

1 Q. (Hydro Reply Evidence dated August 7, 2015) On page 4 (line 28) and 5 (line 1),  
2 Hydro states “Hydro’s actions have been considered within the context of a prudent  
3 overall asset management plan”. Please provide for the record the definition of  
4 “prudent” used by Hydro in its Reply Evidence.

5  
6  
7 A. The Terms of Reference for the Prudence Review dated February 27, 2015, under  
8 Section 2 – Standards for Prudence Review, state in part as follows:

9  
10 The standards or tests for determining prudence have been  
11 discussed in a number of jurisdictions. While the standards  
12 may be described differently among the various jurisdictions,  
13 all generally contain certain common principles. . .

14  
15 The Nova Scotia Utility and Review Board (NSUARB) has  
16 adopted the following definition of prudence as set out in a  
17 decision of the Illinois Commerce Commission:

18  
19 *prudence is that standard of care which a*  
20 *reasonable person would be expected to*  
21 *exercise under the same circumstances*  
22 *encountered by utility management at the time*  
23 *decisions had to be made. Hindsight is not*  
24 *applied in assessing prudence...A utility’s*  
25 *decision is prudent if it was within the range of*  
26 *decisions reasonable persons might have*  
27 *made...The prudence standard recognizes that*  
28 *reasonable persons can have honest*  
29 *differences of opinion without one or the other*  
30 *necessarily being imprudent.*

31  
32 The NSUARB further determined that while the definition of  
33 imprudence may vary among jurisdictions it has the following  
34 fundamental principles:

- 1                   • Were the utility’s decisions reasonable in the context of
- 2                   information which was known or should have been
- 3                   known at the time?
- 4                   • Did the utility act in a reasonable manner and use a
- 5                   reasonable standard of care in its decision-making
- 6                   process?
- 7                   • The imprudency test should relate to the circumstances at
- 8                   the time in question and not to hindsight.
- 9

10               Hydro agrees with the above noted standards for prudence stated in the Terms of

11               Reference, and its use of the word “prudent” in its Reply Evidence is reflective of

12               that understanding of the use of the term prudence in the regulatory context.