



PO BOX 98
330 1ST STREET NW
MANDAN, ND 58554-0098
701-667-1800

January 26, 2007

North Dakota Public Service Commission
Public Utilities Division

Request for Proposal (RFP): RFP for consultant services in Northern States Power Company
Natural Gas Rate Increase Application; Case No PU-06-525
RFP Number: PU-06-525
600 E Boulevard Ave, Dept. 408
Bismarck, ND 58505-0480

RE: RFP - Natural Gas Rate Increase Application; Case No PU-06-525

Keitu Engineers & Consultants, Inc. (Keitu) is pleased to provide the North Dakota Department of Health with the original and seven (7) copies of our proposal in response to your January 5, 2007 Request For Proposal (RFP). Keitu understands the Commission is seeking to obtain consultant services to analyzing rate of return for the gas rate case filed by Northern States Power Company.

This submission outlines Keitu's proposed technical approach and project costs to perform this project for the ND Public Service Commission. Keitu will perform the tasks outlined in the RFP on fixed and firm basis of \$39,960 total price including salaries, wages, direct costs and indirect costs.

Consistent with requirement outlined the RFP cited above, we the undersigned certifies that our proposal submission and work practices complies with:

- a) the laws of the State of North Dakota;
- b) North Dakota Administrative Code;
- c) all applicable local, state, and federal laws, code, and regulations;
- d) the applicable portion of the Federal Civil Rights Act of 1964;
- e) the Equal Employment Opportunity Act and the regulations issued by the federal government;
- f) the Americans with Disabilities Act of 1990 and the regulations issued by the federal government;
- g) all terms, conditions, and requirements set forth in this RFP;
- h) the condition that the proposal submitted was independently arrived at, without collusion;

38 PU-06-525

Pages: 30


Proposal for Consultant Services

by Keitu Engineers & Consultants, Inc.

01/26/2007: Comm Legal, Ilona Annette, Mike Pat, Tom

- i) the condition that the offer will remain open and valid for the period indicated in this solicitation of ninety (90) days; and
- j) the condition that the firm and any individuals working on the contract do not have a possible conflict of interest (e.g. employed by the State of North Dakota).

We hope to be able to earn the opportunity to complete this project for the State. Please do not hesitate to contact us at our offices in Mandan at (701) 667-1800 with questions or comments.



Kathleen M. Spilman, PE
Managing Director



Timothy F. Spilman
Project Manager

*Enclosures: Original Proposal (1)
Proposal copies (7)
Electronic copy of proposal on CD-ROM (1)*

PROPOSAL

Prepared for:

State Of North Dakota



**NORTH DAKOTA PUBLIC SERVICE COMMISSION
PUBLIC UTILITIES DIVISION
600 E Boulevard Ave, Dept 408
Bismarck, ND 58505-0480**

January 26, 2007

RFP Number: PU-06-525

*Consultant Services in Northern States Power Company
Natural Gas Rate Increase Application; Case
No PU-06-525*

RFP Date of Issue: January 5, 2007



**330 First St, NW
Mandan, ND 58554
(701) 667-1800**

Engineering, Environmental, & Regulatory Affairs Professionals

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I. Introduction

Keitu Engineers & Consultants, Inc. (Keitu) is pleased to submit this Request for Proposal to the North Dakota Public Service Commission in response to the January 5, 2007 solicitation for RFP Number: PU-06-525 to acquire consultant services for analyzing the gas rate case filed by Northern States Power Company. Keitu Engineers & Consultants, Inc. is currently on the list of approved vendor for the State of North Dakota and certified as a women-owned business by the ND Department of Commerce Division of Economic and Finance (certificate number 2004502).

Keitu has assembled the project team, technology and resources to analyze the gas rate case filed by Northern States Power Company. Keitu Engineers & Consultants, Inc. staff will comply with all provisions in RFP Number PU-06-525. Our staff is located in Mandan, ND literally within a few driving minutes of the North Dakota Public Service Commission offices. Pertinent contact information includes:

Keitu Engineers & Consultants, Inc.
330 First St NW
PO Box 98
Mandan, ND 58554-0098

Kathleen Spilman, PE, Managing Director
Timothy Spilman, Project Manager

Telephone: (701) 667-1800
Fax Number: (701) 667-1802

Internet website: www.keitu.com

Kathleen Spilman, is Managing Director and President of the company and is empowered to bind the company into a Firm Fixed Price contract. Her signature is on the letter of transmittal confirming the price of our proposal. Our submitted proposal cost does not exceed the budgeted amount of \$40,000.

