DIRECT TESTIMONY AND SCHEDULES

JOEL F. JEANSON

STATE OF NORTH DAKOTA

BEFORE THE

NORTH DAKOTA PUBLIC SERVICE COMMISSION

NORTHERN STATES POWER COMPANY	CASE NOS. PU-17-322,
ADVANCE PRUDENCE – BIOMASS PPAS	PU-17-270, PU-17-271
APPLICATION FOR DEFERRED ACCOUNTING	

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I. Introduction and Qualifications

Q. Would you please state your name, affiliation, and address?

A. My name is Joel F. Jeanson. I am a Principal Consultant at PA Consulting Group (PA). My business address is 1611 North Kent Street, Suite 301, Arlington, VA 22209.

Q. On whose behalf are you filing this testimony?

A. I am filing this testimony on behalf of the Advocacy Staff of the North Dakota Public Service Commission (Commission or NDPSC).

Q. Please summarize your qualifications and experience.

A. I have worked in the utility industry for the past 38 years, primarily specializing in regulatory finance and accounting issues. I started my professional career in the audit division for a Big Eight accounting firm, working primarily with investor-owned utility clients. After leaving public accounting I went to work for a large Midwest utility in a variety of accounting, planning/budgeting, corporate performance, and auditing roles. Since 2001, I have worked as a consultant to clients in the utility and energy industry, including regulators, utility management, and investors. My academic background includes a B.S. in Business (with distinction) from Indiana University. I am a Certified Public Accountant (inactive). My CV is provided in Exhibit JFJ-1.

Q. Have you testified before the North Dakota Public Service Commission previously?

A. No.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide the Commission with an assessment of the Northern States Power Company – Minnesota (NSP or the Company) request for deferred accounting for the Benson Power LLC facility purchase and the Power Purchase Agreement buyouts for the Pine Bend and Laurentian Energy projects. NSP has requested deferred accounting treatment including a return on the regulatory assets associated with:

- The termination of the PPA for Laurentian biomass project,
- The termination of the PPA for the Pine Bend biomass project, and
- The purchase and shut down of the Benson biomass project.

I have reviewed the Application, supporting direct testimony, and responses to interrogatories in order to develop recommendations regarding the use of deferred accounting treatment for these projects and whether any conditions should be put on an approval of the request for deferred accounting.

Q. Would you please summarize the organization of your testimony?

A. Yes. My testimony is organized as follows:

- Relevant North Dakota legislative statutes and administrative code.
- Industry standards and practices related to deferred accounting.
- ND PSC orders to identify precedent-setting criteria used by the Commission.
- Criteria I believe to be appropriate given industry standards and practices, including North Dakota-specific practices.
- A comparison of the circumstances in these cases against those criteria.
- While non-authoritative to North Dakota, I discuss the proposed accounting treatment in Minnesota including the use of the fuel clause adjustment (FCA) as options for consideration by the Commission.
- Recommendation regarding the use of deferred accounting for the Pine Bend and Laurentian Energy projects. My recommendation will discuss costs authorized for recovery, implications related to excess earnings, amortization periods, and a return on unamortized deferral balances.

Q. Are you sponsoring any exhibits to your testimony?

A. Yes. I am sponsoring the following exhibits:

- Exhibit JFJ-1: CV of Joel F. Jeanson

II. North Dakota Legislative Statutes and Administrative Code

Q. What guidance is provided by North Dakota legislative statutes and administrative code related to deferred accounting?

A. There appears to be limited guidance provided by North Dakota legislative statutes and administrative code related to deferred accounting. Subsection 03 of Chapter 69-09-05.1 Accounting Practices indicates that:

> "The system of accounts used by all North Dakota electric companies subject to rate regulation by the commission must conform to the uniform system of accounts set forth in title 18, Code of Federal Regulations, part 101, prescribed by the federal energy regulatory commission."

