
18 -- you can confirm that as of July 2025, MPI has  
19 confirmed a set of eight (8) strategic measures  
20 aligned to five (5) corporate focus areas, correct?

21 MR. RYAN KOLASKI: Correct.

22 MS. KATRINE DILAY: And so,  
23 recognizing that these were set in July of 2025,  
24 you'll agree that that was relatively recent?

25 MR. RYAN KOLASKI: Correct.

1 MS. KATRINE DILAY: So, it would be  
2 fair to say that these strategic key performance  
3 indicators have not been fully integrated into  
4 decision-making processes at MPI as of yet, correct?

5 MR. RYAN KOLASKI: I think it's  
6 evolving process. So, I would say that in totality,  
7 no, but definitely they are the measures in which  
8 we're measuring ourselves against today.

9 MS. KATRINE DILAY: And if we look at  
10 the next page, just under the list, MPI has said that  
11 baseline and targets for 2025/'26 fiscal year are  
12 being established with Board review anticipated in  
13 September 2025, correct?

14 MR. RYAN KOLASKI: That is correct.

15 MS. KATRINE DILAY: And so, the 2026  
16 General Rate Application did not benefit from the  
17 baseline and targets for these strategic KPIs given  
18 that they were not established yet, correct?

19 MR. RYAN KOLASKI: Correct.

20 MS. KATRINE DILAY: And at a high  
21 level, you'd agree that MPI is still maturing in the  
22 area of strategic key performance indicators?

23 MR. RYAN KOLASKI: Correct.

24 MS. KATRINE DILAY: And so, it would  
25 be fair to say that ratepayers have not yet seen the

1 full value of what MPI intends for these strategic  
2 KPIs to bring to the Corporation.

3 Would that be fair?

4 MR. RYAN KOLASKI: That is fair.

5 MS. KATRINE DILAY: But the value that  
6 MPI gets from measuring progress on these KPIs is  
7 something that MPI plans to report back to the PUB and  
8 GRA processes in the future, correct?

9 MR. RYAN KOLASKI: Correct.

10 MS. KATRINE DILAY: And in the future,  
11 when MPI does not do as well as it would like on a  
12 strategic KPI, leadership may jump in to address this.

13 Would that be fair?

14 MR. RYAN KOLASKI: That is fair.

15 MS. KATRINE DILAY: That could include  
16 through examining trends and root causes and consider  
17 shifts in priorities, pacing, or resources.

18 MR. RYAN KOLASKI: Correct.

19 MS. KATRINE DILAY: And can you  
20 confirm that you're familiar with the term 'stretch  
21 targets'?

22 MR. RYAN KOLASKI: I am.

23 MS. KATRINE DILAY: Would you  
24 understand that to mean an ambitious but realizable  
25 target for a stated metric?

1 MR. RYAN KOLASKI: Correct.

2 MS. KATRINE DILAY: And if we could,  
3 Ms. Dweh, just go back for a minute to CC-MPI-1-28,  
4 Part A, so on the 2nd page of this IR. Thank you.  
5 And actually, I think we could have stayed on -- on  
6 page 5 or 6 where the KPIs are listed. My apologies  
7 for that.

8 Does MPI expect that the targets for  
9 the strategic KPIs will be based on current  
10 performance, or will they be stretch targets?

11 MR. RYAN KOLASKI: We have one (1)  
12 current stretch target for ZX. I believe it's 80  
13 percent from the 73. So, I think it'll be a  
14 combination depending on the nature of the target.  
15 And that'll mature out through the GRA process.

16 MS. KATRINE DILAY: And over time,  
17 would MPI agree that stretch targets may encourage  
18 improvements in the Corporation which could result in  
19 greater value for -- for customers?

20 MR. RYAN KOLASKI: Correct.

21 MS. KATRINE DILAY: Especially if  
22 targets which are based on historical or current  
23 performance are met consistently for some time?

24 MR. RYAN KOLASKI: Correct.

25 MS. KATRINE DILAY: And finally, just

1 turning to page 8 of this document, which is CC-MPI-1-  
2 28, and the response to part C. We'll look towards  
3 the middle of the page there. MPI says that:

4 "While MPI is still early informal  
5 KPI based execution, the  
6 groundwork has been laid."

7 Do you see that?

8 MR. RYAN KOLASKI: I do.  
9 MS. KATRINE DILAY: So, we can expect  
10 maturity to increase in KPI based execution as -- at  
11 MPI in the coming years?

12 MR. RYAN KOLASKI: In the coming  
13 years, yes.

14 MS. KATRINE DILAY: And again, at a  
15 general level, MPI would expect its work on KPI based  
16 execution to increase value to ratepayers?

17 MR. RYAN KOLASKI: Correct.

18 MS. KATRINE DILAY: And just a few  
19 more questions on this particular topic. If we could  
20 please turn to section benchmarking .1 of the General  
21 Rate Application, page 5 of that document, please.  
22 Thank you.