We have reviewed the Service Contract for indemnification and insurance requirements. Keitu performed a small project for the ND Department of Transportation in November 2006 and with one exception, we believe we have already provided the necessary insurance documentation to the State's Risk Management Department. We confirmed verbally with our insurance carrier earlier this week that the ND Public Service Commission Public Utilities Division can be added to the indemnification clause on our policy as well as an additional insured party.

Keitu's team looks forward to the opportunity to provide professional, cost-effective, on-time, and high-quality services to the North Dakota Public Service Commission Public Utilities Division.

II. Understanding of the Project

Objective A: Understanding of the purpose and scope of the project.

The North Dakota Public Service Commission Public Utilities Division is soliciting proposals for consultant services. The Department wants assistance to evaluate rate base, rate of return, net operating income, cost allocations and rate design in the gas rate case filed by Northern States Power Company.

The North Dakota Public Utilities Commission has a duty to render service at fair and reasonable rates without preference or discrimination to all qualified customers they serve. They also have the duty to serve all who seek service within its operational area of North Dakota. It is also important that they render safe, adequate, and satisfactory service throughout North Dakota. We as Keitu consultants are to assist them with their duties by providing documentation review and financial analysis, as required.

Objective B: Pertinent issues & potential problems related to the project.

As in most natural gas increases, the base rate (customer charge) is a pertinent issue that has potential problems. The net plant investment values arrived at in the rate case are more expensive than what certain specific customers can accept. These customers may be impacted by unexpected circumstances and forgo their utility payments. Prior rate adjustments may have accounted for a predicted level of “bad debt” which may be different from recent past or expected levels. Recent high fuel costs may serve to aggravate the prior predicted levels. Monthly customer charges for the residential class will be a disputed issue based on the tariff application.

Another issue of potential problems is depreciation. Depreciation life for plastic and metallic gas mains was set at 45 years in Northern States Power (NSP) Natural Gas Rate Increase Case No. PU-400-00-521. Plastic pipe manufacturers expect a plastic pipe has a life expectancy of 125 years at locations where it has been squeezed off for sectionalizing purposes. Conversely, the plastic pipe manufacturers would boast a life expectancy of 2000 years during typical operations. Metallic coated gas mains with cathodic protection should have a life expectancy of 100 year or more. The Commission has the authority to revise depreciation rates. This issue may be addressed or not in this rate case.

According to chart KTL-1 in Kent T Larson testimony in this tariff application, NSP has earned annual return of equity in the range of 3.7% to 8.5% since 1997. NSP is asking for this tariff application an 11.3 %. Discounted cash flow (“DCF”) analysis is used to determine for ROE. NSP has used this with adjustments at times. That is something to look for in the tariff application and may cause a potential problem.

Capital structure to be used in determining revenue requirements is also an issue of potential problem as it was a disputed issue in Northern States Power (NSP) Natural Gas Rate Increase Case No. PU-400-00-521.

The current NSP Notice of Change in Natural Gas Rate Item C in the introduction on page 3 pertaining to the proposed cost allocation and rate design states the change is being proposed to more accurately recover cost of service from the customers. This contention will be a central issue in the rate study and could have significant implications to the case.

The NSP Notice of Change in Natural Gas Rate Item E of the introduction (page 3) says the proposed rate increase does not unreasonably discriminate between the Company's customers or customer classes, and does not violate any Commission laws or rules. "Does not unreasonably discriminate" is hard to quantify. As a duty of the Commission not to discriminate, this item is a pertinent issue with potential problems.

Keitu Engineers & Consultants, Inc. (Keitu) believes these items are representative examples potential controversies associated with this rate case study. We understand these pertinent issues and potential problems. Other reoccurring issues such as income tax estimation methods for utilities with both "for profit" and "regulated" division as well as special one-time verses reoccurring capital costs (costs associated with pipeline relocation due to a DOT project) are not necessarily unique to this NSP rate case. Increasing fuel costs driving conservation practices and lower volume demand may also be a consideration for this study.

