

**MANITOBA HYDRO NEEDS FOR AND ALTERNATIVES TO (NFAT) –
MIPUG SUBMISSION TO THE MANITOBA PUBLIC UTILITIES BOARD (PUB)
IN RESPONSE TO ORDER 67/13 AND 92/13 FOR APPROVED OF A PUBLIC
SECTOR FINANCE WITNESS**

The Manitoba Industrial Power Users Group (MIPUG) was granted intervener status for the upcoming Needs For and Alternatives To (NFAT) Review in the Public Utilities Board (PUB or Board) Order 67/13 to review the following issues in the NFAT review:

- a) Impact on domestic rates, including long term impacts;
- b) Risks to domestic customers through Manitoba Hydro's investment in subsidiaries, export ventures and new Programs;
- c) Alternatives to Manitoba Hydro's Preferred Development Plan including demand side management programs; and
- d) Risks including long term financial and economic risks and the financial liability of Manitoba Hydro.

MIPUG was also granted a role to consult with other elements of the business sector in Manitoba in regards to Hydro's plan.

In the budget and scope submitted by MIPUG, as per Order 67/13, a request was made for a specialist witness in the area of public sector finance. In Order 92/13 the PUB requested a detailed scope of work and budget submission before approval of a MIPUG witness.

Since this time, MIPUG has reviewed the Manitoba Hydro NFAT business case, been through the Interrogatory request process, and initiated consultation including issue identification with the other business sector participants. MIPUG has also reviewed the scope of work for the Board's Independent Expert Consultant ("IEC") regarding the Commercial Evaluation, Morrison Park Advisors. In particular, scope item (d) of the Morrison Park Advisors' assignment is of interest:

Consideration of specific financial impacts and risks being assumed as part of the Plan by the Government of Manitoba and the taxpayers of Manitoba, as they relate to the Province's credit rating, borrowing capacity, potential impact on other budgetary priorities, credit availability, and credit rates in the future.

With regard to MIPUG's scope of intervention, there remains a concern by MIPUG, and the business sector representatives with which MIPUG has consulted, that there may remain a need for specific specialist input on potential effects to the provincial public sector finances from someone who has experience in this specialized area. Specifically, (a) regardless as to the core business case, can a province the size of Manitoba afford the sheer scale of investment and borrowing required by the preferred development plan without impinging on the ability to serve future obligations and services, and (b) from the perspective of government finances, how can projects that are substantial long-lived

resources (such as century-long sources of stable cost reliable power) be properly assessed along-side short-term pressures on borrowing levels, credit ratings and competing demands for capital?

The concern is two-fold – today’s decisions could be less than ideal in two different directions:

- 1) **Overreach:** The preferred development plan may be excessively large for Manitoba. In future this could reduce the ability to borrow or to invest in other measures to develop the province (infrastructure, education, tax advantages, etc.). This could have adverse impacts on the investment that industry makes in Manitoba, and the ability to attract future industry.
- 2) **Lost opportunity:** The preferred development plan (or part of the plan) may be beneficial in the long-term. The assets could serve as core and enduring infrastructure for Manitoba for the next century or more. This is as unique resource for Manitoba that many other provinces do not have available. It is possible that an excessive focus today on debt levels and lending criteria in the first 10-20 years could convince decision makers to shelve the plan. This could forgo an opportunity that may be a significant, if not defining contributor to future public sector financial strength.

MIPUG has canvassed for potential experts in this area and submits to the PUB for approval the budget and scope of work for Dr. Janice MacKinnon.

1. BACKGROUND OF DR. JANICE MACKINNON

Dr. Janice MacKinnon is a professor of Fiscal Policy at the University of Saskatchewan and the Chair of Canada’s Economic Advisory Council. Dr. MacKinnon was Minister of Finance for the Province of Saskatchewan from 1993 to 1997, and held other ministerial portfolios from 1991 to 2001, including the Minister Responsible for Crown Investments.

Dr. MacKinnon’s Curriculum Vitae (C.V.) is attached as Appendix A to this file.

2. PROPOSED SCOPE OF WORK FOR JANICE MACKINNON, EXPERT WITNESS IN PUBLIC SECTOR FINANCE

Based on the NFAT Terms of Reference, the following key inquiry questions are proposed for Dr. MacKinnon’s comment:

1. The risks arising from the sheer magnitude of the plan and borrowings in relation to provincial public sector economy.
2. The affordability of the plan from a provincial public sector finance perspective.
3. The appropriate analytic tools to apply in assessing the degree of certainty, or the financial returns, that should be required in order to justify this magnitude of plan.
4. The balance of risks between the provincial government and Hydro ratepayers.
5. The appropriate approach to assess an exceedingly long-term opportunity in light of current and ongoing fiscal pressures over at least the next two decades.

APPENDIX A

CURRICULUM VITAE (ABBREVIATED) FOR JANICE MACKINNON

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Education

B.A. Honours, University of Western Ontario

M.A. Queen's University

PhD. Queen's University

Honours and Awards

Order of Canada

Saskatchewan Order of Merit

Fellow of the Royal Society of Canada

Current Board Positions, Appointments and Other Activities

Professor of Fiscal Policy, University of Saskatchewan (2001-Ongoing)

Supervise graduate students and conduct graduate seminars on fiscal policy.

