



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)

2020/2021 GENERAL RATE APPLICATION

PRE-HEARING

Before Board Panel:

Irene Hamilton - Board Chairperson

Robert Gabor, Q.C. - Board Chair

Robert Vandewater - Board Member

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

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APPEARANCES

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Robert Watchman ) Board Counsel  
Roger Cathcart ) Consultant  
Candace Martyszenko ) Consultant  
Steven Scarfone ) Manitoba Public  
Michael Triggs ) Insurance  
Antony Guerra )  
Jeff Grozier )  
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Taylor Swan )  
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Christian Monnin ) Bike Winnipeg  
Mark Cohoe )  
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1 --- Upon commencing at 9:34 a.m.

2

3 THE CHAIRPERSON: Good morning, ladies  
4 and gentlemen, and welcome to the prehearing  
5 conference for Manitoba Public Insurance's 2020/2021  
6 General Rate Application filed June 20th, 2019. I'm  
7 Irene Hamilton, the Chair of this panel of the Public  
8 Utilities Board.

9 Joining me today are the Board Chair  
10 Robert Gabor and Board member Robert Vandewater. The  
11 panel is assisted in this hearing by secretary Darren  
12 Christle and hearing assistant Diane -- Diana  
13 Villegas.

14 Kathleen McCandless and Robert Watchman  
15 will act as Board counsel. As in prior hearings, the  
16 Board is also assisted by technical advisors from  
17 Cathcart Advisors and Deckler Partners (phonetic).

18 The Public Utilities Board's mandate is  
19 to set just and reasonable rates that are in the  
20 public interest. The public interest has been defined  
21 by the Manitoba Court of Appeal as balancing the  
22 impacts of rate increases on consumers with the fiscal  
23 health of the Utility.

24 In order to set just and reasonable  
25 rates that are in the public interest, the Board will

1 need to hear and consider all of the evidence adduced  
2 on the record of this proceeding, and hear submissions  
3 from Manitoba Public Insurance and all approved  
4 intervenors.

5                   Manitoba Public insurance is applying  
6 for approval of its premiums charged with respect to  
7 compulsory driver and vehicle licensing. This general  
8 rate application will be conducted in accordance with  
9 the provisions of the Crown Corporation's Governance  
10 and Accountability Act and the Public Utilities Board  
11 Act.

12                   We will employ throughout the pro --  
13 process, the Board's rules of practice and procedure,  
14 which can be viewed on the Board's website. Any  
15 questions in terms of locating the rules can be posed  
16 to the Board office.

17                   In its application, MPI proposes new  
18 premium rates to take effect on March 1st, 2020,  
19 which, if granted, would represent a 0.1 percent  
20 overall rate increase over the current insurance year.  
21 This rate is based provisionally on the interest rate  
22 forecast as at February 28th, 2019, and is to be  
23 updated to a final rate indication based on the  
24 interest rate forecast as at September 30th, 2019.

25                   MPI is also seeking approval of its

1 Capital -- Capital Management Plan, which, among other  
2 things, establishes the method for achievement of a  
3 100 percent minimum capital test capital level for the  
4 basic rate stabilization reserve.

5 As always, MPI bears the onus in this  
6 proceeding of satisfying the Board that its  
7 application should be granted on the whole of the  
8 evidence that it provides.

9 Our objectives for today's prehearing  
10 conference are to identify prospective Intervenors, to  
11 learn the reasons for their sub -- their intervention,  
12 to hear submissions on the issues to be included in  
13 the scope of the General Rate Application, more  
14 particularly, any variation from the preliminary  
15 issues list, which was approved by the Board on May  
16 21st, 2019, in its pre -- interim procedural Order  
17 number 66/'19.

18 To hear requests from MPI on any  
19 proposed Intervenors for pre -- or any proposed  
20 Intervenors for prequalification of expert witnesses  
21 they intend to call at the public hearings to gain an  
22 appreciation of any cost awards that may be sought by  
23 Intervenors and to discuss and arrive at a timetable  
24 for the orderly exchange of evidence and information  
25 throughout this GRA process.

1                   The Board welcomes public  
2 participation, and there are several -- several ways  
3 for the public to participate and communicate with the  
4 Board. Individuals or groups may provide written  
5 comments to the Board. Another method of  
6 communicating comments to the Board would be by  
7 attending before the Board to make an oral  
8 presentation. As part of that process, the Board will  
9 also consider what weight, if any, should be attached  
10 to information received from members of the public,  
11 which is not sworn or subject to cross-examination.

12                   All parties and their representatives  
13 and consultants should be aware that the Board intends  
14 to livestream the public hearing proceedings in  
15 October through a link accessible on the Board's  
16 website. As such, the use of acronyms is to be  
17 discouraged. This would be not only for the benefit  
18 of persons watching the livestream, but also for the  
19 benefit of Board members. It will assist in the  
20 panel's and public's understanding of the issues and  
21 evidence if acronyms are avoided.

22                   The Board appreciates that some per --  
23 potential Intervenors who will be seeking cost awards  
24 at this time may not have provided detailed budgets,  
25 as the approval of Intervenor status and approval of



1 issues for each Intervenor has not been given.

2           After the Board has issued its  
3 procedural order approving Intervenor status and  
4 issues, approved Intervenor will be required to file  
5 their detailed budgets within the time prescribed by  
6 the Board. The Board approved a new Intervenor cost  
7 policy as at September 28th, 2018. Prospective  
8 Intervenor should firmly -- familiarize themselves  
9 with that policy, which is available on the Board's  
10 website and which has previously been circulated to  
11 Intervenor of record.

12           For Intervenor seeking an award of  
13 costs, please also undertake to file with the Board  
14 within two (2) business days from today a  
15 demonstration of the Intervenor's financial need for  
16 assistance to intervene, including filing the  
17 Intervenor's most recent financial statements.

18           The Board is continuing with its  
19 prequalification process for expert witnesses this  
20 year. Experts may no longer need to be qualified in  
21 the same manner as previous MPI GRA hearings. In her  
22 opening remarks, PUB Council, Ms. McCandless, will  
23 read the process into the record. Ultimately, the  
24 Board will determine what weight, if any, to attach to  
25 each expert's testimony.

1                   Likewise, members of the public who  
2 appear before the Board as presenters will be afforded  
3 the opportunity to speak to the Board as to the facts  
4 of their specific circumstances and issues related to  
5 MPI's GRA. The public will determine what weight, if  
6 any, to attach to the -- sorry, the Board will  
7 determine what weight, if any, to attach to the  
8 presentations for members of the public. Parties can  
9 expect more direction from the Board on this topic in  
10 the near future, and always -- as always, your  
11 comments are welcome.

12                   The Manitoba ombudsman has issued  
13 privacy guidelines for administrative tribunals. The  
14 PUB is mindful of its obligations under those  
15 guidelines, its decisions in respect of the  
16 application being considered, will be sensitive to  
17 them. Personal information will not be disclosed  
18 unless it is appropriate and necessary to do so.  
19 However, the PUB advises participants that these  
20 proceedings are public, and that as a result, personal  
21 information protections are reduced.

22                   I will now call upon Board counsel for  
23 int -- introductions, followed by MPI's counsel, Mr.  
24 Scarfone, to introduce the representatives of MPI who  
25 are present, after which I will call upon the

1 prospective Intervenors who are present to introduce  
2 themselves. Once we have heard all introductions, I  
3 will call upon Board counsel to make opening comments.

4

5 OPENING COMMENTS BY BOARD COUNSEL:

6 MS. KATHLEEN MCCANDLESS: Thank you,  
7 and good morning to the members of the panel. It's  
8 Kathleen McCandless and Robert Watchman of Pitblado,  
9 LLP, Board counsel. To my left is Roger Cathcart and  
10 Candace Martyszenko of Cathcart Advisors, accounting  
11 advi -- advisors to the Board.

12

13 (BRIEF PAUSE)

14

15 MR. STEVE SCARFONE: Good morning.  
16 Steve Scarfone, legal counsel for MPIC. To my right  
17 is Michael Triggs, general counsel for Manitoba Public  
18 Insurance. To his right is Anthony Guerra, also legal  
19 counsel for Manitoba Public Insurance. To my left is  
20 Jeff Crozier. He's our director of regular --  
21 regulatory affairs. And behind me is Peter Hope and  
22 Ted Meira, both analysts in the regulatory affairs  
23 department.

24

THE CHAIRPERSON: Thank you.

25

MR. STEVE SCARFONE: Good morning.

1 THE CHAIRPERSON: Mr. Williams...?  
2 Ms. Dilay...?

3 MS. KATRINE DILAY: Thank you.  
4 Katrine Dilay, and to my right is Byron Williams from  
5 the Public Interest Law Centre, representing the  
6 prospective Intervenor, the Manitoba branch of the  
7 Consumers' Association of Canada. Behind me is Gloria  
8 Desorcy, executive director of CAC (Manitoba), and to  
9 her left is Taylor Swan, a summer student with the  
10 Public Interest Law Centre.

11 THE CHAIRPERSON: Thank you. Mr.  
12 Oakes...?

13 MR. RAYMOND OAKES: Thank you, Madam  
14 Chairperson. Raymond Oakes of the law firm BD Oakes.  
15 I'm joined this morning by another lawyer of my  
16 office, Charlotte Meek, on behalf of the CMMG.

17 THE CHAIRPERSON: Thank you. One  
18 moment, please. Mr. Monnin...?

19 MR. CHRISTIAN MONNIN: Thank you,  
20 Madam Chair. Christian Monnin, with the firm Hill  
21 Sokalski Walsh, here on behalf of Bike Winnipeg. On  
22 my left, I have Mr. Charles Feaver from Bike Winnipeg,  
23 and on my right, I have Mr. Mark Cohoe, also from Bike  
24 Winnipeg.

25 THE CHAIRPERSON: Thank you. Mr.

1 Ladyka...?

2 MR. ALAN LADYKA: Good morning, Madam  
3 Chairperson. My name is Alan Ladyka. I am counsel  
4 from legal services branch with Manitoba Justice, here  
5 on behalf of the Attorney General of Manitoba, and I  
6 would ask for the opportunity to speak at the  
7 appropriate time on one (1) particular issue that  
8 arose out of the interim procedural order of the  
9 Board, that issue being the potential challenge to the  
10 validity of the reserves regulation.

11 THE CHAIRPERSON: Certainly. Thank  
12 you.

13 MR. DARREN CHRISTLE: Darren Christle  
14 and Diana Villegas from PUB staff.

15 THE CHAIRPERSON: Ms. McCandless...?

16 MS. KATHLEEN MCCANDLESS: Thank you.  
17 So first I would just point out to everyone that the  
18 agenda for today's prehearing conference is set out on  
19 the screens before you, so that's how we will proceed  
20 this morning. And at this time, I would like to enter  
21 exhibits for the record on behalf of the Public  
22 Utilities Board.

23 PUB-1 will be the Notice of Public  
24 Hearing and prehearing conference dated June 22nd,  
25 2019.

1                   PUB-2 is the Board's Rules of Practice  
2 and Procedure.

3                   PUB-3 is the proposed hearing  
4 timetable.

5                   PUB-4 is the letter from the Board  
6 secretary Mr. Christle to MPI and all prospective  
7 intervenors dated June 20, 2019, and the contained  
8 attachments. And the letter addressed such issues as  
9 intervenor responsibilities, minimum filing  
10 requirements, the prehearing workshop, today's  
11 prehearing conference, and the format to be used for  
12 Information Requests.

13                   PUB-5 is the letter from Mr. Christle  
14 to MPI and all prospective intervenors dated June 20,  
15 2019, and this is a letter that related to the pre-  
16 qualification process for expert witnesses.

17

18 --- EXHIBIT NO. PUB-1:       Notice of Public Hearing  
19                                   and prehearing conference  
20                                   dated June 22nd, 2019.

21

22 --- EXHIBIT NO. PUB-2:       Board's Rules of Practice  
23                                   and Procedure.

24

25 --- EXHIBIT NO. PUB-3:       Proposed Hearing

1 timetable.

2

3

4 --- EXHIBIT NO. PUB-4: Letter from the Board  
5 secretary Mr. Christle to  
6 MPI and all prospective  
7 intervenors dated June  
8 20, 2019, and the  
9 contained attachments

10

11 --- EXHIBIT NO. PUB 5: Letter from Mr. Christle  
12 to MPI and all  
13 prospective intervenors  
14 dated June 20, 2019

15

16 MS. KATHLEEN MCCANDLESS: So I will  
17 read the process for today's pre-qualification as it  
18 was stated in the letter into the record.

19 First, the parties intending to pre-  
20 qualify a witness will have already filed with the  
21 Board the curriculum vitae of any witnesses, along  
22 with the proposed areas of pre-qualification.

23 And this morning, the parties shall  
24 make submissions to the Board as to the qualifications  
25 of the witnesses and request pre-qualification of the

1 Board. The witness need not be called to give viva  
2 voce evidence at the pre-hearing conference. Other  
3 parties may make submissions to the Board regarding  
4 the request for pre-qualification.

5                   If there are no objections from other  
6 parties to the request for pre-qualification, the  
7 Board will issue its decision on pre-qualification in  
8 the procedural order following today's pre-hearing  
9 conference.

10                   If the Board grants the request for  
11 pre-qualification, then there will be no need to  
12 qualify the expert when he or she is called to testify  
13 in the public hearings. If there are objections to  
14 pre-qualification or if the Board declines the request  
15 for pre-qualification, the witness will then need to  
16 be examined on his or her qualifications at the public  
17 hearings.

18                   And PUB-6 is a letter from Mr. Christle  
19 to MPI and all prospective Intervenors dated June 25,  
20 2019, with attachments, and that letter related to the  
21 process for the treatment of commercially sensitive or  
22 confidential information in this GRA.

23

24 --- EXHIBIT NO. PUB-6:           Letter from Mr. Christle  
25   to MPI and all



1 prospective Intervenor  
2 dated June 25, 2019, with  
3 attachments.

4  
5  
6 MS. KATHLEEN MCCANDLESS: And to  
7 summarize this process, it is being used for the first  
8 time in this GRA. MPI will not be required to bring a  
9 motion for confidential status each time that it files  
10 material claimed as such with the Board. So rather,  
11 once all material claimed as confidential in this GRA  
12 has been filed with the Board, which is likely to be  
13 after second-round Information Request responses are  
14 filed, MPI will then bring one omnibus motion seeking  
15 a Board order including the confidential status of all  
16 the material.

