



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)
2018/2019 GENERAL RATE APPLICATION
PRE-HEARING

Before Board Panel:

- Robert Gabor, Q.C. - Board Chairperson
- Michael Watson - Board Member
- Carol Hainsworth - Board Member
- Allan Morin - Board Member
- Robert Vandewater - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba

June 28, 2017

Pages 1 to 115

APPEARANCES

1
2
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4 Robert Watchman) Board Counsel
5 Roger Cathcart) Consultant
6 Alex McQuarrie) Consultant
7
8 Steven Scarfone) Manitoba Public
9 Michael Triggs) Insurance
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1	LIST OF EXHIBITS		
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1 --- Upon commencing at 9:03 a.m.

2

3 THE CHAIRPERSON: Good morning, ladies
4 and gentlemen, and welcome to the pre-hearing
5 conference for the 2018/2019 general rate application
6 of Manitoba Public Insurance Corporation, which was
7 filed on June 16, 2017.

8 I am Robert Gabor, the Chair of the
9 Public Utilities Board. Joining me today are Board
10 members Michael Watson, Robert Vandewater, Al Morin,
11 and Carol Hainsworth. The panel is assisted in this
12 hearing by secretary Darren Christle, and judicial
13 hearing assistant Diana Villegas. Kathleen McCandless
14 and Robert Watchman will act as Board counsel. As in
15 prior hearings, the Board is also assisted by
16 technical advisors from Cathcart Advisors and Brian
17 Pelly of Eckler Ltd.

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

25 In order to set just and reasonable

1 rates that are in the public interest, the Board will
2 need to hear and consider all of the evidence that is
3 adduced on the record of this proceeding, and hear
4 submissions from Manitoba Public Insurance and all
5 approved Intervenors.

6 Manitoba Public Insurance is applying
7 to the Board for approval of its premiums charged with
8 respect to compulsory driver and vehicle insurance.
9 This general rate application will be conducted in
10 accordance with the provisions of the Crown
11 Corporations Public Review and Accountability Act, and
12 the Public Utilities Board Act.

13 We'll -- we will employ throughout the
14 process the Board's Rules of Proc -- Practice and
15 Procedure, which can be viewed on the Board's website.
16 Any questions in terms of locating the rules can be
17 posed to the Board office.

18 In its application, MPI proposes new
19 premium rates to take effect on March 1, 2018, which,
20 if granted, would represent a 2.7 percent overall rate
21 increase over the current insurance year. MPI is also
22 proposing changes to driver licence premiums under the
23 Driver Safety Rating Program, affecting drivers on the
24 demerit side of the driver safety rating scale.

25 As always, MPI bears the onus in this

1 proceeding of satisfying the Board that its
2 application should be granted on the whole of the
3 evidence that it provides.

4 Our -- our objectives for today's pre-
5 hearing conference are to identify prospective
6 Intervenor, to learn the reasons for their
7 intervention, to hear submissions on the issues to be
8 included in the scope of the general rate application,
9 to hear any submissions on procedures to be employed
10 in the general rate application, to hear requests from
11 MPI or any proposed Intervenor for pre-qualification
12 of expert witnesses they intend to call at the public
13 hearings, to gain an appreciation of any cost awards
14 that may be sought by Intervenor and the approximate
15 quan -- quantum of any such cost orders, and to
16 discuss and arrive at a timetable for the orderly
17 exchange of evidence and information throughout this
18 GRA process.

19 The Board welcomes participa -- public
20 participation, and there's several ways for the public
21 to participate and communicate with the Board.
22 Individuals or groups may have written comments to be
23 made to the Board, as many have already done on the
24 Board's website. Another method of communicating
25 comments to the Board would be by attending before the

1 Board to provide an oral presentation.

2 As part of that process, the Board will
3 also consider what weight, if any, should be attached
4 to information from members of the public which is not
5 sworn or subject to cross-examination.

6 All parties and their representatives
7 and consultants should be aware that the Board intends
8 to live stream the public hearing proceedings in
9 October through a link accessible on the Board's
10 website. I would indicate I've been told today --
11 those are the two (2) cameras, that we will be testing
12 them today, but it won't be for live streaming
13 purposes, it will only for our internal use. This --
14 the live streaming would not only be for the benefit
15 of persons watching the live streaming of the
16 proceedings, but also for the benefit of Board
17 members.

18 We ask that the use of acronyms not be
19 -- sorry, let me change this. We -- we discourage the
20 use of acronyms in the hearing, simply because the
21 public won't understand them. I know I didn't for the
22 first while last year. It will assist in the panel
23 and public's understanding of the issues in evidence
24 if acronyms are avoided.

25 The Board appreciates that some

1 potential Intervenor which will be seeking cost
2 awards at this time may not have provided detailed
3 budgets, as the approval of Intervenor status and
4 approval of the issues for each Intervenor have not
5 been given.

6 After the Board has issued its order
7 approving Intervenor status and issues, approved
8 Intervenor will be required to file their detailed
9 budgets. The date for filing will be discussed when
10 we talk about the schedule.

11 Should any approved Intervenor seeking
12 an award of costs determine that their approved budget
13 will be exceeded by 10 percent or more, that
14 Intervenor is to immediately notify the Board, explain
15 the reason for the need to revise the budget, and also
16 propose the amount of additional funding being sought.

17 For Intervenor seeking an award of
18 cost, please also undertake to file with the Board
19 within two (2) business days from today demonstration
20 of the Intervenor's financial need for assistance to
21 Intervenor, including filing the Intervenor's most
22 recent financial statements.

23 Expert witnesses may no longer need to
24 be qualified in the same manner as at previous MPI
25 general rate hearings. Counsel have been made aware

1 of the new pre-qualification process, and it is my
2 understanding that no objections have been made to
3 this process. In her opening remarks, PUB counsel
4 McCandless will read the process into the record.
5 Ultimately, the Board will determine what weight, if
6 any, to attach to each expert's testimony.

7 Likewise, members of the public who
8 appear before the Board as presenters will be afforded
9 the opportunity to speak to the Board as to the facts
10 of their specific circumstances and the issues related
11 to MPI's general rate application. The Board will
12 determine what weight, if any, to attach to the
13 presentations from members of the public. Parties can
14 expect more direction from the Board on this topic in
15 the near future. And, as always, your comments are
16 welcome.

17 The Manitoba Ombudsman has issued
18 privacy guidelines for administrative tribunals. The
19 PUB is mindful of its obligations under those
20 guidelines. Its decisions in respect of the
21 application being considered will be sensitive to the
22 guidelines. Personal information will not be
23 disclosed unless it is appropriate and necessary to do
24 so. However, the PUB advises participants that these
25 proceedings are public and that, as a result, personal

1 information protections are reduced.

2 On behalf of the PUB members, advisors,
3 and staff, at this time, I would like to congratulate
4 Byron Williams, of the Public Interest Law Centre, on
5 receiving his honorary Doctor of Laws degree from the
6 University of Winnipeg.

7 I will now call on Board counsel for
8 introductions, followed by MPI's counsel. I don't
9 know -- it will it be Mr. Scarfone or Mr. Triggs to
10 introduce the representatives.

11 MR. STEVEN SCARFONE: I'll do it.

12 THE CHAIRPERSON: Okay. To introduce
13 the representatives of MPI that are present, after
14 which I will call on the prospective Intervenors that
15 are present to introduce themselves.

16 Once we have heard all introductions, I
17 will call on Board counsel to make opening comments.
18 Thank you.

19 Ms. McCandless...?

20 MS. KATHLEEN MCCANDLESS: Thank you,
21 Mr. Chair. Good morning. Good morning to members of
22 the panel. It's Kathleen McCandless and Robert
23 Watchman, Board counsel, and with us today, as -- as
24 always, is Mr. Cathcart of Cathcart Advisors, actuary
25 -- pardon me, accounting advisor to the Board, and

1 Alex McQuarrie of Cathcart Advisors.

2 THE CHAIRPERSON: Mr. Scarfone, could
3 you please introduce the representatives of MPI?

4 MR. STEVEN SCARFONE: Yes. Thank you.
5 To my immediate right is Jeff Crozier. He's our
6 director of regulatory affairs. And to his right is
7 Michael Triggs, general counsel and secretary for
8 Manitoba Public Insurance. And Peter Yien is the
9 acting vice-president of finance and chief financial
10 officer.

11 THE CHAIRPERSON: Thank you.
12 Mr. Williams...? Sorry.

13 MS. KATRINE DILAY: Good morning. My
14 name is Katrine Dilay. I'm a lawyer with the Public
15 Interest Law Centre, and to my left is Byron Williams,
16 also with the Public Interest Law Centre. We
17 represent the prospective Intervenor; the Consumers'
18 Association of Canada, Manitoba branch. Gloria
19 Desorcy is the executive director of the Consumers'
20 Association of Canada, Manitoba branch, and she sends
21 her regrets today.

22 THE CHAIRPERSON: Thank you.
23 Mr. Oakes...?

24 MR. RAYMOND OAKES: Thank you, Mr.
25 Chairman, members of the Board. It's Raymond Oakes,

1 of the law firm of Booth Dennehy. I'm here
2 representing the Coalition of Manitoba Motorcycle
3 Groups. And despite the admonition of the chairman,
4 that's the CMMG in these proceedings and has been
5 since 1992.

6 THE CHAIRPERSON: That's in brackets,
7 correct?

8 MR. RAYMOND OAKES: That's correct.

9 THE CHAIRPERSON: That's -- that's
10 fine then. Okay.

11 Ms. Miller...?

12 MS. ERIKA MILLER: Good morning. I'm
13 Erika Miller, on behalf of CAA Manitoba, and we're
14 here as a prospective Intervenor on behalf of our over
15 200,000 Manitoban members.

16 THE CHAIRPERSON: Thank you.

17 Mr. Monnin...?

18 MR. CHRISTIAN MONNIN: Thank you, Mr.
19 Chair, members of the Board. My name is Christian
20 Monnin. I'm also known as Chris Monnin with the firm
21 Hill Sokalski, and I'm here on behalf of Bike Winnipeg
22 intervening for -- well, for Bike Winnipeg seeking
23 Intervenor, rather, on the road safety issues. In
24 addition to cyclists, also on behalf of vulnerable --
25 vulnerable road users.

1 THE CHAIRPERSON: Thank you. So we
2 will move to opening comments. Ms. McCandless...?

3 MS. KATHLEEN MCCANDLESS: Thank you,
4 Mr. Chair. Ms. Miller, there's a gentleman sitting
5 beside you. I'm not sure if he's with CAA as well, or
6 --

7 MS. ERIKA MILLER: And actually, he is
8 with CAC (Manitoba) and the Public Interest Law
9 Centre. And my apologies for forgetting to introduce
10 him. And it's our articling student with the Public
11 Interest Law Centre, Robert Walichnowski.

12

13 OPENING REMARKS BY BOARD COUNSEL

14 MS. KATHLEEN MCCANDLESS: Thank you.
15 So first I would just like to mention that there is an
16 agenda that's been circulated and should be before
17 everyone to provide a bit of a roadmap for today's
18 proceedings. So we've already been through items 1
19 and 2. We are now moving to item 3, opening comments.

20 With respect to opening comments,
21 prospective Intervenors should be making their
22 submissions on their proposed intervention in those
23 submissions. We will then move on to a discussion of
24 the issues list and procedural matters, followed by
25 the pre-qualification process for expert witnesses,

1 and then a discussion of the timetable if that has not
2 already been canvassed through the other items.

3 Now I would like to enter some exhibits
4 for the record. These are documents with which the
5 parties will already be familiar. Exhibit number 1
6 will be PUB-1, the Notice of Public Hearing and Pre-
7 Hearing Conference, dated June 16, 2017.

8

9 --- EXHIBIT NO. PUB-1: Notice of Public Hearing
10 and Pre-Hearing
11 Conference, dated June 16,
12 2017

13

14 MS. KATHLEEN MCCANDLESS: PUB-2 will
15 be the Board's Rules of Practice and Procedure.

16

17 --- EXHIBIT NO. PUB-2: Board's Rules of Practice
18 and Procedure.

19

20 MS. KATHLEEN MCCANDLESS: PUB-3 is the
21 Proposed Hearing Timetable.

22

23 --- EXHIBIT NO. PUB-3: Proposed Hearing Timetable

24

25 MS. KATHLEEN MCCANDLESS: PUB-4 is a

1 letter from the Board's secretary, Mr. Christle, to
2 MPI and all prospective Intervenors, dated June 19,
3 2017, with attachments. And that letter addressed
4 such issues as Intervenor responsibilities, minimum
5 filing requirements, the pre-hearing workshop, today's
6 pre-hearing conference, and the format to be used for
7 Information Requests and those types of matters.

8

9 --- EXHIBIT NO. PUB-4: Letter from the Board's
10 secretary, Mr. Christle,
11 to MPI and all
12 prospective Intervenors,
13 dated June 9, 2017, with
14 attachments.

15

16 MS. KATHLEEN MCCANDLESS: PUB-5 is a
17 further letter from Mr. Christle and all -- to MPI and
18 all perspective Intervenors dated June 19, 2017. And
19 this letter related to the pre-qualification process
20 for expert witnesses. I will proceed to read that
21 pre-qualification process as it was stated in the
22 letter into the record.

23

24 --- EXHIBIT NO. PUB-5: Letter from Mr. Christle
25 to MPI and all perspective

1 Intervenors dated June 19,
2 2017.

3
4 MS. KATHLEEN MCCANDLESS: And so the
5 process that was outlined in Mr. Christle's letter is
6 as follows:

7 "1. A party intending to call
8 expert witnesses in the GRA hearings
9 shall give notice to the Board of
10 its intention to have the witnesses
11 pre-qualified at the pre-hearing
12 conference and provide the
13 curriculum vitae of the witness to
14 the Board along with the proposed
15 areas of qualification for the
16 witnesses.

17 2. At the pre-hearing conference
18 the parties shall make submissions
19 to the Board as to the
20 qualifications of the witnesses and
21 request pre-qualification of the
22 Board. The witness need not -- need
23 not be called to give viva voce
24 evidence at the pre-hearing
25 conference.

1 3. Other parties may make
2 submissions to the Board regarding
3 their request for pre-qualification.

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

11 5. If the Board grants the request
12 for pre-qualification, there will be
13 no need to qualify the expert when
14 called to testify in the public
15 hearings.

