

**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
NORTHERN STATES POWER COMPANY RATE INCREASE APPLICATION**

RFP NUMBER: PU-10-657

Submitted

February 18, 2011

George Mathai, CPA

Managing Principal

Mathai & Associates Regulatory Consultants (MARC), LLC

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February 18, 2011

North Dakota Public Service Commission
Request for Proposal (RFP): Consulting Services for NSP Rate Case
RFP Number: PU-10-657
600 E Blvd Ave, Dept. 408
Bismarck, ND 58505

Attn: Mr. Joshua Gallion
Procurement Officer

Subject: Request for Proposal (RFP): Consulting Services for NSP Rate Case
RFP Number: PU-10-657

Dear Mr. Gallion:

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 Northern States Power Company ("NSP") Rate Increase Application PU-10-657. The principal experts in the NSP Rate case audit will be George Mathai, CPA of MARC LLC along with Cost of Service and Rate Design expert Lawrence W. Thompson, PE, and Cost of Capital expert James M. Proctor. The MARC Team has a combined utility regulatory experience of 98 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 a detailed analysis and conclusions related to the appropriate rate base, net operating income, revenue requirement calculation, cost of service and rate design, and cost of capital, for NSP's North Dakota electric operations.

Our analysis and tasks development will be result-oriented in order to determine the appropriate Revenue Requirement of NSP for each of the two test years, 2011 and 2012.

MARC LLC will serve as the prime contractor to the Commission for this project with the other two consultants as team members and sub-contractors of MARC. Resumes for the MARC Team are included in Section XVI- Professional Experience and Qualifications. Each person's areas of responsibilities are outlined in Section X- Task I (Result Oriented Tasks). 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 NSP. 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 all aspects of 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 Northern States Power Company (“NSP”) electric rate increase case before the North Dakota Public Service Commission (“NDPSC”). Each of the three principal experts in our Team have provided expert public utility advisory and consulting services within multiple jurisdictions for the last 30 to 42 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. Lawrence W. Thompson, PE, the Rate Design and Cost of Service expert has over 42 years of regulatory experience with various utility commissions and other entities. James Proctor, the Cost of Capital expert, has over 26 years of regulatory experience with various utility commissions and other entities. 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 team members and 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 Commission’s Project Manager and contacts at the Company.

We are providing a brief experience summary of the major team members and their respective major areas of responsibilities in the NSP rate increase application review and recommendation process.

George Mathai, CPA ---- Overall Case Manager, Revenue Requirement Calculation, Rate Base Analysis, Determination of Appropriate Level of Income and Expense, and Net Operating Income

GEORGE MATHAI, CPA
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Mathai & Associates Regulatory Consultants is a 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. Mr. Mathai has been engaged full-time in utility regulation for 30 years. He has worked extensively in the Rate case processing and revenue requirement determination for 139 electric, gas, telephone, and water utilities. He also conducted Fuel Procurement Practice audits of 69 electric and gas utilities. Additionally, Mr. Mathai held the position of the Administrator of Oklahoma Universal Service Fund (OUSF) disbursements for 52 telephone utilities.

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 Consultant in a recent Rate Case for the NDPSC, 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 NDPSC in PU-10-124, Montana-Dakota Utilities Application for a Rate Increase, 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.

Lawrence W. Thompson, PE, --- Rate Design and Cost of Service Expert Witness

QUALIFICATIONS OF LAWRENCE. W. THOMPSON, P.E.

EDUCATION: B.S. (Industrial Engineering) - Oklahoma State University - May, 1965.

Post Graduate courses - College of Business - University of Tulsa (1970-1971)

Public Utility Executive's Course - University of Idaho (1975)

REGISTRATION: Registered Professional Engineer, Oklahoma # 9960

CLIENT SERVICES PROVIDED OVER 42 YEARS:

- A. Analysis and Evidentiary Presentation:
 - 1. Electric, Gas, Water, & Wastewater Ratemaking
 - 2. Economic Analysis of Power plant Construction
 - 3. Derivation of Avoided Generation Costs
 - 4. Assistance with Fuel & Power sales and acquisition activities
 - 5. Economic Evaluation of Hydroelectric projects
 - 6. Evaluation of Gas & Electric Power Markets
 - 7. Financial Evaluation and Forecasting
 - 8. Property valuation and taxation
- B. Modeling and Simulation:
 - 1. Utility Cost of Service
 - 2. Financial Results Modeling
 - 3. Utility Billing and revenue testing
- C. Training and Education:
 - 1. Rate Case preparation and conduct
 - 2. Cost of Service Analysis
 - 3. Rate Design

Mr. Thompson is an Independent Utility Regulatory Consultant with 42 years of public utility ratemaking experience. He specializes in public utility issues, such as cost of service, rate design and many other public utility issues.

