

## MEMORANDUM

TO: Illona Jeffcoat-Sacco

FROM: Jerry Lein

DATE: March 26, 2004

RE: Sole Source procurement of consultant to assist with MDU's Application for Increased Natural Gas Rates, Case No. PU-04-97

On March 3, 2004, Montana Dakota Utilities Co. (MDU) filed an application to increase its rates for natural gas service by an amount sufficient to provide increased total annual revenue of \$3,334,226. This will be the fourth time MDU revenue and rate requirements have been examined during recent years. In all three of the previous cases, the Commission procured assistance with the consulting firm Snavely King Majoros O'Connor & Lee, Inc. (Snavely King).

The first procurement resulted from competitive solicitation for assistance with an investigation of earnings from MDU's electric operations in Case Nos. PU-399-00-177 and PU-399-01-186 initially decided by the Commission on April 24, 2002.

The second procurement resulted from competitive solicitation for assistance with MDU's application to increase natural gas rates in Case No. PU-399-02-183, decided by the Commission on December 10, 2002.

Snavely King's assistance was again procured for MDU's application to increase electric rates in Case No. PU-399-03-296, decided by the Commission when it accepted a settlement on December 18, 2003. In this case procurement was accomplished by sole source means to take advantage of knowledge gained during the first two engagements. The contract was for a not-to-exceed price of \$36,004, but because the case settled and some of the work was not completed, the state was only billed \$12,701.36.

Because of the knowledge gained from the three recent proceedings, staff recommends hiring this same consultant under the Commission's sole source procurement procedures.

Under the Commission's procedures, the following reasons may be justification for sole source procurement:

1. The proposed item or service is available only from a single source.
2. The person or organization has the unique product or the special skills, knowledge, abilities to provide the required services (at the exclusion of

others) and is considered the preeminent deliverer of that product or service at the time of selection.

3. Emergency or severe time constraints preclude issuing a formal Request for Proposal.

4. The service is available within the existing structure of state or local government.

Staff's justification for sole source procurement in this proceeding is that Snavelly King, already has significant experience with MDU's costs and with its financial structure and operations in North Dakota. As a result, Snavelly King is able to do the project in less time and for less cost. This is evident in its proposal to assist with this case for a not-to exceed price of \$23,614. Staff is confident that similar proposals from other contractors would be significantly higher.