17 Prior to then, when MPI files material  
18 claimed as confidential with the Board, it will also  
19 provide copies of that material to Intervenor and  
20 Board advisors who have executed undertakings and  
21 confidentiality agreements which have  
22 already been circulated; that way, Intervenor and  
23 Board advisors will be able to see the material at the  
24 same time that it's filed with the Board.

25 Publicly available information will be

1 redacted as necessary by MPI to prevent the release of  
2 any information claimed as confidential.

3                   Prior to hearing from prospective  
4 intervenors, I confirmed that each should provide the  
5 following information to the Board in order that it  
6 can deliberate on side -- and decide intervention.

7                   First, an indication of their  
8 constituency and interests; second, an outline of the  
9 areas of MPI's application that they intend to test;  
10 third, their reasons for requesting Intervenor status,  
11 fourth, their plans to call evidence at the hearing;  
12 and five, whether they intend to seek an award of  
13 costs, bearing in mind that the proposed budget is to  
14 be provided in accordance with the direction provided  
15 by the Panel Chair in her opening comments.

16                   Lastly, at the workshop on Monday, June  
17 24th, the Preliminary Issues List was discussed and I  
18 expect that you will hear further comments on the  
19 Issues List today. The Panel will be asked to issue  
20 as part of the procedural order following this pre-  
21 hearing conference the final Issues List for the  
22 General Rate Application.

23                   Those are my submissions. Thank you.

24                   THE CHAIRPERSON: Mr. Scarfone...?

25                   MR. STEVE SCARFONE: Thank you, Ms.

1 Hamilton.

2                   So MPIC this morning intends to proceed  
3 in the following manner: On Monday at the Issues  
4 workshop, Mr. Crozier presented a short deck that I  
5 think will be of some assistance to the Board in  
6 highlighting the relief sought in this year's General  
7 Rate Application, and so propose that we start with  
8 Mr. Crozier doing that, followed by some opening  
9 remarks by Mr. Triggs, and then I intend to deal with  
10 each of the issues that MPIC has comments on under the  
11 Preliminary Issues List.

12                   MR. JEFF CROZIER: Good morning. Just  
13 before giving the presentation, earlier in the week  
14 accounting advisors to PUB were kind enough to point  
15 out a small error in our pro formas, so we've  
16 circulated a clean and black-lined version of that  
17 around the room. We've also incorporated that clean  
18 and black-lined version into the paper versions that  
19 were circulated yesterday to everyone.

20                   So just -- just to briefly describe the  
21 error, the balance sheet did not appear to balance.  
22 There was a typo in line 4, Cash and Cash Equivalents.  
23 It read 72,222. There was an extra "2." It should  
24 have read 7,222. So made for discrepancy, but the --  
25 the balance sheets do balance.

1                   We've also asked that that be marked as  
2 MPI Exhibit 2.

3

4 --- EXHIBIT NO. MPI-2:           Clean and black-lined  
5                                    version of MPI pro formas

6

7 PRESENTATION BY MPI:

8                   MR. JEFF CROZIER:    So as Mr. Scarfone  
9 mentioned, this material will be familiar to those who  
10 were at the overview workshop on Monday. We hope you  
11 get some -- some benefit out of the -- out of this  
12 short overview presentation.

13                   I'm really just going to touch on two  
14 (2) things. The first is the headline Rate Request  
15 and then go through a few points of interest  
16 throughout -- throughout the GRA.

17                   Now, the headline rate request is 0.1  
18 percent overall, based on accepted actuarial practice.  
19 We're requesting these rates be in effect for thirteen  
20 (13) months to accommodate a change in fiscal year  
21 end, so from March 1, 2020, through to March 31, 2021.  
22 I've got a couple of slides on that coming up for --  
23 for a little bit more detail.

24                   We're also requesting approval of the  
25 capital management plan. It's notable that this

1 year's -- the capital management plan this year does  
2 not require a capital build or release provision, so  
3 the 0.1 percent overall rate indication is strictly  
4 AAP rate.

5                   We're also proposing the capital  
6 management plan be based on 100 MCT as prescribed by  
7 the reserves regulation.

8                   We're also requesting no change in the  
9 driver safety rating, either demerit driver premiums  
10 or pre -- vehicle premium discounts for merit drivers.  
11 We're proposing, or requesting, no change in service  
12 fees and no change in the fleet rebate program.

13                   However, we are proposing to  
14 discontinue the anti-theft discount for new policies,  
15 so that was a \$40 discount given to vehicles that had  
16 an aftermarket anti-theft device installed. We're  
17 proposing that any current policies or vehicles that  
18 enjoy that \$40 discount will continue to receive a 40  
19 -- \$40 discount.

20                   Now, the 0.1 percent overall rate  
21 request does have some variation across the -- across  
22 the major classes. The private passenger class would  
23 be looking at a negative .3 percent overall rate  
24 reduction, and the private passenger class represents  
25 about 90 percent of the policies that we issue.

1                   The motorcycle class would be looking  
2 at a 3.9 percent rate increase. Now, this, I'm given  
3 to understand, is as a result of favourable collision  
4 experience that's been overtaken by deterioration in  
5 PIPP and contributing to that deterioration in PIPP  
6 was the decrease in interest rates, and I'll talk a  
7 little bit more about that decrease in interest rates  
8 in a slide to come.

9                   And finally, public -- public class is  
10 looking at a 10.8 percent rate increase, and this is  
11 largely attributable to increases necessary in the  
12 vehicle for hire insurance use.

13                   There were initial pricing assumptions  
14 that were simply not borne out by the experience in  
15 the first year and so these -- this change reflects  
16 the experience of vehicle for hire in -- in its first  
17 year on the road.

18                   A few points of interest in the  
19 application. As mentioned, we are seeking -- 0.1  
20 percent is a provisional rate request, with the  
21 intention to update that based on interest rate  
22 forecast at September 30th.

23                   I've included a screen shot here from  
24 Bloomberg from late last week, and I -- I know it's  
25 very difficult or impossible to read, but I'll -- I'll

1 walk everyone through the -- through the tiny text.

2           There's two (2) points of interest on  
3 that graph. I've highlighted them in yellow. The  
4 right most point would be the ten-year Government of  
5 Canada bond yield late last week at 1.43 percent. The  
6 right most -- sorry, left most highlighted dot there  
7 is the interest rate as at February 28, which is 1.94  
8 percent.

9           So interest rates have declined by 51  
10 basis points in the last few months, and that would  
11 have today an estimated impact on the rate indication  
12 of 1.18 -- sorry, the rate indication today using 1.43  
13 percent would be 1.18 as opposed to 0.1 that we're  
14 applying for.

15           You'll also notice there's been a trend  
16 since I guess it would be early October, the peak --  
17 the peak interest rate through the last year was 2.6  
18 and that was in early October. Obviously we don't  
19 know which way this trend is going to continue, but we  
20 will -- there -- there would be impacts to the rate  
21 indication based on the movements between now and  
22 September 30th.

23           So we're also asking for rates to be in  
24 effect for thirteen (13) months. This is to align a  
25 rating year with the new fiscal year end. We're

1 currently in the new fiscal -- or currently in a 13-  
2 month fiscal year that's going to end on March 31st,  
3 2020 and it's very desirable for us to have a rating  
4 year that aligns with the fiscal year.

5                   So what we're proposing is that rates  
6 will -- have been calculated on a 12-month basis per  
7 all the usual processes, but we're asking that those  
8 rates be applied over 13 months.

9                   The practical implication of that is  
10 the customers who renew in March will face the same  
11 price in March of 2020 as they will in March of 2021.  
12 So you walk in, pay \$1,000 in March of 2020, the same  
13 customer will come back in March of 2021 and also pay  
14 \$1,000.

15                   This will allow us to bring the fiscal  
16 year and the rating year into alignment on April 1st  
17 of 2021. And after that it would carry on as business  
18 as usual.

19                   Now, very late in the process of  
20 preparing the GRA, we discovered a small errors in --  
21 in our financial model. About a -- scarcely over a  
22 week before filing, we investigated the revision and  
23 investigated the impact and found that it was going to  
24 result in about a .06 impact on the rate indication.

25                   So we -- we're asking -- if you go down



1 to the level of detail, it's .06 is what is the rate  
2 request we're asking for, but based on the revisions,  
3 the rate indication should be .12. Both of these  
4 round to .1, and -- and it represents an under-  
5 collection.

6                   So given time to filing, we made the  
7 decision to continue with the rate request at .06 or,  
8 you know, round it up to .1 for presentation purposes.  
9 We did not re-run the rate model, so the rate tables  
10 we're asking for -- the rate tables were asking for  
11 approval reflect that .06 schedules in the investment  
12 and expense chapter have been updated, but the  
13 proformas in our proforma chapter do support the .06  
14 and we do have the other corrected proformas available  
15 if -- if people would like to see them.

16                   The change is very minor. The story  
17 hasn't changed, but there is a slight correction that  
18 was made.

19                   Now, our capital management plan has  
20 been revised somewhat since the technical conference,  
21 it's been simplified.

22                   Now, the core elements remain in tact,  
23 first the capital management plan relies on -- firstly  
24 transfers of excess capital from extension. We still  
25 have a pathway to build a release to 100 percent MCT

1 and we're still relying on five (5) years to build and  
2 three (3) years to release.

3                   The new -- the revised capital  
4 management plan does not include a capital maintenance  
5 provision and -- and from the schematic shown there,  
6 if you'll permit me, I'll just take a moment to try  
7 and explain it.

8                   The angled dashed line represents the  
9 path to 100 MCT from where we are now, I'll say  
10 roughly 70 up to 100 over 5 years.

11                   And the vertical dashed line represents  
12 the -- the point where action is triggered today,  
13 based on a two-year outlook. So our anticipated  
14 progress compared to the target path, two years out,  
15 will tell us whether or not we need to take action  
16 today.

17                   And there's really three scenarios.  
18 There's a release scenario, which is the lowest one,  
19 sorry, a build scenario which is the lowest one. And  
20 if we -- if we -- if it looks like we're coming in  
21 under the -- the target path, that we would require a  
22 build.

23                   Scenario 1, the red line, which is the  
24 highest one, would say if we -- if we expect to exceed  
25 100 MCT before the two-year mark, then we'd be looking

1 at a release.

2                   And then there's the no action  
3 scenario, which is above the 100 MCT -- sorry, above  
4 the -- the target path, but below 100 MCT, we -- we  
5 would propose to take no action.

6                   And that's what we have in this year's  
7 rate application is no action on build and release,  
8 which takes me back to the earlier point I made, .01  
9 percent is just AAP rate.

10                  A few just point out what -- what's to  
11 be found where. The legacy system's modernization  
12 business case is -- we're requesting that it be  
13 treated confidentiality -- sorry, requesting that it  
14 be treated confidential in its entirety. However,  
15 we've included in IT appendix 5, a public facing  
16 narrative, which explains the major elements of the --  
17 of the business case, the need for it, what we hope to  
18 accomplish without getting into the details that could  
19 compromise RFP processes that are currently ongoing.

20                  The ALM posting limitation review is  
21 available in part 5 investments chapter, section 2.2,  
22 the ALM implementation is still ongoing, but section  
23 2.2 provides an update as to our progress to date.

24                  Shadow portfolios, Mercer's proposal is  
25 presented in investments attachment A and the returns,

1 since March of 2019, are provided in investments  
2 appendix 10.

3 And finally, the loss prevention  
4 chapter, we have included the full tech conference  
5 report and appendices in loss prevention appendix 1.

6 The budget for -- for the loss  
7 prevention program is available in expense appendix  
8 15, and the chapter itself provides an update on  
9 actions from the technical conference earlier this  
10 year.

11 Now, we've attached a few of the  
12 documents to the GRA electronically in the form of  
13 Excel tables, so I've just provided a screenshot here  
14 to help people navigate to them.

15 On the left-most side of the  
16 screenshot, this is just a -- a screenshot, screen  
17 capture of -- of a PDF Reader. And on the left-most  
18 side, you'll see there's a bookmark and a bullseye and  
19 a paperclip, and if you click the paperclip, it will  
20 show Excel attachments. Those Excel attachments  
21 contain the vehicle rate groups and the rate tables.

22 So these are several hundred pages of  
23 tables, detailing the specific rates by -- by vehicle  
24 rate group and -- and vehicle rate groups, et cetera.

25 So we've tried to save some PDF space

1 by providing these in a format that's hopefully more  
2 useful to -- to people, you know, than Excel format.

3 I think going forward we're going to  
4 look to try and include a little bit more number-  
5 intensive pages in -- in this kind of a format.

6 And lastly, some additional filing. So  
7 the driver's safety rating -- the public consultation  
8 on driver's safety rating options is complete, but the  
9 report is currently being prepared.

10 Also initial pricing work on options is  
11 underway and we're expecting to have that all wrapped  
12 up by September. And so we'll file that with the  
13 Board as soon as it's ready, anticipating it being  
14 ready in September.

15 The Gartner PDR review, earlier this  
16 week I understood it was going to be available this  
17 week. Now it looks like it may be ready next week.  
18 We'll circulate it as a separate attachment and update  
19 the GRA PDF as soon as we have it, which hopefully  
20 will be next week.

21 And then lastly, the 2019 DCAT -- DCAT  
22 peer review will be completed by the appointed actuary  
23 in July or August and we expect we're going to file  
24 that with second round IR responses.

25 So barring any questions, that's all I

1 have for you.

2 THE CHAIRPERSON: Thank you very much,  
3 Mr. Crozier. My apologies, I need to adjourn the  
4 meeting for a few minutes. Five (5) minutes.

5

6 --- Upon recessing at 10:03 a.m.

7 --- Upon resuming at 10:21 a.m.

8

9 THE CHAIRPERSON: Thank you, everyone.  
10 I understand that Ms. Ma -- Ms. McCandless has  
11 informed you of what is happening, so we will now  
12 proceed. And Ms. Meek --

13 MS. KATHLEEN MCCANDLESS: Sorry, just  
14 to clear up for some of the Intervenors, that we are -  
15 - Mr. Oakes is not going to be returning, and so Ms.  
16 Meek will be speaking on CMMG's behalf. But we'll be  
17 requesting that written submissions be provided at a  
18 later date.