16 6. If there are objections to pre-
17 qualification or if the Board
18 declines the request for pre-
19 qualification, the witness will need
20 to be qualified, examined on his and
21 her qualifications at the public
22 hearings."

23 So that is the process that will be
24 employed today and we expect to hear some requests
25 from pre-qualification this morning in accordance with

1 the agenda. Now, prior to hearing from perspective
2 intervenors, I confirm that each should provide the
3 following information to the Board in order that it
4 can -- can deliberate on and decide intervention:

5 1. An indication of their
6 constituency and interests.

7 2. An outline of the areas of MPI's
8 application they intend to test.

9 3. Their reasons for requesting
10 Intervenor status.

11 4. Their plans to call evidence at the
12 hearing.

13 5. Whether they intend to seek an
14 award of costs, bearing in mind that the proposed
15 budget may be provided to the Board in accordance with
16 the direction provided by the Chair in his opening
17 comments if the budget has not already been
18 provided or requires revision.

19 As always, the Board will apply the
20 criteria set out in the Board's rules with respect to
21 the awarding of costs, such decisions being at the
22 sole discretion of the Board.

23 Lastly, at the pre-hearing workshop on
24 June 26th, a draft issues list was discussed and I
25 expect that the panel will hear further comment on the

1 issues list today. The panel will be asked to issue,
2 as part of its order following today conference, the
3 list of issues for the GRA.

4 In accordance with Mr. Christle's
5 letter to the PU -- to MPI and perspective
6 Intervenor, which is PUB Exhibit number 4, MPI has
7 circulated to the parties and will be filing, I
8 understand this morning, the list which includes those
9 issues which were agreed to as within scope at the --
10 at the workshop and those where there is disagreement.

11 And those are my comments. Thank you.

12 THE CHAIRPERSON: Sorry, thank you.
13 Mr. Scarfone, could we have your opening comments,
14 please?

15

16 OPENING REMARKS BY MPI:

17 MR. STEVEN SCARFONE: Yes, thank you,
18 Mr. Chairperson. Just before I begin I was neglectful
19 during my introductions. We also have behind us Jenna
20 Christoph. She's of our regulatory affairs department
21 here with MPIC.

22 And one (1) matter I wanted to address,
23 just before I begin, is a quick housekeeping matter.
24 I don't know if anyone noticed, but the investment's
25 chapter in the rate application was missing a few

1 pages at Appendix 10. And so we're going to correct
2 that if it has been already, on the website and
3 updated CD-ROMS are available, but it was a matter of
4 some pages not being included.

5 It was a six (6) page appendix and I
6 believe only one (1) page was attached.

7 THE CHAIRPERSON: Thank you.

8 MR. STEVEN SCARFONE: So that will be
9 addressed. So we have, as -- as the Board is aware,
10 one (1) exhibit to file this morning, and that indeed
11 is the -- the letter that was circulated yesterday in
12 compliance with the order or the direction in the June
13 19th letter that the PUB sent. And it was to have a
14 list of all the issues that are agreed to as stated
15 and circulated along with those issues that we haven't
16 yet reached a consensus on.

17 And so we'd like to have that marked as
18 MPI's first and only exhibit this morning. And I
19 believe my Learned Friends all have a copy of that --
20 that letter.

21

22 --- EXHIBIT NO. PUB-MPI-1: MPI Application

23

24 --- EXHIBIT NO. PUB-MPI-2: Summary of 2018 MPI GRA

25

Workshop

1 MS. KATHLEEN MCCANDLESS: I believe
2 this would be MPI Exhibit number 2, the application
3 being number 1.

4 MR. STEVEN SCARFONE: If -- and I'm
5 clearly the newbie here if you guys didn't notice, so
6 I will catch up quickly, but that would be Exhibit
7 number 2, then.

8

9 (BRIEF PAUSE)

10

11 MR. STEVEN SCARFONE: And other than
12 that, Mr. Chairperson, we're prepared to speak to the
13 pre-qual -- pre-qualification matters that are
14 addressed here. And we've circulated the CVs and the
15 areas of expertise that we'd want our experts
16 qualified as.

17 THE CHAIRPERSON: Thank you. CAC, Mr.
18 Williams...?

19

20 OPENING REMARKS BY CAC:

21 MR. BYRON WILLIAMS: Yes. Thank you.
22 Good morning to returning panel -- panel members, as
23 well as new panel members, and thank you for your kind
24 words this morning.

25 If I could ask Diana to pull up two (2)

1 documents. One (1) is Attachment A to the Intervenor
2 Application file -- filed by the Coalition on Monday.
3 And as well, members of the panel and Mr. Chair, I'd
4 like to introduce an exhibit, which is a one (1) page
5 outline of -- of some comments that we'll be sharing
6 today.

7 The top of that document should say
8 "Import -- Important unfinished business from the
9 2017/'18 general rate application." And I'm not sure
10 whether it's marked as an exhibit in the cause or for
11 identification, but Mr. Christle advises me that that
12 is CAC (Manitoba) Exhibit number 1.

13

14 --- EXHIBIT NO. PUB-CAC-1: Outline of Important
15 Unfinished Business from
16 the 2017/'18 General Rate
17 Application

18

19 MR. BYRON WILLIAMS: And members of
20 the panel, towards the end of my submissions, it -- it
21 seems to me that agenda item number three (3) and
22 agenda item number four (4), which is the issues list,
23 there's a significant amount of overlap. So with the
24 panel's permission, I can always be corrected, I would
25 -- I think I can just for the purposes of continuity

1 just kind of offer some comments on that, as well, but
2 of -- of course, I'm at your direction.

3 THE CHAIRPERSON: No, that's fine.

4 MR. BYRON WILLIAMS: Just -- Diana,
5 just if you could role towards the -- item number two
6 (2) on page 1 of Attachment A?

7 Just in terms of our clients, the
8 Consumers Association is well known to certain members
9 of the panel. I'll just indicate they've been around
10 for a long time, since 1947. They're a volunteer non-
11 profit.

12 In terms of the interest they seek to
13 represent, they seek to reconcile the interests of all
14 insurance customers, but with a particular emphasis on
15 members of the private passenger class. They -- they
16 take their positions -- they develop their positions
17 based on regular contact with consumers, over thirteen
18 thousand (13,000) contacts last year, and also through
19 the innovative use of focus groups and stakeholder
20 engagement.

21 And for the purposes of this hearing,
22 our clients will be meeting with stakeholders, as well
23 as with consumer focus groups, to assist them in
24 developing their position and advice on the hearing.

25 Diana, just if you can go to second --

1 the second page for a second? Thank you. Right there
2 is perfect.

3 The Consumers Association seeks to
4 bring an evidence-based principled approach to rate
5 making. They're guided, like all consumer
6 organizations are, by eight (8) fundamental rights.
7 There's only a few I wish to highlight here. One (1),
8 the third bullet on this -- before you is the right to
9 be informed.

10 The one (1) next -- below it is the
11 right to choose, and in this context, in rate
12 hearings, obviously there's a statutory monopoly, so
13 the one (1) mechanism consumers have to exercise their
14 voice is not in the marketplace but through the -- the
15 regulatory process, which leads us to the fifth bullet
16 on that page, the right to be heard.

17 And also, the seventh bullet speaks to
18 consumer education, and these rate hearings and the
19 interactions of our clients with consumers as a result
20 of these rate hearings are an important element of
21 public education in -- in these proceedings.

22 I just wanted, if we could, Diana, to
23 turn to the middle of page 3. I freely acknowledge
24 that Mr. Oakes has been at these hearings for longer
25 than -- than I have on behalf of his clients. But

1 both -- our clients do have a longstanding
2 relationship before the Public Utilities Board on MPI
3 issues and over a quarter of a century, although I
4 haven't been here for quite that long, but it's
5 getting close.

6 And under this heading, the Board has
7 had the opportunity to -- to review this, I will not
8 go through the historic interventions of our client,
9 but you'll see that towards the bottom of this page,
10 and then as you turn over to the next page, some of
11 the key issues that our client has historically been
12 involved with.

13 Diana, if you could tur -- turn to the
14 middle of page 4. Thank you. Go, yeah, right under,
15 "Reasons." That's perfect.

16 This rate application is of very
17 significant concern and importance to Manitoba
18 consumers. Mathematically, if you put together a 2.7
19 percent general rate increase along with the 1.8
20 related to driver safety rating premiums, you're
21 getting in -- in the range of 4.5 percent in
22 additional revenues for the Corporation coming from
23 Manitoba consumers and coming at a time of high
24 corporate uncertainty.

25 And focussing your attention under the

1 second paragraph under this page, our client feels
2 that that uncertainty in this hearing has been
3 compounded by the relatively limited response of this
4 Corporation to key directives of this Public Utility
5 Board relating to information technology strategic
6 planning and the multibillion dollar investment
7 portfolio.

8 As I indicated previously, our client
9 seeks to -- to represent the interests of the private
10 passenger class and to provide their guidance to the
11 Board, recognizing that the Board has a balancing job
12 between the interests of consumers and the health of
13 the Corporation.

14 And if we could go to the bottom
15 paragraph on this page. Our client sees this rate
16 application as critically important for this hearing,
17 but also for next year's hearing. We've already
18 flagged the limited response of the Corporation in
19 terms of information technology strategic planning, as
20 well as the asset liability study for the investment
21 portfolio.

22 And Board advisors and perhaps some
23 Board members will recall just a couple years ago we
24 had an earlier asset liability study of Manitoba
25 Public Insurance that had some material challenges, in

1 our client's submission, and didn't leave us well-
2 placed going forward.

3 So our client sees issues relating to
4 information technology, which is a significant driver
5 of costs, also of opportunities, as well as the
6 investment portfolio, which brings significant risk to
7 the Corporation, as well as opportunities essential to
8 this hearing and to make sure that we're well-
9 positioned next year when we address the Corporation's
10 information technology strategic plan and their
11 investment portfolio more completely.

12 Diana, if you could go to the middle of
13 the next page under 4, those five bullets. Perfect.

14 The Board has told us in -- in prior
15 decisions based on the statute that these are the five
16 elements of rate-setting, of setting just and
17 reasonable rates: Ensuring that forecasts are
18 reasonably reliable; ensuring that actual and
19 projected costs incurred are necessary and reasonable;
20 assessing the -- third, assessing the reasonable
21 revenue needs of the applicant in the context of its
22 overall general health, and that includes reserves;
23 determining an appropriate allocation of costs both
24 between classes and within cla -- classes; and setting
25 just and reasonable rates. And that will be the

1 prism, the outline that our clients will approach this
2 hearing on.

3 In terms of the core issues that our
4 clients will focus on, rather than -- I'll ask Diana
5 to pull up Exhibit 1 which was introduced this
6 morning. Our client, based upon its review of last
7 year's Board order and its participation in the
8 hearing, has identified some key issues flowing from
9 that hearing.

10 One (1) is rate making in accordance
11 with accepted actuarial practice. It's been an
12 important dialogue between this Board in recent years.
13 It's an important transparency tool, but also an
14 important tool for assisting us to mitigate a very
15 significant risk for the Corporation, which is
16 interest rate risk. So our clients will want to carry
17 on the dialogue in this hearing in -- in that context.

18 Forecasting is always a major issue in
19 rate applications. We certainly collectively are
20 trying to mitigate the risks associated with interest
21 rate risks, but there are significant forecast risks
22 associated with comprehensive, collision, and Personal
23 Injury Protection Plan, and certainly an interesting
24 dialogue from Manitoba Public Insurance in terms of
25 climate change and the impact, if any, it is having on

1 -- on comprehensive claims.

2 The third bullet from the last hearing,
3 but our clients say of central importance in this
4 hearing, relates to the information technology
5 portfolio which has been a significant driver of
6 costs, both operating and claims costs for the
7 Corporation, and also opportunities, but also
8 significant risks. And the Physical Damage Re-
9 engineering Project is one that has -- the Board has
10 developed considerable attention to.

11 A key conclusion and observation of our
12 client from last year's hearing was the need for
13 improved business case management and analysis in this
14 very significant portfolio of Manitoba Public
15 Insurance, including a portfolio prioritization,
16 demonstrating that the Corporation's been prudent in
17 its management of this portfolio.

18 The risks, opportunities, outcomes, and
19 reliability of forecasts related to the investment
20 portfolio are very significant from our clients'
21 perspective. It's an important source of revenue,
22 both in the short term and the long term. It's also a
23 key issue of risk and of critical importance not just
24 for today, but over the long term.

25 And certain Board members will recall

1 in last year's hearing, we brought in a well-regarded
2 expert, Mr. Valter Viola, well-known for his work both
3 with the Ontario Teachers' Pension Plan as well as
4 with the Canada Pension Plan. And he had some
5 important advice and recommendations to Manitoba
6 Public Insurance, the response to which we are still
7 awaiting.

8 The -- this fifth bullet on this page
9 is a long-standing issue related to the rate
10 stabilization reserve and how we do an evidence-based
11 articulation of -- of how that is set. We had hoped
12 that we had almost closed the circle on it last year.
13 It looks like we've not, so our client will be
14 participating in that. And that is the one (1) area
15 where I'll elaborate, but we will be seeking to call
16 evidence.

17 Like our friends from STAFF SERGEANT
18 COLIN MILLER: -- the -- the motorcycle coalition,
19 from Bike Winnipeg, and the Canadian Automobile
20 Association, road safety and the investments in it are
21 important to our clients.

22 We will speak of the ways that we're
23 trying to make efficient our intervention on those
24 issues so that we're not duplicating each other's
25 work. And we've certainly had discussions with all

1 our friends on this very important issue.

2 Diana, if you could scroll up to the
3 next headline.

4 So those previous questions are
5 important ones for the -- the current rate application
6 and the long-term future of the Corporation for rate-
7 setting purposes. We wish to flag in addition three
8 (3) additional important new questions for the 2018
9 General Rate Application.

10 1. Is there a statistically sound,
11 actuarially-indicated basis for the significant
12 proposed changes to the driver rating scale? That's
13 the 1.8 percent that we spoke of previously; very
14 important for consumers.

15 This is one (1) of the great successes
16 of Manitoba Public Insurance over the last decade,
17 bringing more actuarial science to the setting of the
18 driver safety rating scale. Our clients wish to
19 examine the very significant changes and ensure that
20 they are in line with actual -- the actuarial
21 indicators, that they're based on good, solid risk
22 analysis and math.

23 We're also aware, as everyone is who --
24 who has encounters with the public service, of
25 significant changes that are being looked at in terms

1 of management reductions. And certainly, our clients
2 will be trying to understand the cost and other
3 implications over time of -- of staff reductions.