The specific guidance provided by the FERC Uniform System of Accounts related to deferred accounting is provided below.

N.D.C.C. Chapter 49-05 Procedure on Regulation of Public Utilities, Section 49-05-16. Advance determination of prudence, provides authorization for "an advance determination of prudence" regarding a resource addition. "Resource addition" is defined as "construction, modification, purchase, or lease on an energy conversion facility, renewable energy facility, demand response system, transmission facility, or a contract to acquire energy, capacity, or demand response for the purpose of providing electric service." Item 6 further indicates:

> "The public utility may recover in its rates, and in a timely manner consistent with the public utility's financial obligations, the amounts the public utility reasonably incurred or obligated on a prudent resource addition, including accrued allowance for funds used during construction, even though the resource may never be fully operational or used by the public utility to serve its customers. The cost amortization period for

a discontinued resource addition may not exceed five years from the date commencement of the recovery is approved by the commission. No return on amounts incurred or obligated by the public utility may be authorized for the period after the resource addition is discontinued. The public utility may request an order from the commission for deferred accounting treatment for costs incurred for a discontinued resource addition."

III. Industry Standards and Practices

Q. What industry standards and practices exist related to deferred accounting treatment?

A. The Federal Energy Regulatory Commission (FERC) Uniform System of Accounts (USoA) as set forth in Title 18, Code of Federal Regulations, Part 101 defines the accounting treat for regulatory assets (i.e., deferred accounting) in account **182.3 Other regulatory assets** of the USoA.

A. This account shall include the amounts of regulatory-created assets, not includible in other accounts, resulting from the ratemaking actions regulatory agencies.

B. The amounts included in this account are to be established by those charges which would have been included in net income….in the current period under the general requirements of the USoA but for it being probable that such items will be included in a different period(s) for purposes of developing rates that the utility has been authorized to charge for its utility services.

Similarly, USoA definitions state:

31. *Regulatory Assets and Liabilities* are assets and liabilities that result from rate actions of regulatory agencies. Regulatory

assets and liabilities arise from specific revenues, expenses, gains, or losses that would have been included in net income determination in one period under the general requirements of the Uniform System of Accounts but for it being probable:
A. that such items will be included in a different period(s) for purposes of developing the rates the utility is authorized to charge for its utility services; or
B. in the case of regulatory liabilities, that refunds to customers, not provided for in other accounts, will be required.

As shown above, the FERC USoA is not prescriptive; that is, it does not identify those specific transactions which require or are eligible for deferred accounting treatment or even those criteria a regulatory agency should use to determine whether the recovery of costs otherwise accounted for as expenses should be allowed over more than one accounting period. Rather, recording a transaction as a regulatory asset or liability is completely dependent on the rate actions of regulatory agencies.

In The Process of Ratemaking, published by Public Utilities Reports, Inc., Leonard Saul Goodman defines a deferred cost as "one that has been paid by the company but is postponed for inclusion in rates until a future period." He indicates that "the use of the deferred cost account in a ratemaking context is so common and so fundamental a regulatory tool that no agency is likely to consider it necessary today to study whether as a matter of 'policy' costs should be deferred; however, it will insist that a proper record be made pointing to the need for a specific cost deferral" and that "permission to defer a cost for accounting purposes does not carry with it any promise that the cost will later be allowed in rates, nor if allowed in rates that the unamortized balance will be included in rate base" (that is, eligible for a "return on"). "The deferral is merely a stop-gap measure to preserve the status quo until the company proves that the cost should be allowed," (that is, typically in the context of a rate case). "There is usually a ratemaking implication whose resolution the agency finds it convenient to defer along with the affected costs."

Goodman further provides the following insights:

> When the company with commission approval postpones the collection of a cost from ratepayers. It may be allowed to create a "deferred cost" or a "regulatory asset" on its books for a stated period. It thereby "capitalizes" the cost, and will thereafter amortize the cost through charges to ratepayers with or without inclusion of the unamortized balance in rate base. .....Amortization imposes costs on ratepayers; rate base exclusion imposes carrying costs on shareholders.