Chair, Canada's Economic Advisory Council (2010-Ongoing)

The Economic Advisory Council, which is comprised of 13 business people and academics, is appointed by the Federal Finance Minister, Jim Flaherty, and meets regularly with him to advise the federal government on fiscal and economic policy.

Chair, OmbudService for Life and Health Insurance (OLHI) (Board member since 2004, Chair since 2011)

OLHI is funded by insurance companies and mandated to provide mediation services to those with complaints about their life and health insurance

Policy Commentator

Panelist with David Dodge and Jean Charest on Proposed Changes to the Canada Pension Plan, Ottawa, November 2013

Presenter, Municipal Infrastructure, University of Calgary, October 2013.

Presenter, Alberta Futures Conference, University of Alberta, May 2013.

Panelist with David Dodge on Policy Issues Facing Canada and British Columbia, British Columbia Business Council, April, 2013.

Media Commentator

Commentaries on CBC radio's Cross Country Check-Up, The House and As It Happens

For the last 4 years, one of 3 commentators who spent Budget day in the "lock-up" advising and briefing CBC national TV and Radio reporters on the Federal Budget and providing national CBC Radio and TV commentaries on the Budget.

Provincial Government Experience

Minister of Finance, Province of Saskatchewan (1993-1997)

Served as Minister of Finance during the fiscal crisis of the 1990s when Saskatchewan became the first province in Canada to balance its budget.

Also served as Minister of Economic Development, Minister Responsible for Crown Investments Corporation (Saskatchewan Crown Corporations), Minister of Social Services and Minister Responsible for Trade, Investment and Innovation (1991-1993, 1997-2001).

Chair of the Board, Investment Saskatchewan (2007-2009)

A provincial Crown Corporation which oversaw investments in the province; on the recommendation of the board its functions were amalgamated with the government operated crown sector in 2009.

Advised the Governments of British Columbia and Alberta on Health Policy.

Federal Government Experience

Member, National Task Force on Financial Literacy (2009-2010)

Task force of 13 members appointed in 2009 by Minister of Finance Jim Flaherty to study the literature, hold consultations and write a report on ways in which the financial literacy of Canadians could be improved; chaired by Don Stewart (former President of Sun Life) and Jacques Menard (Chair, BMO Nesbitt Burns).

Presentation to the Finance Department: Current and Future Fiscal Issues facing Canada in a Global World, October, 2012.

Strategic Directions and Challenges for the Prairies, Assistant Deputy Ministers' Forum, Government of Canada, October, 2011.

Canada's Challenges and Opportunities: Presentation to HRSDC, Government of Canada, September, 2011.

Participant, Pre-Budget Consultations with Finance Minister Jim Flaherty, 2008, 2009, 2010.

Presentation to Treasury Board Officials on Issues in Public Policy, Edmonton, Alberta, 2009.

Invited Participant in Roundtable Discussion with Prime Minister Stephen Harper, Saskatoon, 2009.

Panel Participant, Annual Retreat of Federal Deputy Ministers, Meech Lake, 2007

Advised the Federal Department of Finance and Treasury Board.

Policy Experience

Board Member, Canada West Foundation (CWF) (2003-Ongoing)

CWF is a research institute based in Calgary whose mandate is to profile western Canadian issues and foster greater understanding of the relationship between the region and the rest of Canada.

Chair of the Board, Institute for Research on Public Policy (2006-2012)

A Montreal based nationally endowed research institute that focuses on social, economic and federal-provincial policy issues.

Select List of Recent Publications

“The Potash Takeover Bid: The Deal that Wasn’t”, Policy Options, Dec. 2010-Jan. 2011.

“Balancing the Fiscal Plan with a Campaign Blueprint,” Policy Options, April, 2011.

“Striking a Balance of Budget Choices,” Policy Options, April, 2010.

“A National Securities Regulator and Western Canada,” appeared in Vancouver Sun, Edmonton Journal, Victoria Times Colonist, Regina Leader-Post, Saskatoon Star-Phoenix Dec 2010.

“Follow the Jobs,” National Post, Sept. 2009.

Minding the Public Purse: The Fiscal Crisis, Political Trade-offs and Canada’s Future. Montreal and Kingston: McGill-Queen’s University Press, 2003.

Select List of Recent Conference Presentations

Balancing the Saskatchewan Budget, Presentation to the American Enterprise Institute, Washington, D.C., September, 2012.

The GST and its Future, University of Calgary, School of Public Policy, November 2011.

Chair of Conference on a National Energy Strategy for Canada, University of Prince Edward Island, August, 2011.

Inter-Provincial Trade Barriers in Canada, Conference on Trade Barriers in Canada, United States, European Union, Australia and Switzerland. C.D. Howe Institute and Forum of the Federations Conference Toronto, 2010.

Employment Insurance and the Need for Reform, Presentation at IRPP Conference, Ottawa, 2009.