

1 Q. (Hydro Reply Evidence dated August 7, 2015) Does Hydro accept the following
2 definition of “prudence” as defined in the state of Illinois? If not, why not?
3 (<http://www.naruc.org/international/Documents/Accounting%20Tanzania.pdf>)?

4 Section 9-211 of the Illinois Public Utilities Act (PUA) states: *“The Commission, in*
5 *any determination of rates or charges, shall include in a utility’s rate base only the*
6 *value of such investment which is both prudently incurred and used and useful in*
7 *providing service to public utility customers”.*

8 Section 9-212 of the PUA defines prudence to mean *“...that at the time of*
9 *certification, initiation of construction and each subsequent evaluation of any*
10 *construction project until the time of completion, based on the evidence introduced*
11 *in any hearings and all information which was known or should have been known at*
12 *the time, and relevant planning and certification criteria, it was prudent and*
13 *reasonable to conclude that the generating or production facility would be “used*
14 *and useful” in providing service to customers at the time of completion.”*

15 Section 9-212 of the PUA allows a generation or production facility to be considered
16 *“used and useful” if the facility is “necessary to meet customer demand or*
17 *economically beneficial in meeting such demand....it is capable of generation or*
18 *production at significant operating levels on a consistent and sustainable basis”.*

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21 A. As quoted in Hydro’s response to PR-CA-NLH-001, the Terms of Reference for the
22 Prudence Review acknowledge that while the standards for determining prudence
23 “may be described differently among the various jurisdictions, all generally contain
24 certain common principles”. Hydro agrees with the common fundamental
25 principles noted by the NSUARB as quoted in the Terms of Reference. Hydro does
26 not ascribe to the one specific legislative definition quoted in the RFI and notes that

- 1 it includes references to unquantified criteria such as “relevant planning and
- 2 certification criteria” and “significant operating levels”, and commingles the issues
- 3 of prudent decision making with whether an asset is “used or useful”.