Q. Does your experience support the industry practices described above?

A. Yes. Based on my experience, the practices described above align with practices I have observed.

Q. Based on your experience, are there common criteria or attributes of costs used by regulators when authorizing the deferral of costs as regulatory assets?

A. Yes. Based on my experience, the following criteria are commonly and consistently used by regulators in authorizing cost deferrals and establishing regulatory assets:

- The costs are significant and extraordinary; that is, they are material relative to the ongoing level of operating expenses, and are not currently recoverable through rates.
- The costs incurred provide value to ratepayers.
- The costs incurred are necessary and reasonable (or "prudent").
- The recovery period over which the costs will be amortized reasonably represents the period over which value is provided.
- The recovery will not result in over-earning.

Q. Do the criteria described above align with criteria used by the ND PSC in similar requests for deferred accounting?

A. I believe so. For example, in its order allowing cost deferral in Case No. PU-10-589 dated July 27, 2011, in which Montana-Dakota Utilities (MDU) requested approval for the deferral and subsequent recovery of manufactured gas plant (MGP) remediation costs, the Commission describes the following criteria used in approving the proposed regulatory asset:

> "Any future request for cost deferral must be made immediately after the costs have been incurred and then only when current earnings levels are not sufficient to cover these kinds of extraordinary and unusual costs."

The case summary section of the one-page order provides further insight into likely criteria considered by the Commission as follows:

- The company proposed collecting the cost over a five-year period beginning January 1, 2010 with no interest or rate base treatment.
- The MGP site was only used to serve Bismarck customers prior to the availability of transmission pipelines used today.

IV. Summary of NSP Request

Q. Please describe the request for deferred accounting made by NSP related to the cancellation of the Biomass PPAs in Docket No. PU-17-271.

A. In its Application for Authority for Deferred Accounting, Northern States Power requests authority for deferred accounting that would allow the Company to defer recognition for the transactional, plant closing, and other associated costs of the Benson and Pine Bend transactions.

In making this request, the Company represents the following:

- The cost savings from the Proposed Transaction will benefit customers in all cases.

- NSP will incur transactional, plant closing, PPA buyout, and other associated costs that are unusual and non-recurring and were not contemplated by the Commission when setting rates.
- These costs are reasonable and prudent for the achievement of the net cost savings contemplated by the Proposed Transaction.

Once the Commission authorizes the Company to treat these costs as a regulatory asset and defer accounting so that they can be recovered in the future, the Company will propose mechanisms to recover these costs sometime in the future.

The Company further represents that under the Uniform System of Accounts, including Definition No. 31, that the "Commission may authorize deferred accounting and amortization of unusual and non-recurring expenses that were not contemplated when setting the current rates." And by doing so, "the Commission allows a utility to designate unusual and infrequent expenses as 'regulatory assets' that will be amortized over future accounting periods."

Q. What costs is the Company seeking to recover for the Benson and Pine Bend transactions using a deferred accounting mechanism?

A. The Company provides the following underlying cost assumptions for the Benson plant purchase and closure.

	Description	Amount ($M)
1	PPA termination and asset purchase price	$95.0
2	Contract termination fees	$1.5
3	Legal, miscellaneous fees and insurance	$1.5
4	Demolition, remediation and other related costs	$8.8
5	Replacement energy costs	$128.0
6	Fuel	$1.0
7	Transportation	$5.0
8	Landfill expense	$0.3
9	Operating contracts, materials and supplies	$4.9
10	Property taxes	$3.5

Of these costs, NSP is requesting deferred accounting treatment in North Dakota for North Dakota's share of the $106.8M in costs in the first four rows of the above table as well as the remaining $14.5M in expenses in rows 6-10.

