

New statutory language for Advance Determination of Prudence sought

- Electric utilities that own coal generation facilities must meet increasingly stringent standards for emissions of pollutants over the next 8 - 10 years. The majority of these emissions standards are mandated by federal statutes and rules.
- The cost for these environmental upgrades will be substantial, and time horizons for project completion are 4 – 5 years.
- For investor-owned utilities (IOU's), traditional avenues of regulatory approval and cost-recovery will likely be inadequate for securing favorable financing for these projects in the current credit environment. Uncertainty is a lender's greatest concern.
- Investor-owned utilities need the opportunity to demonstrate the reasonableness of their environmental upgrade proposals to regulators. An advance determination of 'prudence' will provide IOU's with the best opportunity to secure favorable financing and rate stability for their customers.
- H.F. 3640 ensures that utilities will have a regulatory context for receiving permission to complete mandated environmental upgrade projects, while at the same time giving the MPUC full authority for scrutinizing costs and ensuring reasonableness of rates for customers.