23 And so, we see at the top there, and My  
24 Friend Mr. Andres referred to this as well, but we see  
25 that MPI has discontinued the Crown benchmarking

1 exercise due to confidentiality restrictions from the  
2 data providers who now only permit the use of their  
3 information for internal collaboration. You see that?

4

MR. RYAN KOLASKI: I do.  
MS. KATRINE DILAY: And MPI goes on to

5

6 say in the next paragraph that:

7

"Going forward, MPI will place  
8 greater emphasis on internal  
9 performance evaluation by relying  
10 more heavily on budgeting  
11 processes and key performance  
12 indicators to assess its  
13 operational efficiency and ensure  
14 accountability in the absence of  
15 external Crown benchmarking data."

10

11

12

13

14

15

16

You see that?

17

MR. RYAN KOLASKI: I do.  
MS. KATRINE DILAY: And going back for

18

19 a minute to CC/MPI-1-28, part B, and just looking at

20 the first paragraph under part B, MPI states, with

21 respect to the lack of data for the Crown benchmarking

22 exercise that:

23

"Rather than viewing this as a  
24 limitation, MPI has used the  
25 opportunity to build a more

24

25

1                   mature, internally driven  
2                   performance system anchored in  
3                   clear KPIs, integrated budgeting  
4                   processes, and strategic  
5                   discipline."

6                   You see that?

7                   MR. RYAN KOLASKI:    I see that.

8                   MS. KATRINE DILAY:    So, we can take  
9                   this to mean that, for the Public Utilities Board to  
10                  assess necessity and prudence of costs for purposes of  
11                  setting rates for MPI, the operating budget process  
12                  and the key performance indicators will provide key  
13                  information to the PUB, correct?

14                  MR. RYAN KOLASKI:    That is correct.

15                  MS. KATRINE DILAY:    And so MPI is  
16                  signaling here to the PUB that its operating budget  
17                  process and KPIs will be reliable for rate setting  
18                  purposes?

19                  MR. RYAN KOLASKI:    Our KPIs are being  
20                  developed, right, so that process is maturing. We're  
21                  also -- just because we don't have the Crown  
22                  Corporation benchmark, so it doesn't mean we don't  
23                  have them internally, and it doesn't mean that they  
24                  won't show up as MPI KPIs. But overall, we are  
25                  maturing the budgeting and our KPI process to provide

1 better accuracy and transparency.

2 MS. KATRINE DILAY: Thank you. And I  
3 have a few questions about staffing levels at MPI.  
4 And first, a few questions relating to management  
5 position.

6 At a high level, you'll recall that one  
7 of the issues looked at in the EY organizational  
8 review was the managerial layers at MPI. You recall  
9 that?

10

MR. RYAN KOLASKI: I do.  
11 MS. KATRINE DILAY: And if we could  
12 turn CC/MPI-1-5, Appendix 1 at page 2 specifically,  
13 please. Thank you.

14 And so, if we look at the far left  
15 under 'EY Recommendation', we see there the  
16 recommendation of aligning actionable priorities,  
17 resource allocation, and performance measurement to a  
18 clear corporate strategy. You see that?

19

MR. RYAN KOLASKI: I do.  
20 MS. KATRINE DILAY: And if we look to  
21 the third column, so in the middle, the second bullet  
22 point, EY recommended specifically explore the  
23 opportunity to optimize management accountability  
24 through wider spans of control and fewer managerial  
25 layers within the organization. You see that?

1

MR. RYAN KOLASKI: I do.

2

MS. KATRINE DILAY: And so, would you

3

-- you can take this subject to check if -- if you'd

4

like, but you'll agree that this recommendation by EY

5

flowed from a finding in the same report that MPI had

6

a relatively high number of managerial layers. Would

7

that be right?

8

MR. RYAN KOLASKI: That would be

9

right.

10

MS. KATRINE DILAY: And that for an

11

organization of the size and complexity of MPI, the

12

managerial layers are -- were relatively large and

13

average spans of control relatively narrow -- sorry,

14

low?

15

MR. RYAN KOLASKI: Correct.

16

MS. KATRINE DILAY: And EY had found

17

that MPI had an opportunity to optimize management

18

accountability with wider spans of control and fewer

19

managerial layers, correct?

20

MR. RYAN KOLASKI: Correct.

21

MS. KATRINE DILAY: And just going

22

back to the document before us and moving one column

23

to the right, this is where MPI describes what they

24

have done to implement as well as the -- the date?

25

MR. RYAN KOLASKI: Correct.

1 MS. KATRINE DILAY: And so, in  
2 response to this specific recommendation, MPI says:  
3 "Wider management spans of control  
4 and fewer layers implemented with  
5 newly defined job architecture --  
6 pardon me, architecture in spring  
7 of 2024."