19 THE CHAIRPERSON: Yes. Thank you.  
20 Mr. Scarfone...?

21 MR. STEVE SCARFONE: Thank you. Mr.  
22 Triggs now will have some opening remarks.

23 THE CHAIRPERSON: Mr. Triggs?

24

25 OPENING REMARKS BY MPI:

1 MR. MICHAEL TRIGGS: Thank you, Madam  
2 Chair. Each year, MPI submits a rate application,  
3 which essentially is how much money it forecasts it's  
4 going to require from ratepayers in order to meet the  
5 anticipated costs that will arise in the coming year.

6 And each year, the PUB advisors,  
7 Intervenors ask questions of MPI that they believe  
8 relevant. And, as the -- the lawyers in the room  
9 know, the test for relevancy is very broad and  
10 everything that's on the list that we have prepared is  
11 relevant to the -- the application.

12 But what is necessary to make a  
13 decision is not quite as broad and is actually much  
14 narrower than that. The -- what the Board really  
15 needs in order to make a proper decision is a lot  
16 narrower than everything that could be possibly  
17 relevant for the application.

18 This year, we estimate that ratepayers  
19 will be spending approximately \$2 million for funding  
20 this whole application. That's Board costs,  
21 Intervenor costs, MPI costs, \$2 million for an  
22 application that is seeking a seven hundred thousand  
23 dollar (\$700,000) increase in the -- in the basic  
24 premiums.

25 Now, there can be tremendous value when

1 the parties are focussed on what's important to the --  
2 to the rate application. A Board hearing can have  
3 inefficient use of resources when time and energy is  
4 spent addressing issues that do not help the Board  
5 make its decisions on that.

6 For the past number of years I  
7 repeatedly stated at these pre-hearing conferences  
8 that they must be more efficient. Then you'd be  
9 focussed. Ratepayers need to receive value for money  
10 that -- that has been spent on this process. That's  
11 what we're all looking for on that.

12

13 (BRIEF PAUSE)

14

15 MR. MICHAEL TRIGGS: Since the pre-  
16 hearing workshop on Monday there's been a few  
17 developments. Most importantly, for this particular  
18 process, we found out what the Intervenors are -- can  
19 be focussing in on what's important to them on this  
20 application.

21 When they submitted their -- their  
22 applications for intervention and spending what they -  
23 - costs of their consultants and the area they're  
24 going to be focussing on. We found that that's -- now  
25 we know what they're -- they're going to be focussing



1 on. It's all part of the -- it's relevant to it, but  
2 it is important.

3           And also, since Monday, there's been a  
4 number of issues raised in the media over -- related  
5 to premiums that ratepayers are paying. And it got me  
6 to look back at the past three (3) GRAs and determine  
7 how many pe -- Information Requests have been asked of  
8 MPI.

9           And it's -- nine hundred and five (905)  
10 Information Requests have been asked of MPI, amounting  
11 to one thousand nine hundred and seventy-four (1,974)  
12 questions being posed over those three (3) years.

13           But not one (1) of those questions  
14 related to commissions or how service agreements were  
15 entered into. MPI pays hundreds of millions of  
16 dollars a year in -- to service providers, yet MPI has  
17 not been asked any questions about that.

18           Instead, at the hearings, time has been  
19 focussed on the relevancy of pre-1956 stock market  
20 returns, whether MPI should be building animal fencing  
21 along Manitoba highways, us having to repeatedly  
22 demonstrate how a globally accepted MCT standard for  
23 insurance companies is relevant to MPI, whether the  
24 PUB should require MPI to spend an additional fifty  
25 thousand dollars (\$50,000) to run investment bench

1 marking using real return bonds.

2                   That's where we've been spending our  
3 time on that. At this pre-hearing conference today,  
4 in deliberation, the PUB is going to send out to the  
5 parties what's important to it in this upcoming GRA.

6                   I'd like to refer back to -- and I'll  
7 just read from the overview. There's a number of  
8 statements that were being drafted up in the  
9 statements here. And I think this is important for  
10 this.

11                   I'll start off the introduction and  
12 say, over the past two (2) years, the public insur --  
13 the Public Utilities Board has witnessed fundamental  
14 changes in the manner in which Manitoba Public  
15 Insurance has carried out its General Rate  
16 Applications and the way it operates its business.

17                   MPI is, again, focussing on its core  
18 business. MPI is embracing transparency. The core  
19 business of MPI is succinctly stated in this new  
20 mission statement, exceptional coverage and service,  
21 affordable rates and safer roads through public auto  
22 insurance.

23                   The key things there are the service  
24 and affordable rates. The new vision statement  
25 created by MPI staff captures the goal of everyone

1 from the staff to the Board of Directors wants MPI to  
2 be, the trusted auto insurance and driver services  
3 provider for every Manitoban.

4                   The key words in that are 'trusted',  
5 and that -- that's felt by every Manitoban. MPI is  
6 not there yet, but it's certainly moving in the right  
7 direction. Trust will be attained through  
8 transparency and consistently fulfilling the mission  
9 statements.

10                   The Board of Directors has instilled  
11 prudent fiscal management as an essential component of  
12 focussing on the core business.

13                   On page 5 of the overview, it states:

14                   "A significant change that is  
15                   evidenced in these hearings is how  
16                   MPI is embracing transparency.

17                   MPI, as stated, it'll be transparent  
18                   and will strive to apply industry  
19                   best practices to its operations."

20                   Doing this in tandem is beneficial for  
21 MPI and Manitobans because promoting strengths while  
22 exposing weaknesses for all to see encourages  
23 excellence and fosters trust. There's noth -- there's  
24 no hiding. There are no excuses.

25                   On page 9 of the open statement, it

1 says:

2 "Cynics may claim that monopolies do  
3 not have to provide good customer  
4 service because they have no  
5 competition for their customers."

6 In discussions the executives had, Mr.  
7 Graham had, or the President and CEO, stated -- well,  
8 it's -- basically, it's quoted here:

9 "MPI should -- by virtue of its  
10 monopoly, it has a duty to provide  
11 its customers with exceptional  
12 customer service because they have  
13 no option where to take their  
14 business elsewhere."

15 The first step though in that ex --  
16 exceptional customer service is to find out what  
17 customers want. If we go to page 11 of the overview  
18 statement there, at the bottom, it says:

19 "The vision statement sees MPI as  
20 the trusted auto insurance and  
21 driver services provider for every  
22 Manitoban. Trust can only be  
23 attained through honest transparency  
24 to Manitobans.

25 MPI is focussed on improving

1 transparency with its customers, the  
2 Government of Manitoba, the PUB,  
3 recognizing that improving  
4 transparency, for 1, will improve  
5 transparency with all."

6 In this GRA, Manitobans can see that  
7 MPI's focussed on applying industry best practices to  
8 its core businesses to fulfill its mission and provide  
9 exceptional coverage and service, affordable rates,  
10 and safer roads through public auto insurance.

11 MPI is focussed on delivering  
12 exceptional customer service. We believe that what  
13 customers want today and -- and how they define what  
14 exceptional coverage -- customer service is is  
15 changing.

16 It's not for MPI to define what that  
17 exceptional customer service is, it's for customers to  
18 define it. However, there will not be one (1)  
19 definition for what's excellent customer service for  
20 every customers.

21 Different people will want different  
22 things. It'll depend on where they live, their age,  
23 many factors as to what they want, what they value,  
24 what they need from MPI.

25 Well, once we determine what customers

1 want, we'll have to work with our service providers  
2 and partners on determining how it can be delivered.  
3 That's the next step in the process.

4                   Finally, in the step -- the final step  
5 then, we'll determine how to best price the delivery  
6 of those services. In the past, MPI has negotiated  
7 agreements with its service providers. This is on  
8 page 10 of the overview. And it says here:

9                   "In the past year, MPI entered into  
10                   new service provider agreements with  
11                   the Automobile Trade Association and  
12                   the Manitoba Motor Dealers  
13                   Association."

14                   There was an agreement with insu --  
15 with IBAM. There is Manitoba Car and Truck Rental  
16 Association, Manitoba Chiropractors and the Manitoba  
17 Commercial Vehicle Repair Association. New service  
18 agreements were entered into those, and we all did  
19 them in one (1) year.

20                   And one (1) of the -- the outcomes of  
21 doing it all in this one (1) year is you saw five (5)  
22 different agreements go through this -- this process  
23 of negotiation.

24                   And in it, the executives who were  
25 doing it questioned how and why we go through these

1 negotiations and how they work. And we questioned  
2 whether it's the best process for ratepayers. We  
3 questioned whether it was the best process for service  
4 providers.

5                   We are concerned about implications of  
6 the Federal Competition Act on how we negotiate out  
7 these agreements. These are the big issues that the  
8 PUB should be focussing in on.

9                   We have the LSM, legacy modernization  
10 project. We're -- we're looking -- potentially  
11 spending a hundred million dollars to update MPI's  
12 computer systems and the services to enable Manitoba -  
13 - MPI to service Manitoban's better.

14                   We have a capital management plan that  
15 MPI believes greatly improves rate stability for  
16 ratepayers. There's plans for future service  
17 delivery, what are we going to be doing in the future,  
18 what's that look like, answering questions around the  
19 work that brokers provide in the delivery of MPI  
20 services throughout Manitoba and the commissions paid  
21 for those services.

22                   The public has a lot of questions come  
23 up in the last few days because of that. We need to  
24 answer those questions. How does MPI enter into  
25 service provider agreements should be asked and

1 answered on that.

2 I'll go back to what I said on page 11  
3 of that. You know, our vision statement is to be the  
4 trusted auto insurance and driver service provider for  
5 every Manitoban. And trust can only be attained  
6 through honest transparency to Manitobans.

7 In this GRA, MPI is focussing on  
8 applying industry best practices to its core business  
9 to fulfill its mission statement of providing  
10 exceptional coverage and service, affordable rates,  
11 and safer roads to public auto insurance.

12

13 (BRIEF PAUSE)

14

15 MR. MICHAEL TRIGGS: That should be  
16 the focus of this hearing's about. And that's where  
17 the -- the energy of the Intervenors and the PUB  
18 advisors should be stated on.

19 Later on, Mr. Scarfone will be speaking  
20 to our views on the -- where the Intervenors are  
21 proposing to spend their energy and efforts. And  
22 although it may be relevant in the big, broad  
23 definition of what's relevant, we do not feel that it  
24 really helps the PUB, the panel members, make its  
25 decision on the rate application and what is in the



1 best interests of Manitobans and the best interests of  
2 MPI. And those are our opening comments.

3 THE CHAIRPERSON: Thank you,  
4 Mr. Triggs. Mr. Scarfone...?

5 MR. STEVE SCARFONE: Thank you,  
6 Madam Chairperson. If we could now turn our attention  
7 to the preliminary issues list.

8 MS. KATHLEEN MCCANDLESS:  
9 Mr. Scarfone, I believe we're going to hear opening  
10 submissions from --

11 MR. STEVE SCARFONE: Oh, first.

12 MS. KATHLEEN MCCANDLESS: -- everyone  
13 in attendance and then get back to the issue of the  
14 issues list. Thank you.

15 MR. STEVE SCARFONE: Very well. Thank  
16 you.

17 THE CHAIRPERSON: Ms. Dilay.

18

19 OPENING STATEMENT OF CAC (MANITOBA):

20 MS. KATRINE DILAY: Thank you,  
21 Madam Chairperson and Board members. Good morning.  
22 In terms of how we're splitting up the work this  
23 morning, I will doing an overview of CAC (Manitoba)'s  
24 application to intervene, as well as the issues list  
25 on the next item on the agenda. Mr. Williams will do

1 the expert's pre-qualifications item on the agenda.

2 Diane, I'm wondering if we could turn  
3 to attachment A to CAC (Manitoba)'s application to  
4 intervene.

5

6 (BRIEF PAUSE)

7

8 MS. KATRINE DILAY: Thank you. So in  
9 terms of our opening comments, I would propose to not  
10 go through and detail this document but to provide a  
11 summary of we've presented here, including who is  
12 CAC (Manitoba), their interest in intervening in this  
13 proceeding, as well as the key areas and issues that  
14 they intend to focus their energies on.

15 Starting on page 1 in the second half,  
16 you'll see a more detailed description of  
17 CAC (Manitoba), but I'll provide a brief description.

18 CAC (Manitoba)'s a volunteer non-profit  
19 independent organization working to inform and empower  
20 consumers and to represent the consumer interest in  
21 Manitoba.

22 Grouted in engagement directly with  
23 Manitoba consumers, CAC (Manitoba) represents the  
24 interests of consumers across the province in a number  
25 of different areas, including regulatory reviews of

1 utilities and Crown corporations, delivering services  
2 and products to consumers.

3 CAC (Manitoba) seeks to protect the  
4 interests of Manitoba Public Insurance consumers  
5 specifically with a particular focus on the private  
6 passenger class.

7 No other intervener or group actively  
8 participating in this proceeding represents the same  
9 group of consumers. CAC (Manitoba) does recognize  
10 that other interveners, such as CMMG, Bike Winnipeg,  
11 and CAA Manitoba, represent subsets of MPI ratepayers  
12 but with different and unique areas of interest.

13 CAC (Manitoba) intends to actively collaborate with  
14 these groups in this proceeding.

15 Over the past 25 years, CAC (Manitoba)  
16 has been active in rate regulation matters relating to  
17 Manitoba Public Insurance, Manitoba Hydro, Centra Gas,  
18 government cheque cashing, and payday lending rates.

19 In addition, the organization has  
20 extensive and intersecting regulatory experience at  
21 the Canadian Radio Television and Telecommunications  
22 Commission and the Manitoba Clean Environment  
23 Commission. CAC (Manitoba) takes pride in its  
24 longstanding record of quality evidence-based  
25 advocacy.

1                   If we could turn to page 3 of this  
2 document starting on this page, we've outlined the  
3 reasons for CAC (Manitoba)'s application to intervene  
4 in this proceeding.

5                   As has been talked about this morning,  
6 the overall rate sought by the corporation in the  
7 2020/'21 CRA is 0.1 percent.

8                   CAC (Manitoba) intends to test MPI's  
9 application regarding the overall magnitude of the  
10 rate increase, including whether it is consistent with  
11 actuarial indicators and whether the rate indication  
12 should be lower, higher, or whether the appropriate  
13 level of rate is being sought.

14                   CAC (Manitoba) also intends to test  
15 whether the forecasts are reasonably reliable and the  
16 expenditures of the corporation, including those  
17 related to information technology, are prudent.

18                   MPI ratepayers will be directly  
19 affected by the Board's decision in this matter, both  
20 on an immediate basis relating to the overall rate  
21 that will be approved for the 2020/2021 year as well  
22 as on a long-term basis by many of the other issues  
23 which will have lasting effects on automobile  
24 insurance rates in Manitoba.

