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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-189-11**

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IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

the Insurance Corporation Act, R.S.B.C. 1996, Chapter 228, as amended

and

An Application by the Insurance Corporation of British Columbia
to Streamline the Information Technology Capital Reporting Requirements

BEFORE: A.W.K. Anderson, Commissioner

November 16, 2011

O R D E R

WHEREAS:

- A. The Insurance Corporation of British Columbia (ICBC) submits individual Information Technology (IT) capital reports for the British Columbia Utilities Commission (Commission) to review and comment on IT capital expenditures in accordance with Commission Decision dated July 13, 2006 that was issued concurrently with Order G-86-06, Commission Letter L-82-06, and Commission Decision dated January 9, 2008 that was issued concurrently with Order G-3-08;
- B. On September 22, 2011, ICBC submitted to the Commission an Application to Streamline the IT Capital Reporting Requirements (Application), proposing changes to ICBC's IT capital reporting requirements;
- C. On October 11, 2011, ICBC submitted to the Commission an Addendum to ICBC's September 22, 2011 Application (Addendum);
- D. The Application describes proposed changes to ICBC's IT capital reporting requirements as follows:

ICBC currently submits individual IT capital reports for the Commission's review and comment on all IT capital projects that exceed the \$1 million reporting threshold. Under the proposed change, ICBC would discontinue the provision of individual IT capital reports for projects that involve routine replacement of computer hardware, software, and software infrastructure, also known as "evergreening" projects;
- E. ICBC proposes to continue to identify evergreening projects in its Annual IT Capital Expenditure Plan and to continue to provide individual IT capital reports for non-evergreening projects that exceed the \$1 million IT capital reporting threshold;

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- F. By Order G-174-11 dated October 13, 2011, the Commission established a regulatory process for past interveners to provide stakeholder comment submissions on the Application;
- G. The Canadian Office and Professional Employees' Union, Local 378 (COPE 378) on October 21, 2011 and the BC Old Age Pensioners Organization *et al.* (BCOAPO) on October 28, 2011 submitted their comments to the Commission. ICBC provided its reply submission on November 4, 2011;
- H. The Commission has reviewed the Application, the Addendum, and all submissions received and find that approval for the Application is warranted.

NOW THEREFORE as set out in the Reasons for Decision attached as Appendix A to this Order, the Commission orders as follows:

1. ICBC's Application to streamline the IT capital reporting requirements for evergreening projects is approved, effective on the date of this Order.
2. ICBC is directed to list evergreening projects that exceed the \$1 million IT capital reporting threshold in its Annual IT Capital Expenditure Plan as line items listing actual and forecast project expenditures with a description of the project. Individual IT capital reports will be discontinued for the six evergreening projects listed in the Reasons for Decision attached as Appendix A to this Order.
3. If ICBC wishes to have additional evergreening projects listed for streamlined reporting, an initial individual IT project capital report shall first be filed for Commission review and approval.
4. ICBC is directed to continue the existing reporting regime consisting of a comprehensive annual IT capital plan filing that would identify the total IT capital expenditures (actuals and forecast). In addition, other than the evergreening projects approved by this Order, those individual projects that exceed a capital expenditure of \$1 million are to be reported, with explanatory detail and project justification, in a timely way for Commission comments, once internal corporate approvals have been achieved, but before implementation.

DATED at the City of Vancouver, in the Province of British Columbia, this 17th day of November 2011.

BY ORDER

Original signed by:

A.W.K. Anderson
Commissioner

Attachment



IN THE MATTER OF

**Insurance Corporation of British Columbia
An Application to Streamline the
Information Technology Capital Reporting Requirements**

REASONS FOR DECISION

NOVEMBER 16, 2011

BEFORE:

A.W.K. Anderson, Commissioner

1.0 Introduction

The Insurance Corporation of British Columbia (ICBC) submits individual Information Technology (IT) capital reports for the British Columbia Utilities Commission (Commission) to review and comment on IT capital expenditures in accordance with Commission Decision dated July 13, 2006 that was issued concurrently with Order G-86-06, Commission Letter L-82-06, and Commission Decision dated January 9, 2008 that was issued concurrently with Order G-3-08.

On September 22, 2011, ICBC submitted to the Commission an Application to Streamline the IT Capital Reporting Requirements (Application). In this Application, ICBC is proposing changes to its IT capital reporting requirements by streamlining the reporting process for projects that involve the routine replacement of IT assets such as computer hardware, software, and software infrastructure (also known as “evergreening projects”). ICBC proposes to continue to address evergreening projects identified in this Application in the Annual IT Capital Expenditure Plan, but discontinue the practice of providing individual IT capital reports on evergreening projects. ICBC will continue to provide individual IT capital reports on non-evergreening projects that exceed the \$1 million IT capital reporting threshold.