James M. Proctor ---- Cost of Capital Expert Witness

Qualifications Of James M. Proctor

General Regulatory Experience

Mr. Proctor has twenty-six years (26) experience in the regulation of public utility companies for two state utility commissions and as a regulatory consultant to state regulatory agencies and regulated utilities. As Director of the Public Utility Division of the Oklahoma Corporation Commission (“OCC”), as Chief of Accounting and Financial Analysis for the Kansas Corporation Commission (“KCC”), as a consultant to state utility commissions and public utility companies, Mr. Proctor has been instrumental in formulating regulatory policy.

While Director of the OCC Staff, he directed staff’s development and presentation of

financial, accounting and policy recommendations before the OCC in the regulation of natural gas, electric and telecommunication utilities. As Chief of Accounting and Financial Analysis for the KCC, he managed the preparation of testimony and communication before the commission related to regulatory matters involving accounting, financial analysis and quantitative analysis. As Director, Regulatory Policy and Analysis of EnerTran Technology Company, Mr. Proctor was responsible for developing strategic regulatory policy and assisting EnerTran's principals in various aspects of the development of non-utility power generation projects. As a consultant, he provides financial, accounting and policy consulting services regarding the regulation of electric, gas and telecommunications utilities.

Education

BBA: Washburn University of Topeka, Kansas

Accounting and Mathematics, 1978

MBA: University of Kansas

Corporate Finance and Quantitative and Statistical Analysis, 1984

III. BACKGROUND INFORMATION AND THE UNDERSTANDING OF THE PROJECT

On December 20, 2010, Northern States Power Company filed a Notice of Change in Rates for Electric Service with the North Dakota Public Service Commission. The Company proposes a two phase rate increase to its North Dakota customers with \$19.8 million or 12% increase in its annual North Dakota electric revenues, based on a 2011 budget test year, and an additional proposed 2012 "step-in adjustment" of \$4.23 million or an additional 2.5% increase. In this case NSP has filed a case involving two test years and therefore it is considered by the Commission as two rate cases. Taken together the overall rate increase requested by NSP is approximately \$24 million.

The North Dakota Public Service Commission's Division of Economic Regulation ("DER"), is soliciting proposals for consulting services for conducting research and thorough analysis of Northern States Power Company's approximately \$24 million rate increase application in Case No. PU-10-657. The selected consultant will be required to provide written testimony and present effective oral testimony at the commission's technical hearing on behalf of ratepayers through Commission's advocacy Staff. MARC LLC understands the scope of work and specific tasks the Division of Economic Regulation needs assistance in evaluating NSP's appropriate rate base, cost of capital, revenues, expenses, net operating income, and cost of service and rate design. Additionally, MARC LLC understands that the Advocacy Staff is interested in pursuing a different method of allocating costs to North Dakota. NSP serves three of North Dakotas larger communities including Fargo, Grand Forks and Minot. It is Staff's belief that Minot is an

island service territory that is marginally connected to NSP's integrated system. Staff is interested in pursuing the possibility of developing stand alone rates for the City of Minot. In addition, NSP currently employs 12 cp for allocating demand costs to all of the state jurisdictions. MARC LLC's team member Lawrence Thompson has over 42 years of Rate Design and Cost of Service and other related ratemaking experience. We feel comfortable that we can challenge the Company's current jurisdictional demand allocators with experience and understanding and make a reasonable recommendation to the NDPSC.

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 NSP. 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.

NSP is also concurrently submitting an Application and Notice for Interim Increase in Electric Rates in the annual amount of \$17.4 million.

IV. PURPOSE AND SCOPE OF THE PROJECT

- A.** In undertaking the NSP rate case review required by NDPSC, MARC LLC understands the need for the review and analysis of traditional ratemaking issues as well as specific issue areas set forth in the RFP Section Three, 3.01. Our comprehensive general work plan for NSP revenue requirement calculation will include a result oriented approach and we will make appropriate recommendations to NDPSC. MARC LLC experts will prepare and provide written an oral testimony of our findings and recommendations before the Commission during the technical hearing, on behalf of the North Dakota ratepayers for both the 2011 and 2012 test years.

- B.** MARC LLC consultants have previously conducted rate case reviews under several state jurisdictions, including North Dakota PSC, Kansas Corporation Commission, Wisconsin PSC, Arkansas PSC, and Oklahoma Corporation Commission. Additionally we have filed testimonies before 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 processing audits, MARC LLC can readily conform our discovery and audit techniques to the procedural requirements unique to the NDPSC in the matter of NSP Rate case.

C. Based on the current information, following is a comprehensive list of issue areas that we foresee to address in our review process:

Plant in Service

CWIP

Plant/Reserve Transactions

Rider Recovery for Wind Project Costs

2012 Step-In: Transmission Revenue Requirement

2012 Step-In: Nuclear Revenue Requirement .

2012 Step-In: Merricourt Revenue Requirement

2012 Step-In: Nuclear Amortization Revenue Requirement

Transmission Rate-Base Comparison

2012 North Dakota Electric Cost of Service Study

Jurisdictional Allocations and Fairness issues

Service Company Allocations

FAS 87 Pension Expense

Executive Compensation Issues

Post Retirement Benefits

Employee Benefit Levels

Prepaid Pensions

M & S Inventories

Prepayments

Cash Working Capital

Depreciation Rates/Annualization

Property Tax Annualization

Energy Efficiency Issues

Income Tax Calculations

Interest Synchronization

Uncollectable

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.

