



ORDER NUMBER

G-139-18

IN THE MATTER OF

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

the *Insurance Corporation Act*, RSBC 1996, Chapter 228, as amended

and

Insurance Corporation of British Columbia
Application to Streamline Information Technology
Compliance Reporting Requirements

BEFORE:

B. A. Magnan, Commissioner

on July 26, 2018

ORDER

WHEREAS:

- A. On April 26, 2018, the Insurance Corporation of British Columbia (ICBC) filed an application with the British Columbia Utilities Commission (BCUC) seeking approval to streamline ICBC's information technology (IT) compliance reporting requirements (Application);
- B. By Order G-99-18 dated May 25, 2018, the BCUC established a regulatory timetable for the review of the Application, which included intervenor registration and a Streamlined Review Process (SRP) with further process to be determined;
- C. The following interveners registered and participated in the proceeding:
 - British Columbia Old Age Pensioners' Organization *et al.* (BCOAPO);
 - Movement of United Professionals (MoveUP); and
 - Toward Responsible Educated Attentive Driving (TREAD);
- D. On June 12, 2018, pursuant to Order G-99-18, parties provided written questions in advance of the SRP to ICBC. On June 18, 2018, ICBC provided written responses to the questions;
- E. The SRP was held in Vancouver on June 19, 2018 with ICBC and registered interveners in attendance. The SRP concluded with an oral final argument by ICBC;

- F. By Order G-115-18 dated June 20, 2018, the BCUC considered the submissions made by the parties at the SRP and established a regulatory timetable for written intervenor final arguments and ICBC reply arguments;
- G. The BCUC received written final arguments from registered intervenors on or before June 26, 2018. ICBC filed a reply argument on June 28, 2018; and
- H. The BCUC has reviewed the Application and considered the evidence filed in the proceeding and makes the following determinations.

NOW THEREFORE for the reasons attached as Appendix A to this order, the BCUC orders as follows:

1. The requested changes to ICBC's IT compliance reporting requirements as shown in items 2, 3, 7, 8 and 9 in Section 4.0 of Appendix A to this order, are approved as applied for, effective from the date of this order.
2. The requested changes to ICBC's IT compliance reporting requirements as shown in items 1, 4, 5 and 6 in Section 4.0 of Appendix A to this order, are approved as modified, effective from the date of this order.
3. ICBC's request to keep the following content confidential as shown in item 10 in Section 4.0 of Appendix A to this order is accepted:
 - The unredacted version of Attachment A in the Application;
 - Response to BCUC question 4.1: the unredacted Attachment A - Template for Renewal and Business Change Projects Figure with Information from the 2017/18 IT Capital Plan; and
 - Response to BCUC question 4.2: the unredacted Attachment A - Amended Template for Renewal and Business Change Projects Figure with Information from the 2017/18 IT Capital Plan.

DATED at the City of Vancouver, in the Province of British Columbia, this 26th day of July 2018.

BY ORDER

Original signed by:

B. A. Magnan
Commissioner

Attachment

Insurance Corporation of British Columbia
Application to Streamline Information Technology
Compliance Reporting Requirements

REASONS FOR DECISION

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1.0 Introduction

1.1 Background

In accordance with the Insurance Corporation of British Columbia's (ICBC) 2007 Revenue Requirements Application (RRA) Decision and Order G-3-08 dated January 9, 2008 (ICBC 2007 RRA Decision), Order G-189-11 dated November 16, 2011 and Order G-191-15 dated December 3, 2015, ICBC's current information technology (IT) compliance reporting requirements with the British Columbia Utilities Commission (BCUC) consists of the following:

- Individual IT capital project reports on IT projects other than approved evergreening projects that exceed a capital reporting threshold of \$1 million;¹
- An annual IT Capital Expenditure Plan (IT capital plan), which provides a rolling five-year forecast of ICBC's actual and planned IT capital expenditures² including descriptions of individual IT capital projects that meet the reporting threshold;³ and
- An annual update to the IT Strategic Plan (IT strategic plan) which defines ICBC's enterprise-wide IT priorities and expectations over a 5-year period.⁴

On April 26, 2018, ICBC filed an application for approval to streamline its IT compliance reporting requirements with the BCUC (Application). ICBC states that the objective of the Application is to improve regulatory efficiency and effectiveness. ICBC submits that the "streamlining of its IT compliance reporting regime to focus on those projects that have the greatest impact on Basic insurance rates and service is in the best interests of policyholders."⁵

1.2 The application and approvals sought

ICBC seeks approval of the following to streamline its IT compliance reporting requirements:

1. Increase the IT capital reporting threshold for projects listed in the IT capital plan from \$1 million to \$3 million and the requirement to file individual IT capital project reports with the BCUC from \$1 million to \$5 million, as described in Section C. 1 of the Application (Proposal 1);
2. Change the following IT capital plan content, as described in Section C.2 of the Application:
 - a. Reduce the forecast period in the IT capital plan from three years to two years (Proposal 2[a]);
 - b. Consolidate renewal project and business change project figures currently included in the IT capital plan and provide a revised figure (Attachment B in the Application) including project capital budget, total actuals-to-date, estimate at completion, and planned and actual schedules instead of year-over-year actual and forecast information (Proposal 2[b]); and
 - c. Discontinue the provision of IT asset category cost details (Proposal 2[c]).