25                   Starting on page 6 of this document,

1 we've outlined the key issues that CAC (Manitoba) will  
2 address in this proceeding as well as the level of  
3 participation that is anticipated by CAC (Manitoba).

4 Overall, the intervention of  
5 CAC Manitoba in this proceeding will be guided by the  
6 Public Utilities Board criteria for the consideration  
7 of just and reasonable rates. And we've outlined  
8 those bullets there on this page which are taken from  
9 previous Board orders, both relating to MPI as well as  
10 Manitoba Hydro.

11 CAC (Manitoba) intends to participate  
12 fully and actively, including attending the hearing,  
13 submitting evidence, and testing the evidence and  
14 cross-examining witnesses brought forward by  
15 Manitoba Public Insurance.

16 Regarding the key issues, we've  
17 identified many issues and details in our attachment A  
18 to our application. What I propose to do right now is  
19 go through a summary of the issues rather than go  
20 through this document in detail, but of course we  
21 would welcome any questions that Board members may  
22 have on the details that we've included.

23 As I've mentioned, one key issue to be  
24 explored by CAC (Manitoba) will be the overall  
25 magnitude of the rate increase that is being sought by

1 Manitoba Public Insurance, including its consistency  
2 with actuarial indicators and whether the rates should  
3 be lower or higher.

4           As well, there are many issues in this  
5 year's general rate application which are a  
6 continuation of issues explored in the 2019  
7 application, and many of these issues will have  
8 lasting and long-term impacts on Manitoba consumers  
9 and MPI rates.

10           Starting on page 9 of this document,  
11 road safety is a long-term issue that affects all  
12 Manitobans. From CAC (Manitoba)'s perspective in the  
13 context of the GRA process, the overarching issue is  
14 whether MPI's road safety portfolio minimizes the  
15 human, economic, and social costs of collisions while  
16 also being prudently and reasonably optimized to  
17 maximize value to ratepayers.

18           Given the human and social cost of  
19 collisions and that many initiatives relating to road  
20 safety span multiple years, this issue is significant  
21 to ratepayers on an ongoing and lasting basis.

22           Starting on page 10 of this attachment  
23 with respect to information technology, CAC (Manitoba)  
24 will review MPI's information technology strategy  
25 report to ensure alignment to business strategy and

1 cost effectiveness. Particular attention in this area  
2 will be paid to the legacy system modernization  
3 project, which MPI has indicated is the largest  
4 information technology project ever initiated by MPI.

5 Starting on page 12 of this  
6 attachment -- attachment A -- MPI's investment  
7 portfolio raises questions relating to the changes to  
8 the policy asset mixes resulting from the asset  
9 liability management study.

10 Issues relating to the asset liability  
11 management study itself include its implementation as  
12 well as the shadow portfolios that were ordered by the  
13 Public Utilities Board in last year's general rate  
14 application.

15 It also raises questions of interest  
16 rate risk exposure changes, investment income  
17 reporting changes, accounting standard changes, and  
18 MPI's accounting choices.

19 In particular on the investment issues  
20 and the asset liability management study,  
21 CAC (Manitoba) will explore whether Mercer's  
22 methodology in developing the shadow portfolios is  
23 appropriate, including the characterization of risk.

24 Issues relating to investments and the  
25 asset liability management study are important for the

1 long-term MPI rates, given that returns on investments  
2 impact rates on an ongoing basis and impact the  
3 overall rate indication.

4                   On page 13 of attachment A, we discuss  
5 the issue of the capital management plan put forward  
6 by MPI, which raises significant issues in our  
7 client's view.

8                   The capital management plan and  
9 implications for the rate stabilization reserve raise  
10 public policy questions relating to the appropriate  
11 capital structure and regulatory principles relating  
12 to the purpose of reserves for Crown corporations,  
13 such as Manitoba Public Insurance.

14                   The issue of the capital management  
15 plan also raises questions about the benefits, risks,  
16 and costs relating to the relationship between MPI and  
17 its other lines of business or rather between basic  
18 and its other lines of business. Questions of  
19 forecasting accuracy as it relates to both basic and  
20 extension are also relevant to the capital management  
21 plan.

22                   To explore these issues in its  
23 participation in this proceeding if granted intervener  
24 status, CAC (Manitoba) intends to examine the issue of  
25 the legality of the reserves regulation enacted by the



1 provincial government in April 2019. It intends to  
2 explore how the regulation fits into the PUB or  
3 Public Utilities Board rate-setting process and also  
4 whether Manitoba Public Insurance's capital management  
5 plan is compliant with the reserves regulation.

6                   This issue is of particular importance  
7 to CAC (Manitoba) because the capital management plan  
8 will impact rates on an ongoing basis. The capital  
9 maintenance provision from the 2019 GRA is already  
10 currently built into rates and the potential  
11 maintenance of a hundred percent minimum capital test  
12 target in the rate stabilization reserve will impact  
13 rates as we go forward.

14                   The issue of the driver safety system  
15 is of interest -- sorry -- driver rating system --  
16 driver safety rating -- pardon me -- is of interest to  
17 CAC (Manitoba) because any changes to this framework  
18 will impact ratepayers on an ongoing basis through the  
19 method in which their cars are registered and the  
20 discount that is applied to their insurance.

21                   CAC (Manitoba) intends to review MPI's  
22 public consultation process relating to the driver  
23 safety rating and the public consultation report that  
24 will be released in September.

25                   Finally, regarding the issue of broker

1 commissions, CAC (Manitoba) intends to examine the  
2 impact of any future changes to MPI's agreements with  
3 brokers and the impacts that this will have on  
4 ratepayers. Any changes that are anticipated will  
5 have an ongoing impact on ratepayers because they  
6 are -- these costs are incorporated directly into  
7 MPI's cost of operation and therefore into rates.

8                   So we have not gone through all of our  
9 issues in detail, but we will also make some  
10 additional comments on specific issues when we move  
11 onto the next item on the agenda, especially on issues  
12 where we may have a different perspective from  
13 Manitoba Public Insurance.

14                   In terms of CAC (Manitoba)'s plan to  
15 call evidence, Mr. Williams will talk in more detail  
16 about the pre-qualification of expert witnesses.

17                   At this time, CAC (Manitoba) is  
18 contemplating calling evidence on the issue of the  
19 capital management plan and the rate stabilization  
20 reserve. It is anticipated that this evidence would  
21 be co-authored by Mr. John Todd in collaboration with  
22 either Dr. Wayne Simpson or Ms. Andrea Sherry. And  
23 Mr. Williams will talk more about their qualifications  
24 on the next item.

25                   At this time, it is not anticipated

1 that Mr. Valter Viola would bring evidence relating to  
2 investments, and it is not anticipated that Ms. Mavis  
3 Johnson would bring evidence relating to road safety.

4 In the event that this changes as the  
5 record of the proceeding develops, we would propose to  
6 advise the Board as well as Manitoba Public Insurance  
7 and seek direction on how to proceed from that point  
8 on.

9 As we've outlined on page 15 of  
10 attachment A, CAC (Manitoba) does intend to request an  
11 award of costs for its participation in the 2020/2021  
12 Manitoba Public Insurance general rate application.  
13 It is anticipated that the proposed estimate of costs  
14 will be consistent with similar bills in the past for  
15 hearings of similar length and complexity. And we  
16 would propose to adhere to the Board's directions in  
17 the order flowing from this pre-hearing conference  
18 regarding our estimate of costs.

19 Unless there are any questions, those  
20 would be our opening comments.

21 THE CHAIRPERSON: Thank you.

22 Ms. Meek...?

23 MS. CHARLOTTE MEEK: Thank you,  
24 Madam Chairperson and Board members. Good morning.  
25 Unfortunately, Mr. Oakes is unable to give his

1 comments at this time, and we'd be requesting an  
2 opportunity to submit our comments on behalf of CMMG  
3 in writing if that is agreeable.

4 THE CHAIRPERSON: Yes. Thank you.  
5 Are there any comments from MPI or any of the other  
6 interveners in relation to that proposal?

7 MR. STEVE SCARFONE: We have no  
8 objection to that proposal, Madam Chair.

9 THE CHAIRPERSON: Thank you,  
10 Mr. Scarfone.

11 MS. KATRINE DILAY: We have no  
12 objections either.

13 THE CHAIRPERSON: Thank you.

14 MR. CHRISTIAN MONNIN: No objections,  
15 Madam Chair.

16 THE CHAIRPERSON: Thank you.

17 Ms. McCandless, can you advise of the time frame for  
18 those submissions and the impact on the order?

19 MS. KATHLEEN MCCANDLESS: Sure.

20 So in terms of timing, does CMMG have a  
21 request as to when it would like to file the written  
22 submissions?

23 MS. CHARLOTTE MEEK: I believe if we  
24 have an opportunity into next week sometime, perhaps  
25 Tuesday.

1 MS. KATHLEEN MCCANDLESS: Okay, so  
2 that would be July the 2nd?

3 MS. CHARLOTTE MEEK: Yes.

4 MS. KATHLEEN MCCANDLESS: So -- and  
5 then MPI would be given an opportunity to respond in  
6 writing. How much time would MPI need to do so?

7 MR. STEVE SCARFONE: Depends on what  
8 the submission has to say, of course. But I expect  
9 that we could have it turned around in a -- in a  
10 couple, three days.

11 MS. KATHLEEN MCCANDLESS: So initially  
12 the -- the time table as circulated contemplated the  
13 Board's procedural order issuing on Wednesday. That  
14 will not obviously be possible with those time frames.

15 So the procedural order would need to  
16 be pushed out accordingly. If CMMG files by Tuesday,  
17 July 2nd and MPI files any response by July 4th,  
18 that's the Thursday, if the Board then issues its  
19 order the Friday of next week, then would that be  
20 agreeable with the perspective interveners, I -- I  
21 understand they'd be waiting for the Board's order on  
22 grant of intervention before preparing information  
23 requests. So that would give -- that would reduce the  
24 amount of time.

25 Is there any concern from any other

1 perspective interveners in that regard?

2 MS. KATRINE DILAY: Not from CEC  
3 Manitoba's perspective.

4 MR. MONNIN: Not on behalf of Bike  
5 Winnipeg.

6 THE CHAIRPERSON: Okay, thank you.

7 MR. STEVE SCARFONE: The one comment  
8 MPIC might make or suggest as an alternative, perhaps,  
9 Madam Chair, is that the procedural order issue, in  
10 the absence of the submissions from the CMMG and a  
11 second order could -- could issue that addresses those  
12 comments.

13 That's just a suggestion that's been  
14 made for the Board's consideration.

15 MS. KATRINE DILAY: Katrine Dilay  
16 here, on behalf of CEC Manitoba.

17 And the only concern we would have with  
18 that proposal is that the issues list presumably would  
19 be included in the Board order, so that would be our -  
20 - our only concern or question.

21 THE CHAIRPERSON: Yes, thank you.  
22 Thank you for your submissions with regard to that.

23 I think that it would probably be  
24 preferable to have a single order issue with the  
25 preliminary issues attached to it.

1                   And if all of that work can be done, we  
2 could issue the procedural order by Friday of next  
3 week.

4                   Thank you. Mr. Monnin...?

5                   MR. CHRISTIAN MONNIN: No comments,  
6 everything's fine.

7                   Sorry, I thought you wanted my point of  
8 view on what was just --

9                   THE CHAIRPERSON: Thank you.

10

11 OPENING COMMENTS BY BIKE WINNIPEG:

12                   MR. CHRISTIAN MONNIN: -- obviously I  
13 have an inflated self -- inflated self-view.

14                   In any event, I -- I will now get into  
15 my submissions on behalf of Bike Winnipeg with respect  
16 to our application to intervene. Thank you, Madam  
17 Chair.

18                   Bike Winnipeg did file on June 25th its  
19 Intervenor application with a -- a schedule A which  
20 attempted to address the issues and the questions that  
21 are necessary in order to successfully intervene. And  
22 that being who is Bike Winnipeg and the reasons for  
23 the proposed intervention?

24                   How is Bike Winnipeg or its members  
25 directly affected by the Public Utility Board's

1 decision in this matter?

2                   How does Bike Winnipeg represent a  
3 substantial number of rate payers that are otherwise  
4 not represented on issues that are within the scope of  
5 this proceeding?

6                   How Bike Winnipeg experience,  
7 information, or expertise relevant to this matter that  
8 would contribute to the Board's decision-making?

9                   Key issues that Bike Winnipeg intends  
10 to address in this proceeding, and a description of  
11 Bike Winnipeg's proposed participation.

12                   My submissions this morning will be  
13 brief, the Schedule A is -- is there for the Board's  
14 consideration. I will just touch upon a few points  
15 that are made therein.

16                   Bike Winnipeg seeks to intervene in  
17 this general rate application to build upon its  
18 participation and contributions it deems has made in  
19 the past general rate applications.

20                   In addition, it wishes to build upon  
21 its participation in the recent technical conference,  
22 which was held on April 4th and April 5th, 2019.

23                   We may hear some submissions that the  
24 issue of road safety ought not to be included in the  
25 issues list or in the scope of this General Rate



1 Application. Bike Winnipeg respectfully submits that  
2 that is misplaced and that the road safety issue ought  
3 very much to be within scope.

4                   And you can find reason for that in --  
5 in the report which flowed from the technical  
6 conference. We touch up on that in Schedule A of our  
7 application, but the report itself, we suggest,  
8 acknowledges that the issues that flow from -- from  
9 that summary report and from that conference are to be  
10 addressed and considered and tested by this Board in  
11 this hearing.

12                   That report reads, and at page 6 and 7  
13 of 69, that the Corporation's road safety efforts  
14 consistently generate significant interest from the  
15 Board and registered interveners on the basis that  
16 successful road safety efforts ultimately impact  
17 claims, claims costs and the premiums required to fund  
18 the basic compulsory program.

19                   The recognition that road safety  
20 touches upon the rate setting and rate making  
21 obligations and duties to this Board has long been  
22 recognized by this Board, looking at Board order 150-  
23 05 page 43, the Board said:

24                                   "Premiums would have a much greater  
25                                   chance of declining in future if the

1 incidents and severity of injuries  
2 were reduced. Road safety measures  
3 are key to premium reductions."

4 And so the suggestion, if it -- if it's  
5 forthcoming to say that road safety doesn't have a  
6 role in your deliberations in this hearing is  
7 misplaced. It's been long recognized in past orders  
8 and it's even recognized in the report from the  
9 technical conference that road safety plays an  
10 integral part in what this Board is about to do in  
11 these proceedings.

