

MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)
GENERAL RATE APPLICATION FOR
2016-2017 INSURANCE YEAR
PRE-HEARING CONFERENCE

Before Board Panel:

Karen Botting	- Board Chairperson
Regis Gosselin	- Board Member
Anita Neville	- Board Member
Susan Proven	- Board Member
Allan Morin	- Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba

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“When You Talk - We Listen!”



<p style="text-align: right;">34</p> <p>1 specific issues related to vulnerable road-users. 2 It was very positive. Our client 3 learned a lot, but I didn't feel that I was able to 4 fully present the positions of Bike Winnipeg and/or 5 devote the amount of time that -- that their very 6 valuable perspective deserved. Last year, with the 7 support of CAC (Manitoba) Bike Winnipeg -- I might say 8 the advice of CAC (Manitoba) -- Bike Winnipeg 9 approached Mr. Monnin and Mr. Weinstein. And certainly 10 in our client's respectful view this was a -- a good 11 vehicle to more fully present the distinct and valuable 12 perspective of Bike Winnipeg. 13 So I hope that's helpful in 14 understanding where our client's coming from. Our 15 client is a -- a long-time Intervenor before the PUB. 16 We -- we treasure that honour and -- and hope to be 17 able to continue it in -- in this proceeding and -- and 18 in hearings in the future. Subject to questions of the 19 Board and any issues that arise in terms of reply those 20 are my comments. 21 THE CHAIRPERSON: Mr. Gosselin has a 22 question for you, Mr. Williams. 23 MR. REGIS GOSSELIN: Thank you, Mr. 24 Williams, for addressing the issue of road safety 25 because you anticipated my question. But the other --</p>	<p style="text-align: right;">36</p> <p>1 Hydro, for example, has been doing anything biased. 2 They've been relying on the banks and kind of a -- a 3 consensus forecast and similar to what MPI has done. 4 So that's on the Hydro side. And 5 certainly, our friends from MPI have -- or have been 6 articulating a parallel concern on -- on the MPI side, 7 as -- as well. 8 In -- in the Hydro hearing, our client 9 identified our concerns with -- with the -- the 10 longstanding pattern of overestimating interest rate 11 costs. We noted that in January of 2015, the overnight 12 rate for the Bank of Canada went down for the first 13 time in five (5) years. And so even when interest rate 14 forecasters actually made a very substantial correction 15 to their approach over the past year, they're -- 16 they're also still on the path of overestimating 17 interest -- interest rates, at least, it looks like, 18 for 2015/'16. 19 One (1) of the recommendations our 20 client made in the Hydro GRA was that there might be 21 value -- because it's an issue that historically has 22 affected both of our -- our major Crowns, that there 23 might be some value in -- in having some sort of 24 technical conference or dialogue in terms of trying to 25 have a -- a common approach to interest rate</p>
<p style="text-align: right;">35</p> <p>1 the other issue that I'd like you to comment on is the 2 issue of interest rate forecasting. And perhaps you 3 could tell the other participants about the 4 recommendation, or at least the -- the position that 5 CAC has taken in the other hearing -- other rate 6 hearing that's going on. 7 MR. BYRON WILLIAMS: Yes. And -- and 8 thank you. And it's interesting because these are 9 uncertain times for interest rate forecasters. And -- 10 and certainly with the panel's invitation, in -- in the 11 Hydro general rate application, we did go through 12 evidence that addressed how interest rate forecasts 13 have consistently overstated the interest rate 14 expectations as compo -- as -- as compared to -- as 15 compared to actual interest rate costs. 16 And it's important both to Manitoba 17 Hydro, because it goes to their debt, and it's 18 important to MPI, obviously, both on the -- the revenue 19 side and on the cost side. It's -- it's a little more 20 complex in -- in terms of how it affects MPI. For 21 Manitoba Hydro, lower interest rates are inevitably 22 good news. For MPI, it's a bit of a -- a bit more of a 23 mixed message. 24 So our client has been articulating 25 those concerns. And -- and that's not to suggest that</p>	<p style="text-align: right;">37</p> <p>1 forecasting and an exchange of views. 2 And so that was something that -- Mr. 3 (sic) Chair, if that helps, I -- I'm assuming that's 4 the insight. And so it's one (1) of the lessons we've 5 -- we've learned on the Hydro side. And -- and we've 6 shared this concern on the MPI side, as well. We just 7 haven't been satisfied to date with MPI's proposals to 8 -- to address it. So that's where we're -- we're -- we 9 -- why we think it's -- it's an issue now. 10 Whether the asset -- whether the new 11 proposed investment strategy obliterates that risk, you 12 know, we'll -- we'll form an opinion, but that -- that 13 is the position we took in the Hydro GRA. Thank you 14 for that opportunity. 15 THE CHAIRPERSON: Thank you, Mr. 16 Williams. Now I'd like to welcome Mr. Raymond Oak -- 17 Oakes. Mr. Oakes, would you like to introduce yourself 18 and your organization, and then give your opening 19 comments? 20 21 OPENING COMMENTS BY CMMG: 22 MR. RAYMOND OAKES: I'd be happy to, 23 Madam Chairperson. Members of the Board, ladies and 24 gentlemen this morning, my name is Raymond Oakes. I'm 25 an attorney at Booth Dennehy. I've been representing</p>

