

- 1 **Q. (Reference Application) What is the difference between a capital budget cap**
2 **and a capital budget envelope as proposed by Midgard?**
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- 4 A. A capital budget cap typically refers to a legislated cap on annual capital spending,
5 whereas a capital budget envelope, as discussed by Midgard, is an amount of capital
6 spending that is approved by a regulatory body following a review of proposed
7 expenditures.¹ The Company views both capital budget caps and capital budget
8 envelopes as arbitrary limits on capital expenditures and notes that neither are best
9 practice in jurisdictions with cost of service regulation such as Newfoundland and
10 Labrador.²

¹ See the response to Request for Information NP-PUB-009 filed as part of the 2020 Capital Budget Guidelines Review.

² See the response to Request for Information NP-PUB-010 filed as part of the 2020 Capital Budget Guidelines Review.