For the Reasons which follow, the Commission Panel concludes that approval is warranted for ICBC’s proposal to streamline IT capital reporting requirements.

1.1 Application

In its Application dated September 22, 2011, ICBC is proposing to discontinue providing individual IT capital reports for projects that involve routine replacement of IT assets such as computer hardware, software, and software infrastructure (also known as “evergreening” projects).

ICBC’s Application lists categories of IT assets which have a regular replacement cycle, for which individual IT capital reports have previously been filed with the Commission and which are proposed as evergreening projects for the purpose of this Streamlining:

- End-user Devices (e.g., Tablet PC Evergreening (2007)).
- End-user Software (e.g., 2008-2011 End User Software Upgrade).
- Servers and Mainframe (e.g., 2007 Server Evergreening, 2007 Mainframe Upgrade, and 2011 Data Centre Server Evergreening).
- Output Management Devices (e.g., 2007/2008 Output Management Renewal and 2009 Output Management Renewal).
- Data Networks (e.g., Data Network Evergreening (2010)).
- Storage (e.g., 2011 Storage Area Network (SAN) Evergreening).

Under the ICBC proposal, individual IT capital reports will not be filed on the future evergreening projects listed. Instead, ICBC proposes to continue to identify evergreening projects that exceed the \$1 million IT capital reporting threshold in its Annual IT Capital Expenditure Plan as a line item with project actuals and forecast provided and a description of the project. ICBC will continue to provide individual IT capital reports on non-evergreening projects that exceed the \$1 million IT capital reporting threshold.

On October 11, 2011, ICBC submitted to the Commission an Addendum to ICBC's September 22, 2011 Application (Addendum). The Addendum provides additional information regarding ICBC's definition and treatment of "evergreening". ICBC states that evergreening IT capital projects are those technology assets that have a regular replacement cycle, typically once every 3-5 years, where there is little change in the purpose for that technology from one replacement cycle to the next. The Addendum also provides ICBC's internal approval process for Information Systems funded projects, which includes evergreening projects.

1.2 Comment Process

By Order G-174-11 dated October 13, 2011, the Commission established a regulatory process for past interveners to provide stakeholder comment submission on the Application.

2.0 Past Interveners and Stakeholder Comment Submissions

The Commission received two stakeholder comment submissions. The Canadian Office and Professional Employees' Union, Local 378 (COPE 378) on October 21, 2011 and the BC Old Age Pensioners Organization *et al.* (BCOAPO) on October 28, 2011 submitted their comments to the Commission.

2.1 Canadian Office and Professional Employees' Union Local 378

In its letter dated October 21, 2011, COPE 378 submits that the Commission should reject ICBC's proposal.

COPE 378's submission is based on its assumption that the IT expenditures that ICBC proposes to bundle into the streamlined approval process are all part of the implementation of the Transformation Project, which includes the provision of replacement and new systems, technology and processes to support the claims and insurance operations. COPE 378 is concerned that if IT expenditures would be subject only to summary scrutiny if they are parceled into items below \$1 million in cost, that would undermine the Commission's ability to maintain vigilance over the entire situation. COPE 378 submits that ICBC's IT expenditures should be subject to close and not superficial public scrutiny while the Transformation Project is underway.

2.2 BC Old Age Pensioners Organization *et al.*

In its letter dated October 28, 2011, BCOAPO notes there is a marked lack of evidence on record to justify the Application and that expenditures require a greater degree of scrutiny, not a lesser one.

BCOAPO is of the view that IT capital reports for evergreening projects are hardly a significant or onerous regulatory burden to be borne as only 9 evergreening project reports by ICBC were filed with the Commission in the last 4.75 years.

BCOAPO has reviewed COPE's submissions (as mentioned in the previous section above) and concludes that given the context of the Transformation Project and its heavy focus on IT changes, as well as the Basic Insurance Ratepayers' potential exposure to Transformation Project costs in excess of \$400 million total, a decrease in Commission oversight in any IT project is not a low risk option at this time.

BCOAPO is also concerned about the estimated replacement costs for evergreening projects and whether evergreening is actually required at the time the expenditure is made. BCOAPO is of the view that no issues have been raised in the past does not mean that they might not arise in an environment where regulatory accountability is lower.