8 You see that?

9 MR. RYAN KOLASKI: I do.  
10 MS. KATRINE DILAY: And then moving  
11 one more column to the right under 'Status', MPI  
12 indicates, "his recommendation is completed," correct?

13 MR. RYAN KOLASKI: Correct.

14 MS. KATRINE DILAY: And we asked a few  
15 questions with respect to this in CC/MPI-2-13. If we  
16 could turn to that IR, please. And we'll just look at  
17 the preamble.

18 So, at a high level, this IR asked  
19 questions regarding MPI's corporate reorganization in  
20 spring of 2024, which included reducing management  
21 layers. Is that your understanding?

22 MR. RYAN KOLASKI: That is my  
23 understanding.

24 MS. KATRINE DILAY: And is it fair to  
25 say that the corporate reorganization was at least in

1 part a response to the EY recommendation to optimize  
2 management accountability with wider spans of control  
3 and fewer managerial layers?

4 MR. RYAN KOLASKI: Yes.

5 MS. KATRINE DILAY: And looking to the  
6 response part of this IR to part C -- thank you -- MPI  
7 indicates here that lead roles are included in  
8 technical/professional and not in the management  
9 category, correct?

10 MR. RYAN KOLASKI: Correct.

11 MS. KATRINE DILAY: And if we look to  
12 the response to part E a bit down the page here, MPI  
13 indicated that the number of management level  
14 employees whose positions were eliminated was eleven  
15 (11), the number whose roles were retitled to lead was  
16 eight (8), the number retitled to supervisor was six  
17 (6), and the number moved to the technical  
18 professional category was four (4). You see that?

19 MR. RYAN KOLASKI: I do.

20 MR. RYAN KOLASKI: So can we take from  
21 this answer that when MPI implemented the EY  
22 recommendation to reduce managerial layers, it did so  
23 by both eliminating some management level positions  
24 and retitling some positions. Would that be fair?

25 MR. RYAN KOLASKI: That would be fair

1 through the job architecture framework that we had,  
2 yes.

3 MS. KATRINE DILAY: And some  
4 management positions would have been retitled to lead  
5 and some to supervisor, correct?

6 MR. RYAN KOLASKI: I believe that to  
7 be correct, yes.

8 MS. KATRINE DILAY: And if we look to  
9 the response to Part F of this IR on the next page,  
10 MPI provides here the definition of manager and a bit  
11 lower down the page the definition of lead, correct?

12 MR. RYAN KOLASKI: Correct.

13 MS. KATRINE DILAY: And we won't read  
14 through all of this, but sort of taking the -- the  
15 definitions at a high level, would it be fair to say  
16 that one key difference between manager and lead would  
17 be responsibility for a departmental budget, which is  
18 under manager and not under lead?

19 MR. RYAN KOLASKI: Correct.

20 MS. KATRINE DILAY: And would another  
21 difference be responsibility, ownership, and authority  
22 for multiple functions for management as opposed to  
23 one function for lead?

24 MR. RYAN KOLASKI: That's a fair  
25 statement.

1 MS. KATRINE DILAY: And would those be  
2 the only differences based on these definitions?

3 MR. RYAN KOLASKI: Those would be the  
4 key differences for sure.

5 MS. KATRINE DILAY: And are you able  
6 to elaborate on MPI's decision to retitle some of the  
7 management level positions to be retitled as lead?

8

9 (BRIEF PAUSE)

10

11 MS. TAMARA BOBLINSKI: It's Tamara  
12 Boblinski replying to this. Can you please repeat the  
13 question?

14 MS. KATRINE DILAY: Yes. Thank you.  
15 Are you able to elaborate on MPI's decision to retitle  
16 some of the management level positions to be retitled  
17 as lead?

18 MS. TAMARA BOBLINSKI: Sure. So, a  
19 lead position typically, like you had said, has one  
20 function. They typically have the authority for that  
21 function, and a manager would have multiple functions,  
22 for example.

23 So, as we are flattening the  
24 organization, previous to the reorg, we were -- we  
25 were giving managers very small spans of control, but

1 they had the authority of a function.

2                   So, we actually looked at retitling,  
3 some of those manager roles more to a lead position  
4 because they truly didn't meet the -- the definition  
5 of a manager that we have supplied.

6                   Yeah. And then one other key  
7 difference between a manager and a lead is a manager  
8 has the ability to hire and also to discipline, and  
9 including dis -- dismissal if -- if necessary.

10                   MS. KATRINE DILAY: Thank you for  
11 that. Just one question of clarification and follow  
12 up. You will agree that under the definition of  
13 manager on the page before us, it does say  
14 responsibility, ownership, and authority for one or  
15 multiple functions.