4 And notwithstanding that we do not have
5 an asset-liability study responding to Mr. Viola's
6 recommendations in terms of the investment portfolio,
7 there have actually been significant changes, in our
8 client's view, with regard to that portfolio, one (1)
9 include -- in -- involving the purchase of corporate
10 bonds, and another one running towards the max of
11 their -- their guidelines in terms of Canadian
12 equities, as well as American equit -- equities.

13 And the Board will recall -- Board --
14 Board members who participated in last year's hearing,
15 that that certainly was a concern of Mr. Via -- Viola,
16 excessive risk resulting from an over-concentration in
17 Canadian equities. So that is something that our
18 clients will wish to pay attention to.

19 We'll speak to the issues list, but if
20 you're looking for our client's priority list, it is
21 those nine (9) matters. Those are the heart of our
22 client's proposed intervention. And, Diana,
23 underlaying that, I'll highlight for the Board -- so
24 those are the details. When our client is looking at
25 this application, our client will be asking itself

1 three (3) key -- key questions, so moving from the
2 details to the big picture.

3 Do we have confidence that the analysis
4 in the rate application, the forecasts, provide a
5 reliable analytical basis for the determination of
6 sustainable, just, and reasonable rates over the
7 short, medium, and long term? It's a key question.

8 Secondly, again flowing from the just -
9 - the determination of just and reasonable rates, can
10 we have confidence that the Corporation is acting in a
11 prudent, reasonable, and justifiable matter in terms
12 of expenditures, risk mitigation, and pre --
13 preserving its sustainable long-term integrity?

14 And finally, does this application
15 strike an appropriate balance between the consumer
16 interests and the health of the Crown-owned monopoly?
17 There'll be some pain if this application is approved,
18 especially in the context of other serious
19 applications by the Crowns. The question for our
20 client will be: What's the right balance between the
21 health of this Corporation and the interests of
22 consumers?

23 Diana, if you could just go back to the
24 -- page 6 of the application of CAC (Manitoba), and to
25 Attachment A of it? Yes. Thank you. Just actually

1 scroll back towards the top of the page. My
2 apologies. Just below the bullets. That's perfect.

3 We spoke about forecasts. I will just
4 flag that our client has a particular interest in some
5 of the Personal Injury Protection Plan forecasts, the
6 comprehensive forecasts, and certainly some issues
7 relating to the investment forecasts as well.

8 Diana, if you can move towards the
9 bottom of page 6, the last two (2) bullets.

10

11 (BRIEF PAUSE)

12

13 MR. BYRON WILLIAMS: Our client, in
14 terms of reasonableness of day-to-day operating costs,
15 sees information technology expenditures as a
16 significant opportunity and risk. And again, these
17 are some of the key questions they'll be asking
18 themselves with regard to that portfolio.

19 Are they managing that portfolio with
20 appropriate prioritization? Are they developing full
21 business cases, including cost/benefit financial
22 metrics for these projects?

23 Moving to the top of the next page --
24 right there is perfect.

25 There has been considerable dialogue

1 over the last few years about the Physical Damage Re-
2 engineering Project. There's an interesting report by
3 Gartner Group on this project. It, in many ways, is a
4 potentially transformational project for the
5 Corporation. It has important implications for this
6 year's rate application, as well as for future
7 applications.

8 Directing your attention to the -- the
9 second white bullet under this first bullet at the top
10 of the page, what does this mean? What does Physical
11 Damage Re-engineering mean for Manitoba Public's
12 Insurance's very significant investment in claims --
13 claims offices throughout the City and in other parts
14 of the Province?

15 How is big data being used to get good
16 value for ratepayers in terms of the -- MPI's
17 negotiations for labour, parts, and paint pricing?
18 What are the implications of this new data to the
19 claims forecasting pro -- process?

20 And there are still significant risks.
21 Gartner Group has flagged the concern in terms of
22 Mitchell, which is captured in the fifth bullet on
23 this page.

24 Diana, I'm going to ask you just to
25 turn to the top of page 8. That's fine. Thank you.

1 In terms of road safety, I've mentioned before that
2 this is of significant concern to every Intervenor in
3 this room. We have had extensive discussions
4 certainly with CAA in terms of their priorities.
5 We've also discussed with CMM -- the motorcyclists and
6 the Bike Winnipeg in terms of their priorities.

7 There's a lot of common ground, but
8 certainly between ourselves and Bike Winnipeg there
9 are also some differences in position. Between legal
10 counsel and -- and staff at the Canadian Automobile
11 Association, we've agreed that we will -- for example;
12 issues, such as motorcyclists, our friends from the
13 Motorcycle Coalition will lead. Vulnerable
14 ratepayers; Bike Winnipeg will lead. CAA may have its
15 own questions. And as we get close to the hearing
16 clients -- or counsel have agreed that we will discuss
17 -- on issues of common interest who'll take the lead.
18 It's premature at this point in time, but that's
19 certainly a discussion that -- that we've had.

20 And just towards the middle of this
21 page and towards the bottom, Diana, under this --
22 that's perfect. The most intense focus of our client
23 in this hearing will be on the overall health of the
24 Corporation, including reserves.

25 Our clients certainly intend to call

1 evidence relating to appropriate considerations for
2 setting the rate stabilization reserve with the upper
3 target being of particular dispute in this hearing.
4 And that advice of our clients, that evidence that
5 they offer, will be guided by the realities of
6 Manitoba Public Insurance, including its status as a
7 Crown-owned monopoly.

8 Going to the next page, under the risk
9 and -- to the Corporation, the overall health of the
10 Corporation, the investment portfolio remains for our
11 client a very significant concern. I've already
12 flagged the -- the need for a response to the
13 recommendations of Mr. Viola.

14 Certainly our client, directing your
15 attention to the third bullet, for forecasting
16 purposes, is interested in the annual yield return in
17 terms of the investment perfor -- performance.

18 And just to have confidence that it --
19 it is -- is -- that it is supportable, they think it
20 is important in this hearing to have a detailed
21 discussion of the appropriate design considerations
22 for this asset liability study because that -- as I
23 noted before, that previous asset liability study did
24 not advance the interest of wa -- ratepayers or the
25 corporations to a great de -- degree, the implications

1 of the proposed new asset class of corporate bonds,
2 the implications of the liquidation of nonmarketable
3 bonds on the corporate discount rate, again, a
4 forecasting issue, the reliability and repeatability
5 of the Corporation's equity risk premium assumptions
6 given low interest rates and, finally, the
7 implications on reliability of forecasts and risks
8 based on what is our understanding of maximum or near
9 maximum concentrations of Canadian and US equities.

10 The word 'overweight' in that bullet
11 should be struck. The evidence in this regard we will
12 seek to educe through Ms. Andrea Sherry and Dr. Wayne
13 Simpson. I'll speak to their qualifications in -- in
14 just a moment.

15 Directing your attention to page 10.
16 I'll simply flag that under the he -- heading of,
17 "Appropriate allocation of costs between and within
18 class," this is where our client will focus on driver
19 safety rating and whether the increased premiums are
20 statistically indicated -- statistically sound and
21 actuarially indicated.

22 And, finally, we started with
23 actuarially appropriate rate indicators, and we'll
24 finish there. That is an important element of our
25 client's intervention.

1 In terms of -- we've set out the
2 curriculum vitae of the -- we -- Diana -- Diana,
3 perhaps you could turn to page --

4 THE CHAIRPERSON: Mr. Will --

5 MR. BYRON WILLIAMS: Yes?

6 THE CHAIRPERSON: Sorry, Mr. Williams,
7 we -- we seem to be drifting away from the agenda.
8 Maybe we can do the pre -- the pre-qualification
9 issues --

10 MR. BYRON WILLIAMS: Later.

11 THE CHAIRPERSON: -- later on --

12 MR. BYRON WILLIAMS: I apologize for
13 that and that -- that's --

14 THE CHAIRPERSON: -- agenda, okay.

15 MR. BYRON WILLIAMS: And, Mr. Chair, I
16 -- I also note the Board's comments about budgets, and
17 certainly we provided draft budgets based on our --
18 our scope. I can speak to that, or recognizing your
19 advice that we're -- I can cert -- or I can be -- sit
20 down following a few comments about the issues list.

21 And I -- I'll -- I'll accept your
22 direction.

23 THE CHAIRPERSON: You know what, we
24 might as well deal with budgets now. We've sort of
25 drifted a little in that we've moved into the issues

1 list. So I think what we're going to do later with
2 the other parties is -- is -- so that MPI can then
3 respond to everybody, including the -- the issues
4 list.

5 But I'd like to keep the procedural
6 matters as a separate issue and then move into pre-
7 qualification. So maybe if you want to talk about the
8 budget now.

9 MR. BYRON WILLIAMS: Yes, and I got
10 carried away, and I apologize for that, Mr. Chair. In
11 terms of the budget, Diana, I think that might be
12 Attachment B, the draft budget.

13

14 (BRIEF PAUSE)

15

16 MR. BYRON WILLIAMS: Thanks. And that
17 first page should -- should do it for -- at a high
18 level, I'll simply note that this is somewhat below
19 the budget that we proposed in last year's
20 application, and we expect -- expect that the final
21 amount will be lower than the amount we ultimately
22 submitted for approval in last year's application.

23 I'll note that there's some reasons for
24 that. One (1) key reason is the number of hearing
25 days. I think last year we had in the range of

1 thirteen (13) partial or full hearing days. For the
2 purposes of this hearing, we have estimated somewhere
3 between nine (9) and eleven (11) hearing days. So
4 you'll see that reflected in the lower time
5 anticipated for legal counsel, for example.

6 In terms of the other areas of the
7 budget, our client would have liked to not have to
8 bring evidence on -- on the dynamic capital adequacy
9 testing and the rate stabilization reserve, but the
10 issue has been raised by Manitoba Public Insurance,
11 and so you'll see the -- the figures associated with
12 Dr. Simpson and Ms. Sherry significantly related to
13 that.

14 Mr. Dyck is responsible for the overall
15 intervention of the -- of the coalition and that --
16 that explains, we hope, his higher hours. The two (2)
17 specialty areas, Mr. Viola is well-regarded nationally
18 and internationally in terms of investment portfolio.
19 And given the significant issues related to that
20 portfolio, we have -- we propose to retain him for
21 this hearing as well.

22 And finally, Mr. Pitt from Alleyne
23 Incorporated, we certainly believe brought good value
24 to the Public Utilities Board last year, recognizing
25 the key outstanding issues relating to information

1 technology. That is where his hours come in.

2 Just to direct your attention to the
3 bottom of the page, we've built in a mod -- modest
4 contingency. We've reduced it for this hearing.
5 Usually we'd work with a 5 percent, but that's
6 certainly what we've built in, and that's the total
7 range.

8 Apologizing for my -- my ultimate
9 meandering a little bit, Mr. Chair, in terms of
10 qualifications, those are our submissions.

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

13

14 OPENING REMARKS BY CMMG:

15 MR. RAYMOND OAKES: Thank you again,
16 Mr. Chairman. With respect to the background for the
17 Manitoba -- or the Coalition of Manitoba Motorcycle
18 Groups, it's a volunteer non-profit organization. It
19 was formed in 1992 in response to massive motorcycle
20 rate increases.

21 It's the official voice of
22 motorcyclists in Manitoba. It has approximately two
23 hundred and fifty (250) paid members. I'm told that
24 the metrics these days include the number of Facebook
25 followers and other metrics.

1 So they get several hundred that get
2 the Chainlink newsletter and attend various events and
3 functions organized by the CMMG. They include
4 meetings monthly in Winnipeg, and also meetings on a
5 less frequent basis in Brandon, and also in the north
6 as well.

7 It includes most motorcycle groups. I
8 could go on to name them. They're delineated mostly
9 according to make and model and type of riding of
10 motorcyclists, but it is the umbrella group for all of
11 the legitimate motorcycle groups in this province.
12 They've been an Intervenor in these proceedings since
13 1992, and I've been their counsel during that period.

14 With respect to our intervention, our
15 intervention follows the lines as detailed in the
16 Intervenor Request Form. We will not be bringing
17 expert evidence, but we do retain an actuary on a
18 temporary basis to provide resource
19 intervention to assist in our cross-examination on
20 actuarial issues.

21 Accordingly, we'll be concentrating
22 primarily on the methodology. And of course,
23 motorcyclists are asked to pay the same 2.7 percent
24 increase this year. That's a -- an alarming
25 application to the motorcyclists of Manitoba. Our

1 experience has been declining.

2 There's been a very positive trend over
3 the last eight (8) years in reducing frequency and
4 claims costs of motorcyclists. It's one that MPI has
5 acknowledged in the record of these proceedings, and
6 yet we have a significant rate increase proposed for
7 this Board's consideration.

8 We will hear information from the
9 Corporation that it isn't driven by the same type of
10 factors as for a private passenger. The Corporation
11 points to climate change and hail. That's something
12 that motorcyclists aren't covered under Basic
13 insurance. We don't have that type of compre --
14 comprehensive coverage.

15 The Corporation will be pointing to the
16 investment performance and the interest rate forecast
17 as reasons for that increase for motorcyclists, and so
18 obviously, those will be areas of cross-examination.

19 So we'll talk about the rate
20 methodology, the loss experience, investment returns,
21 road safety, and initiatives for motorcycle insurance
22 as detailed in the front page of the application.

23 With respect to the issues list, I know
24 that will be dealt with later, and we'll certainly
25 have some comments. The original issues list in the

1 workshop on Monday had twenty-two (22) issues. The
2 CMMG was interested in a dozen of those.

3 We have the exhibit with respect to
4 issues agreed to be within the scope of the GRA. And
5 out of the seven (7) that are agreed to be within the
6 scope of the 2018 GRA, we're primarily interested in
7 five (5) of those.

8 THE CHAIRPERSON: Sorry. Mr. Oakes,
9 you -- you made reference just now that you'll be
10 talking about it later. Are you planning to talk
11 about the issues at a later time this morning, or are
12 you going to deal with it now?

13 I -- I know you're talking about it
14 now, but your -- your previous comment was you'd be
15 talking about it later. And what -- what I'd like to
16 do is, since Mr. Williams went to the issues, I -- I'd
17 rather have the parties deal with the issues now so
18 that later, MPI can do the respon -- can talk about
19 their issues list and do a response to the party --
20 the Intervenors' issues lists at the same time.