<p style="text-align: right;">62</p> <p>1 involved in the social impact, the social costs of 2 severe injuries. However, charitable organizations are 3 restricted by the amount of time they can devote to 4 political nonpartisan activities under the CRA -- Cana 5 -- Canada Revenue Assoc -- CRA rules. 6 We have also reached out to WRHA and 7 Manitoba Health, who are particularly interested in the 8 public health for pedestrians and that kind of cohort. 9 They're operating around in the streets. However, they 10 feel that this forum is a -- a bit adversarial and not 11 appropriate for them since they are members of 12 government to become involved, either as experts or as 13 -- as Intervenors. 14 And hopefully, I'll eventually be able 15 to persuade them to become here -- come here as 16 presenters. So we are attempting to make some 17 collaboration with pedestrians. We would certainly be 18 welcome to collaborate with other -- other Intervenors 19 in any type of focus group about their situation. 20 MR. REGIS GOSSELIN: And I guess the -- 21 you know, you've heard the other Intervenors and -- and 22 they've described their interest in road safety. So 23 here we have a set of Intervenors who -- all of whom 24 want to, you know, tug at that -- at that string, and I 25 guess the question I have is: To what extent is the</p>	<p style="text-align: right;">64</p> <p>1 (BRIEF PAUSE) 2 3 MR. MICHAEL WEINSTEIN: Subject to any 4 further questions, those are our comments. 5 THE CHAIRPERSON: Okay. Thank you very 6 much. I think at this point we're going to take a 7 short break and then we'll come back and have Ms. 8 Kalinowsky make her responses. 9 10 --- Upon recessing at 10:23 a.m. 11 --- Upon resuming at 10:42 a.m. 12 13 THE CHAIRPERSON: We'll return -- 14 welcome back. Just before we go on to Ms. Kalinowsky's 15 responses to the Intervenors, I just want to -- we 16 wanted to ask one (1) question again of Mr. Williams, 17 just for clarification. It's -- we just didn't get it 18 quite clear. 19 There were two (2) conflicts you 20 mentioned that you had with Bike Winnipeg. One (1), in 21 regard to the role of government and MPI, I believe. 22 And the other was -- was it cost effectiveness or we -- 23 we -- it wasn't quite clear and we just wanted to be -- 24 MR. BYRON WILLIAMS: Yeah, and -- and I 25 apologize if I -- I was unclear. I -- I wouldn't say</p>
<p style="text-align: right;">63</p> <p>1 intervention by Bike Winnipeg going to be different 2 than what we hear from what the other Intervenors have 3 indicated they will be looking -- examining? 4 5 (BRIEF PAUSE) 6 7 MR. JASON CARTER: The -- the 8 difference here is that we're certainly concerned with 9 vulnerable road users specifically. We do not have a 10 double role of also thinking about the rates that are 11 associated with insuring the vehicles that they're 12 talking about, but we're worried about the -- the human 13 and social impacts of individuals, and that we 14 prioritize life over -- over -- and the preservation of 15 a life as -- over the -- the property. 16 So I think that's a -- a basic 17 distinction between these two (2) -- two (2) sets of 18 Intervenors. I -- I'm not sure if that ansh -- answers 19 your question, though. Is that all right? Is that all 20 right? 21 22 (BRIEF PAUSE) 23 24 THE CHAIRPERSON: That answers his 25 question. Thank you.</p>	<p style="text-align: right;">65</p> <p>1 those were the only potential conflicts, but these were 2 the -- the most prominent. The other one (1) related 3 to in terms of evaluating the cost effectiveness of 4 road safety investment. The relative weight do you -- 5 you do to -- because there's a -- a financial 6 investment that presumably has a return in lower rates 7 which is clearly a long-standing concern of our 8 client's. 9 There's also a -- a financial investment 10 that -- that may have a -- a return in terms of 11 societal costs in terms of reducing both the -- the 12 emotional and physical trauma, but also the overall 13 societal investment. And that is something that CAC 14 (Manitoba) would take into account, but I -- I would -- 15 I think is something that from the Bike Winnipeg 16 perspective would be a -- a predominant issue. And so 17 that -- that would be an -- an area where there's a -- 18 a potential conflict. 19 And -- and just to draw on our Hydro 20 experience for a moment. When we invest in energy 21 efficiency we look at a saving to ratepayers. We also 22 are increasingly looking at a societal cost analysis. 23 But when you look at -- at the two (2) potential 24 organizations -- and I don't think I'm sharing anything 25 untowards -- but the balance that they might draw might</p>

1 be different. So that -- that was the second point I
2 was -- I was trying to make.
3 THE CHAIRPERSON: Okay. Thank you, Mr.
4 Williams. Oh, and -- yeah, sorry. And just before we
5 go to Ms. Kalinowsky we're going to ask Bike Winnipeg
6 if they wanted to comment on those distinctions.

