

MANITOBA HYDRO 2017/18 & 2018/19 GENERAL RATE APPLICATION
BUSINESS COUNCIL OF MANITOBA
INTERVENER EVIDENCE INFORMATION REQUESTS
COALITION (COMPTON/SIMPSON)
NOVEMBER 15, 2017

BCM/ COALITION (COMPTON/SIMPSON) - 32

Reference:

The Effect of the Proposed Hydro Rate Increase on the Manitoba Economy Co-authored by Dr. Wayne Simpson and Dr. Janice Compton

Question:

On pages 2-3, the authors of the report state as follows: "Our preferred estimates indicate that due to the proposed increase in real hydro prices, the Manitoba economy will be 3.4% smaller after seven years than it would have been in the absence of hydro price increases above the inflation rate.". Provide comment and discussion of the effect a downgrade of Manitoba Hydro's or the Province of Manitoba's credit rating (and consequent increased borrowing costs) would have on the size of the Manitoba economy. Please quantify and provide specific metrics wherever possible.

Response:

While a downgrade of Manitoba Hydro's or the Province of Manitoba's credit rating may impact the economy, we see this as a second order effect that is highly speculative. Moreover, the analysis as requested is simply not possible due to a lack of information.

To analyze a credit downgrade on the economy using the input/output model that we employ, we would require information on (1) how (whether) the downgrade affects borrowing costs (interest rates on new debt) for the province and/or Manitoba Hydro; (2) the amount of new borrowing planned by the province and/or Manitoba Hydro in order to determine the full cost of these higher interest rates; and (3) whether the higher interest payments is funded through higher

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taxes, reduced spending, more debt, or higher hydro prices. Further, if through higher taxes or reduced spending, we would need to make assumptions on which taxes and which spending is affected.

Without such information, any comments on this potential effect of the proposed hydro rate changes would be necessarily vague and uninformative.

BCM/COALITION (COMPTON/SIMPSON) – 33

Question:

On page 3, the authors of the report state as follows: "Moreover, the hydro price change will result in close to 3900 fewer jobs in the province after seven years than would exist without the prices increases." Provide comment and discussion on how many jobs the Province has lost or added annually over the last three years, broken down on a monthly basis. Further provide comment and discussion of the effect a downgrade of Manitoba Hydro's or the Province of Manitoba's credit rating (and consequent increased borrowing costs) would have on the size of the Provincial job market in the event that a credit downgrade were to take place. Please quantify and provide specific metrics wherever possible.

Response:

The following table shows the annual estimates of employment in Manitoba from the Labour Force Survey (estimate of number of individuals employed in the province during the year) and the Survey of Employment and Payroll Hours (number of jobs in the province, including all industrial sectors except those primarily involved in agriculture, fishing and trapping, private household). Our estimate of 3900 fewer jobs in the province after seven years is a total loss of approximately 0.6% - 0.66% of total jobs in the province.

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Annual Employment Estimates - Labour Force Survey and Survey of Employment and Hours

YEAR	LFS	SEPH
2001	549,900	491,673
2002	563,300	502,443
2003	566,500	509,028
2004	572,600	503,759
2005	576,500	506,712
2006	583,200	518,097
2007	592,500	535,183
2008	601,600	550,089
2009	600,500	546,153
2010	609,000	546,963
2011	611,700	553,206
2012	621,600	563,133
2013	625,800	575,985
2014	626,500	574,721
2015	636,200	579,445
2016	633,600	583,742