D. MARC LLC will analyze, review, and evaluate schedules and testimony filed by NSP and other parties in this proceeding. MARC LLC will be responsible for conducting a comprehensive analysis of the

major work elements identified in our Proposal Sections VIII and X. To accomplish the review tasks we will do the following including but not limited to:

1. MARC LLC will gather and analyze additional information, as necessary, to complete the review through extensive on-site field audit as necessary.
2. Prepare and submit all data requests as necessary for the thorough analysis of issues identified in this RFP.
3. Prepare written testimony regarding MARC LLC's Review findings of NSP, for Commission's public hearings along with oral testimony as needed.
4. Provide technical support in the preparation and presentation of the NDPSC Advocacy Staff positions 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.
5. Prepare questions for cross-examination and rebuttal.
6. Assist NDPSC Legal Staff with preparation of the proposed Administrative Law Judge Report.
7. Identify potential issues for independent investigation and, with input from DER Staff, will develop appropriate adjustments to the company's filed revenue requirement.

V. FORECASTING PROCEDURES, ASSUMPTIONS, AND RESULTS

NSP has developed its revenue requirements using budgeted 2011 and projected 2012 test years. 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 NSP'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 NSP'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.

VI. 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 NSP 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. 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 NSP'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 NSP.

VII. QUALITY ASSURANCE

The MARC LLC Team has combined experience of about 100 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.

VIII. DESCRIPTION OF SPECIFIC WORK ELEMENTS

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 and Net Income calculation to determine NSP'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.

A. WORK ELEMENT ONE - REVENUE REQUIREMENTS FOR TY 2011 & TY 2012

- 1. Rate Base**
- 2. Net Income Calculation**
- 3. Revenue Requirement Calculation**

NSP's rate filing raises a number of traditional concerns as well as some unique ratemaking issues. The Company has proposed the use of a two test year financial data for the years ending December 31, 2011 and December 31, 2012. From the preliminary review of NSP's filing and DER's RFP objectives, we conclude that there are other issues to be explored for both test years 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 for 2011 and 2012.
2. Evaluate NSP's forecasting procedures, assumptions, and results.
3. Determine if the proposed rate bases are 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 NSP'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 NSP'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 budgeted test years 2011 & 2012.
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 NSP.
11. Scrutinize the reasonableness of NSP'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 NSP's affiliate transactions.
15. Evaluate NSP's test year customer growth calculations (or loss of customers) and all associated sales level Annualization adjustment.
16. Review NSP'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.
20. Review NSP's proposed Rider Recovery for Wind Project Costs
21. Review NSP's proposed 2012 Step-In: Transmission Revenue Requirement
22. Review NSP's proposed 2012 Step-In: Nuclear Revenue Requirement
23. Review NSP's proposed 2012 Step-In: Merricourt Revenue Requirement
24. Review NSP's proposed 2012 Step-In: Nuclear Amortization Revenue Requirement
25. Review NSP's proposed Transmission Rate-Base Comparison

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 a reasonable 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

1. Analyze NSP's capital structure, cost of debt and requested rate of return.
2. Evaluate the Company provided Capital structure.
3. Evaluate the financing plans and non-utility activities of NSP's subsidiaries, if any, as they may affect the capital structure and cost of capital.
4. Develop an appropriate capital structure
5. 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 2011 & 2012 for allocating costs to North Dakota.
2. Additionally, MARC LLC understands that the Advocacy Staff is interested in pursuing a different method of allocating costs to North Dakota. NSP serves three of North Dakota's larger communities including Fargo, Grand Forks and Minot. It is Staff's belief that Minot is an island service territory that is marginally connected to NSP's integrated system. Staff is interested in pursuing the possibility of developing stand alone rates for the City of Minot. In addition, NSP currently employs 12 cp for allocating demand costs to all of the state jurisdictions. MARC LLC's team member Lawrence Thompson has over 42 years of Rate Design and Cost of Service and other related ratemaking experience. We feel comfortable that we can challenge the Company's current jurisdictional demand allocators with experience and understanding and make a reasonable recommendation to the NDPSC.
3. Jurisdictional Allocations and Fairness issues
4. Critique the Company's cost of service study and makes recommendations on alternative methodologies which would provide the most equitable allocations of costs.
5. Analyze the rate design structure proposed by NSP. Recommend alternative changes to the proposed rate structures as necessary.
- 6, 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.

