

Memo

To: Darrell Nitschke

From: Mike Diller

Re: Staff's Opinion on the Hiring of Consultants to assist in the Evaluation of NSP's Jurisdictional Cost Allocation of Production and Transmission Costs

Case: PU-12-813

Date: August 5, 2014

CC: Commissioners, Pat, Illona and Dave Sederquist

I will be on vacation when the commission meets with NSP on Friday to discuss the hiring of jurisdictional allocation experts as agreed to in the last electric rate increase application so writing here.

I have worked through a number of issues with Mr. Sederquist to arrive at two good candidates (The Brattle Group and Itron, Inc.) for assisting NSP and the staff in evaluating the appropriateness of using the current allocation factor of 12CP for production and transmission facilities and whether or not there is perhaps a better method.

I know that the independence of the consultant will be of primary importance to the commission and of equal importance to me. To be fair, independence cannot be assured because NSP will pay for the services regardless of the consultant chosen. Further, it is not possible to be entirely sure of independence because knowing another person's mind is not possible. That said, having interviewed both firms privately, I believe that both firms will work to provide fair and equal service to both parties. As expert witnesses, neither firm can afford to say one thing today and another tomorrow without good cause. I am comfortable working with either firm in regard to independence.

With regard to service, I am inclined to choose The Brattle Group over Itron, Inc. The Brattle Group consists of jurisdictional allocation experts that train others to become jurisdictional allocation experts. The Brattle Group will provide training to the commission and its staff so that we will be better prepared to ask questions and provide solutions now and into the future. Enhancing staff's understanding of the various methods, implications and theoretical applications will add to staff's independence and confidence in choosing a method.

In my opinion, The Brattle Group better meets our needs for a facilitator and third voice in the discussions between NSP and advocacy staff.

215 PU-12-813 Filed: 8/5/2014 Pages: 1
Memorandum

Public Service Commission Staff

Mike Diller