12 With regards to who is Bike Winnipeg,  
13 Bike Winnipeg, we hope, is -- is an entity that is  
14 recalled or remembered or recognized by the Board as -  
15 - it -- we submit that Bike Winnipeg has a solid track  
16 record of its participation in these hearings of being  
17 modest in its intervention and collaborative in its  
18 intervention and focused and leading to significant  
19 contributions to the process.

20 We would respectfully submit that  
21 that's reflected in how far the road safety issue has  
22 come along, thanks to these issues -- thanks to this  
23 Board, these proceedings, Bike Winnipeg is of the view  
24 that its modest contributions had a role in moving  
25 this matter along.

1                   And for that point we celebrate the  
2 steps that MPI has taken, they're significant, they're  
3 -- they're well-intentioned, they're -- they're moving  
4 along in the right direction. But it's thanks to this  
5 process and it's thanks to the contribution of  
6 interveners such as Bike Winnipeg, CAC, and Mr. Oaks'  
7 client.

8                   Bike Winnipeg contemplates the  
9 following issues, again, those are identified in  
10 Schedule A that -- which is to touch upon the optimum  
11 size of MPI's road safety and loss prevention budget,  
12 whether it's sufficient to enable significant  
13 reduction of the cost, MPI, of injuries to vulnerable  
14 road users in the short and long term.

15                   This includes, but is not limited,  
16 thank you very much, that's now up on the screen, to  
17 ensuring -- and that is page 2 of Schedule A, ensuring  
18 that MPI road safety and loss prevention budget is  
19 sufficient to meet MPI's mandate to ensure an adequate  
20 standard of driver knowledge.

21                   The adequacy of MPI's road safety and  
22 loss prevention programs, with respect to fatal and  
23 severe injury of vulnerable road users, the quality  
24 and clarity of MPI data collection analysis and  
25 accessibility regarding collisions involving

1 vulnerable road users, generally and particularly in  
2 comparison to transportation safety programs from  
3 other local, national, and international entities.

4           In addition to continue to build upon  
5 the findings, opinions and -- and conclusions that are  
6 contained in the summary report of the technical  
7 conference.

8           With regards to the scope of Bike  
9 Winnipeg's intervention, if it is granted the  
10 privilege to intervene again in these proceedings, it  
11 intends to fully participate, including attendance at  
12 hearings, within recognition of the modest scope that  
13 it is seeking to intervene, asking information  
14 requests, testing evidence and cross-examination of  
15 witnesses.

16           While Bike Winnipeg does not currently  
17 have any plans to submit its own evidence in this  
18 proceeding, it's still considering that option and  
19 would certainly advise the Board and address it in the  
20 same manner as -- as my friend, Ms. Dilay has  
21 indicated with respect to some of their potential  
22 evidence that they intend to call.

23           Bike Winnipeg does intend to submit an  
24 award for costs for participation in this proceeding.  
25 Again, it harkens back to Bike Winnipeg's history and

1 proceeding of these general rate applications.

2           It's been successful in obtaining  
3 awards costs in the past and I think that's a hallmark  
4 and a reflection of the significant contribution that  
5 Bike Winnipeg has made and it intends to continue to  
6 participate in the same collaborative manner, to avoid  
7 redundancy and to make a significant contribution to  
8 these proceedings.

9           And with respect to the interests that  
10 Bike Winnipeg has, Bike Winnipeg has not always  
11 limited its intervention to simply cyclists, but all  
12 vulnerable road users. And -- and that ties into the  
13 rate setting process, and even MPI's own mission  
14 statement, which is exceptional coverage and service,  
15 affordable rates, safer roads, through public auto  
16 insurance.

17           And Mr. Triggs in his opening comments  
18 suggested that this process is for all Manitobans to  
19 have safer roads, and we agree with that. And Bike  
20 Winnipeg is here on behalf of the vulnerable road  
21 users, which is larger than simply Bike Winnipeg.

22           And if I might just a moment, looking  
23 at my notes, I think that wraps up my submissions. So  
24 subject to any questions or comments from the Board,  
25 that's all I have to say for Bike Winnipeg today.

1 Thank you.

2 THE CHAIRPERSON: Thank you. Mr.  
3 Scarfone, do you have any response to the comments  
4 that you've heard from the interveners?

5 MR. STEVE SCARFONE: I have no  
6 specific response to the submissions just made.

7 THE CHAIRPERSON: Thank you.

8 We will now proceed to address the  
9 preliminary issues list and any procedural matters.  
10 So Mr. Scarfone, could you proceed with your comments  
11 in relation to the preliminary issues list?

12

13 PRELIMINARY ISSUES LIST:

14 MR. STEVE SCARFONE: Yes, thank you,  
15 Madam Chair.

16 Let me begin by addressing a couple of  
17 changes that are being proposed to that preliminary  
18 issues list that was issued under Order 66/'19.

19 If we scroll down to number 7, please,  
20 on that list. That particular preliminary issue will  
21 have 7B removed and you'll hear from me shortly that  
22 it is being subsumed into what appears as issue 18 on  
23 the preliminary issues list.

24 So 7 will now only read capital  
25 management plan, an update of the -- of the DCAT, a

1 capital rate request based on the reserves regulation.

2           If we scroll down to issue 18, that  
3 wording doesn't change at the outset, the proposed  
4 capital management plan, the proposed basic capital  
5 builder release provisions, the mechanisms for capital  
6 transfers from other lines of business including, but  
7 not limited to the results of the CMP, the Capital  
8 Management Plan Technical Conference that we're  
9 directed in Order 159/'18.

10           However, I believe we are ad idem with  
11 the CAC on the following change to number 18. It will  
12 now read after the semicolon, in the event that notice  
13 is provided to the Attorney General of Manitoba and  
14 Canada, pursuant to the Constitutional Questions Act:

15           a) is the reserves regulation invalid;  
16 if the reserves regulation is not determined to be  
17 invalid:

18           b) must the Board ensure that approved  
19 rates for service comply with it; if compliance is not  
20 required:

21           c) does it remain valid -- or sorry,  
22 does it remain a relevant factor to be considered when  
23 setting rates for service; and lastly, if compliance  
24 is required:

25           d) does the proposed capital management

1 plan comply with the reserves regulation; if the  
2 reserves regulation is determined to be invalid: then  
3 e) target capital analysis and the  
4 target basic total equity threshold levels.

5 So that is quite the issue. I would  
6 suggest that the CAC and MPIC have agreed to put  
7 before this Board for deliberation and I will comment  
8 that on -- on that as I go through each of the  
9 respective issues on the list, but that is the revised  
10 version of 18 that we're suggesting be added to the  
11 preliminary issues list.

12 THE CHAIRPERSON: Thank you.

13 MR. STEVE SCARFONE: So if I can, I'll  
14 -- I'll begin by saying that MPIC is -- is not  
15 opposing any of the two (2) Intervenor applications  
16 heard here today, but we do want to make some specific  
17 comments concerning scope as it concerns the  
18 preliminary issues list.

19 We'd also ask the panel to bear in mind  
20 when deliberating on the preliminary issues list, the  
21 theme of this year's GRA, which is stability,  
22 maintaining recent fiscal strength, and the  
23 Corporation says that -- in its application that  
24 stability is delivered through reduced volatility,  
25 being customer focussed, and with continued



1 transparency.

2                   So those three (3) subthemes of  
3 stability we ask that the panel bear in mind when  
4 deliberating on the preliminary issues list.

5                   So beginning again at issue 7 -- if I  
6 skip over issues, you can take that to mean that MPIC  
7 has no particular position with respect to that issue.

8                   Issue 7, of course, will now be the  
9 Capital Management Plan and update of the DCAT. The  
10 capital request is based on Manitoba regulation  
11 76/2019, which is the reserves regulation.

12                   This particular issue appears in the --  
13 considered in the normal course category in  
14 recognition of the presumption that the regulation  
15 that was enacted by government is valid.

16                   And accordingly, because the CMP has as  
17 its anchor 200 percent MCT for the Extension line of  
18 business, and 100 percent MCT for Basic, it too will  
19 now be a normal course issue in our view, going  
20 forward.

21                   The DCAT, also into the reserves  
22 regulation, is now performed by MPI's chief actuary  
23 Luke Johnston, primarily only for one (1) purpose, and  
24 that will be to ensure that Basic remains in  
25 satisfactory financial condition. Given the enactment

1 of the reserves regulation, the DCAT will no longer  
2 provide upper and lower targets for the Board's  
3 consideration.

4 All of that, I would suggest, finds  
5 support in the new preliminary issue number 18,  
6 including what was 7(b) now subsumed into number 18.  
7 So it's appropriate now, perhaps, to turn to the  
8 version of issue number 18, which, as I've said, the  
9 CAC and MPIC have a meeting of the minds on, and we  
10 agreed as earlier stated.

11 I want to make clear that the  
12 Corporation's position with respect to 18 is  
13 predicated on the very first change that was made to  
14 issue 18, and that is in the event that notice is  
15 provided to the Attorney General of Manitoba and the  
16 Attorney General of Canada, pursuant to the  
17 Constitutional Questions Act, so anything under 18  
18 that follows is all predicated on that notice having  
19 been provided and served.

20 In our view, this Board must take into  
21 consideration when deliberating on the issues list the  
22 reserves regulation as enacted back in April. No such  
23 notice has been provided as far as we're aware to  
24 challenge the validity of that regulation.

25 So the balance of number 18, MPIC

1 submits, is -- is largely hypothetical, and should  
2 therefore not be included on this issues list. It's  
3 premature to give any consideration to anything under  
4 18 until such notice has been provided.

5                   And you have the position of civil  
6 legal services -- excuse me -- and the letter from Mr.  
7 Guanette (phonetic) and Mr. Ladyka is here, of course,  
8 to answer any questions that the Board may have in  
9 that regard.

10                   And lastly, I might add that the  
11 reserves regulation and the -- and the prematurity, in  
12 MPI's view, on having that on the issues list is  
13 reinforced by Mr. Guanette's statement in the letter  
14 that there might also exist a preliminary issue, a  
15 threshold issue, as he calls it, and that is whether  
16 the Board has the jurisdiction to decide whether the  
17 regulation is valid.

18                   And so it all turns, in our view, on  
19 notice being provided, and the proper procedure  
20 unfolding to challenge the validity of that  
21 regulation. But until that is done, the Board, we  
22 say, must deliberate on the issues list with the  
23 presumption that that regulation is -- is valid.

24                   On number 19 -- so to be clear, the  
25 Corporation's view is that 18 should be struck from

1 the list.

2                   On number 19, the asset liability  
3 management study, we'd note, as the application does,  
4 that the ALM study is not yet fully implemented, and  
5 that the part that has comparison to shadow portfolios  
6 as directed by Board -- by the Board in Order 159/'18  
7 is -- is better positioned in issue number 3, I  
8 believe, that deals with the compliance of Board  
9 Orders.

10                   MPIC views the -- the shadow  
11 portfolios, really, as a benchmark, and nothing more.  
12 So they were there to assist the panel in benchmarking  
13 the performance of the actual portfolio -- portfolio  
14 against the shadow portfolios, and that was a  
15 direction under last year's Order, which MPIC has  
16 complied with.

17                   And we might add that the Corporation  
18 has complied with that Board Order after vetting  
19 through the panel and its advisors the methodology to  
20 be used for those shad -- shadow portfolios. That has  
21 been completed, and in our view, that particular issue  
22 is now functus. I'm sure I'm using that term  
23 improperly, but it's done.

24                   Certainly, in our view, it wasn't  
25 envisioned that the shadow portfolios would be open to

1 scrutiny in this year's General Rate Application. The  
2 actual investment portfolio is already open to  
3 scrutiny under number 8, and rightfully so, because  
4 it's real money.

5                   It would be somewhat unorthodox, I  
6 think, to have two (2) separate streams operating, one  
7 (1) the actual investments over here, and here with  
8 what is essentially a benchmark or a fictitious  
9 portfolio also open to the same scrutiny and  
10 examination. And reiterating what Mr. Triggs said  
11 earlier, that would be, in our view, a waste of time  
12 and resources.

13                   And lastly, on issue 19, I'll remind  
14 the Board of its findings in last year's Order. Under  
15 7.6, the Board stated as follows:

16                   "When it comes to the Corporation's  
17 overall investment strategy, the  
18 Board recognizes that its oversight  
19 role does not extend to directing  
20 the Corporation as to the  
21 particulars of its portfolio  
22 management."

23                   So be careful, we say, in opening up  
24 these two (2) streams to scrutiny and -- and examining  
25 only the actual portfolios. You won't have anybody

1 from here -- anybody here from Mercer presenting  
2 evidence on the shadow portfolios. We have, of  
3 course, prepared -- prepared a report in compliance  
4 with that Board Order, but we don't intend to have Mr.  
5 McKarchuk back here again this year to answer  
6 questions and be cross-examined on the shadow  
7 portfolios for the reasons earlier stated.

8                   So to the extent that issue 19 on the  
9 preliminary issues list includes a comparison to  
10 shadow portfolios, we say that particular language  
11 should be removed from the issues list when it's  
12 finalized and perhaps somehow incorporated into  
13 compliance with Board Orders, that issue under -- that  
14 number 3, I believe it is.

15                   Turning next to road safety at number  
16 20, I have My Learned Friend Mr. Monnin's comments,  
17 and I can say that it would be somewhat disingenuous  
18 of MPIC to suggest that road safety be entirely struck  
19 from the Preliminary -- or from the Issues List this  
20 year, especially considering MPIC has not opposed the  
21 intervention of any of the Intervenors here today.

22                   But what we do envision is this  
23 particular issue being fully explored during the  
24 Information Request process and allowing MPIC an  
25 opportunity to provide full and whole answers to the

1 questions that the Intervenors may have with respect  
2 to road safety and loss prevention, and that by the  
3 time the hearing arrives, that that issue constitute a  
4 full record and not have to be explored by viva voce  
5 evidence.

6                   And -- and we say that and ask the  
7 Board to recognize that in its order because road  
8 safety is budgeted at less than \$15 million. And  
9 while that's not an insignificant amount, to put that  
10 issue in perspective as Mr. Triggs said, the legacy  
11 modernization system, the capital project exceeds over  
12 \$100 million, with a 25 percent contingency, and that  
13 we say is a bigger issue that the Intervenors and the  
14 Board should turn their attention to. It's a platform  
15 that's necessary for future online services for all  
16 Manitobans.