21 MR. RAYMOND OAKES: Thank you for that
22 direction, Mr. Chairman.

23 With respect to the issues that are
24 agreed to be within the scope, certainly we'll be
25 dealing with number 1. I've just detailed the CMMG's

1 response in -- to the 2.7 percent vehicle rate
2 increase.

3 The second issue we'll leave more to
4 Mr. Williams and his experts relative to driver safety
5 rating and impleme -- implementation of those changes.

6 The rate indication based on accepted
7 actuarial practice, again, we'll be assisted by our
8 resource actuaries in developing questions relative to
9 Issue 3.

10 Four (4) will not generate a lot of
11 questions from the CMMG. Number 11, we're certainly
12 very interested in the target RSR total equity
13 threshold levels, which has been the subject of
14 examination for decades. Number 15, the forecasting
15 is examined cursorily as part of number 3.

16 Number 17, the disposition excess
17 reserves. Obviously we're limited jurisdictionally
18 with respect to that issue, but we will have some
19 questions. I'm -- I've got to indicate to the Board
20 that I am disappointed, and I'm waiting to hear that
21 this isn't the Corporation's ultimate position, that
22 the rest of these issues are not being included, or
23 that they're seeking to exclude them.

24 I find -- if that were their position,
25 I would find that to be entirely dissatisfactory. In

1 fact, I don't see any issue on the list that shouldn't
2 be the purview of this Board relative to this hearing
3 if the Intervenor or Board counsel have questions in
4 those areas. In fact, I found the workshop list of
5 twenty-two (22) issues to be entirely reasonable and
6 supported.

7 And it seemed that there was a general
8 consensus on Monday, and I would hope that that will
9 translate into more of a consensus with MPI today, and
10 that none of those issues will be excluded. The most
11 apparent issue is their comments about road safety,
12 and certainly that has to be a major part of the
13 examination of this Board because that will detail the
14 -- and result in the loss experience going forward for
15 all Manitobans.

16 So those are the issues as CMMG sees
17 them. With -- I would then move to the issue of cost.
18 We had supplied a Intervenor budget and cost summary
19 sheet in the approved form. I understand the changes
20 this year, and we will be then providing further
21 information including a financial statement of the
22 CMMG and more breakdown relative to the issues.

23 We broke them -- them down according to
24 preparation, appearance, argument, and reply. There
25 may be a disbursement relative to the actuarial expert

1 depending on the amount of resource information that
2 we require for that, but I'm confident we'll be
3 somewhere in the range at the conclusion of this
4 hearing.

5 And those would be my comments this
6 morning, Mr. Chairman.

7 THE CHAIRPERSON: Thank you, Mr.
8 Oakes. And, Ms. Miller...?

9

10 OPENING REMARKS BY CAA (MANITOBA):

11 MS. ERIKA MILLER: Good morning. CAA
12 (Manitoba) has been working in the community on road
13 safety issues for over a hundred years, and from our
14 earliest days we've focussed our advocacy efforts on
15 infrastructure, safety, mobility, the environment, and
16 consumer protection issues.

17 That's why for over two (2) decades CAA
18 (Manitoba) has been engaged as an Intervenor with the
19 Public Utilities Board process for Manitoba Public
20 Insurance on behalf of our more than two hundred and
21 thirty thousand (230,000) members. That's 25 percent
22 of drivers in the Province.

23 We continue to seek to participate as
24 an Intervenor due to our particular interest in road
25 safety, especially as we are on the verge of marijuana

1 legalization across the nation, and enter into an era
2 of innovation and change with automated vehicles on
3 the horizon.

4 Additionally, we wish to participate to
5 ensure auto insurance rates are -- set are fair and
6 reasonable for all ratepayers, and that the process
7 used to determine these remains as open and
8 transparent as possible.

9 These topics are certainly relevant to
10 and will impact our members and Manitobans, and we
11 look forward to hearing more about the issues noted in
12 the issues list. We feel it's important to be here
13 year after year because our members come to us for
14 information on these issues.

15 As per our Intervenor application, we
16 intend to employ a watching brief during the hearings
17 and report to our present -- president, Mike Mager,
18 who sends his regrets that he couldn't be here today.
19 We are not seeking an award of costs, or intend to
20 present evidence or produce witnesses.

21 However, we do respectfully ask the
22 Board for permission, for leeway to ask questions, or
23 file an Intervenor request if a topic or discussion
24 arises in which we would like more clarification.

25 We appreciate the opportunity to once

1 again participate in this important pro -- process.

2 Thank you.

3 THE CHAIRPERSON: Thank you, Ms.

4 Miller. Mr. Monnin...?

5

6 OPENING REMARKS BY BIKE WINNIPEG:

7 MR. CHRISTIAN MONNIN: Thank you, Ms.

8 Chair. Diana, could you please pull up the Intervenor

9 request form for Bike Winnipeg, in particular,

10 schedule A? With regards to who is Bike Winnipeg,

11 Bike Winnipeg is a voluntary not-for-profit group

12 which seeks, in particular, to -- to ma -- to ensure

13 that cycling is safe and accessible in the City of

14 Winnipeg, but it has been an active, a very active

15 participant in Intervening with the General Rate

16 Application for Manitoba Public Insurance. And this

17 is the fourth year that Bike Winnipeg is seeking this

18 intervention.

19 And it's a not-for-profit group, but it

20 seeks to intervene and to build upon its contribution

21 of previous years where it's been recognized that its

22 intervention's not only limited to cyclists but

23 vulnerable road users and Manitobans as a whole.

24 We've always sought to intervene upon

25 three (3) broad lines, and those are set out in

1 schedule A. The optimum size of MPI's road budget --
2 road safety budget and whether sufficient to enable
3 significant reduction in the cost to MPI of injuries
4 to vulnerable road users included but not limited to
5 cyclists in short and long-term.

6 The adequacy of MPI's -- MPI's road
7 safety programs with respect to the fatal and severe
8 injury of vulnerable road users, including but not
9 limited to cyclists, the quality and clarity of MPI's
10 data collection, analysis, and accessibility regarding
11 collisions involving vulnerable road users and, again,
12 including but not limited to cyclists. Thank you,
13 Diana. Particularly in comparison to transportation
14 safety programs from local, national, international
15 entities and other jurisdictions.

16 In particular, with regards to the
17 intervention for this year, in Order 162/16 the Board
18 found that, based on the evidence, MPI's road safety
19 planning portfolio had not yet reached maturity. And
20 consequently, they gave several directions to MPI.
21 And, in fact, on a pure numbers game, fourteen (14) of
22 thirty-six (36) directions in that order pertained to
23 road safety. And in that regard, Bike Winnipeg seeks
24 to again intervene to assist the Board in
25 understanding and considering the issues that are set

1 out in schedule A.

2 I think it's important at this point to
3 give a little bit of a historical background on the
4 road safety issue and where it started from and where
5 we are today. And setting modesty aside, it -- the --
6 the advent of Bike Winnipeg as an Intervenor has
7 demonstrated that road safety has -- has become more
8 important and broader in -- in scope with regards to
9 these -- to these General Rate Applications.

10 In particular, I don't have this to put
11 up on the -- on the screen for the Board members, but
12 looking at Order number 75/15 of pages 11 through 12,
13 the Board said the following with regards to Bike
14 Winnipeg's intervention, in particular, with regards
15 to road safety.

16 "The Board also accepts a
17 significant contribution was made to
18 the GRA process that was relevant to
19 the decision making of the Board,
20 and that contributed to a better
21 understanding of all parties of the
22 issues before the Board. This is
23 particular so relative to matters of
24 road safety, an issue that the Board
25 has sought to address in a number of

1 past orders to which MPI allocates
2 considerable resources in which, in
3 the view of the Board, will require
4 additional attention at future
5 hearings."

6 Further, on page 12 of Order 7/15, the
7 Board said the following.

8 "As stated by the Board in Order
9 98/14, road safety and loss
10 prevention costs incurred by MPI
11 have a dual impact upon Basic rates.
12 As both expenditures born by Basic
13 and a potential cost saving
14 mechanism, the Board must assess
15 necessity and prudency of these
16 costs and the potential savings, and
17 the importance of this analysis
18 cannot be overstated."

19 And here is where I put modesty aside.
20 The Board said the following with regards to Bike
21 Winnipeg's intervention.

22 "The Board accepts that Bike
23 Winnipeg participated in the GRA
24 process in a responsible manner that
25 has a substantial interest in the

1 outcome of the GRA process and that
2 it represents the interests of a sub
3 -- substantial number of ratepayers.
4 The Board accepts the submission of
5 Bike Winnipeg that in presenting the
6 perspectives of cycles Bike Winnipeg
7 also provided a broader perspective
8 of vulnerable road users and
9 Manitobans generally."

10 And in Board order 128/15 the Board had
11 the following to state.

12 "The Board expects, however, that
13 MPI demonstrate in a more concrete
14 fashion that it has optimized its
15 road safety budget and is carrying
16 out its responsibilities as a leader
17 of road safety by spending on
18 initiatives that can reduce the
19 social and financial costs of
20 collisions.

21 The Board it not satisfied the
22 report prepared by Jennifer Kroeker-
23 Hall has fully addressed the
24 questions that MPI was asked to
25 answer in PUB Order 135/14."

1 Ms. Kroeker-Hall was presented as an --
2 as an expert witness last year. And then we had the
3 fourteen (14) of thirty-six (36) directions from this
4 Board with regards to road safety.

5 And so the Board -- MPI seeks to build
6 upon the work that's been done on road safety, because
7 it's very laudible, and I commend MPI with the work
8 that they've done. We now look at 10 percent of the
9 filing this year. A full five hundred (500) pages is
10 committed to road safety. And therefore, we think
11 it's important to continue doing that good work and
12 address the issues of road safety as set out by Board
13 order -- by the relevant Board Order 162/16.

14 On -- with regards to the issues list,
15 I -- I can state that our intervention is more narrow
16 in scope. However, issue number 5, compliance with
17 Board Order 162/16, as much as it relates to road
18 safety; item 14, the cost of operations and cost
19 containment measures, as much as it relates to road
20 safety; and obviously, item 21, road safety loss
21 prevention and review of related expenditures.

22 There might be some crossover of some
23 of the other issues, solely to the extent that there
24 are some -- the issues of road safety spill over to
25 the other items on the list.

1 On the issue of the budget, Diana, if
2 you could please go to Schedule B. The budget is
3 similar to the budgets that have been filed in the
4 past by Bike Winnipeg. It's more of a sliding scale
5 budget. There are some increases in -- in the -- in -
6 - in some of the items. In particular, the third
7 item, fourth item, and fifth item, there's an increase
8 in time on -- on both sides of the sliding scale, and
9 that's just based on -- on past experience. And with
10 the road safety issue being the larger matter this
11 year, we anticipate that there might be an increase in
12 time.

13 Another major impact on the budget from
14 last year, comparatively, is that there are some
15 benefits to getting older. I'm now fifteen (15) years
16 at the bar, and the rules of the -- of -- of the
17 Public Utilities Board sets legal counsel's rates as
18 per their call year. I'm a 2002 call; I'm now fifteen
19 (15) years out and therefore, that has increased my --
20 my rate in accordance with the procedures from the
21 Public -- Public Utilities Board.

22 In that regard, we will be making a
23 request for an order for costs at the end of the
24 hearing, should we be granted the privilege to
25 intervene yet again. Subject to any questions from

1 the Board, that -- those are my submissions with
2 respect to our intervention application.

3 THE CHAIRPERSON: Thank you, Mr.
4 Monnin. I guess my only comment is that that's one
5 (1) of the few benefits of getting older. Sorry, Mr.
6 Williams...?

7 MR. BYRON WILLIAMS: Just on the
8 issues list, I'll just -- I just have a -- a couple
9 very quick comments. One (1) is that we're in general
10 agreement that the initial list set by the Board was
11 appropriate.

12 For the Board's benefit, I can flag
13 three (3) of the issues that our client will not be
14 pursuing in this hearing: That is number 10, on the
15 second page, Diana, cost allocation methodology;
16 number 18, newer enhanced services; and number 19,
17 runoff of prior year claims.

18 We flagged the priority ones from our
19 client's perspective. We -- we do agree that the
20 other ones are -- are within the scope.

21 THE CHAIRPERSON: Thank you. Mr.
22 Scarfone, I'm just wondering if it would be
23 appropriate to take a break now? I'm -- I'm a little
24 concerned about -- I think -- I anticipate you're
25 going to take some time to -- to put forward your

1 comments and address the -- the comments of the
2 proposed intervenors, and I don't want to break up
3 your presentation.

4 So I'm just wondering if it would be
5 appropriate maybe to take a break now for fifteen (15)
6 minutes?

7 MR. STEVEN SCARFONE: Absolutely.

8 THE CHAIRPERSON: Okay.

9 MR. STEVEN SCARFONE: Yeah.

10 THE CHAIRPERSON: So we'll -- we'll
11 reconvene at 10:30. Thank you.

12

13 --- Upon recessing at 10:12 a.m.

14 --- Upon resuming at 10:30 a.m.

15

16 THE CHAIRPERSON: Welcome back.

17 Mr. Scarfone...?

18

19 REPLY BY MPI:

20 MR. STEVEN SCARFONE: Thank you, Mr.
21 Chairperson. Just before I begin on MPI's reply to
22 the issues list, our general counsel, Mr. Triggs,
23 would like to say a few words about the procedure and
24 -- and the process on a go-forward basis, perhaps
25 provide some historical context as well.

1 MR. MICHAEL TRIGGS: Thank you, Mr.
2 Chairperson. I'd like to -- first off to welcome the
3 new members to the -- the panel. Thank you very much
4 for your service to Manitobans. It's -- you perform a
5 very important function, and it's greatly appreciated,
6 the service that you will be providing go -- on a go-
7 forward basis.

8 You are going to learn many new things
9 about accounting and actuarial matters that you never
10 thought existed, and it's going to be an eye-opening
11 experience for you.

12 I've now realized that I'm going to be
13 -- subject to Mr. Johnston, who's not here today, but
14 he's our chief actuary, I'm the most senior person on
15 the MPI panel. I've now been doing -- this will be my
16 ninth application. Most of it's been on the back
17 roads. This last year was my first one as general
18 counsel and in the front row, and I'm here again this
19 year in the front row.

20 What I've noticed over the -- the -- my
21 nine (9) years is there's been a significant
22 improvement in the relationship between the Board and
23 the Intervenors and MPI and how they work together.
24 It's been more collaborative.