7. 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. ESTIMATED PROJECT TIME LINE

Following is the initial estimated Project Time-Line:

ESTIMATED PROJECT SCHEDULE

Project Task	Week										TL HRS
	1	2	3	4	5	6	7	8	9	10	
Rate Base & Rev Requirement	48	48	56	48	48	48	56	72	72	56	552
Fuel & Purchased Power	16	8	8					8	16	16	72
Cost of Service	8		8			8			16	16	56
Rate Design	8	8	8					8	16	16	64
Capital Structure - ROR	16	8	8	8	16			8	8	24	96
Testimony & Hearings	Included in above categories										
Total Hours	96	72	88	56	64	56	56	96	128	128	840

X. RESULTS ORIENTED TASKS

Following is the description of results oriented tasks that will be employed in the review process of the NSP case.

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. 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. However, we will be cognizant of Section Three, part 3.01 instruction regarding limiting data requests. 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 limiting our Standardized issue based discovery after reviewing company's filing in this case as proposed in the RFP. 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 filing review by MARC Team and 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 planned in advance at a mutually agreeable time. 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, Income Statement & Revenue Requirement	512	Mathai Sr. Analyst	Mathai
VIII-A Fuel & Purchased Power	56	Mathai	Mathai/
VIII-C Cost of Service	40	L. W. Thompson	L. W. Thompson
VIII-C Rate Design	48	L. W. Thompson	L. W. Thompson
VIII-B Capital Structure	72	James Proctor Mathai	James Proctor
Sub Total for Analyses and Pre-filed Direct	728 Hrs		
Live Testimony by Work Element Estimated - Direct and Rebuttal (preparation and hearing)			
VIII-A Rate Base, Income Statement & Revenue Requirement	40	Mathai Sr. Analyst	Mathai
VIII-A Fuel & Purchased Power	16	Mathai/	Mathai/
VIII-C Cost of Service	16	L. W. Thompson	L. W. Thompson
VIII-C Rate Design	16	L. W. Thompson	L. W. Thompson
VIII- B Capital Structure	24	James Proctor Mathai	James Proctor
Sub Total for Rebuttal Testimony/ Hearings	112 Hrs		
Grand Total Hours	840 Hrs		

XI. 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

Mathai and Associates Regulatory Consultants, LLC

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 or as needed

XII. 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 time period..
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.

XIII. ESTIMATED COMPLETION DATES

1. MARC LLC will comply with the Contract Schedule shown in the RFP Section Three Clause 3.05.
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.
4. MARC LLC will complete the Rate Case Audit and file the necessary written testimonies and recommendations as per the schedule in Section Three, Clause 3.05.

XIV. COST PROPOSAL

A. NSP Rate Case Review (TY 2011 & TY 2012) Work Plan Related Direct Cost

The hourly billing rate used for this proposal for all members of the MARC Team is shown in Section XV, which is lower than our normal billing rate. 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 may be made under mutually agreeable circumstances.

PROJECT TASK	NO OF HOURS	TEAM MEMBERS	TOTAL COST (1)
Rate Base, Income Statement & Revenue Requirement	552	Mathai Sr. Analyst	\$104,880.00
Fuel & Purchased Power	72	Mathai Sr. Analyst	\$13,680.00
Capital Structure	96	Proctor Mathai	\$20,640.00
Cost of Service	56	Thompson	\$12,600.00
Rate Design	64	Thompson	\$14,400.00
General Requirements	Included above	All as needed	
Total Hours and Cost	840 Hours		\$166,200.00
(1) Total cost is based on an average hourly rate of Experts assigned to the task.			

All travel, accommodation, Perdiem and incidental charges would be billed as incurred at actual cost and estimates are shown in a separate Schedule below. Travel time of 8 hours per day will be charged as part of Travel and Perdiem.

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.

<u>Individual</u>	<u>Air Fare*</u>	<u>Hotel/ Perdiem/ Other</u>
George Mathai (5 Trips)	\$4500.00	\$5000.00
Lawrence Thompson(3 trips)	\$2700.00	\$3500.00
James Proctor (3)	\$2700.00	\$3500.00
Other Incidental- copying, Faxing, shipping etc.		400.00
Sub-Total by Expense Category	<u>\$9,900.00</u>	<u>\$12,400.00</u>
<u>(*Estimated) Total Travel Expense</u>		<u>\$22,300.00</u>

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

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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.

XV. STANDARD BILLING RATES

<u>Individual</u>	<u>Normal Hourly Billing Rates</u>	<u>Hourly Billing Rates for this Proposal</u>
George Mathai, CPA	\$250.00	\$200.00
Lawrence Thompson P.E	250.00	225.00
James Proctor, MBA, CRRRA	275.00	225.00
Sr. Rate Analyst (CPA)	195.00	180.00
Rate Analyst II	160.00	150.00

XVI. 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 X. At the present time, it is anticipated that George Mathai, Lawrence Thompson and James Proctor will present testimony on behalf of the Advocacy 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 communication with the NDPSC Staff to coordinate policy considerations, desired changes

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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 Northern States Power Company 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. We also had represented the Advocacy Staff before the NDPSC in another recent rate case. The NSP rate case project focuses upon many of the same key issues, such as Wind 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, Cost of Capital, 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:

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

Public Utility Regulatory Experience:

Mr. Mathai has been engaged fulltime in utility matters and regulation for 30 years. He has worked extensively in the Rate case processing and revenue requirement calculation for 139 electric, gas, telephone, and water utilities. He also conducted Fuel Procurement Practice audits of 69 electric and gas utilities. Additionally, Mr. Mathai held the position of the Administrator of Oklahoma Universal Service Fund (OUSF) disbursements for 52 telephone utilities.