16                   So, a manager could be responsible for  
17 only one function?

18                   MS. TAMARA BOBLINSKI: Yes, that is  
19 correct. In some circumstances, we have managers that  
20 have one function. Those are typically more complex  
21 functions, but, yes, for the most part, they have  
22 multiple, but there are some exceptions.

23                   MS. KATRINE DILAY: Thank you. And  
24 just a few last questions in the area of staffing. At  
25 a high level, you'll agree that as a result of the

1 cancellation of Project NOVA, MPI has modified its  
2 approach to modernizing its IT system? And of course  
3 we'll go into more details later this week. And just  
4 your mic, sir.

5 MR. RYAN KOLASKI: Correct.

6 MS. KATRINE DILAY: And at a high  
7 level, this modified approach includes the IT  
8 strategy, the IT roadmap, and the major programs  
9 division?

10 MR. RYAN KOLASKI: Correct.

11 MS. KATRINE DILAY: Could we please  
12 turn to CC/MPI-1-27, part D. Thank you.

13 And looking at the second line, in the  
14 middle of the second line here, MPI states:

15 "There were no changes to budgeted  
16 2026 -- pardon me, 2025/'26 FTE as  
17 a result of the formal closure of  
18 Project NOVA on June 30th, 2025."

19 You see that reference?

20 MR. RYAN KOLASKI: I do.

21 MS. KATRINE DILAY: And MPI goes on to  
22 say:

23 "The closure of Project NOVA does  
24 not mark the end of modernization  
25 efforts within the Corporation --



1 FTEs. We now have twenty eighty-nine (2,089).

2                   Of the thirty-four (34) FTEs reduced,  
3 seventeen (17) of those were in the initiative  
4 category. So, we have not over the -- where I'm going  
5 with it is we have stepped down FTEs in prior years  
6 and prior applications.

7                   So, when the closure of NOVA -- NOVA  
8 happened, we had already kind of baked in that  
9 reduction in slowdown of work. And then, as we've  
10 shifted to the IT roadmap, they're smaller individual  
11 pieces not requiring as heavy staff load.

12                   So, the actual closure of NOVA, you  
13 won't see savings 'cause they're already kind of baked  
14 in prior in some respect.

15                   MS. KATRINE DILAY: That's helpful.  
16 Thank you. We'll move on to a few questions on the  
17 regulatory deferral account. And of course I was  
18 listening to the conversation. Some of my questions  
19 might be similar just to make sure we're on the same  
20 page, but I'll hopefully get to a few different  
21 points.

22                   And so, of course, you'll agree that  
23 the regulatory deferral account was ordered by the  
24 PUB?

25                   MR. RYAN KOLASKI: That is correct.

1 MS. KATRINE DILAY: And you'll agree  
2 it was ordered to defer the costs of modernization  
3 initiatives, including but not exclusively Project  
4 NOVA, rather than recovering them through customer  
5 rates, correct?

6 MR. RYAN KOLASKI: Correct.

7 MS. KATRINE DILAY: And if we could  
8 turn to part 10 of the Application EXP, Appendix 29 at  
9 the bottom of page 7, please. Thanks very much, Ms.  
10 Dweh.

11 If we look at bullet 6 at the bottom of  
12 the page there, MPI states that:

13 "Transfers of excess capital from  
14 the Extension line of business to  
15 the Basic line of business has  
16 offset and/or subsidized the rate  
17 deficiency created by PUB Order 4  
18 of '23."

19 Do you see that?

20 MR. RYAN KOLASKI: I see that.

21 MS. KATRINE DILAY: And so, what MPI  
22 is telling us here is that transfers from the  
23 Extension line of business have paid for the  
24 initiative expenses that were deferred as a result of  
25 the Regulatory Deferral Account ordered by the PUB.

1 MR. RYAN KOLASKI: In whole or in  
2 part, yes. Your capital will change for a number of  
3 reasons outside of the Order itself.

4 MS. KATRINE DILAY: Sorry, can you  
5 repeat that?

6 MR. RYAN KOLASKI: Sure. So, the  
7 transfers from Extension to Basic, right, that dollar  
8 amount goes into the RSR but, ultimately, the RSR is a  
9 pool of funds that change based on a number of  
10 circumstances, not just the Order itself.

11 MS. KATRINE DILAY: Thank you. And so  
12 -- and in this GRA, MPI is proposing to declare the  
13 assets in the Regulatory Deferral Account to be of no  
14 value and discharge it entirely. Correct?

15 MR. RYAN KOLASKI: Correct.

16 MS. KATRINE DILAY: So, what this  
17 means is that MPI would remove the Regulatory Deferral  
18 Account from the rate setting financial statements.

19 Correct?

20 MR. RYAN KOLASKI: Correct.

21 MS. KATRINE DILAY: And I have a  
22 question of clarification.

23 If we could go briefly to part 2 of the  
24 General Rate Application, which is the legal  
25 application at page 4, please. And, I apologize, I

1 did not give a heads-up to Ms. Dweh that I would be  
2 referring to this -- these records. Thank you very  
3 much.

