



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re:

MANITOBA PUBLIC INSURANCE CORPORATION (MPI)

2026/27 MPI GRA

Before Board Panel:

Irene Hamilton, K.C.- Panel Chairperson

Patrick Ireland - Board Member

Kim Sharman - Board Member

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

Oct 28, 2025

Pages 1952 to 2080

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2 --- Upon commencing at 9:00 a.m.

3

4 PANEL CHAIRPERSON: Good morning,
5 everyone. Mr. Klassen, do you have a revised exhibit
6 to file?

7 MR. CHRIS KLASSEN: I do, Madam Chair.
8 Thank you. Exhibit CC-11 as amended by Board's
9 direction yesterday was circulated to parties by email
10 last night and is filed this morning. Thank you,
11 Madam Chair.

12 PANEL CHAIRPERSON: Thank you. And
13 Mr. Scarfone helpfully pointed out that Ms. Meek is
14 here to do direct, not cross. So, Ms. Meek...?

15 MS. CHARLOTTE MEEK: Thank you, Madam
16 Chair. I'm not doing any direct this morning, but I'm
17 not going to be doing any cross either. Thank you,
18 Madam Chair.

19 PANEL CHAIRPERSON: Thank you. Mr.
20 Yakimchuk...? Mr. Scarfone...?

21 MR. STEVE SCARFONE: Yes. Thank you,
22 Madam Chair. Good morning. Just before I begin my
23 cross-examination of Mr. Viola, I'll catch up the
24 Corporation on its exhibits.

25 Exhibit number 57 is response to

1 Undertaking 3 with an appendix. MPI Exhibit number 58
2 is response to Undertaking number 4. MPI Exhibit
3 number 59 is response to Undertaking number 9. MPI.
4 Exhibit number 60 is response to Undertaking number
5 10. MPI Exhibit number 61 is response to Undertaking
6 number 11. MPI Exhibit 62 is response to Undertaking
7 13 and Appendix 1. MPI Exhibit number 63 is response
8 to Undertaking 14 and exhibit -- and Appendix 1,
9 sorry. MPI Exhibit number 64 is response to
10 Undertaking 16. And lastly, MPI Exhibit number 65 is
11 response to Undertaking 17.

12

13 --- EXHIBIT NO. MPI-57: Response to Undertaking
14 3 with an appendix

15

16 --- EXHIBIT NO. MPI-58: Response to Undertaking
17 number 4

18

19 --- EXHIBIT NO. MPI-59: Response to Undertaking
20 number 9

21

22 --- EXHIBIT NO. MPI-60: Response to Undertaking
23 number 10

24

25 --- EXHIBIT NO. MPI-61: Response to Undertaking

1 number 11
2
3 --- EXHIBIT NO. MPI-62: Response to Undertaking
4 13 and Appendix 1
5
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9 --- EXHIBIT NO. MPI-64: Response to Undertaking
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14
15 CONTINUED CC & CMMG PANEL:

16 VALTER VIOLA, previously Sworn
17

18 CROSS-EXAMINATION BY MR. STEVE SCARFONE:

19 MR. STEVE SCARFONE: And good morning,
20 Mr. Viola. Nice to see you --

21 MR. VALTER VIOLA: Good morning.

22 MR. STEVE SCARFONE: -- again, sir.

23 We see -- we met some years ago and had a dialogue on
24 Efficient Frontiers and the merits of a real liability
25 benchmark versus a nominal. And so today, I'll have

1 some questions for you on your presentation on
2 performance attribution, of course.

3 Just want to begin those, sir, at a
4 high level, you would have reviewed some of the MPI
5 materials that were filed with respect to investments
6 in this proceeding?

7 MR. VALTER VIOLA: Yes.

8 MR. STEVE SCARFONE: And that would
9 have included the investments chapter?

10 MR. VALTER VIOLA: Yes.

11 MR. STEVE SCARFONE: Along with the
12 appendices in that chapter?

13 MR. VALTER VIOLA: Yes.

14 MR. STEVE SCARFONE: And I expect as
15 well, sir, there would have been a number of
16 Information Requests related to investments that were
17 reviewed by yourself --

18 MR. VALTER VIOLA: Yes.

19 MR. STEVE SCARFONE: -- or perhaps
20 even provided for response by MPIC?

21 MR. VALTER VIOLA: Yes.

22 MR. STEVE SCARFONE: Thank you. So
23 yesterday, sir, you spoke about, among other things,
24 risk. And just again, at a high level, sir, you'd
25 agree that determining a risk appetite is probably the

1 beginning of the process for -- for a client or an
2 investor when beginning an ALM study, for example?

3 MR. VALTER VIOLA: It's certainly one
4 (1) of the considerations, risk appetite. The other
5 side's important too, the -- the payoff from taking
6 risk, so together, yes.

7 MR. STEVE SCARFONE: And so, those
8 investment beliefs include determining goals and
9 objectives of -- of the investor?

10 MR. VALTER VIOLA: Goals and
11 objectives are important, yes. I wouldn't call them
12 beliefs per se, but they're considerations or
13 characteristics that are relevant, yes.

14 MR. STEVE SCARFONE: Thank you. And
15 then another step would include determining asset
16 mixes to be included in compliance with the risk
17 appetite?

18 MR. VALTER VIOLA: Yes. In the
19 context of the broader asset and liability management,
20 yes, the assets one considers is -- is important.

21 MR. STEVE SCARFONE: And developing --
22 lastly, developing an Efficient Frontier which
23 identifies the various asset mixes that are on that
24 Efficient Frontier, as you described it yesterday, the
25 dot?

1 MR. VALTER VIOLA: Sorry, what's the
2 question? That's important? Yes.

3 MR. STEVE SCARFONE: Yes.

4 MR. VALTER VIOLA: Yes.

5 MR. STEVE SCARFONE: Developing that
6 Efficient Frontier.

7 MR. VALTER VIOLA: That's part of the
8 process and important, yes.

9 MR. STEVE SCARFONE: And then, sir, in
10 your review of the materials -- and you wouldn't have
11 learned this for the first time -- the Basic line of
12 business, as you said yesterday, contains three (3)
13 investment portfolios, the Basic claims portfolio, the
14 Rate Stabilization Reserve, which is Basic's capital
15 reserve, and the employee future benefits, correct?

16 MR. VALTER VIOLA: Yes.

17 MR. STEVE SCARFONE: And each of those
18 lines of business under Basic have different
19 objectives, agreed?

20 MR. VALTER VIOLA: Sorry, of the --
21 the three (3) portfolios, you call them Basic together
22 or the --

23 MR. STEVE SCARFONE: Yeah, they make
24 up the thickest one.

25 MR. VALTER VIOLA: Yes.

1 MR. STEVE SCARFONE: Yes. They
2 constitute --

3 MR. VALTER VIOLA: Sure.

4 MR. STEVE SCARFONE: -- the Basic
5 line. And it's somewhat confusing.

6 MR. VALTER VIOLA: Sorry. That's
7 fine. Yes.

8 MR. STEVE SCARFONE: Yes.

9 MR. VALTER VIOLA: Yes.

10 MR. STEVE SCARFONE: So, they each
11 have their own objectives. The Basic claims portfolio
12 has as its primary objective to have funds available
13 to pay claims as they become new and to mitigate the
14 risks associated with the liabilities?

15 MR. VALTER VIOLA: I -- I assume
16 that's written down somewhere. It sounds reasonable,
17 yes.

18 MR. STEVE SCARFONE: Okay. Thank you.
19 And that same portfolio, sir, the Basic claims
20 portfolio, has as its secondary objective
21 outperforming the benchmarks?

22 MR. VALTER VIOLA: That sounds
23 reasonable, yes.

24 MR. STEVE SCARFONE: Thank you. And
25 that outperforming the benchmarks is described in the

1 materials, and I think you'd agree, as measuring
2 relative performance?

3 MR. VALTER VIOLA: Relative to the
4 policy benchmark that's set at -- generally at the
5 asset mix level, and then stated in the investment
6 policy statement. Yes, it's relevant to that.

7 MR. STEVE SCARFONE: Thank -- thank
8 you. And then the second portfolio, sir, the Rate
9 Stabilization Reserve, has its own unique objective,
10 and that is to ensure sufficient levels of capital are
11 available for the Basic line of business?

12 MR. VALTER VIOLA: That sounds
13 reasonable

14 MR. STEVE SCARFONE: To withstand
15 plausible adverse events and to deliver rate
16 stability, agreed?

17 MR. VALTER VIOLA: I assume that's
18 written down somewhere. And it sounds like it's a
19 reasonable objection.

20 MR. STEVE SCARFONE: Thank you. And -
21 - and lastly, the employee future benefits which
22 sometimes is referred to as the pension portfolio is
23 to ensure money is available to meet the pension
24 obligations, obviously?

25 MR. VALTER VIOLA: Yes, sounds

1 reasonable.

2 MR. STEVE SCARFONE: And when you
3 agreed with me earlier about relative returns, is it
4 fair to say that that is synonymous with what you
5 refer to in your paper as alpha?

6 MR. VALTER VIOLA: Yes. I just want
7 to clarify. It's relative to something. So, it's
8 always important just to be clear, that one's relative
9 to the policy portfolio. And we call that value added
10 or alpha, yes, as distinct from relative to say the
11 liabilities, which is something else.

12 MR. STEVE SCARFONE: Okay.

13 MR. VALTER VIOLA: Yes.

14 MR. STEVE SCARFONE: Thank you. And,
15 you know, from your presentation, sir -- and you'll
16 soon realize as I ask these questions that most of
17 that was over my head, so bear with me with some of
18 these questions. But attribution, I think you said,
19 is trying to determine where that value derived from.

20 Is -- is that a fair --

21 MR. VALTER VIOLA: Yes. Decomposition
22 of the understanding where the parts come from the
23 total, yes.

24 MR. STEVE SCARFONE: Thank you. And
25 could you confirm for me as it concerns your review of

1 the MPI materials, those relative returns of the
2 alpha, so, again, relative to the benchmark --

3 MR. VALTER VIOLA: Yeah.

4 MR. STEVE SCARFONE: -- were for the
5 last fiscal year, so ending March 31st, 2025?

6 MR. VALTER VIOLA: Sorry. You're
7 referring to the -- all the returns are relative to
8 benchmark, but we've looked at a number of years in
9 the paper, but --

10 MR. STEVE SCARFONE: I see. Okay.
11 So, you didn't limit it. When I look at some of the
12 calculations and the numbers that you presented
13 yesterday, were most of those taken from end of fiscal
14 year 2025?

15 MR. VALTER VIOLA: Not necessarily.
16 If I look at the testimony yesterday, if we go to
17 slide 10 from yesterday --

18 MR. STEVE SCARFONE: Yes.

19 MR. VALTER VIOLA: -- that's the
20 performance attribution document. That, for example -
21 - and I was corrected yesterday -- well, that was from
22 2020 -- sorry, 2022, so it was a few years ago, fiscal
23 year ending '23.

24 MR. STEVE SCARFONE: Yes. And I saw
25 that correction on the record yesterday.

1 MR. VALTER VIOLA: That was that. And
2 I used that just because the numbers were easy to --
3 to describe as an illustrative example, but...

4 MR. STEVE SCARFONE: Okay.

5 MR. VALTER VIOLA: And I think that's
6 the only time we've referred to numbers, MPI's
7 numbers, in this paper yesterday. So, that was from a
8 few years ago, 2022.

9 MR. STEVE SCARFONE: Okay. Thank you.
10 And, again, I don't know that we need to provide you
11 with a reference because you agreed with me on the
12 primary objectives, but for the Basic claims
13 portfolio, sir, for the end of March 31st, 2025, we
14 know that the Corporation performed 0.3 percent lower
15 than the benchmark, agreed?

16 MR. VALTER VIOLA: I'd have to check
17 it, but we could pop up something and I could look at
18 it, but I don't -- I don't have a reason to dispute
19 that.

20 MR. STEVE SCARFONE: Okay. Let me
21 pull up for you --

22 MR. VALTER VIOLA: Sure.

23 MR. STEVE SCARFONE: -- a performance
24 commentary. Ms. Dweh -- nope, Ms. Schubert, good
25 morning. Could you pull up Appendix 6, please, from

1 the investments chapter.

2 MR. VALTER VIOLA: Sure. It's a bit
3 small. Yes. Twenty-nine basis points under
4 performance.

5 MR. STEVE SCARFONE: Yes. Thank you.

6 MR. VALTER VIOLA: Thank you.

7 MR. STEVE SCARFONE: And the Rate
8 Stabilization Reserve -- oh, before we leave the
9 Basic claims portfolio, sir, the return was 8 percent
10 measured against the benchmark of 8.3, agreed?

11 MR. VALTER VIOLA: That sounds right
12 from recollection, but I'd have to check it. But I
13 have no reason to doubt that. Do you want me to check
14 it?

15 MR. STEVE SCARFONE: No. No. So,
16 again, 0.3 percent lower, or 3 basis points?

17 MR. VALTER VIOLA: Sir, we're looking
18 at Basic and we're looking at the total?

19 MR. STEVE SCARFONE: Yes.

20 MR. VALTER VIOLA: The Basic claims
21 portfolio.

22 MR. VALTER VIOLA: Right. How is that
23 different from the first number you asked me to quote?

24 MR. STEVE SCARFONE: I -- I -- sorry
25 if I've confused you. I only asked what the

1 difference was or what -- how --

2 MR. VALTER VIOLA: Oh, I see. You're
3 looking at the gross numbers, yes.

4 MR. STEVE SCARFONE: Yes.

5 MR. VALTER VIOLA: Let me... Those --
6 yes, those number -- 8 percent stuck in my mind, yeah.

7 MR. STEVE SCARFONE: And just to help
8 you out here, we have it -- if you can scroll to the
9 top of the -- yes, right there. Here's an appendix
10 from the investment chapter, sir.

11 And you'll see right there before you
12 in the first paragraph that the Basic claims portfolio
13 underperformed --

14 MR. VALTER VIOLA: Yeah.

15 MR. STEVE SCARFONE: -- the benchmark
16 by 0.3 percent.

17 MR. VALTER VIOLA: Yeah. It's on my
18 spreadsheet, so it's an 8.04 versus 8.33, I believe.

19 MR. STEVE SCARFONE: Yes.

20 MR. VALTER VIOLA: And the difference
21 is the 29 basis points that you're referring to.

22 MR. STEVE SCARFONE: Yes.

23 MR. VALTER VIOLA: Yes, agree.

24 MR. STEVE SCARFONE: And you take it
25 to two (2) decimal points. I always just round it to

1 one.

2 MR. VALTER VIOLA: Yeah. No, that's
3 good. Sometimes you -- that's all good, yeah.

4 MR. STEVE SCARFONE: Okay. Thank you.
5 And then with respect to the Rate Stabilization
6 Reserve --

7 MR. VALTER VIOLA: Yeah.

8 MR. STEVE SCARFONE: -- sir, again,
9 9.4 percent, if we scroll down, Ms. Schubert --

10 MR. VALTER VIOLA: Yeah.

11 MR. STEVE SCARFONE: -- against the
12 benchmark 8.5 percent.

13 MR. VALTER VIOLA: Yes.

14 MR. STEVE SCARFONE: So, it
15 outperformed it by 9 basis points, agreed?

16 MR. VALTER VIOLA: Eighty-nine basis
17 points.

18 MR. STEVE SCARFONE: Or 89 basis
19 points, yes.

20 MR. VALTER VIOLA: Point nine
21 percent.

22 MR. STEVE SCARFONE: Yes. So, almost
23 9 basis points.

24 MR. VALTER VIOLA: Sorry, almost a
25 hundred basis points. So, it's all -- and basis

1 points confusing. It's -- it's .90 percent
2 outperformance, so it's --

3 MR. STEVE SCARFONE: Point eight nine?

4 MR. VALTER VIOLA: Point eight nine
5 percent outperformance --

6 MR. STEVE SCARFONE: Thank you.

7 MR. VALTER VIOLA: -- so almost 1
8 percent.

9 MR. STEVE SCARFONE: And there we see
10 it. If you scroll down to number 2, please, Ms.
11 Schubert, there's the Rate Stabilization Reserve
12 having outperformed the benchmark by, as you say, .89
13 or 0.9 percent, agreed, at the top one?

