



LETTER NO. L-13-05

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Log No. 9118

VIA E-MAIL

donnie.wing@icbc.com; regaffairs@icbc.com

February 15, 2005

Mr. Donnie Wing, CA
Vice President, Investments & Corporate Development
Insurance Corporation of British Columbia
PO Box 2606
349 West Georgia Street
Vancouver, B.C. V6B 3W8

Dear Mr. Wing:

Re: Insurance Corporation of British Columbia
Cost Allocation Workshop and Revenue Requirements/Capital Plan Submissions

The receipt of your letter to Mr. William Grant, Executive Director, dated, February 8, 2005, wherein you outline your proposed 2005 Regulatory Schedule is hereby acknowledged. For reference of others, it is appended to this correspondence.

The Commission and staff have reviewed the proposed schedules for the Cost Allocation Workshop ("Workshop") and the Revenue Requirements/Capital Plan Submissions ("Revenue Requirements process"). The Commission wishes to address the Workshop process immediately and will deal with the Revenue Requirements process at a later date.

In its Decision, dated January 19, 2005, pp. 38 and 41, the Commission Panel directed ICBC to undertake further analyses with respect to certain identified allocators and allocation percentages and convene a Workshop within 60 days of issuance of the Decision to review all details of the allocation process for the allocators and allocation percentages identified.

The Commission directs that ICBC file these further analyses and concomitant results with the Commission and Registered Intervenor by Thursday March 10, 2005. ICBC will then present this information to Registered Intervenor and Commission Staff at the said Workshop. The particulars regarding the Workshop are as follows:

Date:	Wednesday, March 16, 2005
Time:	9:00 AM
Location:	Commission Hearing Room 3 rd Floor – 855 Homer Street Vancouver, B.C. V6B 5S2

A Commission Panel will not be present at this Workshop, nor will a formal transcript be made.

It is anticipated that a thorough review of the further analyses and results will occur before and during this Workshop, with all parties, ICBC, Registered Intervenors and Commission staff engaging in open dialogue to seek agreement on appropriate cost allocators, if possible. Following the workshop, Registered Intervenors are asked to formally notify the Commission of their views and positions with respect to the cost allocators, in the event that consensus is not reached at the Workshop.

The Commission will consider those views and positions, along with Commission staff recommendations, and, if necessary, issue a procedural Order setting out a process, to bring the matter to a timely conclusion. It is anticipated that a decision will be rendered by the Commission before the end of May 2005 so that the final cost allocations can be incorporated into ICBC's 2006 Revenue Requirement filing.

Registered Intervenors are asked to advise the Commission Secretary by Friday, March 4, 2005, if they intend to participate in the workshop.

Yours truly,

Original signed by:

Robert J. Pellatt

WK/cms

cc: Registered Intervenors (ICBC-FAMA)
w/enclosure

February 8, 2005

British Columbia Utilities Commission
900 Howe Street, 6th Floor
Vancouver BC V6Z 2N3

Attention: William Grant, Executive Director

Dear Mr. Grant:

Re: Insurance Corporation of British Columbia 2005 Regulatory Schedule

As discussed in our telephone conversation on January 28, we are enclosing a schedule which sets out the dates for the various steps for the Cost Allocation Workshop process requested by the Commission and the 2006 Revenue Requirements Application. As indicated to the Commission in January, 2005, ICBC is expecting to seek a Basic insurance rate increase effective January 1, 2006.

Regulation is becoming onerous for both ICBC and the intervenors. As you will see from the enclosed schedule, ICBC is under the regulatory process for the entire year in 2005 and has, in addition, either been preparing for a regulatory process or been under regulatory process almost continuously since August, 2003.

In our telephone discussion, you indicated that BCUC was considering having the Capital Plan filed for review and decision prior to ICBC filing the Revenue Requirement application. In our perspective, this is unworkable. The Capital Plan submission is a necessary component of the revenue requirement application and cannot be separated from it. Capital projections are generated from the assumptions with respect to the profitability of the insurance business and assumptions with respect to profitability of rates are generated from estimates of costs and margins for capital. These are integrated issues that cannot be analysed in isolation because changing one impacts the results of the other.

ICBC needs to have a decision with respect to 2006 rates no later than December 1, 2005, in order to implement the rate increase by January 1, 2006. A third hearing for the Capital Plan between the Workshop and the Revenue Requirement application would push the rate decision too far out into 2006, with resulting inflationary impacts on future rates which ICBC wants to avoid. We also think that it is an unmanageable burden for both ICBC's staff and the intervenors to add a third hearing to the regulatory schedule. We expect that intervenors will want to attend all hearings this year to ensure that their interests are not adversely affected by this process.

ICBC's financial allocation has been reviewed in detail twice already: first in the November, 2003 decision and a second time more in-depth review in the July 5, 2004 Application for Approval of a Financial Allocation Methodology. Considering the small number of allocators that are left to be reviewed and the reviews that has taken place to date, we feel that a final decision with respect to financial allocation by May 18, 2005 is reasonable.

Please contact me if you have any questions or require anything further.

Yours truly,



Donnie Wing, CA
Vice-President of Investments and Corporate Development

ICBC's PROPOSED 2005 REGULATORY SCHEDULE

Cost Allocation Workshop

<u>ACTION</u>	<u>DATE</u>
BCUC Procedural Order	Friday, March 4, 2005
Workshop	Wednesday, March 16, 2005
BCUC and Intervenor Information Requests	Wednesday, March 23, 2005
ICBC Responses to IRs	Monday April 11, 2005
ICBC Final Submission	Tuesday, April 19, 2005
Intervenor Final Submission	Tuesday, April 26, 2005
ICBC Final Reply	Tuesday, May 3, 2005
BCUC Decision	Wednesday, May 18, 2005

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Revenue Requirements/Capital Plan Submission

<u>ACTION</u>	<u>DATE</u>
ICBC Application	Monday, July 4, 2005
BCUC Procedural Order	Tuesday, July 5, 2005
Notice of Hearing Advertised in BC Papers	Friday, July 8, 2005
Intervenor Registration	Tuesday, July 12, 2005
ICBC Workshop & Pre-Hearing Conference	Wednesday, July 13, 2005
BCUC Information Requests	Wednesday, July 20, 2005
Intervenor Information Requests to ICBC	Wednesday, July 27, 2005
ICBC Responses to IRs	Tuesday, August 23 2005
Intervenor Evidence	Tuesday, August 30, 2005
Information Requests to Intervenors	Tuesday, September 6, 2005
Intervenor Responses to IRs	Monday, September 12, 2005
Oral Hearing	Wednesday September 21 to Wednesday, October 5, 2005
ICBC Final Submission	Friday, October 21, 2005
Intervenor Final Submission	Friday, October 28, 2005
ICBC Final Reply	Friday, November 4, 2005

BCUC Decision

Thursday, December 1, 2005

RATES

January 1, 2006