

# **APPENDIX A**

## **MICHAEL J. MCFADDEN**

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### **AREAS OF QUALIFICATION**

Rates, regulatory affairs, gas supply planning and procurement, strategic planning, gas and electric utility operations, corporate finance, financial analysis, asset valuation, accounting, and budgeting.

### **EMPLOYMENT HISTORY**

- President, McFadden Consulting Group, Inc., 1995-present
- University of Phoenix, Colorado Division, Faculty Member, 1982-present  
Finance Area Chair, 1992-1993 and Accounting Area Chair, 2001-present
- Board of Advisors, Full Power Corporation, Los Angeles, CA, 1998-2000
- Senior Advisor, Hagler Bailly Consulting, Inc., Boulder, CO, 1995-1999
- Metropolitan State College, Denver, CO, Adjunct Faculty Member, 1989-1990
- Principal, Hagler Bailly Consulting, Inc., Boulder, CO, 1993-1995
- Vice President, Treasurer, Secretary and Member of the Board of Directors, WestGas Gathering, Inc., WestGas InterState, Inc., WestGas TransColorado, Inc., 1989-1993
- Manager, Financial Services and Administration, Assistant Treasurer and Assistant Secretary, Western Gas Supply Company, 1989-1993
- Staff Assistant to Senior Vice President, Finance and Chief Financial Officer, Public Service Company of Colorado, 1986-1989
- Director, Rate Regulatory Services Department, Public Service Company of Colorado, 1974-1986
- Regis University, Adjunct Faculty Member, 1981-1982

### **EDUCATION**

- University of Denver, MBA, Business Administration, 1973
- Regis University, BS, Business Administration, 1972

### **PROFESSIONAL EXPERIENCE**

Michael J. McFadden is a rate, regulatory affairs, gas supply planning and procurement, finance, and utility operations expert with more than 28 years experience in the natural gas and electric utility industries. He has appeared as an expert witness and provided testimony in numerous hearing before the Federal Energy Regulatory Commission (FERC), regulatory Commissions in British Columbia, Colorado, Georgia, Kansas, Ohio, Utah, and Wyoming and the United States District Court. Mr. McFadden headed a combination gas, electric and steam heat utility company's rate regulatory services department where he was responsible for various submittals to regulatory agencies that had jurisdiction over the company's rates,

facilities and services. In addition, he previously served as chief financial officer for a natural gas gathering, processing, and transmission company where he was responsible for rate and regulatory affairs, financial and managerial accounting, financial policy and planning, business opportunity and financial analysis, strategic planning, and information and computer administration. He has participated in numerous rate cases and regulatory proceedings and has been involved in such issues as Order 636 restructuring strategies, customer choice programs, development of gas transportation tariffs, practices and procedures, development and implementation of gas purchasing strategies, development of avoided costs, mains extensions policies and producer take or pay issues. On the electric side of the business, he has dealt with such issues as utilization of purchased power, economic dispatching of generating stations, coal inventory measurement and management, generating station performance measures, incentive cost recovery mechanisms for a nuclear generating plant, generating plant maintenance schedules and management, unit coal train economics and management, and the development and administration of electric cost adjustment mechanisms. Mr. McFadden was also on the advisory board of Full Power Corporation, an electric marketing company serving the California markets.

## **SELECTED ASSIGNMENTS**

### **NATURAL GAS INDUSTRY RELATED ASSIGNMENTS**

#### **Competitive Market-Based Rates, Market Power Analysis, and Tariffs for an Independent Storage Project**

Clients: Totem Gas Storage Company, LLC, a joint venture of Brant Energy, LLC, Star Gas Field Services Company, a subsidiary of Thermo Ecotek Corporation, Renegade Oil & Gas Company, and Colorado Interstate Gas Company

Totem Gas Storage Company, LLC retained McFadden Consulting to assist it in obtaining a certificate of public convenience and necessity authorizing it to develop, construct, operate, and maintain underground natural gas storage facilities using the Totem Field located in Adams County, Colorado. McFadden Consulting developed a unique, market-based rate structure, which was approved by the Commission. The market-based rates were the first competitive rates approved by the Public Utilities Commission of Colorado for a natural gas company in the state. Mr. McFadden developed Totem's tariff that contained the company's rates, terms and conditions for service and was instrumental in facilitating a settlement agreement with the only party opposing the CPCN. As part of this engagement, McFadden Consulting conducted a Market Power Analysis that assessed the potential market power of the gas storage project. Mr. McFadden testified at a hearing on these matters before the Commission.

**Review of Questar Gas Company's Cost of Service and Rate Design**

Client: Utah Committee of Consumer Services

McFadden Consulting was retained by the Utah Committee of Consumer Services to review Questar Gas Company cost of service and rate design issues in connection with its request for a revenue increase of \$22.2 million. A significant issues was the recovery of \$7.0 million revenue requirements associated with the company's construction of a CO<sub>2</sub> extraction facility that the Commission had previously ruled should be considered in a general rate case filing. Mr. McFadden testified at hearings on this matter. The Commission approved a settlement agreement, which permitted recovery of a portion of the costs associated with the plant.