25 When I first came on, it was I could

1 say somewhat confrontational, and it wasn't very
2 conducive to bringing forward, you know, a very
3 efficient and effective proceedings.

4 There's been change probably starting
5 back in -- about four (4) years ago. There's been
6 some change in that, and the Corporation wants to
7 build upon that collaboration that's been happening
8 here. And we look forward to working with all the
9 parties to do that.

10 And part of that is to acknowledge the
11 work and the input that the Intervenors do for this
12 proceeding. They're very valuable to the process. We
13 -- they have helped improve MPI's operations by the
14 suggestions and comments that have been made over the
15 years.

16 We do value what -- their input, and we
17 will not be objecting to anybody's participation as
18 Intervenors in this hearing. We -- as I said, we
19 value their participation.

20 We've gotten to the stage now, though,
21 where I think it's -- we should be focussing in on
22 efficiencies and improving it and making it more
23 effective, the way that the -- the hearing takes
24 place.

25 And as most of you are -- are new to

1 the process, you had the opportunity to go, Why do we
2 do what we're doing? And, well, if the answer is,
3 Well, that's the way we've always done it, well,
4 that's not really the good answer. We should be
5 asking ourselves, Why do we do it? Is there a better
6 way of doing that?

7 We've been -- the Corporation has been
8 engaged over the last few months with -- in
9 discussions with counsel and with the Intervenors to
10 find ways in which to improve things. But ultimately,
11 the decision came down to is, Well, it's going to be -
12 - or the discussions came down to, It's going to be a
13 decision that the Board makes to improve things on
14 that.

15 So at this point in time, I want to
16 pose some questions for the -- the panel to think
17 forward on this. And these questions are going to,
18 you know, impact upon what -- the issues that are
19 being dealt with, it's talks about the budgets and --
20 and so forth on that.

21 But what we've noticed when we want to,
22 you know, find improvements and efficiency, we look at
23 our -- our sister corporations in Saskatchewan and in
24 British Columbia, and we see how their rates are
25 approved and -- and dealt with. And we find that

1 there's significant differences between -- between
2 them.

3 And I'll just give you an example.
4 Last year's MPI's application, including all the
5 Information Requests, the answers to the Information
6 Requests, the transcripts, the application itself.
7 The record before the Board consisted of over twelve
8 thousand (12,000) pages of documents, a fair bit of
9 reading for you guys to do.

10 This year's Application, just the
11 Application itself, was four thousand six hundred and
12 eighty (4,680) pages of documents. We believe, as the
13 people who prepare these documents, that a lot of it
14 was not -- not necessary but we're required to bring
15 forward these documentations to you.

16 We look at Sas -- SGI. That -- that's
17 Saskatchewan Government Insurance. Trying to get away
18 from acronyms. That's our -- kind of our sister
19 corporation. Saskatchewan, who has very substan --
20 very similar businesses that we do. They last
21 submitted a Rate Application in 2014. It was
22 submitted in February of 2014. They sought a 2.7
23 percent rate increase, a three point seven (3.7) Rate
24 Stabilization Reserve rebuilding fee.

25 And by June 11th, basically three (3)

1 months later, the Saskatchewan Rate Review Panel
2 submitted those reports to government; and they found
3 that they had done a thorough review of the
4 Application, supporting documentation, analysis
5 including consideration from the public and
6 independent technical consultants.

7 The Application that SGI submitted was
8 ninety-eight (98) pages long. Their minimum filing
9 requirements were five hundred and ninety (590) pages
10 long. The First and Second Round Information Requests
11 totalled twenty-three (23) pages of documentation.

12 So we ask ourselves, Why is the
13 Saskatchewan Review Panel going to approve just and --
14 and reasonable rates for SGI based upon fewer
15 documentation than the number of documents we had to
16 provide just to answer one (1) of our minimum filing
17 requirements -- one (1) of fifty-one (51) minimum
18 filing requirements? You know.

19 We ask, Why does the -- the PUB require
20 six hundred and seven (607) pages of external
21 actuarial reports, tables, and analysis in order to
22 make its decision? You know, why can it not make its
23 decision based upon information that's been rolled up
24 into let's say ten (10) pages?

25 Surely if there was anything that was

1 material in that came off in the ten (10) pages, it --
2 that would be brought out and there would be evidence
3 in those ten (10) pages. Why do you need the six
4 hundred and seven (607) pages? Why does the PUB
5 require five hundred (500) pages of material on road
6 safety? This is roughly the same size of the -- SGI's
7 entire Application to its regulatory.

8

9

(BRIEF PAUSE)

10

11 MR. MICHAEL TRIGGS: And why is it --
12 you know, the Man -- Saskatchewan process takes three
13 (3) months, and Manitoba's takes six (6) months to --
14 to do? We ask questions about efficiencies, and --
15 and why is this.

16

You know, at the end of the day
17 Manitoba ratepayers are the ones who pay for this
18 process. They pay for the panel. They pay for the
19 Board. They pay for counsel. They pay for the
20 Intervenors, their experts, their counsel. They pay
21 for all the time that MPI staff is putting into
22 preparing this Application.

23

And the question is, Are they getting,
24 you know, the proper value for their -- their money on
25 that? Would ratepayers in Manitoba say that they're

1 getting substantially greater value for their -- how
2 their rates are set than what the ratepayers in
3 Saskatchewan are getting?

4 Now, we're not saying that, oh, we have
5 to adopt Saskatchewan's model. We -- we're not
6 because I think there's a lot of value in what we do
7 here. But ask the questions, Well, can there be
8 efficiencies in improving a process to -- to make sure
9 that it can be more efficient, more cost-effective,
10 and still get the same results?

11 Now, these are -- are discussions that
12 are -- can't take place in this hearing today, and
13 those decisions can't be -- they're longer-term
14 discussions, you know. Does this Board have to do
15 each and every year a thorough review of every issue
16 that is before it in the Rate Application? Can there
17 be a -- for example, you know, a five (5) year plan
18 saying, We want to look at 'X', 'Y', and 'Z' this
19 year, and next year we want to look at these other
20 issues?

21 These are possible ways to -- to do
22 that but these are longer-term discussions that we
23 want to do, but for the purposes of this hearing what
24 we're asking the -- the panel to do is to critically
25 ask itself at the various stages and steps and

1 processes that go on as -- how do -- how does this
2 help the panel makes its decision on improving rates?
3 Is it a necessary step in order to approve the rates?
4 And if it's not necessary, should we be taking this
5 step?

6 And I'll just give this one (1) as --
7 as an example of -- of an issue. You know, the -- the
8 CAC has said in their submissions that they wish to
9 consider lessons learned from the post-implementation
10 review of the business and injury improvement
11 initiative, BI3, as compared to the original business
12 case and their implications for good project
13 management going forward.

14 For new members, to let you know, the
15 business case was developed in 2007, over a decade
16 ago. It was implemented in 2010. It required seven
17 (7) years of actually -- of operation in order to
18 determine whether or not it's met its -- the original
19 business case. And because it was very expensive,
20 obviously there's no doubt we should have to report
21 back to the PUB on how it went, did you get the -- was
22 the business case met.

23 There's no problem with that. We --
24 there's no order to that effect. We complied with
25 that. But the questions we come for the process for

1 this hearing is: How fully do you have to look into
2 this, how much detail do you -- how many IRs have to
3 go in, do we need -- require bringing in two (2)
4 witnesses to be -- testify before the panel and be --
5 for a half a day or possibly a day talking about a
6 business case that was developed ten (10) years ago?
7 How does that help the Board make its decision on just
8 and reasonable rates for 2018 and '19?

9 Ask yourselves tho -- those questions.
10 If -- if you said, Yes, we do need to, I'll -- sure,
11 then bring that forward. If you do not need to, then
12 think, Well, do we need to bring in these people for
13 the hearings? And that -- and that applies for all
14 the various topics that we're talking on this -- this
15 application issues list.

16 When we look at the -- the issues list
17 -- and this -- there's a bit of history for people.
18 The relationship, I'm saying, you know, about five (5)
19 years ago was -- was somewhat confrontational between
20 the parties that previous Board counsel and the
21 previous Chair came up with the idea of, Let's have a
22 -- a list of things so that we can actually -- well,
23 these -- these are relevant to the hearing as opposed
24 to issues that may or may not be relevant, because
25 there's a lot of discussion going on about whether the

1 -- the Board should be considering matters that MPI --
2 weren't even relevant to the matter.

3 We had this issue list. It served its
4 purpose of confining, you know, topic to matters which
5 are irrelevant. And we fully agree that everything
6 that was on those twenty-two (22) lists, they are
7 relevant to the application. There's no doubt about
8 that. We're not disputing that.

9 The issue now when we talk about
10 scoping this issue is -- is to what level we need to
11 go into reviewing these various issues in order to
12 allow you to make your decision on whether the -- the
13 rates are just and reasonable.

14 So if could I can say this, we submit
15 our application. The issue list is very broad.
16 There'll be some information -- you won't have to ask
17 Information Requests on everything in there; they'll
18 be scoped down. Information Requests will provide
19 answers to questions. In review of those questions,
20 you can ask yourselves, All right, do we need to have
21 further discussion about these matters at the hearing?
22 And then you scope down so that the hearing is
23 efficient and it deals with matters that are important
24 to you that you need to hear testimony on and have
25 questions asked and answered about an issue in order

1 to make -- Okay, we need to understand this to make
2 our decision.

3 That's what the hearing should be
4 about. It should not be a complete review of
5 everything that was submitted in the application just
6 for the sake of having a hearing to talk about this.
7 We wanted to have -- because there's monies associated
8 with that. And there's no real benefits for you, as
9 the decision makers, then why are we doing that.

10 So ultimately, the question we ask --
11 come back to you is -- for efficiency purposes, is:
12 Why do we need to take these various steps on these
13 various matters that are before you?

14 Now, the next part is -- of this will -
15 - Steve and Jeff will be talking to you about the
16 various issues and they'll explain to you why we think
17 that, you know, they're -- we're not going to -- all
18 relevance. It's just to what degree we need to talk
19 about it for the purposes of this hearing.

20 That then has -- ultimately has an
21 impact upon the -- the budgets of the Intervenors on
22 that. If the scope of the hearing and issues to be
23 talked about are somewhat narrowed, then that impacts
24 upon how much their budget should be and whether they
25 should be focussing their attention on that.

1 So those are -- is kind of the
2 introduction of how we view the -- the process going
3 forward. We wish to work collaboratively with the
4 Intervenors and with the -- the PUB. We feel that is
5 a much better process than a confrontational
6 adversarial process on that. We also view, though,
7 that Manitobans demand that we be efficient in how we
8 use their -- their premiums that they pay for the
9 services they get.

10 And with that, I'll pass it -- subject
11 to any questions you may have, I'll pass it on to Mr.
12 Scarfone.

13 THE CHAIRPERSON: I think we'll wait
14 until the end of the presentation to ask questions.

15 MR. STEVEN SCARFONE: Thank you, Mr.
16 Chairperson. So as Mr. Triggs has indicated, my
17 intention here, if we could have Exhibit number 1 --
18 or, apologies, Exhibit number 2, the first exhibit
19 filed here today by MPIC, brought up. And my
20 intention is to share the duties with my colleague,
21 Mr. Crozier, specifically with respect to our response
22 to the issues without consensus on inclusion or
23 exclusion from scope.

24 And just briefly, Mr. Crozier, because
25 he's better suited to speak to these issues -- and

1 when I say, "better suited," I mean he's smarter than
2 I am -- will deal with issues 6 and 7, number 8, and
3 number 9, and number 19. And I will pick up the
4 balance of those issues in turn.

5 So as I indicated at the outset, Mr.
6 Chairperson, commissioners, this is my first foray
7 into the regulatory world of law. Like Mr. Monnin,
8 I'm now fifteen (15) years out, called in 2002, and
9 have been practising almost exclusively in civil
10 litigation up until this year.

11 And so my initial reaction when I saw
12 this issues list was, to borrow some language from my
13 six (6) year old, That's crazy. Twenty-two (22)
14 issues before this panel.

15 And, you know, to dovetail Mr. Triggs's
16 comments, we need, I think, to -- and again, with
17 respect to all the fine people that have been here
18 before me, there seems to -- it seems to me that
19 there's got to be a way to refine this list.

20 And that's what our intention is here
21 today: to try and impress upon the Board to consider
22 whether all of these issues really need to be
23 canvassed, fully canvassed, at the hearing.

24 Again, I'll go through them in order,
25 but I do believe that there are several of these

1 issues that could probably be addressed by a couple
2 Information Requests, and so hopefully, by the time
3 October comes around, they're no longer on this list.

4 So issue number 5 is the compliance
5 with the last year's Board Order. My understanding is
6 that MPIC has largely complied with this order -- or
7 those orders -- to the extent possible with the
8 exception of a few items, one (1) of which is the --
9 the asset liability study, the IT five (5) year
10 strategy, the fencing study, and the fencing pilot
11 project.

12 I believe those are the four (4) main
13 items, all of which the Board will be aware were
14 addressed by Mr. Triggs in an April 13 letter that he
15 sent to Ms. McCandless.

16 The ALM -- well, let's start with the
17 ALM. Our intention, as the Board knows, is to file an
18 updated ALM study in 2019 at next year's GRA. There
19 were some timing issues related to having it done this
20 year, including the preparation of a request for
21 proposal, and it was just not logistically possible to
22 have it done for this year.

23 So turning to the five (5) year
24 strategy, the Corporation doesn't yet have the overall
25 strategic Corpora -- strategic direction for the

1 Corporation from its board of directors. And that's
2 anticipated again to be in next year's rate
3 application.

4 The -- the two (2) matters that relate
5 to road safety, the fencing study, and the fencing
6 pilot, are also addressed in Mr. Triggs's letter. In
7 fact, MPIC has previously filed, as some of the Board
8 members are aware of, detailed studies on fencing as a
9 wildlife mitigation measure, all of which returned
10 with results that showed it wasn't a cost-effective
11 solution.

12 And as it concerns the actual
13 construction offences as a pilot project, the rate
14 application indicates that the Corporation is of the
15 view, firstly, that it doesn't have the jurisdiction
16 to enter into the world of infrastructure, but more
17 importantly have been told by this government that
18 they do not want MPIC building fences as a wildlife
19 prevention measure.

20 And so those are the outstanding
21 orders, and that is why I indicated we feel that they
22 have largely been complied with and that that issue
23 should be a non-issue and excluded from the scope of
24 the hearing.