14 MR. VALTER VIOLA: So, I'm looking at
15 my spreadsheet and I'm going two different decimal
16 place -- yes. Yes.

17 MR. STEVE SCARFONE: Thank you. And
18 lastly, for the employee future benefits, the third
19 portfolio that makes up the Basic line of business,
20 scrolling down to number 3, please, Ms. Schubert --
21 thank you -- the returns, again, were strong at 12.8
22 percent --

23 MR. VALTER VIOLA: Yes.

24 MR. STEVE SCARFONE: -- outperforming
25 the benchmark by 3.6 percent?

1 MR. VALTER VIOLA: That's right, yes.

2 MR. STEVE SCARFONE: And now, sir, I'd
3 like to have Ms. Schubert pull up for me, please,
4 Appendix 13 to the investments chapter. And this,
5 sir, is an attribution analysis that we've seen before
6 in this proceeding.

7 MR. VALTER VIOLA: Yeah.

8 MR. STEVE SCARFONE: Ms. Schubert, can
9 you scroll to the top, please, to the -- to the -- or
10 to the bottom, sorry. Thank you. And you may have to
11 blow that up a bit. And then we'll scroll over as --
12 as we -- as we need to.

13 So, these, sir -- this is, as we've
14 heard in this proceeding, a report that was prepared
15 in this proceeding by software that MPIC uses made
16 available through Moody's PFaroe.

17 Are you familiar with that agency -- or
18 that software?

19 MR. VALTER VIOLA: I've -- only from --
20 -- from these hearings that I've heard. I -- I don't
21 do performance attribution every day, so it's hard to
22 keep up with --

23 MR. STEVE SCARFONE: Okay.

24 MR. VALTER VIOLA: -- all the software
25 that gets developed over time.

1 MR. STEVE SCARFONE: Sure.

2 MR. VALTER VIOLA: Twenty years ago,
3 they would have used -- there were other providers to
4 that, but --

5 MR. STEVE SCARFONE: Okay. Thank you,
6 sir.

7 MR. VALTER VIOLA: -- yeah, I've
8 certainly heard of Moody's.

9 MR. STEVE SCARFONE: And I just want
10 to begin by -- so this particular chart that's before
11 you, sir, is -- is from the Basic claims portfolio,
12 okay, so one (1) of the three (3) --

13 MR. VALTER VIOLA: Yes.

14 MR. STEVE SCARFONE: -- from the Basic
15 line of business. And you'll see there that set out
16 in the left-hand column are the various asset classes
17 that make up the Basic claims portfolio, agreed?

18 MR. VALTER VIOLA: Yes.

19 MR. STEVE SCARFONE: And it shows
20 therein the starting weight for their portfolio, you
21 see that, for example, government bonds at 31.78
22 percent?

23 MR. VALTER VIOLA: Yes.

24 MR. STEVE SCARFONE: And that's
25 measured as against what MPIC's target is, correct, of

1 35 percent?

2 MR. VALTER VIOLA: Yes. That's the
3 next column, yes. Policy weight, yes. Target or
4 policy weight.

5 MR. STEVE SCARFONE: Thank you. And
6 then if we scroll over past the start and end weights
7 -- thank you -- until we get to the annualized
8 portfolio return there, sir.

9 And there, again, we see the 8.04.
10 That's --

11 MR. VALTER VIOLA: Yes.

12 MR. STEVE SCARFONE: -- how the
13 portfolio performed over the year, agreed?

14 MR. VALTER VIOLA: Yes.

15 MR. STEVE SCARFONE: And that is
16 measured against the benchmark of 8.33 percent,
17 correct?

18 MR. VALTER VIOLA: Yes.

19 MR. STEVE SCARFONE: And just
20 scrolling over further, Ms. Schubert. Thank you.

21 And there is the 0.29 percent that we
22 made reference to earlier. So, it's these last three
23 (3) columns, sir, that I want to ask some questions of
24 you.

25 So, if I understand part of the

1 recommendations that you're making in your paper, sir,
2 is that the Corporation currently doesn't perform its
3 attribution analysis at the portfolio level, agreed?

4 MR. VALTER VIOLA: I wouldn't say that
5 because this is a report that's saying that this is
6 the performance attribution. My -- my point, I guess,
7 in my paper is it could be more informative because
8 this is simply not breaking out the effects or the
9 building blocks in a way that jumps out.

10 So, to me, it's just -- it's -- it's
11 more data, less wisdom.

12 MR. STEVE SCARFONE: Yes.

13 MR. VALTER VIOLA: That's my point, I
14 guess, from the whole paper, I guess, if I had to make
15 a point.

16 MR. STEVE SCARFONE: Yes. And -- and
17 so -- and I agree with you. And so, I want to just
18 confirm for you because we want to understand what the
19 recommendations are that --

20 MR. VALTER VIOLA: Sure.

21 MR. STEVE SCARFONE: -- you're
22 making. And so, when we look to the last column
23 there, where it reads, "Relative return contribution,"
24 these are the portions of the portfolio's overall
25 performance attributable -- attributable to each asset

1 class, agreed?

2 MR. VALTER VIOLA: Agreed. It's --
3 but I would say combines the effects in one column,
4 and my paper illustrates an example of where we take
5 that final column and break it out into further
6 buckets that help us at a higher level understand is
7 this because you were overweight something, asset
8 mixed decision, or is it because you were particularly
9 good at picking stocks within a stock portfolio or
10 bonds within a bond portfolio?

11 MR. STEVE SCARFONE: Right. And those
12 buckets, as you've described them, would they include
13 the performance or the value added and security
14 selections?

15 MR. VALTER VIOLA: The buckets that I
16 described are the components of this relative return
17 contribution that are due to those specific factors.
18 And there's many ways you could define those factors.

19 The one I illustrated was a common one
20 used in the industry, and it was just using basic
21 additive math, if you will, to keep it at a high
22 level. But there's a bunch of ways you could do this.

23 And I think yesterday in my testimony I
24 made the point that, if you take an equation -- and
25 there's two (2) -- there's one equation here that says

1 the value added is eight point three three (8.33)
2 actual return minus eight point zero four (8.04),
3 which is 29 basis points, and that equation, left side
4 equals right side, you could maintain that equation by
5 simply adding the same number or numbers to each.

6 So, if I add a banana to the left, a
7 banana to the right --

8 MR. STEVE SCARFONE: Sure.

9 MR. VALTER VIOLA: -- to keep it
10 really simple, I don't change the difference of 29
11 basis points. But if -- what performance attribution
12 systems do, robust ones, is they pick a reference
13 point that allows you to split it in a way that in
14 many ways reflects the actual investment process,
15 which is step 1, pick the asset mix, step 2, decide
16 whether you want to engage in active management.

17 And the -- those effects that I
18 described in the paper reflect that investment two (2)
19 step process, asset mix study once in a while, decide
20 whether and how much and where to engage in active
21 management.

22 MR. STEVE SCARFONE: I see. So that
23 multiplier, the returns, if you will, by the weights,
24 you're saying that you can play with those two (2) --

25 MR. VALTER VIOLA: Yes.

1 MR. STEVE SCARFONE: -- to come up
2 with the same number that we see there in the relative
3 return contribution?

4 MR. VALTER VIOLA: Yes.

5 MR. STEVE SCARFONE: Okay. I got you.
6 Now, would you agree with me, sir, that where it reads
7 there -- if we can just scroll over to the left, Ms.
8 Schubert, all the way so we know which asset class
9 we're speaking of. Yes.

10 So, government bonds, for example, we
11 see, and now back to the relative return contribution,
12 they underperformed and brought or saw a negative
13 return, agreed?

14 MR. VALTER VIOLA: Yes.

15 MR. STEVE SCARFONE: And so, would it
16 make sense that, again, going back, Ms. Schubert,
17 where we see the weights that were -- that were
18 selected by the Corporation of thirty-one point seven
19 eight (31.78). Do you see that?

20 MR. VALTER VIOLA: Yes, sir. Can I
21 just see the left side so I know which rows relate to
22 which asset classes? Are you focused on the first row
23 government bonds?

24 MR. STEVE SCARFONE: Still government
25 bonds.

1 MR. VALTER VIOLA: Okay. And --

2 MR. STEVE SCARFONE: And it was a
3 negative 0.52 percent return.

4 MR. VALTER VIOLA: Sorry, I'm looking
5 -- yes. I'm looking at another spreadsheet so I can
6 relate it to that. And I apologize, I'm scrolling. I
7 was in the wrong year just to highlight. Apologize.
8 I want to make sure I'm in the same place. Okay. So,
9 government bonds, we're focusing on the first row?

10 MR. STEVE SCARFONE: Yes.

11 MR. VALTER VIOLA: Okay.

12 MR. STEVE SCARFONE: The first -- the
13 first row. I think you've agreed with me that it was
14 one (1) of two (2) asset classes in the Basic claims
15 portfolio that, according to this attribution
16 analysis, had a negative return.

17 MR. VALTER VIOLA: Correct.

18 MR. STEVE SCARFONE: And so, where we
19 see the weights at the top there, so we had the target
20 weight of 35 percent.

21 The Corporation was below that at
22 31.78, agreed?

23 MR. VALTER VIOLA: Yes.

24 MR. STEVE SCARFONE: Sorry?

25 MR. VALTER VIOLA: Yes.

1 MR. STEVE SCARFONE: Had the
2 Corporation been at or near its target, does it make
3 sense that that relative return contribution would be
4 better?

5 MR. VALTER VIOLA: Yes. Yes, because
6 -- sorry. Can we see the actual returns of the
7 portfolio on the right? The quick answer is you're --
8 you're removing the asset allocation effect. That's
9 what you're suggesting.

10 MR. STEVE SCARFONE: Yes.

11 MR. VALTER VIOLA: And so, what you're
12 leaving is just the security selection. So, I want to
13 look at the annual return versus the port -- benchmark
14 and, yes, it outperformed. So, the value added, the
15 alpha within that bucket, the first row was positive.

16 So had they been at market weight --
17 the benchmark weight rather -- it wouldn't have had an
18 asset allocation effect and they would've outperformed
19 the benchmark contribution of nine point zero five
20 (9.05) versus seven point nine five (7.95).

21 MR. STEVE SCARFONE: Yes. And so that
22 ultimately --

23 MR. VALTER VIOLA: Underperformed,
24 underperformed.

25 MR. STEVE SCARFONE: --

1 underperformed.

2 MR. VALTER VIOLA: Underperformed, I
3 apologize.

4 MR. STEVE SCARFONE: Yes. And that
5 ultimate relative return contribution

6 MR. VALTER VIOLA: Yeah.

7 MR. STEVE SCARFONE: -- would've
8 increased, agreed?

9 MR. VALTER VIOLA: If you had negated
10 the asset mix weighting effect?

11 MR. STEVE SCARFONE: Yes. If you had
12 --

13 MR. VALTER VIOLA: It's complicated
14 here, because when you're overweight one asset class,
15 you're underweight at least one other.

16 MR. STEVE SCARFONE: Agreed.

17 MR. VALTER VIOLA: So, it's hard for
18 me to look at one row without looking at the other.

19 MR. STEVE SCARFONE: Yeah. And I --
20 and I appreciate that. Like looking at them in
21 isolation is difficult 'cause you have to maintain
22 your 100 percent allocation?

23 MR. VALTER VIOLA: Yes, and you can
24 move only so big.

25 MR. STEVE SCARFONE: Yes. I -- I

1 understand. But just for the purposes of this -- this
2 questioning, sir --

3 MR. VALTER VIOLA: Yeah.

4 MR. STEVE SCARFONE: -- I'm just
5 trying to understand the impact of weight --

6 MR. VALTER VIOLA: Yes.

7 MR. STEVE SCARFONE: -- on the -- on
8 the returns.

9 MR. VALTER VIOLA: Yes.

10 MR. STEVE SCARFONE: And if we were to
11 increase the weight of the government bonds, that has
12 a favourable impact on those returns, agreed, even
13 though it shows a negative --

14 MR. VALTER VIOLA: Right. As a -- as
15 a one line item, but in aggregate, you'd have to take
16 the -- you know, there's always an opportunity cost --

17 MR. STEVE SCARFONE: Yeah.

18 MR. VALTER VIOLA: -- or benefit. And
19 so, the question is where -- if you take it away from
20 there or put money there, where does it go? So, I
21 can't answer the full question without knowing where
22 the money goes --

23 MR. STEVE SCARFONE: Where the money
24 goes.

25 MR. VALTER VIOLA: -- i.e., the other

1 rows are important

2 MR. STEVE SCARFONE: And I expect your
3 answer would be similar then, sir, for the real estate
4 fund. So, if we go over to the left again in this
5 analysis, you see real estate was just slightly below
6 it's benchmark weight --

7 MR. VALTER VIOLA: Yeah.

8 MR. STEVE SCARFONE: -- by point zero
9 three (.03), agreed?

10 MR. VALTER VIOLA: Yes.

11 MR. STEVE SCARFONE: And then if you
12 go to the relative return contribution there, again we
13 see a negative performance.

14 MR. VALTER VIOLA: That's row 4?

15 MR. STEVE SCARFONE: Yes.

16 MR. VALTER VIOLA: I can't see. So
17 yes.

18 MR. STEVE SCARFONE: And so again,
19 difficult to say in isolation, but we're -- had the
20 Corporation been at or near or even over its benchmark
21 weight, then that relative return contribution would
22 increase in its performance?

23 MR. VALTER VIOLA: It would change. I
24 don't know if it would increase or decrease depending
25 on again where it went.

1 MR. STEVE SCARFONE: Okay. Okay. And
2 yesterday in your paper, sir, you said that part of
3 the analysis that you're recommending is to help
4 inform this Board and -- and others with respect to
5 whether the relative returns or the -- the performance
6 of any particular portfolio or asset class is -- is
7 based on skill, luck, or a combination of both,
8 agreed?

9 MR. VALTER VIOLA: Sorry, repeat the
10 question. That's the ultimate goal of attribution.
11 It's one part of the broader question, which is are we
12 -- yes. Are we adding skill? Are we adding value or
13 subtracting through skill or lack? And it requires a
14 good understanding of the value added, the sources at
15 the top --

16 MR. STEVE SCARFONE: Yes.

17 MR. VALTER VIOLA: -- of the
18 numerator, and then the risk that was taken in the
19 denominator, yes.

20 MR. STEVE SCARFONE: And so, we looked
21 earlier at the performance commentary, Ms. Schubert,
22 at Appendix 6. We don't go -- need to go there again.

23 I just want to confirm with you, sir,
24 that, with respect to the basic claims portfolio, we
25 went through its performance at end of fiscal year

1 March 31, 2025, agreed?

2 MR. VALTER VIOLA: Yes.

3 MR. STEVE SCARFONE: And the RSR and
4 the EFB. There was also in the -- in the filing, sir,
5 the performance of those same portfolios over the past
6 four (4) years?

7 MR. VALTER VIOLA: Yes.

8 MR. STEVE SCARFONE: All of which
9 outperformed the benchmark.

10 MR. VALTER VIOLA: Sorry. In 2025?

11 MR. STEVE SCARFONE: For the past four
12 (4) years.

13 MR. VALTER VIOLA: For Basic?

14 MR. STEVE SCARFONE: For the Basic
15 line of business, those three (3) --

16 MR. VALTER VIOLA: Including the EFB
17 and the RSR?

18 MR. STEVE SCARFONE: Yes.

19 MR. VALTER VIOLA: So, you're saying--
20 --sorry, to rephrase your question, over a four (4)
21 year period, if you took an average of all of them,
22 did --

23 MR. STEVE SCARFONE: No. Each of them
24 separately --

25 MR. VALTER VIOLA: Yes.

1 MR. STEVE SCARFONE: -- outperformed
2 their benchmarks. So, Basic claims by 0.9 percent.

3 MR. VALTER VIOLA: Can I go to --
4 would you -- I'd like to answer the question.

5 MR. STEVE SCARFONE: Sure.

6 MR. VALTER VIOLA: It's easier for me
7 to go to my original performance attribution paper --

8 MR. STEVE SCARFONE: Absolutely.

9 MR. VALTER VIOLA: -- if possible --

10 MR. STEVE SCARFONE: Yeah.

11 MR. VALTER VIOLA: -- 'cause the
12 numbers should be there, and then I can -- and I think
13 there was a typo -- I'll correct it if -- I believe I
14 misstated something. It was a small thing and I can
15 correct that if that's appropriate.

16 Let me just pull up my version so I can
17 point you to the specific spot. If we go to this
18 document, yeah, page 8 of 18 in this document. If you
19 could -- yeah, so this table.

20 So, what you're asking me -- so if I
21 look at the bottom row --

22 MR. STEVE SCARFONE: The four (4) year
23 annualized?

24 MR. VALTER VIOLA: -- four (4) year
25 annualized, so those three (3) columns, Basic, RSR,

1 and EFB, so on a four (4) year annualized basis, it
2 looks like the value added at Basic is 98 basis
3 points. It's green, it's good, it's positive. The
4 other one, I believe it's green, positives, 12 basis
5 points.

