

**PROPOSAL
OF
MATHAI & ASSOCIATES REGULATORY CONSULTANTS, LLC
TO THE
NORTH DAKOTA PUBLIC SERVICE COMMISSION
DIVISION OF ECONOMIC REGULATION
REQUEST FOR PROPOSAL (RFP)**

**IN THE MATTER OF
MONTANA-DAKOTA UTILITIES CO. RATE INCREASE APPLICATION
RFP NUMBER: PU-10-124**

Submitted
May 29, 2010

George Mathai, CPA
Managing Principal
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May 29, 2010

North Dakota Public Service Commission
Request for Proposal (RFP): Consulting Services for MDU Rate Case
RFP Number: PU-10-124
600 E Blvd Ave, Dept. 408
Bismarck, ND 58505

Attn: Ms. Annette Bendish
Procurement Officer

Subject: Request for Proposal (RFP): Consulting Services for MDU Rate Case
RFP Number: PU-10-124

Dear Ms. Annette Bendish:

Mathai & Associates Regulatory Consultants, LLC (“MARC LLC”) is pleased to enclose herewith, a Proposal to provide professional, expert consulting services in connection with the North Dakota Public Service Commission’s (“NDPSC” or the “Commission”) request for proposals (the “RFP”), in the matter of Montana-Dakota Utilities Co. (“MDU”) Rate Increase Application. The Rate case audit will be conducted by MARC LLC with the input of Steve M. Goodman and Glen Gregory, independent utility regulatory consultants. The MARC Team has a combined utility regulatory experience of over 85 years. The RFP response has been prepared in accordance with the layout and instructions set forth in the subject RFP. We believe that our proposal provides a flexible, yet comprehensive scope of services to meet the requirements of the RFP concerning revenue requirements, fuel and purchased power issues, cost of capital, investments in certain generation projects, and cost of service and rate design.

For this project, the MARC Team has professionals that, combined, have over 85 years of electric utility regulatory experience. The MARC Team includes: George Mathai, CPA, Managing Principal of Mathai & Associates Regulatory Consultants, LLC; Steve M. Goodman, independent utility regulatory consultant, and Glen Gregory, CRRA, independent utility regulatory consultant. MARC LLC will serve as the prime contractor to the Commission for this project with the other two consultants as sub-contractors to MARC. Resumes for the MARC Team are included in Section XV- Professional Experience and Qualifications. Each person's areas of responsibilities are outlined in Section IX- Task I (Work Plan). We believe the MARC Team brings the depth and breadth of expertise that will be necessary to meet the needs of the Commission in analyzing the rate filing of MDU. Our Team is committed to meeting the requirements of the Commission and its Division of Economic Regulation, and is available to begin work on the project as soon as authorized.

The MARC Team is not aware of any concerns with the terms and conditions for this project set forth in the RFP. We are already in compliance or will abide by all requirements stated in the RFP in accordance with the laws of North Dakota and the Rules of NDPSC. We thank you for this opportunity to submit the enclosed Proposal and look forward to working with the NDPSC.

Kindest regards,

George Mathai, CPA
Managing Principal
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I. INTRODUCTION

Mathai and Associates Regulatory Consultants LLC (“MARC LLC”) is a public utility regulatory and management consulting firm. We specialize in Rate case reviews, evaluation of IRPs and Fuel Port Folio filings by major energy utilities, evaluation and recommendation of energy efficiency programs, alternative regulatory approaches to complex utility cost issues, fuel adjustment clauses and PGA audits, and Rate case process training. MARC LLC Staff has the unique data collection, analysis and communication skills required in the development and recommendation regarding the Montana-Dakota Utilities Co. (“MDU”) electric rate increase case before the North Dakota Public Service Commission. The principal personnel in our Team have provided expert public utility advisory and consulting services within multiple jurisdictions for the last 30 years. Specifically, George Mathai, CPA, the Managing Principal of MARC LLC has over 30 years of State utility regulatory experience specifically in the ratemaking process. Our office address is: 3608 NW 58th Street, Suite 100, Oklahoma City, OK 73112; our contact telephone and fax numbers are, 405-210-4251 and 1-866-593-7715, respectively; and our e-mail address is gmathai@mathaiandassociates.com; our web address is, www.mathaiandassociates.com. MARC LLC will comply with all provisions in this RFP.

II. MANAGEMENT SUMMARY

Mathai & Associates Regulatory Consultants (“MARC”) will be the lead firm in this team of consultants and responsible for all contracting and billing. George Mathai will be the project leader and principal interface with the Commission. The other members of the MARC Team will be sub-contractors to MARC. Mr. Mathai will be responsible for overseeing, scheduling and controlling the work. He will coordinate each Task with the Commission staff as needed. All on-site work will be coordinated by Mr. Mathai with the contacts at the Company. The responsibilities for each Task by person are set forth in Section IX-I (Work Plan) below.

We are providing a brief experience summary of the major team members assigned to the MDU rate increase application review and recommendation process.

GEORGE MATHAI, CPA
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MATHAI & ASSOCIATES REGULATORY CONSULTANTS (MARC LLC)
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Mathai & Associates Regulatory Consultants is a recent company, organized in April 2009. However, Mr. Mathai, the Managing Principal has over 30 years experience in regulatory matters, principally in his capacity as Chief of Accounting and Financial Auditing Division with the Oklahoma Corporation Commission. Previously, he had audited and or supervised extensively the audits of approximately 136 utilities in regards to Rate Case processing, 66 Gas and Electric utilities for Fuel Procurement Practices, and 30 plus telephone utilities for Universal Service Fund Disbursements. Please refer to the attached Resume and qualification for details of work. In addition to representing OCC for 28 years, Mr. Mathai had been a Technical Advisor for the City of New Orleans, advising the Council both on local utility regulatory matters and representing the Council before the Federal Energy Regulatory Commission (FERC) for 18 months.

Specifically, the services of MARC LLC include the review process and developing recommendations of Public Utility Rate Case Processing Audits -- Electric, Gas, and Water companies.

The most recent rate case processing completed by Mr. Mathai was for the Council of City of New Orleans, in Docket No. 08-03 in the application of Entergy New Orleans Inc. to change the rates for both its Electric and Gas Utility Operations. In addition, Mr. Mathai testified in Docket ER07-956-000 before the FERC regarding the System Costs Agreement (Generation) between the Operating Companies of Entergy Inc.

Glen Gregory
Glen Gregory Consulting
1605 Briar Meadow Road
Norman, OK 73071
glen_gregory@yahoo.com
Phone: 405-826-2094

Mr. Gregory is an Independent Utility Regulation Consultant with 26 years of public utility ratemaking experience. He specializes in public utility issues, such as cost of capital, cost of service, rate design and other public utility issues.

Mr. Gregory's experience includes 21 years at the Oklahoma Corporation Commission as a Rate Design and Cost of Capital expert. He was also substantially involved in preparation of reports and testimony regarding competitive bidding, utility deregulation, utility merger activities, evaluation of state and Federal restructuring proposals and a variety of other energy-related and regulatory issues. As a Certified Rate of Return Analyst, he was the primary representative of the Division in the area of cost of capital analysis for both electric and gas utilities. He was responsible for supervision of all cost of service studies, many rate cases for electric, gas, and water utilities. All positions held at the Commission required that he provide expert testimony and be able to defend it under cross-examination. He managed the Division's Economic and Research Unit.

While with the Energy Group of the Public Utility Division, he led the following teams: Cost of Service, Rate Design, and Tariffs; Gas, Fuel and Purchased Power, Transportation, Storage Acquisition Analysis; Financial Analysis; General Regulatory Research. He also managed the work of attorneys, economists, financial analysts and CPAs. His independent consulting work since 2003 performs substantially the same type of work as with the Oklahoma Corporation Commission.

STEVE M. GOODNER

sgoodner@cox.net

(405) 618-9472

SUMMARY OF QUALIFICATIONS

- Supervision and management experience
- 24 years experience in rate cases and regulatory proceedings
- Comprehensive accounting knowledge and background
- Experience in corporate budgeting and cost analysis
- Proficient in Word, Excel, Power Point, Microsoft Outlook.