We believe we are prepared to accurately and objectively deal with these issues as we assist the North Dakota Public Service Commission Public Utilities Commission with this project.

Objective C: Offeror demonstrates an understanding of the deliverables the State expects to provide.

Keitu shall provide the expected deliverables that North Dakota Public Service Commission Public Utilities Commission expects to be provided. These deliverables include assistance to evaluate rate base, rate of return, net operating income, cost allocations and rate design in the gas rate case filed by Northern States Power Company. It is further understood that that Keitu will submit these deliverables as requested to North Dakota Public Service Commission Public Utilities Commission.

Objective D: Offeror demonstrates an understanding of the State's time schedule and can meet it.

Keitu understands that the contract starts February 15, 2007 and that the work period is from February 15, 2007 to June 30, 2007. As noted previously, Keitu would endeavor to complete its consulting services prior June 30th, 2007 and has dedicated staff for this project that is prepared to begin work upon contract award. Keitu looks forward to assisting the North Dakota Public Service Commission Public Utilities Commission in evaluating rate base, rate of return, net operating income, cost allocations and rate design on a schedule that is mindful of North Dakota Public Service Commission Public Utilities

Commission’s project schedule. Keitu also understands that North Dakota Public Service Commission Public Utilities Commission is also working on a rate application for Big Stone II Generating Station at the same time NSP has their rate case for a Natural Gas Increase. Keitu will work to coordinate with the Commission while both of these rate cases are occurring. Keitu has four professionals involved with this rate case and they will be available as required.

Keitu understands the Commission will set a timeline when the voluntary procedural schedule is established by NSP and North Dakota Public Service Commission Public Utilities Commission.

The following is a best estimate timeline schedule Keitu proposes based on information provided in the request for proposal (RFP):

January 26	Proposal Due
February 01	Evaluation of RFP completed
February 02	Notice of Intent to Award
February 08	Public Input Session
February 09	Voluntary procedural schedule established by NSP and North Dakota Public Service Commission
February 12	State issues contract
February 15	Keitu can officially start contract
March 02	Last day for vendor approval (Keitu approved vendor)
April 15	Staff completion date for the investigation and filed written testimony contesting aspects of rate increase request
May 01	NSP filed rebuttal testimony contesting most of the staff recommendation
May 15	Staff files surrebuttal testimony
May 24	Public Hearing
May 24-25	Technical Hearing
June 20	Working Session between NSP and staff
June 25	NSP and staff reach a settlement
June 27	Commission grants motion
June 29	Settlement Agreement
June 30	Keitu’s contract ends

NSP can file an update to its December 15, 2006 Notice of Change in Rates for Natural Gas Service.

Objective E: Offeror’s proposal submitted responsive to all material requirements

The table of contents and body of the proposal include all material requirements.

III. Methodology Used for the Project

Objective A: Approach to fulfilling the requirements of the RFP.

Keitu Consultant has enclosed this proposal to fulfill the requirements of the RFP. The Table of Contents identifies locations and page numbers. Bold headers were also used to assist in helping find information more conveniently.

Keitu has assembled a team of four professionals to fulfill the requirements. This four member team is made up of a Principal, Project Manager, Financial Analyst, and a Regulatory Analyst. The Principal's focus is functional and conceptual guidance for the team. The Project manager's primary responsibilities include communication between the Commission and the team, cost allocations, base rate, cost allocation and rate design. The Financial Analyst will handle utility economic consulting for balance sheets, income statements, and capital structure. The Regulatory Analyst will review and verify all Keitu rate case statements and make recommendations as needed. Keitu has all four professionals involved with this rate case available as required.

With the expected exception of engaging a local graphics and reproduction shop for assistance with preparation of exhibits and graphical displays for meetings, hearings or presentations, Keitu does not expect to use subcontractors to assist it with completion of this project.

Objective B: Matching and achieving the objectives set out in the RFP.

Keitu has addressed all of the objectives set out in the RFP. Additional information for some objectives may be found in other parts of the RFP as they were more relevant to the objective location they were found.