6 MR. STEVE SCARFONE: Yes.

7 MR. VALTER VIOLA: And on the right,
8 117 basis points, yes.

9 MR. STEVE SCARFONE: Yes.

10 MR. VALTER VIOLA: Yes. So that's the
11 -- yes.

12 MR. STEVE SCARFONE: So, all three (3)
13 on their own, not averaging them but each of those
14 separate portfolios, over four (4) years outperformed
15 the benchmark, agreed?

16 MR. VALTER VIOLA: Agreed.

17 MR. STEVE SCARFONE: And so, going
18 back to my earlier question about the skill versus
19 luck, and you said yesterday that, with enough time,
20 we can satisfy ourselves that certain performance is
21 based on skill more so than luck, agreed?

22 MR. VALTER VIOLA: When we say
23 "satisfy ourselves," I would say we will never know
24 with certainty. We have confidence. So, we -- like
25 when they do polls with elections, they say with, you

1 know, some level of confidence, we predict this thing.

2 So, we're really -- if we're trying to
3 make a conclusion as to whether the past performance
4 was due to skill or luck, all we can really say with
5 confidence is with some small margin of error
6 potentially, it's likely that we can make this
7 conclusion, which is, you know, if there's positive
8 value added, it's more likely than 50 percent that
9 that was due to skill.

10 Presume -- you know, that's --and over
11 time, if we have more of a positive track record --

12 MR. STEVE SCARFONE: Fair.

13 MR. VALTER VIOLA: -- we have more
14 confidence in that conclusion.

15 MR. STEVE SCARFONE: Yes. To -- to
16 put it simply --

17 MR. VALTER VIOLA: Yes.

18 MR. STEVE SCARFONE: -- you're going
19 to have more confidence with a four (4) or five (5)
20 year performance than you will with a six (6) month
21 performance or a one year performance, agreed?

22 MR. VALTER VIOLA: Other things equal,
23 i.e., f the value added is the same when you're doing
24 those two (2) and the tracking error was the same,
25 yes, you'd have more confidence. But those things are

1 generally -- they change over time, so the metrics
2 change over time.

3 MR. STEVE SCARFONE: Yes.

4 MR. VALTER VIOLA: But other things
5 equal, if the metric, the information ratio is the
6 same --

7 MR. STEVE SCARFONE: Same.

8 MR. VALTER VIOLA: -- you have a
9 longer horizon. You have more confidence that -- and
10 that's the graph that I showed yesterday which was
11 sloping up like this.

12 As you go from left to right for the
13 information ratio of 'X', call it one, if it's five
14 (5) years and that ratio turns out to be one, then you
15 have whatever confidence. That might be a lot higher
16 than if you only had one year of performance, yes.

17 MR. STEVE SCARFONE: Okay. Thank you.
18 And is -- is this four (4) year time period a
19 sufficient amount of time for you to say, sir, whether
20 these returns of having outperformed the benchmark is
21 based more on skill or luck?

22 MR. VALTER VIOLA: I'd have to look at
23 it, but whenever you have any positive return relative
24 to benchmark, given the formula, you'd -- you'd
25 obviously say that it's more likely greater than 50

1 percent. We're not just flipping coins, but that's
2 true to the value added being positive.

3 What we haven't done is looked at the
4 tracking error, which again in my paper was
5 specifically out of scope. We debated whether we
6 wanted to take that extra step and show the full three
7 (3) step process of why are we doing this in the first
8 place.

9 And what we decided in developing the
10 performance paper, or what I decided, was it's better
11 to make sure we're clear on the value added and the
12 attribution and then later talk about tracking year
13 perhaps next year. But the PUB asked questions, so we
14 tried to respond to it.

15 I don't think I answered your question.
16 I was trying to make a --

17 MR. STEVE SCARFONE: Well, no. I
18 think you did.

19 MR. VALTER VIOLA: -- clarifying
20 point.

21 MR. STEVE SCARFONE: You said -- I
22 think --

23 MR. VALTER VIOLA: Sorry, can you
24 rephrase the question? 'Cause I do want to answer it.

25 MR. STEVE SCARFONE: Well, no. And I

1 think I got a response from you. You said it would
2 certainly be greater than 50 percent.

3 MR. VALTER VIOLA: Yes, but just to be
4 clear, we can wait. If the tracking error is very big
5 and the value added is relatively small, we may have
6 to wait twenty (20) years to have a lot of confidence
7 that this was skill and not luck so --

8 MR. STEVE SCARFONE: I see.

9 MR. VALTER VIOLA: -- we debated
10 putting that table in that said how long do you have
11 to wait to know? And the reality is you can have to
12 wait a long time. So, four (4) year horizon is very
13 short, and this is why I said I think in the paper
14 don't look at any one year of performance and say if
15 it's got bad, don't -- don't fire people.

16 MR. STEVE SCARFONE: Right.

17 MR. VALTER VIOLA: You got to wait for
18 --

19 MR. STEVE SCARFONE: Yeah, sure.

20 MR. VALTER VIOLA: -- a significantly
21 long period of time, at least four (4) years. And
22 again, I can't -- I haven't -- we didn't crunch the
23 numbers to say for a couple reasons. One, we didn't
24 have the granularity we wanted and we didn't do the
25 work to do the tracking error calculations.

1 But if we had, we could -- I could
2 answer your question more definitively and say, given
3 the results of both the numerator and denominator, we
4 could say -- I could say with confidence that, you
5 know, there is skill there with 50 percent plus 'X'
6 confidence.

7 MR. STEVE SCARFONE: But you need to
8 know both the alpha and the tracking error.

9 MR. VALTER VIOLA: Correct.

10 MR. STEVE SCARFONE: Okay. So, four
11 (4) years may not be enough.

12 MR. VALTER VIOLA: Correct, to have a
13 lot of confidence.

14 MR. STEVE SCARFONE: And then I want
15 to return now to the attribution analysis that's done
16 at the manager level.

17 MR. VALTER VIOLA: Yes.

18 MR. STEVE SCARFONE: Because you
19 mentioned firing people, and -- and you'll know from
20 the materials that MPIC had terminated its manager for
21 its Global Equities Fund guardian.

22 MR. VALTER VIOLA: I assume that's
23 correct. I have no reason to doubt it's not correct,
24 yes.

25 MR. STEVE SCARFONE: And it uses

1 Addenda as its manager for its fixed income portfolio?

2 MR. VALTER VIOLA: I don't know. I'd
3 have to check, but it sounds reasonable.

4 MR. STEVE SCARFONE: And for real
5 estate Crest Point and Harrison Street --

6 MR. VALTER VIOLA: Okay. I'll --

7 MR. STEVE SCARFONE: -- recently in
8 June of 2024?

9 MR. VALTER VIOLA: I'd have to check
10 it, but I have no reason to doubt that's not the case.

11 MR. STEVE SCARFONE: And then lastly,
12 for its commercial mortgages, asset class, TD asset
13 management?

14 MR. VALTER VIOLA: Again, I don't have
15 any reason to doubt that that's true.

16 MR. STEVE SCARFONE: So, with respect
17 to these managers, Mr. Viola, and attribution analysis
18 are measuring their performance for Alpha at the
19 manager level.

20 Does the monitoring the performance of
21 the manager help in any way an attribution analysis at
22 the portfolio level?

23 MR. VALTER VIOLA: It doesn't hurt,
24 but it serves a different purpose. So, the -- the --
25 and I have looked at those attributions and they seem

1 like they're -- like -- the one that I looked at
2 seemed like it was reasonable. It broke out security
3 selection effects and asset allocation effects. I
4 forget the manager. I think it was fixed income. And
5 so, they may have defined the asset weighting or
6 sector relative to -- I -- I -- I'm just making an
7 assumption -- maybe types of bonds, corporate versus
8 provincial versus -- so, the -- the -- the broad
9 approach is similar to the one I'm suggesting.

10 How they implement, it might be a bit
11 different. And the -- the -- the definition of what
12 is an -- a weighting effect may be different. They
13 may be sectors of a bond portfolio as opposed to the
14 ones I was referring to, which was asset classes.
15 Hopefully that --

16 MR. STEVE SCARFONE: Yeah --

17 MR. VALTER VIOLA: -- answers your
18 question.

19 MR. STEVE SCARFONE: -- I think that -
20 - that helps. And so, you would -- you would have
21 looked at Addendas?

22 MR. VALTER VIOLA: I believe so. That
23 sounds right.

24 MR. STEVE SCARFONE: Okay. Thank you.
25 And Ms. Schubert, could we now go to CC -- the -- so,

1 it's the Coalition's 1-80 Information Request. Thank
2 you.

3 And you'll see there, sir, scrolling
4 down to the first question, MPIC was asked to provide
5 an attribution report at the portfolio level for each
6 portfolio. So, those same three (3) portfolios that
7 we referenced earlier, which attribute the value added
8 or lost relative to benchmark for such factors as --
9 and then you see them there listed -- security
10 selection, asset weighting, any other effects.

11 So, is -- this is the breakdown, I
12 think that your paper tries to achieve is -- agreed?

13 MR. VALTER VIOLA: Yes, this is what
14 we requested in the IR.

15 MR. STEVE SCARFONE: And if we now go
16 down to the response at 'A' and 'B,' you'll see there
17 that software that I made reference to earlier, the
18 PFaroe software from Moody's. And that the Basic
19 Claims Portfolio performance attribution was completed
20 during that time period.

21 You'll see the underperformance there.
22 The response speaks to key drivers of the
23 underperformance. And then it breaks it down into
24 which of the asset class underperformed the benchmark.

25 Do you see that?

1 MR. VALTER VIOLA: Yeah.

2 MR. STEVE SCARFONE: In reference,
3 again, the government bonds that we saw earlier and
4 the real estate class. Agreed?

5 MR. VALTER VIOLA: Agreed. And just
6 to confirm, that verbal discussion, there is making
7 reference to the table that you popped up before,
8 where we were focused on that far right column.

9 MR. STEVE SCARFONE: Yes.

10 MR. VALTER VIOLA: Yes.

11 MR. STEVE SCARFONE: And so, absent
12 from that table and also absent from this response, I
13 think you're -- you're saying, is that further
14 breakdown that you're suggesting be done?

15 MR. VALTER VIOLA: Yes.

16 MR. STEVE SCARFONE: Okay. Thank you.
17 And then lastly, sir, we heard evidence in this
18 proceeding and, in fairness to you, it wasn't in our
19 filing that the -- the Corporation is moving to have
20 an outsourced investment -- a Chief Investment Officer
21 engaged to help managing its investment fund.

22 Were you aware of that?

23 MR. VALTER VIOLA: Yes. During the
24 hearings, I heard that.

25 MR. STEVE SCARFONE: And if we could

1 go to -- one second, please. If -- while I'm looking
2 for the document, sir, are you familiar with the
3 software Investment Metrics?

4 MR. VALTER VIOLA: There's probably a
5 bunch of software called the -- no, is the quick
6 answer. Investment Metrics?

7 MR. STEVE SCARFONE: Investment
8 Metrics.

9 MR. VALTER VIOLA: Can't say that I am
10 but --

11 MR. STEVE SCARFONE: Okay --

12 MR. VALTER VIOLA: -- it might have
13 gone by a different name. Software companies buy each
14 other all -- all the time so.

15 MR. STEVE SCARFONE: And the reason
16 I'm asking, sir, is because the -- the document, that
17 now escapes me, has confirmed that the -- the new
18 Chief Investment Officer will be making use of
19 software that can produce asset allocation
20 information, security selection information, at the
21 portfolio level.

22 But you're not aware of -- of that
23 software in -- in the industry?

24 MR. VALTER VIOLA: No, and I'm -- as I
25 said, you know, I've -- when I'm asked to look at

1 something, I can investigate it. I did used to run
2 software with this many decades ago, but I don't. But
3 it doesn't surprise me that if you're outsourcing some
4 analytics from a reputable provider, which I'm
5 assuming MPI has chosen, that they would have access
6 to such software, especially if they're doing it for
7 multiple clients.

8 MR. STEVE SCARFONE: Yes. And I'm
9 limited to what I can say --

10 MR. VALTER VIOLA: No, I --

11 MR. STEVE SCARFONE: -- here on the --
12 on the public record, because we haven't yet revealed
13 --

14 MR. VALTER VIOLA: Yes.

15 MR. STEVE SCARFONE: -- the name of
16 that vendor. So, thank you for that comment.

17 Sorry, I've now found it. Ms.
18 Schubert, just so we have it on the record, it would
19 be MPI-Exhibit 57, Undertaking Number 3. Thank you.

20 And this, sir, is the business case
21 that was filed on the public record for the new Chief
22 Investment Officer. If we scroll down there, please,
23 to the bottom of the page. Thank you.

24 And so, the new Chief Investment
25 Officer under one (1) there is to provide quarterly

1 investment committee reporting package at least ten
2 (10) business days prior to each meeting that will
3 include, and you'll see there at 'C', a factor
4 analysis, style analysis and attribution analysis and
5 any other relative metrics of MPI investment
6 portfolios.

7 So, would -- would that, in effect,
8 satisfy the recommendation being made in your paper,
9 sir, if that attribution analysis is being done at the
10 portfolio level, as -- as earlier described?

11 MR. VALTER VIOLA: As described in my
12 paper, yes.

13 MR. STEVE SCARFONE: Yeah.

14 MR. VALTER VIOLA: I can say that, but
15 I -- I don't know how people will interpret letter
16 'C', attribution analysis and any other relevant
17 metrics, MPI -- of MPI'S portfolio without clarifying
18 specifically that that would include the things that I
19 suggested. I can't say that they'll do that so.

20 MR. STEVE SCARFONE: And -- and just
21 to be clear, those things that -- that you're
22 suggesting would include the breakdown, the further
23 breakdown of the Relative Return Contributions that we
24 saw that would have security selection and weight
25 broken down further for a -- a greater analysis.

1 MR. VALTER VIOLA: Yeah, I don't want
2 to start with the far-right column that you referred
3 to, but at the end of the day, as long as the software
4 attributes the -- at the portfolio level, call it the
5 EFB portfolio, just to be clear.

6 MR. STEVE SCARFONE: Yes.

7 MR. VALTER VIOLA: As long as the
8 information is available as to whether that's coming
9 from security selection or asset mix weighting effect
10 or other effects, like currencies, et cetera, every
11 system will be different. That would be helpful,
12 useful information.

13 MR. STEVE SCARFONE: And, sorry, I
14 said it was my last question. When you -- when you
15 said "other effects," 'cause I saw that in your paper,
16 there's -- there's the --

17 MR. VALTER VIOLA: Sorry, yeah.

18 MR. STEVE SCARFONE: -- the two (2)
19 main effects, but you said there's other factors that
20 --

21 MR. VALTER VIOLA: Yeah, so, for
22 example, if you think currency -- foreign currencies,
23 for example, I -- I'd had have to look at -- well,
24 let's put it this way. In Basic, I think, there's no
25 foreign assets, right, as a benchmark --

1 MR. STEVE SCARFONE: In the Basic
2 Claims Portfolio?

3 MR. VALTER VIOLA: -- claims, they're
4 all -- they're all Canadian Fixed Income?

5 MR. STEVE SCARFONE: That's correct.

6 MR. VALTER VIOLA: So, but let's say
7 one of the managers buys US bonds, and they're not in
8 the benchmark, 'cause the benchmark has Canadian
9 bonds. You could say, well, that's a security
10 selection effect because you can buy the Canadian
11 bonds in the benchmark.

12 But it happens to be a US bond, so, you
13 could say well, really, there's two (2) decisions.
14 One (1) you decided not to invest in Canada and two
15 (2) -- sorry, one (1) is you didn't buy that
16 particular bond, but you also decided not to take the
17 currency risk of our business, which is Canadian.

18 MR. STEVE SCARFONE: I understand.

19 MR. VALTER VIOLA: So, you could maybe
20 split that decision into two (2), decide not to buy
21 this particular bond, so it's a bond effect. And then
22 there's a currency effect. It's US dollars as opposed
23 to Euro, say.

24 So, and -- and, again, it depends on
25 when I said you can add a -- a banana, you could, I

1 don't know, orange as well to each side of the
2 equation. And you could have, in my graph where I try
3 to keep it simple with just three (3) -- three (3)
4 boxes. Two (2) main ones and then this -- this
5 combined one, you could have a gazillion --

6 MR. STEVE SCARFONE: Sure.

7 MR. VALTER VIOLA: -- boxes there.

8 MR. STEVE SCARFONE: Right.

9 MR. VALTER VIOLA: If you said these
10 are the factors, it's asset mix, it's sector, it's
11 currency, it's -- whatever, whatever those things
12 happen to be, so.

