

Memo

To: Commissioners
From: Mike Diller 
CC: Illona, Gloria
Date: 1/17/2008
Re: Motions for Special Meeting (NSP Rate Case; Case No. PU-07-776)

Commissioner Wefald is agreeable to including the attached motions on tomorrow's special meeting to facilitate a quicker start time for staff's investigation of Northern States Power Company's electric rate increase application (PU-07-776).

The first motion authorizes staff to issue a Notice of Intent to Award a contract for consulting services. Snavelly King Majoros O'Connor & Lee, Inc. was the only bidder on this case despite our mass mailing efforts including both State Procurement's bidders list and our own vendors list. It seems counterintuitive to issue a Notice of Intent to Award given only one bidder. However, it appears others disagree with me including State Procurement. Gloria Geiger is our procurement officer in this matter and has already signed the Notice for your approval.

The second motion provides that the commission enter into a contract with Snavelly King for consulting services as requested in the original Request for Proposal (RFP) plus a few changes negotiated through the Best and Final Offer process after the initial bidding process was closed. In general, the advocacy staff requested that the consultant provide additional jurisdictional cost of service work in lieu of cost of capital work. As you recall, the advocacy staff has already filed an agreement with NSP on rate of return. Attached is the Best and Final Offer of Snavelly King outlining the changes that have been made to the original RFP.

The staff recommends that the commission enter into the contract for consulting services including the changes in the Best and Final Offer of Snavelly King. The firm is very experienced in providing this kind of service and has provided good service to the commission in previous years. The principals doing the work will include Charlie King and Mike Majoros who are the same witnesses that have appeared before the commission in times earlier. The firm is committed to working cooperatively with staff. Staff believes it can present a good case before the commission in cooperation with Snavelly King.

APPROVED

DATE: 1-18-08
[Signature]

MOTION

January 18, 2008

**Northern States Power Company
Electric Rate Increase
Application**

Case No. PU-07-776

I move the Commission issue a Notice of Intent to Award Contract for consulting services to Snavey King Marjoros O'Connor & Lee Inc. in Northern States Power Company's Electric Rate Increase application, Case No. PU-07-776.

MD

Snavely King Majoros O'Connor & Lee, Inc.
Economic & Management Consultants

Best and Final Offer of
Snavely King Majoros O'Connor & Lee, Inc
To the Public Service Commission
State of North Dakota

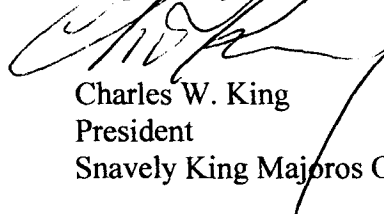
This Best and Final Offer ("BAFO") constitutes an amendment to the proposal submitted by Snavely King Majoros O'Connor & Lee, Inc ("Snavely King") on January 9, 2008 to the North Dakota Public Service Commission ("the Commission") in response to the Commission's Request for Proposals No. PU-07-776, dated December 17, 2007, for expert consulting assistance in connection with a forthcoming electric rate case involving the Northern States Power Company ("NSP"), a subsidiary of Xcel Energy. Except where changed by this BAFO, Snavely King's original proposal is incorporated and made part of this final proposal.

Attached hereto is a revised work hour and dollar budget. While the total work hours and budget are unchanged from our original proposal, the tasks and the distribution of work hours are altered. Instead of cost of capital, a new topic, characterized as "jurisdictional costs" is substituted, requiring almost the same level of effort as the now-discarded cost of capital topic.

Jurisdictional costs refers to the additional issues raised in the Commission's January 16, 2008 Request for Best and Final Offers: system peak verses North Dakota peak and the appropriateness of using 12CP or another method of allocating demand related costs; power flow analysis to determine where North Dakota ratepayers' power is coming from for the potential segregation of North Dakota electric properties from the total Minnesota company; a review of allocation factors to determine the validity of those factors. We also propose to examine the justification for the Minnesota Metro Emissions Reduction Project, which is the principal driver of NSP's proposed rate increase. As noted in our original proposal, the propriety of allocating a *pro rata* share of this project depends upon whether it is needed to secure sufficient power resources for the NSP system or whether it is justified to enhance the air quality of the Minnesota Twin Cities area.

Thank you for this opportunity to submit our Best and Final Offer. I would be happy to respond to any questions or comments the Commission or its staff may have. My e-mail address is charlieking@snavely-king.com, and my telephone number is (202) 371-9156.

Respectfully Submitted,



Charles W. King
President
Snavely King Majoros O'Connor & Lee, Inc.

January 16, 2008

Snavely King Majoros O'Connor & Lee, Inc.
Electric Rate Case - Northern State Power Company
Project Budget

Task	Description	Revenue Requirements			Jurisdictional Cost Analysis			Cost Allocation/ Rate Design			Total
		Principal Majoros	Staff (Note)	Total	Principal King	Staff (Note)	Total	Principal King	Staff (Note)	Total	
1	Study Company Filing	6		6	3		3	5		5	14
2	Prepare Discovery Requests	8	4	12	4		4	4		4	20
3	Analyze Company Data	35	25	60	25	15	25	10	15	25	110
4	Prepare Direct Testimony & Exhibits	25	20	45	17	5	22	20	10	30	97
5	Respond to Company Data Requests	5		5	3		3	5	4	9	17
6	Analyze Rebuttal	8	5	13	6		6	5		5	24
7	Draft Cross of Company Witnesses	5		5	4		4	4		4	13
8	Attend Hearings	16		16	16		16				32
9	Assist Counsel on Briefs and Exceptions	8		8				5		5	#VALUE!
	Total Workhours	116	54	170	78	20	83	58	29	87	340
	Rate per Hour	\$ 150	\$ 100		\$ 150	\$ 100		\$ 150	\$ 100		
	Fees	\$ 17,400	\$ 5,400	\$ 22,800	\$ 11,700	\$ 2,000	\$ 13,700	\$ 8,700	\$ 2,900	\$ 11,600	\$ 48,100
	Expenses										
	Air Fare	\$ 550			\$ 550						
	Hotel & Meals	\$ 200			\$ 200						
	Car Rental	\$ 100									
	Airport Parking	\$ 50			\$ 50						
	Communications and Delivery	\$ 100			\$ 100						
	Total Expenses			\$ 1,000			\$ 900				\$ 1,900
	Total Costs										\$ 50,000

Note: "Staff" is a composite of the following professional rates per hour:

Harry Gildea	\$ 125
Margaret Kenney	\$ 100
Eugene Bedell	\$ 100
Kim Hillenbrand	\$ 95
Edgar Banuelos	\$ 75