25 Jeff is going to deal next with the --

1 the interest rate forecasting and forecasting risk.

2 MR. JEFF CROZIER: Good morning.

3 Thank you. I'll deal with item six (6) and seven (7)
4 together. Number 6 being interest rate forecasting
5 methodology, and 7 being the interest rate forecasting
6 risk.

7 It's our view that these two (2) issues
8 are generally subsumed under issue number 4 which
9 relates to the proposed compliance filing to update
10 the interest rate forecast as at November 30th, 2017.

11 Our proposed approach for updating the
12 interest rate forecast, or the interest rate
13 information that underpins the -- the rate indication,
14 eliminates the forecasting risk at that point. You
15 know, practically speaking by November 30th it's as
16 close to the -- the forecast point as we can get, the
17 forecast point being March 1, 2018, so, you know, we'd
18 be three (3) months out at that point.

19 By taking the actual ten (10) year
20 Government of Canada bond rate at November 30th, we'd
21 be effectively using a Naive forecast. Our
22 Application illustrates that there's effectively no
23 difference in using a different forecasting
24 methodology or the Naive interest rate over, you know,
25 such a short time horizon.

1 So we feel that our proposal to update
2 the interest rate forecast at that time eliminates
3 forecasting risk, and eliminates any concern around
4 the forecasting methodology. We'd be using as close
5 to the -- the interest rate that we actually need to
6 set rates through accepted actuarial practices as we
7 could.

8

9

(BRIEF PAUSE)

10

11 MR. JEFF CROZIER: On issue number 8,
12 financial forecast accuracies -- accuracy comparing
13 2016/17 forecast versus actual results, our -- our
14 view is that this is -- ought to be a non-contentious
15 issue.

16

 We have an extensive comparison of
17 actuals to budget in pro forma sub four (4) in the pro
18 forma chapter. We also provide similar forecast
19 actual results throughout the expense chapter. We
20 don't question that as a tool for the Board to test
21 the veracity of our -- of our forecast, a backward
22 looking inspection of, you know, forecast to actuals
23 can be helpful.

24

 We don't feel though that it's -- it's
25 likely to be contentious. And on that basis, I mean,

1 we would, you know, hope that, you know, there'll
2 perhaps be some Information Requests on that -- on
3 that issue but that it shouldn't be a central issue
4 that we'd anticipate that the panel would want to
5 grapple with.

6 On issue 9, changes in projected
7 financial results, under the old method of setting
8 rates based on break-even net income the bottom line
9 in the pro forma financial statements was very
10 relevant to -- to what the rate was going to be. With
11 the shift to accepted actuarial practice, or AAP, the
12 -- the net income bottom line is no longer
13 determinative -- or determinative of rates, and -- and
14 that fact was, you know, acknowledged in -- in Order
15 162/16.

16 The order also acknowledged that the --
17 that the -- the Board continues to have a -- you know,
18 a broad review mandate for -- for MPI's -- or at least
19 the Basic line of business's financial results, and
20 therefore we've continued to file pro formas. We've
21 filed pro formas under a handful of scenarios with
22 different interest rate forecasts.

23 But at the end of the day this is not -
24 - you know, the pro forma financial results aren't, in
25 our view, directly determinative of accept -- of rates

1 made under accepted actuarial practice, which is the
2 paradigm we're operating under now.

3 And I'll turn it back to Mr. Scarfone.

4 Thank you.

5 MR. STEVEN SCARFONE: Very quickly
6 concerning item 10 on -- on the list, the cost
7 allegation -- allocation methodology, I appreciate Mr.
8 Williams having conceded that this would not be an
9 issue that his client would canvas at this year's
10 application.

11 We think that's appropriate. And the
12 reason for that is because quite frankly, there's been
13 no changes in this year's application from the
14 approved methodology that the PUB has directed MPIC to
15 use. So from that -- for that reason alone we think
16 that issue should fall off.

17 Number 12 is the performance of the
18 investment portfolio and its composition. There's
19 clearly an emphasis on investments in this year's rate
20 application, but there will be a greater emphasis
21 again in next year's GRA, largely because that is when
22 we're expected to have the ALM study completed, and
23 prepared, and filed once our total equity capital
24 targets are resolved.

25 MPI is proceeding to adopt, as the

1 Board is aware, an 18 percent allocation of the total
2 portfolio to corporate bonds. That's an increase.
3 Historically it was at 2 or 3 percent. It's now at 10
4 and the Corporation has decided it would like to
5 increase this to 18 percent.

6 This requires, as the Board will
7 appreciate, the approval of the MPIC Board of
8 Directors, which in turn requires approval from the
9 Minister of Finance. And so for those reasons, we
10 think it's a little premature to have this issue on
11 the list for this year's rate application.

12 Implementation of this strategy will get underway in
13 the second half of the fall of 2017.

14 And 13 is somewhat subsumed by number
15 12, the investment policy statement. Again, that of
16 course is something that's subject to approval by the
17 MPIC Board of Directors and will in turn be done for
18 next year's rate application.

19 Number 14, again, as Mr. Triggs has
20 indicated, clearly an issue that's relevant for rate
21 setting and within the Board's purview, but the Board
22 should ask itself, Why does this issue need discussion
23 at this year's rate application? It's the cost of
24 operations and cost containment measures, and the rate
25 application has indicated that the forecast is

1 actually down almost 2 percent from last year and cost
2 containment efforts have been successful and continue.

3 So we don't feel that this is an issue
4 at play in this year's rate application for that
5 reason alone, that -- that costs are in fact down.
6 The forecast is down.

7 Number 16 is operational benchmarking,
8 which of course is the -- complying with the order
9 last year that we do a comparison to other provinces.
10 Again, we don't think that this is a contentious
11 issue. And the results are largely consistent with
12 prior years. We certainly understand that it assists
13 the panel in its determination of just and reasonable
14 rates, but the results are there. The benchmarking
15 results are there in the application.

16 Again, there -- we expect that there
17 may be some Information Requests pertaining to that
18 that would fully answer that question in advance of
19 this year's hearing.

20 Number 18 was again an issue that, at
21 least Mr. Williams conceded was not one (1) that his
22 client was interested in pursuing at this year's
23 application. It's new or enhanced services being
24 developed or examined by MPIC. Quite frankly, there
25 are none. And that shouldn't be an issue for the

1 panel to consider in the fall.

2 And Jeff's going to, as I've indicated,
3 speak to number 19, which is the runoff of prior year
4 claims during last year. Thank you.

5 MR. JEFF CROZIER: So the runoff of
6 prior year claims, that, I understand from our
7 actuary, Mr. Johnston, would be captured in the
8 external actuary reports prepared by Joe Cheng. These
9 reports have been filed.

10 The -- the determination of run-off on
11 prior year's claims does influence, to some extent,
12 our actuary's forecast, and so they are -- you know,
13 and -- and to that extent, they are determinative of
14 the rates we're applying for this year, and for that
15 reason, we -- we believe that number 19 is -- is, you
16 know, somewhat duplicative of item 15, claims
17 forecasting, which we agree is -- is an issue that
18 should be considered in -- in this application. Thank
19 you.

20 MR. STEVEN SCARFONE: Thank you. And
21 lastly, issues 20, 21, and perhaps 22. Issue 20 is
22 the IT strategy, which I've indicated earlier is -- is
23 not yet prepared, given that we don't have the
24 strategic direction from the -- the board of directors
25 for the -- for the Corporation. But we do in fact

1 have, as ordered, the -- the report on the physical
2 damage re-engineering project, and so we -- perhaps
3 we'll concede on this one.

4 If it -- if opposing cou -- or if
5 counsel for the Intervenors want to hear from our
6 expert, Martin Geffen, and I expect they will, then we
7 would present him to speak to his report from the
8 Gartner firm. But other than that particular point,
9 we don't feel as though the IT strategy is an issue
10 that should be before the panel in this year's
11 application.

12 On the road safety issue, loss
13 prevention -- oh, Mr. Triggs wants to interject. Just
14 one (1) second.

15 MR. MICHAEL TRIGGS: Just to provide
16 the -- the panel with a bit of a clarification on this
17 lack of a IT strategy, I think Board members should
18 have to appreciate the -- what's happened in the last
19 year. The -- the government replaced their entire
20 board of directors, a brand new board of directors,
21 given a -- a new mandate or -- of where they should go
22 with things.

23 And so the board of directors have to
24 go do their due diligence, understand the -- where the
25 Corporation is and figure out where it should be going

1 into the future. The planning cycle for the -- the
2 board of directors and the new board is to make these
3 major strategic directions as to what the future of
4 the Corporation is -- is going to be, where it's going
5 to go in December this year.

6 A fallout of that is going to be, you
7 know, once they know where it's going to go, then you
8 have to have the IT in place to help assist to get
9 there. But, at this point in time, it -- it doesn't
10 make sense for our IT to try and develop a five (5)
11 year strategic plan to go someplace that the board of
12 directors may not want to go into the future on that.

13 So that's the -- the reason why we --
14 we're not able to file a five (5) year strategic plan
15 for the IT at this point in time, because the board of
16 directors have not set where the -- the Corporation
17 should be going into the future on that.

18

19 (BRIEF PAUSE)

20

21 MR. MICHAEL TRIGGS: So on that point,
22 is it that the -- the Board will be set in that. And
23 then the -- I -- okay. I remember what my train of
24 thought was. That said, there are a number of
25 expenditures that the -- will be going that we foresee

1 in the IT area for a number of years. And those have
2 been identified and laid out into the -- into the
3 plan. It's -- and the application has been submitted.
4 But an overall strategic direction for IT has not been
5 developed and won't be developed until after December.

6 MR. STEVEN SCARFONE: Thank you.
7 Lastly, on -- on the list is issue 21, which is road
8 safety, loss prevention and review of its related
9 expenditures. At the risk of offending Mr. Monnin and
10 Mr. Oakes, we think that all of the information that's
11 contained in this year's rate application is a full
12 answer to this issue.

13 As Mr. Triggs has indicated, there's
14 over five hundred (500) pages of material that's
15 before this Board on our loss prevention efforts.
16 And, more importantly, our road safety budget
17 represents just 1.3 percent of the revenue -- the
18 Corporation's revenue requirement.

19 And I -- I'm not -- I don't say that to
20 minimize the importance of road safety. But we do
21 think that there's sufficient evidence before the
22 Board at this time to find that the road safety budget
23 is just and reasonable in all the circumstances.

24 And all of the orders, with the
25 exception of the two (2), the pilot project and the

1 fencing study, all of the orders have been fully
2 complied with to the extent possible.

3 Again, the Corporation maintains that
4 it doesn't have the ability to build fences. It
5 doesn't have that jurisdiction and doesn't have that
6 approval by the government to engage in that activity.

7 On twenty-two (22), it's a catch-all, a
8 variety of other issues. I -- I would just reiterate
9 what Mr. Triggs has indicated. You might capture this
10 at the post-implementation review of -- BI3 might be
11 captured under this other issue.

12 With respect, we think this project is
13 -- is now functus. It -- it is, as Mr. Triggs has
14 indicated, a ten (10) year old initiative. We're
15 happy to present for the panel, if need be, Mr.
16 Yendall and Mr. McFarlane from EY. But we're hopeful
17 that the -- the report speaks for itself. Perhaps it
18 can be addressed -- any concerns can be addressed by
19 way of Information Request, and that their appearance
20 won't be necessary at the hearing in October.

21 And subject to -- to any questions this
22 panel may have, that's my submission on the -- the
23 issues list.

24 THE CHAIRPERSON: Thank you. I'll
25 call upon the Intervenors for their response from --

1 to the position of MPI.

2 Mr. Williams...?

3

4 REPLY BY CAC:

5 MR. BYRON WILLIAMS: Yes, and -- and
6 thank you for this opportunity. And I'll say with
7 respect that there are some puzzling aspects to the
8 submissions of Manitoba Public Insurance.

9 And I'll just for the first time, and I
10 promise you the only time in my legal career, I will
11 use some Latin. I'll probably mispronounce it,
12 though, and I think the words the -- that might have
13 emerged the first day of law school was something
14 called audi alteram partem, to hear from the other
15 side.

16 And one (1) of the uniquely puzzling
17 aspects of many of the Manitoba Public Insurance
18 submissions are: Let us file five hundred (500) pages
19 of information related to road safety -- something the
20 Board has flagged as being of significant importance
21 based upon last year's order -- and then let us scope
22 out an opportunity to -- to reply. So that is an --
23 an underlying concern of our clients.

24 There was a effort to present a --
25 perhaps a truncated history of -- of the Public

1 Utilities Board. Let us just acknowledge that this
2 Board and its jurisdiction over Manitoba Public
3 Insurance dates back to the late 1980s, early 1990s,
4 in an effort to get political interference out of the
5 rate-setting process, to bring a transparent process,
6 evidence-based, that the public could have confidence
7 in.

8 I heard again for the first time in
9 this hearing a suggestion that Saskatchewan and it's
10 ninety-eight (98) page submission is a model to which
11 Manitobans would aspire to and have confidence in.

12 This Board attends CAMPUT conferences.
13 This Board is familiar with the scope of regulatory
14 processes across Canada.

15 Our centre, through our intervention
16 before the CRTC, Clean Environment Commission,
17 National Energy Board, Public Utilities Board, and
18 other jurisdictions, is well famil -- familiar with
19 the outstanding reputation of this tribunal.

20 There are always ways that we can make
21 things better, but let us not hold Saskatchewan up as
22 a model.

23 I think Mr. -- My Learned Friend Mr.
24 Triggs actually in his comments had -- had some
25 insight using the term "funnel". And certainly at

1 this point in time, our advice to the Board would be
2 not to narrow that funnel too soon.

3 Our clients have flagged for you their
4 nine (9) priority issues but experience in these
5 hearings suggest that others may emerge. And I will
6 try to -- and certainly as we near the hearing, as we
7 get into September, at that point in time there might
8 be an additional opportunity to look at what really
9 are the core issues for this -- for this hearing. And
10 that, I think, was actually one (1) of the thrusts of
11 the letter from Manitoba Public Insurance that --that
12 I think has some value going forward.

13 In terms of the specific issues with
14 which Manitoba Public Insurance takes issue, I'll
15 leave out number five (5) for this point in time
16 because I think we can answer that under items twelve
17 (12), thirteen (13), and fourteen (14).

