

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

January 24, 2008

Mike Diller
Public Service Commission
800 E. Boulevard Ave, Dept 408
Bismarck, ND 58505-0480

Dear Mike:

Enclosed is signed contract no. PU-550-08 for consulting services by our firm to the Public Service Commission in the matter of NSP's electric rate increase.

I also enclose our application for professional liability insurance. This application was filed in 2006, but we have no record of a response. I propose to file it again and will provide you documentation on the response from the insurance company.

I also remember that we are obliged to find a registered agent in North Dakota. I suspect that our previous registration has expired. Can you help us by providing the name of an agent we can contact in order to be properly registered?

Yesterday, I began the laborious process of reading NSP's application and testimony. We will prepare data requests as we go along, so they will likely be dribbled to you in a sequence of requests. Do you have a standard request numbering system?

I note that both you and Illona have called me on my cell phone. Although the cell phone is my principal means of communications in the summer when I'm working out of my Maine house, I don't use it much when I'm in Washington. For this reason, I'm quite slow to get messages left on it. Best to call my office number (202) 371-9156.


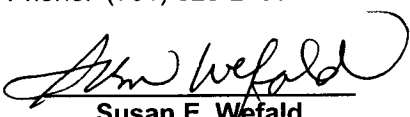

I look forward to working with you and the rest of the crowd there at the PSC.

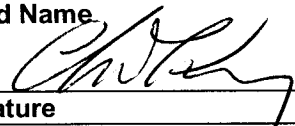
Sincerely,



Charles W. King

NORTH DAKOTA PUBLIC SERVICE COMMISSION
ADMINISTRATION DIVISION
PERSONAL SERVICE CONTRACT
SFN 53824 (7/2003)

Administrator:	State of North Dakota Public Service Commission 600 E. Boulevard Avenue Bismarck, ND 58505-0480 Phone: (701) 328-2400	
Date:	 Tony Clark Commissioner	 Susan E. Wefald President
	 Kevin Cramer Commissioner	

Contractor		
Snavelly King Majoros O'Conner & Lee, Inc.		
Name		
Charlie King	Washington DC	(202) 371-9156
Address		
1111 14 th St, NW, Suite 300	Washington DC 20005	202-371-1111
Typed Name		Title
		Jan 23, 2008
Signature		Date

Agreement Information	
PSC Case No.:	PU-07-776
Contract No.:	PU-552-08
Start Date:	Upon Signing
End Date:	December 31, 2008
Program Title:	NSP Electric Rate Case
Type of Contract:	(X) Fixed Price (X) Cost Reimb. () Unit Price () Other

Budget Information	
Cost Center:	7700
Services:	\$48,100
Optional on-site review:	
Expenses:	1,900
Not to exceed:	\$50,000
Type of Contractor:	() Individual (X) Corporation () Partnership () Public Agency () Nonprofit Organization () Other – Joint Venture

This contract is entered into between the State of North Dakota acting through the Public Service Commission (State) and (Contractor). This contract consists of this sheet, general provisions and specific provisions.

GENERAL PROVISIONS

CONTRACTUAL FEATURES

LEGAL AUTHORITY

The Contractor assures that it possesses legal authority to participate in this contract.

ASSIGNMENT/SUBCONTRACTING

The Contractor may not assign this contract or any part thereof, or assign any of the monies to be paid hereunder, nor shall any part of the work done or material furnished under this contract be sublet without the State's express written consent. However, the Contractor may enter into subcontracts provided that any subcontract acknowledges the binding nature of this contract and incorporates this contract, including any attachments. Contractor is solely responsible for the performance of any subcontractor. Contractor has no authority to contract for or incur obligations on behalf of the State.

TERMINATION

The State, by written notice of default listing causes and reasons, may terminate this contract in whole or in part if (1) the Contractor fails to provide services required by this contract within the time specified or any extension agreed to by the State; or (2) the Contractor fails to perform any of the other conditions or provisions of this contract, or so fails to pursue the work so as to endanger performance of this contract in accordance with its terms. The State will be liable only for payment provisions of this contract for services satisfactorily rendered prior to the effective date of termination.

