

1 **Q. Reference: 2024 Capital Budget Application – Intervenor Evidence, Utility**  
2 **Management Responsibility Report, Midgard Consulting Incorporated, page 22,**  
3 **footnote 15.**

4  
5 *“Regulatory bodies like the OEB provide flexibility through incremental spending*  
6 *applications, allowing utilities to address emergent needs.”*

7  
8 **(a) Please provide the statutory provision, regulation, or regulatory guideline**  
9 **that permits Ontario utilities to file incremental spending applications,**  
10 **thereby allowing Ontario utilities to address emergent needs**

11  
12 **(b) Further to part a), for Manitoba and British Columbia, please provide similar**  
13 **statutory provisions, regulations, or regulatory guidelines to those identified**  
14 **in part a).**

15  
16 **A. (a)** On September 18, 2014, the Ontario Energy Board (“OEB”) published ‘*Report of*  
17 *the Board, New Policy Options for the Funding of Capital Investments: The*  
18 *Advanced Capital Module (the “ACM Report”)*’, which introduced a funding  
19 mechanism that allowed Ontario utilities to address emergent needs. An ACM  
20 enables review, during a cost-of-service application, of the need and prudence of  
21 incremental capital funding requests for discrete projects that are part of a  
22 distributor’s Distribution System Plan, and that are planned to come into service  
23 during the Incentive Regulation Mechanism (“IRM”) period.<sup>1</sup>

24  
25 As stated by Midgard in its Evidence:

26  
27 *“The Incremental Capital Module (“ICM”) exists to address*  
28 *unanticipated, discrete capital expenditures during the IR term. ICM*  
29 *projects are those not included in a distributor's DSP filed during its COS*  
30 *application, or projects included in the DSP lacking sufficient information*  
31 *to address need and prudence at the time of the COS application.*

32  
33 ...

34  
35 *Incentivizing distributors to adopt a longer-term planning horizon for*  
36 *capital and operating projects enables resource optimization to serve*  
37 *existing customers while preparing for future needs. Consequently, the*  
38 *OEB decided to advance the review and approval process for incremental*

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<sup>1</sup> OEB, EB-2014-0219, p. 3-4. [Link](#).

1                                    *capital through the Advanced Capital Module (“ACM”). This adaptation*  
2                                    *builds on the ICM mechanism.”*<sup>2</sup>  
3  
4

- 5            (b)    In British Columbia, BC Hydro’s Capital Filing Guideline complies with British  
6                                    Columbia Utilities Commission (“BCUC”) Order No. G-313-19 Directive 2 and  
7                                    provides guidance to BC Hydro for preparing and filing its applications and  
8                                    compliance reports.<sup>3</sup> Please refer to Appendix A.1 of Midgard’s evidence for  
9                                    further discussion.

10  
11                                    For Manitoba, “*The Crown Corporations Governance and Accountability Act*”  
12                                    outlines governance, rules, and the need for Manitoba’s Public Utilities Board  
13                                    (“MPUB”) approval regarding rate changes or new rates for Manitoba Hydro and  
14                                    Manitoba Public Insurance. It touches on financial aspects considered during rate  
15                                    reviews, such as covering expenses, servicing debt, reserves, liabilities, and  
16                                    operational payments. Though not explicit, it relates to financial considerations,  
17                                    including capital spending.<sup>4</sup>

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<sup>2</sup> Midgard Evidence, P0688-D003-RPT-R01-EXT, Appendix C.3, p. 74-75.

<sup>3</sup> BC Hydro, Review of the Regulatory Oversight of Capital Expenditures and Project Compliance with BCUC Order No. G-313-19 Directive 2, Attachment I. [Link](#).

<sup>4</sup> Manitoba Government, The Crown Corporations Governance And Accountability Act. [Link](#).