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PUBLIC SERVICE COMMISSION

June 11, 2008

Mr. Patrick Fahn  
Chief Engineer – Public Utilities Division  
North Dakota Public Service Commission  
600 E. Boulevard, Dept. 408  
Bismarck, ND 58505-0480

**Re: Request for Proposal (RFP)**  
**Consulting Services for Siting**  
**RFP Number: PU-06-421**

Dear Mr. Fahn:

Thank you for the opportunity to further discuss our proposal for the referenced project. As per our telephone discussion yesterday, June 10, 2008, we are providing a preliminary scope of work and fee summary for your review and comment. We have based our average hours per week on one 12 hour day in the field for each of the project segments and assumed a timeframe of 24 weeks which would take us up to the week of November 17<sup>th</sup>. We have also included an average of 4 hours per week for the coordination efforts, reporting and minor issues that may arise. Of course these are averages and will likely vary from week to week depending upon the construction activities. For example, when the contractor is open cutting across a stream bed, the hours that week will likely be higher as we would be on-site for that entire project activity.

Due to the complexity, size and nature of the project, we have scoped a senior level person for completing the construction observation work. As the project progresses, there may be a point where we are able to utilize a junior level person for some of the observation. We would contact you for your approval before making such a change. With this being an hourly not to exceed contract, if during the course of construction, we do not need to be on the site for the estimated amount of hours or if we are able to transition to a junior level person, our hours and hourly rate would be reduced accordingly.

In response to your question regarding our previous work for Enbridge Pipeline and in particular the Penn station, our Environmental Services Division did complete an environmental review for this site and several others along their pipeline in northern North Dakota. Enbridge Pipeline provided us with the description of the proposed new stations sites as well as the locations of the stations and contracted with us to complete the environmental review of each

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**507 PU-06-421** Filed: 6/11/2008 Pages: 5  
**Letter and Preliminary Scope of Work and Fee Summary**

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site. Included in our scope of work with Enbridge Pipeline were the following items:

- Consultation with the agencies that have interest in the area of the proposed stations
- Wetlands review and delineation
- Floodplain review
- Threatened and endangered species review
- Class III cultural resources review (subcontracted to Earthworks, Inc.)

Again, the project details, description and locations were all determined and provided to us by Enbridge Pipeline.

With several practice and service areas within our firm, there are times when a potential conflict of interest could be perceived. We do not feel that there is any conflict of interest, should we be selected to work for you on the TransCanada Keystone Pipeline. We are not and have not worked for TransCanada, their pipeline contractors or subcontractors.

We truly appreciate the consideration of our firm and we look forward to the opportunity to work with you on this project. If you have any further questions, comments or require additional information, please contact me at anytime. Thank you.

Sincerely,

**Kadrmass, Lee & Jackson, Inc.**



Mark Anderson, PE

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**KADRMAS, LEE & JACKSON  
SCOPE OF WORK AND FEE SUMMARY  
CONSTRUCTION OBSERVATION**

**North Dakota Public Service Commission  
Consulting Services for Siting  
TransCanada Keystone Pipeline  
RFP Number: PU-06-421**

**I Purpose**

The purpose of this exhibit is to describe the scope of work and responsibilities required in connection with the construction observation services for the **TransCanada Keystone Pipeline 218-mile, 30-inch Crude Oil Pipeline from Cavalier to Sargent Counties in North Dakota**. The prime consultant for the periodic quality assurance services is Kadrmas, Lee & Jackson, Inc. (KL&J).

**II Objective**

The objective is to provide site visits and construction observation services. Such visits and observation are not intended to be an exhaustive check or a detailed inspection of the Contractor's work but rather are to allow the consultant, as an experienced professional, to become generally familiar with the Work in progress and to determine, in general, if the Work is proceeding in accordance with the Order issued by the North Dakota Public Service Commission (PSC).

KL&J will perform site visits to document and record the construction activities being performed. The documentation will include the operation(s) observed during the site visit and any problems or non-compliance with the PSC's order(s).

The site visits are based upon an estimated average of 16 hours per week for each of the two project segments. The project is underway and our duration on the project is anticipated to extend approximately 24 weeks. The scope of work, manpower requirements, and schedule may require some adjustments based upon review and approval by the PSC. Additional work not detailed in this exhibit shall be added by supplementary agreement, based upon a mutually agreeable scope of work and fee.

**III Exclusions**

KL&J is not responsible for the pipeline contractor's or their subcontractor's safety procedures or operations. This scope of work does not include any safety inspections of the contractor's equipment, procedures, or operations. Also, KL&J is not responsible for the safety of PSC personnel, site visitors, contractor's personnel, subcontractor's personnel, or any other person. KL&J will not proceed with their duties in areas or situations that are deemed unsafe or hazardous to KL&J staff, due to the contractor's non-conformance with OSHA or other agency safety regulations, or other reasons.

KL&J will not assume the duties and responsibilities of the Contractor, or Subcontractors, including but not limited to, construction procedures, techniques and means and methods.

#### IV **KL&J Services**

Following is a detailed summary of work tasks. The estimated hours are included at the end of this exhibit.

The services to be performed by KL&J include the following:

- Project site visits will average once per week for each project segment, north and south
- Log of project activities during the site visits and note any problems or non-compliance with the PSC's order(s)
- Forward log of project activities to PSC
- Be on-site and monitor the following project activities
  - Stream crossings whereby the contractor uses open cut as the method of installation
  - Other activities as requested by the PSC

The scope of work is limited to the above listed items. KL&J will provide construction engineers and technicians, to complete the tasks listed.

#### V **Fee Summary**

Staff for the north project segment construction observation will be headquartered from our Grafton office. Staff for the south project segment construction observation will be headquartered from our Valley City office. We will utilize senior project staff initially due to the complexity, size and nature of the project. If during the course of construction, we feel it is possible to utilize junior level staff, we will discuss this with the PSC and proceed with the PSC's concurrence. Following are the estimated hours and corresponding fee summary for the items detailed in this scope of work:

##### **North Project Segment:**

Senior Observer: 16 hrs/week x 24 weeks = 384 hours

Direct Labor: 384 hours x \$30.50 per hour	=	\$11,712.00
Audited Overhead and Profit (212.80%)	=	<u>\$24,923.14</u>
<b>Subtotal North Project Segment</b>	<b>=</b>	<b>\$36,635.14</b>

**South Project Segment:**

Senior Observer: 16 hrs/week x 24 weeks = 384 hours

Direct Labor: 384 hours x \$30.50 per hour	=	\$11,712.00
Audited Overhead and Profit (212.80%)	=	<u>\$24,923.14</u>
<b>Subtotal South Project Segment</b>	<b>=</b>	<b>\$36,635.14</b>

**Total Est. North and South Project Segment = \$73,270.28**