After February 15, Keitu can begin work on the investigation and filing written testimony. This work must be completed by April 15. Keitu appropriated 134 hours of billable time to accomplish Commission activities during this time. We have also 32 hours appropriated for travel for site investigations. Keitu Consultants has appropriated 40 billable hours to assist in the surrebuttal testimony for NSP's rebuttal testimony. Keitu has appropriated 40 billable hours for preparation of the technical hearing May 24 and 25. We have 40 additional hours appropriated for the technical hearing and a working session. All combine for a total of 286 hours of consulting time to assist the Commission with assistance to evaluate rate base, rate of return, net operating income, cost allocations and rate design in the gas rate case filed by Northern States Power Company.

Objective C: Interface with the time schedule in the proposal.

Keitu currently has staff available to immediately begin work on the project and are expected to complete this work within the specified timeline. Keitu has all four professionals involved with this rate case available as required. Keitu understands the Commission will set a timeline when the voluntary procedural schedule is established by NSP and North Dakota Public Service Commission Public Utilities Commission.

Objective D: Provisions for quality assurance.

Performance is ensured in a variety of different ways. Foremost is through effective communication. Second, is through internal reviews. All work products and deliverables are reviewed for content and quality prior to being delivered to the client. Keitu's Managing Director/Principal functional guidance is an additional way we assure quality. This requirement is also part of the firm's quality assurance procedure as outlined to our professional liability insurance carrier.

Objective E: Offeror meets the schedule set out.

Keitu has reviewed and has followed the RFP schedule found in section 1.03 in the RFP. Keitu is already an approved vendor and is ready to start February 15, 2007.

Objective F: Contractor has gone beyond minimum tasks to meet objectives of the RFP.

Keitu Consultant have laid out a best estimate time line demonstrating it understanding of the project. This was not a requirement of the RFP. Keitu has assembled a 4 member team of professionals each having 20 years of work experience. Three of the team members have graduate level education, the other has 20 year of regulatory affairs experience. A Registered Professional Engineer is the person responsible for conceptual and functional guidance.

Objective G: Proposal is practical, feasible, and within budget.

Keitu Engineers and Consultants, Inc. have proposed a price of \$39,980.00. Our price falls within the budget of \$40,000.

IV. Management Plan for the Project

Keitu Engineers & Consultants, Inc. uses a Project Manager-based system for managing projects and ensuring quality. The purpose of the Project Manager is to ensure the maximum extent practicable, client satisfaction and to give the best value. The primary means of accomplishing this is through communication about the tasks that will be completed, the labor and cost and the schedule for completion. Project management is initiated within Keitu during the proposal stage. Key staff are assigned and committed to the project at the proposal stage. All four proposed staff members will be assigned to this project for its duration. Mr. Timothy Spilman is proposed as Project Manager.

Project Communication

We maintain formal communication procedures (written summaries of communication) are placed in the project file. We anticipate submitting a monthly formal status report to the designated client contact and a weekly informal status email report, if desired.

Financial Management

The Project Manager receives cost to date information weekly to ensure the project remains on budget. Invoices are prepared and submitted in accordance with a mutually agreeable schedule. Invoices also include a summary of all work completed and issues or action items needing completion in the next month.

We are committed to fiscally managing the project as if your funds were ours. Each member of the staff understands the Project Manager's expectations and completes their tasks in a timely fashion and to the Project Manager's expectations.

Ensuring Performance

Performance is ensured in a variety of different ways. Foremost is through effective communication. Second, is through internal reviews. All work products and deliverables are reviewed for content and quality prior to being delivered to the client.

A weekly Keitu staff meeting and project status is typically held each Friday to validate adequate progress for each project by the Managing Director. A list of project milestones has been developed and will serve as the basis for this assessment by Keitu management staff.

Problem Solving and Resolution

Problems periodically arise during a project. The Project Manager is the primary person responsible for the resolution of technical, procedural or contractual problems. He is responsible for communicating these problems with the client.