13 MR. STEVE SCARFONE: I understand.

14 But the two (2) main ones --

15 MR. VALTER VIOLA: Yes.

16 MR. STEVE SCARFONE: -- are --

17 MR. VALTER VIOLA: Security selection,
18 which could include currency or asset weighting. And,
19 again, you could put the currency and that -- call
20 that an asset class.

21 MR. STEVE SCARFONE: Call that an
22 asset class.

23 MR. VALTER VIOLA: That's just, again,
24 one that's -- it's not really semantics. It's a -- a
25 methodology.

1 MR. STEVE SCARFONE: Sure. Just one
2 second, I may be done.

3

4 (BRIEF PAUSE)

5

6 MR. STEVE SCARFONE: Thank you, Mr.
7 Viola. Those are all my questions.

8 MR. VALTER VIOLA: You're welcome.
9 Thank you.

10 PANEL CHAIRPERSON: Thank you, Mr.
11 Scarfone.

12 MR. STEVE SCARFONE: You're welcome.

13 PANEL CHAIRPERSON: Mr. Yakimchuk...?

14 MR. TREVOR YAKIMCHUK: Thank you,
15 Madam Chair.

16

17 CROSS-EXAMINATION BY MR. TREVOR YAKIMCHUK:

18 MR. TREVOR YAKIMCHUK: Good morning,
19 Mr. Viola, my name is Trevor Yakimchuk and I'm part of
20 the legal Counsel team for the Public Utilities Board.
21 I don't have too many questions for you today, but the
22 questions that I do have pertain to one document in
23 particular.

24 Ms. Schubert, if you could please bring
25 up PUB/CC-8, Attachment 1. Thank you very much. And

1 we're going to begin by going down to row 118.

2 And now, before I ask a -- a -- a
3 question about this particular row, Mr. Viola, you'll
4 agree these are the working papers that you utilized
5 in preparing your report?

6 MR. VALTER VIOLA: Yes. It's a
7 subset. I usually have a broader one and then I pare
8 it down because I don't think you want to see how the
9 sausage is made.

10 MR. TREVOR YAKIMCHUK: I -- I think I
11 agree on that one.

12 Now, looking at -- at row 118, the --
13 the 4-year Annualized Alpha shows a -- a series of
14 numbers: Basic is 0.98 percent, RSR 0.12 percent and
15 EFB 1.17 percent.

16 You -- you see that there, Mr. Viola?

17 MR. VALTER VIOLA: Yes.

18 MR. TREVOR YAKIMCHUK: Which factors,
19 for example, security selection, asset allocation or
20 other adjustments have been the primary driving forces
21 or drivers of the results across these portfolios?

22 MR. VALTER VIOLA: I'd -- I'd have to
23 look at the other tabs, or the paper that I put to --
24 to go through them. I'm happy to do that. We could
25 jump to the tab in the Excel file or ...

1 MR. TREVOR YAKIMCHUK: Sure, at most -
2 - most of it is security selection, at a high level.

3 That's fine. We won't need to jump to
4 the different tabs. Okay, one other question. If we
5 can go to row 113, which is still on the screen.

6 Now, there's a -- a number of standard
7 deviations listed here. Now, given the standard
8 deviation of returns, I think it's Basic 1.7 percent,
9 RSR 1.9 percent and EFB 2.9 percent, how do you assess
10 the risk adjusted performance, particularly, with the
11 low alpha in RSR relative to volatility?

12 MR. VALTER VIOLA: I just want to
13 confirm these were in -- these were sort of working
14 paper -- some things were checks, so they didn't make
15 it mi -- make their way to the performance attribution
16 paper. I'm just trying to answer the question. So, I
17 just want to make sure I'm interpreting what I did.
18 It's been a while.

19 So that -- just to be clear, the row
20 108 is the value added of Basic, the three point two
21 two (3.22). That's the one we talked about, and I use
22 as an illustration. So just, I'm getting my bearings
23 here.

24 I'm assuming the other ones were
25 grabbed from the right ones and, therefore, the fiscal

1 years ending March 31. The average row 112 is simply
2 an average of the above. So, it's a simple average.

3 The standard deviation is a simple
4 standard deviation. So, it's -- essentially, you
5 could say, line 113 is really the tracking error using
6 annual data which, ideally, we'd want monthly and then
7 annualize it say. But, right.

8 So, then the ratio -- the average to
9 standard deviation, we could put another label on that
10 and call that the information ratio then. I'm just --
11 so, just so we're on the same page, so we get back to
12 where you might be heading.

13 So, when I look at this, the middle one
14 RSR, that's very minor. You know, there was 11 basis
15 points average return value added.

16 The risk, the tracking error, row 113,
17 was actually relatively high of the three. It's in
18 the middle, I guess. And so, the ratio is the lowest
19 for that one. So, you have to wait a long time,
20 because it's so low given my graph that goes like
21 this, to say, is that really skill that you added,
22 even though it's small amount.

23 But you'd have more confidence that you
24 had skill in Basic because the number's higher over
25 the same horizon. That's the conclusion I would draw

1 if you forced me to ask it, with a whole bunch of
2 caveats to say that I have to look at, were the
3 benchmarks appropriate.

4 And again, in my paper, I mentioned the
5 MUSH bonds. So, I'd want to look at the Basic because
6 it's a big number, and say, are the valuations of
7 those bonds reasonable? And was that outperformance
8 accurate, or as reliable as we might otherwise hope.

9 MR. TREVOR YAKIMCHUK: Thank you for
10 that. And this -- this was primarily based on
11 selection?

12 MR. VALTER VIOLA: Yes, it and --
13 you're looking at all of -- across all three
14 portfolios?

15 MR. TREVOR YAKIMCHUK: Yes.

16 MR. VALTER VIOLA: And yes, and just -
17 - if I could just jump to the -- I'm looking at my
18 version of my paper where I summarized it in one
19 place, and I just want to make sure that -- I'm trying
20 to think of where -- I only did an example. So that
21 was missing from the paper. So, I see where you're
22 going there. Just see if I have it somewhere.

23 Yeah. Do you mind if we jump to -- a
24 blue tab because I think that answers the question
25 clearly.

1 MR. TREVOR YAKIMCHUK: Sure. Ms.
2 Schubert, do you mind if we jump to Mr. Viola's report
3 -- or sorry, you said blue tab in this?

4 MR. VALTER VIOLA: Yeah, it's working.
5 What is the third from the left 110-B. And so there,
6 at the very top, I think is what you're asking me to
7 answer, which is -- is most of this from asset
8 allocation.

9 Well, here's what I did, on row 3, if
10 you look at cell E-3, I've taken the asset allocation
11 as a percentage of the total alpha so that column 'E',
12 for each year for RSR -- I did it for RSR because I
13 think you were asking questions -- the PUB was asking
14 questions about why is it one of the effects bigger
15 for them.

16 So, for asset allocation, the average
17 on row 7, it was a pretty significant -- I would say
18 45 percent is a bigger asset allocation effect. If a
19 fund were to say, I don't engage in active -- I don't
20 engage in tactical asset allocation, and I rebalance
21 whenever I can.

22 This would suggest I either -- I do
23 engage in active management at the asset class. I
24 overweight certain asset classes or -- or I allow it
25 to drift. And the reason I did that was to figure out

1 where is this coming from?

2 So, for these two (2) portfolios, EFB
3 and RSR, the asset allocation effects are reasonably
4 big. If I don't have the analysis for Basic because
5 it wasn't a question, but I think for Basic, the --
6 the security selection I think was -- was a bigger
7 percentage, but I'd have to check.

8 MR. TREVOR YAKIMCHUK: Thank you for
9 that. And based on your analysis, do you have any
10 concerns about the way that they have been managing
11 these two (2) portfolios?

12 MR. VALTER VIOLA: "They" being MPI,
13 apologies.

14 MR. TREVOR YAKIMCHUK: Right. And the
15 two (2) portfolios being the RSR and the EFB.

16 MR. VALTER VIOLA: Correct? Do I have
17 concerns about them from an active management point of
18 view, or more broadly from an asset mix effect as
19 well, because that's a more important question, or
20 more -- more material question -- I would say.

21 MR. TREVOR YAKIMCHUK: The most
22 material question.

23 MR. VALTER VIOLA: So, the most
24 material question is an asset mix decision. I'd have
25 to go back. Let me think about what's in them.

1 The one concern I think I've expressed
2 in prior work was that the R -- I'm always
3 uncomfortable when something doesn't have a liability
4 against which it's measured. So, with the RSR, I
5 think the definition of risk is asset only. So,
6 there's no reference point to a liability. That
7 always makes me nervous because there's always a
8 purpose to the capital.

9 This pool, the RSR, is a capital
10 reserve but it ultimately falls within the whole -- we
11 got confused -- not confusing, but it was vague
12 because what -- we refer to Basic as three (3)
13 portfolios. The Basic claims being one.

14 RSR is the one portfolio, I believe,
15 that doesn't have a liability associated to it. So,
16 when they do optimizations, it's asset only. So,
17 there is no inherent inflation worry, for example.
18 And so, I think that's kind of an orphan.

19 That's one concern I had with RSR. I
20 think that was addressed in prior IRs by MPI. I don't
21 know what the -- so that's one concern I've expressed
22 in the past.

23 In the EFB portfolio, I'd have to look
24 at it again, but --

25 MR. STEVE SCARFONE: Sorry to

1 interrupt. I -- I don't want to revisit what happened
2 yesterday, but Board Counsel seems to be asking
3 questions generally of the witness about his views on
4 MPI's portfolios, which is not -- within the -- the
5 paper, Madam Chair.

6 PANEL CHAIRPERSON: Thank you. Mr.
7 Scarfone. It appeared that he was asking about
8 performance. Is that not your --

9 MR. STEVE SCARFONE: That -- that
10 wasn't my understanding. The question was: Do you
11 have any concerns with the Rate Stabilization Reserve
12 portfolio?

13 PANEL CHAIRPERSON: Okay, Mr.
14 Yakimchuk, can you deal with that relative to
15 performance?

16

17 (BRIEF PAUSE)

18

19 MR. TREVOR YAKIMCHUK: Thank you,
20 Counsel. we're reviewing these statistics as we're
21 looking at it on the screen, and we are just trying to
22 figure out how they can accomplish -- and just give me
23 one moment, please. Sorry, and how they can assist in
24 evaluating performance going forward.

25

1 (BRIEF PAUSE)

2

3 MR. CHRIS KLASSEN: And just for
4 clarity, given the back and forth we've had over the
5 last moment, perhaps Counsel could restate the
6 question.

7

8 CONTINUED BY MR. TREVOR YAKIMCHUK:

9 MR. TREVOR YAKIMCHUK: And Mr. Viola,
10 my -- my question is: Should this analysis be
11 conducted on an annual basis?

12 MR. VALTER VIOLA: The performance
13 attribution should be to meet the needs of
14 Interveners, I would say, and the Public Utilities
15 Board. The attribution at the portfolio level, those
16 three (3) that we talked about, including EFB for
17 example, that should be done at least -- sorry, the
18 information should be presented at least on an annual
19 basis to say, where did the value added come from for
20 these three (3) portfolios.

21 But the frequency with which the data
22 is collected to develop those numbers should be more
23 granular than my illustrative analysis was done, which
24 was annual. So -- so, the frequency of crunching, the
25 number should be monthly. So, 12 months in a year,

1 not the one period end number that I use for weighting
2 effects. So yes, I think it's an annual process
3 that's part of transparency and robustness in
4 assessing past performance for value added.

5 MR. TREVOR YAKIMCHUK: Thank you for
6 that. All right, thank you, Mr. Viola.

7 Madam Chair, I have no further
8 questions.

9 MR. VALTER VIOLA: Thank you.

10 PANEL CHAIRPERSON: Thank you. Mr.
11 Ireland...? Ms. Sharman...?

12 BOARD MEMBER SHARMAN: No questions.

13 PANEL CHAIRPERSON: Thank you very
14 much, Mr. Viola. And thank you for your
15 participation, and your expert evidence here this
16 morning.

17 MR. CHRIS KLASSEN: If I can have a
18 brief moment for a couple of questions on redirect,
19 Madam Chair.

20 PANEL CHAIRPERSON: Sorry, Mr.
21 Klassen.

22

23 RE-DIRECT EXAMINATION BY MR. CHRIS KLASSEN:

24 MR. CHRIS KLASSEN: Madam Schubert --
25 Ms. -- Ms. Schubert, perhaps I'll call you Madam

1 Schubert in the future. Could you take us to
2 Investments Appendix 13, please?

3 Mr. Viola, you'll recall your
4 conversation with My Friend Mr. Scarfone about the
5 document that's before us?

6 MR. VALTER VIOLA: Yes.

7 MR. CHRIS KLASSEN: And you'll recall
8 that a portion of that discussion focused on the top
9 row, which if Ms. Schubert will take us to the left,
10 we see addresses government bonds. Correct?

11 MR. VALTER VIOLA: Yes.

12 MR. CHRIS KLASSEN: And if we go back
13 over to the right, we'll see on the far right, that
14 the government bond relative return contribution is
15 negative zero point five two (-0.52). Correct?

16 MR. VALTER VIOLA: Yes.

17 MR. CHRIS KLASSEN: And a little bit
18 further to the left under Annualized Portfolio Return,
19 we see the -- the figure 7.95 percent. Correct?

20 MR. VALTER VIOLA: Yes.

21 MR. CHRIS KLASSEN: Which is a
22 positive number.

23 MR. VALTER VIOLA: Yes.

24 MR. CHRIS KLASSEN: And that
25 represents the portfolio return for that asset class.

1 Correct?

2 MR. VALTER VIOLA: Yes.

3 MR. CHRIS KLASSEN: And it could just
4 have been my ears, Mr. Viola, but I believe My Friend
5 may have used the words "negative contribution" and
6 "negative return" interchangeably.

7 But you'll confirm, sir, that
8 government bonds had a positive return of 7.95
9 percent. Correct?

10 MR. VALTER VIOLA: Yes.

11 MR. CHRIS KLASSEN: But a negative
12 return contribution of 0.52 -- of negative 0.52
13 percent. Correct?

14 MR. VALTER VIOLA: Yeah.

15 MR. CHRIS KLASSEN: Thank you. Ms.
16 Schubert, now, if we could go to page 8 of Mr. Viola's
17 report.

18 And, Mr. Viola, you'll also recall your
19 conversation with My Friend about the table that's
20 before us now. That's right?

21 MR. VALTER VIOLA: Yes.

22 MR. CHRIS KLASSEN: And you'll recall,
23 sir, that he was asking you about the bottom row being
24 four-year annualized return?

25 MR. VALTER VIOLA: Yes.

1 MR. CHRIS KLASSEN: And the discussion
2 entertained, the idea -- the -- the question about the
3 extent to which MPI could have confidence in whether
4 or not its returns were attributable to skill, or
5 luck, based on four (4) years of data with respect to
6 the length of the time period. Correct?

7 MR. VALTER VIOLA: Yes.

8 MR. CHRIS KLASSEN: And you'll also
9 confirm that in each section of the table presenting
10 Basic, RSR and EFB, there's a column labeled Alpha.
11 Correct?

12 MR. VALTER VIOLA: Yes.

13 MR. CHRIS KLASSEN: And the bottom row
14 in those Alpha columns present the average value added
15 for each portfolio annualized over four (4) years.
16 Correct?

17 MR. VALTER VIOLA: Yes.

18 MR. CHRIS KLASSEN: And My Friend's
19 question was whether those figures, over four (4)
20 years, can give us a sense of whether MPI is
21 performing thanks to skill or thanks to luck.

22 You recall that conversation?

23 MR. VALTER VIOLA: Yes.

24 MR. CHRIS KLASSEN: And you'll clarify
25 for me if I'm incorrect, sir, or for the Board, but

1 the point of your paper -- I'll ask you to confirm --
2 is that the information presented in the Alpha column
3 is not enough to allow us to assess skill or luck.

4 Correct?

5 MR. VALTER VIOLA: Correct.

6 MR. CHRIS KLASSEN: And that figure
7 needs to be broken down further into the buckets you
8 described. Correct?

9 MR. VALTER VIOLA: Correct.

10 MR. CHRIS KLASSEN: And if we go back
11 to Appendix 13, Ms. Schubert.

12 On the far right, you'll -- you'll
13 agree that that's the relative return contribution,
14 the final product of MPI's PFaroe software attribution
15 reporting analysis?

16 MR. VALTER VIOLA: Yes.

17 MR. CHRIS KLASSEN: And you'll confirm
18 that that's the column, again, sir, that needs to be
19 broken down into buckets before MPI or this Board can
20 assess whether performance or value added is
21 attributable to scale or luck?

22 MR. VALTER VIOLA: That's one part,
23 yes. That's the top of the numerator and the
24 information ratio. The other one that we haven't
25 talked about is the tracking error, which isn't

1 reported here.