**Review of Financial Performance, Revenue Requirements, Cost of Service, Rate Design, and Construction Allowance**

Client: City of Fort Morgan

McFadden Consulting was retained by the City of Fort Morgan, Colorado's gas department for a multifaceted project resulting from the gas department's poor financial performance. The project is comprised of several aspects. The first phase determined the appropriate rate levels for the gas department. A thorough analysis was conducted which included revenue requirements, cost of service, and rate design study. New rates were recommended which would improve gas department's financial results. A more accurate gas cost tracking mechanism was also recommended. In addition, the gas department's extension policy was reviewed and a construction allowance based on its gross imbedded plant was developed. Mr. McFadden presented his recommendations to City Council at a public hearing at which time City Council voted to implement the recommended rates. Since the initial rate analysis was completed in 1995, Mr. McFadden has conducted similar analyses in 1997, 1998, and 1999. A new rate analysis for 2000 is currently underway and rates are expected to be approved to be effective October 1, 2000.

**Hedging Alternatives and Natural Gas Price Stabilization Mechanisms**

Client: Colorado Office of Consumer Counsel

McFadden Consulting was retained by the Colorado Office of Consumer Counsel to assist it in a proceeding established by the Public Utilities Commission of Colorado to determine whether price stability is an appropriate goal for local distribution companies in their gas procurement practices and examine options for achieving more stable gas prices. Mr. McFadden prepared a paper on various hedging alternatives and price stabilization mechanisms and assisted in the preparing the OCC's comments in response to the Commission order. Comments of other parties were reviewed and various options for stabilizing prices were discussed with other parties to the proceeding. The Commission held a hearing on this matter at which Mr. McFadden testified on behalf of the OCC.

**Consideration of Questar Gas Company Gas Price Hedging Proposals**

Client: Utah Committee of Consumer Services

McFadden Consulting assisted the Utah Committee of Consumer Services in considering various natural gas price hedging alternatives designed to stabilize gas prices to consumers. In response to the volatile natural gas prices experienced in 2000 and 2001, the company considered various alternatives for stabilizing the price, including financial instruments and longer-term pricing provision in gas supply contracts. A significant factor in the pricing decision is the fact that more than 50% of Questar gas supplies are obtained from company-owned production that are priced on a cost of service basis. An agreement was reached that would permit recovery of various price stabilization mechanisms through gas cost recovery mechanisms under the same parameters that other gas costs are included.

**Review of Questar Gas Company Response to Declining BTU Content of Gas Supplies**

Client: Utah Committee of Consumer Services

McFadden Consulting was retained by the Utah Committee of Consumer Services to review Questar Gas Company's response to the declining BTU content of gas supplies in its service territory. As part of its response to the problem, Questar constructed a CO<sub>2</sub> extraction plant costing approximately \$20 million, with a revenue requirement impact of approximately \$7.5 million and requested that the costs be included in their gas cost recovery mechanism. The coal seam gas processed by the plant was not purchased by Questar, but rather was contractually transported by Questar Pipeline to markets outside of Utah. Mr. McFadden testified on behalf of the Committee at a hearing held in June 1999. The Commission decided the costs associated with the CO<sub>2</sub> plant should not be recovered through the Company's gas cost adjustment, but that they could be considered in a general rate case filing.

**Analysis of Interstate Gas Pipeline Rate Case Filing**

Client: Citizens Utilities Company

Citizens Utilities Company retained Mr. McFadden to review and analyze Colorado Interstate Gas Company's rate case filing in Docket No. RP96-190. CIG's proposed an increase of approximately \$30 million or 19.5 percent. In addition, it proposed restructuring several of its various transportation, storage, and no-notice services. These changes raised the increase to Citizens significantly higher than 19.5 percent. The analysis focused on cost allocation and rate design issues. Mr. McFadden recommended a sculpted MDQ to mitigate the increase on Citizens. CIG agreed to the sculpted MDQ in a settlement agreement that was approved by the FERC.

**Analysis of Cost of Service and Rate Design**

Client: Transportation Group, including Conoco, Inc., Western Natural Gas & Transmission Co., VESGAS Company and Cyprus Climax Metals Co.

Mr. McFadden assisted a group of transportation intervenors in a natural gas distribution company's rate case. The cost of service and rate design filing was the first rate design filing proceeding for the company since the Federal Energy Regulatory Commission completed implementation of its Order 636. Thus, the case has far reaching cost of service and rate design implications. The areas reviewed include cost allocation methodologies, unbundling, balancing services, allocation of storage costs, combining transmission and distribution systems, combining rate areas, treatment of gathering services, and interdepartmental transportation rates. Mr. McFadden has filed testimony on behalf of the transportation group.

