

1 **Q. Reference: 2024 Capital Budget Application – Intervenor Evidence, Utility**
2 **Management Responsibility Report, Midgard Consulting Incorporated, page 27.**
3

4 *“As utilities mature their asset management capabilities, they are able to progress along*
5 *the prioritization strategy scale from subjective and/or asset health-based prioritization*
6 *strategies towards risk and value-based prioritization strategies. It is worth noting that*
7 *none of the utilities reviewed by Midgard has fully implemented a value model*
8 *prioritization yet. Utilities like Manitoba Hydro and BC Hydro are gradually moving in*
9 *that direction as their asset management capabilities mature, but they are not at that*
10 *level yet.”*
11

12 **(a) In Midgard’s review of Canadian jurisdictions, was Midgard able to**
13 **determine how long it typically takes utilities to progress along the**
14 **prioritization strategy scale for their capital investments, and how much time**
15 **utilities typically spend in each stage? If so, please provide details of the**
16 **timelines experienced by the utilities.**
17

18 **(b) In Midgard’s review, has Manitoba Hydro or BC Hydro indicated an**
19 **intention to fully implement value model prioritization? Have any other**
20 **utilities indicated any intention? If so, please provide the list of utilities**
21
22

23 **A. (a)** The duration of progress along the prioritization strategy scale for capital
24 investments varies and is largely dependent on the utility's senior leadership
25 commitment to advance progress. Utilities without senior leadership commitment
26 will exhibit a slower pace of advancement. Such utilities will exhibit slower
27 progression along the prioritization strategy scale. Similarly, in cases where
28 regulatory bodies issued specific filing requirements and set deadlines for utilities
29 (i.e., Ontario’s Chapter 5 requirements), utilities advanced their progress more
30 quickly as part of a continuous improvement process. Quantifying how much time
31 utilities spend on each stage is therefore difficult because it is dependent on senior
32 leadership commitment and regulatory board direction.
33

34 As an example, Midgard is aware of Manitoba Hydro’s quantified progress from
35 2016 when it scored 1.50 to 2021 when it scored 1.81.¹ A score of 3 is considered
36 competent in asset management practices.
37

38 As another example, the Ontario Energy Board (“OEB”) required utilities to
39 implement an asset management process that strategically planned, prioritized, and

¹ Manitoba Hydro, 2023/24 & 2024/25 General Rate Application, Tab 7, Appendix 7.4, p. 5. [Link](#).

1 optimized capital expenditures, as discussed in Appendix C.4 and C.4.1 of
2 Midgard’s evidence:
3

4 *“In Ontario, a distribution utility must employ an asset management*
5 *process to strategically plan, prioritize, and optimize its capital*
6 *expenditures while offering various stakeholders’ insight into the*
7 *distributor’s asset management process.*

8
9 *An overview specifically of the assets managed by the distribution utility is*
10 *presented, detailing service area characteristics and providing asset data*
11 *by type (e.g., capacity, condition, performance, risks, demographics) to*
12 *justify capital investments and consider economic alternatives. The*
13 *overview also identifies any prior transmission or high voltage assets*
14 *deemed as distribution assets and any such assets currently under*
15 *consideration for such designation...”²*
16

- 17
18 (b) Manitoba Hydro has already indicated its intention to implement and mature
19 its value model prioritization. As stated in evidence:
20

21 *“Manitoba Hydro is in the early stages of implementing prioritization*
22 *based on a value framework model. It is not currently achieving that*
23 *objective in practice but has updated plans to become competent in*
24 *the future.”³*
25

26 Manitoba Hydro is implementing its value model through the industry-
27 recognized Copperleaf C55 asset investment planning software. Manitoba
28 Hydro has already completed its initial implemented of Copperleaf C55 and
29 is currently working to improve its implementation:
30

31 *“The capital optimization process within Manitoba Hydro is a multi-*
32 *step process to achieve a capital project portfolio that maximizes*
33 *investment value and minimizes risks to the organization, within*
34 *funding, resource, and timing constraints. The optimization process*
35 *is a yearly initiative that establishes and communicates the project*
36 *and program portfolio.*
37

² Midgard Evidence, P0688-D003-RPT-R01-EXT, Appendix C.4 & C.4.1, p. 75-76.

³ Midgard Evidence, P0688-D003-RPT-R01-EXT, Section 4.1, p. 27.

1 *The [Corporate Value Framework] is core to the optimization process*
2 *and investment evaluation. Investment evaluation and*
3 *comparison/optimization takes place within the industry recognized*
4 *Copperleaf asset investment planning software. Software is necessary*
5 *to support the optimization process due to the magnitude and*
6 *complexity of Manitoba Hydro’s portfolio of investments. Copperleaf*
7 *houses the Corporate Value Framework and the portfolio of capital*
8 *programs and projects.”*⁴
9

10 In compliance with various Directives in BCUC Order Nos. G-91-23 and G-
11 154-23, BC Hydro has expressed an intention to implement value model
12 prioritization:⁵
13

14 *“BC Hydro has been investigating potential improvements to its*
15 *enterprise-wide framework for capital prioritization, with a focus on*
16 *transitioning towards [Value-based Decision Making (“VDM”)]. A*
17 *fundamental part of VDM is developing a value framework to provide*
18 *a consistent means to assess the costs, benefits, risks, and*
19 *performance of investments under consideration. This value*
20 *framework is then used to compare investments using a common*
21 *economic scale so that trade-off decisions can be made with increased*
22 *consistency, transparency, and confidence. Consideration of other*
23 *factors such as labour resources and outage constraints will continue*
24 *to play an important role in determining the final portfolio of*
25 *investments that are included in the capital plan.”*⁶
26

27 Another example is Alectra Utilities Corporation (“Alectra”) which is
28 implementing a value model similar to Manitoba Hydro's. Alectra is also
29 using Copperleaf C55 software:
30

31 *“Information for all ongoing and proposed capital projects resides in*
32 *a common repository within the Copperleaf C55 capital management*
33 *system. The use of a single system to enter and track information*
34 *relating to project costs and benefits is a critical feature of Alectra’s*
35 *capital planning process, as the assumptions and methods used to*

⁴ Manitoba Hydro, 2023/24 & 2024/25 General Rate Application, Tab 7, Section 7.4.3, p. 46, l. 3-12. [Link](#).

⁵ At the time of preparing the response to this information request, BC Hydro’s compliance filing is still under review by the BCUC.

⁶ BC Hydro, BC Hydro Compliance with Directive 20 and 87 of G-91-23, Section 3.2.2, p. 44, l. 10-18. [Link](#).

1 *determine project value and need are consistently applied, thereby*
2 *avoiding potential biases associated with processes based on*
3 *judgement or inconsistent project evaluation methods.*

4
5 *Copperleaf's C55 suite of investment planning modules is used by*
6 *Alectra to manage capital projects and to produce an optimized*
7 *investment portfolio over five years...*

8
9 *... The need for such a tool and structured approach to investment*
10 *planning is underscored by the large number of projects in Alectra's*
11 *capital portfolio – over 1000 in the DSP. One of the key features of*
12 *C55 is its ability to evaluate and rank dissimilar projects, including*
13 *those in each of Alectra's four investment categories, on a common*
14 *economic scale.”⁷*

⁷ OEB, EB-2022-0013, Alectra Utilities Corporation, Incremental Capital Module (ICM), Application, Section 1.10, p. 11-12. [Link](#).