

1 **Q. (Reference Application, 2023 Capital Budget Overview, Appendix C, page 1,**  
 2 **Footnote 2) Please provide details of methods (ii) and (iv) referenced in the**  
 3 **footnote.**

4  
 5 A. The methods for prioritizing capital expenditures, as referenced in this Request for  
 6 Information, are:

7  
 8 (ii) Weighted Formulas: This methodology involves establishing specific criteria to  
 9 score risks related to capital expenditures. The criteria generally reflect  
 10 corporate goals or objectives with each criterion assigned a weight in a formula  
 11 (typically a percentage). Projects are evaluated by scoring a project against all  
 12 criteria. The overall priority of an expenditure is determined by adding the  
 13 scores together for all criteria based on their weights in the formula.

14  
 15 For example, London Hydro applies a weighted formula for infrastructure-related  
 16 expenditures. The formula relies on: (i) a Weighted Blended Health Index that is  
 17 calculated using the Average Health Index for the relevant asset categories; and  
 18 (ii) risk scores of one to 10 that are assigned across five weighted criteria, which  
 19 include reliability, safety, environment, capacity and efficiency.

20  
 21 London Hydro's formula is as follows:

$$Ranking = \sum \frac{(Risk\ Score) * (Weighting\ Contribution)}{Weighted\ Blended\ Health\ Index}$$

22 (iv) Advanced Software: This methodology involves prioritizing capital expenditures  
 23 using advanced software, such as the Copperleaf Portfolio software. The  
 24 Copperleaf Portfolio supports a risk-based approach to capital planning and  
 25 budgeting. The software captures future spending requirements, investment  
 26 opportunities, and known investment and project requirements. The value  
 27 metrics used to quantify the risk mitigated by a project, or the direct financial  
 28 costs and benefits of a project, can be guided by a questionnaire in order to  
 29 quantify risks and benefits.

30  
 31 For example, FortisBC implemented Copperleaf software in 2019 and is in the  
 32 process of compiling the necessary asset data to fully utilize the software in  
 33 prioritizing capital expenditures.