

1 **Q. Reference: 2024 Capital Budget Application – Intervenor Evidence, Utility**
2 **Management Responsibility Report, Midgard Consulting Incorporated, page 23.**

3
4 *“Three (3) of the four (4) regulatory approaches used across Canada explicitly have*
5 *some form of capital budget envelope (COS, PBR, Rate Setting)...”*

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7 **For the three identified regulatory approaches across Canada that explicitly have**
8 **some form of capital budget envelope, please provide the statute, regulation, or**
9 **regulatory guideline that explicitly establishes a capital budget envelope.**

10
11
12 **A.** The three identified regulatory approaches across Canada do not have specific statutes,
13 regulations, or regulatory guidelines that explicitly establish or prohibit capital budget
14 envelopes. Instead, these regulatory approaches implicitly incorporate capital budget
15 envelopes. For example, once PBR is established, a capital budget envelope is implicitly
16 formed within the regulatory framework.

17
18 Similarly, both BC Hydro and Manitoba employ a top-down, bottom-up¹ approach to
19 establish capital budget envelopes and subsequently operate within this framework.

20
21 For BC Hydro:

22
23 *“A key element of the annual enterprise capital planning process is the direction*
24 *provided by the Executive Team on long-term capital investment levels [capital*
25 *budget envelope]. In providing this direction the Executive Team considers BC*
26 *Hydro’s capital investment needs while balancing affordability, system*
27 *performance and the need to manage the risks of our assets.”²*

28
29 *“Once the long-term capital investment levels [capital budget envelopes] have*
30 *been established, preliminary financial targets are developed for each of the asset*
31 *categories considering the factors discussed in Step 1, as well as the historical*
32 *composition of the capital plan. These preliminary financial targets are an input*
33 *into the bottom-up planning process...*

34
35 *Within the common Enterprise Capital Planning process, each asset category uses*
36 *a bottom-up planning process that is tailored to the characteristics of the portfolio,*
37 *considering:*

- 38
- *The function, criticality, volume and complexity of the different assets;*

¹ Different jurisdictions use different labels for capital budget envelope. For example, BC Hydro calls it “capital investment levels”.

² BC Hydro, Fiscal 2023 to 2025 Revenue Requirements Application, Appendix N, Section 1.2, p. 3, l. 4-8. [Link](#).

- 1 • *The magnitude of the risks, issues and opportunities;*
2 • *The size, scope, complexity and costs of the capital investments; and*
3 • *The internal stakeholders that should be involved in the process.*
4

5 *The processes used for the asset categories are scaled as required.”*³
6

7 For Manitoba Hydro:
8

9 *“In developing the [Operating & Administrative (“O&A)] budgets for 2022/23*
10 *and the Test Years, Manitoba Hydro took a combined top-down and bottom-up*
11 *approach. Based on the changes that Manitoba Hydro is undergoing, it is not*
12 *sufficient to assume that future budgets would be based on previous year’s*
13 *budgets. Instead, there was a review of all expenditures done by all business units*
14 *together with the top-down view by the Executive Leadership Team.*
15

16 *Top-Down enterprise guidelines were based on the prioritization of strategic*
17 *initiatives, along with an enterprise approach to pace the level of O&A and FTE*
18 *growth. Through this process, business units considered keeping costs as low as*
19 *possible by examining all expenditures and evaluating how to make work and*
20 *processes more efficient and effective, and generate increased value for our*
21 *customers.*
22

23 *For the bottom-up exercise, each business unit developed their own detailed*
24 *initiative plans, budget, and resources requirements, remaining within the*
25 *established enterprise guidelines and constraints.”*⁴

³ BC Hydro, Fiscal 2023 to 2025 Revenue Requirements Application, Appendix N, Section 1.3, p. 3, l. 10-12 & p. 4, l. 1-10. [Link](#).

⁴ Manitoba Hydro, 2023/24 & 2024/25 General Rate Application, Tab 6, Section 6.2, p. 6, l. 18-30. [Link](#).