**Analysis of Gas Distribution Company Rate Filing**

Client: Enron Capital and Trade Resources, Inc. HS Resources, Inc., IBM, Coors Brewing Company, Gates Rubber Company, Lockheed Martin Astronautics, and Total Petroleum

A group including Enron Capital and Trade Resources, Inc., HS Resources, Inc., and various industrial users retained Mr. McFadden to review the rate case filing of local gas distribution company. The company filed a rate case increase of \$34.0 million. The increase would increase transportation rates by 16.34 percent and sales rates by 6.43 percent. The various issues identified included the impact of gas plant additions related to the repowering of a nuclear power plant being converted to natural gas, the inclusion of a significant transmission plant addition, the reasonableness of different riders for sales and transport services, and the impact of an across-the-board percentage increase on rate design issues settled in a previous rate case.

**Assist in Structuring of a Bid to Acquire a Natural Gas Gathering Company**

Client: Colorado Interstate Gas Company

Mr. McFadden was retained by Colorado Interstate Gas Company, a major interstate natural gas pipeline company, to assist it in structuring a bid to acquire a natural gas gathering and processing company. He helped develop a strategy that allowed the pipeline to structure its bid in a manner that exploited its position in the marketplace. Assistance was provided in establishing a value for the company and conducting the due diligence associated with the bid.

**Identification and Assessment of Strategic Alternatives**

Client: Arvada, Commerce City, Lakewood, and Fort Collins, Colorado

McFadden Consulting assisted a consortium of several large cities in Colorado in analyzing strategic alternatives related to changes in the natural gas industry. The consortium includes the Cities of Arvada, Commerce City, Fort Collins, and Lakewood, Colorado, and was formed in response to concerns about the impacts natural gas utility restructuring may have on the cities' citizens. The purpose of the analysis was to investigate if there is a role for the

cities to assist its citizens in the transition to a competitive market, and beyond. Four major strategies were identified and thirteen different alternatives assessed. The four major strategies included relatively limited involvement; marketing gas supplies in a competitive market; establishing an organization to exclusively provide natural gas to its citizens; and, acquiring and operating the gas distribution system. The thirteen alternatives were quantitatively assessed utilizing a proprietary model developed by McFadden Consulting.

**Evaluation of Columbia Gas of Ohio's Gas Planning & Procurement Functions, including Hedging and Customer Choice Programs**

Client: Public Utilities Commission of Ohio and Columbia Gas of Ohio, Inc.

The Public Utilities Commission of Ohio retained McFadden Consulting to evaluate the gas supply planning and procurement functions of Columbia Gas of Ohio. As part of the review, McFadden Consulting assessed a hedging program instituted by the company after the price volatility experienced during the 1995-96 and the 1996-97 heating seasons. The company used a formula based approach that established trigger points, which permitted the company to lock in up to 50% of its winter time flowing gas requirements. Another issue was the impact the company's customer choice program had on gas supply procurement, as well as its need for upstream transmission and storage capacity. In addition, the role the company would fulfill if it remained in the merchant function was also reviewed.

**Review of Arkansas Oklahoma Gas Corporation Gas Procurements Practices**

Clients: Arkansas Public Service Commission

The Arkansas Public Service Commission retained McFadden Consulting to review and analyze Arkansas Oklahoma Gas Corporation's natural gas purchasing procedures and practices. A main issue is the company's compliance with Arkansas' statutes requiring them to purchase gas supplies from the lowest or most advantageous markets. McFadden Consulting has reviewed the company's responses to numerous data requests and has interviewed key company personnel. The analysis has been completed, a draft report has been provided to the Commission Staff. McFadden Consulting is currently awaiting further Staff input and its decision on the next step.

**Evaluation of Gas Supply Planning and Procurement Functions of Arkansas Western Gas Company**

Clients: Arkansas Western Gas Company, Arkansas Public Service Commission, Arkansas Attorney General, and Northwest Arkansas Gas Consumers

McFadden Consulting was retained by Arkansas Western Gas Company (AWG), Arkansas Public Service Commission, Arkansas Attorney General's Office, and the Northwest Arkansas Gas Consumers to conduct an extensive evaluation of AWG's gas supply management, planning, and procurement activities. The evaluation was conducted pursuant to a joint stipulation reached by the parties that settled six proceeding dating back to the early 1990s involving AWG. The purpose of the evaluation was to evaluate AWG's gas supply

planning and procurement activities, assess AWG's ability and options to meet foreseeable system demand, including the diversity of available gas supplies, and make recommendations for bidding process changes and/or physical system improvements to ensure adequate and reliable supplies at the lowest possible cost. A significant issue was AWG's reliance on supplies purchased from its affiliate companies. McFadden Consulting identified several concerns including the lack of comprehensive business and gas supplies strategies, lack of a formal, well-documented gas supply plan that pulled fragmented pieces together in a comprehensive manner. McFadden Consulting also found that AWG was over-reliant on local, high-priced affiliate supplies located in a declining supply basin. McFadden Consulting recommended the company construct additional interconnects with interstate pipelines in the area to increase its diversity of supply and to inject a greater degree of competition among gas suppliers, which would put downward pressure on its gas costs.