18 Manitoba Public Insurance used the
19 puzzling terms twice today in terms of interest rate
20 forecasts of eliminating forecast risk. In -- in our
21 client's view, that is inadvertent hyperbole. We --
22 interest rate risk has been significant. We are
23 working hard in a collaborative process to reduce that
24 risk, including through the use of actuarially
25 consistent rate indicators.

1 And certainly this is still an issue,
2 and if his -- you just have to look at the last year's
3 financial statements from Manitoba Public Insurance to
4 understand that it is a risk. So certainly our client
5 understands MP -- the advice of Manitoba Public
6 Insurance on this really to -- to be -- to look at
7 issues in terms of item four (4), six (6), and seven
8 (7) together, the -- the compliance filing based on
9 interest rates, but those are still live issues from
10 our client's perspective.

11 Puzzling as well was item number eight
12 (8). Forecast accuracy is at the core of the
13 regulatory process. It's number one (1) bullet in --
14 in the PUB's guidance from Board Order 98/'14 in terms
15 of what we have to look at. Do I expect -- expect an
16 exhaustive time looking at the macro level of that
17 financial -- of -- of the forecast results?

18 Unlikely. But to try and scope out forecast accuracy,
19 or item number nine (9) changes in projected financial
20 results, would cut to the heart of the setting of just
21 and reasonable rates.

22 We understand -- we interpret MPI's
23 position really to be that the funnelling that -- that
24 they're suggesting this be of lesser importance, but
25 we could be wrong.

1 In terms of cost allocation
2 methodology, we simply say that our clients are -- are
3 not pursuing it in this hearing. It is central to the
4 rate setting exercise. It's always open to the Board
5 to pursue it. It's bullet number four (4) based upon
6 Order 98/14.

7 Of particular cause for dismay were the
8 comments of the Corporation within bullet -- items
9 number twelve (12) and thirteen (13) in the investment
10 portfolio. We had from the Corporation an indication
11 of a material change in the portfolio, which is going
12 to be pursued in 2017. An increase in the allocation
13 to corporate bonds as something, by the way, which our
14 client has been asking the Corporation to consider for
15 a few years, but a very material one from, I think, 10
16 percent to 18 percent.

17 To then suggest that the investment
18 portfolio issue should be scoped out, or of de
19 minimis, or -- I'll take that back -- of minimal
20 importance is -- is quite surprising. And then when
21 we merge that with the well-placed advice of Mr. Viola
22 last year about the significant risks associated with
23 this Corporation's investment portfolio and, to our
24 knowledge, the effective non-response to his
25 recommendations, that is of concern.

1 Item fourteen (14), the cost of
2 operations and cost containment measures. Here again
3 the Latin, or the translation of the -- the right to
4 be heard comes into effect. The Corporation's
5 submission, as we understand it, is we're lower than
6 last year. Therefore, you need not inquire.

7 This -- this again is central to the
8 very role of the Board. It's bullet number 2 in Order
9 98/'14. Operational benchmarks that are an element of
10 that, and I -- as I understand it, ordered by the --
11 the Board.

12 Item 18 we've indicated is not a
13 priority for our clients.

14 In terms of Item 19, I -- I was remiss
15 in -- or in -- imprecise in my wording. I should just
16 indicate, our client is not interested in the runoff
17 of pre-no fault claims. We certainly, as part of the
18 claims forecasting exercise, will be looking at the --
19 the rest of the portfolio. And I had mistakenly
20 understood that reference to be pre-no fault claims.

21 Information technology expenditures are
22 a significant driver of costs for this Corporation.
23 You can look at the amortization and the -- and -- and
24 it is an ongoing significant cost, in our respectful
25 submission, always in scope.

1 The physical damaging -- damage re-
2 engineering project has been sold by this Corporation
3 as a transformative project of -- of quite substantial
4 impact on consumers. And surely that, as well as the
5 prioritization of this portfolio, the expenditures, is
6 surely germane to this hearing.

7 And the Board will recall from last
8 year's hearing the challenges the Corporation had in
9 articulating how it managed its portfolio, how it prio
10 -- how it prioritized expenditures.

11 Road safety, I'll leave it to My
12 Learned Friends who are -- are more -- much more
13 articulate than I.

14 Under Item 22, the Corporation raised
15 the BI3 initiative -- sorry, I forget the -- Bodily
16 Injury -- it -- it was a significant information
17 technology project related to the no-fault part of the
18 Corporation. How could it be relevant? How could it
19 be relevant ten (10) years after the business case was
20 presented?

21 Certainly, it's in our -- our client's
22 submission, relevant in -- in at least three (3) ways.
23 One (1) is it's illustrative of the importance of
24 looking at the Corporation's information technology
25 expenditures and their promises, because as -- as we

1 have heard repeatedly in the last few years, in terms
2 of the duration of no-fault claims, the promised
3 savings from this initiative were not being realized.

4 It's illustrative as well because it
5 raises concerns about the management of that
6 portfolio, physical damage. And we've seen
7 significant increases in social psy -- psychology
8 costs, and we certainly wish to understand how the
9 Corporation is adjusting to those cost pressures.

10 And it's also relevant because where do
11 we go from here in terms of this side of the
12 Corporation? In terms of calling the -- the
13 particular witnesses that the Corporation spoke of,
14 our client certainly has not requested that. In our
15 view, it's premature til we explore the reports and
16 make a call on whether we just need to do some
17 housekeeping on the -- on the -- this initiative, or
18 whether there's significant causes for concern.

19 So to the extent that the Corporation
20 was simply arguing that it's too early to make a call
21 on calling them as witnesses, our clients would agree.

22 Subject to a brief consultation with my
23 colleague, those are my comments. We have no further
24 comments. We're open to questions.

25 THE CHAIRPERSON: Thank you. Mr.

1 Oakes...?

2

3 REPLY BY CMMG:

4 MR. RAYMOND OAKES: Thank you, Mr.
5 Chairman, for this opportunity to respond. With the
6 last change in government, government departments were
7 asked to look at their processes, ensure there's
8 efficiencies and due reviews, and I think MPI and the
9 Public Utility Board are in step with that direction.

10 However, as bureaucratic processes
11 often unfold, the search for efficiency sometimes
12 comes at high costs. This year we've seen a marked
13 departure from the investment of time and energy as
14 PUB and MPI try to reach an efficient model, so we had
15 time spent in stakeholder engagement.

16 We had, I think, three (3) days of
17 technical conferences, and then we had meetings of
18 counsel. And then we had a Public Utility Board
19 workshop on the issues list, and then we're here today
20 reviewing those issues in detail. And the concern
21 always is that we can certainly stell -- stare at our
22 navel indefinitely, but this is all the time and money
23 that is spent and, in my view, sometimes better spent
24 getting on with the issues themselves.

25 So counsel working together

1 cooperatively and collaboratively came up with twenty-
2 two (22) issues which MPI indicates are all relevant.
3 My submission to you this morning would be that the
4 Board accept the twenty-two (22) issues, that there be
5 no limitations with respect to asking questions of
6 issues on that list, and that there be a general
7 direction, as there has been every year, that the time
8 be used efficiency -- efficiently with guides of -- of
9 relevance and probative value always being at the
10 forefront.

11 For MPI to come forward and say that we
12 only agree to seven (7) issues, being the issues
13 agreed to be within the scope, then they're telling us
14 that in previous years, when the Board has reviewed
15 the other issues contained in the other list, and the
16 Board orders have dealt with a number of these issues,
17 that somehow we've been ranging far afield as -- in
18 the areas that aren't germane to the application. And
19 I don't think that's the case.

20 We have a extremely small hearing. We
21 have four (4) Intervenors. I submit that we've always
22 had a very efficient process. And I don't know that
23 the additional time spent this year is going to result
24 in a marked improvement.

25 Certainly, the response of the

1 Corporation, if I understand them correctly, that
2 there's a number of issues indicated that have no
3 consensus on -- on inclusion to hear their comments
4 relative to road safety. I'm appalled, frankly, with
5 what I've heard this morning, to hear references to
6 SGI. My Learned Friend, Mr. Williams, dealt
7 eloquently with that.

8 But I certainly recall in past years
9 looking at the SGI premiums for motorcyclists, which
10 were at least a third less than Manitoba rates, and
11 being told by MPI, Well, SGI doesn't even track the
12 costs of the physical damage. They don't have our
13 advanced actuarial rate-making methodology, frankly.
14 They're not a model to look at at all.

15 Again, in road safety, the last three
16 (3) years, the MPI evidence put forward in their
17 filings has been -- could be summarized as saying
18 we're in the process of starting new initiatives,
19 doing feedback sessions, developing a new process.
20 We'll file when we finish, we'll answer your questions
21 when we finish, and we'll have new initiatives when
22 we're finished.

23 Now, presumably they're finished, and
24 they don't want to have any of that evidence tested.
25 It's -- it's hard to fathom how in a quasi-judicial

1 proceeding, you could have the Utility come forward
2 and say, We're giving you five hundred (500) pages,
3 but don't ask us any questions about it. Obviously,
4 if it's evidence, it's to be tested.

5 I could go through, as Mr. Williams
6 has, and review each of the items. I don't think
7 that's in the best interests of time. But again, we
8 come to this rather silly exercise where MPI says,
9 Well, item 4 is the proposed compliance filing based
10 on interest rates and the issues without consensus,
11 six (6) and seven (7), interest rate forecasting
12 methodology and interest rate forecasting which are
13 subsumed under that.

14 Frankly, let's just get on with the
15 asking of questions, whether they're a subpart of item
16 4 or -- or ones that are not agreed upon. Frankly, it
17 makes very little difference. The Corporation, with
18 respect to item 10, cost allocation methodology, says,
19 Well, there should be no questions because there's no
20 changes by the Corporation.

21 Well, the CMMG was instrumental in
22 changing the cost allocation methodology of MPI when
23 it -- when it lobbied for years to get loss transfer
24 or comparative fault, which ultimately was accepted by
25 the Board and totally changed the cost allocation

1 methodology.

2 So if the Corporation doesn't have a
3 new initiative in that area, it's quite entirely
4 possible that an Intervenor might, and that then there
5 would be an appropriate inquiry.

6 Runoff of prior claims, item 19. We've
7 talked about it this morning. Well, usually Board
8 counsel, as a result of Eckler Partners' background
9 work, would usually have one (1) or two (2) questions
10 in their IRs dealing with runoff of prior years'
11 claims.

12 Is it better to ask those one (1), two
13 (2) ques -- one (1) or two (2) questions in an IR or
14 debate the issue at length this morning?

15 So that would be my submission on a
16 number of those issues, that this hearing has
17 proceeded efficiently in the past. The Intervenors
18 and Board counsel haven't roamed afield and asked
19 questions that weren't relevant, and we should accept
20 the collaborative process and the workshop. And they
21 indicate that the twenty-two (22) issues there are
22 relevant and there should be no limitation on the --
23 on the posing of questions unless, when asked, they
24 are determined not to be relevant or within the
25 jurisdiction. Thank you.

1 THE CHAIRPERSON: Thank you. Ms.
2 Miller...?

3

4 REPLY BY CAA (MANITOBA):

5 MS. ERIKA MILLER: We at CAA
6 (Manitoba) appreciate that, throughout the years, this
7 process has become more collaborative and that
8 Manitoba Public Insurance and the Board have taken
9 steps to try and improve the process.

10 We certainly acknowledge that cost and
11 efficiency in this process are important. But similar
12 to Mr. Williams's comments on behalf of the Consumers'
13 Association of Canada, we strongly believe openness,
14 and transparency, and information sharing are key. If
15 that means we must engage in more conversation as a
16 means to that end, then we must accept that as it is.
17 Without transparency, Manitobans can't have trust in
18 the rates.

19 As part of this process, we are all
20 challenged to strike the right balance to ensure that
21 we tackle the issues and provide enough background and
22 discussion in order for the Board and the public to
23 understand the reasoning and ultimately the decision
24 concerning the rates that will have a significant
25 impact on Manitobans. Thank you.

1 THE CHAIRPERSON: Thank you. Mr.
2 Monnin...?

3

4 REPLY BY BIKE WINNIPEG:

5 MR. CHRISTIAN MONNIN: Thank you, Mr.
6 Chair. I'd like to begin by acknowledging what Mr.
7 Triggs has said about the collaborative nature of this
8 -- this process certainly in the last few years.
9 There has been a marked change and difference in that,
10 and it's been appreciated, certainly from -- I don't
11 think I speak for all Inter -- Intervenors, but from
12 my perspective, we appreciate that tremendously.

13 My comments will -- will be brief going
14 -- going forward. I had forgotten that Mr. Scarfone
15 and I share a call year of 2002. We also share a six
16 (6) year old and -- six (6) year olds.

17 So I appreciate that his six (6) year
18 old thinks that the issues list is crazy. My six (6)
19 year old thinks that it's absolutely crazy when I tell
20 her that she can't eat ice cream for breakfast, and
21 it's absolutely crazy when she must wear shoes and a
22 shirt to go to school.

23 The -- the point being I don't think
24 the thoughts of a six (6) year old is -- is -- are --
25 are -- is what will drive what is -- what -- what the

1 issues list ought to be heard. And I think we should
2 look at what MPI has said on the issue of road safety,
3 for example, in its own filing -- and, Diana, you
4 don't need to go there -- but at page 21 of 81, lines
5 8 to 11, this is what MPI has said in general with
6 respect to road safety:

7 "As articulated by MPI in past GRAs,
8 road safety is a highly complex
9 issue involving interdependencies
10 between the road users, the vehicles
11 they drive, the roads they drive --
12 the roads they drive on, the
13 legislation that governs driver-
14 vehicle licensing, rules of the
15 road, and enforcement."

16 We completely agree. And I think it's
17 also important -- it bears reminding and repeating
18 what this Board has said with regards to the issue of
19 road safety. As it's noted earlier in Order 7 --
20 7/'15 at page 11:

21 "Road safety, an issue that the
22 Board has sought to address in a
23 number of past Orders, to which MPI
24 allocates considerable resources,
25 and which, in the view of the Board,

1 will require additional attention at
2 future hearings."

3 In Order 98/'14:

4 "Road safety and loss prevention
5 costs incurred by MPI have a dual
6 impact upon basic rates as both
7 expenditures borne by Basic and
8 potential cost-saving mechanism.
9 The Board must assess the necessity
10 and prudence of these costs and the
11 potential savings, and the
12 importance of this analysis cannot
13 be overstated."

