

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-
12 service regulation scheme?

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

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

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20 A. As Newfoundland and Labrador Hydro (“Hydro”) has previously noted,¹ Hydro has prepared its
21 2024 CBA in accordance with the relevant legislation and the Board of Commissioners of Public
22 Utilities’ provisional CBA Guidelines (“Guidelines”).² The process to finalize the Guidelines is
23 continuing in a regulatory process separate from this CBA. It is Hydro’s opinion that the
24 information requested is not necessary for a satisfactory understanding of the matters to be
25 considered in the 2024 CBA as required by the *Board of Commissioners of Public Utilities*
26 *Regulations, 1996*.³

¹ Please refer to response to CA-NLH-039 of Hydro’s 2023 Capital Budget Application (“CBA”) proceeding.

² “Capital Budget Application Guidelines (Provisional),” Board of Commissioners of Public Utilities, January 2022.

³ Nfld Reg. 39/96, s 14.