### **Development of a Plan to Exit the Merchant Function**

Client: Dominion East Ohio Gas Company

Dominion East Ohio Gas Company retained McFadden Consulting to assist a collaborative group, which included the company, the Public Utilities Commission of Ohio, and the Ohio Consumers' Counsel, in resolving several gas supply planning issues and developing a plan that would permit the Company to exit the merchant function. The issues included developing a strategy for re-contracting with upstream pipeline companies for transportation and storage services that were being provided pursuant to contracts that were expiring. McFadden Consulting assisted in developing a re-contracting strategy that considered Dominion East Ohio's customer choice program in which more than 40% of its residential and small commercial customers received gas from alternate suppliers and the potential that the company may exit the merchant function. Other issues included determining the company's role as supplier of last resort, system operations and balancing requirements, and comparable capacity requirements for alternate suppliers in the customer choice environment and in the event the company exited the merchant function.

### **Evaluation of the Impacts of Customer Choice Program on Gas Planning and Procurement Practices**

Client: Public Utilities Commission of Ohio & Cincinnati Gas & Electric Company

McFadden Consulting evaluated Cincinnati Gas & Electric Company's gas planning and procurement practices and procedures. The purpose of this bi-annual evaluation was to assess the company's effectiveness in gas supply procurement and planning to achieve an adequate and reliable supply of gas at minimum cost. A key factor in the was the potential impacts of a recently-approved customer choice program on long and short term supply planning, gas and capacity procurement, storage utilization, and demand forecasting.

**Evaluation of Gas Planning and Procurement Practices**

Client: Public Utilities Commission of Ohio & East Ohio Gas Company

Mr. McFadden managed a project team evaluating East Ohio Gas Company's gas planning and procurement practices and procedures. The purpose of the evaluation was to assess the company's effectiveness in fuel procurement and planning to achieve an adequate and reliable supply of gas at minimum cost. The review entailed an analysis of the company's performance in the areas of long and short term supply planning, gas and capacity procurement, demand forecasting, end user transport, regulatory participation, storage issues, organizational structure, staffing, and training. Mr. McFadden testified at a hearing on this matter.

**Evaluation of Gas Planning and Procurement Practices and Procedures**

Client: Ohio Public Utilities Commission & Columbia of Ohio, Inc.

Mr. McFadden was involved in evaluating Columbia of Ohio, Inc.'s gas planning and procurement practices and procedures. The purpose of the evaluation was to assess the company's effectiveness in fuel procurement and planning to achieve an adequate and reliable supply of gas at minimum cost. Mr. McFadden reviewed the organizational structure and overall management of the gas supply and planning function of the company. In addition, he reviewed the long-term planning activities associated with gas supply acquisition.

**Capacity Transformation: The Future of the Natural Gas Pipeline Business**

Client: INGAA Foundation, Inc.

McFadden Consulting participated in a study designed to provide a perspective on the forces shaping the evolving interstate natural gas pipeline business. The purpose of the analysis, conducted in conjunction with Hagler Bailly Consulting, Inc., was to examine the composition of new and traditional shippers in the future and to identify the types of services that new and traditional end users are likely to require. Forces identified included fragmenting customer base, capacity transformation into a commodity, constraints to a mature capacity market, growing risk exposure to pipelines, and new opportunities to provide services to increasingly sophisticated customers.

**Implementation of Gas Distribution Restructuring in Georgia**

Client: Georgia Public Service Commission

McFadden Consulting was retained by the Georgia Public Service Commission in connection with Atlanta Gas Light Company's filing under the Natural Gas Competition and Deregulation Act passed by the Georgia legislature. The act provided for deregulation of components of the gas distribution business in Georgia. Mr. McFadden provided testimony before the Commission addressing several issues related to the impact of the Company's filing on rates and adjustment clauses.



### **Review and Assessment of Long Term Gas Supply Contracts**

Client: Kansas Gas Service Company, a division of ONEOK

McFadden Consulting assisted Kansas Gas Service Company, a division of ONEOK in evaluating several long-term gas supply contracts. The contracts were entered into in connection with the settlement of a regulatory proceeding a number of years ago. The company requested Kansas Corporation Commission authorization to assign the contracts to a gas marketing affiliate. McFadden Consulting assisted the company in evaluating the qualitative and quantitative impacts the proposed assignment would have on its customers. The quantitative evaluation used a strategic decision model developed by McFadden Consulting. Mr. McFadden testified at a hearing before the Kansas Corporation Commission on this matter.