¹ ICBC 2007 RRA Decision and Order G-3-08 dated January 9, 2008, p. 64; Order G-189-11; Orders G-191-15.

² Ibid., p. 62.

³ Ibid., p. 65.

⁴ Ibid., p. 60.

⁵ Exhibit B-1, p. 2.

3. Exclude the following items from the requirement to file individual IT capital project reports, as described in Section C.3 of the Application:
 - a. IT capital expenditures for system enhancements (Proposal 3[a]);
 - b. Hardware and software expenditures for new employees (Proposal 3[b]) and;
 - c. True-up expenditures associated with past investment decisions (Proposal 3[c]); and
4. Reduce the filing frequency of the to the IT strategic plan from once every year to once every three years (Proposal 4).⁶

In addition, ICBC requests that the BCUC keep confidential the following:

- Unredacted version of Attachment A in the Application.⁷
- Response to BCUC question 4.1: the unredacted Attachment A - Template for Renewal and Business Change Projects Figure with Information from the 2017/18 IT Capital Plan;⁸ and
- Response to BCUC question 4.2: the unredacted Attachment A - Amended Template for Renewal and Business Change Projects Figure with Information from the 2017 /18 IT Capital Plan.⁹

1.3 Application review process

By Order G-99-18 dated May 25, 2018, the BCUC established a regulatory timetable for the review of the Application, which provided a deadline for intervener registration and a Streamlined Review Process (SRP) to be held on June 19, 2018 with further process to be determined.

The following three interveners registered and participated in the proceeding:

- British Columbia Old Age Pensioners' Organization *et al.* (BCOAPO);
- Canadian Office and Professional Employees Union Local 278 (MoveUP); and
- Toward Responsible Educated Attentive Driving (TREAD).

On June 12, 2018, pursuant to Order G-99-18, parties provided written questions in advance of the SRP to ICBC. On June 18, 2018, ICBC provided written responses to the questions. The SRP was held in Vancouver, BC with ICBC and registered interveners in attendance. The SRP concluded with an oral final argument by ICBC.

Following the SRP, in accordance with the regulatory timetable established by Order G-115-18 dated June 20, 2018, the BCUC received written intervener final arguments by June 26, 2018 and a written ICBC reply argument on June 28, 2018.

⁶ Exhibit B-1, pp. 2–3.

⁷ Exhibit B-1, Cover letter, p. 2.

⁸ Exhibit B-2-1, Cover letter.

⁹ *Ibid.*

2.0 Determinations on approvals sought

2.1 Proposal 1: Increase IT capital reporting thresholds

In the Application, ICBC proposes to increase the reporting threshold for IT projects listed in the IT capital plan from \$1 million to \$3 million, and the requirement to file individual IT capital project reports with the BCUC from \$1 million to \$5 million. In ICBC's view, the current reporting thresholds are too low and result in ICBC reporting on projects that have very little impact on ICBC's Basic insurance rates.¹⁰

During the SRP, ICBC stated that IT capital spending does not have a direct impact on Basic insurance rates, but rather, rates are impacted by the annual depreciation of an IT capital spend. ICBC further stated that IT depreciation expense represents a very small fraction of the Basic insurance revenue requirement.¹¹ In support of its proposal and assuming a five-year amortization period for an IT capital expenditure, ICBC provided a table comparing the annual impact to Basic insurance rates of four IT capital reporting thresholds in Table 1 below:¹²

Table 1: Impact to Rates at Different IT Capital Reporting Thresholds

Reporting Threshold	100% allocation to Basic Rates *	Impact to Average Policy***	58% allocation to Basic Rates **	Impact to Average Policy***	# of Projects (2015-20)
\$1 million	0.006%	\$.06	0.003%	\$.03	20
\$2 million	0.012%	\$.12	0.007%	\$.07	15
\$3 million	0.018%	\$.18	0.010%	\$.10	13
\$5 million	0.030%	\$.30	0.017%	\$.17	10

* Assumes 100% allocation to Basic insurance (unlikely)
 ** Assumes 58% allocation to Basic insurance (Corporate Shared Services ratio)
 *** Based on average Basic insurance policy premium of \$1,023 (excludes trailers, ORV and manual policies)

