

Opening Statements of the Consumers' Association of Canada (Manitoba Branch)

2015/16 MPI GRA

October 22, 2014

CAC Manitoba

- Over two decades of rate hearings
- CAC Manitoba Interest: Core Consumer Rights:
 - The right to be informed
 - The right to choose
 - The right to be heard
 - The right to consumer education



CAC Manitoba *Position*

- Day to day contact
- Focus groups/stakeholder advisory panels
- CAC Board



Critical PUB Hearing

- **Process**
 - *Order 98-14*
 - reiteration of key principles
 - among best statements of rate regulation
 - foundation for future hearings

Will MPI endorse?

Critical PUB Hearing (*cont'd*)

- Protecting Ratepayers
 - Pressure operating/claims costs to 2018/19
 - Disproportionate IT Staffing - FTE and Consultants (Gartner Group)

Can MPI restore balance?



Critical PUB Hearing (*cont'd*)

- **Credible Forecasting/Acceptable Risk Analysis**
 - Credibility of AB WI, AB O and Collision liability estimates
 - RSR methodology and range

Will MPI achieve an acceptable, if not best practice, standard of risk analysis?

Legal Standard

- *Just and Reasonable Rate*
 - *PUB Act, s. 77*
 - *CCPRAA, s. 26 (4)*
 - *Order 98/14, p. 28*

Applying the Legal Standard

- Ensuring that forecasts are reasonably reliable;
- Ensuring that actual and projected costs incurred are necessary and prudent;
- Assessing the reasonable revenue needs of an applicant in the context of its overall general health
- Determining an appropriate allocation of costs between classes; and,
- Setting just and reasonable rates in accordance with statutory objectives.
 - *Order 98-14, p. 28*

Ensuring that Forecasts are Reasonably Reliable

- Cost Side
 - Collision Forecasting Methodology - any changes?
 - Rise in Collision Severity
 - Selection Tail Factor for AB WI and AB O (PIPP)
 - Implications of reserving review on the rise in PIPP ultimates

Ensuring that Forecasts are Reasonably Reliable

- Revenue Side
 - Is interest rate forecast reasonably reliable?
 - Is there a cost effective mechanism to build consensus regarding the interest rate forecasting methodology?
 - Is the methodology for estimating investment returns reliable?

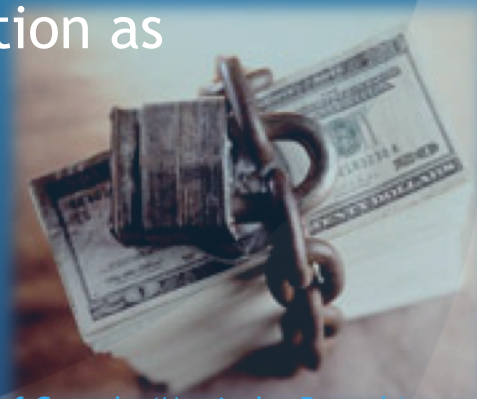
Ensuring that Actual and Projected Costs Incurred are Necessary and Prudent

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- Trends in Operating and Claims Costs
- Restoring balance to the number of IT FTEs and IT Consultants
- In the rush to information technology solutions is the Corporation maintaining traditional cost control checks and balances
- Further opportunities for cost savings

Ensuring that Actual and Projected Costs Incurred are Necessary and Prudent (*cont'd*)

- Has MPI been listening to the warnings related to its expenditures?
- Is there a disconnect between the language of cost containment and actions?
- Are efforts at cost control consistent with the characterization of the Corporation's situation as unprecedented?



Assessing the Reasonable Revenue Needs of MPI in the Context of its Overall General Health

- Are the proposed level of reserves reasonable and necessary?
 - Are the input assumptions to the DCAT analytically reasonable?
 - Is the rebuilding plan consistent with the goal of rate stability?
 - Is the proposed upper limit for the RSR justified by the evidence
 - Accounting treatment of the RSR?

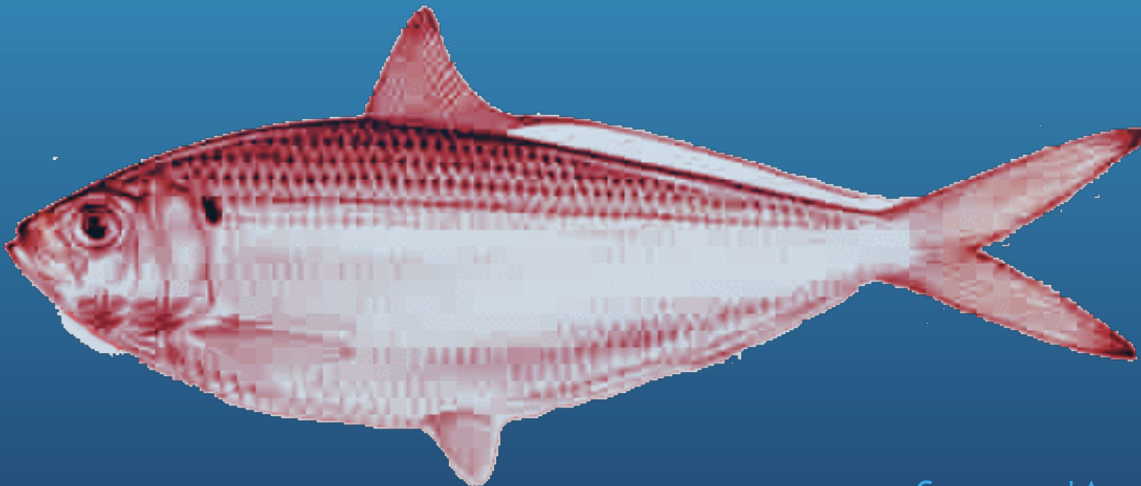


Assessing the Reasonable Revenue Needs of MPI in the Context of its Overall General Health (*cont'd*)

- The CAC Team:
 - Skilled in modern risk analysis
 - Balanced in skill sets
 - Connected to the original purpose of the RSR

Assessing the Reasonable Revenue Needs of MPI in the Context of its Overall General Health (*cont'd*)

- Beware of RSR Red Herrings?
- Does the MPI rebuttal sidestep the analytical *gravitas* of the CAC evidence and inadvertently mischaracterize it?



Assessing the Reasonable Revenue Needs of MPI in the Context of its Overall General Health (*cont'd*)

- Is our understanding of the RSR being blurred?
- Do we run the risk of the RSR serving as a backstop for imprudent expenditures rather than unforeseen events?

Determining an Appropriate Allocation of Costs Between Classes

- Are the proposed rates by class and customer actuarially indicated and statistically sound?

Setting Just and Reasonable Rates in Accordance With Statutory Objectives

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- Is the proposed rate just and reasonable?

The Appearance of Mr. Guimond

- His presence is appreciated
- Fragmented discussion unlikely to be cost effective and unlikely to further good discussion and two way learning
- Substantive cross - restricted to MPI Panel

A Healthier Regulatory Dialogue

- Reflection of CAC Manitoba team
 - What do we value about the regulatory process?
 - What trends are we less comfortable with?
 - How can we improve?
- Conversation with consumers
 - Part of *Manitoba Voices: A Dialogue between CAC MB, the Public Interest Law Centre and Consumers*

A Healthier Regulatory Dialogue (*cont'd*)

- Discussion between stakeholders outside the hearing room and before the filing of the next GRA
- Increased engagement with MPI
 - Contrast Hydro

Protecting Manitoba Ratepayers in Difficult Times

- Regulatory tradition - the envy of many
- Historic overcollection
- Regulatory Protection/Transparency
- Consumers continue to rely on regulatory process

Thank you