- Good organizational, time management, and problem-solving skills and the ability to work accurately and meet deadlines

PROFESSIONAL EXPERIENCE: Oklahoma Gas and Electric Company

Cost Analyst (94–2008) - Prepared the Cost of Service studies and served as expert witness for filings before the Oklahoma and Arkansas commissions from 1994 to 2008. Administered and designed the Oklahoma and Arkansas fuel clause tariffs from 1985 to 2008.

Manager of Financial Accounting (85-94) - Managed two accounting departments and the corporate expense and construction budgets. These departments maintained the corporate ledgers and prepared all the corporate financial statements and SEC reports.

Supervisor General Accounting (85) - Supervised the general accounting department which maintained the corporate accounting ledgers and prepared all financial statements.

Manager Financial Services (84) – Administered the corporate cash management function.

Internal Auditor (82-83) – Performed internal audits of operations and the construction of a \$375 million power plant.

Accountant-Regulatory Reporting (81-82) - Prepared all of the Security Exchange Commission Reports (10-K, 10-Q and Annual Report to Shareowners)

Accounting clerk-General Records & Fuels Accounting (79-80) – Prepared journal entries, maintained all corporate ledgers and fuel inventories and prepared the financial statements.

Accounting clerk-Property Accounting (76-78) –Processed job orders, prepared related journal entries and maintained the property subsidiary ledgers.

Accounting clerk – Accounts Payable (74-76) – Processed invoices, prepared related journal entries and prepared cash forecasts.

III. BACKGROUND INFORMATION AND THE UNDERSTANDING OF THE PROJECT

On April 19, 2010 Montana-Dakota Utilities Co. (“MDU” or the “Company”) filed a Notice of Change in Rates for Electric Service with the North Dakota Public Service Commission (“NDPSC”). The Company proposes a \$15.4 million or 14% increase in its annual North Dakota electric revenues, based on a 2010 future test year.

MDU is a Division of MDU Resources Group, Inc., a Delaware corporation duly authorized to do business in the State of North Dakota as a foreign corporation. Montana-Dakota is doing business in the State of North Dakota as a public utility.

The North Dakota Public Service Commission's Division of Economic Regulation ("DER"), is soliciting proposals for consulting services for conducting research and analysis of Montana-Dakota Utilities Co.'s approximately \$15.4 million rate increase application in Case No. PU-10-124. The selected consultant will be required to provide written testimony and present effective oral testimony at the commission's technical hearing on behalf of ratepayer advocacy Staff. MARC LLC understands the scope of work and specific tasks the Division of Economic Regulation needs assistance in evaluating MDU's appropriate rate base, cost of capital, revenues, expenses, net operating income, and cost of service and rate design. Additionally, a review needs to be done regarding the costs associated with the increased investments associated with its generation facilities, including the expansion of wind generation, the development of three generation projects; the Big Stone II plant, the Lignite Vision 21 and Milton Young III plants. However, if resolution of a proposed alternate recovery mechanism pending before the Commission in Case No. PU-09-733 is approved for the Big Stone II plant costs, those costs will be withdrawn from this case.

MARC LLC understands that the Commission Staff will work with the selected Consultant on a limited basis to help identify critical issues and provide background information. Based on our many years of public utility regulatory experience, MARC LLC assures that we have the needed expertise to analyze and offer reasonable recommendations to the Commission and its Staff regarding the rate case of MDU. We will provide periodic reports to the designated Commission Staff regarding the audit progress and any potential issues, so that the Commission is assured of a quality work-product in a timely basis.

MDU is also concurrently submitting an Application and Notice for Interim Increase in Electric Rates in the annual amount of \$7,616,767 to be effective 60 days from filing, if the Commission suspends the rate increase sought by Montana-Dakota through this Application and Notice.

IV. PURPOSE AND SCOPE OF THE PROJECT

A. In undertaking the rate case review of NDPSC, MARC LLC understands the particular

issue areas set forth in the RFP which are to be specifically addressed. We will review them and make appropriate result oriented recommendations to NDPSC. In addition, our comprehensive general work plan for MDU revenue requirement audit includes the review and analysis of the traditional ratemaking accounting issues. The following table provides a comprehensive list of issue areas that we foresee to address in our review process based on the current information:

Plant in Service	Prepaid Pensions
CWIP	M & S Inventories
Plant/Reserve Transactions	Coal Inventories
Plant Held for Future Use	Prepayments
Cash Working Capital	Oil Inventories
Unusual Expense Normalization	Payroll Annualization
Depreciation Rates/Annualization	Post Retirement Benefits
Property Tax Annualization	Employee Benefit Levels
Energy Efficiency Issues	Executive Compensation Issues
FAS 87 Pension Expense	Service Company Allocations
Income Tax Calculations	Interest Synchronization
Jurisdictional Allocations and	Uncollectible
Fairness Issues	Outside Services
Legal Fees/Outside Services	Below the line Expenses
Wind Power Issues	

We propose to address all of these issues to the extent a material revenue requirement issue is involved. Of course, comprehensive spread sheeting and fluctuation analysis of historical and projected accounts relevant to operating income and rate base may yield other, yet to be identified potential issues.

MARC LLC will analyze, review, and evaluate schedules and testimony filed by MDU and any other parties in the proceeding. MARC LLC will be responsible for conducting a comprehensive analysis of the major work elements identified in Sections VIII and IX. To accomplish the review tasks we will do the following including:

1. MARC LLC will gather and analyze additional information, as necessary, to complete the review through extensive on-site field audit.
2. Prepare and submit all data requests necessary for the thorough analysis of issues identified in this RFP.
3. Provide technical support in the preparation and presentation of the NDPSC DER's position in public hearings. This will include having technical support in attendance during the portions of the hearing that address work elements for which MARC LLC is responsible.
4. Prepare questions for cross-examination and rebuttal.
5. Assist NDPSC Legal Staff with preparation of the proposed Administrative Law Judge Report.
6. MARC LLC will identify potential issues for independent investigation and, with input from DER Staff, will develop appropriate adjustments to the company's filed revenue requirement.

A. FORECASTING PROCEDURES, ASSUMPTIONS, AND RESULTS

MDU has developed its revenue requirements using a 2010 future test year. The intent behind substituted forecasted information for actual data is to mitigate the impact of regulatory lag. However, the use of projected data necessarily shifts the emphasis of the rate case audit from traditional analysis of actual accounts and transactions to estimated or trended financial analyses. Extra rate case effort is required to properly critique test year projections because substantial judgment is involved in such projections and management has an incentive to be overly pessimistic and thereby increase future revenues. Test period revenue, expense and construction cost projections should be evaluated against several basic standards:

1. Projections should be based upon reasonable and probable assumptions and expectations of future volumes of business, labor rates and materials price levels.
2. Accounting methods and procedures in the projections should coincide with actual accounting methods/procedures.
3. Rate case projections should be consistent with other "official" budgets and forecasts developed by management in the normal course of business.
4. Projections should be supported by detailed, auditable work-papers, statements of assumptions and cross-references to input data sources.
5. Income and balance sheet projections should be developed using methods and

- procedures with a proven history of accuracy relative to comparable actual financial data.
6. Management should practice periodic variance reporting and variance analysis, demonstrating the viability of projections as a management tool.

Classic discovery and analysis techniques will be utilized to test the reasonableness of MDU's proposed test year projections against the standards set forth above. We anticipate significant spreadsheet and variance analysis of the months of projected test year data. Moreover, we will audit the projection process and detailed work-papers and test the calculations of selected forecasted amounts, as appropriate, to formulate conclusions regarding the overall reasonableness of MDU's forecasts.

Cash Working Capital is most accurately quantified by reliance on a lead/lag study, which can be assembled with varying degrees of detail. For the purposes of this engagement, we are prepared to either test the company-prepared lead/lag study if available, or a Modified 45-day Formula allowance. We do not expect to independently prepare a lead/lag study.