In terms of the number of projects reported, ICBC explained that increasing the current thresholds would result in ICBC having to report on 13 projects at a threshold of \$3 million and 10 projects at a threshold of \$5 million, compared to 20 projects under the current threshold of \$1 million. ICBC submits that not having to provide information on IT capital projects that are of lesser dollar value would allow the BCUC to focus its attention on those IT projects that involve greater expenditure and have a more significant impact on Basic insurance rates.¹³ When asked about the cost of individual IT capital project reporting, ICBC stated that increasing the current reporting threshold would result in "clear savings in work effort" due to a reduction in the number of reports. However, the savings cannot be quantified because the reports are a collaborative effort among a number of staff, managers and executives from different business areas, carried out in parallel whilst fulfilling their regular work duties.¹⁴

ICBC submits that the proposed "three and five million dollar thresholds are [an] appropriate balance between regulatory efficiency, and ensur[ing] the [BCUC] is kept abreast of... larger IT expenditures."¹⁵

¹⁰ Exhibit B-1, pp. 2, 6-7.

¹¹ Transcript Volume 1, pp. 10-12; Exhibit B-3, Slide 7.

¹² Exhibit B-3, Slide 9.

¹³ Transcript Volume 1, p. 14; Exhibit B-1, pp. 7-9.

¹⁴ Transcript Volume 1, pp. 30-31; Exhibit B-3, Slide 15; Exhibit B-2, TREAD IR 6.1 to 6.3.

¹⁵ Transcript Volume 1, p. 17.

Final arguments

MoveUP and BCOAPO support ICBC's proposals to increase its IT capital reporting thresholds.¹⁶ TREAD raises concern that the proposed threshold increases for IT projects listed in the IT capital plan and the requirement to file individual IT capital reports are too large and "may be too much too fast," stating:

Although ICBC notes that "the [BCUC] will continue to have the ability to inquire about any IT capital project, irrespective of the thresholds, just simply by virtue of its jurisdiction and its ability to make enquires" that approach shifts the responsibility to [the BCUC] to be ever vigilant in identifying any concerns arising from project[s] below the reporting thresholds rather than continuing to hold ICBC accountable for bringing such projects to light through its compliance reporting.¹⁷

In its reply argument, ICBC reiterates the real impact on policyholders of the proposed change in thresholds is "very modest," stating "[t]he difference between the impact on Basic insurance rates associated with a \$5 million project versus the impact associated with a \$1 million project is 14 cents on an average policy premium of over \$1,000."¹⁸

BCUC determination

The Panel accepts the need to increase the thresholds for capital reporting. However, the Panel disagrees with the magnitude of the proposed changes. Therefore, the Panel **approves ICBC's request to increase IT capital reporting thresholds as follows:**

- **ICBC is directed to report on individual IT capital projects that exceed a capital expenditure of \$2 million in a manner consistent with the instructions set out in the ICBC 2007 RRA Decision.**¹⁹
- **ICBC is directed to report on individual IT capital projects exceeding \$2 million in the IT capital plan in a manner consistent with the conclusions and reporting details out in the ICBC 2007 RRA Decision.**²⁰

The Panel is not convinced that the impact of IT capital is limited solely to the impact of depreciation expense on the Basic insurance revenue requirement. In the ICBC 2006 Revenue Requirements for Universal Compulsory Automobile Insurance (ICBC 2006 RRA) Decision and Order G-86-06 dated July 13, 2006, the BCUC noted "the impact of an effective IT operation[s] on the efficiency of the organization and the depth of data available to address business issues..." ultimately affect rates.²¹ The Panel finds the importance of effective IT operations still stands today. While ICBC is not a capital intensive business, IT capital and IT capital spending have a significant qualitative (if not quantitative impact) on ICBC's ability to provide adequate, efficient, just and reasonable Basic insurance. IT is used in all aspects of ICBC's business, including claims, insurance, driver licensing and corporate applications. As such, the Panel shares TREAD's concerns. However, the Panel also acknowledges and accepts in setting the IT capital reporting thresholds that there will be a direct impact on the workload for ICBC. As shown in Table 1, compared to a reporting threshold of \$1 million, there would be a 25 percent reduction in the number of IT capital projects reported at a threshold of \$2 million, a 35 percent reduction at a threshold of \$3 million, and a 50 percent reduction at a threshold of \$5 million. The Panel finds based on the number of IT capital project reports that the most significant reduction in work effort for each \$1 million increase in the IT capital reporting threshold is from changing the reporting threshold from \$1 million to \$2 million. For this

¹⁶ MoveUP Final Argument, pp. 1, 4; BCOAPO Final Argument, pp. 2, 4.

¹⁷ TREAD Final Argument, p. 4.

¹⁸ ICBC Reply Argument, p. 3.

