

Cost Proposal

We have developed our Cost Proposal for the Keystone Pipeline project based on hourly rates for our proposed team members, KL&J's audited overhead rate, and the daily rates for per diem. Determination of a budget at this stage of a construction project of this size and nature is very difficult to accomplish for several reasons. The major factor in the fee for construction inspection services is determining what the contractor's actual schedule, means, and methods will be. The construction of this project involves two contractors with multiple crews spread out over many miles. The actual number of crews, rate of production, quality of the contractor's work, miles of spread between crews and weather conditions will impact the number of inspectors required, the level of expertise required of the inspectors, and the number of hours they need to be on the project. For these reasons we structured our cost proposal showing our hourly rates, overhead cost and per diem. We also estimated a range of hours for each staff type based upon preliminary scheduling information from the contractors. During project scoping, we will work closely with you to establish a more accurate construction inspection budget. This will allow us the opportunity to discuss with you the level of experience needed for each inspection position and the number of hours each inspector should be committed to the project for the various construction activities. Throughout the course of construction, we will continue to communicate and coordinate with you to ensure the proper level of inspection is being attained in relation to the budget and any adjustments to the staffing will then be made accordingly.

As you can see on the location map on page 2, KL&J has four offices staffing over 60 employees within 60 miles of the proposed pipeline route. All of these offices routinely provide field observation services during the construction season. As we discussed above, the staffing needs for construction observation can change very often and very quickly on a large project like the Keystone Pipeline. The close proximity and availability of staff will allow KL&J to add and remove staff from the project on a daily basis if needed. This will allow us to work with the PSC staff to ensure the appropriate staffing levels are maintained on the project at all times. This proximity has also allowed us to estimate that our staff will be on per diem less than 30 percent of the time during construction observation.

COST PROPOSAL

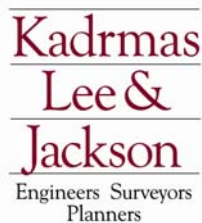
Consulting Services for Siting TransCanada Keystone Pipeline

RFP Number: PU-06-421

Direct Cost

Staff	Hourly Rate	Estimated Time Commitment (Hours / Week)	Estimated Duration (Weeks)	* Est. Per Diem (Days)
Les Norton Project Manager	\$ 41.00	8	28	0
Bob Podoll Lead Inspector	\$ 30.50	40 to 50	22	25
Dennis Markusen Lead Inspector	\$ 30.50	40 to 50	22	25
Dave Opdahl Inspector	\$ 22.25	50 to 60	28	50
Paul Bjornson Inspector	\$ 22.25	50 to 60	28	50
Shanna Braun Environmental Scientist	\$ 22.75	8	22	0

In-Direct Cost



Audited Overhead & Profit 212.80%

Per Diem \$120 / Day

Supplies Included in O.H

Mileage Included in O.H

* Based on estimate of 20% to 30% of Duration