Significant deviation from performance standards in this contract may result in reduced or terminated financial participation of the Contractor, subsequent to negotiations with the State.

This contract may be terminated in whole or in part without cause by mutual consent of the Contractor and the State. The parties shall agree upon the termination conditions including effective date and in the case of partial terminations, that portion to be terminated.

The State may terminate this contract effective upon delivery of written notice to the Contractor or on any later date stated in the notice in the event (1) funding from federal, state or other sources is not obtained and continued at levels sufficient to allow for purchases of the services or supplies in the indicated quantities or term; (2) federal or state laws or rules are modified or interpreted in a way that the services are no longer allowable or appropriate for purchase under this contract or are no longer

eligible for the funding proposed for payments authorized by this contract; or (3) any license, permit or certificate required by law or rule, or by the terms of this contract, is for any reason denied, revoked, suspended or not renewed.

Any contract that extends beyond the current biennium may be terminated by the State if sufficient funds are unavailable, if the law regarding the contract is changed, or without cause at any time.

The rights and remedies of the State provided in the termination provisions related to defaults by the Contractor are not exclusive and are in addition to any other rights and remedies provided by law or under this contract.

FORCE MAJEURE

Contractor will not be held responsible for delay or default caused by fire, riot, acts of God or war if the event is beyond the Contractor's reasonable control and the Contractor gives notice to the State immediately upon occurrence of the event causing the delay or default or which is reasonably expected to cause a delay or default.

RENEWAL

This contract will not automatically renew. State will provide written notice to Contractor of its intent to renew this contract at least sixty days before the scheduled termination date.

DISPUTES

The Contractor agrees to attempt to resolve disputes arising from this contract by informal administrative process and negotiations in lieu of litigation. Continued performance by the Contractor during disputes is assured.

The State does not agree to any form of binding arbitration, mediation, or other forms of mandatory alternative dispute resolutions. The parties have the right to enforce their rights and remedies in judicial proceedings. The State does not waive any right to a jury trial.

MERGER AND MODIFICATION

This contract constitutes the entire agreement between the parties. There are no understandings, agreements, or representations, oral or written, not specified within this contract. This contract may not be modified, supplemented or amended, in any manner, except by written agreement signed by both parties.

SEVERABILITY

If any term of this contract is declared by a court having jurisdiction to be illegal or unenforceable, the validity of the remaining

terms shall not be affected, and if possible, the rights and obligations of the parties are to be construed and enforced as if the contract did not contain that term.

NOTICE

All notices or other communications required under this contract shall be given by registered or certified mail and are complete on the date mailed when addressed to the parties at the following addresses:

State

Illona A. Jeffcoat-Sacco
Executive Director
Public Service Commission
600 E. Boulevard Ave. Dept 408
Bismarck, ND 58505-0480

Contractor

Shavely King Majors O'Connor & Lee, Inc.

APPLICABLE LAW AND VENUE

This contract is governed by and construed in accordance with the laws of the State of North Dakota. Any action to enforce this contract must be brought in the District Court of Burleigh County, North Dakota.

SPOILIATION – NOTICE OF POTENTIAL CLAIMS

Contractor shall promptly notify State of all potential claims that arise or result from this contract. Contractor shall also take all reasonable steps to preserve all physical evidence and information that may be relevant to the circumstances surrounding a potential claim, while maintaining public safety, and grants to the State the opportunity to review and inspect the evidence, including the scene of an accident.

INDEMNITY

The State and Contractor each agrees to assume its own liability for any and all claims of any nature including all costs, expenses and attorneys' fees which may in any manner result from or arise out of this agreement.