3.0 ICBC Reply Submission

On November 4, 2011, ICBC provided its reply submission that addresses the submissions by COPE 378 and BCOAPO regarding the Application.

In response to COPE 378's submission, ICBC submits that COPE 378's letter contains an argument that is based on a factual misunderstanding about the nature and impact of evergreening projects. ICBC submits that the Application is related to evergreening projects, not the Transformation Program (TP). ICBC states that evergreening and TP are distinct initiatives.

In response to BCOAPO's submission, ICBC submits that BCOAPO's assertions regarding ICBC's budgeting and the risk of evergreening projects are unfounded. Streamlining provides appropriate oversight for low-risk projects. ICBC believes that its budgeting process and the budgets for evergreening projects are appropriate.

ICBC submits that the Application should be approved as sought.

4.0 Commission Determinations

The Commission Panel has reviewed and considered the Application, the Addendum, stakeholder comment submission by COPE 378 and BCOAPO, and subsequent reply submission by ICBC. The Commission Panel findings and determinations are below.

The Commission Panel agrees that evergreening projects fit into a category of IT projects that are separate and distinct from the TP, as stated by ICBC in its reply submission. The Commission Panel considers the TP project to be outside the scope of this Application.

The Commission Panel notes the concerns with regard to the estimated replacement costs for evergreening projects and whether evergreening is actually required at the time the expenditure is made. The Commission Panel is of the view that ICBC provides sufficient detailed information with explanations to demonstrate that the budget cost variance and the requirement of the evergreening project in question is appropriate at the time of expenditure. ICBC provides this information in its annual IT Capital Expenditure Plan.

With respect to the concern regarding a decrease in Commission oversight, the Commission Panel is generally satisfied with the annual reporting filed confidentially by ICBC with the Commission in its annual update to the IT Strategic Plan and IT Capital Expenditure Plan. Under the proposed changes, the Commission Panel, based on experience of past IT Capital Expenditure Plan filings, believes ICBC will continue to provide informative reporting on ICBC's evergreening and non-evergreening projects for the Commission's review and comment.

The Commission Panel further notes the concerns of COPE 378 and BCOAPO that ICBC's IT capital project expenditures should be subject to close and greater degree of scrutiny. The Commission Panel shares those concerns, but considers that the submissions by COPE 378 and BCOAPO have not introduced substantial evidence that persuade the Commission Panel to make any modifications to the Application.

The Commission Panel has reviewed ICBC's internal approval process and its summary of the signing authority levels for Information Systems (IS) funded projects. The internal approval process for evergreening projects follows the standard approval process. The Commission Panel is of the view that ICBC's standard approval process demonstrates sufficient internal oversight and accountability for the purposes of IS funded projects, including evergreening projects.

The Commission Panel finds ICBC's evidence to be credible and considers that the proposal to streamline the reporting process for evergreening projects provides the Commission with adequate oversight and information. The Commission Panel also considers that the proposal allows for more efficient regulatory process on upcoming evergreening IT capital projects compliance reports that would otherwise have to be filed with and reviewed by the Commission.

Accordingly, the Commission Panel determines that approval is warranted for ICBC's proposal to streamline IT capital reporting requirements.

ICBC's Application to streamline the IT capital requirements for evergreening projects is approved, effective on the date of this Order. ICBC is directed to list evergreening projects that exceed the \$1 million IT capital reporting threshold in its Annual IT Capital Expenditure Plan as line items listing actual and forecast project expenditures with a description of the project. Individual IT capital reports will be discontinued for the following list of six evergreening projects:

- End-user Devices (e.g., Tablet PC Evergreening (2007)).
- End-user Software (e.g., 2008-2011 End User Software Upgrade).
- Servers and Mainframe (e.g., 2007 Server Evergreening, 2007 Mainframe Upgrade, and 2011 Data Centre Server Evergreening).
- Output Management Devices (e.g., 2007/2008 Output Management Renewal and 2009 Output Management Renewal).
- Data Networks (e.g., Data Network Evergreening (2010)).
- Storage (e.g., 2011 Storage Area Network (SAN) Evergreening).

If ICBC wishes to have additional evergreening projects listed for streamlined reporting, an initial individual IT project capital report shall first be filed for Commission review and approval.

ICBC is directed to continue the existing reporting regime consisting of a comprehensive annual IT capital plan filing that would identify the total IT capital expenditures (actuals and forecast). In addition, other than the evergreening projects approved by this Order, those individual projects that exceed a capital expenditure of \$1 million are to be reported, with explanatory detail and project justification, in a timely way for Commission comments, once internal corporate approvals have been achieved, but before implementation.