### **Gas Supply and Capacity Planning and Procurement**

Client: City of Fort Morgan

Mr. McFadden was retained by the City of Fort Morgan, Colorado's gas department to review its gas supply and capacity portfolio. The purpose of the analysis was to develop the optimum supply and capacity portfolio to ensure that the City had an adequate and reliable supply of gas at the lowest-cost possible for its customers. All gas supply, gathering, transportation and storage agreements were reviewed. Transportation alternatives were considered and assistance was provided in negotiating the renewal of transportation agreement with the City's pipeline supplier. Alternative sources of obtaining gas supplies were considered. Assistance was also provided in negotiating a transportation agreement with the City's second largest customer. Mr. McFadden identified potential costs savings totaling approximately 20% of the City's total gas costs. Assistance is currently being provided in implementing these cost savings measures.

### **Review of Competing Pipeline Alternatives**

Client: Colorado Office of Consumer Counsel

McFadden Consulting was retained by the Colorado Office of Consumer Counsel to review a proposed expansion of transmission facilities by a local distribution company. A significant issue in the expansion was a competing pipeline proposed by KN Energy. McFadden Consulting identified a concern related to potential bypass that might adversely affect the LDC and its customers. The LDC expansion was approved with several contingencies and the facilities have been constructed.

### **Analysis of Gas Industry Restructuring and Residential Transportation Services**

Client: Colorado Legislative Council

Mr. McFadden conducted a study of the feasibility of allowing nondiscriminatory access to retail natural gas distribution transportation services in Colorado. The purpose of the study, conducted in conjunction with Hagler Bailly Consulting, Inc., was to evaluate the impacts of unbundling natural gas distribution services so that all utility customers, including residential

customers, could take advantage of purchasing natural gas supplies from alternate suppliers. The study was presented to the Colorado Legislative Council in December, 1996.

### **Review of Local Distribution Company Gas Cost Adjustment**

Client: Colorado Office of Consumer Counsel

Mr. McFadden was retained by the Colorado Office of Consumer Counsel to review Public Service Company of Colorado's gas cost adjustment. The company filed a revision that would increase its revenues by approximately \$87.5 million. The increase was requested two months after the company had requested an \$18.9 million reduction in the gas cost adjustment. The purpose of the review was to determine the appropriateness of the request and to identify steps that might mitigate future swings in the gas cost adjustment.

### **Rate and Regulatory Support Services in Acquisition of Gathering and Transmission Facilities**

Client: UMC Petroleum Corporation and Havre Pipeline Company, LLC

Mr. McFadden was retained by UMC Petroleum Corporation to provide rate and regulatory assistance in its acquisition of certain gathering and transmission facilities located in Montana from Northern Natural Gas Company. The facilities were purchased by Havre Pipeline Company, LLC, which is a joint venture with UMC and other producers in the Bearpaw area. Historically, the facilities were included in Northern's integrated pipeline system and, therefore, subject to the jurisdiction of the Federal Energy Regulatory Commission. The main scope of the project was to develop rates for both the gathering system and the transmission system that would be appropriate under either FERC or Montana Public Service Commission regulations. The rates developed by Mr. McFadden were ultimately filed with and accepted by the Montana Commission. Assistance was also provided in structuring the acquisition to insure the most favorable regulatory treatment for ratemaking purposes.

### **Development of Avoided Costs**

Client: BC Gas Utility, Ltd.

Mr. McFadden participated in an assignment for BC Gas Utility Ltd. in Vancouver, British Columbia, to develop estimates of avoided costs on facility-specific, customer class, and end-use bases. Two different approaches were used. For customer class and end-use avoided costs, incremental load shapes were developed and run through the company's in-house gas supply planning model. Facility-specific avoided costs were estimated using a "proxy unit" approach based on capital cost investments available from BC Gas' upstream capacity suppliers. The facility-level avoided costs were then segmented into demand and commodity components which were then applied to the incremented load curves. The avoided costs were used by BC Gas in developing its IRP. Mr. McFadden presented testimony and was cross-examined on the avoided cost methodology at hearings held before the British Columbia

Utilities Commission. The Commission in its order found that the methodology was appropriate for BC Gas.

**Development of a Mains Extension Policy and Economic Test**

Client: BC Gas Utility, Ltd.

Mr. McFadden assisted BC Gas in a study to identify the benefits and costs of expanding its natural gas system in BC Gas' service territory, and to develop a possible mechanism for incorporating these benefits and costs into a mains extension test for the company. The study presented an overview of extension policies and identified the key variables that need to be considered in developing a mains extension test. It also grouped the benefits and costs into quantifiable and non-quantifiable considerations. Finally, the analysis also identified administrative considerations in developing a mains extension test. Mr. McFadden presented testimony and was cross-examined on the analysis in a hearing before the British Columbia Utilities Commission.