¹⁹ ICBC 2007 RRA Decision, p. 64.

²⁰ ICBC 2007 RRA Decision, p. 65.

²¹ ICBC 2006 RRA Decision, p. 39.

reason, the Panel views that an IT capital reporting threshold of \$2 million strikes an appropriate balance between having sufficient oversight of IT capital spending, while supporting an efficient regulatory review process.

2.2 Change IT Capital Plan content

2.2.1 Proposal 2(a): Reduce the forecast period

ICBC proposes to reduce the forecast period in the IT capital plan from three years to two years. ICBC states that the value of long-term forecasting is limited because cost estimates for projects involving the procurement of IT assets becomes more detailed during the 6 to 18 months prior to the commencement phase of the project. This is because the procurement process 6 to 18 months prior to commencement results in formalizing project scope and the identification of potential vendors who provide more detailed pricing estimates.²² By changing to a two-year forecast period, ICBC states “[t]his would enable the [BCUC] to focus its review on forecasts prepared more closely to the commencement of the project. These [forecasts] will be more accurate, the best and more detailed information.”²³

Final arguments

No issues were raised by interveners with respect to this proposal.

2.2.2 Proposal 2(b): Consolidate figures and revise presentation of project costs

ICBC proposes to consolidate the renewal project and business change figures currently included in the IT capital plan (see Attachment A to the Application, Figures 3 and 4) and provide project capital budget, total actuals-to-date, estimate at completion, and planned and actual schedules instead of year-over-year actual and forecast information for these projects as shown in the template for a revised figure provided in Table 2 below.²⁴

Table 2: Template for the Renewal and Business Change Projects Figure

Line #	Business Change/ Renewal	Project Name	Capital Budget (\$ millions)	Total Actuals to Date (\$ millions)	Estimate at Completion (\$ millions)	Status	Planned Schedule		Actual Schedule	
							Start	End	Start	End
1										
2										
3										
4										
5										

ICBC states that merging Figures 3 and 4 “provides an improved presentation for easier look-up of the list of projects that exceed the capital reporting threshold” and that the addition of the columns in the proposed figure is consistent with information the BCUC has requested from ICBC in the two most recent revenue requirement application proceedings. ICBC submits that removing the year-over-year actual and forecast information from the merged Figures 3 and 4 “does not result in any significant loss of detail because the variances against overall project costs can readily be determined through comparison of the project budget, total actuals to date, and

²² Exhibit B-1, p. 10.

²³ Transcript Volume 1, pp. 17–18.

²⁴ Exhibit B-1, p. 10; Appendix B;

estimate at completion.” ICBC further stated during the SRP that the inclusion of the year-over-year information would make the table “incredibly large” and argues that it “takes away from the focus on how well the project is actually doing.”²⁵

When asked during the SRP whether ICBC would be amenable to certain modifications to the proposed figure, ICBC agreed to make the following changes:

- Add a summary line of the IT capital expenditures that are below the reporting threshold²⁶;
- Provide forecast end dates for those projects where the project status is “active”²⁷; and
- Provide forecast start and end dates for those projects where the project status is “not yet started”.²⁸

ICBC states the total aggregated annual IT capital expenditures of the actual and forecast periods are included in Figure 1 of the IT capital plan.²⁹

Final arguments

TREAD has some reservations about the changes to the IT capital plan content “actually presenting information in a more meaningful way” but “relies upon and defers to” the BCUC to make that judgement.³⁰ BCOAPO supports the proposal “particularly as modified by the agreements in [sic] made in response to staff request during the SRP.”³¹

MoveUP does not make comment on the specific IT capital plan content proposals made by ICBC in the Application.

2.2.3 Proposal 2(c): Discontinue provision of IT asset category cost details

Figure 2 in ICBC’s IT capital plan shows year-over-year cost detail of ICBC’s forecast IT capital expenditures by IT asset category (e.g. computer hardware computer software, voice hardware, voice software, and software infrastructure). ICBC requests for approval to discontinue the provision of the IT asset category cost details in Figure 2. ICBC submits that “[t]his capitalization is not used for any planning purposes but is purely a financial reporting process.”³² Accordingly, eliminating this figure from the IT capital plan will streamline the report.³³

Final arguments

No issues were raised by interveners with respect to this proposal.

2.2.4 BCUC determination on Proposals 2(a) to 2(c)

With respect to Proposals 2(a) and 2(c), the Panel has reviewed the evidence and finds the request to be reasonable. Accordingly, **the Panel approves ICBC’s proposal to discontinue the provision of the asset category**

²⁵ Transcript Volume 1, p. 67.

²⁶ *ibid.*, p. 63.

²⁷ *ibid.*, p. 65.

²⁸ *ibid.*, p. 65.

²⁹ Exhibit B-1, p. 11.