Mathai and Associates Regulatory Consultants, LLC

Mr. Mathai is currently 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 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).

Mr. Mathai has sponsored numerous expert testimonies on several major regulatory issues including Renewable Energy. 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)
- Wind Energy Related Issues/Renewable Energy
- 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
Montana-Dakota Utilities	North Dakota PSC	PU-10-124	10/16/10
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

**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	200500361	2006
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

**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	960000214	1997
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

**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	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

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

Utility Company	Regulatory Agency	Docket No.	Date Filed
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
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

**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	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
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

LAWRENCE W. THOMPSON, PE -- RATE DESIGN AND COST OF SERVICE EXPERT

QUALIFICATIONS OF LAWRENCE W. THOMPSON, PE

EDUCATION: B.S. (Industrial Engineering) - Oklahoma State University - May, 1965.

Post Graduate courses - College of Business - University of Tulsa (1970-1971)

Public Utility Executive's Course - University of Idaho (1975)

REGISTRATION: Registered Professional Engineer, Oklahoma # 9960

CLIENT SERVICES PROVIDED (42 years):

- A. Analysis and Evidentiary Presentation:
 - 1. Electric, Gas, Water, & Wastewater Ratemaking
 - 2. Economic Analysis of Power plant Construction
 - 3. Derivation of Avoided Generation Costs
 - 4. Assistance with Fuel & Power sales and acquisition activities
 - 5. Economic Evaluation of Hydroelectric projects
 - 6. Evaluation of Gas & Electric Power Markets
 - 7. Financial Evaluation and Forecasting
 - 8. Property valuation and taxation
- B. Modeling and Simulation:
 - 1. Utility Cost of Service
 - 2. Financial Results Modeling
 - 3. Utility Billing and revenue testing
- C. Training and Education:
 - 1. Rate Case preparation and conduct
 - 2. Cost of Service Analysis
 - 3. Rate Design

REPRESENTATIVE CLIENTS:

- A. Oklahoma Gas and Electric Company
- B. Oklahoma Natural Gas Company
- C. Public Service Company of Oklahoma
- D. City of Cleveland, Oklahoma
- E. City of Mustang, Oklahoma
- F. City of Norman, Oklahoma
- G. City of Oklahoma City, Oklahoma
- H. City of Akron, Ohio

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- I. City of Columbus, Ohio
- J. City of Cleveland, Ohio
- K. Town of Okarche, Oklahoma
- L. Mount Joy Wire Corporation
- M. The Minute Maid Company
- N. Wausau Paper Corp.
- O. CP Kelco U.S., Inc.
- P. The Oklahoma Corporation Commission
- Q. Legislative Council of Oklahoma
- R. The Grand River Dam Authority of Oklahoma

EXPERIENCE:

- A. Public Utility Employment - Public Service Company of Oklahoma - 1965 to 1978.
 - 1. Engineer in Training - 1965-1966
 - 2. Military Leave of Absence - 1966 to 1969
 - 3. Standards Engineer - 1969 to 1970
 - 4. Load Research Engineer - 1971 to 1974
 - 5. Manager of Rates - 1974 to 1976
 - 6. Manager of Rates and Economic Studies - 1976 to 1978
- B. Military Duty - Supply Corps Officer, U.S. Naval Reserve - 1966 to 1969
- C. Business Consultant - 1978 to Present.
- D. Filed testimony or appeared in the following Regulatory Proceedings:
 - 1. Cause Number 25346 before the Oklahoma Corporation Commission
 - 2. Cause Number 25897 before the Oklahoma Corporation Commission
 - 3. Cause Number 26782 before the Oklahoma Corporation Commission
 - 4. Cause Number 26814 before the Oklahoma Corporation Commission
 - 5. Cause Number 26975 before the Oklahoma Corporation Commission
 - 6. Cause Number 26981 before the Oklahoma Corporation Commission
 - 7. Cause Number 27119 before the Oklahoma Corporation Commission
 - 8. Cause Number 27202 before the Oklahoma Corporation Commission
 - 9. Cause Number 27275 before the Oklahoma Corporation Commission
 - 10. Cause Number 27297 before the Oklahoma Corporation Commission
 - 11. Cause Number 27835 before the Oklahoma Corporation Commission
 - 12. Cause Number 27915 before the Oklahoma Corporation Commission
 - 13. Cause Number 28831 before the Oklahoma Corporation Commission
 - 14. Cause Number 28875 before the Oklahoma Corporation Commission
 - 15. Cause Number 29450 before the Oklahoma Corporation Commission
 - 16. Cause Number 29637 before the Oklahoma Corporation Commission
 - 17. Cause Number PUD000105 before the Oklahoma Corporation Commission
 - 18. Cause Number PUD000252 before the Oklahoma Corporation Commission
 - 19. Cause Number PUD000345 before the Oklahoma Corporation Commission
 - 20. Cause Number PUD000439 before the Oklahoma Corporation Commission