**Review of Ontario Gas Companies' Proposed Expansion Feasibility Policies**

Client: Ontario Hydro Power Worker's Union

Mr. McFadden was retained by Ontario Hydro's Power Worker's Union to review the proposed system expansion feasibility policies filed with the Ontario Energy Board by Consumers Gas Company Ltd., Union Gas Ltd., and Centra Gas Ontario, Inc. The project entailed an analysis of the companies' extension policies including an in-depth review of their economic feasibility tests and the treatment of the avoided cost of alternative fuels. As part of this analysis, the goals of an attachment policy, the perspectives of the various stakeholders, the impact of key variables, and the framework for considering quantifiable and non-quantifiable factors were reviewed. Testimony was prepared and filed with the Ontario Energy Board.

**Evaluation of Clean-up of Manufactured Gas Plant Sites**

Client: Georgia Public Service Commission

Mr. McFadden was involved in a project to evaluate Atlanta Gas Light Company's (AGL) efforts in cleaning up several manufactured gas plant sites. The purpose of this financial and management audit, conducted with Hagler Bailly Consulting, Inc., was to determine if AGL managed its efforts in a reasonable and cost effective manner, and to determine the financial and regulatory impacts of the costs associated with the clean up. Mr. McFadden was responsible for the financial, regulatory, tax, and accounting portions of the review, and testified at a hearing in this matter before the Commission.

**ELECTRIC UTILITY INDUSTRY RELATED ASSIGNMENTS**

**Analysis of Rate & Regulatory Treatment of Proposed Generating Facilities**

Client: Iowa Utilities Board

The Iowa Utilities Board retained McFadden Consulting to assist it in evaluating applications to construct or lease new generating facilities. Section 476.53 of the Iowa Code provides that if a regulated utility files an application to construct or lease new generating facilities in Iowa, the Board must establish, in advance, the regulatory and ratemaking treatment for such facilities in a contested proceeding. MidAmerican Energy Company has filed an application to construct a gas-fired combined cycle generating unit known as the Greater Des Moines Energy Center. Preliminary issues in MidAmerican's application include cost of capital, capital structure, depreciable life, jurisdictional allocation, AFUDC, CWIP, construction costs, excess capacity, and the impact of a rate settlement in a previous MidAmerican rate case. MidAmerican proposed an in service date of Summer 2003. Hearings are scheduled for the Spring 2002.

**Impact of Electric Industry Restructuring on the State of Kansas**

Client: Kansas Legislative Research Department and the Kansas Economic Development Institute on behalf of the Retail Wheeling Task Force

McFadden Consulting, in partnership with Resource Data International, Inc., conducted an analysis on the impact electric industry restructuring might have on the various stakeholders in the state. The Kansas legislature approved House Bill No. 2600 which established the Task Force. The primary purpose of the Task Force was to analyze and report on issues related to the restructuring electric service in Kansas. The purpose of this engagement was to address the economic impact that might be experienced if retail wheeling were allowed in Kansas. Mr. McFadden was the project manager.

**Public Service Company of New Hampshire Performance Review, Rate Case Analysis and Restructuring Proposal**

Client: Public Utilities Commission of New Hampshire

McFadden Consulting, as part of a team led by The Liberty Consulting Group, conducted a financial and management audit of Public Service Company of New Hampshire on behalf of the Public Utilities Commission of New Hampshire. A significant portion of this project focuses on the recently-filed PSNH rate case. The rate case is the first filed by PSNH since emerging from bankruptcy seven years ago. In addition, this rate case is the precursor the unbundling of rates that is expected to occur resulting from the New Hampshire Legislatures passage of RSA 674-F which requires each electric utility to file a restructuring plan. It is anticipated that the current rate case will establish rates which will eventually be unbundled.

### **Retail Pricing in Connection with Privatization of Russian Electric Power Sector**

Client: United States Agency for International Development

Mr. McFadden was the project manager for the retail pricing portion of the privatization project for the electric power sector in Russia. The objective of this assignment, which was conducted on behalf of U.S. AID in concert with Ministry of Fuels and Energy of the Russian Government, and RAO ESS Rossii, the Russian privatized electric power sector joint-stock company, was to develop the framework for retail electric pricing which considers the county's social, political and economic needs and realities. This project was part of the overall privatization of the electric power sector of Russia, which is restructuring the entire industry to increase its economic efficiency by injecting elements of competition and diversity.

### **Transmission Tariff Cost of Service and Rate Design**

Client: Southern California Gas Company

Southern California Gas Company retained Mr. McFadden to review the transmission cost of service and rate design proposals of Southern California Edison Company, Pacific Gas and Electric Company, and San Diego Gas and Electric Company. The proposals, filed with the Federal Energy Regulatory Commission and collectively known as the WEPEX filings, are part of the comprehensive restructuring of the electric utility industry in California. The major issue is the proposal to charge one transmission access fee to all end-use customers for both regional and local transmission service. The alternative promulgated by SoCalGas is to require generators to pay for utilization of the regional transmission system designed to import power into the state.