V. METHODOLOGY USED FOR THE PROJECT

Over the years, MARC LLC's professional staff has developed a rate review process that is very "issue oriented." This process will allow MARC LLC to review the Company's application for reasonableness and make any necessary modifications and offer advice on policy matters to the extent it will help ensure reliable energy at the lowest cost. The scope of a comprehensive revenue requirements audit of MDU is well understood, but the specific issue areas to be developed are only generally known at the present time. Because of our specialization in rate case type audits, and involvement in other past and present economic and engineering issues related to utility regulation, MARC LLC can readily conform our discovery and audit techniques to the procedural requirements unique to the NDPSC. MARC LLC will further ascertain the most critical and substantive elements of the rate case and confirm with the DER Staff and make sure each element are appropriately investigated and addressed. At different phases of the work, MARC LLC professionals will work with the commission staff assigned to the case to ensure proper direction of the Case. MARC LLC will continue the cooperative efforts until the successful completion of the case as outlined in the final contract. MARC LLC's professional staff will strive to meet NDPSC's goal of setting MDU's electric rates at a fair, just, and

reasonable level.

MARC LLC professionals always strive to employ results-oriented tasks necessary to achieve a rate decision that is fair to all stakeholders involved in the regulatory process. This process entails a thorough investigation of all proposed issues and alternatives to what the Company had proposed; presentation of well thought out testimony both written and oral; providing recommendations to the NDPSC to make decisions that assure North Dakota can assure itself that it will not pay for costs forced upon the Company by other states and adequately represent the interests of North Dakota rate payers; and a thorough investigation of all cost allocation methodology proposed by MDU.

VI. QUALITY ASSURANCE

The MARC LLC Team has combined experience of over 85 plus years of processing rate cases and other utility regulatory matters. We assess our work progress on a weekly basis and make progress reports to make sure that our client's time schedule is adhered to, while addressing all identified issues with proper research and recommendations. Our preliminary cursory review of the Application give us great confidence that we will be able to meet NDPSC's initial schedule set out in the RFP. Given the substantial experience of the firm's consultants, these issues are quite familiar to the ultimate witnesses to be assigned. We have previously addressed and sponsored testimony on virtually all of these issues or similar issues in multiple cases before different jurisdictions. Quality of performance will be monitored through ongoing discussions during the investigation as well as the resulting written and oral testimony.

VII. DESCRIPTION OF SPECIFIC, RESULTS ORIENTED TASKS

The objective of this section of the Response to the RFP is to generally describe the areas of Four Work Elements that MARC LLC will be directing in this Rate case investigation. Work Element One includes, the investigation of issue areas of Rate Base, Net Income calculation, and New Generation Investment to determine MDU's Revenue Requirement. Work Element Two discusses Capital Structure and cost of equity and debt. Work Element Three discusses Cost of Service and Rate Design. The Fourth element includes, Preparation of Testimony, Hearing Preparation, Participation in the Settlement Meetings, and Hearings.

VIII. MAJOR WORK ELEMENTS

A. ELEMENT ONE - REVENUE REQUIREMENTS

- 1. Rate Base**
- 2. Net Income Calculation**
- 3. New Generation Investment**
- 4. Revenue Requirement Calculation**

MDU's rate filing raises a number of traditional concerns as well as some unique ratemaking issues. The Company has proposed the use of a future test year financial data for the year ending December 31, 2010 as the test period. From the preliminary review of MDU's filing and DER's RFP objectives, we conclude that there are other issues to be explored include but not limited to:

1. Analyze and critique major dollar or key policy elements of the Company's pro forma rate base and pro forma operating income statements.
2. Evaluate MDU's forecasting procedures, assumptions, and results.
3. Determine if the proposed rate base is reasonable including a review of other assets and liabilities on the books that are not included in the rate base as filed by the Company.
4. Evaluate the reasonableness of MDU's requested inclusion of Construction Work in Progress (CWIP) in rate base considering the DER's existing policies regarding this issue.
5. Assess the reasonableness of MDU's cash working capital request, as well as the reasonableness of the level of other working capital components included in rate base by the Company.
6. Determine the appropriate Deferred Income Tax levels to be used for the determination of Net Rate base, and to assure consistency with the provision of previous Commission orders.
7. Review and analyze the fuel procurement practices of the Company.
8. Determine the total cost of fuel based on the future test year 2010.
9. Analyze operating expenses in comparison to historical and projected levels for reasonableness.
10. Conduct special analysis of expenses to determine expenses that may not be

- necessary for ratemaking purposes but included in O&M expenses by MDU.
11. Scrutinize the reasonableness of MDU's overall employee, officer, and director compensation policies. This should include an evaluation of the Company's employee benefit plan and its related costs.
 12. Determine the proper level of pension and post employment benefits in rates.
 13. Determine the proper level of property taxes to be included in the cost of service.
 14. Limited review of MDU's affiliate transactions.
 15. Evaluate MDU's test year customer growth calculations (or loss of customers) and all associated sales level Annualization adjustment.
 16. Review MDU's proposed weather normalization adjustment for reasonableness and accuracy.
 17. Review, analyze and make necessary changes in the appropriate income tax obligations.
 18. Review the existing depreciation rates and assess its reasonableness.
 19. Review regarding the costs associated with the increased investments associated with its generation facilities, including the expansion of wind generation, the development of three generation projects - the Big Stone II plant, the Lignite Vision 21 and Milton Young III plants.
 20. Review of the Application of the proposed alternate recovery mechanism pending before the Commission in Case No. PU-09-733 for the Big Stone II plant costs.

Based on the analysis and conclusions of the above mentioned issues, MARC LLC will make a recommended Rate Base level, Revenue and Expense level and Net Operating Income. An overall Revenue Requirement will be calculated based on the NDPSC recommended rate of return as well as all adjustments and disallowances advanced by MARC LLC, and accepted by the DER, in Work Elements One and Two.

B. WORK ELEMENT TWO: CAPITAL STRUCTURE/COST OF CAPITAL

Analyze MDU's capital structure, cost of debt and requested rate of return. Evaluate the financing plans and non-utility activities of MDU's subsidiaries, if any, as they may affect the capital structure and cost of capital. Develop an appropriate capital structure and recommend the appropriate cost of debt and Equity and the

overall Rate of Return.

C. WORK ELEMENT THREE: COST OF SERVICE STUDY/ RATE DESIGN

1. Determine appropriateness of the jurisdictional and class cost of service studies for allocating costs to North Dakota.
2. Critiques the Company's cost of service study and make recommendations on alternative methodologies which would provide the most equitable allocations of costs.
3. Analyze the rate design structure proposed by MDU. Recommend alternative changes to the proposed rate structures as necessary.
4. Critique the company's proposed terms and conditions of service including increased charges for services. Recommend changes to the Company's terms and conditions of service as necessary.
5. Analyze and propose changes, if warranted, in non-electric service charges proposed by the Company.

D. WORK ELEMENT FOUR: TESTIMONY, HEARING, SETTLEMENT MEETINGS

The Fourth element includes, Preparation of Testimony, Hearing Preparation, Participation in the Settlement Meetings and Hearings. After the filing of the direct testimony but prior to the hearing of this matter, prepare supplemental testimony and exhibits as required. Participate in the Settlement Meetings as needed or required by NDPSC.

IX. WORK PLAN

MARC LLC consultants have previously conducted rate case reviews under several state jurisdictions, Federal Energy Regulatory Commission (FERC), City of New Orleans City Council and several Municipalities across the country. Because of our familiarity and our specialization in rate case type audits, MARC LLC can readily conform our discovery and audit techniques to the procedural requirements unique to the NDPSC.

ESTIMATED PROJECT SCHEDULE

Project Task	Week										TL HRS
	1	2	3	4	5	6	7	8	9	10	
Rate Base & Rev Requirement	24	16	8	16	16	16	24	16	24	40	200
Fuel & Purchased Power	16	16	8	8				8		16	72
Cost of Service	8		8						16	8	40
Rate Design	8		8		8				16	16	56
Capital Structure - ROR	8	8			8				8	10	42
Testimony & Hearings	Included in above categories										
Total Hours	64	40	32	24	32	16	24	24	64	90	410

Task A. Orientation and Initial Data Gathering

Upon contract award, MARC LLC will assemble comprehensive initial discovery to accomplish two principal goals. First, requests for information will solicit detailed financial and statistical data to assemble a spreadsheet data base and a revenue requirement model for more detailed analysis. In this way we can track the dynamics of the Company's cost to serve, allowing us to focus upon important costs and revenue trends and identify abnormalities.