4 And so, if we look at point 5 at the  
5 top of the page here, you'll agree that MPI is seeking  
6 a declaration that the assets in the RDA as of March  
7 31st, 2026, including all deferred initiative expenses  
8 to be incurred in the 2026/'27 fiscal year are of no  
9 value and, therefore, not recoverable from Basic  
10 Ratepayers. You see that?

11 MR. RYAN KOLASKI: I do.

12 MS. KATRINE DILAY: And I just want to  
13 clarify something, I believe we heard earlier this  
14 morning, relating to the approximately \$31 million  
15 forecasted for '26/'27 to be deferred.

16 Was it your evidence this morning, that  
17 MPI would be including that 31 million in its rate  
18 application for the year following?

19 MS. SABRINA KAUK: So, the 31.2  
20 million is part of the cumulative 102 million, you're  
21 correct that we're asking to discharge.

22 What we are asking to discharge is the  
23 notional, I'll use my air quotes, tracking of the RDA,  
24 right. So, if that were to continue being tracked  
25 through the next reporting year, we would still be in

1 the same position of carrying a regulatory deferred  
2 asset that would have to be addressed.

3 By requesting to discharge that asset,  
4 it is eliminated and no longer reported to PUB. And  
5 go forward, we would propose to just recover prior  
6 year's actual expenditure with the inflationary  
7 factor.

8 So, I think where you're leading is,  
9 yes, it would still be asking to recover the 1 year  
10 prior actual, but for -- we're requesting to discharge  
11 the \$102 million notional asset itself.

12 MS. KATRINE DILAY: Okay. Thank you,  
13 that's helpful. So -- so just -- just to clarify, in  
14 terms of the -- approximately thirty-one (31) million,  
15 forecasted to be incurred for '26/'27, MPI would be  
16 seeking to recover that amount, plus inflation, in the  
17 year after?

18 MS. SABRINA KAUK: No, we would be  
19 requesting to recover the prior year in the 2027 GRA,  
20 which would be for the '27/'28 rating year. We are  
21 simply proposing as an option that we would recover  
22 the prior year's actual expenditure with an  
23 inflationary factor.

24 So, we are proposing that at time of  
25 preparing the '27/'28 rate application, we will have

1 seen the '25/'26 actuals materialize. And then for it  
2 to be aligned to the AEP, we would apply inflation for  
3 that to be included.

4 MS. KATRINE DILAY: Thank you. And  
5 so, you'll confirm that by proposing to discharge the  
6 regulatory deferral amount, MPI is saying that this  
7 amount will not be recognized in rates for Basic  
8 ratepayers now or in the future. Correct?

9 MS. SABRINA KAUK: Correct.

10 MS. KATRINE DILAY: And this is  
11 because MPI says, the Regulatory Deferral Account has  
12 no value because the expenses are not currently  
13 required to be recovered through rates, present or  
14 future. Correct?

15 MS. SABRINA KAUK: Correct.

16 MS. KATRINE DILAY: And so MPI is  
17 saying that these costs should not be passed down to  
18 ratepayers in rates. Correct?

19 MS. SABRINA KAUK: Correct.

20 MR. RYAN KOLASKI: Correct.

21 MS. KATRINE DILAY: And because we  
22 confirmed that these -- these initiative expenses have  
23 already been paid for, in whole or in part through  
24 transfers from Extension, the discharge of the  
25 Regulatory Deferral Account will essentially confirm

1 that this is how these initiative expenses are paid  
2 for?

3 MR. RYAN KOLASKI: On a go-forward  
4 basis? So, on a go-forward basis, as Sabrina had  
5 indicated, we're going to include for rates, the prior  
6 year actual amount of the expenses plus inflation.  
7 So, your rate is going to go up relative to the actual  
8 spend on initiatives from the previous year.

9 The transfers of capital will continue  
10 and they will build the RSR and over time, trigger a  
11 rebate in due course.

12 It's a time -- it's a difference in  
13 timing. You can either lower your rates and then use  
14 your capital deficiency to be funded by Extension  
15 transfers, or you can increase your rate, increasing  
16 your RSR, and then ultimately triggering a rebate that  
17 will offset the increase.

18 MS. KATRINE DILAY: And so, to the  
19 extent that there are funds in -- or to the extent  
20 that the RDA, some of the amount in the RDA, will not  
21 be sought into rates. I might have to come back to  
22 this.

23 MR. RYAN KOLASKI: So, yeah, we're not  
24 going to include amounts already deferred. So, the  
25 44.3 million, right, like that washes out. So, from

1 that perspective, that amount wouldn't go into rates.  
2 It's only a prospect of go-forward inclusion.