### **Market-Based Pricing Guidebook**

Client: National Rural Electric Cooperative Association

McFadden Consulting, in conjunction with MarketPower, Inc. prepared a pricing guidebook to assist utility managers in pricing services and products in a competitive marketplace. The Market-Based Pricing Guidebook developed for over 3,000 electric utilities across the U.S. The Guidebook provided practical approaches and methods as well as the decision analysis process for U.S. utilities to design and implement open market pricing.

### **Transmission Wheeling Rate and Tariffs**

Client: Intermountain Rural Electric Association

Mr. McFadden provided strategic oversight and technical assistance for the development of a wheeling rate and the preparation of a transmission wheeling tariff filed with the Federal Energy Regulatory Commission on behalf of Intermountain. A cost of service model based upon the methodology for point-to-point transmission service as well as network transmission service was developed to analyze various scenarios. In addition, terms and conditions for the two types of transmission service were also reviewed. Rates were developed based upon Order 888 and cost of service calculations for the system.

**Electric Department Revenue Requirements, Cost of Service and Rate Design**

Client: City of Fort Morgan

Mr. McFadden was retained by the City of Fort Morgan, Colorado's electric department to prepare a revenue requirements, cost of service, and rate design analysis. A key issue was the impact the restructuring of the electric utility industry might have on the electric department's operations, costs, and rates. Therefore, the analysis considered the possibility of wholesale and retail wheeling being implemented in the foreseeable future. Furthermore, the analysis incorporated flexible rate designs intended to allow the City to react quickly to possible changes in the electric utility industry.

**Review of Cost Allocation Rules between Regulated and Unregulated Services**

Client: Colorado Business Alliance

The Colorado Business Alliance retained Mr. McFadden to review rules proposed by the Public Utilities Commission of Colorado relating to cost allocation between regulated and unregulated services. The intent of the proceeding is to prescribe cost allocation methodologies for the segregation of investments, revenues, and expenses for electric and gas utilities that engage in both regulated and unregulated services to ensure that the unregulated operations are not subsidized by regulated ones. Mr. McFadden testified at a hearing before the Colorado Commission on these matters.

**Evaluate the Economic Impacts of Utilizing Gas Versus Coal as Fuel for Generation**

Client: Colorado Oil and Gas Association

Mr. McFadden was the project manager of an assignment to evaluate the economic and environmental impacts of utilizing gas as a fuel for electric generation. A specific portion of this assignment was analyzing the impact of utilizing gas instead of coal during the winter in three Denver area generating stations. Various factors were considered in assessing the economic impacts, including the cost of gas and its transportation to the plants, the differential in gas and coal price forecasts, the capital costs associated with a switch to natural gas, SO<sub>2</sub> allowance costs, operating and maintenance costs, and dispatch impacts.

**Analysis of the Financial and Accounting Practices of MOSENERGO**

Client: United States Environmental Protection Agency

Mr. McFadden acted as project manager for an assignment on behalf of the US EPA to review and analyze the financial and accounting practices and procedures of MOSENERGO, the utility that provides electric power service and hot water heat in the City of Moscow, Russia and environs. This assignment was part of the process intended to introduce integrated resource planning to the electricity and heating sectors in Russia. As part of this project, Mr. McFadden identified and analyzed the financial issues and concerns facing MOSENERGO as it began the privatization process. The issues identified by Mr. McFadden included the need

for education in financial management, the financing of significant capital expenditures, the slow receipt of payments by customers, and the impact on rates of a revaluation of assets.

### **Review of Electric Department Extension Policy**

Client: City of Fort Morgan

Mr. McFadden reviewed the City of Fort Morgan, Colorado extension policy for its electric department. Historically, the City had not exercised its authority to collect the cost of extending service to new customers or upgrading service to existing customers. Mr. McFadden was retained to review the extension policy and determine an appropriate construction allowance. He developed a construction allowance based on the gross embedded investment per customer for each customer class.

### **SPECIAL TRAINING**

- Cornell University, Johnson Graduate School of Management. Merger and Acquisitions Forum. 1989.
- Irving Trust Company, New York City. Financial Seminar. 1985. Security analysis, types of securities, method of offering securities, project financing, capital structure and financial policy and others.
- University of Idaho, Moscow, Idaho. Executive Development. 1982. Financing through capital markets, strategic planning and management, managing human resources, financial management and others.

### **PRESENTATIONS AND TESTIMONY**

Testimony before the Public Utilities Commission of Colorado in KN Wattenberg Transmission LLC application for a CPCN to operate facilities it constructed to serve two industrial customers within the city limits of Fort Morgan, Colorado. June 2001.

Testimony on behalf of the Colorado Office of Consumer Counsel before the Public Utilities Commission of Colorado in its investigation into price stabilization mechanisms of regulated gas utilities. June 2001.

Testimony before the Public Utilities Commission of Colorado in Totem Gas Storage Company, LLC's Application for a Certificate of Public Convenience and Necessity to Construct and Operate a Gas Storage Using Competitive Market-Based Rates. Denver, Colorado. June 2000.

