

1 Q. **Reference: Application**

2 Midgard states with respect to capital budget envelopes (NLH-PUB-002 relating to the Capital  
3 Budget Guidelines review):

4 Similar policy approaches have been implemented in British Columbia, Alberta,  
5 Manitoba and Ontario. Although several of these jurisdictions use Performance  
6 Based Regulation (“PBR”) frameworks to set rates for one or more electric  
7 utilities, Midgard notes that the benefits that accrue to this policy approach are  
8 not restricted to jurisdictions or utilities that utilize PBR. In Midgard’s opinion, it  
9 is valuable to draw from best practices followed in other jurisdictions and apply  
10 those learnings in the Newfoundland and Labrador context.

11 a) Did Midgard recommend capital budget envelopes in NL under the current cost-of-service  
12 regulation scheme?

13 b) Did Midgard recommend that PBR be implemented in NL?

14 c) Can it be concluded that the use of capital budget caps and envelopes is best practice in  
15 jurisdictions with cost of service regulation, at least in Midgard’s opinion?

16 d) Is Midgard recommending the binding use of capital budget envelopes, or as an alternative  
17 for the Board to order a capital budget envelope when it deems appropriate, thus increasing  
18 the Board’s flexibility?

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21 A. Newfoundland and Labrador Hydro (“Hydro”) prepared its 2023 Capital Budget Application in  
22 accordance with the relevant legislation and the Board of Commissioners of Public Utilities’  
23 provisional Capital Budget Application Guidelines (“Guidelines”).<sup>1</sup> The process to finalize the  
24 Guidelines is continuing in a regulatory process separate from this capital budget application. It  
25 is Hydro’s opinion that the information requested is not necessary for a satisfactory

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<sup>1</sup> “Capital Budget Application Guidelines (Provisional),” Board of Commissioners of Public Utilities, January 2022.

- 1 understanding of the matters to be considered in the 2023 Capital Budget Application as
- 2 required by the *Board of Commissioners of Public Utilities Regulations, 1996*.<sup>2</sup>

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<sup>2</sup> Nfld Reg. 39/96, s 14.