3 MS. KATRINE DILAY: Thank you for  
4 responding to the question I had trouble asking.

5 And so, for that 44 million, in  
6 particular, the discharging of the regulatory deferral  
7 account, would have essentially confirmed that  
8 Extension transfers have paid for that amount?

9 MR. RYAN KOLASKI: Correct.

10 MS. KATRINE DILAY: If I can put it  
11 that way, thank you.

12 You'll agree that MPI currently does  
13 not have a Capital Management Plan approved by the  
14 PUB?

15 MR. RYAN KOLASKI: That is correct.

16 MS. KATRINE DILAY: You'll agree that  
17 under MPI's current approach, MPI transfers capital  
18 from its Extension line of business when the MCT is  
19 over 200 percent at March 31st?

20 MR. RYAN KOLASKI: For Extension?  
21 Yes.

22 MS. KATRINE DILAY: Yeah. Thank you.

23 And most recently we can go to reference if you'd  
24 like, but on March 31st, 2025, 52.9 million was  
25 transferred from the Extension line of business to the

1 Basic line of business. Correct?

2 MR. RYAN KOLASKI: That is correct.

3 MS. KATRINE DILAY: And would it be  
4 fair to say that the transfers from Extension can  
5 serve to increase the Basic RSR and the Basic MCT?

6 MR. RYAN KOLASKI: Correct.

7 MS. KATRINE DILAY: And when the Basic  
8 MCT is over 120 percent, a rebate may be issued to  
9 ratepayers. Correct?

10 MR. RYAN KOLASKI: Correct.

11 MS. KATRINE DILAY: And you'll agree  
12 that the purpose of the Basic RSR is twofold, and we  
13 can confirm the two (2) -- the first one (1) is to  
14 protect motorists from rate increases that would  
15 otherwise have been necessary due to unexpected  
16 variances from forecasted results.

17 Would that be one purpose?

18 MR. RYAN KOLASKI: Correct.

19 MS. KATRINE DILAY: And would another  
20 purpose be due to events and losses arising from non-  
21 recurring events or factors?

22 MR. RYAN KOLASKI: Correct.

23 MS. KATRINE DILAY: So, you'll agree  
24 that the purpose of the RSR for Basic is not to  
25 protect ratepayers from imprudent management actions.

1 Correct?

2 MR. RYAN KOLASKI: Correct.

3 MS. KATRINE DILAY: Or from  
4 unnecessary costs incurred by the Corporation?

5 MR. RYAN KOLASKI: Correct.

6 MS. KATRINE DILAY: And I just have  
7 one last line of questioning for this panel today on  
8 the impact of the Basic deductible increase.

9 And I -- I don't know if you were  
10 listening last week, but I did have a few questions  
11 that were better suited for this panel. So, it -- it  
12 won't be very long.

13 If we could, please turn to PUB-MPI-1-  
14 70, please. And we can go to page 2, close to the  
15 bottom of the page and on to page 3, thank you.

16 So, we see there that for 2026/'27 and  
17 onward, Extension profitability was revised lower to  
18 account for the actual results experienced in fiscal  
19 2024/'25, along with the impact to Extension incurred  
20 claims from the Basic deductible increase.

21 You see that reference?

22 MR. RYAN KOLASKI: I do.

23 MS. KATRINE DILAY: And then it also  
24 says on the top of the next page, the increase in  
25 Basic deductible is one of the main drivers of change

1 to the premiums and claims trends. You see that?

2

MR. RYAN KOLASKI: I do.

3

MS. KATRINE DILAY: And so, would you

4 agree that reduced profitability in Extension would in

5 turn reduce forecasted Extension reserves?

6

MR. RYAN KOLASKI: All things being

7 equal. Yes.

8

MS. KATRINE DILAY: And as we just

9 confirmed MPI's current approach is to transfer

10 Extension reserves in -- in excess of 200 percent MCT

11 to the Basic line of -- of business on March 31st of

12 each year. Correct?

13

MR. RYAN KOLASKI: Correct.

14

MS. KATRINE DILAY: To the extent

15 Extension reserves are lower than expected as a result

16 of the reduced profitability of the Extension line of

17 business due to the deductible change, this could lead

18 to lower transfers from Extension to Basic?

19

MR. RYAN KOLASKI: That is correct.

20

MS. KATRINE DILAY: Which, in turn,

21 would lead to lower potential rebates for Basic

22 ratepayers if it means that the Basic RSR does not go

23 over 120 percent MCT. Correct?

24

MR. RYAN KOLASKI: That's correct.

25

MS. KATRINE DILAY: At a higher level,

1 it would be fair to say that the Basic deductible  
2 increase and the addition of the seven hundred and  
3 fifty dollar (\$750) deductible option to Extension  
4 shifts some costs and revenues between Basic and  
5 Extension?