The proposed termination agreement with Pine Bend provides that in exchange for terminating the PPA, monthly payments will be made by NSP to Gas Recovery Systems (GRS) in the amount of the difference between the current PPA price and the average monthly locational marginal price at the NSP node plus $10/MWh until GRS has received a total of $1,050,000 or until the end of three years after monthly payments have begun, whichever is earlier. NSP is also requesting deferred accounting treatment for North Dakota's share of the Pine Bend termination payment.

The Company also requests that it be allowed to include a cost of capital return on the regulatory asset for both the Benson and Pine Bend transactions. The Company plans to propose mechanisms to recover these costs sometime in the future.

Further, the Company represents that is does not have excess earnings to offset the higher costs and that, if deferred accounting treatment is not authorized, that these costs could potentially require the Company to immediately file a rate case.

Q. Please describe the request for deferred accounting made by NSP related to the termination of the Laurentian Energy Authority (Laurentian) PPA in Docket No. PU-17-322.

A. In its Application for Authority for Deferred Accounting, Northern States Power requests authority for deferred accounting that would allow the Company to defer recognition of the costs of terminating the Laurentian PPA.

Q. What costs is the Company seeking to recover for the Laurentian transaction using a deferred accounting mechanism?

A. The costs to be deferred in the regulatory asset for the Laurentian plant relate on to North Dakota's share of the PPA termination payments totaling $108,500,000.

The Company also requests that it be allowed to include a cost of capital return on the regulatory asset for the Laurentian transaction. The Company plans to propose mechanisms to recover these costs sometime in the future.

Further, the Company represents that is does not have excess earnings to offset the higher costs and that, if deferred accounting treatment is not authorized, that these costs could potentially require the Company to file a rate case.

V. Assessment of the NSP Requests for Deferred Accounting Treatment

Q. Does NSP's request for deferral satisfy the criteria described above?

A. Yes, based on the description of the proposed transaction contained in the application, the five criteria are satisfied:

- The costs are significant and extraordinary; that is, they are material relative to the ongoing level of operating expenses, and are not currently recoverable through rates.
- The costs incurred provide value to ratepayers.
- The costs incurred are necessary and reasonable (or "prudent").
- The recovery period over which the costs will be amortized reasonably represents the period over which value is provided.
- The recovery will not result in over-earning.

This assumes that the amortization period will not exceed either the remaining length of the PPA contract being terminated or the five-year period discussed in Item 6 of N.D.C.C. Chapter 49-05 Procedure on Regulation of Public Utilities, Section 49-05-16 as discussed above.

Q. Does approval of deferred accounting treatment for these transactions relieve the Company of any further burden of proof associated with the establishment of the regulatory asset?

A. No. In my opinion, the Company remains obligated to demonstrate that the actual costs incurred are reasonable and necessary, as well as significant and extraordinary. This can be accomplished by ensuring the costs deferred as regulatory assets are of similar amounts and of a similar nature as those determined to be prudent if the ADPs are approved. In addition, the Company must continue to demonstrate that the recovery of these costs could not otherwise be funded through over-earnings.

Q. Do the recommendations of James Heidell impact your assessment of NSP's request for deferred accounting treatment?

A. Yes, but only for as related to the shutdown of the Benson Biomass facility.

- **Pine Bend PPA**. Mr. Heidell recommends that the Commission conditionally approve the ADP to terminate the Pine Bend PPA that currently expires at the end of 2025 and make the monthly payments that total $1,050,000. Based upon his independent analysis, the estimated cost of replacement energy and payments to Pine Bend will be less than the payments to Pine Bend that would otherwise be paid under the existing contract.
- **Laurentian PPA**. Mr. Heidell recommends that the Commission conditionally approve the ADP to terminate the PPA with Laurentian Energy Authority. The PPA currently expires at the end of 2026. NSP is proposing to pay $108,500,000 in return for terminating the PPA. Based upon his independent analysis, the estimated cost of replacement energy and payments to the Laurentian Energy Authority will be less than the payments that would otherwise be paid under the existing contract.
- **Benson Biomass Facility**. Mr. Heidell recommends that the Commission conditionally approve the ADP to purchase the Benson biomass facility, subject to a recommended adjustment to the approved purchase cost, as well as shut the facility down since the cost of owning and operating the facility exceed the cost of otherwise purchasing replacement electricity. The current PPA expires at the end of 2028. NSP is proposing to purchase and shut down the facility for $106,800,000; Mr. Heidell recommends that NSP be allowed to