Testimony before the Utah Public Service Commission in Questar Gas Company's Application for an Increase in Rates and Charges in Docket No. 99-057-20. Salt Lake City, Utah. June 2000.

Testimony before the Kansas Corporation Commission on Kansas Gas Service Company's Application for Approval to Restructure Gas Supply Contracts. Topeka, Kansas. March 2000.

Presentation to City Council on Proposed Electric and Gas Department Rate Changes. City of Fort Morgan, Colorado City Council Meeting. Fort Morgan, Colorado. January 2000.

Testimony on Questar Gas Company's Application to Recover Costs Associated with Constructing a CO<sub>2</sub> Extraction Plant. Salt Lake City, Utah. June 1999.

Presentation to City Council on Proposed Electric and Gas Department Rate Changes. City of Fort Morgan, Colorado City Council Meeting. Fort Morgan, Colorado. October 1998.

"Potholes on the Road to Unbundling" presented to the 57th Annual Western Conference of Public Service Commissioners. Sunriver, Oregon. June 1998.

Testimony on Incorporating Riders in Performance-Based Rate Mechanisms for Atlanta Gas Light Company. Atlanta, Georgia. March 1998.

Testimony on the Management and Financial Review of Atlanta Gas Light Company's Manufactured Gas Plant Site Environmental Clean-Up Efforts. Atlanta, Georgia. March 1998.

Presentation to City Council on Proposed Gas Department Rate Changes. City of Fort Morgan, Colorado City Council Meeting. Fort Morgan, Colorado. December 1997.

Keynote address on Electric Utility Restructuring at the University of Kansas' 21st Annual Economic Outlook Conference. Lawrence, Kansas. October 1997.

Presentation to City Council on Proposed Electric and Gas Department Rate Changes. City of Fort Morgan, Colorado City Council Meeting. Fort Morgan, Colorado. October 1997.

"An Analysis of the Impact of Retail Wheeling on the State of Kansas" presented to the Kansas Legislative Task Force on Retail Wheeling. Topeka, Kansas. August 1997.

A presentation to the Rocky Mountain Natural Gas Strategy Conference and Marketing Fair on restructuring of natural gas and electric utility industries. Denver, Colorado. August 1997.

Testimony on the Public Utilities Commission of Colorado's proposed rules on gas cost adjustments. Denver, Colorado. February 1997.

"Restructuring of the Natural Gas Industry" presented to the Governor's Energy Assistance Reform Task Force. Denver, Colorado. February 1997.

"The Feasibility of Allowing Nondiscriminatory Access to Retail Natural Gas Distribution Services in Colorado" presented to the Colorado Legislative Council. Denver, Colorado. December 1996.

Presentation to Rocky Mountain Natural Gas Association on the issues associated with providing transportation service to residential and small commercial customers. Denver, Colorado. October 1996.



Testimony and cross-examination on the Public Utilities Commission of Colorado's proposed rules on cost allocation between regulated and non-regulated affiliates. Denver, Colorado. July 1996.

"Planning in a Competitive Environment." Power Engineering Society, Institute of Electrical and Electronic Engineers Summer Conference. Denver, Colorado. July 1996.

Presentation to City Council on Proposed Electric Department Rate Changes. City of Fort Morgan, Colorado City Council Meeting. Fort Morgan, Colorado. May 1996.

Testimony and cross examination on East Ohio Gas Company gas planning and procurement practices before the Ohio Public Utilities Commission. December 1995.

"Economic Impact of Fuel Switching at Selected Denver Area Power Plants," presented on behalf of Colorado Oil and Gas Association before the Colorado Air Quality Council and the Regional Air Quality Council. Denver, Colorado. November 1995.

Presentation to City Council on Proposed Gas Department Rate Changes. City of Fort Morgan, Colorado City Council Meeting. Fort Morgan, Colorado. November 1995.

Testimony and cross examination on BC Gas Utility, Ltd. extension policy before the British Columbia Utilities Commission. Vancouver, BC. June 1994.

Testimony and cross examination on BC Gas Utility, Ltd. avoided costs before the British Columbia Utilities Commission. Vancouver, BC. June 1994.

"Development of Long Run Avoided Costs for a Gas Distributor." Gas Research Institute Avoided Cost Conference. Milwaukee, Wisconsin. June 1994.

## **PROFESSIONAL AFFILIATIONS**

- Rocky Mountain Natural Gas Association
- Colorado Association of Commerce and Industry, 50 For Colorado
- American Gas Association, former member
- Interstate Natural Gas Association of America, former member of Rate and Policy Committee
- Regis University Alumni Association
- Former Member, Regis University Business and Industry Group
- University of Denver Alumni Association
- Listed in *Who's Who in America*, *Who's Who in Executives and Professionals*, *The National Registry of Who's Who*, and *Who's Who International*