6 MR. RYAN KOLASKI: That's correct.

7 MS. KATRINE DILAY: In the sense that  
8 the Basic deductible increase effectively reduces the  
9 Basic claims incurred, but increases the Extension  
10 claims incurred by a similar amount, assuming of  
11 course, the policy maintains -- the policyholder  
12 maintains the same level of deductible coverage.

13 MR. RYAN KOLASKI: That's correct.

14 MS. KATRINE DILAY: And you can  
15 confirm that the PUB does not regulate the Extension  
16 line of business?

17 MR. RYAN KOLASKI: That is correct.

18 MS. KATRINE DILAY: And you'll confirm  
19 that the vast majority of Basic customers currently  
20 also purchase Extension products?

21 MR. RYAN KOLASKI: That is correct.

22 MS. KATRINE DILAY: And MPI does not  
23 expect that to change as a result of the deductible  
24 change for Basic. Correct?

25 MR. RYAN KOLASKI: That is correct.

1 MS. KATRINE DILAY: In fact, this  
2 change makes it more likely that more customers will  
3 choose to purchase an Extension product to keep their  
4 deductible level affordable in case of an at-fault  
5 collision.

6 MR. RYAN KOLASKI: Potentially.

7 MS. KATRINE DILAY: Thank you very  
8 much. Those are our questions for this panel.

9 PANEL CHAIRPERSON: Thank you, Mr.  
10 Ireland ...? Ms. Sherman ...?

11 MS. KIM SHERMAN: No questions.

12 PANEL CHAIRPERSON: Mr. Scarfone ...?

13

14 RE-DIRECT EXAMINATION BY MR. STEVE SCARFONE:

15 MR. STEVE SCARFONE: Thank you, Madam  
16 Chair. Ms. Dweh, could you please pull up Appendix 23  
17 to the Expenses chapter, please. Thank you.

18 Mr. Kolaski, both lawyers asked you  
19 questions about the RDA. Correct?

20 MR. RYAN KOLASKI: That is correct.

21 MR. STEVE SCARFONE: The deferral  
22 account?

23 MR. RYAN KOLASKI: Correct.

24 MR. STEVE SCARFONE: And that deferral  
25 account, sir, has monies deferred, as the name

1 suggests, for initiative expenses that include NOVA  
2 but include other projects as well. Agreed?

3 MR. RYAN KOLASKI: Correct.

4 MR. STEVE SCARFONE: And if you look  
5 to line 20

6 MR. RYAN KOLASKI: 22.

7 MR. STEVE SCARFONE: Sure, let's look  
8 to line 22, Cloud Migration, sir. Firstly, I'm going  
9 to call on any one of my panel members to explain some  
10 of these projects at a high level.

11 Can someone explain, and I know it's an  
12 IT related project, what Cloud Migration is at a high  
13 level?

14 MR. RYAN KOLASKI: Sure. So, at a  
15 high level, effectively we're moving off of an on-prem  
16 or the IBM Data Center into a cloud SaaS-based  
17 environment. So, a lot of our applications have, or  
18 are, moving over into that environment. And what you  
19 see in this particular project is the completion of  
20 that migration.

21 So, Counsel for the PUB had raised a  
22 question around, are there initiatives where you're  
23 not getting benefit for? And I just wanted to  
24 highlight, this is one of those initiatives that was  
25 deferred, but completed and Manitoba ratepayers are,

1 in fact, getting value for -- for money.

2 MR. STEVE SCARFONE: And so that  
3 particular project, Cloud Migration you say is  
4 complete, but not yet reflected in a rate ask of this  
5 Board?

6 MR. RYAN KOLASKI: That's correct  
7 because it has been deferred.

8 MR. STEVE SCARFONE: And at line 34,  
9 we see another such expense -- another such  
10 initiative, sorry, Q Management.

11 MR. RYAN KOLASKI: Correct.

12 MR. STEVE SCARFONE: Are you able to  
13 explain at a high level what that particular  
14 initiative entails?

15 MR. RYAN KOLASKI: So Q management,  
16 that entails scheduling. So, an online service, we  
17 put that in place. Again, that is now completed.  
18 Those costs are now in the RDA, but Manitobans have  
19 access and use to that particular service.

20 MR. STEVE SCARFONE: And what were the  
21 costs of the Q Management initiative?

22 MR. RYAN KOLASKI: Approximately two  
23 hundred and eighty thousand dollars (\$280,000).

24 MR. STEVE SCARFONE: And have those  
25 crystallized? Is that the final amount?

1 MR. RYAN KOLASKI: I understand. It's  
2 the final amount

3 MR. STEVE SCARFONE: And those costs  
4 have been deferred.

5 MR. RYAN KOLASKI: Those costs are  
6 deferred in the RDA balance.

7 MR. STEVE SCARFONE: Lastly, at line  
8 43 Contact service -- Contact Center as a service. Do  
9 you see that there, sir?