recover $106,200,000 of those costs. As discussed in his testimony, Mr. Heidell recommends excluding $606,823 of costs related to the City of Benson stranded asset.

Consistent with Mr. Heidell's testimony, absent other considerations, I recommend that all identified costs as proposed by NSP – with the exception of the $606,823 related to the City of Benson stranded asset – be authorized for deferred accounting treatment.

Q. While not authoritative in North Dakota, in Minnesota, NSP is seeking a variance to the fuel clause adjustment (FCA) to allow non-fuel costs associated with the termination of the PPAs to be recovered in the FCA. Are you familiar with the recovery mechanisms NSP is proposing in Minnesota?

A. Yes. For Benson, NSP recommends that all on-going O&M costs be recovered through the FCA as incurred. For Laurentian, all costs would be recovered through the FCA. NSP recommends that the $106.8 million in Benson transaction costs also be allowed for recovery through the FCA, but not on an as-incurred basis. Instead, these costs would be deferred as a regulatory asset, earn a return based on NSP's cost of capital, and amortized over the remaining eleven years of the PPA. In this case, the amortization would flow through the FCA as expensed.

Q. If the Commission were to consider the use of similar recovery mechanisms for the recovery of these same non-fuel costs, how would that impact the need for deferred accounting?

A. In that case, the only costs to be deferred as a regulatory asset are the transaction costs associated with the Benson facility buy-out and closure. For all other costs, it is my expectation that accounting practices currently exist to match revenues and expenses on NSP's books for timing issues related to fuel-related transactions.

The $106.8 million in Benson transaction costs (less the City of Benson stranded costs) should be allowed for recovery through the FCA in North Dakota, but not on an as-incurred basis. Instead, these costs should be deferred as a regulatory asset and amortized over an appropriate period – either the remaining eleven years of the PPA or the five-year period mentioned in Item 6 of N.D.C.C. Chapter 49-05 Procedure on Regulation of Public Utilities, Section 49-05-16 as discussed above. In either case, the amortization would flow through the FCA as expensed.

Q. How significant are these costs compared to costs currently recovered through the FCA?

A. In 2017, the average monthly fuel cost adjustment was $17,372,521. If we assume that North Dakota's share of the Benson-related on-going costs and all Laurentian costs flow through the FCA as incurred, and North Dakota's share of the $106.2 million in allowed Benson transaction costs are recovered through the FCA based on an 11-year amortization schedule, the impact to the monthly FCA is as follows:

Monthly Costs	Years 1–2	Years 3-6	Years 7-11
Benson on-going costs	$57,645		
Laurentian on-going costs	$82,731	$82,731	
Benson transaction costs	$50,545	$50,545	$50,545
	Years 1–2	**Years 3-6**	**Years 7-11**
Total Amount Recovered (per Month)	$190,922	$133,276	$50,545
Percent of Avg Monthly FCA (2017)	1.09%	0.76%	0.29%
Total Costs Recovered	***$4,582,128***	***$6,397,248***	***$3,032,700***

Q. Would the recovery of these costs in this Docket be precedent-setting for future transactions?

A. No. Based on our experience, utility regulatory commissions have substantial leeway regarding the use of deferred accounting mechanisms, including whether they view the circumstances in specific instances to be sufficiently unique to consider them to be non-precedent setting. In these cases, the Commission Order typically includes a statement to that affect.