2 MR. CHRIS KLASSEN: Very good. Thank
3 you, sir. Madam Chair, thanks for the opportunity.
4 Those are my questions.

5 PANEL CHAIRPERSON: Thank you, Mr.
6 Klassen. And yes, thank you, again, Mr. Viola.

7 And we will adjourn now and come back
8 with the undertakings. I'm assuming, Mr. Scarfone,
9 that you'll be -- need some time to get other panels
10 together.

11 MR. STEVE SCARFONE: Yes. And what we
12 propose, Madam Chair, I haven't discussed this with
13 Board Counsel, but we thought perhaps we should do the
14 undertakings that can be asked on the public record
15 first.

16 And then I understand the Coalition has
17 some questions that they want to ask on the
18 confidential module. So, we would do that in separate
19 stages.

20 PANEL CHAIRPERSON: Mr. Andres...?

21 MR. TODD ANDRES: Madam Chair, that
22 seems like a reasonable way to proceed.

23 PANEL CHAIRPERSON: Okay. Then we'll
24 proceed that way. And can you give me just a rough
25 estimate of how long it'll take you to get the

1 necessary panels here?

2 MR. STEVE SCARFONE: Oh, I would
3 expect we could be back at a normal break time, 10:15,
4 if that suits your needs.

5 PANEL CHAIRPERSON: Sure, that's
6 great. Thank you. We'll see you at 10:15.

7

8 --- Upon recessing at 10:01 a.m.

9 --- Upon resuming at 10:18 a.m.

10

11 PANEL CHAIRPERSON: Good morning.
12 Good morning, Mr. Guerra and MPI Panel, all of whom I
13 believe have previously been sworn or affirmed.

14 Ms. Moore...?

15

16 MPI UNDERTAKINGS PANEL:

17 CARA LOW, previously Affirmed

18 RYAN KOLASKI, previously Sworn

19 SABRINA KAUK, previously Affirmed

20

21 CROSS-EXAMINATION BY MS. KARA MOORE:

22 MS. KARA MOORE: Thank you. Good
23 morning to the Panel. Mr. Andres and I are actually
24 going to split up this portion of examination, so I'll
25 begin.

1 I'm going to ask questions on
2 Undertakings 10 and 14, so I believe all my questions
3 will be directed to Ms. Low. So, we'll start with
4 answer to Undertaking 10, which is MPI Exhibit 60 here
5 up on the screen.

6 This undertaking was given during the
7 Claims Forecasting Panel. And if we could just scroll
8 up to the question, please. It asked MPI to produce
9 work from home analysis done on the gas tax as
10 supports the scaler model.

11 Do you recall this undertaking, Ms.
12 Low?

13 MS. CARA LOW: I do recall it, but I
14 would suggest it's on the gas tax. It's saying gas
15 sales.

16 MS. KARA MOORE: Oh, okay. Gas sales,
17 sure. And the response to the undertaking, within the
18 response, MPI provided graphs with both gross and net
19 sales?

20 MS. CARA LOW: Correct.

21 MS. KARA MOORE: So, we'll look at
22 figure 2. This is the first graph, which shows gross
23 sales of gasoline, correct?

24 MR. CARA LOW: Correct.

25 MS. KARA MOORE: And if we look at

1 figure 4, this graph shows the net sales of gasoline?

2 MS. CARA LOW: Correct.

3 MS. KARA MOORE: And gross sales would
4 include off-road activities such as farming, forestry,
5 construction, and mining.

6 Is that correct?

7 MS. CARA LOW: That is my
8 understanding just from reading the narrative provided
9 by Stats Canada.

10 MS. KARA MOORE: Thank you. Would you
11 agree, therefore, that the graph that would better
12 reflect gas used by Manitoba motorists would be the
13 net sales of gasoline?

14 MS. CARA LOW: Just the interpretation
15 of that definition, I would agree.

16 MS. KARA MOORE: Thank you. And if we
17 can look at figure 3. Just scroll up slightly. Thank
18 you, Ms. Schubert.

19 If we look at the net sales of gasoline
20 in column D, would you agree that it is consistent
21 with the Statistics Canada conclusion that gasoline
22 sales have returned to pre-COVID levels?

23 MS. CARA LOW: Correct, because 2024
24 sales are back up to where they were in 2019.

25 MS. KARA MOORE: Thank you. So, from

1 2019 at the 1.627 billion at row 4 to 2024 at 1.665
2 billion at row 9, that would be an increase of about
3 37 million, or 2.3 percent.

4 Does that sound right?

5 MS. CARA LOW: That does sound right.

6 MS. KARA MOORE: And you've included
7 HTA earned units in column E, correct?

8 MS. CARA LOW: Correct. But just to
9 clarify, column D is on a calendar year. Column E is
10 on a fiscal year, so they're not quite apples to
11 apples.

12 MS. KARA MOORE: Okay. Thank you for
13 that. And column 'H' takes column 'D' -- and
14 appreciating your comment just now about the
15 difference in years -- column 'H' takes column 'D' and
16 divided -- and divides it by column 'E' to generate
17 the net sales of gasoline per unit.

18 MS. CARA LOW: Correct.

19 MS. KARA MOORE: And if we look at
20 column 'H,' if we compare 2019 at 1,835 liters to 2024
21 at 1,722 liters, we get a decrease of 6.8 percent,
22 correct?

23 MS. CARA LOW: Seems reasonable, yeah.

24 MS. KARA MOORE: And it appears that,
25 on average, there was less gasoline used per vehicle

1 insured in Manitoba in 2024 than there was in 2019 by
2 that --

3 MS. CARA LOW: Based on these stats, I
4 would agree.

5 MS. KARA MOORE: Thank you. And if we
6 scroll up to page 1 of the exhibit in the narrative,
7 fourth paragraph under the response heading --

8 MS. CARA LOW: M-hm.

9 MS. KARA MOORE: -- it reads:

10 "MPI does not recommend the use of
11 fuel -- fuel consumption as a
12 proxy for measuring mobility
13 within Manitoba."

14 Correct?

15 MS. CARA LOW: Correct.

16 MS. KARA MOORE: We then have a number
17 of bullet points to explain why MPI takes this
18 position, so we're going to go through each of them.

19 MS. CARA LOW: Okay.

20 MS. KARA MOORE: The first bullet
21 point is that fuel consumption levels are affected by
22 fuel efficiency -- by the fuel efficiency of the
23 vehicle fleet, correct?

24 MS. CARA LOW: That is correct.

25 MS. KARA MOORE: And if we scroll back

1 down to figure 3, and we look at the net sales of
2 gasoline per unit, column H, from 2016 to 2019, so the
3 first four (4) rows, we can see that the number
4 doesn't move significantly, correct?

5 MS. CARA LOW: I do see that. But
6 that's not necessarily assuming that there isn't
7 benefits from being more fuel efficient because we
8 don't have any data here on the number of kilometers
9 driven.

10 MS. KARA MOORE: Okay. So, if I were
11 to say the fuel -- the fuel efficiency of the fleet
12 doesn't appear to have changed materially over that
13 time period, would you agree?

14 MS. CARA LOW: No, because --

15 MS. KARA MOORE: Okay.

16 MS. CARA LOW: -- I -- we don't know
17 why it's flat. There could be offsetting factors such
18 as fewer kilometers driven.

19 MS. KARA MOORE: Thank you. If we
20 scroll back up to the bullet points, we'll look at the
21 second bullet point there.

22 And the second reason that you've
23 listed is the increasing adoption of hybrid and
24 battery electric vehicles will further reduce overall
25 fuel consumption, correct?

1 MS. CARA LOW: Correct.

2 MS. KARA MOORE: And we are going to
3 pull up an excerpt from the transcript of the 2025
4 GRA. And this is a portion of MPI's closing --
5 closing comments last -- at last year's hearing, so in
6 the second paragraph on this page. And this is page
7 2,356, just for the record. Starting at line 9, I'll
8 read in to the record.

9 "So, the PUB heard that in our
10 fleet EVs represent below 1
11 percent of the total fleet and the
12 current count for registered
13 vehicles in Manitoba is 3,364 and
14 18,308 for hybrid vehicles."

15 You see that?

16 MS. CARA LOW: I do see that.

17 MS. KARA MOORE: And so, while that
18 number is expected to rise, the adoption rates, at
19 least as of last year's hearing, were not as high in
20 Manitoba.

21 Is that correct?

22 MS. CARA LOW: That would be correct.
23 And they are rising. We do monitor that on a regular
24 basis. And with the recent EV rebate that was
25 sponsored by the government, we expect a bigger lift.

1 MS. KARA MOORE: Thank you. Relative
2 to the 966,553 earned HTA units in 2024, 3,364 battery
3 electric vehicles would be about 0.35 percent?

4 MS. CARA LOW: Correct.

5 MS. KARA MOORE: And the number of --
6 number of battery electric vehicles could therefore
7 explain about 0.35 percent of the 6.8 percent decrease
8 in per vehicle purchases.

9 Would you agree?

10 MS. CARA LOW: Agreed.

11 MS. KARA MOORE: And relative to the
12 966,554 earned HTA units, 18,308 hybrid vehicles would
13 be about 1.9 percent, correct?

14 MS. CARA LOW: Correct.

15 MS. KARA MOORE: And hybrid vehicles
16 still use some fuel, perhaps about half, for the
17 purposes of our calculation?

18 MS. CARA LOW: It still uses fuel. I
19 wouldn't guess on how much. I have no idea how much
20 they're still using.

21 MS. KARA MOORE: Understood. So, if
22 we go with half again just for the purposes of this
23 exercise --

24 MS. CARA LOW: M-hm.

25 MS. KARA MOORE: -- hybrid vehicle

1 adoption might explain slightly less than 1 percent of
2 the 6.8 decrease, correct?

3 MS. CARA LOW: Correct.

4 MS. KARA MOORE: Would you therefore
5 conclude that the adoption of hybrid and battery
6 electric vehicles can explain a small part of the
7 observed decrease?

8 MS. CARA LOW: Correct.

9 MS. KARA MOORE: Perhaps about 1
10 percent or so of the 6.8 percent?

11 MS. CARA LOW: Agreed, but I think
12 it's growing rapidly.

13 MS. KARA MOORE: Thank you. We'll
14 scroll back up to the third bullet point.

15 So, the third reason that MPI does not
16 recommend the use of fuel consumption as a proxy for
17 measuring mobility within Manitoba with that fuel
18 sales data do not directly measure fuel utilization,
19 correct?

20 MS. CARA LOW: Correct.

21 MS. KARA MOORE: Would you agree that
22 fuel is usually purchased to be used to drive
23 vehicles?

24 MS. CARA LOW: That would be the main
25 goal. I know I use a lot of gas for my boat at the

1 cottage, too, and that wouldn't be necessarily
2 reflected in anything that MPI is doing.

3 MS. KARA MOORE: Understood. Any
4 changes in the amount purchased -- likely amount of
5 fuel purchased, that is, likely correlates highly with
6 the amount of fuel consumed?

7 MS. CARA LOW: Sorry, could you repeat
8 that?

9 MS. KARA MOORE: Any changes in the
10 amount of fuel purchased likely correlates highly with
11 the amount of fuel consumed?

12 MS. CARA LOW: I would agree.

13 MS. KARA MOORE: Thank you. And the
14 final bullet point here is that fuel purchased within
15 Manitoba may be consumed outside of the province,
16 correct?

17 MS. CARA LOW: Correct.

18 MS. KARA MOORE: If fuel is purchased
19 for Manitoba vehicles, then driving outside of
20 Manitoba still constitutes exposure, correct?

21 MS. CARA LOW: Correct.

22 MS. KARA MOORE: Whereas if the fuel
23 is purchased for non-Manitoba vehicles, then it may
24 not constitute exposure?

25 MS. CARA LOW: That would be correct.

1 MS. KARA MOORE: Does MPI have any
2 data on any change in the distribution of this?

3 MS. CARA LOW: No, we do not.

4 MS. KARA MOORE: So, having reviewed
5 this information, MPI maintains its position. I
6 understand that it does not recommend the use of fuel
7 consumption as a proxy for measuring mobility within
8 Manitoba, correct?

9 MS. CARA LOW: Correct.

10 MS. KARA MOORE: Does MPI have any
11 other quantitative statistics on driving exposure in
12 Manitoba?

13

14 (BRIEF PAUSE)

15

16 MS. CARA LOW: Nothing currently. But
17 we are exploring options because we do believe the
18 number of kilometers driven is a better proxy for the
19 mobility parameter than the gas consumed for multiple
20 reasons.

21 MS. KARA MOORE: Thank you. And if we
22 can again look at figure 4 on this exhibit. This
23 shows net sales of gasoline compared to mobility
24 parameters. And I'd like to look at the shape of the
25 net sales graph, specifically looking at 2020 to 2024.

1 MPI assumed a linear return to normal
2 with a selected 4, 3, 2, 1, and zero for 2020 to 2024
3 identified by the purple line, correct?

4 MS. CARA LOW: Correct.

5 MS. KARA MOORE: And the scales Oliver
6 Wyman mobility is shown by the green line, correct?

7 MS. CARA LOW: Correct.

8 MS. KARA MOORE: The 2025 GRA scaled
9 mobility is shown by the orange line?

10 MS. CARA LOW: Correct.

11 MS. KARA MOORE: And the net sales of
12 gasoline per HTA unit is shown by the dotted black
13 line?

14 MS. CARA LOW: Correct.

15 MS. KARA MOORE: And the dotted black
16 line likely needs to be adjusted slightly by the
17 number of battery electric vehicles and some fraction
18 of the number of hybrid vehicles in each year.

19 Would you agree?

20 MS. CARA LOW: I would agree.

21 MS. KARA MOORE: Do you believe that
22 this graph provides support that a linear return to
23 normal assumption is reasonable?

24 MS. CARA LOW: I think it's one of
25 many factors that need to be considered. There's

1 still a lot of issues that we would need to isolate
2 and dig into. Like, we don't know the impact of the
3 gas tax vacation, so is that what's driving the 2024
4 or is it the driving behavior.

5 We also don't understand why it would
6 be lower in '22 and '23 than it was in '20 and '21.
7 So, there's a lot of questions around this blacked
8 line. And so, until we understand, I don't think we
9 can use it as a proxy.

10 MS. KARA MOORE: Understood. And
11 based on these observations, what would you recommend
12 as mobility parameters?

13 MS. CARA LOW: We still believe the
14 scaler is the best fit at this point.

15 MS. KARA MOORE: The scaler being --

16 MS. CARA LOW: The pink line.

17 MS. KARA MOORE: Pardon me?

18 MS. CARA LOW: The pink line.

19 MS. KARA MOORE: Sure. So, the 2026
20 GRA mobility parameter?

21 MS. CARA LOW: Correct? Yes.

22 MS. KARA MOORE: So, those are all my
23 questions for undertaking 10. I'll now ask just a few
24 questions on answer to undertaking 14.

25 MS. CARA LOW: M-hm.

1 MS. KARA MOORE: So, if we could pull
2 up MPI Exhibit 63. This undertaking was given during
3 the Ratemaking Panel, and it asked MPI to explain the
4 difference between the uncapped and capped rate
5 groups.

6 Do you recall that?

7 MS. CARA LOW: I do.

8 MS. KARA MOORE: In response to this
9 undertaking, MPI provided Appendix 1, which is
10 helpfully up on the screen. And this table shows the
11 uncapped 2026 rate groups, correct?

12 MS. CARA LOW: Correct.

13 MS. KARA MOORE: And I will get to the
14 reasons for the differences, but I'd first like to
15 identify what the differences are. So, if we add up
16 rate groups 45 and higher, which I -- you'll have to
17 trust me on this, unless you want to quickly do it
18 yourself, but I'll submit that we get a hundred and
19 twenty thousand two hundred and eight (120,208).

20 Does that sound reasonable?

21 MS. CARA LOW: Subject to check, yes.

22 MS. KARA MOORE: Sure. And if we can
23 look now at PUB/MPI-1-4B. If we could just scroll up
24 to the question just to have the context.

25 MPI was asked to provide the number of

1 vehicles and the amount of premium by rate group for
2 passenger vehicles for coverages that are affected by
3 rate line after the addition of rate groups 42 to 45.

4 Do you recall that undertaking?

5 MS. CARA LOW: I do.

6 MS. KARA MOORE: And if we scroll down
7 to Appendix B -- or Appendix 1, sorry, of this
8 response. If we were to add up rate groups 39 to 44,
9 we get a total of a hundred and seventy-seven thousand
10 six hundred and ninety-one (177,691)?