CONFIDENTIALITY

Contractor agrees not to use or disclose any information it receives from the State under this contract that the State has previously identified as confidential or exempt from mandatory public disclosure except as necessary to carry out the purposes of this contract or as authorized in advance by the

State. The State agrees not to disclose any information it receives from Contractor that the Contractor has previously identified as confidential and which the State determines in its sole discretion is protected from mandatory public disclosure under a specific exception to the North Dakota open records law, N.D.C.C. §44-04-18. The duty of the State and Contractor to maintain confidentiality of information under this section continues beyond the term of this contract, or any extensions or renewals of it.

Contractor understands that, except for disclosures prohibited in N.D.C.C. Chapter 47-25.1, the State must disclose to the public upon request any records it receives from Contractor. Contractor further understands that any records that are obtained or generated by the Contractor under this contract, except for records that are confidential under N.D.C.C. Chapter 47-25.1, may, under certain circumstances, be open to the public upon request under North Dakota open records law. Contractor agrees to contact the State immediately upon receiving a request for information under the open records law and to comply with the State's instructions on how to respond to the request.

INSURANCE

a. Required Coverages. Contractor shall secure and keep in force during the term of this contract, from an insurance company, government self-insurance pool or government self-retention fund authorized to do business in North Dakota, the following insurance coverages covering the Contractor for any and all claims of any nature which may in any manner arise out of or result from this contract:

- (1) Commercial general liability, including products or completed operations coverage (if applicable), with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
- (2) Professional errors and omissions, including a three year "tail coverage endorsement," with minimum liability limits of \$1,000,000 per occurrence and in the aggregate.
- (3) Automobile liability including owned (if any), hired, and non-owned automobiles, with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
- (4) Workers compensation coverage meeting all North Dakota statutory requirements. The policy shall provide coverage for all states of operation that apply to the performance of this contract.
- (5) Employer's liability or "stop gap" insurance of not less than \$1,000,000

as an endorsement on the workers compensation or commercial general liability insurance if Contractor is domiciled outside the State of North Dakota.

b. General Insurance Requirements. The insurance coverages listed above must meet the following additional requirements:

- (1) Any deductible or self insured retention amount or similar obligation under the policies shall be the sole responsibility of the Contractor. The amount of any deductible or self-retention is subject to approval by the State.
- (2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and must be placed with insurers rated "A" or better by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less than an "A" rating must be approved by the State. The policies shall be in form and terms approved by the State.
- (3) The State will be defended, indemnified, and held harmless to the full extent of any coverage actually secured by the Contractor in excess of the minimum requirements set forth above. The duty to indemnify the State under this agreement shall not be limited by the insurance required in this contract.
- (4) The State of North Dakota and its agencies, officers, and employees (State) shall be endorsed on the commercial general liability policy, including any excess policies (to the extent applicable), as additional insured. The State shall have all the rights and coverages as Contractor under said policies. The additional Insured endorsement for the commercial general liability policy shall be written on a form equivalent to ISO 1985 CG 20 10-form, or such other form as approved by the State, and shall not limit or delete State's coverage in any way based upon State's acts or omissions.
- (5) The insurance required in this agreement, through a policy or endorsement, shall include:
 - a. a "Waiver of Subrogation"

waiving any right to recover the insurance company may have against the State;

- b. a provision that the policy and endorsements may not be canceled or modified without thirty (30) days' prior notice to the undersigned State representative;
 - c. a provision that any attorney who represents the State under this policy must first qualify as and be appointed by the North Dakota Attorney General as a Special Assistant Attorney General as required under N.D.C.C. § 54-12-08;
 - d. a provision that Contractor's insurance coverage shall be primary (i.e., pay first) as respects any insurance, self-insurance or self-retention maintained by the State, and that any insurance, self-insurance or self-retention maintained by the State shall be in excess of the Contractor's insurance and shall not contribute with it;
 - e. cross liability/severability of interest for all policies and endorsements.
- (6) The legal defense provided to the State under the policy and any endorsements must be free of any conflicts of interest, even if retention of separate legal counsel for the State is necessary.
 - (7) The Contractor shall furnish a certificate of insurance and all endorsements to the undersigned State representative prior to commencement of this agreement.
 - (8) Failure to provide insurance as required in this agreement is a material breach of contract entitling the State to terminate this agreement immediately.