The second goal behind initial data gathering efforts is to establish basic information across all areas of inquiry so as to begin to identify and develop issues. All efforts are designed to position the project team to conduct an efficient analysis of all issue areas in a timely and organized manner.

We will review publicly available financial data and prior NDPSC rate orders to prepare for preliminary issue discussions with the NDPSC personnel. A series of conference calls and/or meetings are planned between the NDPSC and the project team to facilitate an interactive environment and coordinate issue development necessary for effectiveness in the project. With a complete working knowledge of the NDPSC's Staff's views on the case, we can better design and prioritize our work plans.

Task B. Company Direct Testimony, Exhibits and Work papers

The project team will review the testimony, exhibits and supporting work papers filed by the Company to support its asserted revenue requirement. The project team will prepare specific discovery questions raised by our review of this testimony relative to our scope of work. We intend to establish a dialogue with the Company early in the conduct of this case to coordinate information flow and avoid the potential for miscommunication.

Task C. Preliminary Issue Identification/Outline

After a review of pre-filed direct testimony and exhibits, MARC LLC will identify follow-up discovery needs and outline those rate case issue areas requiring particular investigation emphasis. An outline of potential issues and work plans will be discussed with the NDPSC Staff. In determining this list of issue areas, MARC LLC will communicate with NDPSC Staff to coordinate the allocation of resources so as to maximize our effectiveness on this project. We are cognizant of the issues identified in the RFP as the consultant's responsibility and will assign appropriate consulting resources thereto. In addition, we expect other potential issues will be discovered that will require prioritization and proper emphasis. At this stage, the coordination of any assignments of NDPSC internal staff to assist us or for training can be planned.

Task D. Discovery

In conjunction with Tasks A through C above, MARC LLC will prepare discovery questions concerning each audit area and any known or potential issues or for other information required to fulfill our project commitment. During the course of the proceeding, MARC LLC will continue to submit discovery questions to follow-up previous responses or pursue new avenues of investigation which might arise. Cost effectiveness in this area should be maximized by basing our initial discovery submittals, in part, upon the firm's standardized discovery listings. In addition, we will assist in preparing timely responses to data requests served on the NDPSC by the Company or other parties with discovery rights in this proceeding.

Task E. Field Audit

Within a reasonable period after the Company's receipt of our initial discovery questions, MARC LLC plans to commence the process of scheduling field audit work at the Company's premises. Recognizing that the required accounting records may not be immediately accessible, we will schedule our travel plans accordingly. Depending on Company performance in turning around discovery responses, willingness to provide ready access to the required data and advance identification of the location of needed information, it is conceivable that each field trip could be separated by alternating weeks of work in our Denver City area offices. In any event, each field trip will carefully scheduled to maximize efficiency.

Task F. Coordination with NDPSC Staff

MARC LLC will maintain ready lines of communication with the various parties involved in the presentation of Staff's position in this proceeding. MARC LLC has extensive experience with projects which require timely communication with other active participants based at various locations throughout the nation. We intend to track NDPSC and intervener discovery and evaluate intervener areas of inquiry for discussion with Staff personnel. Regular periodic status reporting is an integral part of our work plan.

Task G. Testimony Preparation

MARC LLC will prepare and submit draft testimony on our findings for NDPSC discussion. After discussing such drafts with and obtaining input from the NDPSC Staff, we will proceed with the preparation of final testimony as required by the RFP. We agree to be bound by the established procedural schedule.

Task H. Hearings and Post Hearing Support

MARC LLC will provide technical support in the preparation and presentation of NDPSC's positions in the public hearing. This includes the preparation of questions for cross-examination

and rebuttal testimony. We will assist the NDPSC in the review of post hearing-briefs filed by opposing parties and in the preparation of NDPSC's briefs

These tasks represent the logical sequence of events but do not fully address the important communication activities adhere to periodic progress reporting and a series of ongoing informal project team/NDPSC meetings to assure optimal coordination of all activities. Client guidance and feedback is a critical ingredient in this and every project.

Task I. Estimated Hours by Task

The estimated hours by Task by Individual is presented in the following Table. It should be noted that if other Team members may have input into each Task, but that will not impact the overall budget for this project.

PROJECT TASK	NO. OF HOURS	TEAM MEMBER(S)	FILING TESTIMONY
Analytical and Pre-filed Direct Testimony			
VIII-A Rate Base & Revenue Requirement	176	Mathai Goodner	Mathai
VIII-A Fuel & Purchased Power	56	Mathai Goodner	Mathai/ Goodner
VIII-C Cost of Service	30	Goodner Gregory	Goodner/ Gregory
VIII-C Rate Design	48	Goodner Gregory	Goodner/ Gregory
VIII-B Capital Structure	34	Mathai Gregory	Mathai/ Gregory
Sub Total for Analyses and Pre-filed Direct	344 Hrs		
Live Testimony by Work Element - Direct and Rebuttal (preparation and hearing)**			
VIII-A Rate Base & Revenue Requirement	24	Mathai Goodner	Mathai
VIII-A Fuel & Purchased Power	16	Mathai/ Goodner	Mathai/ Goodner
VIII-C Cost of Service	10	Goodner/ Gregory	Goodner/ Gregory
VIII-C Rate Design	8	Goodner/ Gregory	Goodner Gregory
VIII- B Capital Structure	8	Mathai Gregory	Mathai/ Gregory
Sub Total for Rebuttal Testimony/ Hearings	66 Hours		
Grand Total Hours	410 Hours		
** The Hearing hours are preliminary estimate. If the hearing hours are less than preliminary estimate, we will bill only for the actual hours. If it is more than preliminary estimate such will be billed at the regular hourly rate.			

X. DELIVERABLE WORK PRODUCTS

As evidence of completion of the major work elements, MARC LLC will provide the following the following work products:

1. Draft testimonies and Preliminary Exhibits
2. Summary of written testimony, if required
3. Final Written Testimonies and Exhibits
4. Oral Testimonies at Hearings
5. Related Work papers
6. Weekly work status reports

XI. PROGRESS REPORTS

Throughout all phases of work, MARC LLC will provide periodic Progress Reports as required by the NDPSC, or its designee. The report will consist of the following information:

1. Comparison of actual to planned progress in carrying out all of MARC LLC's tasks during the previous week.
2. Identification of actual or potential problems in completing the work with an assessment of their probable impacts and any recommended solutions to the problems.
3. Time line showing completion dates for remaining tasks.

XII. ESTIMATED COMPLETION DATES

1. MARC LLC will coordinate with DER the due dates for delivery of testimony based on NDPSC's procedural order.
2. MARC LLC will participate in an initial engagement work strategy meeting with NDPSC and or its designee(s) to discuss policy objectives relating to the work

elements discussed in Section VIII of this RFP.

3. During the course of the audit, MARC LLC will work closely with the DER Staff of the NDPSC, its Designees(s) and its Attorney(s) to assure that policy issues are addressed on a consistent basis with previous positions expressed by the NDPSC.

XIII. COST PROPOSAL

The hourly billing rate used for this proposal for all members of the MARC Team is \$150.00 per hour or less. The “project work station location” for each member of the MARC Team is their listed address or MARC LLC’s office. The estimated hours and total cost per Task is shown below. Any changes to these estimates will be made only under circumstances that are agreeable to both NDPSC and MARC LLC.