³⁰ TREAD Final Argument, p. 4.

³¹ BCOAPO Final Argument, p. 2.

³² Transcript Volume 1, p. 21.

³³ Exhibit B-1, p. 11.

cost details that are provided in Figure 2 of the IT capital plan as filed. The Panel also approves ICBC's proposal to reduce the forecast period in the IT capital plan from three years to two years.

As it relates to Proposal 2(b), the Panel agrees with ICBC that the addition of the project capital budget, total actuals-to-date, estimate-at-completion, and planned and actual project schedules³⁴ are informative. However, the Panel does not agree that removing the year-over-year actual and forecast information does not result in a significant loss of detail. As stated by ICBC, one possible application of year-over-year information is to inform how well a project is performing compared to plan.³⁵ The Panel does not disagree, but considers that year-over-year may also be useful for analyzing annual IT capital expenditure patterns and trends which may help inform future revenue requirements. Accordingly, the Panel finds that the additional insight which may be gained from year-over-year information outweighs the concerns raised by ICBC relating to the added size and complexity of the proposed figure. For this reason, **the Panel approves ICBC's proposal to consolidate the renewal project and business change figures currently included in the IT capital plan, but directs ICBC to provide the information described in the template figure in Attachment B to the Application with year-over-year actual and forecast information, and the following modifications accepted during the SRP:**

- **Add a summary line of the IT capital expenditures that are below the reporting threshold;**
- **Provide forecast end dates for those projects where the project status is "active"; and**
- **Provide forecast start and end dates for those projects where the project status is "not yet started".**

The Panel does not object to ICBC providing two tables, one with year-over-year actual and forecast information and one without this information, if it is preferable to ICBC. In addition, ICBC may provide the table with the year-over year information as a working Excel document or as one figure printed on multiple sheets, if needed.

2.3 Exclude certain additional cost items from individual IT capital project reporting requirements

As noted in Section 1.1 of these Reasons for Decision, in accordance with the ICBC 2007 RRA Decision ICBC submits individual IT capital project reports for individual projects exceeding a capital expenditure of \$1 million to the BCUC for review and comment, once internal corporate approvals have been achieved, but before implementation.³⁶ The following sections address ICBC's proposals related to excluding certain types of costs from this reporting.

2.3.1 Proposal 3(a): System enhancement costs

ICBC requests that system enhancement costs be excluded from the requirement to file individual IT capital project reports. ICBC states that this IT capital expenditure is based on the capitalization³⁷ of aggregate labour costs for ongoing system enhancements to claims, insurance, driver, licensing and corporate applications. During the SRP, ICBC stated that system enhancements are made to all systems currently in use at ICBC and are "really small changes to existing systems that can be as minor as only a couple of hours of work, or a few days of work."³⁸ ICBC considers this work to be "very low risk" or "routine," where each individual system enhancement represents a discrete package of work which is generally under \$10,000.

³⁴ As agreed upon during the SRP (Transcript Volume 1, pp. 63, 65).

³⁵ Transcript Volume 1, p. 68.

³⁶ ICBC 2007 RRA Decision, p. 64.

³⁷ Under International Financial Reporting Standards (IFRS), which ICBC reports.

³⁸ Transcript Volume 1, pp. 22, 68.

ICBC explains that approximately one year ago, it decided to track labour costs for systems enhancements under a single project cost code for practical and financial reporting purposes. As a result, ICBC expects that aggregate system enhancement costs will exceed the current individual IT capital project reporting threshold of \$1 million. ICBC requests that system enhancement costs be excluded from the requirement to file individual IT capital project reports as this expenditure actually represents several hundred smaller system enhancements annually. ICBC submits that “it would not be practical or useful to prepare an IT capital project report for expenditures of this nature.”³⁹ When asked whether system enhancement costs can be aggregated down to the individual system level, ICBC confirmed that it can.⁴⁰

Final arguments

No issues were raised by interveners with respect to this proposal.

2.3.2 Proposal 3(b): Hardware/software costs for new employees

ICBC requests that hardware/software costs for new employees be excluded from the requirement to file individual IT capital project reports. ICBC states for the 2018/19 fiscal year it will be hiring new claims and claims-related staff to manage claims volumes and expects that the hardware and software expenditures for the new employees will be made through a bulk purchase of approximately \$2 million. ICBC submits that the most significant costs related to this set of IT costs (i.e. end-user devices and end-user software) have previously been approved by Orders G-189-11 and 191-15 as evergreening projects and requests these costs be treated the same.⁴¹

Final arguments

No issues were raised by interveners with respect to this proposal.