Responsibility for Project Deliverables

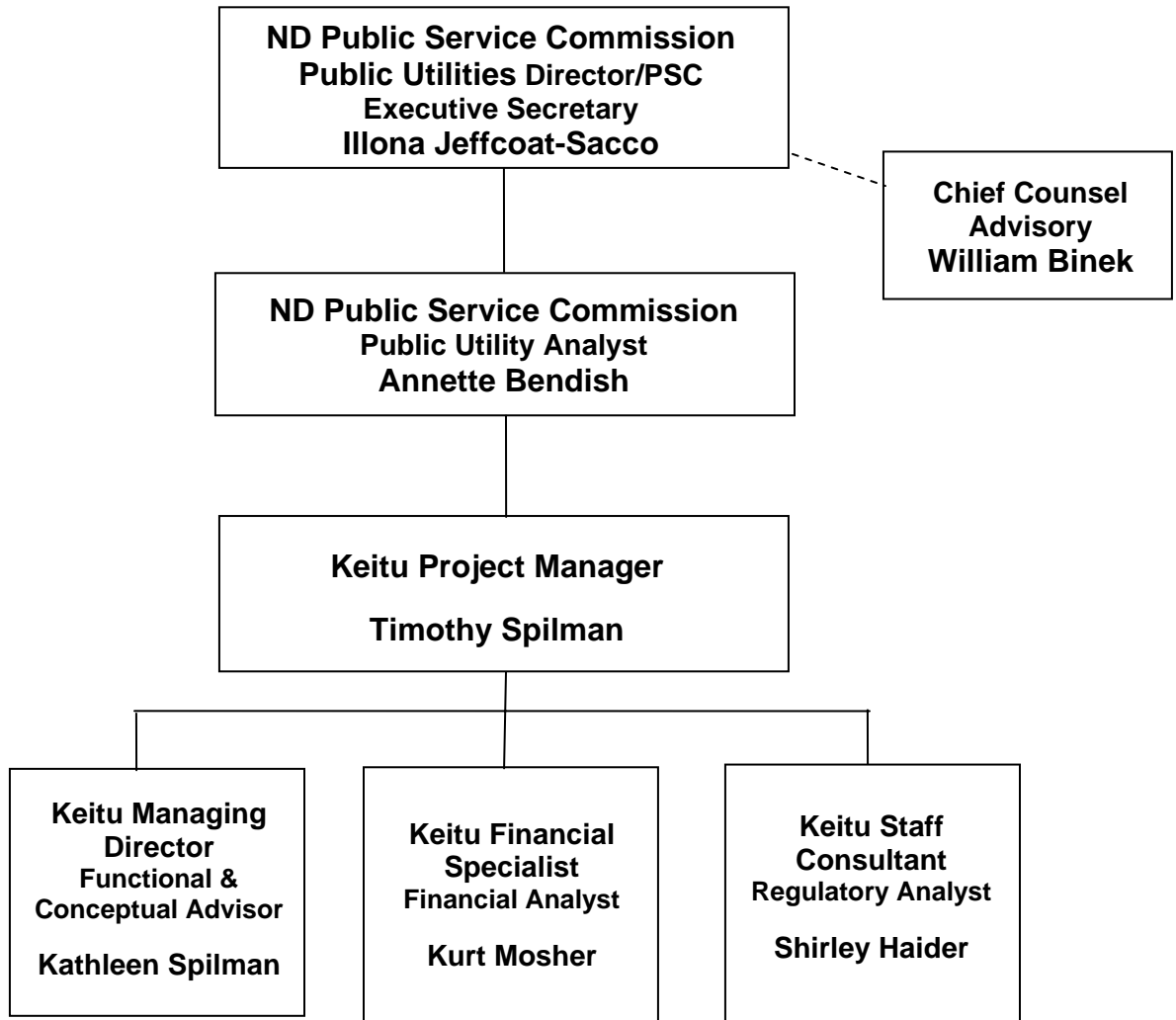
The ultimate responsibility for the project deliverables is the responsibility of the Project Manager, Timothy Spilman.

Location of Work Performed

Execution of the Scope of Services will be predominately completed at the Keitu Engineers & Consultants, Inc. offices in Mandan, North Dakota. All consultants are available, as requested by the ND Public Service Commission and/or their staff to attend meetings or provide testimony as required at the State's offices located in Bismarck, North Dakota. If necessary, appropriate team members can be scheduled for out of town travel to visit the offices of Northern States Power in Grand Forks, Fargo or the Twin Cities.

V. Proposed Project Team Organizational Chart

Based on our current understanding of the project, Keitu proposes the current structure of the project team. We would honor any suggestions offered by the Public Service Commission on this portion of the proposal.