PROJECT TASK	NO OF HOURS	TEAM MEMBERS	TOTAL COST (1)
Rate Base & Revenue Requirement	200	Mathai Goodner	\$29,000.00
Fuel & Purchased Power	72	Mathai Goodner	\$10,440.00
Capital Structure	42	Gregory Mathai	\$5880.00
Cost of Service	40	Goodner Gregory	\$5600.00
Rate Design	56	Goodner Gregory	\$7840.00
General Requirements	Included in above	All as needed	
Total Hours and Cost	410 Hours		\$58,760.00
(1) Total cost is based on an average hourly rate of \$145.00.			

All travel, accommodation, Perdiem and incidental charges would be billed as incurred at actual cost and estimates are shown in a separate Schedule below.

XIV. STANDARD BILLING RATES

Individual	Normal Hourly Billing Rates	Hourly Billing Rates for this Proposal
George Mathai	\$200.00	\$150.00
Steve M. Goodner	\$175.00	\$140.00
Glen Gregory	\$150.00	\$135.00
Rate Analyst II	\$140.00	\$130.00

Travel Costs and Other Expenses

The estimated travel costs for each MARC Team member to Bismarck, ND, are shown below. Every effort will be made to book the lowest cost coach airfare assuming adequate notice is provided of the travel.

Individual	Air Fare*	Hotel Perdiem*
George Mathai (4 Trips)	\$2500.00	\$3000.00
Glen Gregory (2 Trips)	\$1200.00	\$1500.00
Steve M. Goodner(2)	\$1200.00	\$1500.00
Sub-Total by Expense Category	\$4900.00	\$6000.00
(*Estimated) Total Travel Expense		\$10,900.00

All MARC Team members agree to abide by the travel requirements set forth by the NDPSC. The MARC Team bills clients at cost for directly incurred expenses such as travel (accommodations, air fare, car rental, meals, and other incidental charges) and overnight delivery charges. Any travel time required will be charged to the client at our normal hourly billing rates.

Payments should be made on a monthly basis based on number of hours worked times the contract rate plus any necessary costs to travel for case related matters.

Mathai and Associates Regulatory Consultants, LLC

XV. PROFESSIONAL EXPERIENCE AND QUALIFICATIONS

MARC LLC proposes a team of project personnel with substantial experience in the field of utility regulation. George Mathai, CPA, the Managing Principal of MARC LLC will serve as Project Director and is responsible for the overall work schedule and project control. In such capacity, the Project Director will work closely with members of the project team to insure that all work elements are properly and timely completed. Due to the nature of individual issue area assignments in this case, all members of the Team will be engaged in virtually all of the tasks identified in Part VIII and Part IX. At the present time, it is anticipated that George Mathai, Steve M. Goodner and Glen Gregory will present testimony on behalf of the Staff.

During this engagement, the Project Director will provide the Staff Director with weekly status reports outlining the progress of the project and identifying any known or potential problems impeding the project along with recommended solutions thereto. It is the intent of the contractor to immediately notify the Staff of any problems which could materially impact the project's completion in order for the requisite corrective action to be initiated as soon as practicable. Throughout this engagement, the Project Director will maintain close contact with the NDPSC Staff to coordinate policy considerations, desired changes in project emphasis, and modifications in the planned approach to the RFP's scope of work.

While MARC LLC's extensive regulatory experience excludes involvement in prior Montana-Dakota Utilities Co. ("MDU") rate filings, our team members do have substantial experience with regulation of public utilities, including electric, gas, telecommunications and water regulation issues before the FERC and other regulatory commissions. The MDU rate case project focuses upon many of the same key issues, such as New generation facilities investments, CWIP in rate base, revenue issues, different components of appropriate Operation and Maintenance Expenses (O&M), Fuel and Purchased Power issues, Tax computations, Depreciation, and Cost of Service and Rate Design. MARC LLC has substantial, relevant experience in the conduct of overall and focused rate case audits of major electric and gas utilities on behalf of commission staffs. Our experience is outlined below:

Mathai and Associates Regulatory Consultants, LLC

**EDUCATIONAL BACKGROUND AND EXPERIENCE
OF
GEORGE MATHAI, CPA**

- Education:** BS, Business Administration, Dallas Baptist University, Dallas, Texas (1974)
Majors in Accounting, Journalism, Management, and Marketing
MPA, New York University (1980)
- Professional Registration:** Certified Public Accountant,
State of Oklahoma #7999 (1985)
- Professional Affiliations:** Member of Oklahoma State Society of CPAs
Past Member of NARUC Subcommittees on:
Accounting and Finance; Electric; Gas; and
Transportation (1982-2007)
Past Member of AICPA

Experience:

Mr. Mathai has been engaged in utility matters and regulation full-time for 30 years. He has worked extensively in the revenue requirement calculation during the rate case processing of over 138 electric, gas, telephone, and water utilities. He also conducted Fuel Procurement Practice audits of 68 electric and gas utilities; 18 Water Companies for Revenue Requirements; 52 telephone utilities for Revenue Requirements; and as Administrator of Universal Service Fund Disbursements for 52 telephone utilities.

Mr. Mathai is the Managing Principal of Mathai & Associates Regulatory Consultants, LLC (MARC LLC).

Prior to forming MARC LLC, Mr. Mathai was an Executive Consultant with ERG Consulting Group/Legend Consulting Group Limited ("the Consulting Group"). The Consulting Group provides regulatory consulting, consulting engineering, and management consulting services to regulatory agencies and utility companies, including the Council of the City of New Orleans on rate and regulatory matters associated with Entergy New Orleans, Inc., Entergy Louisiana, LLC and Entergy Corporation and its operating subsidiaries. He has filed Revenue Requirement testimony in the recently concluded rate case of Entergy New Orleans Inc.'s Electric and Gas Operations. Mr. Mathai also testified before the Federal

Mathai and Associates Regulatory Consultants, LLC

Energy Regulatory Commission (“FERC”) regarding Generation System Agreement issues of Entergy Inc.’s Operating Companies on behalf of the Council of City of New Orleans.

Prior to joining the Consulting Group, Mr. Mathai was the Chief of the Accounting and Financial Auditing Department of the Public Utility Division of the Oklahoma Corporation Commission (“OCC”). Mr. Mathai directed the Department and was responsible for determining the revenue requirements and monitoring the fuel purchase practices of all regulated energy utilities in Oklahoma.

Concerning rate case processing, Mr. Mathai was extensively involved in the supervision of OCC’s technical and legal staff, which provides financial and economic analysis and recommendations to the three-member statewide elected Commissioners on ratemaking, and other utility regulatory matters. He held several auditing and management positions with OCC’s Public Utility Division, including the Chief of Accounting and Financial Audits, and Chief of Fund Administration for Oklahoma Universal Service Fund (OUSF) and E911 Fund, from August 1980 until October 2007. His professional experience includes electric, gas, water and telecommunications utilities with an emphasis on the development of revenue requirements, jurisdictional cost-of-service allocations, capital structure and rate-of-return studies and evaluations. Additionally, for several years, he was responsible for the fuel procurement practice audits, review and assessment of integrated resource planning (IRP) and fuel portfolio filings by major electric and gas utilities, and long-range fuel supply and capital expansion plans. Additionally, Mr. Mathai was the Chief of the OCC’s Transportation (Motor Carriers) Division’s Requirements, Auditing and Investigation and Tariffs’ Department.

He also has provided successful testimony regarding current and pre-paid pension funding, incentive compensation, cost recovery of New Generation and Transmission Recovery Mechanism (NGTR), abandoned Black Fox Nuclear Project, settlement of Gas Take-or-Pay contracts, and the Tax Revision Act of 1986 (TRA).

He was successful in Commission’s accepting his alternative ratemaking approaches, such as Performance Based Rate Changes (PBRC) and Formula Rate Plans (FRP).