2.3.3 Proposal 3(c): True-up costs

ICBC requests that true-up costs be excluded from the requirement to file individual IT capital project reports. ICBC explains that true-up costs are additional licensing costs based on the contractual terms agreed upon with a particular vendor. That is, true-up costs are associated with past investment decisions and are included in contract terms. Therefore, ICBC views that true-up costs should not be considered as separate IT capital projects that require individual IT capital project reports. ICBC notes “on a go-forward basis... for the system it’s related to... if we submit an individual IT capital report, we will also include these future potential true-up costs.”⁴²

Final arguments

No issues were raised by interveners with respect to this proposal.

2.3.4 BCUC determination on Proposals 3(a) to 3(c)

While the Panel acknowledges the practical reasons to aggregate system enhancement costs submitted by ICBC, the Panel disagrees that it is appropriate to aggregate these costs under one single project cost code for all systems. Rather, the Panel notes ICBC’s submission that system enhancement costs may be aggregated down to the individual system level and finds this level of aggregation to be more appropriate. This is because the Panel

³⁹ Ibid., Exhibit B-1, p. 12.

⁴⁰ Transcript Volume 1, pp. 68–69.

⁴¹ Exhibit B-1, p. 13; Transcript Volume 1, p. 23.

⁴² Exhibit B-11, p. 13; Transcript Volume 1, p. 24.

considers the aggregate of many individual system enhancements to any one particular system currently in use at ICBC may inform and provide insight into the pre-enhancement state of that system as it relates to its functionality, reliability and operation. Given the qualitative significance of IT capital spending on ICBC's operations as noted in Section 2.1 of these Reasons for Decision, the Panel therefore finds that the BCUC should be advised when IT capital expenditures related to any individual IT system currently in use at ICBC exceeds a particular reporting threshold, regardless of the number of "discrete packages of work" which may be related to the expenditures. The individual IT capital reporting threshold established in Section 2.1 of these Reasons for Decisions is reasonable and appropriate for this purpose. Accordingly, **the Panel approves the aggregation of systems enhancement costs at the individual system level but not at the corporate level.** ICBC is permitted to exclude system enhancement costs from the requirement to file individual IT capital project reports provided that aggregate system enhancement costs are less than \$2 million for any individual system currently in use at ICBC, effective from the date of this order. For additional clarity, **ICBC is directed to file, in a manner consistent with the instructions set out in the ICBC 2007 RRA Decision,⁴³ an individual IT capital project report to the BCUC where aggregate system enhancement costs for any individual IT system currently in use at ICBC are estimated to exceed \$2 million.**

With respect to Proposals 3(b) and 3(c), the Panel has reviewed the evidence and finds the request to be reasonable. Accordingly, **the Panel approves ICBC's proposal to exclude hardware and software costs for new employees from the requirement to file individual IT capital project reports, effective from the date of this Order. The Panel also approves ICBC's proposal to exclude true-up costs from the requirement to file individual IT capital project reports, effective from the date of this order.**

2.4 Proposal 4: Reduce IT strategic plan filing frequency

Initial findings related to ICBC's IT strategic plan are set out in the ICBC 2006 RRA Decision. The BCUC's concern in that decision was related to the overall impression that there had been little long term IT planning on a corporate-wide basis.⁴⁴ In the ICBC 2007 RRA Decision, the BCUC noted that ICBC's IT strategic plan is to describe ICBC's enterprise-wide IT plan, define IT expenditure priorities and expectations for a three-year timeframe, and guide allocation of IT resources. ICBC submitted that the IT strategic plan was developed and will be maintained based on business direction (strategies and priorities), technology trends, best practices for management of IT, and the need to maintain the technology and systems already in place.⁴⁵ In its determinations, the BCUC stated that it "... expects, with future revenue requirement filings, to receive updates to the IT Strategic Plan and the plan should be of a more long term view, incorporating anticipated or known changes to business requirements, technology evolution and opportunities for improvements and efficiencies within the business."⁴⁶ Since the ICBC 2007 RRA Decision, ICBC has filed seven IT strategic plans with the BCUC.⁴⁷

In the Application, ICBC proposes to reduce the filing frequency of the IT strategic plan from once every year to once every three years. ICBC submits its proposal on the basis that ICBC's corporate strategy contemplates setting its strategic direction over a 3–5 year period and the IT strategic plan is based on a similar planning cycle, so significant changes to ICBC's IT strategy are typically minimal on an annual basis. ICBC submits that it will file "off year updates" (i.e. updates to the IT strategic plan sooner than once every three years) if there is any

⁴³ ICBC 2007 RRA Decision, p. 64.

⁴⁴ *ibid.*, p. 54.

⁴⁵ *Ibid.*, p. 59.

⁴⁶ *Ibid.*, p. 60.