VI. Recommendations

Q. Do you recommend that the Commission authorize deferred accounting for the Benson, Pine Bend and Laurentian transactions?

A. No. I recommend authorizing deferred accounting treatment for the transaction costs associated with the Benson facility buyout other than the City of Benson stranded investment costs. All other costs can be recovered through the FCA without establish a new and separate regulatory asset.

This recommendation does not preclude the commission from subsequent analysis of the reasonableness of the costs incurred.

Q. Do you recommend the use of the Fuel Clause Adjustment as the recovery mechanism for the Biomass PPAs?

A. Yes. By using the FCA as the recovery mechanism, all of the on-going costs and many of the transaction costs are recovered by NSP on a timely basis. Approximately 78% of all costs are recovered in the first six years, of which two-thirds are recovered as incurred. In my opinion, this represents a fair solution for both NSP's North Dakota's customers and NSP. As shown above, the recovery of these costs through the FCA does not have a significant impact on the amount of costs recovered through the FCA and should not unduly burden NSP's North Dakota customers.

Q. For the Benson transaction cost-related regulatory asset, do you recommend the inclusion of the regulatory asset in rate base and earn a return?

A. No. I recommend the amortization of the Benson transaction cost-related regulatory asset be recovered through the FCA, and not through base rates, and not earn a return on investment.

This recommendation could be revisited in the context of a general rate case. In the context of a general rate case, the Commission has a greater opportunity to weigh all of the costs and benefits associated with including the regulatory asset in rate base relative to other regulatory issues being considered.

Q. Does this conclude your pre-filed testimony?

A. Yes.

STATE OF NORTH DAKOTA

PUBLIC SERVICE COMMISSION

Public Service Commission Northern States Power Company Advance Prudence – Biomass PPAs Application	**Case No. PU-17-270**
Public Service Commission Northern States Power Company Deferred Accounting – Biomass PPAs Application	**Case No. PU-17-271**
Public Service Commission Northern States Power Company Deferred Accounting – Laurentian PPA Termination Application	**Case No. PU-17-322**

VERIFICATION

STATE OF Wisconsin)
) ss.
COUNTY OF Waukesha)

Joel F. Jeanson, being first duly sworn on oath, deposes and states that he has read the testimony and exhibits submitted in the above captioned matter under his name, that they were prepared by him or under his direction, that he knows the contents thereof, and that the same are true and correct to the best of his knowledge and belief.

Joel F. Jeanson

Subscribed and sworn to before me this 19th day of December, 2017.

AMY V. BENCE NOTARY PUBLIC STATE OF WISCONSIN

Amy V. Bence
Notary Public
My Commission Expires: 1-19-2020

Curriculum vitae

Joel Jeanson

Principal Consultant

Joel has extensive experience in utility finance and accounting, utility ratemaking, financial and operational auditing, performance improvement, budgeting and management reporting. During his business career, he directed the accounting, budgeting, corporate performance and auditing departments at a major investor-owned utility. He began his career with a Big Eight public accounting firm. While in consulting, Joel has performed numerous independent assessments of utility performance on behalf of both utility management and regulators, and has completed a number of technical accounting studies. He has testified before several utility regulatory commissions.

Primary expertise

- Regulatory accounting
- Utility ratemaking
- Corporate performance management
- Performance improvement
- Management audits
- Cost allocations

Related experience

- Utility management
- Independent audit

Qualifications

- CPA (inactive)
- Bachelor of Science in Business (Accounting Major)

Client list

- Vermont Department of Public Service
- LADWP
- Consolidated Edison
- National Grid
- HECO
- Public Service New Mexico

Primary expertise

Regulatory accounting – helping clients improve cost allocation practices to mitigate regulatory risks; completing specialized cost studies to support regulatory accounting and compliance activities

Utility ratemaking – helping clients develop and support revenue requirements; performing special studies of technical accounting issues

Corporate performance management – assisting clients improve performance by improving processes whereby strategic plans are aligned with business unit, functional and individual performance including performance measurement and management reporting processes

Performance Improvement – helping clients improve business processes through benchmarking and focus on value-adding activities

Management Audits – performing compliance, efficiency, and effectiveness audits of utilities on behalf of utility regulatory agencies and management, and assisting utility clients prepare for upcoming management audits

Key client achievements

Hawaii Gas - Lead consultant responsible for assessing technical accounting issues including cost allocations and clearing account processes in connection with the Company's upcoming rate case.