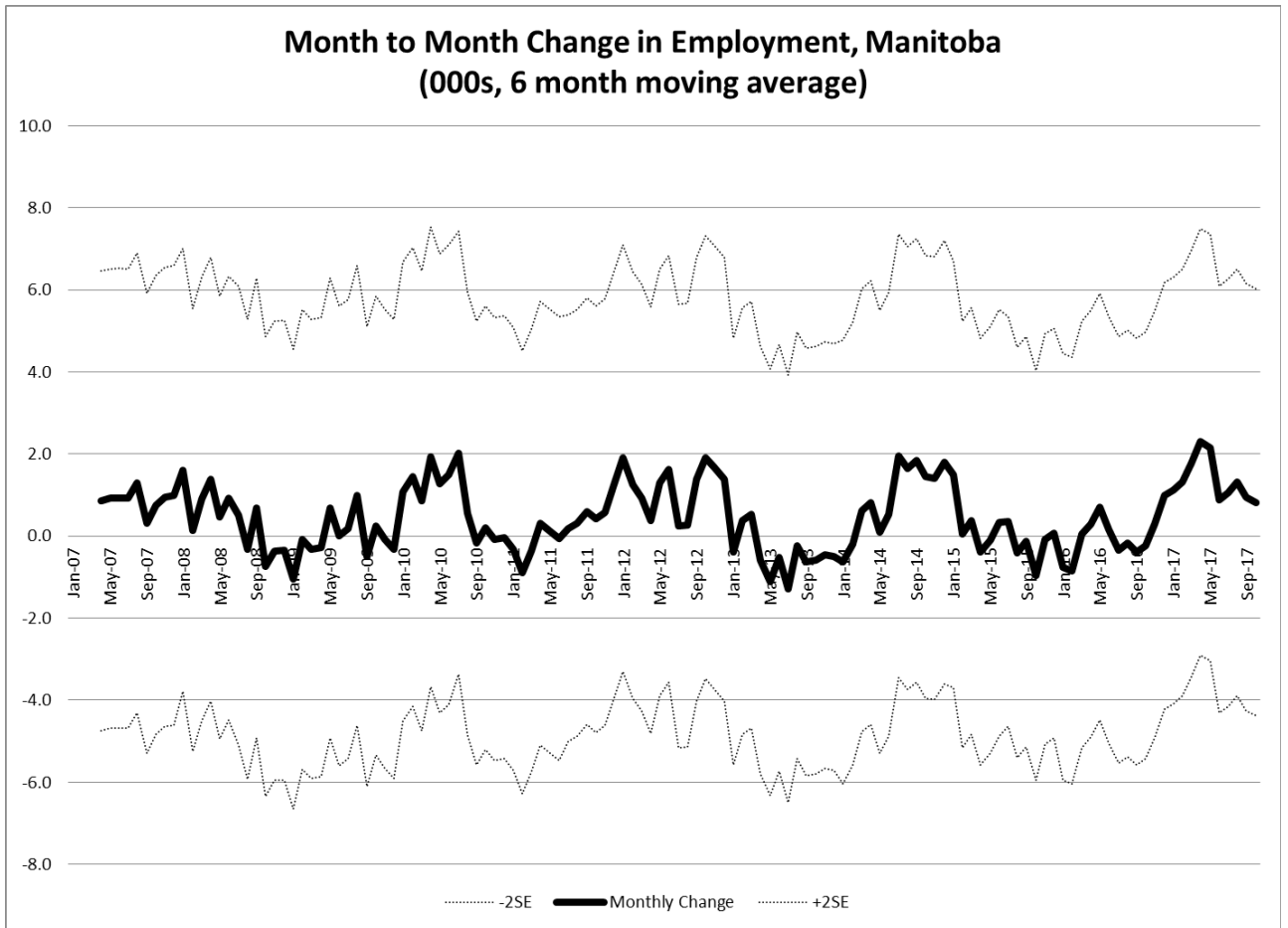
Statistics Canada. Table 282-0002 - Total Employment. Labour force survey estimates (LFS), annual (persons)

Statistics Canada. Table 281-0042 - Survey of Employment, Payrolls and Hours (SEPH), employment, annual (persons)