7
8 (BRIEF PAUSE)

9
10 MR. JASON CARTER: Thank you. I'm --
11 I'm not sure if I understand the second point Mr.
12 Williams has made. Yeah, but just a moment on -- on
13 the cost effectiveness and the return on investment
14 here. Particularly that in our view life is most
15 important, right? So a dominant factor here is that --
16 that preservation of life is -- is -- makes the most
17 sense for all entities here.

18 And our view also is that MPI has a role
19 in that because it is already involved in our public
20 health network. MPI provides tertiary prevention. In
21 other words, it -- it provides an -- an avoidance of
22 destitution, which is the same thing as -- the same
23 role as WCB does. In other words, provides income to -
24 - and -- and wage loss benefits to people who are
25 already injured.

1 So it is already involved and already
2 has a role to play in our public health and our social
3 services network in -- in that. So it is already, in
4 our view, a public health entity of sorts. Maybe at
5 arm's length. It may not be its -- its direct focus,
6 but it's already there. And so it naturally follows in
7 tertiary prevention it has something to say about
8 secondary prevention, seatbelts, and those things that,
9 you know, lessen the impact from injury and also previ
10 -- primary prevention, stopping the impact from
11 happening right off the start.

12 And in that sense it has a happy, dual
13 function of also being effective in primary prevention,
14 also means that it will reduce rates at the same time
15 on a -- on a demand-side management perspective here.

16 So that is -- that is our view of MPI as
17 a whole. It has something to say and it needs to take
18 a dominant role in -- in primary prevention. And that
19 role, in our view, can simply be -- or not simply,
20 actually could be as an overview entity looking at the
21 coordination of all other entities that have some
22 effect or touch upon road safety in the province,
23 including Manitoba Health, including WCB and the work
24 safe programs, including the police, including the city
25 and that sort of thing.

1 MPI is the only entity that will have a
2 direct financial benefit from the effectiveness of
3 those programs, so why is it not, or is it, doing a
4 good job of coordinating all those -- those parts of
5 it?

6 When we come to the rates themselves and -
7 - and the return on investment we have a lot of
8 concerns about talking about the prioritization of
9 programs based on the financial amounts, either the --
10 the yearly amounts that are paid out, and also the
11 ultimate costs. Well, those costs are income
12 dependent. And so then you necessarily have a
13 subordination of vulnerable road users, cyclists, for
14 instance, if they are, most of them are, of a lower-
15 income or pedestrians who are lower-income, whereas --
16 and that doesn't make sense to us when we're talking
17 about prioritization of programs to have the pre --
18 pres -- the preservation of life instead.

19 Similarly, in societal costs, Mr.
20 Williams talked about the emotional and social effects
21 of these injuries. However, if you're talking about
22 the prioritization of programs and what do you do, it
23 can also be fi -- financial. There is -- is concepts
24 of the statistical value of life, which would put --
25 which would iron out those income gradients between

1 them.

2 And so we're not talking about an
3 ultimate value of eighty thousand dollars (\$80,000) for
4 a fatality or four hundred thousand dollars (\$400,000)
5 for a fatality (sic), but we're talking about 9, 10, \$13
6 million. And now we evaluate different types of -- of
7 pro -- programs in terms of what that means for society
8 in general in cost.

9 So those -- those differences of
10 approach and thought are different from what CAC has,
11 so we could be in conflict on those parts. I think Mr.
12 Weinstein had some comments about the government side.

13 MR. MICHAEL WEINSTEIN: I think Mr.
14 Carter has covered it mostly, particularly with respect
15 to the social costs. But because of the differing
16 primary interests of Bike Winnipeg being primarily road
17 safe in the protection of VRUs, we do see very clearly,
18 as Mr. Williams has pointed out, a potential conflict
19 on questions that include what the appropriate role is
20 for say government versus the role of MPI.

21 THE CHAIRPERSON: Mr. Williams...?

22 MR. BYRON WILLIAMS: I won't go on with
23 this. I think Bike Winnipeg has captured -- I just --
24 I don't want to leave the impression that our -- our
25 client is certainly very interested in the societal