Vermont DPS – Lead consultant responsible providing an assessment of the financial capabilities of the combined entity in connection with a telecommunications industry merger and acquisition. Provided expert testimony.

LIPA – Project manager / lead consultant on two independent assessments of PSEG-LI's performance related to the Operating Service Agreement.

Consolidated Edison – Led the development of a comprehensive cost allocation manual in response to New York PSC management audit finding.

National Grid USA - Project manager on an engagement in which PA developed new accounting and cost allocation practices for the Service Company in connection with the client's implementation of SAP. Provided regulatory support associated with new practices.

SUEZ Water – Project manager for the independent assessment of the Company's cost allocation practices. This review was requested by the New York Public Service Commission. The PA Report was provided to the NY PSC.

PNM Resources - Project manager responsible for completing a series of A&G capitalization studies as well as A&G studies required by the operating agreement for a large, jointly-owned power plant. Required developing an understanding of the Company's accounting system code block and cost charging / allocation practices.

FairPoint Communications – Provided audit preparation services in connection with a service quality audit required by the New Hampshire PUC.

Confidential Client – Lead consultant assessing the regulatory environment and potential regulatory risks in connection with the review of the Company's long-term financial forecast. This work was performed in connection with the potential sale of the Company as part of a bankruptcy proceeding.

Frontier Corporation – Lead consultant responsible for assessing the robustness of the financial forecast and reasonableness of assumptions used to project financial results in connection with a telecommunication industry acquisition valued at $8 billion

Hawaiian Electric – Directed the development of a long-term financial forecast model. This model was initially used to identify rate impacts by customer class associated with the proposed long-term power supply implementation plan.

PSE&G - Provided support to the Company in preparing for an upcoming management audit. This included performing a diagnostic assessment of potential audit risks and employee training. Lead consultant for the review of cost allocations and related controls to ensure the utility was not subsidizing non-regulated operations for a large, east coast gas & electric utility in advance of a state regulatory commission-mandated management audit.

HECO – Corporate accounting performance improvement initiative and benchmarking; completed specialized regulatory accounting studies; performed financial modeling to support business design changes.

Washington Gas – Provided assistance in identifying potential merger synergies for support services functions.

EPCOR – Completed special study filed with the Alberta regulatory commission related to cost allocation practices and shared services.

LADWP – Developed cost management processes designed to support the Department's new tariff and regulatory framework. Directed the completion of water system revenue requirements, cost of service and rate design studies.

FirstEnergy-Pennsylvania – Assessed the effectiveness of the corporate management process and suggested changes to the process to better ensure the transparency of the process and linkages to operational plans and budgets.

NiSource - Provided a framework for assessing the value of corporate and shared services to the operating companies in connection with a NIPSCO rate case. Included a review and assessment of the Company's cost allocation practices.

Vectren - Performed a detailed assessment of cost charging and allocation practices to the individual affiliate operating companies post-merger and acquisition of the DPL gas properties. Assessed the effectiveness of the corporate management process and suggested changes to the process to better ensure the transparency of the process and linkages to operational plans and budgets.

New Jersey American Water - Provided assistance by performing a diagnostic assessment of utility performance in connection with an upcoming management audit and rate case.

City of Baltimore DPW - Lead consultant responsible for benchmarking water and wastewater treatment plant performance. Also lead development of performance / financial management-related recommendation.

