

1 very important.

2 MR. REGIS GOSSELIN: And one (1) -- one  
3 (1) of the things that you -- one (1) of the  
4 commitments that have been made by MPI is the  
5 commitment to take some excess reserves from the  
6 business lines that we don't regulate, extension and  
7 SRE, and take that money and put it into the rate  
8 stabil -- stabilization reserve, but you hadn't  
9 indicated what that amount will be.

10 Now, is that -- can you enlighten us as  
11 to why that -- that number's a -- an unknown number?

12 MR. DAN GUIMOND: Yes, I can. I --  
13 first of all, we don't know the amount of money that  
14 should be transferred, and that's one (1) of the  
15 things. Like, by the end of the fiscal year, we -- you  
16 know, depending how it shakes out in terms of the  
17 interest of the interest rate and -- and where we end  
18 up in terms of the -- the difference, depending on what  
19 you approve.

20 Assuming you approve the DCAT and  
21 approve -- approve the MCT of 100 percent, we're going  
22 to have to look at the -- at the -- gap, about the  
23 money that needs to be put in there, and then I think  
24 our commitment to you today is that we want that gap  
25 closed as quickly as possible, and within four (4)

1 years. No longer than four (4) years.

2                   And of course, the amount of money that  
3 we have right now in excess retained earnings, we have  
4 to -- to do the -- the same thing in our other lines of  
5 business in terms of the minimum retained capital and  
6 so on. So -- so at the end of the day, to answer your  
7 question, we will want to get to the minimum amount as  
8 fast as possible, and we will want to close the gap  
9 within four (4) years.

10

11

(BRIEF PAUSE)

12

13

                  MR. REGIS GOSSELIN: Now -- but we  
14 talked about the interest rate forecasting methodology.  
15 I think that's the first question I have is: Have you  
16 considered resubmitting your application given that  
17 nearby interest rates have softened over the last few  
18 months? I mean, have you considered that as an option,  
19 coming back to us with an application that would  
20 reflect the softening of interest rates?

21

22

                  I mean, that's -- that's entirely open  
to MPI to do.

23

24

25

                  MR. DAN GUIMOND: Yes, it is something  
that we talked about. There's no question that if we  
were to -- if we're back in June and it would be what

1 and put the three point four (3.4) to the -- to the  
2 Basic rates. And then I said to myself, Well, you  
3 know, why not four point two (4.2), or three point nine  
4 (3.9)? This goes back to finding common ground again.  
5 And I said, You know, at three point four (3.4) I can  
6 meet my mandate. As president and CEO, if I get 3.4  
7 percent, I'll meet the mandate. If I don't get that, I  
8 won't meet our mandate. That -- that's what I believe.

9                   So, you know, at the end of the day when  
10 you're dealing with all kinds of variables that nobody  
11 really know how it's going to turn out, I mean, it --  
12 it -- this -- you know, you think this interest rate  
13 thing -- like, I mean, really -- like nobody knows. We  
14 could parade experts here left and right, nobody's  
15 going to -- if -- the only thing people know is it's  
16 going to go up, but they don't know when.

17                   So you've got to make a call. So I made  
18 a call, and I'm willing to say as president and CEO at  
19 3.4 percent, we'll meet our mandate. If we don't have  
20 3.4 percent, we're not going to meet our mandate. And  
21 -- and I think you need to stand up as the leader, and  
22 you need to -- when there's all kinds of uncertainties  
23 you need to make a call, and I made the call. And  
24 we'll see what happens.

25

1 (BRIEF PAUSE)

2

3 MS. CANDACE GRAMMOND: Mr. Guimond, you  
4 also gave a little bit of evidence yesterday in  
5 response to a question from the Chairman of the Board  
6 about transferring excess retained earnings into Basic  
7 from the other lines, and I just want to ask you a few  
8 more questions about that.

9 The first question is: When would the  
10 Corporation envision --

11 MR. DAN GUIMOND: I'm glad to report  
12 it's not mine.

13 MS. CANDACE GRAMMOND: I -- I think it  
14 was actually someone in the hall. It was very loud.

15 When would you envision a transfer, and  
16 -- and leave aside the amount for the moment, but what  
17 would the timing be relative to this process?

18 MR. DAN GUIMOND: I think what we're  
19 committing is -- is to have whatever we agree to, to be  
20 there within four (4) years. That's number 1. And  
21 then number 2 is to get to the minimum amount as fast  
22 as possible. So when I -- when I think about all the  
23 things that can happen, you know, if we -- if we have  
24 like a bad winter, if we take a bigger hit, and so on,  
25 so -- but our objective will be -- our commitment to

1 you is to have it rebuild within four (4) years, and to  
2 get there as fast as possible.