17                   And -- and more than that, the budget  
18 allocated to road safety is really, in our view, a  
19 policy decision. It's -- it's determined through  
20 MPI's programming choices and based on an established  
21 framework, in col -- in consultation with all the  
22 stakeholders that were present at the -- at the  
23 technical conference. And the merits of the road  
24 safety business cases are also considered in  
25 determining that budget and how the monies are

1 allocated. The board in our view is not charged with  
2 the responsibility of program decision-maker. That  
3 rests solely with MPIC.

4                   And -- and don't lose sight of the  
5 fact, Madam Chair, that a two-day technical conference  
6 was heard and that I think everyone agrees it was a  
7 productive conference. We don't recall any specific  
8 recommendations made by the stakeholders in  
9 attendance, and the only follow-up item in Mr. Keith's  
10 report that relates specifically to the GRA was to  
11 file the provincial road safety report, which is not  
12 yet available but will be filed when it is.

13                   All other follow up was expressly or  
14 impliedly, in our view, to be with the stakeholder  
15 groups. So it's fair to say in reading Mr. Keith's  
16 report that he directs the next steps away from this  
17 Board. And so keep those comments in mind as well  
18 when deciding upon the scope of the road safety issue  
19 at number 20.

20                   And -- and lastly, the Corporation  
21 strongly -- feels strongly about road safety to the  
22 extent it gets rehashed and revisited at the -- at the  
23 hearing -- if it gets revisited at the hearing in  
24 October, then we have to give some thought to what is  
25 the point of having the technical conferences. If



1 we're going to revisit those same issues at the  
2 hearing each fall, perhaps the tech conferences aren't  
3 serving their -- their intended purpose.

4

5 (BRIEF PAUSE)

6

7 MR. STEVE SCARFONE: At number 21, and  
8 I -- I only raise this because I would be remiss if I  
9 didn't, and Mr. Johnston would -- would be upset, we  
10 want to ensure that 21 this year remains firmly  
11 planted in Category, and that is that the interest  
12 rate forecasting methodology that the Board thought  
13 was appropriate last year, being the naive forecast  
14 methodology, be again approved. You will no -- no  
15 doubt be aware that MPIC has used it again in this  
16 year's forecast, including the forecasting for its  
17 investments, and takes the position that it remains  
18 the best forecasting methodology, at least for this  
19 time.

20 You know, I -- I don't pretend to  
21 understand all of the intricacies of it, but I make  
22 little notes here and I -- I see that when the  
23 interest rates go up, less premiums are needed by MPI,  
24 and when interest rates drop, more premiums are  
25 needed, and you heard from Mr. Crozier that the

1 interest rates have dropped. And so had anything but  
2 the naive forecast been adopted and ordered by this  
3 Board last year, we would have been in a position  
4 where the Corporation had under-charged its customers  
5 for premiums, but we're not today in that position as  
6 a result of this Board's findings. And so we would  
7 suggest that that -- that particular issue not be  
8 canvassed at all and remain in subcategory 3, which is  
9 -- which is to say, it just gets deferred to another  
10 year.

11                   So those are my comments. I just -- I  
12 want to reiterate very briefly what Mr. Triggs had to  
13 say. Notwithstanding the .1 percent rate indication  
14 that MPI brings to the Board for approval this year,  
15 there are a number of important issues to canvass.  
16 The capital management plan, The ALM study, its  
17 implementation, legacy moder -- lega -- legacy systems  
18 modernization, and MPI service delivery model, today  
19 and into the future.

20                   And so we'd ask that the Board just  
21 bear these important issues in mind and be cognizant  
22 of perhaps being distracted by other issues when  
23 deciding upon the scope of the issues in the  
24 Preliminary Issues List.

25                   And subject to any comments that the

1 Panel may have, those are MPI's comments on the  
2 Preliminary Issues List.

3 THE CHAIRPERSON: Thank you. Any  
4 comments?

5 MR. ROBERT GABOR: I have a question.  
6 So, Mr. Scarfone, as I understand your position on 18  
7 --

8 MR. STEVE SCARFONE: Yes.

9 MR. ROBERT GABOR: -- you agree to  
10 wording changes --

11 MR. STEVE SCARFONE: Yes.

12 MR. ROBERT GABOR: -- but you think it  
13 should be struck?

14 MR. STEVE SCARFONE: Yes.

15 MR. ROBERT GABOR: I have a problem  
16 with that.

17 MR. STEVE SCARFONE: Yes.

18 MR. ROBERT GABOR: How do you agree to  
19 wording changes and, quite frankly, I don't have the  
20 wording changes because I couldn't write fast enough,  
21 and I assume counsel has a copy of them --

22 MS. KATHLEEN MCCANDLESS: They -- they  
23 are now before everyone on the screen.

24 MR. ROBERT GABOR: So you've agreed to  
25 wording changes that say:

1 "In the event that notice is  
2 provided to the Attorney General."

3 So that's the condition precedent.

4 MR. STEVE SCARFONE: Yes, that is.

5 MR. ROBERT GABOR: So for the balance  
6 of -- so for the balance of 18 to move forward, that  
7 would have been met, but you want sections -- you want  
8 18 struck?

9 MR. STEVE SCARFONE: We -- yes. So  
10 the reason that we're asking that it be struck is --  
11 is because, as I indicated, Mr. Chair, in my  
12 submission, it's largely hypothetical, so -- and so if  
13 the notice is provided, surely the Board could then  
14 amend the issue at the hearing and say okay, now we've  
15 been provided with the requisite notice, we know that  
16 these, as you called it, a condition precedent has  
17 been met, so now we can determine, okay, is it  
18 invalid, did it have -- they're in -- are they in  
19 compliance. But in our view, until a notice is -- is  
20 -- is -- is provided, it shouldn't appear in an order  
21 of this Board.

22 MR. ROBERT GABOR: Why did you agree  
23 to the condition precedent then?

24 MR. STEVE SCARFONE: Because we're  
25 giving Mr. Williams the benefit of the doubt, that

1 that particular notice will be provided, but from  
2 MPI's perspective, we don't know that Mr. Williams has  
3 those instructions that any such notice will be  
4 provided.

5                   So, in our view, why would we insert  
6 that as -- as an agreed to issue until that notice has  
7 been provided? So, it's -- it's only triggered, Mr.  
8 Chair, when the notice is provided. It's as simple as  
9 that.

10                   MR. ROBERT GABOR: Well, I don't  
11 understand why there's an agreement, quite frankly, of  
12 wording and then -- agreement of wording that creates  
13 this condition precedent, but at the same time you say  
14 but strike the whole section. I would have thought  
15 it'd be more logical if -- if the words weren't in and  
16 you would say until it's done, but --

17                   MR. STEVE SCARFONE: Well, maybe I can  
18 go about it this way, Mr. Chair. Assuming that the  
19 notice is provided, it avoids a later quarrel on what  
20 the issue should be. We now have it fixed and it's  
21 all waiting out there to be -- to be decided on if the  
22 notice is provided.

23                   MR. ROBERT GABOR: Okay. What's the -  
24 - what's the notice period under the act?

25                   MR. STEVE SCARFONE: It's thirty (30)

1 days from -- from October 7th.

2 MR. ROBERT GABOR: Right, okay. Thank  
3 you.

4 DR. BYRON WILLIAMS: Probably more  
5 properly thirty (30) days from closing argument, but  
6 from our clients' perspective we will certainly be  
7 filing prior to October 7th -- or prior to September -  
8 - thirty (30) days before October 7th.

9 THE CHAIRPERSON: Anything further,  
10 Mr. Scarfone?

11 MR. STEVE SCARFONE: No, nothing  
12 further.

13 THE CHAIRPERSON: Ms. Dilay, any  
14 response, please, to the submission with regard to the  
15 preliminary issues?

16

17 RESPONSE BY CAC (MANITOBA):

18 MS. KATRINE DILAY: Thank you. We  
19 will address most of the issues covered by Mr.  
20 Scarfone.

21 Regarding issue 18, which is the  
22 Capital Management Plan, as Mr. Scarfone indicated,  
23 there was agreement on this wording between MPI and  
24 CAC Manitoba and we definitely appreciate the  
25 collaboration with MPI over the last couple of days on

1 this issue.

2                   We would note at this time that CAC  
3 Manitoba is only a prospective intervener and not yet  
4 an approved intervener.

5                   Our understanding it that as per the  
6 Constitutional Questions Act and as indicated by my  
7 friend Mr. Williams, notice of any challenge to the  
8 validity of a regulation needs to be served at least  
9 30 days before the date fixed for hearing of  
10 arguments.

11                   Our understanding based on this  
12 requirement is that such notice would need to be filed  
13 30 days before final arguments at the hearing.

14                   CAC Manitoba intends to fully comply  
15 with the Constitutional Questions Act, should  
16 intervener status be granted.

17                   CAC Manitoba would also be pleased to  
18 informally discuss these issues with MPI, with the  
19 Province of Manitoba and any federal attorney generals  
20 prior to notice being served.

21                   We would also note regarding MPI's  
22 comments about striking issue 18, that would be their  
23 preliminary position. In our view, the notice of  
24 constitutional question would only apply to section A  
25 and section E of the proposed issue 18.

1                   If we look at sections B, C and D,  
2 those are questions to be asked if the regulation is  
3 considered to be valid.

4                   In CAC Manitoba's view and in our  
5 perspective, those questions would remain absolutely  
6 relevant even in the event that no constitutional  
7 question -- notice of constitutional question, rather,  
8 is filed.

9                   Those issues would still be considered  
10 and would relate to questions of statutory  
11 interpretation.

12

13                   (BRIEF PAUSE)

14

15                   MS. KATRINE DILAY:   And I'm just  
16 reminded by my friend that at this point our client  
17 does fully expect to file a notice of constitutional  
18 question within the -- the time line in the  
19 Constitutional Questions Act.

20                   Regarding issue 20, which is the issue  
21 of road safety, CAC Manitoba actively participated in  
22 the road safety technical conference which was held on  
23 April 4 and April 5 of 2019. It thanks MPI for the  
24 extensive information provided before the technical  
25 conference, as well as during, as well as their



1 candour in answering questions.

2                   From our client's perspective, they  
3 gain tremendous value from this technical conference  
4 both in terms of their -- the information that they  
5 can then provide to their clients, as well as issues  
6 being streamlined and more focused as we head into  
7 this general rate application.

8                   However, from CAC Manitoba's  
9 perspective, road safety should remain as an issue to  
10 be considered in detail in the 2020 MPI general rate  
11 application.

12                   A helpful summary of the technical  
13 conference has been prepared by Mr. Ward Keith and was  
14 filed by MPI with their application.

15                   Many of the issues that were discussed  
16 during the technical conference, and the  
17 recommendations made by stakeholders require further  
18 examination, which CAC Manitoba expected to undertake  
19 in this general rate application proceeding.

20                   CAC Manitoba does take issue with Mr.  
21 Scarfone's comments regarding no recommendation being  
22 made to MPI specifically. CAC Manitoba made a number  
23 of recommendations in closing argument at the  
24 technical conference and fully intends to follow up on  
25 those recommendations.

1                   As previously mentioned, from CAC  
2 Manitoba's perspective, the over-arching issue  
3 regarding road safety before the Public Utilities  
4 Board is whether MPI's road safety portfolio minimizes  
5 the human, economic, and social costs of collisions,  
6 while also being prudently and reasonably optimized to  
7 maximize value to ratepayers.

8                   In this proceeding with respect to road  
9 safety and loss prevention, CAC Manitoba intends to  
10 review progress made on the overall portfolio, as well  
11 as specific projects, relative to the expectation --  
12 expectations, rather, of stakeholders and the PUB  
13 order from last year, as well as the questions that  
14 were discussed during the technical conference.

15                   In collaboration with Bike Winnipeg and  
16 CMMG, CAC Manitoba intends to follow up on issues  
17 discussed during the technical conference, including  
18 testing the business case and economic value to  
19 ratepayers of the road safety and loss prevention  
20 initiatives.

21                   On page 9 of attachment A to CAC  
22 Manitoba's intervention, thank you Diana, we've  
23 outlined on this page a number of specific issues  
24 that, from CAC Manitoba's perspective, will require  
25 further examination during the public hearing.

1                   These issues represent only a subset of  
2 issues and questions that were raised by CAC Manitoba  
3 during the technical conference. So as a result of  
4 the technical conference, the issues have been  
5 streamlined and focused, but still remain relevant for  
6 the general rate application process.

7                   As a result from CAC Manitoba's  
8 perspective, it is necessary to keep this issue as an  
9 issue requiring detailed consideration in the 2020  
10 GRA, especially given the public nature of Public  
11 Utilities Board Hearings where ratepayers have a  
12 chance to examine the record and tune into the  
13 livestream.

14                   We intend to explore this issue and  
15 information requests as much as possible without  
16 having the benefit of seeing those answers to  
17 information requests at this time we can't necessarily  
18 anticipate how much focus will be needed during the  
19 public hearing, but it is anticipated that as much  
20 will be explored in information requests as possible.

21                   Regarding issues 8 and 19, which relate  
22 to Manitoba Public Insurance's investments and asset  
23 liability management study.

24                   We heard MPI regarding the inclusion of  
25 shadow portfolios and the issues list. While MPI has

1 developed shadow portfolios in response to the Public  
2 Utilities Board directive from last year, CAC Manitoba  
3 has outlined in our application to intervene  
4 preliminary concerns with the particular risk that was  
5 included in the shadow portfolios.

6                   Specifically, CAC Manitoba intends to  
7 explore whether Mercer's methodology in developing the  
8 shadow portfolio is ordered by the Public Utilities  
9 Board in order 159 or 18 is appropriate, including  
10 whether Mercer appropriately characterized risk and  
11 return in shadow portfolio 1 and shadow portfolio 2,  
12 or whether a more appropriate approach would be to  
13 hold risk rather than return constant than infer the  
14 higher expected return on the efficient frontier and  
15 finally the associated asset allocation for this risk  
16 return combination.

17                   Our understanding is that shadow -- the  
18 shadow portfolios were ordered by the Public Utilities  
19 Board as a way to benchmark MPI's investment  
20 portfolios.

21                   If the methodology used is unsound, the  
22 intent of the shadow portfolios may not be achieved.

23                   For this reason, CAC Manitoba's  
24 perspective is that the shadow portfolios should  
25 remain as an issue on the issues list.