21. Cause Number PUD000600 before the Oklahoma Corporation Commission
22. Cause Number PUD90000898 before the Oklahoma Corporation Commission
23. Cause Number PUD90001005 before the Oklahoma Corporation Commission
24. Cause Number PUD90001055 before the Oklahoma Corporation Commission
25. Cause Number PUD920001342 before the Oklahoma Corporation Commission
26. Cause Number PUD940000477 before the Oklahoma Corporation Commission
27. Cause Number PUD200100455 before the Oklahoma Corporation Commission
28. Docket E8242 before the Federal Power Commission
29. Docket ER78-511 before the Federal Energy Regulatory Commission
30. Docket RP77-55 before the Federal Energy Regulatory Commission
31. Docket 136,373-U before the Kansas Corporation Commission
32. Case Number 78-2-EL-CMR before the Ohio Public Utilities Commission
33. Case Number 78-3-EL-CMR before the Ohio Public Utilities Commission
34. Application Number NB-0053 before the Nebraska Public Service Commission
35. Case Number 78-1438-EL-AIR before the Ohio Public Utilities Commission
36. Case Number 78-1567-EL-AIR before the Ohio Public Utilities Commission

37. Case Number 78-1568-EL-AIR before the Ohio Public Utilities Commission
38. Case Number 79-537-EL-AIR before the Ohio Public Utilities Commission
39. Case Number 79-774-EL-CMR before the Ohio Public Utilities Commission
40. Case Number 79-529-EL-ATA before the Ohio Public Utilities Commission
41. Case Number 80-141-EL-AIR before the Ohio Public Utilities Commission
42. Case Number 80-1139-EL-AIR before the Ohio Public Utilities Commission
43. Case Number 82-517-EL-AIR before the Ohio Public Utilities Commission
44. Case Number 84-67-GA-AIR before the Ohio Public Utilities Commission
45. Docket 6690-UR-114 before the Wisconsin Public Service Commission
46. Docket 6690-UR-115 before the Wisconsin Public Service Commission
47. Docket 6690-UR-116 before the Wisconsin Public Service Commission
48. Docket 6690-UR-117 before the Wisconsin Public Service Commission
49. Docket 6690-UR-118 before the Wisconsin Public Service Commission
50. Docket 6690-UR-119 before the Wisconsin Public Service Commission
51. Docket 6690-UR-120 before the Wisconsin Public Service Commission

JAMES M. PROCTOR--- COST OF CAPITAL EXPERT WITNESS

Education and Experience of James M. Proctor

General Utility Regulatory Experience (26 years)

Mr. Proctor has twenty-six years experience in the regulation of public utility companies for two state utility commissions and as a regulatory consultant to state regulatory agencies and regulated utilities. As Director of the Public Utility Division of the Oklahoma Corporation Commission (“OCC”), as Chief of Accounting and Financial Analysis for the Kansas Corporation Commission (“KCC”), as a consultant to state utility commissions and public utility companies, Mr. Proctor has been instrumental in formulating regulatory policy.

While Director of the OCC Staff, he directed staff’s development and presentation of financial, accounting and policy recommendations before the OCC in the regulation of natural gas, electric and telecommunication utilities. As Chief of Accounting and Financial Analysis for the KCC, he managed the preparation of testimony and communication before the commission related to regulatory matters involving accounting, financial analysis and quantitative analysis. As Director, Regulatory Policy and Analysis of EnerTran Technology Company, Mr. Proctor was responsible for developing strategic regulatory policy and assisting EnerTran’s principals in various aspects of the development of non-utility power generation projects. As a consultant, he provides financial, accounting and policy consulting services regarding the regulation of electric, gas and telecommunications utilities.

Education

BBA: Washburn University of Topeka, Kansas

Accounting and Mathematics, 1978

MBA: University of Kansas

Corporate Finance and Quantitative and Statistical Analysis, 1984

Work History

- | | |
|------------------|--|
| 1984-1987 | Kansas Corporation Commission
<u>Senior Auditor and Financial Analyst</u> , Responsibilities involved supervising audits of utilities, preparing return on equity analysis and provision of written and oral testimony in regulatory proceedings. |
| 1987-1990 | Kansas Corporation Commission
<u>Chief of Accounting and Financial Analysis</u> , Responsibilities involved |

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hiring, training and supervising accounting and finance staff. Also, prepared expert testimony regarding complex accounting, financial and policy matters before the Commission.