3 MS. CANDACE GRAMMOND: So would we  
4 expect to see the first transfer then in current fiscal  
5 year? Like after the Board's Order but before the end  
6 of February?

7 MR. DAN GUIMOND: It's going to depend  
8 what -- what really Ms. Reichert tells me in terms of  
9 how she thinks our -- our competitive lines are going  
10 to end up at the end of the year. But, yeah, I would  
11 think that you'd want to see something -- so I'm  
12 definitely going to want to be able to show that we --  
13 that we're serious about it, and -- and transfer  
14 something meaningful before the end of the fiscal year.

15 MS. CANDACE GRAMMOND: Okay. Thank  
16 you. And I -- I appreciate that you -- the Corporation  
17 will need to look at how much is in the other lines,  
18 but would it be reasonable to expect that whatever the  
19 excess is in the other lines would be transferred, or  
20 would -- do you think the Corporation would see the  
21 need to maintain something more than the target numbers  
22 in those other lines?

23 MR. DAN GUIMOND: It will depend what  
24 the Board of Directors -- the -- in -- in terms -- I  
25 think you're talking about that -- that \$100 million

1 sitting there. We're going to transfer the lion's  
2 share of that money as fast as possible, if -- if  
3 everything works out. It's possible, though, that we  
4 might use some of that money to -- to do something I'm  
5 not at liberty to -- to talk about right now. But it -  
6 - it has to do with our research -- our R & D facility.  
7 And we might be investing in our R & D facility, so.

8                   But it will be pretty darn close to the  
9 -- to at least the number you see there, if not -- if  
10 not a little bit more because we'll get some of the  
11 profits coming in this year, too, right? So it'll be -  
12 - it'll be substantial.

13                   MS. CANDACE GRAMMOND: And from the way  
14 that the discussion on this has -- is going, I think I  
15 already know the answer to this question, but I just  
16 want to make sure that I'm clear.

17                   Should the Board have any concern that  
18 there will be no money transferred? Or is it safe to  
19 say that there will be some amount transferred?

20                   MR. DAN GUIMOND: Oh, for sure, some --  
21 some amount transferred. I mean, this is a serious  
22 commitment on behalf of our board of director to the --  
23 to the Regulator.

24                   MS. CANDACE GRAMMOND: The other thing  
25 that I wanted to learn about from you is in terms of

2003

1                   The forecast that MPI has put forward  
2 for the RSR as of the end of the current year, the 61  
3 million, is below the minimum RSR target established by  
4 the Board, which is currently 82.3 million.

5                   The Corporation has asked for a minimum  
6 RSR target of 194 million, and that's based on the  
7 results of the 2014 DCAT report, or Dynamic Capital  
8 Adequacy Testing report, that it prepared.

9                   MPI has also asked for a minimum RSR  
10 target of 213 million in total equity, which includes  
11 AOCI. The Corporation has asked for an RSR target  
12 range with an upper limit based on the Minimum Capital  
13 Test, or MCT, and in particular a ratio of 100 percent,  
14 which was determined to equate 325 million based on the  
15 2013/'14 MCT.

16                   MPI has asked that the Board exercise  
17 its discretion and set the upper limit of the RSR based  
18 on either this 2013/'14 MCC (sic) target or the  
19 2012/'13 MCC -- MCT target of 323 million. And that's  
20 given the similar test results between the three  
21 twenty-three (323) and three twenty-five (325).

22                   If the Board accepts MPI's proposed DCAT  
23 and MCT-based target, the Corporation has committed to  
24 transfer over \$100 million in excess retained earnings  
25 from its non-regulated lines, Extension and Special

2241

1 past when faced with significantly adverse financial  
2 results, is willing to rebuild the Basis RSR with a  
3 transfer of excess retained earnings from its  
4 competitive lines of business. The final amount to be  
5 transferred and the rate of transfer is yet to be  
6 determined but will be based upon the methodology and  
7 minimum target in the order forthcoming from this  
8 application.

9                   In his testimony, Mr. Guimond provided  
10 further context and details regarding the intended  
11 transfer from the competitive lines to replenish the  
12 Basic RSR. The commitment is that we want to close the  
13 gap and get to the minimum amount of retained earnings  
14 as quickly as possible and within four (4) years,  
15 transcript pages 130 to 131.

16                   The amount to be transferred is  
17 dependent upon the financial results of the Extension  
18 and SRA, transcript page 347. MPI will transfer the  
19 lion's share of the hundred million dollars as fast as  
20 possible prior to the end of the fiscal year if  
21 everything works out, transcript 348. The amount to be  
22 transferred will likely be more than is currently in  
23 the competitive lines of business, as there will be  
24 further profits earned this year, transcript 348.

25                   It is imperative to move forward on the