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Mr. Mathai has sponsored numerous expert testimonies on several major regulatory issues. He had proffered testimonies on all ratemaking areas, including overall revenue requirement, cost of service, system-cost allocations, corporate allocations, jurisdictional cost allocations, rate of return, fuel procurement and pricing. He had also provided testimonies at several times regarding Pension Expenses, Deferred Pension Expenses, Pre-paid pension Expenses, Other Post Employment Benefits (OPEBs), Incentive Compensation, and Uncollectible Expenses. Additionally, he had provided several testimonies on the following issues: (Only Major Issue List)

- Overall Rate Base and Revenue Requirement Calculation
- Plant in Service (Used and required to be used concept)
- Current and Accumulated Deferred Income taxes
- Accumulated Depreciation and Depreciation Expense
- Cash Working Capital Determination
- Coal and Gas Inventory Calculations
- Prepayments
- Pre-paid Pensions
- Non-Investor supplied Capital
- Construction Work In Progress (CWIP),
- New Generation and Transmission Recovery Mechanism (NGTR),
- Revenues and Proforma Revenues
- Payroll Expenses
- Pensions (Current and Deferred)
- Incentive Compensation
- Employee Benefits (Current and Post)
- Advertisement and Promotional Expenses
- Outside Services and Regulatory Expenses
- Vegetation Management/Tree Trimming Expense Recovery
- Factoring and Uncollectible Issues
- Overall Cost of Service Determination
- Rider Implementation and Safeguards
- Cost recovery of base rate and incremental Storm Damage costs,
- Hurricane Cost Recovery (Katrina, Rita, Ike and Gustav)

- Fuel Transportation and Capacity Rider Recoveries
- Recovery of Discontinued Black Fox Nuclear Project,
- Settlement of Gas Take-or-Pay contracts,
- The Tax Revision Act of 1986 (TRA),
- Alternative ratemaking approaches
 - Performance Based Rate Changes (PBRC),
 - Formula Rate Plans (FRP)
- Fund Administration (Funding and Disbursements)
 - OUSF
 - E911

Mr. Mathai's earlier experience involved the auditing of healthcare facilities in New York City for the State of New York, as well as several years of work as a journalist.

Mr. Mathai has served on the National Association of Regulatory Utility Commission's Staff Sub-Committees on Accounts, Electric, Gas, and Transportation from 1982 through 2007.

A summary of George Mathai's testimony experience follows:

REPRESENTATIVE LISTING OF TESTIMONY EXPERIENCE OF GEORGE MATHAI, CPA			
Utility Company	Regulatory Agency	Docket No.	Date Filed
Entergy New Orleans	City of New Orleans	UD-08-03	11-17-08 1-16-09
Entergy Services, Inc.	Federal Energy Regulatory Commission	ER07-956-000	03-26-08
Arkansas Oklahoma Gas Company ("AOG")	Oklahoma Corporation Commission	2006000379	2007
Oklahoma Natural Gas Company ("ONG"), A Division of ONEOK	Oklahoma Corporation Commission	200600339	2007
Oklahoma Natural Gas Company ("ONG"), A Division of ONEOK	Oklahoma Corporation Commission	200600376	2007
Public Service Company of Oklahoma ("PSO"), a subsidiary of American Electric Power ("AEP")	Oklahoma Corporation Commission	200600285	2007
Center Point Energy, formerly known as ARKLA Gas Company	Oklahoma Corporation Commission	200600062	2006
Oklahoma Natural Gas Company ("ONG"), A Division of ONEOK	Oklahoma Corporation Commission	200500361	2006

**REPRESENTATIVE LISTING OF TESTIMONY EXPERIENCE OF
GEORGE MATHAI, CPA**

Utility Company	Regulatory Agency	Docket No.	Date Filed
Oklahoma Natural Gas Company (“ONG”), A Division of ONEOK	Oklahoma Corporation Commission	200500425	2006
Center Point Energy, formerly known as ARKLA Gas Company	Oklahoma Corporation Commission	200400187	2005
Oklahoma Gas and Electric (“OG&E”)	Oklahoma Corporation Commission	200500151	2005
Oklahoma Natural Gas Company (“ONG”), A Division of ONEOK	Oklahoma Corporation Commission	200400610	2005
Public Service Company of Oklahoma (“PSO”), a subsidiary of American Electric Power (“AEP”)	Oklahoma Corporation Commission	200300076	2005
Public Service Company of Oklahoma (“PSO”), a subsidiary of American Electric Power (“AEP”)	Oklahoma Corporation Commission	200300076	2004
Oklahoma Natural Gas Company (“ONG”), A Division of ONEOK	Oklahoma Corporation Commission	980000683	1998
Public Service Company of Oklahoma (“PSO”), a subsidiary of American Electric Power (“AEP”)	Oklahoma Corporation Commission	960000214	1997

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**REPRESENTATIVE LISTING OF TESTIMONY EXPERIENCE OF
GEORGE MATHAI, CPA**

Utility Company	Regulatory Agency	Docket No.	Date Filed
Oklahoma Gas and Electric (“OG&E”)	Oklahoma Corporation Commission	960000116	1996
Oklahoma Natural Gas Company (“ONG”), A Division of ONEOK	Oklahoma Corporation Commission	940000477	1995
Center Point Energy, formerly known as ARKLA Gas Company	Oklahoma Corporation Commission	940000354	1994
Oklahoma Natural Gas Company (“ONG”), A Division of ONEOK	Oklahoma Corporation Commission	910001144	1993
Oklahoma Natural Gas Company (“ONG”), A Division of ONEOK	Oklahoma Corporation Commission	920001394 920001653	1993
Center Point Energy, formerly known as ARKLA Gas Company	Oklahoma Corporation Commission	920001317	1992
Oklahoma Gas and Electric (“OG&E”)	Oklahoma Corporation Commission	Consolidated Causes: 00898; 001055; 001005	1992
Public Service Company of Oklahoma (“PSO”), a subsidiary of American Electric Power (“AEP”)	Oklahoma Corporation Commission	920001342	1992
Empire District Electric Company	Oklahoma Corporation Commission	900001001	1991

Oklahoma Natural Gas Company (“ONG”), A Division of ONEOK	Oklahoma Corporation Commission	910001151 910001190	1991
Empire District Electric Company	Oklahoma Corporation Commission	000180	1987
Oklahoma Gas and Electric (“OG&E”)	Oklahoma Corporation Commission	000259	1987
Oklahoma Natural Gas Company (“ONG”), A Division of ONEOK	Oklahoma Corporation Commission	000260	1987
Arkansas Oklahoma Gas Company (“AOG”)	Oklahoma Corporation Commission	850000079	1985
Center Point Energy, formerly known as ARKLA Gas Company	Oklahoma Corporation Commission	29411	1985
Oklahoma Gas and Electric (“OG&E”)	Oklahoma Corporation Commission	29450	1985
Oklahoma Natural Gas Company (“ONG”), A Division of ONEOK	Oklahoma Corporation Commission	29562	1985
Empire District Electric Company	Oklahoma Corporation Commission	28167	1984
Oklahoma Gas and Electric (“OG&E”)	Oklahoma Corporation Commission	28123	1983
Oklahoma Natural Gas Company (“ONG”), A Division of ONEOK	Oklahoma Corporation Commission	28069	1983

**REPRESENTATIVE LISTING OF TESTIMONY EXPERIENCE OF
GEORGE MATHAI, CPA**

Utility Company	Regulatory Agency	Docket No.	Date Filed
Public Service Company of Oklahoma (“PSO”), a subsidiary of American Electric Power (“AEP”)	Oklahoma Corporation Commission	28331	1983
Oklahoma Natural Gas Company (“ONG”), A Division of ONEOK	Oklahoma Corporation Commission	27347	1982
Public Service Company of Oklahoma (“PSO”), a subsidiary of American Electric Power (“AEP”)	Oklahoma Corporation Commission	27068	1982
Empire District Electric Company	Oklahoma Corporation Commission	27144	1981
Oklahoma Gas and Electric (“OG&E”)	Oklahoma Corporation Commission	27275	1981
Oklahoma Natural Gas Company (“ONG”), A Division of ONEOK	Oklahoma Corporation Commission	26981	1981
Oklahoma Natural Gas Company (“ONG”), A Division of ONEOK	Oklahoma Corporation Commission	Various Fuel Clause Audits	1980 – 1992
Center Point Energy, formerly known as ARKLA Gas Company	Oklahoma Corporation Commission	Various Fuel Clause Audits	1980 – 1992
Oklahoma Gas and Electric (“OG&E”)	Oklahoma Corporation Commission	Various Fuel Clauses Audits	1980 – 1992