All proposed Keitu staff personnel will be committed to the project for its duration. They will be located in offices located in Mandan.

VI. Project Team Resumes and Project Assignments

- **Project Manager – Timothy Spilman**

Mr. Timothy Spilman has baccalaureate degrees in both electrical and civil engineering from the University of North Dakota-Grand Forks. He also has a Masters in Management degree from the University of Mary in Bismarck. He was named in Who's Who in Finance and Industry - 28th Edition. Tim was recognized by his peers by being selected the ND Outstanding Young Engineer in 1992.

Mr. Spilman routinely evaluates business startups/expansions and associated business plans as Chairman of the Mandan Growth Fund. Funded by the city sales tax dollars, this economic development tool is approached by a wide range of businesses looking to locate or expand in Mandan. He has been serving as Chairman of the Growth Fund since 2001.

Prior to joining the firm, Tim gained over 20 years of experience with a large regional investor owned utility including assignments in both its natural gas and electric divisions. His assignments included operation, maintenance and construction activities. He also completed an assignment as a District Marketing Manager. He served as an expert witness in various regulatory hearings. Mr. Spilman repeatedly prepared economic analysis to determine project feasibility. He compiled and analyzed technical information and prepared reports, charts, and maps. Tim also evaluated policies associated with open access, tariff administration, and comparable service requirements during these assignments. Mr. Spilman negotiated, directed, and administered contracts as well. Tim has represented company as a spokesman at public hearings on rate cases as well as conducting one-on-one briefings with individual customers on rate changes.

Mr. Spilman has the ability to manage different tasks simultaneously. He has read, analyzed and interpreted general energy industry periodicals, utility tariffs, laws and regulations. He has the ability to effectively present information and respond to questions.

Timothy F. Spilman will serve as Project Manager and primary contact for Keitu Engineers & Consultants, Inc. for this project once the contract is awarded. Specific project assignments will include:

- utility gas plant in service operating and maintenance (O&M) expenses
- revenues under proposed rates
- base rate, cost allocations, and rate design
- research and perform comparative analysis of public utility issues.

His formal resume is presented at the end of this section. The current project plan estimates 110 hours of Mr. Spilman's time devoted to this project.

- **Functional & Conceptual Technical Guidance - Kathleen Spilman, P.E.**

Ms. Spilman has a baccalaureate degree in chemical engineering from the University of North Dakota. She also has a Masters in Management degree from the University of Mary in Bismarck. She was recognized by her engineering peers in 1987 being selected as North Dakota's Outstanding Young Engineer.

Ms. Spilman has 25 years of experience in the oil and gas industry, including 17 years working for BP Amoco. Her assignments included Superintendent of Economics, Scheduling & Laboratory at the Mandan, ND refinery responsible for production profitability analysis, feedstock selection and product quality for the refinery and upper Midwest product pipeline distribution system. She also conducted feasibility and economic impact analyses for the facility. She prepared and delivered both oral and written testimony to a variety of state and Federal agencies. Among her other assignments, she was an oil movements operations superintendent at North America's fourth largest refinery involving 11 separate pipelines as well as marine, truck and rail operations.

Kathye is a Managing Director of Keitu Engineers & Consultants, Inc and brings her business acumen to the project. She has decades of experience in project management and regulatory affairs as well as engineering. Most of her current clients are among the oil and gas community. She is frequently contacted by state trade associations and clients to develop comments on their behalf for proposed legislation or regulatory changes. She was recently nominated to Governor Hoeven for inclusion on the State's Emergency Planning Committee.

Ms. Spilman's main role will be in contract administration, industry specific functional and conceptual guidance as well as quality control of all deliverables consistent with Keitu's QA plan.

Her formal resume is presented at the end of this section. The current project plan estimates 56 hours of Ms. Spilman's time devoted to this project.

- **Financial Analyst/Consultant – Kurt Mosher**

Mr. Kurt Mosher has a Bachelor of Science in Electrical Engineering from the University of North Dakota plus a Master of Business Administration from Pepperdine University in California. While at Pepperdine, he served as President of the Business School Society.