ATTORNEY FEES

In the event a lawsuit is instituted by the State to obtain performance due of any kind under this contract, and the State is the prevailing party, Contractor shall, except when prohibited by N.D.C.C. § 28-26-04, pay the State's reasonable attorney fees and costs in connection with the lawsuit.

INDEPENDENT ENTITY

Contractor is an independent entity under this contract and is not a State employee for any purpose, including but not limited to the application of the Social Security Act, the Fair Labor Standards Act, the Federal Insurance Contribution Act, the North Dakota Unemployment Compensation Law and the North Dakota Workers' Compensation Act. The Contractor retains sole and absolute discretion in the manner and means of carrying out the Contractor's activities and responsibilities under this contract, except to the extent specified in the contract.

FISCAL RESPONSIBILITIES

RECORDS

All records, regardless of physical form, and the accounting practices and procedures of the Contractor relevant to this contract are subject to examination by the North Dakota State Auditor or the Auditor's designee. The Contractor shall maintain and retain all books, records, and other documents required by the State and to produce program narrative and statistical data at times prescribed by the State relevant to this agreement for four years after final payment. Records shall be retained beyond four years if audit findings have not been resolved.

NO CLAIM FOR ADDITIONAL WORK

No claim for additional services not specifically herein provided, done, or furnished by the Contractor will be allowed, nor shall the Contractor do any work or furnish any material not covered by the contract, unless such work is ordered in writing by the State.

TIME KEEPING PROCEDURES

The Contractor shall require employees and subcontractors, if applicable, whose positions are funded under this contract or included as match, to maintain adequate documentation for services provided. For positions that are funded from more than one source, an analysis of duties performed by program shall also be prepared.

MONITORING, EVALUATION AND AUDIT

The Contractor agrees to cooperate with any monitoring, evaluating and/or audit conducted by the State, or its designee who shall have full access to and the right to examine all books, records and other relevant documents.

The Contractor agrees to take immediate corrective action on deficiencies

disclosed through program monitoring of costs disallowed in the course of an audit, review, or monitoring.

PREPAYMENT

The State will not make any advanced payments before performance by the contractor under this contract. The State will make payments based on a monthly payment schedule. Each billing must consist of an invoice listing hours worked at the contract rate. No payment will be made until an invoice is received and approved by the project manager.

TAXPAYER ID

Contractor's North Dakota tax ID number is:

Contractor's federal employer ID number is: _____

PROGRAM REQUIREMENTS

COMPLIANCE WITH LAWS

Contractor agrees to comply with all applicable laws, rules, regulations and policies, including but not limited to those relating to nondiscrimination, accessibility and civil rights. Contractor agrees to timely file all required reports, make required payroll deductions, and timely pay all taxes and premiums owed, including but not limited to sales and use taxes and unemployment compensation and workers' compensation premiums. Contractor shall have and keep current at all times during the term of this contract all licenses and permits required by law.

EQUAL OPPORTUNITY

No individual shall be excluded from participation in, denied the benefits of, subjected to discrimination under, or denied employment in the administration of or in connection with this contract because of race, color, religion, national origin, disability, age, sex, political affiliation or belief or citizenship.

The Contractor will take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to their race, color, religion, national origin, disability, age, sex, political affiliation or belief or citizenship.

NONDISCRIMINATION

This contract and any subcontract hereunder is subject to the Age Discrimination Act of 1975, Section 504 of the Rehabilitation Act, Title VI of the Civil Rights of 1964 and the Americans with Disabilities Act of 1990.

WORK PRODUCT, EQUIPMENT AND MATERIALS

All work product, equipment or materials created or purchased under this contract belong to the State and must be delivered to the State at the State's request upon termination of this contract. Contractor agrees that all materials prepared under this contract are "works for hire" within the meaning of copyright laws of the United States and assigns to State all

rights and interests Contractor may have in the materials its prepares under this contract, including any right to derivative use of the material. Contractor shall execute all necessary documents to enable State to protect its rights under this section. Contractor shall include provisions appropriate to effectuate the purposes of this condition in all subcontracts entered into relating to this project.