**REPRESENTATIVE LISTING OF TESTIMONY EXPERIENCE OF
GEORGE MATHAI, CPA**

Utility Company	Regulatory Agency	Docket No.	Date Filed
Public Service Company of Oklahoma (“PSO”), a subsidiary of American Electric Power (“AEP”)	Oklahoma Corporation Commission	Various Fuel Clauses Audits	1980 – 1992
<u>Telecommunications</u> 52 Telephone Utilities	Oklahoma Corporation Commission	Various Rate Case Audits	1980 – 2000
Oklahoma Universal Service Fund (OUSF) and E-911 Fund Administration	Oklahoma Corporation Commission	Various	1997 – 2005 Administrator

QUALIFICATIONS OF GLEN GREGORY

1605 Briar Meadow Road, Norman, Oklahoma 73071

Phone: (405) 826 2094; E-mail: glen_gregory@yahoo.com

EDUCATION:

Masters of Arts, Economics, University, of Oklahoma, 1980

Bachelor of Arts, Sociology, University of Oklahoma, 1975

CREDENTIALS:

Certified Rate of Return Analyst, 1996

EXPERIENCE:

- Independent Utility Regulation Consultant 6 years
- Manager, Senior Analyst (utility regulation), Corporation Commission 21 years
- Assistant Bank Examiner, FDIC, Denver, Colorado 2 years

EMPLOYMENT:

Independent Consultant, August 2003 to the present.

I specialize in public utility issues, such as cost of capital, cost of service, rate design and other public utility issues.

Oklahoma Corporation Commission, November 1982 to July 2003.

Manager, Senior Analyst - Public Utility Division - I specialized in the areas of rate design, cost allocation, and financial analysis for cost of capital and rate of return. I was also substantially involved in preparation of reports and testimony regarding competitive bidding, utility deregulation, utility merger activities, evaluation of state and Federal restructuring proposals and a variety of other energy-related and regulatory issues. As a Certified Rate of Return Analyst, I was the primary representative of the Division in the

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area of cost of capital analysis for both electric and gas utilities. I was responsible for supervision of all cost of service studies, many rate cases for electric, gas, and water utilities. All positions held at the Commission required that I provide expert testimony and be able to defend it under cross-examination. I managed the Division's Economic and Research Unit. I was also very active in the supervision and training of others in my assigned areas of responsibility. I worked closely with corporate representatives, exchanged information, methodologies, and negotiated settlements.

Summary of Regulatory Experience:

While with the Energy Group of the Public Utility Division, I led the following teams: Cost of Service, Rate Design, and Tariffs; Gas, Fuel and Purchased Power, Transportation, Storage Acquisition Analysis; Financial Analysis; General Regulatory Research. I managed the work of attorneys, economists, financial analysts and CPAs. I have worked since 2003 as a regulatory consultant performing substantially the same type of work as with the Oklahoma Corporation Commission.

Experience Related to Capital Cost, Cost-of-Service, Rate Design, Pricing and Energy-Related Issues

Public Service Company of Oklahoma, 2009 (Cause No. 09-031) – Performed analysis, research and assisted in development of testimony on behalf of the OIEC regarding PSO's application to add wind resources from two purchased power contracts.

Oklahoma Natural Gas Co., 2009 (Cause No. PUD 08-348) – Performed analysis, research and assisted in development of testimony on behalf of the OIEC regarding ONG's application to establish a Performance Based Rate tariff.

Rocky Mountain Power, 2009 (Docket No. 08-035-38) – Participated as an expert witness on behalf of the Division of Public Utilities in PacifiCorp's general rate case to provide testimony on various revenue requirement issues.

Texas-New Mexico Power Co., 2008 (Docket 36025) – Participating as an expert
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witness on behalf of the Alliance of Texas Municipalities (“ATM”) before the Texas PUC in TMNP’s general rate case application to address various revenue requirement and rate design issues to establish prospective cost-of-service based rates.

Public Service Company of Oklahoma, 2008 (Cause No. 08-144) – Performed analysis, research and assisted in development of testimony on behalf of the OIEC regarding PSO’s general rate case application regarding rate design issues to be used to establish prospective cost-of-service based rates.

Questar Gas Company, 2008 (Docket No. 07-057-13) – Participated as an expert witness on behalf of the Utah Public Utility Division before the Public Utility Commission of Utah in this general rate case to address rate design and cost-of-service for the purpose of setting prospective cost-of-service based rates.

Entergy Gulf States, 2008 (PUC Docket No. 34800, SOAH Docket No. 473-08-0334) – Performed analysis, research regarding various cost of service issues and on the utility’s overall revenue requirement concerning this Entergy Gulf States rate case heard before the Public Utility Commission of Texas on behalf of various Texas municipal cities.

Tucson Electric Power Company, 2008 (Docket No. E-01933A-07-402) – Participated as an expert witness on behalf of the residential customers before the Arizona Public Service Commission in this general rate case to address rate design and cost-of-service for the purpose of setting prospective cost-of-service based rates.

Rocky Mountain Power, 2008 (Docket No. 07-035-93) – Performed analysis, research regarding the utility’s overall revenue requirement concerning this Rocky Mountain Power rate case heard before the Public Utility Commission of Utah on behalf of the Utah Public Utility Division.

Entergy Arkansas, 2007 (Docket No. 06-101-U) – Participated as an expert witness on behalf of the commercial customers before the Arkansas Public Service Commission in this general rate case to address capital cost, rate design and jurisdictional issues for the purpose of setting prospective cost-of-service based rates.

Southwestern Public Service Company, 2006 (PUCT 32766) – Performed analysis, research regarding shared services, jurisdictional allocation, and other revenue requirement matters concerning this SPS rate case to be heard before the Public Utility Commission of Texas on behalf of various Texas municipal cities.

ATMOS Energy - Mid-Tex Gas, 2006 (GUD 9676) – Performed analysis, research regarding shared services, jurisdictional allocation, and other revenue requirement matters concerning this rate case to be heard before the Railroad Commission of Texas on behalf of various Texas municipal cities.

Oklahoma Gas & Electric Co., 2005 (PUD 200500151) – Participated as an expert witness on behalf of the industrial consumers before the Oklahoma Corporation Commission in OG&E's general rate case application to address capital cost, rate design and jurisdictional issues for the purpose of setting prospective cost-of-service based rates. Project completed in December 2005.

Oklahoma Natural Gas Company (“ONG”), 2005 (PUD 200300610) - Participated as an expert witness on behalf of the Attorney General of the State of Oklahoma before the Oklahoma Corporation Commission in this general rate case to address capital cost, rate design and jurisdictional issues for the purpose of setting prospective cost-of-service based rates. Project completed in August 2005.

Public Service Company of Oklahoma (“PSO”), 2004 (PUD 200300076) – Participated as an expert witness on behalf of the Oklahoma Industrial Energy Consumers of the State of Oklahoma before the Oklahoma Corporation Commission in this general rate case to address capital cost, rate design and jurisdictional issues for the purpose of setting prospective cost-of-service based rates. Project completed in July 2004.

CenterPoint Energy Arkla (“Arkla”), 2004 (PUD 200400187) – Participated as an expert witness on behalf of the Attorney General of the State of Oklahoma before the Oklahoma Corporation Commission in this general rate case to address capital cost, rate design and jurisdictional issues for the purpose of setting prospective cost-of-service based rates. Project completed in December 2004.

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Oklahoma Gas & Electric Company (“OG&E”), 2004 (PUD 200300226) – Participated as an expert witness on behalf of the Oklahoma Industrial Energy Consumers before the OCC to address capital cost issues.

Oklahoma Natural Gas Company (“ONG”), 2003 (PUD 200300617) - Participated as an expert witness on behalf of the Staff of the State of Oklahoma before the OCC in this application of ONG to recover certain cost related to service lines, uncollectible accounts, etc.. Negotiate tariff and cost-of-service issues in settlement discussion.