Mr. Mosher has over 20 years of business experience. As a senior consultant for an international accounting and consulting firm, he gained 7 years of experience, with responsibility in business process development including direct experience with key factors of cost, information integrity, ease of use, and reportability to senior management. His clients included a wide range of governmental and

commercial clients. He has overseen staff ranging from self to over 30. Mr. Mosher has 7 years experience doing engineering project design, cost assessment, budgeting, and implementation working for a number of Fortune 500 companies. He has been a researcher and has experience in conducting general statistical analysis and research for costing and pricing purposes. Prior to joining Keitu, he managed his own local businesses.

Kurt has ability to assemble, analyze, interpret, and evaluated statistical data. He has prepared, edit, and interpret technical, analytical and statistical reports. As the key financial analyst for the project, he will focus on balance sheet impacts, past and projected income statements and forecasted capital costs. He is responsible for evaluation of rate of return and net operating income. Mr. Mosher will research and perform comparative analysis of public utility issues. He will be responsible for analytical work compiling, analyzing, evaluating and interpreting financial, statistical and engineering data for the purpose of preparing recommendations to revise utility rates. Mr. Mosher will also coordinate cost reporting and budget oversight for the project.

His formal resume is presented at the end of this section. The current project plan estimates 56 hours of Mr. Mosher's time devoted to this project.

- **Regulator Analyst/ Consultant – Shirley Haider**

Mrs. Shirley Haider has 20 years of utility regulatory experience with a large regional investor-owned utility, finishing her tenure at that company by working the last 13 years in their regulatory affairs department. Shirley has been involved in rate cases in four separate states. Shirley has participated in previous analytical studies to the setting and regulation of utility rates while on staff at this utility.

Her specific expertise is in cost of service data with extensive prior experience in review and verification of rate case statements. Prior to working in regulatory affairs analyst, she was a rate assistant in that department for over 7 years after beginning her career at that utility working in their back office as an Accounting Clerk. She has an Associate of Arts degree from Bismarck State College and successfully completed the Gas Rate Fundamentals Course sponsored by the American Gas Association.

Mrs. Haider project assignment will be to prepare or assist in the preparation of exhibits, comment, testimony, and interrogatories. She will analyze utility applications and reports and make recommendations. Her primary consulting focus for this project is to be to verify and check rate reports/data for errors that may affect quality and accuracy of Keitu's deliverables.

Her formal resume is presented at the end of this section. The current project plan estimates 64 hours of Mrs. Haider's time devoted to this project.

TIMOTHY F SPILMAN

tspilman@keitu.com

Keitu Engineers & Consultants, Inc.

330 First St. NW, P.O. Box 98, Mandan, ND 58554

701-667-1800 (W)

WORK

Project Manager/Consultant

July 2004 - present

EXPERIENCE:

Keitu Engineers & Consultants, Inc., Mandan North Dakota

Perform engineering and technical support for utility and industrial clients. Monitor and review activities and developments in energy industry, energy regulatory commissions, and analyze these activities and developments. Assist small pipeline operators with DOT Compliance. Develop and deliver training programs.

Senior Systems Support Engineer

December 2001 - January 2004

Montana-Dakota Utilities Co., Bismarck North Dakota

Provided system support to corporate electric operations and planning department.

Senior Region Gas Engineer

May 1990 - December 2001

Montana-Dakota Utilities Co., Bismarck North Dakota

Planned, designed, constructed and maintained natural gas transmission and distribution facilities. Represented company as an expert witness. Compiled and analyzed technical information and prepared accurate reports, charts, and maps. Authored business letters, status reports, permits, and land easements. Prepared cost estimates, construction authorizations, job orders, and material requisitions. Wrote operations and maintenance manuals. Established and enforced policies, work methods, and procedures. Assisted in the preparation of budgets. Participated in AGA Best Practices national meetings. Region DOT Compliance Coordinator 1990-2001. Provided technical and construction support for 5 districts in region. Participated in three company standards committees. Extensive and varied knowledge of construction procedures, materials, and equipment. Authored and administered contracts with independent contractors for construction activities. Supervised 12 construction personnel, including 3 line supervisors. Coordinated activities of contractors and company crews to maximize productivity. Developed and implemented 10 year plan for region. Emergency Response Trainer from 1990-2003. Gave presentations at state conventions, service and technical organizations. Authored Contingency Flood Plan for Devils Lake. Responsible for design, construction, and implementation of gas facilities for 7 new towns. Reengineered a business process.