14 And so I appreciate that MPI has filed
15 five hundred (500) pages, because it's in response to
16 fourteen (14) of thirty-six (36) directives from this
17 Board in the last Order. And to take the position
18 that that matter has been fully answered, flies in the
19 face of the obligations of the regulatory body that
20 issued those orders. That evidence needs to be
21 tested. Different opinions and perspectives need to
22 test that evidence, and that's why the Intervenors are
23 here and that's why we submit that that particular
24 issue ought to be part of the process.

25 And if I hadn't said it at the outset,

1 I just wish to echo and rely upon the comments of my -
2 - my colleagues and friends and the Intervenors with
3 the comments they made with respect to the issue of --
4 well, the issues list rather. Thank you.

5

6 DISCUSSION

7 THE CHAIRPERSON: Thank you. Mr.
8 Triggs, can I just ask a question?

9 This -- this Board, I guess before my
10 time and since I became Chair, has -- has looked at
11 different ways to bring efficiencies to the process,
12 and I'm sure there are more ways we can bring
13 efficiency to the process. And I took note of a
14 number of your comments, which I want to think about
15 further.

16 I guess the concern I have is in your
17 reference to Saskatchewan. So I want to put it to
18 you, Do you think it's a fair comparison to
19 Saskatchewan which is one (1) of two (2) jurisdictions
20 that doesn't set rates?

21 They have one (1) person working for
22 the authority. That person hires a consultant. They
23 then set -- they -- the consultant does a report that
24 goes to cabinet, and the government sets the rates.
25 The same is true with Nunavut. All other -- all other

1 jurisdictions to my knowledge in Canada, and I just
2 came back from another CAMPUT session, actually have
3 hearings and set rates.

4 So I just -- I'm -- I'm trying to
5 understand the compari -- you know, the comparison
6 with Saskatchewan because in my mind it's comparing
7 apples and oranges. If you want to go to
8 Saskatchewan, you're going to have to change the Crown
9 Corporations Governance and Accountability Act which
10 directed the PUB to set rates, and change it to the --
11 the cabinet of the government of Manitoba will set
12 rates.

13 So I just throw that to you, and ask
14 for your -- your comment.

15 MR. MICHAEL TRIGGS: Yeah. Thank you.
16 I -- I guess some clarification on that and it's a
17 little bit of a jurisdictional issue is that this --
18 this Board approves the rates. They actually are set
19 by cabinet -- this cabinet. They pass regulations
20 that are -- become the -- the rates. So technically
21 speaking the rates are set by government. They cannot
22 set rates though that are not approved by this Board.

23 So there is slight nuance there but I
24 think the -- the more important question you're asking
25 is, you know, what's the difference between

1 Saskatchewan and MPI. And at these hearings, we oft -
2 - often have comparisons. Well, SGI is doing this.
3 MPI is doing that. There's comparisons between them.

4 And what we have is two (2)
5 substantially different processes of how rates are
6 set. And I -- I would say that the people in
7 Saskatchewan think that their rates are fair and just,
8 and they get to it a certain way. We get to it a
9 different way.

10 And -- and as I said in my remarks,
11 we're not suggesting that you go to what Saskatchewan
12 is doing but to ask yourselves the question is really,
13 Do you need to get into the granularity that --
14 compared to what Saskatchewan does to set its rates?
15 You know, the difference is that, you know, there's --
16 they have six hundred (600) pages of documentation
17 that is seen to be sufficient in order to make
18 decisions on what just and reasonable rates are in
19 Saskatchewan.

20 Here, in our process, we have twelve
21 thousand (12,000) pages. And what we're asking, Is --
22 is there something that can be learned from the
23 process? Can we think -- and really all I -- what I -
24 - submission is, is for this new -- panel, who is new
25 to the process, ask why do we do what we do? What's

1 the purpose of this? Why do we have to get into that?

2 How does that help us make -- I
3 wouldn't say us -- you make your decision on rates?
4 We've talked a lot about, you know, road safety and
5 there's no debate here that road safety is important,
6 but how does that really impact upon your ability to
7 determine just and reasonable rates? Why is it
8 necessary to get into this level of detail on these
9 things to set the rates?

10 And what we're doing is have --
11 requesting that the -- the Board ask itself those
12 questions and have critical thought as to, Is this
13 necessary? If the Board says, Yes, actually this is
14 very important, we need to do it. Fine, be it, but
15 it's a new panel and it has the opportunity to ask
16 itself these questions, Why do we do what we do?

17 The past has been the past. And just
18 because they did it this way before, doesn't
19 necessarily mean it has to in -- in the future on a go
20 forward basis. So we start looking at there's
21 different ways in which rates are set. This Board has
22 the opportunity to ask itself those big questions, Is
23 what we're doing the most efficient way to determine
24 the rates?

25 THE CHAIRPERSON: Thank you. Am I on?

1 Okay. So I guess we'll move to pre-qualification of
2 expert witnesses. Ms. McCandless, do you want to --
3 I'm trying to figure out --

4 MR. BYRON WILLIAMS: And, Mr. Chair --

5 THE CHAIRPERSON: Oh, sorry.

6 MR. BYRON WILLIAMS: -- Mr. Chair,
7 sorry to interrupt.

8 THE CHAIRPERSON: Yes.

9 MR. BYRON WILLIAMS: Can I suggest we
10 stand down for just a couple minutes? Just -- I'd
11 like to have a conversation with My Learned Friends
12 from Manitoba Public Insurance and then invite all
13 other counsel there just to -- to have that
14 conversation as well, if -- if we could just --

15 THE CHAIRPERSON: Okay. I'm -- I'm
16 just trying to figure out timing in terms of we have
17 two (2) more items, the pre-qualification of expert
18 witnesses. And my understanding is there's been
19 significant discussion on that and time table.

20 If we break until a quarter to, are we
21 going to be able to finish by 12:30?

22 MR. BYRON WILLIAMS: Well, I'm -- I'm
23 not making --

24 THE CHAIRPERSON: Okay.

25 MR. BYRON WILLIAMS: -- determinative

1 representation --

2 THE CHAIRPERSON: Okay. I'm not just
3 asking you. I'm asking all --

4 MR. BYRON WILLIAMS: My -- I'm -- I'm
5 hoping to shortcut some of the -- the dialogue.

6 THE CHAIRPERSON: Okay. We'll --
7 we'll break until a quarter to 12. Thank you.

8

9 --- Upon recessing at 11:36 a.m.

10 --- Upon resuming at 11:47 a.m.

11

12 THE CHAIRPERSON: Thank you. Mr.
13 Scarfone, my counsel advised that I should be calling
14 on you for MPI's position on pre-qualification of
15 witnesses.

16 MR. STEVEN SCARFONE: Yes. Thank you,
17 Mr. Chairperson. So I'm happy to report that I do
18 believe we've reached consensus on the three (3)
19 expert witnesses that MPI will make available if
20 necessary at the hearing. Martin Geffen, who had his
21 CV circulated earlier this week. I understand he was
22 qualified last year. We propose that he be qualified
23 again as an expert in the use and planning of
24 information technology and IT governance.

25 Again, that's an expert in the use and

1 planning of information technology and IT governance.
2 And if necessary, Mr. Geffen will appear to speak to
3 the Gartner Report that did a -- an evaluation of the
4 physical damage re-engineering program, the PDR
5 program.

6 As it concerns the -- the post-
7 implementation evaluation of the business and injury
8 improvement initiative, which is colloquially referred
9 to as BI3, there are two (2) gentlemen that were
10 actively involved in -- in that report. Mr. Yendall,
11 Steve Yendall was the lead from Ernst and Young on the
12 project.

13 THE CHAIRPERSON: Sorry, could you
14 spell that, please?

15 MR. STEVEN SCARFONE: Yes, it's Y-E-N-
16 D-A-L-L.

17 THE CHAIRPERSON: Thank you.

18 MR. STEVEN SCARFONE: So MPI is
19 seeking to have Mr. Yendall qualified as an expert in
20 the area of operational strategy and transformation.
21 And Mr. Yendall will speak to the methodology used in
22 the evaluation of BI3.

23 His colleague, Liam McFarlane, M-C-F-A-
24 R-L-A-N-E is chief actuary for EY and leads the firms
25 actuarial practice. And again, we've, I believe,

1 reached consensus on his qualifications. And MPI will
2 ask that he be qualified as an expert in the area of
3 actuarial pricing and reserving for automobile regimes
4 and government insurance.

5 That's a very narrow expertise, I
6 appreciate. I'll read it again. It's that he be
7 qualified in the area of actuarial pricing and
8 reserving for automobile regimes and government
9 insurance. And Ms. McCandless has asked that we make
10 the -- the panel aware, the Board aware that his
11 testimony will be limited to what's contained within
12 the report that EY has prepared.

13 THE CHAIRPERSON: Thank you.

14 MR. STEVEN SCARFONE: Thank you.

15 THE CHAIRPERSON: Those three (3).

16 Mr. Williams...?

17 MR. BYRON WILLIAMS: Yes. And I'll --
18 I'll express my appreciation to all parties in the
19 room. I think we -- we handed -- ended up having an
20 efficient conversation. At this point in time, the
21 Consumers' -- the Association is -- in -- intends to
22 call evidence related to the rate stabilization
23 reserve, including appropriate methodology for
24 studying the -- the target and the range.

25 For that purposes, we believe we have

1 consensus in the qualification of Dr. Wayne Simpson
2 with the rele -- relevant expertise being applied
3 econometrics, applied microeconomics, and quantitative
4 methods. And I'll note that, if anyone's looking for
5 a handy definition of those terms, it's at page 13 of
6 attachment A. And, also, Ms. Andrea Sherry, who has
7 expertise an actuarial -- actuarial analysis with a
8 particular focus on pricing, rate making, and risk
9 related to auto insurers generally, including Crown-
10 owned -- Crown-owned automobile insurers.

11 I can repeat any of that if the Board
12 requires. The -- the Consumers' Association, at this
13 point in time, has not made a decision on whether it
14 would call Mr. Valter Viola on this same issue. At
15 this point in time, its inclination is that he -- he
16 will not be called, but that's subject to further
17 review. But his agreed expertise is investment
18 portfolio management, risk management related to
19 investment portfolios, investment research and
20 economics.

21 THE CHAIRPERSON: Thank you. And I
22 just indicate to the panel that those three (3) people
23 have been -- testified as expert witnesses in previous
24 hearings. Mr. Oakes, will you be calling any expert -
25 - any expert witnesses?

1 MR. RAYMOND OAKES: No, I won't, Mr.
2 Chairman. And I think that the record accurately
3 reflects the consensus based on the discussions that
4 were held on the break.

5 THE CHAIRPERSON: Mr. Monnin...?

6 MR. CHRISTIAN MONNIN: I'll just
7 reiterate what Mr. Oakes said. Thank you.

8 THE CHAIRPERSON: Thank you. Okay, if
9 there's no other questions, then it appears we have
10 consensus on the issue of pre-qualification of expert
11 witnesses, then we'll move to the final issue, which
12 is the timetable for the hearing.

13 And I'm going to call upon our counsel
14 to lead the discussion on that.

15 MS. KATHLEEN MCCANDLESS: The
16 timetable is PUB Exhibit number 3. And the parties
17 have reviewed it and reviewed it in the workshop which
18 took place on Monday and I believe that are all in
19 agreement with the timetable that's been proposed.

20 With respect to the commencement of the
21 hearing, the panel will note that, item 18, the
22 hearing commences on October 2nd and contemplates
23 three (3) weeks of hearings for a total of fourteen
24 (14) hearing days. Now, historically, we will set
25 more hearing days than ultimately are required as it

1 is early days right now we cannot say wha -- what, if
2 any, of those fourteen (14) days may drop off, but it
3 is anticipated that ultimately fourteen (14) days will
4 likely not be needed.

5 I don't know if the parties have any
6 other comments on the schedule.

7 MR. BYRON WILLIAMS: I'm not sure if
8 MB -- MPI had or not. I'll just indicate with
9 apologies to the Board we're happy with this schedule
10 on behalf of our clients. I have another legal matter
11 scheduled -- or tentatively scheduled out of province
12 for October 3rd and 4th, so I'm expressing my regrets,
13 but my very capable colleague will be stepping into
14 the breach on those days.

15 THE CHAIRPERSON: Okay. If not, it
16 appears we've concluded the agenda. Are there any
17 issues that the parties would like to raise at this
18 time?

19 MS. KATHLEEN MCCANDLESS: Mr. Chair, I
20 just have one (1) -- one (1) more point on the
21 schedule. Mr. Oakes had mentioned in his initial
22 submissions that he would be providing further budget
23 information.

24 THE CHAIRPERSON: Right.

25 MS. KATHLEEN MCCANDLESS: And perhaps,

1 just with the schedule before everyone here, the
2 panel's Order arising out of today's pre-hearing --
3 pre-hearing conference is to be released on July 6th.

4 And, Mr. Chair, in your opening
5 comments, you had mentioned that, for prospective
6 intervenors, following that Order, if there were any
7 further budget items to -- to file, that we could
8 discuss when that might take place in accordance with
9 the schedule.

10 So perhaps Mr. Oakes could just advise
11 as to when he might anticipate having that further
12 information.

13 MR. RAYMOND OAKES: The overall budget
14 for CMMG will be as filed. The Board has indicated in
15 its new procedures that it wishes financial statements
16 of the applicant and the like.

17 So I've been trying to obtain those,
18 and I don't see a -- a difficulty to having those
19 within the time frame that you've indicated. But
20 we'll provide a further breakdown in that financial
21 statement shortly; I would hope within a week of now.

22 MS. KATHLEEN MCCANDLESS: Thank you.

23 MR. STEVEN SCARFONE: Mr. Chairperson,
24 one (1) --

25 THE CHAIRPERSON: Yes.

1 MR. STEVEN SCARFONE: -- matter that
2 Mr. Crozier just raised. I understand last year there
3 was a template circulated to be used for Information
4 Requests. And so the Corporation is again suggesting
5 that that be done. It's not inconsistent with the --
6 with the form that was set out in the -- in the June
7 19 letter.

8 THE CHAIRPERSON: Okay. Thank you.
9 We'll take that into consideration and indicate in the
10 order.

11 Anyways, if there are no other issues,
12 I'd like to thank everyone for attending and being so
13 cooperative, and stay dry. Thank you.

14 MR. STEVEN SCARFONE: Thank you.

15

16 --- Upon adjourning at 11:58 a.m.

17

18

19 Certified Correct,

20

21 _____

22 Ms. Cheryl Lavigne

23

24

25