Public Service Company of Oklahoma (“PSO”), 2003 (PUD 200200754) – Performed analysis, research and writing assistance to prepare written testimony on behalf of the Oklahoma Industrial Energy Consumers (OIEC) regarding a review of PSO’s Fuel Adjustment Clause for the year 2001.

Arkansas Louisiana Gas Company (“Arkla”), 2002 (PUD 200200166) – Participated as an expert witness on behalf of the PUD before the OCC in this general rate case application to address capital cost. Oversaw the work of outside consultants regarding various revenue requirement and rate design issues for the purpose of setting prospective cost-of-service based rates. Negotiated tariff and cost-of-service issues in settlement discussion.

The Empire District Electric Company., 2003 (PUD 200300121) – Supervised the work of OCC staff filing testimony on behalf of the PUD before the OCC in this general rate case application regarding various revenue requirement and rate design issues for the purpose of setting prospective cost-of-service based rates. Negotiated tariff and cost-of-service issues in settlement discussion.

Lawton Cogeneration L.L.C., 2002 (PUD 200200038) - Performed analysis, research and writing assistance to prepare written testimony on behalf of the PUD regarding a review of avoided cost as required by Federal law and the Power Sale Agreement submitted by Lawton for OCC approval.

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Arkansas Louisiana Gas Company., 2002 (PUD 200100586) – Participated as an expert witness on behalf of the PUD before the OCC regarding this application for approval of a transfer of Oklahoma assets as part of a corporate restructuring plan..

Enogex, Inc., 2001 (PUD 200000339) – Participated as an expert witness on behalf of the PUD before the OCC in this cause filed by Enogex seeking a determination from the OCC regarding the evaluation of ONG’s competitive bid process.

Oklahoma Gas & Electric Co., 2000 (PUD 200000022) – Participated as an expert witness on behalf of the PUD before the OCC concerning OG&E’s recovery of natural gas transportation cost from its affiliate Enogex, Inc.

Oklahoma Gas & Electric Co., 2002 (PUD 2001000455) – Participated as an expert witness on behalf of the PUD before the OCC in this general rate case application to address capital cost and rate design. Supervised and oversaw the work of PUD staff involved in various revenue requirement and rate design issues for the purpose of setting prospective cost-of-service based rates. Negotiate tariff and cost-of-service issues in settlement discussion.

Oklahoma Gas and Electric Company, 1996 (PUD 960000116) – Participated as an expert witness on behalf of the PUD before the OCC regarding capital cost and capital structure. Oversaw and supervised the work of the PUD witness regarding revenue, rate design, cost of service matters and tariffs. Sponsored testimony on OG&E’s proposed Generation Efficiency Performance Rider (GEPR). Recommended modifications to the Company’s proposed GEPR to bring it within the boundaries of an acceptable alternative ratemaking formula.

Oklahoma Gas and Electric Company, 1999 (PUD 990000417) – OG&E request for implementation of a performance based incentive plan. Participated as an expert witness and supervised other OCC staff filing testimony on behalf of the PUD before the OCC. Prepared information to inform the Commissioners in OCC Deliberations of matters

regarding the application.

Oklahoma Natural Gas Company, 1998 – Participated as an expert witness in ONG’s unbundling proceedings before the OCC. Sponsored written and oral testimony on behalf of the PUD to address the cost of ONG’s unbundled upstream gas services.

Public Service Company of Oklahoma, 1997 (PUD 960000214 - Sponsored testimony before the OCC on behalf of the PUD regarding cost of capital and capital structure.

Oklahoma Natural Gas /Western Resources Merger, 1997 - Oversaw and supervised the work of the PUD witness assigned on behalf of the PUD before the OCC regarding the appropriateness of OCC approval of the merger and setting certain parameters to safeguard ratepayers from negative effects of the merger.

Oklahoma Gas and Electric Co., 1996 (CN PUD 960000116) - Sponsored testimony on behalf of the PUD for the purpose of determining the Company's cost of capital and capital structure. Oversaw and supervised the work of the PUD witness regarding revenue, rate design, cost of service matters and tariffs.

Arkansas Oklahoma Gas Company, 1997 (CN PUD 960000408) - Sponsored testimony before the OCC on behalf of the PUD regarding cost of capital and capital structure. Oversaw and supervised the work of the PUD witness regarding revenue, rate design, cost of service matters and tariffs.

Empire District Electric Company, 1994 (940000343) - Sponsored testimony before the OCC on behalf of the PUD regarding cost of capital and capital structure. Sponsored testimony before the OCC on behalf of the PUD regarding revenue, rate design, cost of service matters and tariffs.

Arkansas Louisiana Gas Company, 1993 (920001217) - Sponsored testimony before the OCC on behalf of the PUD regarding cost of capital and capital structure. Supervised the preparation of PUD testimony regarding revenue, rate design, cost of service matters

and tariffs.

Oklahoma Natural Gas Company, 1993 - Sponsored and or supervised testimony of PUD staff before the OCC on behalf of the PUD regarding capital cost, revenue, rate design, cost of service matters and tariffs.

Oklahoma Gas and Electric Company, 1992 - Sponsored and or supervised testimony of PUD staff testimony before the OCC on behalf of the PUD regarding capital cost, revenue, rate design, cost of service matters and tariffs.

STEVE GOODNER

sgoodner@cox.net

(405) 618-9472

SUMMARY OF QUALIFICATIONS

- Supervision and management experience
- 24 years experience in rate cases and regulatory proceedings
- Comprehensive accounting knowledge and background
- Experience in corporate budgeting and cost analysis
- Proficient in Word, Excel, Power Point, Microsoft Outlook.
- Good organizational, time management, and problem-solving skills and the ability to work accurately and meet deadlines

PROFESSIONAL EXPERIENCE: Oklahoma Gas and Electric Company

Cost Analyst (94–2008) - Prepared the Cost of Service studies and served as expert witness for filings before the Oklahoma and Arkansas commissions from 1994 to 2008.

Administered and designed the Oklahoma and Arkansas fuel clause tariffs from 1985 to present.

Manager of Financial Accounting (85-94) - Managed two accounting departments and the corporate expense and construction budgets. These departments maintained the corporate ledgers and prepared all the corporate financial statements and SEC reports.

Supervisor General Accounting (85) - Supervised the general accounting department which maintained the corporate accounting ledgers and prepared all financial statements.

Manager Financial Services (84) – Administered the corporate cash management function.

Internal Auditor (82-83) – Performed internal audits of operations and the construction of a \$375 million power plant.

Accountant-Regulatory Reporting (81-82) - Prepared all of the Security Exchange Commission Reports (10-K, 10-Q and Annual Report to Shareowners)

Accounting clerk-General Records & Fuels Accounting (79-80) – Prepared journal entries, maintained all corporate ledgers and fuel inventories and prepared the financial statements.

Accounting clerk-Property Accounting (76-78) –Processed job orders, prepared related journal entries and maintained the property subsidiary ledgers.

Accounting clerk – Accounts Payable (74-76) – Processed invoices, prepared related

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journal entries and prepared cash forecasts.

EDUCATION

B.S Accounting, 1974

Central State University

MBA (Emphasis in Finance) 2000

Oklahoma City University

XVI. OTHER CONTRACTUAL REQUIREMENTS IN THE RFP

MARC LLC has read and understands all other provisions of the RFP which are not specifically mentioned in our response, but required by the North Dakota state statutes and NDPSC rules and regulations. We assure the state and NDPSC that we have already have or will abide by each one of the provisions as and when it becomes effective during the course of this assignment if we are the selected Consultant in the processing of the MDU Rate case Application.

References for:

MATHAI AND ASSOCIATES REGULATORY CONSULTANTS, LLC (MARC LLC)

George Mathai, CPA

Managing Principal, MARC LLC

1. Mr. Howard W. Motley
Vice President, Regulatory Affairs
Oklahoma Gas and Electric Company
P.O. Box321, Mail Code 1212
Oklahoma City, OK 73101
Phone: 405-553-3172 (Office)
405-834-3257 (Cell)

2. Mr. Dan Barnowski, ESQ
Partner
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