EFFECTIVENESS OF CONTRACT

This contract is not effective until fully executed by both parties.

SPECIFIC PROVISIONS

Purpose for Contract

The consultant will identify, investigate, analyze and provide testimony regarding the applicant's electric rate increase request. Consulting duties include:

Professional analysis and review of the applicant's filing.

Prepare and conduct discovery as needed.

Issue monthly progress reports on discovery, conclusions and recommendations.

Prepare and file written testimony.

Provide oral testimony at the technical hearing.

Assist staff in preparing cross-examination for witnesses of other parties to the proceeding.

Assist staff in the preparation of proposed findings of fact.

The completion date for the investigation and filed written testimony is May 1, 2008. The technical hearing will be scheduled for June 23-25, 2008.

APPLICATION FOR PROFESSIONAL LIABILITY ERRORS & OMISSIONS INSURANCE

IF COVERAGE IS ISSUED, IT WILL BE ON A CLAIMS-MADE BASIS

NOTICE: THIS INSURANCE COVERAGE PROVIDES THAT THE LIMIT OF LIABILITY AVAILABLE TO PAY JUDGEMENTS OR SETTLEMENTS SHALL BE REDUCED BY AMOUNTS INCURRED FOR LEGAL DEFENSE. FURTHER NOTE THAT AMOUNTS INCURRED FOR LEGAL DEFENSE SHALL BE APPLIED AGAINST THE DEDUCTIBLE AMOUNT.

1. NAME OF APPLICANT: Snavely King Majoros O'Connor & Lee, Inc.

ADDRESS: 1111 14th Street, N.W., Suite 300 Washington, DC 20005

2. LIMIT OF LIABILITY DESIRED:

\$500,000 X \$1,000,000 _____ \$2,000,000 _____ Other _____

3. DEDUCTIBLE:

\$5,000 _____ \$10,000 X \$25,000 _____ Other _____

4. Please describe in detail the professional activities for which coverage is desired:

Expert witness testimony before state regulatory commissions dealing with public utilities. Subjects include accounting, regulatory economics, allowed rates of return, rates and tariffs. Clients are state utility commissions, state-funded consumer advocates, user associations and individual users of utility services

5. Is the applicant engaged in any business or profession other than as described in Item 4? Yes.
If yes, please attach an explanation and estimated revenues.

Negotiations with transportation providers, principally railroads, on behalf of shippers. Testimony before federal commissions.

6. List the total gross revenues for the past two years derived from those activities in Question 4. In addition, please list projected revenues for the current year.

YEAR	AMOUNT
a) Current Projected	<u>\$ 1,000,000</u>
b) _____	<u>\$ 1,000,000</u>
c) _____	<u>\$ 1,000,000</u>

7. For the revenues listed in question 6a), please give the approximate percentage derived from each of the activities listed in Question 4:

ACTIVITY **% OF 6a) REVENUES**

State Expert Testimony 100 %
 _____ %
 _____ %
 _____ %

8. Applicant is: Corporation X Partnership _____ Individual _____

9. Year Established: 1970

10. Is the Applicant Firm controlled, owned or associated with any other firm, corporation or company?
 YES _____ NO X . If yes, attach an explanation. Are any activities listed in Question 4 provided to such business enterprise? YES _____ NO X

11. a) Number of principals, partners, officers and professional employees directly engaged in providing services to clients: 8

b) Number of non-professional employees (clerks, secretaries, etc.): 2

12. Please provide the following:

Name in full of ALL Partners/Principals/ Key Employees.	PROFESSIONAL QUALIFICATIONS	DATE QUALIFIED	HOW LONG IN PRACTICE	HOW LONG AS PARTNER/ PRINCIPAL
<u>Charles W. King</u>	<u>Experience</u>	<u>1969</u>	<u>44 yrs</u>	<u>36 yrs</u>
<u>Michael Majoros</u>	<u>Experience</u>	<u>1979</u>	<u>27</u>	<u>16</u>
<u>Tom O'Connor</u>	<u>Experience</u>	<u>1979</u>	<u>27</u>	<u>16</u>
<u>Harry Gildea</u>	<u>Experience</u>	<u>1972</u>	<u>34</u>	<u>-----</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

13. To what professional association(s) does the Applicant Firm belong?

None

20. Have any of the individuals listed in question No. 12 ever been the subject of disciplinary action by authorities as a result of their professional activities? Yes _____ No X If yes, please explain.

