

Memo

To: Commissioners and Illona
From: Mike Diller & Bill Binek
Date: June 17, 2002
Re: Bid Proposals for MDU's Gas Case (PU-399-02-183)
Administrative Agenda Item for June 19, 2002

At the direction of the commission, staff requested bid proposals to handle the staff advocacy portion of MDU's electric rate increase application. Specifically, staff requested price quotes for developing revenue requirements, cost of capital, depreciation and rate design.

Staff received bids from six consulting firms ranging in price from \$48,534 to \$170,750. Because price is an important factor in staff's analysis of the bid proposals, all but Snavelly King and Larkin & Associates were effectively eliminated from consideration.

Both remaining candidates bid within \$966 of each other and has provided good service to the commission in the past. Staff believes that both firms would be effective in representing advocacy staff.

All things being equal, Snavelly King out bid Larkin & Associates. In addition, staff believes there may be some carry-over value in Snavelly King's recent involvement in staff's rate complaint case against MDU's electric operations.

Staff recommends that the commission enter into a contract with Snavelly King to provide the commission with a full rate case investigation and testimony. The valuation fund currently has a balance of about \$94,000 for these types of cases.

Following is a summary of the individual component bids:

	<u>Snavelly</u>	<u>Larkin</u>
Revenue Requirements	\$15,292	\$22,996
Cost of Capital	9,014	6,626
Rate Design	6,136	7,016
Depreciation Expense	<u>18,092</u>	<u>12,862</u>
Total Bid	<u>\$48,534</u>	<u>\$49,500</u>