

1 Q. **Reference: Application**

2 What is the difference between a capital budget cap and a capital budget envelope as defined
3 by Midgard?

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6 A. A capital budget cap is generally considered to be a mandated maximum level of annual capital
7 spending. Midgard Consulting Inc.'s explanation of a capital budget envelope is of a scenario
8 where the regulator reviews a capital budget application and approves an amount that
9 represents all or some portion of the total proposed budget, without specifically approving or
10 disapproving specific projects.¹ Newfoundland and Labrador Hydro's submission in the Capital
11 Budget Application Guidelines Review process is that the capital envelope approach does not
12 align with the requirements of the *Public Utilities Act*² and will reduce clarity for the Board of
13 Commissioners of Public Utilities and parties with respect to the investments to be made which
14 is contrary to the purpose of the capital budget approval process.³

¹ "Capital Budget Application Guidelines Review – Midgard Consulting Report – Revised," Midgard Consulting Inc., October 30, 2020, p. 22.

² *Public Utilities Act*, RSNL 1990, c P-47.

³ "Capital Budget Application Guidelines Review – Newfoundland and Labrador Hydro's Response to Submissions of the Island Industrial Customer Group and the Consumer Advocate," Newfoundland and Labrador Hydro, July 21, 2021, p. 1.