1                   A few last comments. CAC Manitoba  
2 expects that the issue of broker commissions and any  
3 implications flowing from brokers agreements and  
4 commissions paid to brokers will be explored under  
5 cost of operations and cost containment measures,  
6 which is issue 9 currently on the preliminary issues  
7 list.

8                   However, if -- if there was a  
9 preference to have the issue of broker commissions and  
10 broker agreements as a separate issue, CAC Manitoba  
11 would not be opposed to that either.

12                   In terms of cost allocation, CAC  
13 Manitoba does not dispute that issue 23 integrated  
14 cost allocation methodology be deferred to future  
15 applications.

16                   However, and as we've already referred  
17 to in our previous comments, we expect that issues  
18 about benefits, risks and costs, relating to the  
19 relationship between MPI's lines of business,  
20 specifically between basic and extension, are relevant  
21 to the issue of the capital management plan.

22                   While we will not explore cost  
23 allocation in detail, we expect that general concepts  
24 relating to benefits, risks and costs about the  
25 relationships will be covered in Information Requests

1 as well as evidence.

2                   Finally, with respect to issue 21,  
3 interest rates, our clients respect the Board's  
4 decision from last year and may explore this issue in  
5 the future.

6                   And we also note that issues 4C and 4D,  
7 we may have a few questions under -- under those  
8 issues with respect to interest rates. Thank you.  
9 Subject to any questions, those would be our response  
10 regarding the issues list.

11                   THE CHAIRPERSON: Thank you, Ms.  
12 Dilay. Mr. Monnin...?

13

14 RESPONSE BY BIKE WINNIPEG:

15                   MR. CHRISTIAN MONNIN: Thank you,  
16 Madam Chair. Just a comments for -- if I have that  
17 down right. Firstly, with respect to -- solely  
18 reserved, obviously, for -- for item 20 on the list.

19                   With respect to My Friend's comments,  
20 Mr. Scarfone's, I have to profess, I -- I  
21 misunderstood MPI's initial position on what road  
22 safety ought to have been based on what was said at  
23 the conference on Monday.

24                   And perhaps I encouraged the Board to  
25 go to the transcripts of that hearing because that is

1 the best evidence that we had. I understood that the  
2 position of the Corporation was that the report from  
3 the technical con -- conference was, I'm paraphrasing  
4 here, but a complete answer to the road safety issue  
5 and ought not to go any further.

6 I now understand that we should take  
7 the -- the Corporation's position as Information  
8 Requests will be sufficient in order to fully address  
9 this matter.

10 Well, that leaves, we would suggest, a  
11 profound procedural unfairness to those who are  
12 seeking intervention on that particular point. The  
13 pres -- the -- the schedule that we have for the  
14 hearing is for two (2) rounds of IRS but with -- with  
15 an oral hearing where the evidence can be tested.

16 What is now being suggested will  
17 significantly circumscribe the fairness of the  
18 proceeding with a very compressed time line only  
19 limited to IRs.

20 So, if that's the Corporation's  
21 position, fine. But I do encourage the Board to go to  
22 the transcript, which is the best evidence of the  
23 conference on Monday, because I misunderstood.

24

25

(BRIEF PAUSE)

1 MR. CHRISTIAN MONNIN: With regards to  
2 saying there's no recommendations, we have nothing  
3 more to add than what my friend, Ms. Dilay, added.  
4 There are recommendations made by Bike Winnipeg and  
5 these -- these ought to be conti -- cot -- they --  
6 they ought to be further explored in a hearing.

7 Bike Winnipeg's suggestion is -- or  
8 submission is rather that the technical conference was  
9 never to be an end. It was meant to be a supplement,  
10 something to assist the Board in its deliberations in  
11 these proceedings.

12 The Board has historically struggled  
13 with regards to the optimizing of the budget for road  
14 safety issues. In fact, if I go to Board Order  
15 150/113, page 45, the Board writes:

16 "The Board finds that MPI has not  
17 fully established the current  
18 portfolio of road safety  
19 expenditures is prudently and  
20 reasonable optimized to maximize  
21 value to ratepayers or to minimize  
22 economic and social costs of -- of  
23 collisions."

24 That could only be addressed here in a  
25 full hearing, not a technical conference, which is a



1 tool to assist this Board in its deliberations.

2 Those are my comments. Thank you very  
3 much.

4 THE CHAIRPERSON: Thank you. Mr.  
5 Ladyka, on behalf of the Attorney General?

6 MR. ALAN LADYKA: Thank you, Madam  
7 Chairperson. I believe the Board has received the  
8 letter from Mr. Gannett (phonetic), of my office,  
9 which was sent yesterday.

10 I've heard the comments from my friends  
11 representing MPI and CAC. I believe there is a  
12 consensus that, if there is to be a challenge to the  
13 vali -- the validity of the reserves regulation at the  
14 hearing, that the notice set out in the Constitutional  
15 Questions Act must be provided to the Attorney  
16 Generals of Manitoba and Canada.

17 I will just note one (1) point, that  
18 the -- there was some discussion of when that notice  
19 actually might be required, how much -- how many days  
20 prior to any particular point of the hearing.

21 The Constitutional Questions Act at  
22 section 7(5) states that the notice shall be served at  
23 least thirty (30) days before the date fixed for  
24 hearing of arguments.

25 There was some comment that that was

1 seen to be thirty (30) days before the hearing, the  
2 date fixed for final arguments in the hearing in  
3 October.

4 I don't know the details of how the --  
5 the hearing in October is scheduled and what the  
6 various components of it are, so I'm not going to  
7 comment at this point on what date might -- the notice  
8 might actually have to be given other than just to  
9 refer back to the Act and say it refers to hearing of  
10 arguments.

11 That's the best we can do given the  
12 language. I hope and I trust that my friends will  
13 provide the notice as early as possible. I think it  
14 benefits everyone, including the Board, that all  
15 parties have as much noticeable as possible as what  
16 the iss -- exactly issues are going to be in any  
17 challenge to the regulation.

18 Those, I think, are my comments, Madam  
19 Chairperson.

20 THE CHAIRPERSON: Thank you. I'm  
21 sorry, Ms. Meek, is the written submission going to  
22 include any reference to the preliminary issues list,  
23 as well?

24 MS. CHARLOTTE MEEK: I can pass that  
25 information on to Mr. Oakes and -- and have him make

1 comment on that if that's necessary. Thank you.

2 THE CHAIRPERSON: Thank you. Mr.  
3 Scarfone, do you have any response to the responses of  
4 the Intervenors?

5 MR. STEVE SCARFONE: Nothing of -- of  
6 real importance. I -- I -- you know, I do have a  
7 couple comments, but I don't think they'll have any  
8 meaningful additions to the -- to the Board's  
9 deliberations, so we'll just leave it with my earlier  
10 submissions on the -- on preliminary issues list.

11 THE CHAIRPERSON: Thank you. We'll  
12 now move to the pre-qualification of expert witnesses.  
13 Mr. Scarfone, does MPI intend to seek pre-  
14 qualification of any of the experts, your experts?

15 MR. STEVE SCARFONE: We don't intend  
16 to call any expert evidence at this year's General  
17 Rate Application.

18 THE CHAIRPERSON: Thank you. Ms.  
19 Dilay...?

20 DR. BYRON WILLIAMS: This -- we're  
21 going down the food chain to Mr. Williams.

22 THE CHAIRPERSON: Oh, I'm sorry, Mr.  
23 Williams.

24

25 RESPONSE BY CAC (MANITOBA) TO EXPERT WITNESSES:

1 DR. BYRON WILLIAMS: And if -- if  
2 perhaps I could have -- ask Diana to pull up  
3 attachment B to the Intervenor application of CAC  
4 (Manitoba), and to the very first page just for a  
5 second, Diana.

6 And then, as well, I'll just -- if you  
7 can have in backup the curriculum vitae of Mr. John  
8 Todd. Just stay at the -- Diana, if you can just stay  
9 at the top of attachment B for a second, that would be  
10 great.

11 Madam Chair and members of the panel,  
12 my understanding, that this is qualification for  
13 proposed expert witnesses. I'll just note that we've  
14 -- there's a number of consultants, not witnesses,  
15 that have been identified in this list.

16 Just given the pressures of time and of  
17 coordinating schedules, we do not intend to retain all  
18 these individuals, but we wanted to give indication to  
19 the Board who we're looking at.

20 For the purposes of pre-qualifying  
21 expert witnesses, we're asking to pre-qual -- qualify  
22 Mr. John Todd, Dr. Wayne Simpson, and Ms. Andrea  
23 Sherry for the purposes of giving evidence related to  
24 the capital maintenance -- the capital management  
25 plan, excuse me, as well as related iscu -- issues of

1 risk and related to the RSR.

2 I can indicate that our current plan is  
3 to call Mr. Todd and one (1) of the other two (2)  
4 witnesses, but we're still working on schedule and  
5 kind of fit in that regard.

6 The Board will be aware that Dr.  
7 Simpson had been pre-qualified and qualified by this  
8 Board on a number of occasions. His material appears,  
9 leaving aside his curriculum vitae, at expert  
10 consultant number 4, which, Diana, is about four (4)  
11 pages in.

12 And perhaps if we could go to the fifth  
13 page of that. Yes, please go to the next page,  
14 towards the middle. Down a bit farther, please.  
15 You'll see there in the paragraph at the top of what  
16 is before the Board on page 5 of attachment B,  
17 whatever page that is, Dr. Simpson's particular  
18 expertise is in applied microeconomics and econ --  
19 econometrics.

20 And you'll see he has testified on a  
21 number of occasions before this Board. And certainly,  
22 since 2013, the focus of his evidence has been on  
23 issues related to risk and dynamic capital adequacy  
24 testing which may be relevant to the Board's  
25 deliberations.

1                   So, because he is being pre-qualified,  
2 I'm not going to spend as much time on him, but I --  
3 certainly if the Board has any questions, we're happy  
4 to answer them.

5                   If we could go to expert consultant  
6 number 6, which -- which is Mr. John Todd. And that's  
7 about page 8, Diana. And I guess my -- my reading's  
8 not very good. That's number 5. Maybe bifocals are  
9 in the -- in the offing.

10                  If we could go to evidence to be  
11 provided on issues in scope. Diana, if you could just  
12 -- just -- perfect, right there. Thank you. I think  
13 I'm going to start with the last bullet first.

14                  So, in this case, we're -- we're  
15 assuming Mr. Todd will be grappling with issues of how  
16 regulatory principles relating to reserves and the  
17 relationship between the regulated and non-regulated  
18 lines of business apply to the rate stabilization  
19 reserve and more particularly the proposed capital  
20 management plan.

21                  Underlying that ultimate evidence which  
22 really goes to who should be paying what and at what  
23 pace, there are other key analytical issues at stake.

24                  Certainly, the appropriate capital  
25 structure and regulatory principles with respect to

1 the purpose of reserves and as well the relationship  
2 between the regulated and non-regulated lines of  
3 business, such as basic and in particular, in light of  
4 the capital management plan, extension. And those are  
5 the type of issues that Mr. Todd will be grappling  
6 with.

7           If I can take you to his -- just a bit  
8 farther down on this page for a second, the expertise  
9 that Mr. Todd brings to this is over 35 years of  
10 addressing issues relating to price regulation as well  
11 as issues related to regulatory methodology.

12           And we would be seeking that his  
13 expertise in terms of issues related to regulatory  
14 methodology as they relate to -- and regulatory  
15 methodology government regulation as they relate to  
16 regulation generally and Crown corporations in  
17 particular be recognized.

18           The Board most recently heard from  
19 Mr. Todd, if we can go onto this -- that's perfect  
20 there -- issues related to Manitoba Hydro. But  
21 Mr. Todd has been before this Board as an expert  
22 witness or consultant at least 46 times; 23 of those  
23 cases he provided expert evidence.

24           And if you go down just a bit farther  
25 on this page, you'll see that he has been qualified to

1 provide expert evidence with respect to the rate  
2 stabilization reserve and related issues in the  
3 206 general rate application; the 202 general rate  
4 application; the 2000, 1999, and 1998 general rate  
5 applications.

6           The very concept of a rate rebate -- as  
7 those of us with long memories such as Mr. Cathcart  
8 perhaps and myself would remember -- comes from  
9 Mr. Todd.

10           And he's been grappling with issues  
11 relating to how we build up capital reserves, how we  
12 look at risk related to those capital reserves for  
13 rate stabilization purposes, and how we rebate them  
14 back. So his expertise on those issues, our client  
15 believes, is quite germane.

16           And I may have been imprecise. So  
17 we're looking at his expertise in regulatory  
18 principles, regulatory methodology as they relate to  
19 issues relating to risk, capitalization, reserves in  
20 the general rate-setting context. That's the  
21 particular expertise that we believe he brings to the  
22 table.

23           Diane, if I could ask you to pull up  
24 Mr. Todd's long curriculum vitae, which was filed, I  
25 believe, this morning. I don't have an exhibit number



1 for it, but perhaps the Board secretary can assist me  
2 with that.

3                   If we can go just for a second to the  
4 second page of this under the Ontario Energy Board --  
5 2013, for example -- this hearing is not about cost  
6 allocation methodology, but it is -- we've made that  
7 clear. But it is about the relationship -- the  
8 capital management plan is about the relationship  
9 between different lines of business, one which is  
10 regulated, one which is not regulated.

11                   And replete in Mr. Todd's curriculum  
12 vitae is evidence that he has grappled with. I'm just  
13 pulling up the 2013 Enbridge Gas Distribution as just  
14 one example of that.

15                   If we go to the next page under 2003,  
16 again just some selected excerpts. You see Mr. Todd  
17 dealing with issues relating to firms that are in the  
18 competitive marketplace. Again, we've got an  
19 extension here of what's the appropriate contribution  
20 from it to the capital maintenance plan. That's an  
21 example of some of the issues that he is -- he's dealt  
22 with.

23                   And on 2011, you'll see for Union Gas,  
24 again grappling with regulatory framework and cost  
25 responsibility. Those are some of the issues that may

1 be indeed relevant.

2                   On -- sliding over two (2) more pages,  
3 you'll see an enumeration of the many times that  
4 Mr. Todd -- go over one more page, please, Diana --  
5 many times that Mr. Todd has been before this Public  
6 Utilities Board, including at least five (5) or  
7 six (6) times relating to Manitoba Public Insurance  
8 and issues specifically relating to its rate  
9 stabilization reserve.