11 MS. CARA LOW: Subject to check. What
12 was the question again?

13 MS. KARA MOORE: I think it should be
14 one -- it's 1B, I believe. 1B, Appendix 1. Sorry, 1-
15 4B, Appendix 1. This is 1-4A, Appendix 1.

16

17 (BRIEF PAUSE)

18

19 MS. KARA MOORE: Okay. So, I'll ask
20 the question again.

21 So, just for -- just for clarity, if we
22 were to add up rate groups 39 to 44, subject to check,
23 we'd get a total of a hundred and seventy-seven
24 thousand six hundred and ninety one (177,691).

25 Does that sound reasonable?

1 MS. CARA LOW: Sorry, what was the
2 number?

3 MS. KARA MOORE: One hundred and
4 seventy-seven thousand six hundred and ninety-one
5 (177,691).

6 MS. CARA LOW: Yes, that seems
7 reasonable.

8 MS. KARA MOORE: Okay. And so, the
9 number of vehicles and rate groups 39 to 44, as
10 identified in this table, has somewhat higher values
11 than the number of rate groups identified in the
12 appendix provided in response to Undertaking 14,
13 correct?

14 MS. CARA LOW: What was the first
15 number?

16 MS. KARA MOORE: It was a hundred and
17 twenty thousand (120,000).

18 MS. CARA LOW: Yes, agreed.

19 MS. KARA MOORE: And if we can go back
20 to MPI Exhibit 63, to the exhibit itself, not --
21 sorry, not the appendix. Thank you.

22 And we'll read the second paragraph of
23 the response about four (4) lines down -- or two (2)
24 lines down, sorry. It says:

25 "However, there is still a small

1 discrepancy between the sums shown
2 in the uncapped table and the cap
3 table from PUB/MPI-1-4, Appendix
4 1-B. This is due to the second
5 reason for this discrepancy. The
6 uncapped rate groups shown are the
7 rate -- indicated rate groups
8 derived directly from the original
9 IBC clear tables, while the capped
10 rate groups shown are final MPI
11 rate groups that have not only
12 been capped at 45, but have also
13 had the five (5) rate group
14 increase cap applied and have had
15 rate groups altered manually for
16 vehicles twenty (20) years or
17 older."

18 You see that?

19 MS. CARA LOW: Yes, I see that.

20 MS. KARA MOORE: So, there are a
21 higher number of vehicles in rate group 45 and up for
22 the uncapped as there are some capped vehicles that
23 appear to be mainly in rate groups 39 to 44.

24 Is that correct?

25 MS. CARA LOW: They would be in the

1 lower rate groups, yes.

2 MS. KARA MOORE: For vehicles that
3 have been capped at plus five (5) and are still below
4 their uncapped rate group that are under twenty (20)
5 years old, does MPI have a plan to increase their rate
6 group over time, assuming that their uncapped rate
7 group continues to be above the 2026 capped level?

8 MS. CARA LOW: One minute, please.

9

10 (BRIEF PAUSE)

11

12 MS. CARA LOW: There are no firm plans
13 yet, but we will continue to increase rate groups.
14 Whether we go back to the plus one or whether we
15 continue with a higher capping, we will continue to
16 move rate groups.

17 MS. KARA MOORE: Thank you very much.
18 Those are all of my questions.

19

20 CROSS-EXAMINATION BY MR. TODD ANDRES:

21 MR. TODD ANDRES: Good morning. Todd
22 Andres, for the record. And so, I will start with MPI
23 Exhibit number 53, which is its response to
24 Undertaking number 7.

25 And actually, before going to the

1 Exhibit itself -- and the exhibit itself is a
2 continuity schedule as it relates to Project NOVA.
3 Actually, Ms. Schubert, if we can just scroll down to
4 the next page, please.

5 And this was produced in response to an
6 undertaking, and you'll agree -- I'm not sure who the
7 best person is to respond to my questions, but you'll
8 agree that this is the Project NOVA continuity
9 schedule as at June 30th, 2025, correct?

10 MR. RYAN KOLASKI: Correct.

11 MR. TODD ANDRES: Thank you. Ms.
12 Schubert, could you please pull up Exhibit 37? And
13 before us, we have MPI's 2024 annual report, correct?

14 MR. RYAN KOLASKI: Correct.

15 MR. TODD ANDRES: Thank you. And if
16 you could advance, please, Ms. Schubert, to page 62.
17 Thank you.

18 And under 'Audited Financial
19 Statements', I'll just read in the first couple of
20 sentences. It says:

21 "While conducting the annual
22 assessment for impairment, the
23 Corporation identified \$12.8
24 million in expenditure that had
25 been recorded as assets within

1 deferred development costs.
2 However, upon further
3 investigation, these costs were
4 assessed as not meeting the
5 criteria to be recognized. As
6 assets as a result of this
7 additional assessment, \$12.8
8 million in deferred development
9 costs was written off and recorded
10 as an expense incurred in the
11 current year."

12 You'll see that?

13 MR. RYAN KOLASKI: I do.
14 MR. TODD ANDRES: Thank you. So, the
15 \$12.8 million was deferred development costs, right?

16 MR. RYAN KOLASKI: It was -- well, in
17 these financial statements, it's been written off.

18 MR. TODD ANDRES: Right, and --

19 MR. RYAN KOLASKI: Prior, it was
20 actually in deferred development costs, yes.

21 MR. TODD ANDRES: Okay. And so,
22 you've -- you've got a sense of where I'm going with
23 this. And so, can you describe what the nature of the
24 costs -- the nature of the costs included in the \$12.8
25 million dollars, please?

1 MR. RYAN KOLASKI: So, if you go back
2 to the impairment memo, it relates to change
3 management costs. Costs that should have been
4 expensed in the normal course through the impairment
5 process, we discovered they shouldn't have been
6 capitalized. They should have been expensed. That
7 accounting process goes back to approximately 2022, so
8 that's what's accounting for that 12.8 million.

9 MR. TODD ANDRES: Right. So, the --
10 it was an accounting error, correct?

11 MR. RYAN KOLASKI: Effectively, yes.

12 MR. TODD ANDRES: Right. And there
13 were -- essentially, if I'm understanding you
14 correctly, it was just costs that were incorrectly
15 capitalized.

16 MR. RYAN KOLASKI: Correct.

17 MR. TODD ANDRES: Thank you. How was
18 the error discovered?

19 MR. RYAN KOLASKI: It was discovered
20 through the impairment process that we undertook in
21 this current year.

22 MR. TODD ANDRES: And these
23 incorrectly capitalized costs related to various NOVA
24 releases, correct?

25 MR. RYAN KOLASKI: It was related to

1 NOVA. And, yeah, I can't be specific on which
2 release, but it was NOVA related, Yes.

3 MR. TODD ANDRES: But, generally
4 speaking, R-1, R-2, or R-3, correct?

5 MR. RYAN KOLASKI: Correct.

6 MR. TODD ANDRES: Thank you. And the
7 accounting error was corrected in 2024/'25 and not
8 applied retroactively, correct?

9 MR. RYAN KOLASKI: Correct.

10 MR. TODD ANDRES: And it was not --
11 the accounting error, that is -- it was not
12 sufficiently material to cause MPI to restate its
13 prior financial statement for the -- for the error,
14 correct?

15 MR. RYAN KOLASKI: Correct.

16 MR. TODD ANDRES: Ms. Schubert, could
17 you please now turn back to MPI Exhibit 53, which is
18 again the response to the undertaking.

19 And this shows -- obviously I'm
20 simplifying, but it shows essentially the money spent
21 historically on Project NOVA as well as impairments
22 and allocations, correct?

23 MR. RYAN KOLASKI: Correct.

24 MR. TODD ANDRES: Thank you. And
25 column E shows the impairment amount, correct?

1 MR. RYAN KOLASKI: Correct.

2 MR. TODD ANDRES: And that's 60.78
3 million, correct?

4 MR. RYAN KOLASKI: Correct.

5 MR. TODD ANDRES: Thank you. Now, Ms.
6 Schubert, if we jump back to Exhibit 37, please, at
7 page 22. Thank you.

8 And there's -- it's about halfway down
9 the page under 'Impairment'. You'll see there's a
10 title there that says, 'Impairment Losses and Write-
11 off of Assets Reported as Deferred Development Costs',
12 right?

13 MR. RYAN KOLASKI: Correct.

14 MR. TODD ANDRES: Thank you. And in
15 the first paragraph to the left, you'll see that there
16 is reference to a \$47.9 million number, correct?

17 MR. RYAN KOLASKI: Correct.

18 MR. TODD ANDRES: And the \$47.9
19 million, that was costs written down for assets under
20 Project NOVA due to their failure to perform as
21 intended, correct?

22 MR. RYAN KOLASKI: Correct.

23 MR. TODD ANDRES: Thank you. And
24 there's also reference in the right-hand column, the
25 paragraph that starts:

1 "In addition, the Corporation
2 wrote off \$12.8 million in
3 assets."

4 MR. RYAN KOLASKI: Correct.

5 MR. TODD ANDRES: You see that? Okay.
6 And those were written off because they were assessed
7 as not meeting the criteria to be recognized as
8 assets, correct?

9 MR. RYAN KOLASKI: So, the 12.8
10 million is in reference to the conversation we just
11 had, so effectively, yes. They were -- they should
12 have been expense prior.

13 MR. TODD ANDRES: Should have been.
14 Thank you for that. Right. And now, Ms. Schubert, if
15 we can jump back to the document we were looking at a
16 moment ago, please, which is Exhibit 53. Thank you
17 for that.

18 Now, the total I see in this column is
19 again the 60.78 million. So, if we keep that number
20 in mind -- and that's the impairment amount -- and
21 turn back to Exhibit 37. So, I get 60.78 million if
22 we add up the 47.9 and the 12.8, correct?

23 MR. RYAN KOLASKI: Correct.

24 MR. TODD ANDRES: But then you'll see
25 at the bottom of that first paragraph, it says:

1 "The Corporation also recognized a
2 \$1.4 million write down for
3 impairment of a deferred
4 development cost relating to the
5 data solution project that had
6 been halted."

7 Correct?

8 MR. RYAN KOLASKI: Correct.

9 MR. TODD ANDRES: Thank you. And so,
10 you'll agree that the combined effect of the write-off
11 and write downs recognized in the current year was
12 actually \$62.1 million, correct?

13 MR. RYAN KOLASKI: Correct.

14 MR. TODD ANDRES: Thank you. Can MPI
15 explain the \$1.4 million difference between what we
16 see on this page, the total we just discussed, which
17 is the 62.1 million in the right-hand column, and the
18 number that appears on Exhibit 53?

19 MR. RYAN KOLASKI: Sure. That \$1.4
20 million doesn't relate to Project NOVA. That relates
21 to a data management warehouse project that we had
22 undertaken and then had subsequently closed.

23 MR. TODD ANDRES: Okay. So helpfully
24 still on Exhibit 53, in the 2024/'25 year, the opening
25 deferred balance was \$102.067 million. And that's in

1 column A, line 6. You see that?

2 MR. RYAN KOLASKI: I do.

3 MR. TODD ANDRES: Thank you. And in
4 that year, you'll see there was an additional spending
5 of 13.8 million.

6 MR. RYAN KOLASKI: I do.

7 MR. TODD ANDRES: You see that? Thank
8 you. And as discussed a moment ago, the Corporation
9 at the end of the year wrote off the \$47.9 million in
10 Project NOVA cost that add no future value, correct?

11 MR. RYAN KOLASKI: So, the total write
12 down is shown in column E, the 60.7 million.

13 MR. TODD ANDRES: Right, and --

14 MR. RYAN KOLASKI: That includes the
15 \$49 million, yes.

16 MR. TODD ANDRES: Plus, the 12.8
17 million, correct?

18 MR. RYAN KOLASKI: Correct.

19 MR. TODD ANDRES: Thank you. And the
20 allocation of those costs before the write off were
21 based on Story Point allocation, correct?

22 MR. RYAN KOLASKI: Correct.

23 MR. TODD ANDRES: Thank you. And the
24 total impairment we've been discussing was determined
25 on a Story Point basis as well, correct?

1 MR. RYAN KOLASKI: Correct.

2 MR. TODD ANDRES: Thank you. All
3 right. And so, we have an opening balance for the
4 2025/'26 actual of forty-nine million three hundred
5 and fifty-seven thousand dollars (\$49,357,000). And
6 that's in column A, line 11, correct?

7 MR. RYAN KOLASKI: Correct.

8 MR. TODD ANDRES: And that balance
9 consisted of -- and again, this is immediately above
10 in column -- \$5.4 million related to Basic?

11 MR. RYAN KOLASKI: Correct.

12 MR. TODD ANDRES: And then another
13 \$5.4 million related to Extension?

14 MR. RYAN KOLASKI: Correct.

15 MR. TODD ANDRES: \$8.3 million related
16 to SRE?

17 MR. RYAN KOLASKI: Correct.

18 MR. TODD ANDRES: And \$30.4 million
19 related to DVA, correct?

20 MR. RYAN KOLASKI: Correct.

21 MR. TODD ANDRES: Thank you. Ms.
22 Schubert, if we could now jump back again to Exhibit
23 37, but this time page 88. Thank you for that.

24 And this is the -- you'll agree with me
25 this page is the unaudited supplemental information

1 line of business financials that was included in the
2 annual report, correct?

3 MR. RYAN KOLASKI: Correct.

4 MR. TODD ANDRES: And so, looking at
5 the deferred development costs -- this is the column
6 to the left -- Basic's share of that was \$8.8 million,
7 correct?

8 MR. RYAN KOLASKI: Correct.

9 MR. TODD ANDRES: Thank you. And
10 you'll agree that the majority relates to Project
11 NOVA, right?

12 MR. RYAN KOLASKI: Correct.

13 MR. TODD ANDRES: Thank you. And
14 further over to the right, I'm going to say it's about
15 seven (7) columns from the left, deferred development
16 costs for DVA was \$31.1 million, correct?

17 MR. RYAN KOLASKI: Correct.

18 MR. TODD ANDRES: And again, the
19 majority of that relates to Project NOVA, correct?

20 MR. RYAN KOLASKI: Correct.

21 MR. TODD ANDRES: Thank you. And so
22 those two (2) numbers, the 8.9 million and the \$31.1
23 million, those reflect balances after the impairment
24 in the financial statements, correct?

25 MR. RYAN KOLASKI: Correct.

1 MR. TODD ANDRES: Thank you. So, if
2 we go back to Exhibit 53, please, Ms. Schubert. Thank
3 you.

4 You'll agree that MPI changed the
5 method of allocating costs from Story Points to
6 WCCCCR, correct?

7 MR. RYAN KOLASKI: That is correct.

8 MR. TODD ANDRES: Thank you. And we
9 established earlier in the hearing that this
10 constitutes a -- this -- this...

11

12 (BRIEF PAUSE)

13

14 MR. TODD ANDRES: And you'll agree
15 that the change in allocation constitutes the change
16 in estimates, correct?

17 MR. RYAN KOLASKI: Correct.

18 MR. TODD ANDRES: Thank you. And the
19 change in allocation is not correcting an error, but
20 is a new estimate of how costs should be allocated,
21 right?

22 MR. RYAN KOLASKI: Correct.

23 MR. TODD ANDRES: Thank you. And are
24 you familiar with International Accounting Standard
25 number 8 regarding change in estimates?

1 MR. RYAN KOLASKI: I am.

2 MR. TODD ANDRES: And has particular
3 rules about changing estimates and how they're
4 treated, correct?

5 MR. RYAN KOLASKI: Correct.

6 MR. TODD ANDRES: Thank you. And so
7 why is the Corporation reallocating historical costs?

8 MS. SABRINA KAUK: Sabrina Kauk. So,
9 you'll be familiar with the information we filed
10 historically, which references the Story Points. And
11 so, under Project NOVA, that was the estimation
12 process employed. And those Story Points were based
13 on the work effort meant for the scale and scope of
14 that specific project.

15 With the closure of the project, those
16 allocators are no longer appropriate. And so, for
17 estimation purposes in '25/'26, we took a step back
18 and reevaluated what projects are in front of us and
19 what would be a rational and appropriate basis to
20 allocate the digital work, which is what we're talking
21 about right now.

22 And so digital work under NOVA
23 represented foundational work that all lines of
24 business are meant to benefit from. And so, our
25 internal cost allocation methodology, we currently

1 apply the WCCCCR and then claims incurred, and that is
2 the basis that we deemed the most appropriate to
3 allocate fairly amongst all lines of business.

4 We also have filed that we will
5 continue to reevaluate that allocator as we take on
6 every project, and also annually to ensure that it
7 remains appropriate.

8 We'd also indicated in the past that
9 the Story Points would continue to be refined. The
10 initial allocators that were employed for Story Points
11 were never intended to be fixed.