10

MR. RYAN KOLASKI: I do.  
11 MR. STEVE SCARFONE: And that, again,  
12 is another initiative expense that has been deferred  
13 under the Board Order?

14 MR. RYAN KOLASKI: That is correct.  
15 That is the first phase of moving to a new phone  
16 system call-in system that has been completed. So  
17 again, Manitobans have access and are using that  
18 particular project. And again, those costs are  
19 deferred, but that service is live.

20 And all I'm trying to highlight is,  
21 that within the RDA balance itself, there are  
22 initiatives. And again, as it relates to  
23 intergenerational equity, you'll have a timing gap  
24 between the spending, the funding and the -- and the  
25 closure of the project. Some initiatives obviously

1 will continue longer, but most of our initiatives are  
2 two (2) years or less. So again, that's where the  
3 proxy on the proposed alignment was.

4 MR. STEVE SCARFONE: Thank you. And  
5 so, you've just mentioned the concept of  
6 intergenerational equity, sir.

7 You're familiar with that regulatory  
8 concept?

9 MR. RYAN KOLASKI: I've become very  
10 familiar with that concept, yes.

11 MR. STEVE SCARFONE: And is that a  
12 concept in the financial world

13 MR. RYAN KOLASKI: To many degrees,  
14 yes. You're trying to match levels of service and  
15 expense with the service being provided. So, there is  
16 a tie-in to the concept, for sure.

17 MR. STEVE SCARFONE: Thank you. But  
18 as it concerns, those three (3) examples that we  
19 looked at, if you had your druthers, you would have  
20 those expensed. Am I correct in assuming that?

21 MR. RYAN KOLASKI: No. So, what we're  
22 trying to do is include initiatives within rate  
23 setting itself. So again, if I had my druthers, as  
24 you said, I would've included these costs in the rate  
25 application related to those years and they would not

1 have been deferred.

2 MR. STEVE SCARFONE: Okay. And what  
3 of the NOVA costs that have been deferred, what would  
4 your treatment of those been, had you had your  
5 druthers?

6 MR. RYAN KOLASKI: Well, based on what  
7 we've proposed, we would have incurred costs along the  
8 way, and we would've brought them in based on the  
9 prior year actuals into the current year rate  
10 application. So again, we would've had higher rates  
11 as a result of the spend on NOVA.

12 MR. STEVE SCARFONE: And would that  
13 treatment have been consistent with the regulatory  
14 concept of intergenerational equity in your view?

15 MR. RYAN KOLASKI: Again, it's not  
16 going to be perfect. I'm not sure you can get a  
17 perfect alignment to it. What we tried to do is get  
18 the best approximation within the accounting rules  
19 that are afforded to us overall.

20 MR. STEVE SCARFONE: Thank you. And  
21 Counsel for the Public Utilities Board briefly asked  
22 you about the sufficiency of the rate applied for as  
23 presented by the public presenters, the ADA and the  
24 MMDA. Do you recall that line of questioning, sir?

25 MR. RYAN KOLASKI: I do.

1 MR. STEVE SCARFONE: And during their  
2 presentation, sir, they had suggested that the  
3 sufficient rate request would've been in the  
4 neighborhood of 4 percent.

5 Do you recall that testimony?

6 MR. RYAN KOLASKI: I do.

7 MR. STEVE SCARFONE: And it used to  
8 be, and I don't know if it still -- is that the rate  
9 indication amounted to \$10 million for every 1 percent  
10 request. Is that accurate in your view?

11 MR. RYAN KOLASKI: It's fairly  
12 accurate. It remains approximately, yes.

13 MR. STEVE SCARFONE: Thank you. And I  
14 appreciate my -- the lawyers in the room indulging me  
15 for that leading question of my own witness.

16 But, sir, 4 percent would amount to  
17 what in dollars with respect to revenue?

18 MR. RYAN KOLASKI: Well, our current  
19 rate ask is 2.07 percent. So, it would be effectively  
20 double the rate ask as before the Board today. So  
21 just rough math would be approximately 20 million.

22 MR. STEVE SCARFONE: And that amount  
23 the ADA and the MMDA would say is required, that 20  
24 million to repair vehicles properly. Agreed?

25 MR. RYAN KOLASKI: That was what was

1 implied in the 4 percent ask. Yes.

2

3

(BRIEF PAUSE)

4

5

MR. STEVE SCARFONE: Madam Chair.

6

Those are my questions on redirect.

7

PANEL CHAIRPERSON: Thank you, Mr.

8

Scarfone. Thank you very much to this Panel. We

9

appreciate your evidence here today, and we will

10

adjourn now for the day and start tomorrow with the

11

MPI Claims Forecasting Panel. Thank you.

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(PANEL STANDS DOWN)

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--- Upon adjourning at 3:45 p.m.

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Certified Correct,

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Wendy Woodworth, Ms.

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