21. Does any person to be insured have knowledge or information of any act, error or omission which might reasonably be expected to give rise to a claim against him/her. YES _____ NO X If yes, please complete a Supplemental Claim Information form for each.

22. After inquiry have any claims been made against any proposed Insured(s) during the past three (3) years? Yes _____ No X If yes, please complete a supplemental Claims Information form for each claim. Also, how many claims have been made in the last three (3) years? _____

It is understood and agreed that with respect to questions 20, 21 and 22 above, that if such knowledge or information exists any claim or action arising therefrom is excluded from this proposed coverage.

NOTICE TO NEW YORK APPLICANTS: ANY PERSON WHO KNOWINGLY AND WITH INTENT TO FRAUD ANY INSURANCE COMPANY OR OTHER PERSON FILES AN APPLICATION FOR INSURANCE CONTAINING ANY FALSE INFORMATION, OR CONCEALS FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY FACT MATERIAL THERETO, COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME.

The Applicant hereby acknowledges that he/she/it is aware that the limit of liability shall be reduced, and may be completely exhausted, by the costs of legal defense and, in such event, the Insurer shall not be liable for the costs of legal defense or for the amount of any judgement or settlement to the extent that such exceeds the limit of liability.

The Applicant hereby further acknowledges that he/she/it is aware that legal defense costs that are incurred shall be applied against the deductible amount.

I HEREBY DECLARE that, after inquiry, the above statements and particulars are true and I have not suppressed or misstated any material fact and that I agree that this application shall be the basis of the contract with the Underwriters.

Signature of person authorized to execute on behalf of the Applicant:

_____ Title President Date May 26, 2006

This Application Form duly completed, together with any supplementary information, must be signed in ink by the person indicated.

Signing of this form does not bind the Applicant or the Underwriters to complete the insurance.

THIS APPLICATION MUST BE SUBMITTED TO:

PROFESSIONAL INDEMNITY AGENCY, INC.
PROFESSIONAL INDEMNITY AGENCY, INC. OF N.Y.
37 Radio Circle Drive - P.O. Box 5000
Mount Kisco, New York 10549-5000
Attention: Edward D. Donnelly, CPCU

CONSULTANTS SUPPLEMENTAL APPLICATION

1. Does the Applicant consult on means of methods of financing or obtaining funds? () YES (X) NO

2. Is the Applicant involved in the management, purchase, sale or maintenance of any real or personal property, or in any activity related in any way to investments or investing? () YES (X) NO

3. Does the Applicant consult on, supervise or manage any escrow accounts, trust funds, insurance plans or investment portfolios? () YES (X) NO

4. Does the Applicant sell, distribute, design, manufacture, recommend or test any products? () YES (X) NO

5. Does the Applicant prepare, review or approve architectural, engineering or construction maps, plans, opinions, estimates, surveys, designs or specifications? () YES (X) NO

6. Has the Applicant agreed to manage the operations of any business on behalf of any client, or does the Applicant assist in negotiating or have authority to enter into contractual relationships on any clients behalf? () YES (X) NO

If the answers to any one of the above questions are yes, then please provide full details. It is understood and agreed that this supplemental application shall become a part of the application for Professional Liability Errors and Omissions Insurance.

May 26, 2006
Date

Snavely King Majoros O'Connor & Lee, Inc.
Name of Applicant

Signature of person authorized
to execute on behalf of
the Application

WORLD WIDE WEB ADDRESS snavely-king.com