1990-1993

Oklahoma Corporation Commission

Director of the Public Utility Division, Responsibilities involved administering division operations, developing regulatory policy and testifying on complex financial and accounting and policy issues before the Commission and legislature.

1993-1994

Overland Consulting, Inc.

Director of Financial Analysis, Primary responsibilities included being the project manager for consulting engagements involving telecommunications utilities and directing the financial analysis used in the firm's consulting projects.

1994-1995:

EnerTran Technology Company

Director, Regulatory Policy and Analysis, Responsible for developing and directing regulatory strategy and financial analysis related to competition in the generation and transmission of electricity. Also, responsible for developing initiatives implementing regulatory policy changes at state commissions.

1995-Present:

Regulatory Consultant Provides financial, accounting and policy consulting services regarding the regulation of electric, gas and telecommunications utilities.

Testimony for Regulatory Authority

STATE COMMISSION EXPERIENCE 1984-1993

Kansas Corporation Commission, 1984 -1990 Served as an expert staff witness before the Kansas Corporation Commission in numerous proceedings concerning financial and accounting and regulatory policy issues for electric, natural gas and telecommunication utilities. Some of those cases are provided below.

Kansas City Power and Light Company, 1985 (Kansas) Testimony concerning adjustments to rate base and operating income statement, and evaluation of company's economic forecasting models.

Peoples Natural Gas Company, 1986 (Kansas). Testimony concerning the determination of hypothetical capital structure.

Union Gas Systems, Inc., 1987 (Kansas) Testimony concerning adjustments to operating income statement and estimation of return on equity.

Kansas Power and Light Company, 1988 (Kansas) Testimony concerning a cash working capital lead-lag study and weather normalization.

Kansas City Power and Light Company, 1988 (Kansas) Testimony concerning policy matters including: adjustments to rate base and income statement; recoverability of cost deferrals on excess investment in Wolf Creek Nuclear Plant; and, SFAS No. 71 issues related to phase-in of plant costs.

Kansas Gas and Electric Company, 1989 (Kansas) Testimony concerning the impact on ratepayers and shareholders from orders issued relative to the commercial operation of Wolf Creek Nuclear Plant including the: present value of rate increase to customers; present value impact to shareholder equity from orders; and, comparison of market returns for company equity and utility industry during commercial operation of Wolf Creek.

Kansas Gas and Electric Company, 1989 (Kansas) Testimony concerning a cash working capital lead-lag study, weather normalization and capital structure.

Kansas Gas and Electric Company, 1989 (Kansas) Testimony for quantifying excessive fuel costs during unscheduled outages at Wolf Creek.

Oklahoma Corporation Commission, 1990 -1993 Served as an expert staff witness before the Oklahoma Corporation Commission in numerous proceedings concerning financial and accounting and regulatory policy issues for electric, natural gas and telecommunication utilities. Some of those cases are provided below.

Southwestern Bell Telephone Company, 1991 (Oklahoma) Testimony concerning rate reduction, rate refunds, network modernization investments and policy.

Oklahoma Gas and Electric Company, 1991 (Oklahoma) Testimony concerning return on equity.

Southwestern Bell Telephone Company, 1991 (Oklahoma) Testimony concerning return on equity.

Arkansas Louisiana Gas Company, 1992 (Oklahoma) Testimony concerning interim rate relief regarding revenue requirements, return on equity and policy.

Oklahoma Gas and Electric Company, 1992 (Oklahoma) Testimony concerning policy matters including the following: motivation for show-cause investigation into rates; allocation of Cogeneration Capacity Related Costs; treatment of costs for acquisition premium related to Enogex pipeline; financial integrity and quality of service; retroactive ratemaking and interim rates; and, impact of rate decrease on market value of common stock.

Oklahoma Natural Gas Company, 1992 (Oklahoma) Testimony concerning interim rate relief regarding revenue requirements, return on equity and policy.

REGULATORY CONSULTING EXPERIENCE SINCE 1993

Cincinnati Bell Telephone Company, 1993 (Ohio). Served as project manager and provided testimony for a review of a proposed alternative regulatory plan on behalf of the City of Cincinnati.

Arizona Property Taxation Laws, Valuation of Telecommunications Property, 1993 (Arizona) Performed financial analysis for the Arizona Department of Revenue (ADOR) to review the current definitions of telecommunications companies in Arizona, and issues related to the valuation of telecommunications properties based upon such definitions.

US West Telephone Company, 1993 (Minnesota). Managed a staff of consultants in the review of the financial impact of alternative forms of regulation on the rates and earnings for a three period for the Minnesota PUC (1991-1993)

Cincinnati Bell Telephone Company, 1994 (Ohio). Served as project manager and filed testimony at the Ohio Commission regarding the review of alternative forms of regulation on behalf of the City of Cincinnati.

Citizens Utilities, 1994 (Arizona) Managed the review and preparation of a report regarding the financial valuation of utility investment in telecommunication assets on behalf of the Arizona Department of Revenue.