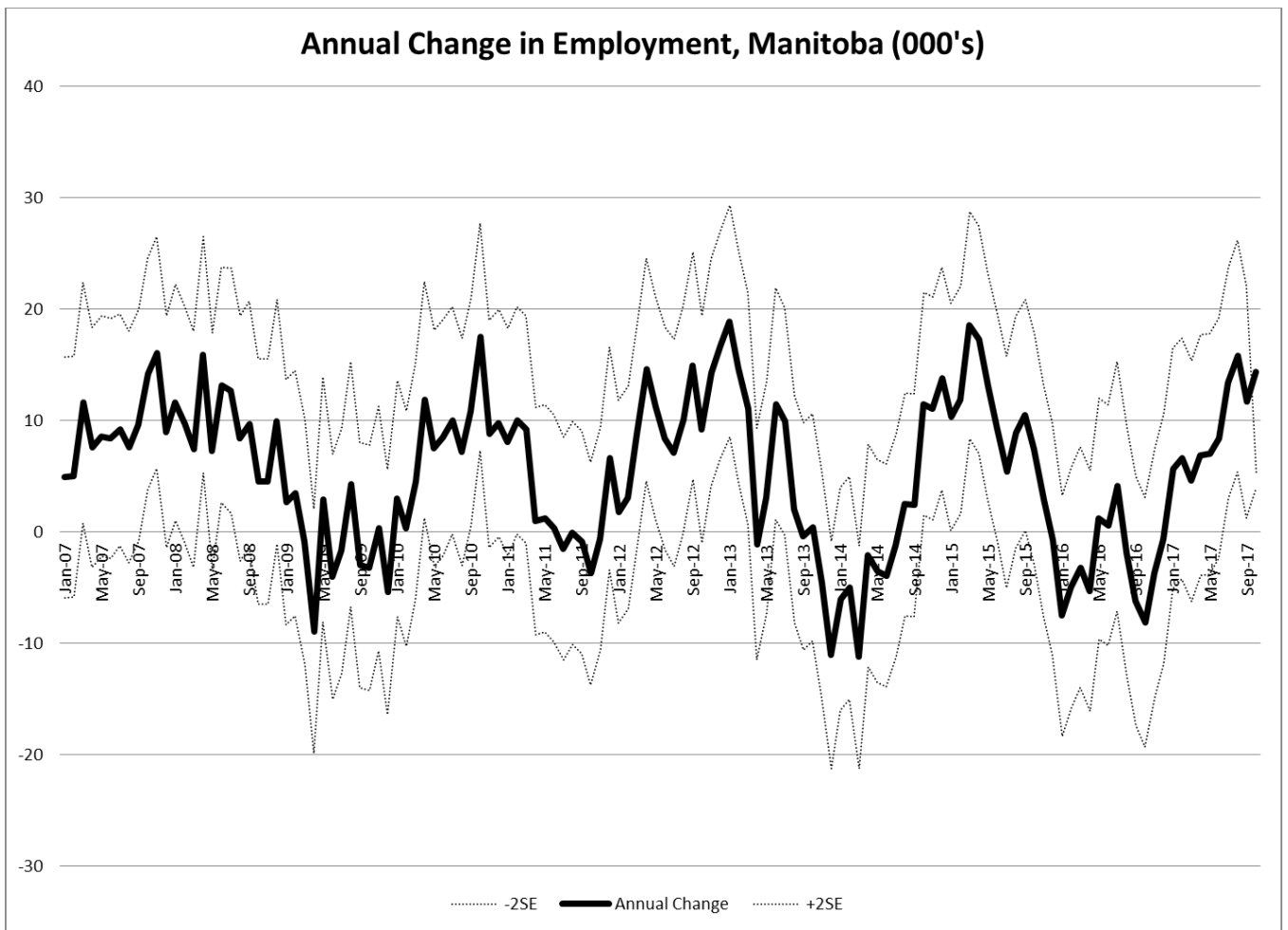
The two graphs below show the monthly change in total employment, and the annual change in total employment in Manitoba over the previous ten years. The monthly figures show large month to month variation. Presented are six month moving averages to smooth out the monthly variations. Over the past ten years, the average monthly growth in employment was 467 individuals. The average annual change in employment is 5400 individuals, although there is much variation around that figure. To put into relative terms, our estimate of 3900 jobs lost over seven years is less than the average one-year increase in employment,

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however within the assumptions of the model it is a permanent decrease relative to the counterfactual of inflationary growth.



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In reference to the second part of this query, requesting employment effects due to a possible credit downgrade, please see response to BCM/CC (COMPTON/SIMPSON) - 32.

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BCM/CC (COMPTON/SIMPSON) - 34

Question:

What is the impact on the Manitoba economy and jobs in Manitoba of a credit rating downgrade for the province of Manitoba? Please provide a discussion with specific references to your submission, or the submissions of others, where applicable. Please quantify and provide specific metrics wherever possible.

Response:

Please see response to BCM/CC (COMPTON/SIMPSON) - 32