⁴⁷ Dated April 4, 2011; April 4, 2012; April 4, 2013; April 4, 2014; April 5, 2015; May 31, 2016; April 4, 2017.

material change to the corporate and IT strategy during the three-year period.⁴⁸ ICBC states that it has recently completed a new IT strategic plan covering the next three years and that it will file it in the next RRA.⁴⁹

When asked about ICBC's IT governance and management approach with respect to the IT strategic plan, ICBC submitted that the IT strategic plan is prepared by the Enterprise Architecture department in consultation with senior managers and executives within the Information Services Division (ISD), Corporate Planning, and Finance. The IT strategic plan is approved by executives within these business areas, and monitoring, oversight and evaluation of ICBC's strategic plan is considered within the context to the monitoring, oversight and evaluation of the corporate strategy.⁵⁰ With respect to the circumstances and threshold for a "material change," ICBC explained during the SRP that a material change is considered as any change which would impact the overall direction of ICBC's ongoing corporate strategy and pose the potential for additional new risk to ICBC going forward.⁵¹ ICBC submitted that there were no events which resulted in a material change to the IT strategic plan in the last six years.⁵²

Intervener arguments

Interveners generally support ICBC's proposal to reduce the filing frequency of an IT strategic plan to a three-year cycle and provided comments on how to ensure that the BCUC will be informed of any changes within that three-year period.

MoveUp notes "ICBC's proviso that filings would occur more frequently where there are actual strategic changes to report" and submits that it is important that this proviso be explicitly stated in the BCUC's order.⁵³ TREAD submits that the BCUC should ensure that ICBC's commitment that "a filing will be made if there is a change in direction that would affect the IT strategy" is renewed and confirmed each year.⁵⁴ BCOAPO notes that "nowhere in the evidence is there a definition of what is material." BCOAPO requests that the BCUC define this threshold in its decision in order to avoid "unnecessary and potentially expensive regulatory process in the future where party may disagree about whether ICBC was or was not obligated to change its reporting schedule due to different interpretations of what constitutes a material change."⁵⁵

In its reply, ICBC reiterated its response at the SRP on the circumstances that would constitute a material change.⁵⁶

BCUC determination

The Panel approves ICBC's proposal to reduce the filing frequency of the IT strategic plan from once every year to once every three years. The Panel further accepts ICBC's commitment that it will file an update to the IT strategic plan sooner than once every three years if there is a material change to the corporate and IT strategy during the period. ICBC is directed to file an update to the IT strategic plan in its next RRA. Subsequent updates to the IT strategic plan must be filed once every three years, or in the RRA following any material change to the corporate and/or IT strategy, whichever is earlier.

⁴⁸ Exhibit B-1, pp. 3, 14-15; Exhibit B-2, BCUC Staff Question 8.1-2; Exhibit B-3, Slide 25.

⁴⁹ Exhibit B-1, p. 15; Transcript Volume 1, pp. 58, 73; note that the next RRA is the 2018 RRA.

⁵⁰ Exhibit B-2, BCUC Staff Question 8.3.

⁵¹ Transcript Volume 1, pp. 56-58, 70-71.

⁵² *ibid.*, pp. 73-74.

⁵³ MoveUP Final Argument, p. 4.

⁵⁴ TREAD Final Argument, p. 4.

⁵⁵ BCOAPO Final Argument, pp. 4-5.

⁵⁶ ICBC Reply, pp. 2-3.

In reaching its determination, the Panel considered the benefits and risks of the current annual reporting cycle compared to the proposed three-year reporting cycle. The Panel also notes that the originating premise of the IT strategic plan stemmed from a concern that ICBC had little long-term IT planning on a corporate-wide basis. The IT strategic plan is intended to describe ICBC's enterprise-wide IT plan, based on ICBC's strategic priorities and taking into account the current state of ICBC's information systems, as well as industry trends. The Panel acknowledges that a three year-reporting cycle aligns with ICBC's IT strategic planning horizon, and that significant corporate strategy changes are not expected to occur frequently in the short-term. Thus, the Panel finds a three-year cycle reporting requirement to be reasonable for the IT strategic plan.

In terms of risks, ICBC commits to filing an update to the IT strategic plan sooner than once every three years if there is any material change to the corporate and IT strategy during the period. However, parties are concerned that a threshold or definition of materiality has not been established, and to some extent, leaves ICBC at its own discretion to file interim updates to the IT strategic plan. The Panel notes that ICBC has in place internal development, approval, monitoring, oversight and evaluation processes for the IT strategic plan which involve multiple business areas and technical experts. The Panel finds that ICBC's present internal controls are sufficient and expects these processes to inform ICBC of when an update to the IT strategic plan is necessary, and by extension, when an update to the BCUC is necessary. Additionally, there are other regulatory mechanisms, including the RRAs, to provide the BCUC with regulatory oversight of ICBC's corporate strategies including internal controls. Therefore, the Panel views that establishing a threshold or definition of material change is not necessary at this time.

