

- 1 **Q. Midgard Consulting Inc. (“Midgard”), in its October 29, 2020, Consulting**
2 **Report to the PUB informed that Midgard was of the opinion that existing**
3 **legislation enables the PUB to approval Capital Budget envelopes that**
4 **represent all or some portion of the total proposed utility budget.**
5 **a) Does Newfoundland Power support the utilization of capital budget**
6 **envelopes as referenced by Midgard?**
7 **b) Are any of the other Fortis companies in Canada subject to the imposition**
8 **of a Capital Budget Envelope by its regulatory body and, if so, which ones?**
9 **c) What other utilities in Canada are subject to regulatory imposed Capital**
10 **Budget Envelopes?**
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12 **A.** a) Newfoundland Power does not support the use of capital budget envelopes as
13 referenced by Midgard. The Company views both capital budget caps and capital
14 budget envelopes as arbitrary limits on capital expenditures and notes that,
15 according to Midgard, neither are best practice in jurisdictions with cost of service
16 regulation such as Newfoundland and Labrador.¹
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18 b) Newfoundland Power has not completed a jurisdictional scan to identify which
19 utilities in Canada are subject to a capital budget envelope by their regulatory body.
20 The Company does note that, in the context of performance-based regulation, the
21 method of determining appropriate levels of capital expenditures varies depending
22 on the jurisdiction.²
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24 c) See part b).

¹ See the response to Request for Information NP-PUB-010 filed as part of the *2020 Capital Budget Guidelines Review*.

² For example, the British Columbia Utilities Commission (“BCUC”) found that capital expenditure amounts set by an index-based formula were not necessarily responsive to asset condition, changes in technology, evolving legislation and public policy. The current approach approved by the BCUC for FortisBC relies on a bottom-up forecast of individual asset needs, prioritized in an effort to increase efficiency and minimize customer rate impacts. This is more closely comparable with the approach used in Newfoundland and Labrador to determining an annual amount of capital spending than to the concept of a capital budget envelope. See BCUC Orders G-165-20 and G-166-20 at pages 127 and 131 respectively.