EnerTran Technology Company, 1994 (Illinois). Managed the development of regulatory strategy at the Illinois Commerce Commission and Federal Energy Regulatory Commission for implementation of an independent power project for Corn Products Corporation.

Ener Tran Technology Company, 1995 (Illinois). Managed the development of regulatory strategy at the Illinois Commerce Commission and Federal Energy Regulatory Commission for implementation of an independent power project for Mobil Oil Corporation.

Southwestern Bell Corporation, 1995 (Oklahoma). Advised the Oklahoma Corporation Commission regarding the resolution and settlement of a rate case involving Southwestern Bell Telephone Company. Settlement involved customer refunds of \$175 million and rate reductions of \$90 million.

Local Telephone Competition, 1996 (Oklahoma). Prepared recommendations for the Oklahoma Corporation Commission concerning rules for the implementation of local telephone competition.

Kansas Gas and Electric Company, 1996 (Kansas). Audited electric rate case application and filed revenue requirement testimony at the Kansas Corporation Commission on behalf of Commission Staff.

Kansas Power and Light Company, 1996 (Kansas). Audited electric rate case application and filed revenue requirement testimony at the Kansas Corporation Commission on behalf of Commission Staff.

Oklahoma Natural Gas Company, 1997 (Oklahoma). Audited gas contracts for prudence and prepared a series of reports for the Oklahoma Corporation Commission concerning findings.

Kansas City Power and Light Company, 1997 (Kansas). Audited electric rate case application and filed revenue requirement testimony at the Kansas Corporation Commission on behalf of Commission Staff.

Merger of Western Resources and Kansas City Power and Light Company, 1997-1998 (Kansas). Managed the Commission Staff financial and accounting review of a merger application before the Kansas Corporation Commission. Issues involved all matters related to accounting and financial analysis of corporate restructuring and merger synergy analysis for regulated and unregulated operations.

Local Natural Gas Distribution and Transportation Competition, 1998 (Oklahoma). Prepared recommendations for the Oklahoma Corporation Commission concerning rules for the implementation of local competition for natural gas.

Amended Merger of Western Resources and Kansas City Power and Light Company, 1998-1999 (Kansas). Managed the Commission Staff financial and accounting review of a merger application before the Kansas Corporation Commission and filed testimony concerning recommendations. Issues involved all matters related to accounting and financial analysis of corporate restructuring and merger synergy analysis for regulated and unregulated operations.

Kansas Power & Light Company, 2000-2001 (Kansas) Audited electric rate case application and filed revenue requirement testimony at the Kansas Corporation Commission on behalf of Commission Staff.

Kansas Gas & Electric Company, 2000-2001 (Kansas) Audited electric rate case application and filed revenue requirement testimony at the Kansas Corporation Commission on behalf of Commission Staff.

Merger Agreement of Western Resources, Inc. and Public Service of New Mexico, 2001 (Kansas) Includes financial and accounting review of merger application. Issues involved include matters related to accounting and financial analysis of corporate restructuring and merger synergy analysis for regulated and unregulated operations.

Oklahoma Natural Gas Company, 2001-2002 (Oklahoma) Consulted to consumer group seeking relief from improper and excessive gas contract costs due to gas contract entered into above market prices for natural gas. Consumer group received refunds and other benefits of \$48 million.

Westar Energy, Inc., 2001-2003 (Kansas) Provided comprehensive testimony over a series of regulatory proceedings regarding diversified corporate structure and affiliate issues. Largely, the KCC relied on my testimony of financial analysis of Westar's diversified corporate structure to prepare its findings and conclusions in its review. I conducted financial analyses including studies of Westar and its non-utility affiliates' cash flow, to determine debt and assets properly attributable to utility and non-utility businesses.

Utilicorp, Inc / Aquila, Inc., 2001-2003 (Kansas) Provided advisory services to the Kansas Corporation Commission concerning the corporate structure and reorganization of Utilicorp Inc. and Aquila, Inc. Included financial analysis and affiliate/utility issues regarding non-utility subsidiaries and inter-affiliate allocations and transactions.

Kansas Gas Service Company, 2003 (Kansas) Audit and provide testimony on retail rate case issues.

Haviland Telephone Company, 2003 (Kansas) Audit and provide testimony on retail rate case issues.

Advisor on General Commission Caseload, 2001-ongoing (Kansas) Provide on-going consulting services to the Kansas Corporation Commission regarding financial, accounting and regulatory policy matters related to commission proceedings.

Entergy New Orleans, Inc., 2008 (Louisiana) Provide testimony for cost of equity, cost of capital, and current and deferred income taxes for gas and electric rate cases.

Entergy New Orleans, Inc., 2010 (Louisiana) Provide testimony for cost of equity, cost of capital, current and deferred income taxes and miscellaneous other issues for gas and electric rate cases.

XVII. 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 and 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 NSP Rate case Application.

References for:

MATHAI AND ASSOCIATES REGULATORY CONSULTANTS, LLC (MARC LLC)

George Mathai, CPA

Managing Principal, MARC LLC

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