12 We've historically filed that those
13 Story Points would absolutely be refined as we worked
14 through the project itself, and so the ultimate
15 balance sheet allocation was always intended to be
16 updated.

17 MR. TODD ANDRES: Thank you for that.
18 You'll agree that this is, essentially, restating
19 historical financial information. Correct?

20 MS. SABRINA KAUK: No, it is a change
21 in estimate based on information available in fiscal
22 '25/'26, which is the closure of a project that no
23 longer exists.

24 MR. TODD ANDRES: Okay. So, I'll move
25 on now to a line of questioning regarding the -- the

1 OCIO, the Outsourced Chief Investments Officer.

2 I do have some questions that actually
3 arose from this morning. We heard from MPI Counsel
4 about a new software being employed by the OCIO. And
5 I just, given that it was put on the record this
6 morning, did have a few questions about that. We
7 believe it's called Investment Metrics.

8 I -- I'm wondering if someone from this
9 panel can talk about its functions and intended uses?

10 MS. CARA LOW: No, we cannot. We
11 don't use a software and the contract is not yet
12 signed. We're hoping this week it might be signed,
13 but it's not yet signed. But any big firm is going to
14 use software and we deal with lots and lots of
15 clients. I can't remember exactly how many. So, they
16 have software in order to do attribution analysis.

17 MR. TODD ANDRES: And can you clarify,
18 will MPI continue to use the Moody's PFaroe software?

19 MS. CARA LOW: Eventually we're going
20 to be phasing out the PFaroe software.

21 MR. TODD ANDRES: Thank you. And so,
22 I take it, based on your answer just now, it was not
23 MPI that decided on the new software choice. Correct?

24 MS. CARA LOW: No --

25 MR. TODD ANDRES: Thank you for that.

1 MS. CARA LOW: -- for selecting the
2 vendor and the vendor already has software.

3 MR. TODD ANDRES: Given your answer,
4 do you have a -- an estimate as to when the Moody's
5 PFaroe software will be phased out and will there be
6 write-offs associated with that?

7

8 (BRIEF PAUSE)

9

10 MR. RYAN KOLASKI: The software cost
11 is subject to a licensing agreement. So, when that
12 licensing agreement runs off, it'll just run off in
13 due course. If we end up not using the software, then
14 there's probably a terminal loss at that point and we
15 would accrue it in the financial statements
16 accordingly.

17 MR. TODD ANDRES: Thank you, Mr.
18 Kolaski. Ms. Schubert, if we now look at -- this is
19 the response to Undertaking Number 3, MPI Number 57.
20 And we'll start at page 13 of 20 please.

21 And what we're looking at here are the
22 roles and the responsibilities to be, I guess, taken
23 on by the external team. And the external team, I
24 take it as effectively, the function of the OCIO.

25 Is that correct?

1 MS. CARA LOW: Correct. It's out --
2 outsourced Chief Investment Officer, non-
3 discretionary, 'cause we're keeping all decision
4 making within the Corporation.

5 MR. TODD ANDRES: Thank you for that.
6 Actually, you know what, on that note, Ms. Schubert,
7 could you scroll down a little further so we can see
8 the boxes. One more box down. This is the third box
9 in that list.

10 And so, if you'll look at the table
11 here, this is the third, I guess, line or third set of
12 boxes, the title is 'IC and ICWG Strategic Reporting'.

13 You see that?

14 MS. CARA LOW: Yes, I do.

15 MR. TODD ANDRES: Then the third -- it
16 doesn't have bullets, but the third point is:

17 "external team to propose
18 terminations and appointments of
19 investment managers as required."

20 Correct?

21 MS. CARA LOW: Correct.

22 MR. TODD ANDRES: And so, that is a
23 function -- the -- the appointment and termination of
24 external investment managers is a function currently
25 carried out by the Investments Team. Correct?

1 MS. CARA LOW: Correct.

2 MR. TODD ANDRES: And so, effectively,
3 is MPI outsourcing the selection of investment
4 managers?

5 MS. CARA LOW: No, 'cause it -- in the
6 end, when we need to appoint a new investment manager,
7 we do do a RFP for consultant and they assist us in
8 trying to decide which consultants. So -- so they
9 help us shortlist any -- or sorry, not consultants,
10 but we hire a consultant to help us shortlist
11 investment managers. So, we just went through that
12 for infrastructure and real estate.

13 But in the end, it's the Investment
14 Committee of the Board and, ultimately, the Board of
15 Directors that makes that decision. Recommendations
16 will come from the new OCIO that's been outsourced.

17 MR. TODD ANDRES: I see. So,
18 effectively, MPI's role in the process of appointing
19 or terminating the engagement of an investment manager
20 will be unchanged?

21 MS. CARA LOW: Unchanged.

22 MR. TODD ANDRES: Thank you. Okay, so
23 now, I apologize, Ms. Schubert, if you can scroll back
24 up to the page before, please.

25 And so, we see that -- we'll start with

1 the second box. It's IC into ICWG Regular Reporting.

2 Do you see that?

3 MS. CARA LOW: I do see that.

4 MR. TODD ANDRES: Okay. And so, the
5 OCIO is going to be responsible for calculating and
6 performance of MPI investments. Correct?

7 MS. CARA LOW: Correct.

8 MR. TODD ANDRES: Comparing that
9 performs to peers and presenting findings to the
10 investment committee. Right?

11 MS. CARA LOW: Correct.

12 MR. TODD ANDRES: Thank you. This is
13 in -- in -- in the nature of a benchmarking analysis.
14 Is that fair to say?

15 MS. CARA LOW: That would be fair to
16 say, yes.

17 MR. TODD ANDRES: And then, again,
18 they're reporting on that to the Investment Committee.
19 Right?

20 MS. CARA LOW: Correct.

21 MR. TODD ANDRES: And they'll conduct
22 annual reviews of asset class and proposed changes to
23 asset mix terminations or appointments. Correct?

24 MS. CARA LOW: Correct.

25 MR. TODD ANDRES: Thank you.

1 Providing capital market assumptions and benchmarking
2 exhibits for financial forecasting. Right?

3 MS. CARA LOW: Correct. Yes.

4 MR. TODD ANDRES: And those are
5 functions currently carried out by the Director of ALM
6 and Investments. Right?

7 MS. CARA LOW: Yes.

8 MR. TODD ANDRES: Thank you. And
9 those form a part of the reporting to the Public
10 Utilities Board in the GRA process. Correct?

11 MS. CARA LOW: Correct.

12 MR. TODD ANDRES: Thank you. And
13 you'll agree with me that the investments in ALM
14 portion of the rate application generally figures
15 fairly prominently. Correct?

16 MS. CARA LOW: I would agree.

17 MR. TODD ANDRES: Thank you. And this
18 year it was subject to a full day of evidence.

19 Correct?

20 MS. CARA LOW: Correct.

21 MR. TODD ANDRES: And that's been
22 consistently the case in previous General Rate
23 Applications. Correct?

24 MS. CARA LOW: Yes.

25 MR. TODD ANDRES: Correct. Thank you.

1 Does the Corporation expect the form and content of
2 performance reporting to change from what is currently
3 being provided?

4

5

(BRIEF PAUSE)

6

7 MS. CARA LOW: Since it's coming from
8 a vendor, I mean, the look and feel is going to be
9 different. There's going to be more information.
10 We're going be able to do -- have a detailed
11 attribution analysis, a more granular. But, I mean,
12 you're still just comparing performance benchmark,
13 that's not going away.

14 MR. TODD ANDRES: Thank you for that.
15 And I -- I guess the follow-up question to that is:
16 How will MPI satisfy itself that the performance
17 reporting is appropriate?

18 MS. CARA LOW: We still will have the
19 internal team. They'll be going through all the
20 reports and making sure that it's appropriate.

21 MR. TODD ANDRES: But -- and just to
22 be clear, I think you answered this, but the form and
23 the content of the report will be prescribed by the
24 vendor. Correct?

25 MS. CARA LOW: Well, if they have

1 software and the output is coming out of the software,
2 there's going to be a certain look and feel to it, but
3 we're going to challenge it. We're going to reconcile
4 it. We're going to make sure we're comfortable with
5 the numbers.

6 MR. TODD ANDRES: MPI is also
7 outsourcing the capital market assumptions for
8 financial forecasting. Correct?

9 MS. CARA LOW: Correct.

10 MR. TODD ANDRES: Thank you. And just
11 in terms of the performance, the recommendations that
12 are provided by the OCIO, how will MPI guard against
13 conflicts of interest on the part of the external
14 team?

15 MS. CARA LOW: Sorry, I don't
16 understand the question.

17 MR. TODD ANDRES: Just in terms of
18 selection of asset classes, selection of investments,
19 how can MPI satisfy itself that there won't be issues
20 regarding to conflicts of interest on the part of the
21 external vendor?

22

23 (BRIEF PAUSE)

24

25 MS. CARA LOW: The selected vendor is

1 not going to be an -- an investment manager. They're
2 going to continue to manage our current investment
3 managers. So, we don't see any conflict of interest
4 there, but all governance stays with MPI, and we have
5 a very strong investment committee that would be
6 having any kind of input if something changes.

7 MR. TODD ANDRES: And so, I guess the
8 question is: Will the ultimate decision then, in
9 terms of those issues, the investment mix, the asset
10 allocations, the choice of investments, that'll,
11 ultimately -- the -- the final decision maker will
12 remain MPI?

13 MS. CARA LOW: It will be MPI. And,
14 if you recall, both on our -- on our IC Working Group,
15 we do have reps coming over from Treasury Board as
16 well.

17 MR. TODD ANDRES: Thank you for that.

18 MS. CARA LOW: Treasury Board
19 Secretariat, I'm told.

20 MR. TODD ANDRES: Treasury Board
21 Secretariat.

22 MS. CARA LOW: Yes, TBS.

23 MR. TODD ANDRES: Thank you for that.
24 And so, we touched on this briefly a moment ago, but
25 as a general proposition, you'll agree that providing

1 testimony and disclosure on investments in ALM is an
2 important part of ensuring transparency. Correct?

3 MS. CARA LOW: Correct.

4 MR. TODD ANDRES: And that's done
5 through the General Rate Application process with the
6 Public Utility Board. Correct?

7 MS. CARA LOW: Correct. And if we
8 scroll down again to the fourth box or perhaps fifth -
9 - no, regulatory work. So, it's the box labeled
10 'Regulatory Work' and then in brackets 'PUB' and
11 you'll agree that that's the Public Utilities Board?

12 MS. CARA LOW: I see that.

13 MR. TODD ANDRES: Thank you. And the
14 tasks that are going to be taken on by the external
15 vendors are: take accountability for the production of
16 investment review chapter. Correct?

17 MS. CARA LOW: Yes.

18 MR. TODD ANDRES: Review investment
19 chapter and provide recommendations and final sign-off
20 of the report. Correct?

21 MS. CARA LOW: Correct.

22 MR. TODD ANDRES: Sign off on all IRs
23 or Information Requests. Right?

24 MS. CARA LOW: Correct.

25 MR. TODD ANDRES: Pre-asks,

1 undertakings and panel presentations. Right?

2 MS. CARA LOW: Correct.

3 MR. TODD ANDRES: And the lead

4 consultant will testify, right?

5 MS. CARA LOW: Correct.

6 MR. TODD ANDRES: They'll also provide

7 capital market assumptions and New Money Yield and

8 benchmarking exhibits. Right?

9 MS. CARA LOW: Yes.

10 MR. TODD ANDRES: Thank you. And so,

11 many of those functions -- actually, all of those

12 functions are currently done in-house at MPI.

13 Correct?

14 MS. CARA LOW: Correct.

15 MR. TODD ANDRES: Thank you for that.

16 And so essentially, these are now being contracted

17 out. Correct?

18 MS. CARA LOW: Correct. But one point

19 to clarify though, too, is the Capital Market

20 assumptions get consumed in the financial model to

21 create the proformas. That financial model, which is

22 just a fancy word for a big spreadsheet, that's

23 ongoing out of post, that still resides with the

24 finance team.

25 MR. TODD ANDRES: Understood. Thank

1 you for that. And you'll agree, in recent GRAs there
2 have been issues where third parties have prepared
3 reports and relied -- that were relied upon by MPI,
4 and they're required that MPI maintain confidence over
5 their work product. Right?

6 MS. CARA LOW: Correct.

7 MR. TODD ANDRES: Can MPI, therefore,
8 confirm that retaining a third party to perform the
9 functions of the OCIO will not cause it to seek
10 confidential treatment of anything that is not
11 currently confidential?

12

13 (BRIEF PAUSE)

14

15 MS. CARA LOW: That is one of the
16 outstanding provisions that's been worked on between
17 the two le -- legal teams right now, and would be a
18 showstopper if they don't agree to having full
19 transparency for all stakeholders at this proceeding.

20 MR. TODD ANDRES: And I guess my
21 question also extends to the use of the software
22 that'll be engaged by the contractors.

23 So, again, can you provide any
24 assurance, as it relates to ensuring transparency that
25 comes from the OCIO and their software?

1

2

(BRIEF PAUSE)

3

4

5

MS. CARA LOW: Could you repeat the question, please?

6

7

8

9

10

11

MR. TODD ANDRES: I'll do my best. Can MPI provide assurances that it will not seek to have treated as confidential anything -- any of the work provided by the OCIO, and that extends to the use of its software, that is not currently treated as confidential.

12

13

14

15

MS. CARA LOW: So, there could be issues with things going a hundred percent to the public, but everything will be able to be provided to all stakeholders within this proceedings.

16

17

18

19

20

21

22

23

When it comes to the software, we all know the software can be a black box. We've dealt with this in the past with third-party vendors. We would get reports. We couldn't always explain it, but that's why the lead consultant would be here. And if there is something that we were having trouble interpreting coming out of the software, there would be the opportunity to question.

24

25

MR. TODD ANDRES: Sorry, just a clarification point on that answer. You said

1 everything will be able to be provided to the parties
2 provided on the public record. If it is currently --
3 I -- I guess the question is: If it's currently
4 provided on the public record, will MPI ensure that it
5 continues to be provided on the public record?

6 MS. CARA LOW: We can make our best
7 efforts. We can't guarantee

8 MR. TODD ANDRES: And I take it that
9 remains one of the outstanding issues between MPI and
10 its vendor?

11 MS. CARA LOW: Right. Correct.

12 MR. TODD ANDRES: Thanks very much.
13 you. So those are my questions. I understand my
14 colleague, Ms. Moore, has a correction to make from
15 one of her earlier questions though. Thank you, for
16 those answers.

17

18 CONTINUED BY MS. KARA MOORE:

19 MS. KARA MOORE: Yes. So, Ms. Low,
20 with respect to one of my questions about Undertaking
21 14, which I don't think we need to go there, but it
22 was MPI Exhibit -- the response was MPI Exhibit 63.

23 You'll recall I had compared a hundred
24 and seventy-seven thousand six hundred and ninety-one
25 (177,691) vehicles in rate groups 39 to 44 from

1 PUB/MPI-1-4B, Appendix 1, to the hundred and twenty
2 thousand two hundred and eight (120,208) vehicles in
3 rate groups 45 and higher, which was provided in this
4 response. Do you recall that comparison?

5 MS. CARA LOW: I do recall that

6 MS. KARA MOORE: I'd like to correct
7 the comparison. The correct comparison would be the
8 number of vehicles in rate groups 39 to 44. But, in
9 this Appendix 1 to the Undertaking, which if we scroll
10 down, you'll see it. And that number, as opposed to
11 the hundred and seventy-seven thousand (177,000) is a
12 hundred and sixty thousand four hundred and seventy-
13 four (160,474).

14 So, in making that comparison, with the
15 new numbers, the hundred and sixty thousand (160,0000
16 to a hundred and twenty thousand (120,000), we would
17 still see that rate groups 39 to 44 had a higher value
18 than vehicles in rate groups 45 and higher.

19 Do you agree with that?

20 MS. CARA LOW: I would agree, yes.

21 MS. KARA MOORE: And we then discussed
22 the reason for the difference, which I believe remains
23 true with this updated comparison.

24 MS. CARA LOW: Correct?

25 MS. KARA MOORE: Thank you. That's

1 everything.

2 PANEL CHAIRPERSON: Thank you. Ms.

3 Dilay...? Mr. Klassen...?

4 MR. CHRIS KLASSEN: Thank you, Madam

5 Chair.

6

7 CROSS-EXAMINATION BY MR. CHRIS KLASSEN:

8 MR. CHRIS KLASSEN: A couple of
9 questions, I expect from Ms. Low, on the response to
10 Undertaking No. 3. Ms. Schubert, if you could take us
11 back to that document, which I think is on the record
12 as MPI-57. And we'll go to the beginning of the
13 Appendix, please. And we'll scroll down until we see
14 the Executive Summary. I believe on to the next page.
15 Perfect, thank you.