10                   At the top of two (2) more pages  
11 over -- Diana, that would be 7 -- you'll see that  
12 Mr. Todd's experience -- one more page over towards  
13 the top of the next page, please. No, I've gone too  
14 far. Back one (1) page.

15                   You'll see he has also looked closely  
16 in the BC context at ICBC in terms of issues relating  
17 to financial allocation. So he brings to his work  
18 experience across a variety of utilities, both  
19 specifically to MPI but also with regards to other  
20 public auto insurers and obviously his wealth of  
21 regulatory experience generally.

22                   Finally, this'll go over a couple more  
23 pages, and we don't need to turn there. But I'll  
24 note, as well, that if you looked under New Brunswick  
25 Power, you would see that he's looked at financial

1 risk management policies expressly for New Brunswick  
2 Power.

3                   One thing that I haven't talked about  
4 is in this case, Mr. Todd is being retained by our  
5 client, the Consumers' Association. He certainly has  
6 done work for consumer groups in the past.

7                   But if you look at Mr. Todd's  
8 experience especially since 2007 and onward, most of  
9 that work has either been before independent  
10 regulators or for industry proponents.

11                   So he brings -- Mr. Todd is not someone  
12 who's always there pitching for the consumers. He's  
13 always there to provide his independent expertise. He  
14 most recently served as an independent expert for this  
15 Board in the 2014 need for an alternatives hearing  
16 related to Manitoba Hydro.

17                   That is Mr. Todd. And if we can just  
18 go back to Ms. Sherry for a moment, and she is expert  
19 consultant number 7 at page 10, Ms. Dilay reminds me.

20                   And if we move down that page, you'll  
21 see that her expertise relates to the actuarial art,  
22 including issues relating to risk, issues relating to  
23 dynamic capital adequacy testing, including issues  
24 related to capitalization.

25                   So again in the general context of the

1 capital maintenance plan or the capital management  
2 plan, Ms. Sherry's expertise is self-evidence and she  
3 has testified before this Board on a number of  
4 occasions on those issues.

5           Madam Chair, subject to questions from  
6 the Board, those are the three (3) witnesses that we  
7 propose to qualify. I would note, as my friend  
8 Ms. Dilay did as well, at this point in time, we do  
9 not intend to call evidence from Mr. Viola or  
10 Ms. Johnson.

11           And I would also note that we are in  
12 some discussions with Bike Winnipeg in terms of  
13 potentially sharing some road safety expertise, and  
14 that there may be some opportunities with our friends  
15 from CMMG in terms of actuarial matters that we still  
16 have to explore. But those are not for evidence, but  
17 that's just some examples of the collaboration that  
18 our client has undertaken today.

19           THE CHAIRPERSON: Thank you,  
20 Mr. Williams. Any questions from the panel?

21           MR. DARREN CHRISTLE: Point of order,  
22 Madam Chair? It's the secretary.

23           So for the purposes of the record, the  
24 long version of John Todd's CV will be CAC  
25 Exhibit 1-11. Thank you.

1 THE CHAIRPERSON: Thank you.

2

3 --- EXHIBIT NO. CAC-1-11: Mr. Todd's CV.

4

5 DR. BYRON WILLIAMS: Thank you.

6 THE CHAIRPERSON: Mr. Scarfone, do you  
7 have any response to Mr. Williams' request?

8

9 RESPONSE BY MPI RE EXPERT WITNESSES:

10 MR. STEVE SCARFONE: I do. I have  
11 some comments. Thank you, Madam Chairperson.

12 So the notion of pre-qualifying expert  
13 witnesses, Madam Chair, has been in place for as long  
14 as I've been doing this, which isn't long -- a couple,  
15 three (3) years -- and I understood it to be -- to  
16 perhaps streamline the process so that we had our  
17 expert witnesses qualified at the outset of the  
18 hearing.

19 But this particular year might, I  
20 suggest, be an appropriate time for MPIC to oppose the  
21 qualification of -- of one (1) proposed expert  
22 witnesses.

23 And -- and we don't do so to be seen as  
24 obstructive in any way, but we do take the position  
25 that we'd like an opportunity to cross-examine Mr.

1 Todd on his qualifications should he appear before the  
2 panel in October.

3                   The reason being, if -- if interested -  
4 - if you look to the areas that -- that my friend  
5 anticipates Mr. Todd testifying to, at page 9, I  
6 believe, of attachment B... Try 8. Yes, right there.

7                   So, the evidence to be provided on  
8 issues in scope, a couple comments that we'd make.  
9 The first bullet has him addressing the purpose of the  
10 rate stabilization reserve.

11                   And we -- we want to emphasize that the  
12 Board, as it must, recognize the reserves regulation  
13 which specifically provides for a definition of the  
14 reserve rate -- the rate stabilization reserve.

15                   But not only that, it -- it talks about  
16 what its purpose is. And it specifically indicates at  
17 section 3 that it's only for the purpose of reducing  
18 the rate indication once -- once in excess of 100  
19 percent MCT.

20                   So, in our view, it's important that we  
21 be allowed an opportunity to cross-examine Mr. Todd on  
22 his qualifications because, of course, if -- if the  
23 panel is inclined to qualify an expert witness as  
24 such, that witness then is given free reign to provide  
25 opinion evidence on matters that are at issue, and

1 this particular issue may not be one (1), as we well  
2 know.

3                   So, for that reason, we'd like to  
4 reserve our right to -- to cross-examine Mr. Todd, and  
5 on the second bullet, as well. There seems to be some  
6 evidence that might be forthcoming on the relationship  
7 between MPI's lines of business.

8                   We can, I think, logically conclude  
9 that the rate stabilization reserve and the lines of  
10 business have fundamentally changed since Mr. Todd  
11 last appeared before this Board in the early 2000s.

12                   So, again, for those reasons, we're  
13 opposed at this stage to the qualification of Mr. Todd  
14 as an expert witness in those areas that My Friend has  
15 set out for the Board.

16                   Concerning Ms. Sherry and -- and Dr.  
17 Simpson, we don't -- we aren't opposing those  
18 particular witnesses being qualified in advance of the  
19 hearing, although we do note that, you know, we're --  
20 we're confident that, if they speak to matters that  
21 are outside their areas of expertise, that the Board  
22 will give the appropriate weight after cross-  
23 examination of those witnesses, but for Mr. Todd, we  
24 are opposed.

25                   THE CHAIRPERSON:     Just a point of

1 clarification with regard to your opposition to Mr.  
2 Todd. Are you contesting his expertise or you're just  
3 contesting the areas that he may be asked to provide  
4 opinion --

5 MR. STEVE SCARFONE: Just the areas  
6 that he may be asked to provide expert and opinion  
7 evidence on. And -- and, again, Madam Chair, you'll  
8 appreciate that it's going to depend largely on -- on  
9 how the proposed issue 18 unfolds.

10 And -- and so, it would be, I think, a  
11 little premature given that issue to qualify him here  
12 today to speak to matters that are codified in a  
13 regulation.

14 THE CHAIRPERSON: Okay. Thank you.

15 DR. BYRON WILLIAMS: Madam -- Madam  
16 Chair, just from our clients' perspective, a witness  
17 with the gravitas of Mr. Todd, we're always -- we  
18 welcome cross-examination.

19 So, from our client's perspective,  
20 technically, bring it on. That will be -- I think it  
21 will -- will assist the Board in just understanding  
22 the wealth of expertise.

23 And I do understand a bit of the  
24 caution of my friend. And -- and so, in the sense  
25 that the -- we don't know how things will roll out.



1 But I would simply say that witne -- those who have  
2 seen Mr. Todd testify before know he starts from  
3 principle, including what is set out in the  
4 legislation as well as in key regulatory principles.

5                   Those first two (2) bullets relate to  
6 how he will analet -- analytically construct his  
7 evidence. Those are the -- the lynch pins. That will  
8 -- those will be the -- on which he makes his  
9 observations.

10                   Regardless of what happens with the  
11 regulation being invalid or not, this evidence is  
12 called in anticipation if the -- in the event that the  
13 -- the regulation is determined to be valid, going to  
14 the heart of the issues, how does the regulator  
15 grapple with a capital maintenance plan -- capital  
16 management plan involving -- who should bear the risk  
17 for a politically set rate stabilization reserve  
18 rather than one (1) that's based on evidence and  
19 reserves, how does the relationship between Extension  
20 and Basic relate to that, should it be capital  
21 ratepayers bearing any of that risk or not.

22                   So, those are some of the questions  
23 that he will no doubt grapple with. But we certainly  
24 welcome the opportunity to have him cross-examined on  
25 his qualifications at the hearing.

1 THE CHAIRPERSON: Thank you, Mr.  
2 Williams. Mr. Monnin, do you have any comments?

3 MR. CHRISTIAN MONNIN: No, Madam  
4 Chair.

5 THE CHAIRPERSON: Ms. Meek, do you  
6 have any comments?

7 MS. CHARLOTTE MEEK: No, Madam Chair.

8 THE CHAIRPERSON: Thank you.

9 MS. KATHLEEN MCCANDLESS: Madam Chair,  
10 if I may jump in now. And I apologize for putting Mr.  
11 Williams on the spot, but in previous applications for  
12 pre-qualification you have provided the panel with a  
13 specific area in which you would -- CAC would like its  
14 experts to be qualified.

15 For example, Dr. Simpson is an expert  
16 in economics with a focus on et cetera, et cetera. We  
17 haven't heard that yet today. In reviewing attachment  
18 B, I don't see a succinct phrase or area of  
19 qualification.

20 Are you able to provide that today or  
21 is there an alternative --

22 DR. BYRON WILLIAMS: I would be --

23 MS. KATHLEEN MCCANDLESS: -- method?

24 DR. BYRON WILLIAMS: I -- I think you  
25 heard me struggling to express it succinctly. I -- I

1 made an -- perhaps a failed effort, so perhaps if,  
2 with the Board's guidance, I would just submit  
3 something in writing.

4                   But, generally, his overarching  
5 experience is with regard to regulatory principles and  
6 regulatory methodology as it relates to cap -- to  
7 consumers of -- of monopolies and, in particular, in  
8 the context here relate -- those regulatory principles  
9 and methodology in terms of issues relating to risk,  
10 issues relating to the con -- the development of  
11 capital maintenance plans. But I think I could put  
12 that more glibly in -- in one (1) or two (2)  
13 sentences.

14                   As you've correctly noted, I didn't do  
15 that great of a job of it today, so I apologize for  
16 that.

17                   MS. KATHLEEN MCCANDLESS: And with  
18 respect to Dr. Simpson and Ms. Sherry, I -- then CAC's  
19 simply asking that they be qualified in the same  
20 manner as they have in previous hearings before the  
21 Board?

22                   DR. BYRON WILLIAMS: And -- yes. And  
23 we could -- but if it would assist the Board and MPI,  
24 we would certainly just put those to them in writing.  
25 And then, certainly, I'm not trying to elongate the

1 problem, but -- the -- the issue, but if -- I -- I  
2 think it'll be fairly clear and will assist the  
3 deliberations of the Board.

4 MS. KATHLEEN MCCANDLESS: Thank you.

5 THE CHAIRPERSON: Thank you. Mr.  
6 Monnin, do you have any expert witnesses you intend to  
7 qualify?

8 MR. CHRISTIAN MONNIN: No, Madam  
9 Chair.

10 THE CHAIRPERSON: Thank you. Ms.  
11 Meek...?

12 MS. CHARLOTTE MEEK: Again, I'll ask  
13 Mr. Oakes to put that in writing if he has any expert  
14 witnesses to...

15 THE CHAIRPERSON: So, I think we are  
16 now moving to the next item, which is the timetable  
17 for the hearing, Ms. McCandless?

18 MS. KATHLEEN MCCANDLESS: Yes, that's  
19 correct, Madam Chair. And, Diana -- Diana has pulled  
20 it up. So, this timetable has been reviewed and  
21 discussed with MPI and the prospective Intervenors  
22 prior.

23 I believe there is general consensus on  
24 the dates here with the exception that now the date at  
25 item number 6 will need to be changed to take into

1 account the written submissions that will be provided  
2 on behalf of CMMG.

3                   So, the date for the procedural order  
4 would be changed to the end of next week, which would  
5 be the 5th, the Friday. Beyond that, I do not believe  
6 any -- anyone else has any comments to make on the  
7 timetable, although please jump in if I'm incorrect in  
8 my assumption.

9                   So, with that in mind, we see the  
10 public hearing starting on October 7th. I would just  
11 note that week we will not be sitting on the 9th.  
12 Beyond that, I believe that's the timetable that  
13 everyone has -- is comfortable with at this time.

14                   THE CHAIRPERSON: Thank you. Any  
15 comments from MPI?

16                   MR. STEVE SCARFONE: No comments. The  
17 -- the schedule looks fine from our perspective.

18                   THE CHAIRPERSON: Thank you. Ms.  
19 Dilay...?

20                   MS. KATRINE DILAY: Thank you. Just  
21 two (2) brief comments from CAC (Manitoba) that we've  
22 -- we've indicated to -- to other parties in the past.  
23 We do have some witness scheduling issues up to  
24 October 20th, but we are trying to work that out  
25 within our team. And we will advise in due course if

1 there are any issues or scheduling particular  
2 requests.

3 We also note that October 25th, which  
4 is currently scheduled to be the last day of the  
5 hearing, Mr. Williams is not available on that day,  
6 but I will be available to attend. Thank you.

7 THE CHAIRPERSON: Thank you. Mr.  
8 Monnin...?

9 MR. CHRISTIAN MONNIN: Just to put on  
10 the record. I've discussed this with Board council  
11 previously. I have a court appearance which is set  
12 for October 8th. It's an oppression application.  
13 That's not important. I'm just not available that  
14 day. But we will make sure that I su -- I will work  
15 around the schedule that's established.

16 THE CHAIRPERSON: Thank you. Ms.  
17 Meek...?

18 MS. CHARLOTTE MEEK: No comments on  
19 the schedule.

20 THE CHAIRPERSON: Thank you. Anything  
21 that the panel would like to raise at this point?

22

23 (BRIEF PAUSE)

24

25 THE CHAIRPERSON: So, I believe that

1 addresses all of the issues at the pre-hearing  
2 conference this morning and we are adjourned. Thank  
3 you very much.

4 MS. KATHLEEN MCCANDLESS: Thank you.

5 MR. STEVE SCARFONE: Thank you.

6

7 --- Upon adjourning at 12:06 p.m.

8

9

10 Certified Correct,

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14 Wendy Woodworth, Ms.

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