3.0 Requests for confidentiality

As noted in Section 1.2 of these Reasons for Decision, ICBC makes certain requests for confidentiality in the Application and in its responses to questions.

Part IV of the BCUC Rules of Practice and Procedure (Rules) established by Order G-1-16 set out the rules that apply to confidential documents filed with the BCUC.⁵⁷

No issues were raised by interveners with respect to these confidentiality requests.

BCUC determination

The Panel has reviewed the referenced material filed by ICBC and considered ICBC's request to keep the contents of those materials confidential. The Panel has also considered the criteria provided in the Rules to make its determinations. The Panel agrees with ICBC that the disclosure of the information can reasonably be expected to result in economic harm to ICBC or third parties, and finds that parties' interests in keeping the three items confidential outweigh the public interest in the disclosure of the information in the hearing.

Therefore, the Panel accepts ICBC's request to keep the content of the following confidential:

- **The unredacted version of Attachment A in the Application;**
- **Response to 2018 ITST BCUC.4.1: the unredacted Attachment A - Template for Renewal and Business Change Projects Figure with Information from the 2017/18 IT Capital Plan; and**
- **Response to 2018 ITST BCUC.4.2: the unredacted Attachment A - Amended Template for Renewal and Business Change Projects Figure with Information from the 2017 /18 IT Capital Plan.**

⁵⁷ [Order G-1-16 Commission Rules of Practice and Procedure](#), Part IV: Confidential Documents

4.0 Summary of Panel determinations

This summary is provided for the convenience of readers. In the event of any difference between the directions in this summary and those in Sections 2.0 and 3.0 of these Reasons for Decision, the wording in Sections 2.0 and 3.0 shall prevail.

	Directive	Page
1	<p>The Panel accepts the need to increase the thresholds for capital reporting. However, the Panel disagrees with the magnitude of the proposed changes and modifies ICBC's request to increase IT capital reporting thresholds as follows:</p> <ul style="list-style-type: none"> • ICBC is directed to report on individual IT capital projects that exceed a capital expenditure of \$2 million in a manner consistent with the instructions set out in the ICBC 2007 RRA Decision. • ICBC is directed to report on individual IT capital projects exceeding \$2 million in the IT capital plan in a manner consistent with the conclusions and reporting details out in the ICBC 2007 RRA Decision. 	4
2	The Panel approves ICBC's proposal to discontinue the provision of the asset category cost details that are provided in Figure 2 of the IT capital plan as filed.	6–7
3	The Panel also approves ICBC's proposal to reduce the forecast period in the IT capital plan from three years to two years.	7
4	<p>The Panel approves ICBC's proposal to consolidate the renewal project and business change figures currently included in the IT capital plan, but directs ICBC to provide the information described in the template figure in Attachment B to the Application with year-over-year actual and forecast information, and the following modifications accepted during the SRP:</p> <ul style="list-style-type: none"> • Add a summary line of the IT capital expenditures that are below the reporting threshold; • Provide forecast end dates for those projects where the project status is "active"; and • Provide forecast start and end dates for those projects where the project status is "not yet started". 	7
5	The Panel approves the aggregation of systems enhancement costs at the individual system level but not at the corporate level.	9
6	ICBC is directed to file, in a manner consistent with the instructions set out in the ICBC 2007 RRA Decision, an individual IT capital project report to the BCUC where aggregate system enhancement costs for	9

	any individual IT system currently in use at ICBC are estimated to exceed \$2 million.	
7	The Panel approves ICBC's proposal to exclude hardware and software costs for new employees from the requirement to file individual IT capital project reports, effective from the date of this Order.	9
8	The Panel also approves ICBC's proposal to exclude true-up costs from the requirement to file individual IT capital project reports, effective from the date of this order.	9
9	The Panel approves ICBC's proposal to reduce the filing frequency of the IT strategic plan from once every year to once every three years. The Panel further accepts ICBC's commitment that it will file an update to the IT strategic plan sooner than once every three years if there is a material change to the corporate and IT strategy during the period. ICBC is directed to file an update to the IT strategic plan in its next RRA. Subsequent updates to the IT strategic plan must be filed once every three years, or in the RRA following any material change to the corporate and/or IT strategy, whichever is earlier.	10
10	<p>The Panel accepts ICBC's request to keep the content of the following confidential:</p> <ul style="list-style-type: none"> • The unredacted version of Attachment A in the Application; • Response to BCUC IR 4.1: the unredacted Attachment A - Template for Renewal and Business Change Projects Figure with Information from the 2017/18 IT Capital Plan; and • Response to BCUC IR 4.2: the unredacted Attachment A - Amended Template for Renewal and Business Change Projects Figure with Information from the 2017 /18 IT Capital Plan. 	11