16 Ms. Low, you'll confirm that we have,
17 on the screen before us, MPI's response to Undertaking
18 No. 3.

19 MS. CARA LOW: Correct.

20 MR. CHRIS KLASSEN: And so, this is
21 the business case for MPI's proposal to retain and
22 begin working with an outsourced chief investment
23 officer?

24 MS. CARA LOW: Yes, that is correct.

25 MR. CHRIS KLASSEN: Thanks. You'll

1 confirm at the end of the first paragraph of the
2 Executive Summary, we see the statement that the --
3 the benefits -- I'll suggest you, the benefits of this
4 proposal can be measured over time to ensure that the
5 model delivers not only operational efficiencies, but
6 also meaningful outcomes aligned with our mandate as a
7 public insurer.

8 Do you see that sentence on the screen?

9 MS. CARA LOW: I do see that.

10 MR. CHRIS KLASSEN: And can you
11 confirm that that indicates an intention on the part
12 of MPI to compare its proposed approach with the OCIO
13 against what I'll call the status quo?

14 MS. CARA LOW: I think would we
15 measure -- or we would just ensure that we are still
16 meeting our mandate, which is rate stability and
17 affordability.

18 MR. CHRIS KLASSEN: And does that mean
19 that MPI will, on a go-forward basis, be comparing the
20 costs and benefits of the OCIO model against what
21 might have been the costs and benefits of maintaining
22 its current system of having an internal department
23 director?

24 MS. CARA LOW: We did a cost benefit
25 analysis for the business case. I'm not sure we would

1 continue to do that, but I mean, we're going to always
2 look at operational efficiencies.

3 MR. CHRIS KLASSEN: And so, when you
4 see on the sentence before you that MPI says, "these
5 benefits can be measured over time," is it your
6 evidence that MPI is ensured that it will be measuring
7 these benefits over time?

8

9 (BRIEF PAUSE)

10

11 MS. CARA LOW: Where we landed was --
12 was service level metrics, and that's what's just
13 being put into the contract because, in the end, all
14 decision making resides with MPI and that's not going
15 to go anywhere, but this will evolve with time. So,
16 we're going to start by measuring service delivery.

17 MR. CHRIS KLASSEN: Thank you, Ms.
18 Low. And, at a high level, will you'll be able to
19 confirm to the Board that on a go-forward basis
20 through the regulatory process, the Board will be able
21 to assess the costs and benefits of MPI's having
22 outsourced this responsibility to a -- a vendor to be
23 selected?

24 MS. CARA LOW: Definitely the cost.
25 The benefits would be a little bit tougher, because we

1 don't expect to see any change to the yield, unless it
2 comes back through our ALM study, where we can maybe
3 get more insights. But then that's going to be a
4 decision, and the better returns are going to be based
5 on a decision, not necessarily because of the selected
6 vendor.

7 MR. CHRIS KLASSEN: Sure, thank you.
8 Do you recall in your discussion with My Friend Mr.
9 Andres, a few minutes ago, confirming that MPI will
10 retain final decision-making authority with respect to
11 the selection of its asset managers?

12 MS. CARA LOW: Yes.

13 MR. CHRIS KLASSEN: And, Ms. Schubert,
14 I'll ask you to scroll down on the screen for us until
15 we see that bolded text Investment Manager Performance
16 Monitoring.

17 Ms. Low, I'll ask you to confirm that
18 that reads that the selected vendor would be
19 responsible for manager selection. Do you see that on
20 the screen?

21 MS. CARA LOW: I do see that.

22 MR. CHRIS KLASSEN: Can you please
23 reconcile the two (2) statements, and more importantly
24 confirm for the Board, whether MPI or the vendor will
25 be responsible for selecting MPI's investment --

1 MS. CARA LOW: That's a good catch.
2 It should say recommendations for manager selections.
3 They would recommend managers. The decision would be
4 with the Corporation.

5 MR. CHRIS KLASSEN: And so, you'll
6 confirm its MPI's evidence that MPI will retain final
7 decision-making authority with respect to the
8 selection of its investment managers.

9 MS. CARA LOW: Correct.

10 MR. CHRIS KLASSEN: Thank you. Ms.
11 Schubert, we'll now go to page 4, and I'll just take a
12 brief second to find my reference here, Ms. Low.

13 Ms. Schubert, we're looking for the
14 heading Value to Manitobans, which I think is just
15 down the screen. There we go, the first heading --
16 the first bullet there.

17 And, Ms. Low, I'll ask you to confirm
18 that the first line of text after the heading Value to
19 Manitobans Improved Use of Public Funds, indicates
20 that the outsourcing model may not materially reduce
21 MPI's operating costs outright. Correct?

22 MS. CARA LOW: Correct.

23 MR. CHRIS KLASSEN: Thank you. I'll
24 have a few more questions for you on the confidential
25 record related to this document, but that's all I have

1 for now. Thank you, Madam Chair.

2 PANEL CHAIRPERSON: Thank you, Mr.

3 Klassen. Ms. Meek...?

4 MS. CHARLOTTE MEEK: Thank you, Madam
5 Chair.

6

7 CROSS-EXAMINATION BY MS. CHARLOTTE MEEK:

8 MS. CHARLOTTE MEEK: I just have a few
9 questions for the panel on Undertaking 17, which is
10 Exhibit 65, Ms. Schubert, if we could go there. Thank
11 you.

12 And so, this undertaking provides an
13 indication of how changes in the New Money Yield
14 impact the moto -- motorcycle rate indication.

15 Is that correct?

16 MS. CARA LOW: That is correct.

17 MS. CHARLOTTE MEEK: And here in the
18 response at the top of the page, we can see the MPI
19 has provided an overview of the sensitivity for major
20 class 4 based on movements in the New Money Yield of
21 10 basis points. Is that correct?

22 MS. CARA LOW: Correct.

23 MS. CHARLOTTE MEEK: And it notes that
24 all other assumptions have been kept the same as the
25 2026 June GRA filing?

1 MS. CARA LOW: Correct.

2 MS. CHARLOTTE MEEK: Okay. And, if we
3 could go to page 2, please, to the chart, scroll down,
4 thank you. On the left column, it shows the New Money
5 Yield and it shows how it shifts by 10 basis points.

6 MS. CARA LOW: Yes.

7 MS. CHARLOTTE MEEK: At line 7, we can
8 see that New Money Yield for this year is at 4.09
9 percent. Is that correct?

10 MS. CARA LOW: Correct.

11 MS. CHARLOTTE MEEK: Okay. And we see
12 in the center column that that provides the rate
13 indication for the motorcycle class of 5.81 percent.

14 MS. CARA LOW: Correct.

15 MS. CHARLOTTE MEEK: Okay. And we can
16 see how the motorcycle rate indication would shift
17 based on changes in the New Money Yield of 10 basis
18 points.

19 MS. CARA LOW: Correct.

20 MS. CHARLOTTE MEEK: And then the
21 right column shows the impact of the change on the
22 motorcycle rate.

23 MS. CARA LOW: Yes.

24 MS. CHARLOTTE MEEK: And how it
25 increases or decreases as compared to the rate

1 indication in the 2026 GRA?

2 MS. CARA LOW: Correct.

3 MS. CHARLOTTE MEEK: Okay. And so, we
4 can see that as the New Money Yield changes by a 10
5 basis points, it'd be fair to say the motorcycle rate
6 shifts by approximately 0.5 percent

7 MS. CARA LOW: Agreed, yes.

8 MS. CHARLOTTE MEEK: And is this
9 pattern being that the New Money Yield changes by 10
10 basis points and that results in a motorcycle rate
11 shift of about 0.5 percent, is that only applicable to
12 the 2026 GRA, or is that a pattern we'd expect to see
13 in other GRAs?

14 MS. CARA LOW: One moment.

15

16 (BRIEF PAUSE)

17

18 MS. CARA LOW: We haven't done any
19 other sensitivity testing, but the composition of the
20 claims for motorcycles hasn't really shifted over
21 time. So, we wouldn't have thought -- we wouldn't
22 think there would be a material difference.

23 MS. CHARLOTTE MEEK: So, we'd expect
24 to see a similar pattern in other years.

25 MS. CARA LOW: Yes. Yes.

1 MS. CHARLOTTE MEEK: Thank you. And
2 if we could go to page 3, and I just want to look at
3 the commentary under the chart, please. Thank you.

4 And so here, MPI notes that motorcycle
5 claims are more sensitive to changes in the interest
6 rate because of their longer claims duration and
7 higher proportion of PIPP, and MPI notes that this
8 means that they also benefit from -- benefit the most
9 from investment income. Do you see that there?

10 MS. CARA LOW: I do see that.

11 MS. CHARLOTTE MEEK: And so, you'll
12 agree that while motorcycles benefit from an increase
13 in investment income, the converse is also true that
14 when investment yields diminish, that that can cause
15 the required premiums for motorcycles to increase.

16 Is that correct?

17 MS. CARA LOW: Correct.

18 MS. CHARLOTTE MEEK: And then this
19 also on to say that the present value of future claims
20 decrease more sharply for motorcycles than other major
21 classes, resulting in a greater reduction of required
22 premiums.

23 My question for you is: Does MPI
24 consider the impacts of investment income and
25 resulting fluctuations to motorcycle rates to be less

1 problematic, because the investment income is
2 ultimately reducing motorcycle premiums?

3 MS. CARA LOW: Sorry, can you repeat
4 that?

5 MS. CHARLOTTE MEEK: Sure. Does MPI
6 consider the impacts of investment income and
7 resulting fluctuations to the motorcycle rates to be
8 less problematic, because the investment income is
9 ultimately reducing motorcycle premiums?

10 MS. CARA LOW: It reduces it some
11 years and it increases it other years. So, I'm not
12 sure I understand.

13 MS. CHARLOTTE MEEK: Okay. So MPI
14 sees that it would in -- cause an increase, or a
15 reduction, it depends --

16 MS. CARA LOW: Yes, exactly.

17 MS. CHARLOTTE MEEK: -- it depends on
18 what the forecast has been and what the -- the New --
19 New Money Yield is.

20 MS. CARA LOW: It's less stable.

21 MS. CHARLOTTE MEEK: Okay, thank you.
22 Pardon me, Madam Chair, those are my questions.

23 PANEL CHAIRPERSON: Thank you. Mr.
24 Ireland...?

25 BOARD MEMBER IRELAND: No.

1 PANEL CHAIRPERSON: Ms. Sharman...?

2 BOARD MEMBER SHARMAN: No questions.

3 PANEL CHAIRPERSON: I have a couple of
4 questions. With regard to the membership in the
5 investment committee working group, could you confirm
6 that, in fact, the representative from the government
7 is from the treasury division as opposed to Treasury
8 Board?

9 MS. CARA LOW: Minimum of three (3)
10 reps from the Finance department.

11 PANEL CHAIRPERSON: But I believe that
12 you stated that one of them was from Treasury Board.
13 And I'm not sure that that's necessarily accurate. Is
14 --

15 MS. CARA LOW: Sorry.

16 PANEL CHAIRPERSON: -- is that not the
17 division.

18 MS. CARA LOW: Sorry, didn't mean to
19 interrupt there.

20 PANEL CHAIRPERSON: Is it not the
21 Treasury division who's represented on your investment
22 committee working group?

23 MS. CARA LOW: Sorry, I get mixed up
24 with the government labels but it's -- they report
25 into the Minister of Finance. So, they're in the

1 Finance Division, not necessarily the Treasury Board
2 Secretariat, but they're from the Minister of Finance
3 division.

4 PANEL CHAIRPERSON: Okay, thank you.
5 And, Ms. Low, you described the issue of having the --
6 the lead analyst and the -- lead analyst, I think
7 that's right -- OCIO appear at Public Utility Board
8 hearings, and that if that were not the case, it would
9 be a showstopper.

10 So, my question to you is: Is that
11 going to be a provision that is explicitly stated in
12 the contract that you're currently negotiating?

13 MS. CARA LOW: It is. And that
14 provision has been agreed to, but we're still
15 negotiating is what can be shared with who.

16 PANEL CHAIRPERSON: Okay, thank you
17 very much. Mr. Guerra...?

18 MR. ANTHONY GUERRA: Thank you, Madam
19 Chair.

20

21 RE-DIRECT EXAMINATION BY MR. ANTHONY GUERRA:

22 MR. ANTHONY GUERRA: I don't have a
23 lot of questions, but I do have a question in regards
24 to the first undertaking that was reviewed by My -- My
25 Friends at the PUB, and that would be MPI Exhibit No.

1 60 or Undertaking No. 10 regarding the fuel sales.

2 And, Ms. Low, you recall the questions
3 that were posed to you by My Friend this morning?

4 MS. CARA LOW: I do.

5 MR. ANTHONY GUERRA: So just to
6 confirm, MPI in this particular year, does not see
7 fuel sales as an appropriate proximity for mobility.

8 Is that correct?

9 MS. CARA LOW: That is correct.

10 MR. ANTHONY GUERRA: And, can you help
11 us understand a little bit more as to what the
12 problems were with the existing model that MPI was
13 using that resulted in MPI deciding to go to the
14 simplified mobility model?

15 MS. CARA LOW: The Google Mobility
16 data was getting stale-dated. It was only available
17 for a very short time, and it didn't -- wasn't able to
18 explain the collision frequency that happened in the
19 last accident year. Also was based on a winter
20 period, so it didn't pick up seasonality.

21 MR. ANTHONY GUERRA: Okay. And so,
22 when you were saying that it -- it doesn't help
23 explain the -- the explanation -- sorry, the result
24 was higher than -- than it was expected.

25 Is that correct? That the results that

1 you were seeing were higher than what you were
2 expecting?

3 MS. CARA LOW: Correct.

4 MR. ANTHONY GUERRA: And so, going
5 forward using that existing model for future
6 predictions, does that -- that same risk still exist?
7 That the model will und -- under predict actuals?

8 MS. CARA LOW: Using the old way of
9 doing the work-from-home adjustment, which is using
10 Goo -- Google Mobility data, would probably under
11 predict, yes.

12 MR. ANTHONY GUERRA: Is there anything
13 that your team -- you and your team are seeing on the
14 horizon that might suggest that that is inappropriate
15 for future predictions?

16 MS. CARA LOW: Sorry, using the Google
17 Mobility or using the --

18 MR. ANTHONY GUERRA: Existing -- the
19 existing mobility methodology.

20

21 (BRIEF PAUSE)

22

23 MS. CARA LOW: We do monitor collision
24 frequency on a regular basis, and it still is
25 increasing so.

1 MR. ANTHONY GUERRA: So, you're still
2 seeing it increasing higher than expected,

3 MS. CARA LOW: Right, correct.

4 MR. ANTHONY GUERRA: And anything in
5 addition to the stats that you're seeing that would
6 suggest that the future might be different than what
7 you're currently seeing?

8 MS. CARA LOW: Well, just, you know,
9 as we all are aware, there's a real shift in the
10 return to the office. We've seen the Ontario
11 government do that. We've seen the Alberta government
12 do that. We see that every day when we drive into
13 work. So, we know that's happening.

14 And when we're trying to do rate
15 making, it's a prospective, like, we're looking
16 forward. And so, we don't see people being at home
17 more or -- they're going to be at work more. So,
18 there's this shifting pattern.

19 MR. ANTHONY GUERRA: And if your team
20 is not accurate in forecasting future frequencies
21 because of the ineffectiveness of the mobility model
22 it's using, that could have a significant negative
23 impact on next year's rate indication. Correct.

24 MS. CARA LOW: If you think back to
25 the claim forecasting panel, and the first slide you

1 saw, was that 71 percent of premium dollars projected,
2 is going to go to pay claims, and majority of that is
3 collision That work-from-home adjustment is one of
4 the (AUDIO CUTS OUT) we have, and if we get it wrong,
5 we're going to either be underpriced or overpriced.

6 And we do feel from just -- it's not
7 all empirical evidence, but from everything we're
8 seeing and hearing, we do feel the new work-from-home
9 adjustment is a better reflection of not only today's
10 current environment, but the environment that's going
11 to be happening during the rating year.

12 MR. ANTHONY GUERRA: Thank you. I
13 have no further questions.

14 PANEL CHAIRPERSON: Thank you, Mr.
15 Guerra. And, I think, what we will now do is just
16 take a short break and go off the public record and
17 start on the confidential record. Probably 5 minutes.
18 Thank you.

19

20 --- Upon adjourning at 11:27 p.m.

21

22 Certified Correct,

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24 _____

25 Wendy Woodworth, Ms.