Anaheim Public Utilities PUC - Project manager responsible for completing a comprehensive review of water and power meter reading and billing operations and controls.

City of Kansas City Water Department - Lead consultant on a comprehensive review of the water utility's finance and accounting function.

Arizona Corporation Commission - Project manager and lead consultant for the review of the meter reading, billing and usage estimation practices of Arizona American Water Company. Testified before the ACC related to the work performed.

The Metropolitan District (MDC) - Lead consultant for the restructuring of the financial organization of the MDC, a municipal water and sewer utility headquartered in Hartford, CT. Also, lead consultant for the review of financial, human resources, information technology and customer service in connection with a comprehensive management review of the District.

Washington State Auditor's Office – Project manager for the performance audit of the three mid-Columbia Public Utility Districts. This performance audit was performed under Washing Legislative Initiative 900. The project team identified numerous opportunities for cost savings including the increased use of shared support services

Unitil Corporation – Reviewed cost allocation, management and control, and customer service processes for an east coast gas and electric utility in advance of a state regulatory commission-mandated management audit

Anaheim Public Utilities – Project manager for a meter reading and billing process improvement initiative, controls assessment, and billing integrity audit for a large, west coast municipal electric and water utility

City of LA – Water System project manager for two revenue requirements studies of the Los Angeles Department of Water and Power

CA PUC – Lead Consultant for the program evaluation of SBX1 5 energy efficiency and low-income assistance funds performed for the CPUC. Audited SDG&E and Southern California Gas's program and administrative costs for compliance with CPUC and Legislative requirements.

South Jersey Industries – Lead consultant for the review of cost allocations in preparation for an upcoming management audit. Provided a comprehensive re-write of the Company's cost allocation manual.

Direct Utility Industry Experience

- Head of Internal Audit – responsible for developing the internal audit plan, directing the completion of the planned work, and reporting results to the Audit Committee and senior management. Activities included compliance, operational and financial audits.
- Financial lead in merger integration – responsible for developing an overall assessment of financial impact of the merger as well as the identification of staffing levels, structure, systems and processes, and cost savings opportunities for the company's financial organization.
- Member of the management team – responsible for the implementation of shared services including establishing a separate shared services organization. Developed cost assignment and allocation processes for shared services.
- Project director for activity-based management – initiative focused on internal products and services. ABM used to assess performance against other service providers, measure performance, and improve performance.
- Directed the corporate business planning and budgeting process – responsible for integrating the strategic and operational planning processes so that departmental plans, capital and O&M budgets and performance measures would be focused on both continuous improvement and the achievement of corporate financial and non-financial objectives.
- Led customer service business process – improvement initiative that assessed performance and made recommendations for improvement of all customer service processes, leading to improved customer service and reduced costs. Facilitated the development of customer service standards and measurement processes.
- Key member of project team – that completed a study to identify the services, and levels of service, that customers are willing to pay for. This study resulted in significant changes in how the company delivered services to its customers.

Testimony Experience

SUEZ Water NA – Prepared expert report related to the cost allocation practices and cost of corporate and shared services of SUEZ Water NA. This report was filed by the Company with the New York PSC in connection with New York operating company's general rate case.

National Grid US – Worked with the Company to develop a new cost allocation manual (and associated cost allocation practices). Expert report prepared related to the work performed was filed by the Company in its Niagara-Mohawk general rate case.

Vermont DPS – Testified in connection with the proposed purchase of Verizon's northern New England properties by FairPoint Communications. Subsequently testified in connection with the proposed purchase of the assets of FairPoint Communications by Consolidated Communications.

Arizona Corporation Commission – Prepared expert report and testified on behalf of the Arizona Corporation Commission's Utilities Division in connection with the meter reading and billing practices of Arizona Public Service

Arizona Corporation Commission – Prepared expert report and testified on behalf of the Arizona Corporation Commission's Utilities Division in connection with the meter reading and billing practices of Arizona American Water Company