Region Marketing Supervisor

December 1989 - May 1990

Montana-Dakota Utilities Co., Mobridge South Dakota

Represented company as a spokesman at public hearings on rates and utility policies. Coordinated division load research project for rate cases. Conducted customer contacts of rate changes. Supervised four people marketing, merchandising, and warehousing operation. Authored news releases and coordinated advertising budgets. Operated department within guidelines of budget. Developed, communicated, and implemented marketing plan.

Region Electric Systems Engineer

June 1984 - December 1989

Montana-Dakota Utilities Co., Mobridge South Dakota

Planned, designed, constructed, operated and maintained electric transmission, substation, and distribution facilities. Developed and implemented an electric 10-year plan for region. Scheduled regular maintenance and repairs of electrical systems. Assisted in preparation of department's annual budget.

Engineering Assistant, Transmission Line Division

January 1981 - August 1983

Basin Electric Power Cooperative, Bismarck North Dakota

Assisted in a study to prepare cost comparisons of various 345 KV transmission designs. Authored computer programs for engineering applications in structural design, conductor galloping, surveying, sag and stringing conductors. Performed finite element analysis of substation and transmission line structures.

EDUCATION:

Masters in Management

April 1990

University of Mary - Bismarck, North Dakota

Bachelor of Science in Civil Engineering

May 1985

University of North Dakota - Grand Forks, North Dakota

Bachelor of Science in Electrical Engineering

May 1983

University of North Dakota - Grand Forks, North Dakota

**AFFILIATIONS
& AWARDS:**

ND State Outstanding Young Engineer - 1992

Who's Who in Science and Engineering - 2nd Edition

National Society of Professional Engineers - Member

IEEE Missouri Slope Section (Chairman 2004, Vice Chairman 2003)

Who's Who in Finance and Industry - 28th Edition

Mandan Economic Development Growth Fund Chairman (2001-04)

Outstanding Young Men of America - 1989

Notary Public

Pursuing Professional Engineers Registration

KATHLEEN SPILMAN, PE

kspilman@keitu.com

Keitu Engineers & Consultants, Inc.

330 First St. NW, PO Box 98, Mandan, ND 58554

701-667-1800 (W), 701-527-0277 (C)

WORK

Managing Director

April 2001 - present

EXPERIENCE:

Keitu Engineers & Consultants, Inc., Mandan North Dakota

Principal and co-founder of firm. Perform engineering and technical support to middle market clients in the areas of chemical, agricultural, process and energy engineering, environmental science and engineering, industrial health and safety engineering including site remediation. Prepared draft comments on behalf of clients and trade associations to various proposed state and federal regulations. Conduct feasibility studies for process and non-process related new business ventures throughout the state with specific emphasis on raw material/product logistics. Conducted threat assessment for hazardous materials handling and security consistent with new initiatives by the US Department of Homeland Security.

Senior Consultant

January 1999 - August 2000

KPMG Consulting LLC (now Bearing Point Consulting), Chicago Illinois

Provided technical and supply-chain management consulting services in ERP and B2B computer software implementation projects. Clients included Aventis Behring, Medtronic and US Army Wholesale Logistics Management. Served as site functional team lead for SAP QM implementation at a FDA compliant pharmaceutical manufacturing facility, implementing both product quality and metrology functionality.

Entity Team Member - SAP Implementation

February 1996 - January 1999

BP Amoco Corporation, Chicago Illinois

Provided refining line expertise to 250-person team implementing SAP software for the Petroleum Products Sector. Designed, configured and tested functionality in the materials management (MM) module. Led MM test case development and training development teams.

Served on Change Management team which prepared for changes in employees' roles and responsibilities resulting from SAP work processes. Conducted field training and provided system support for both MM and LIS reporting modules.

Superintendent - Oil Movements (South)

December 1992 - January 1996

Amoco Oil Company, Whiting Indiana

Managed the finished product blending, shipping, crude staging and marine operations for a 410 MBCD refinery. Supervised a staff of 60, including 18 direct reports and a \$5.0 million expense budget. Averaged \$25 million a year in capital improvements including blending control for low sulfur distillates and reformulated gasoline plus installation of a distributed control system for gasoline blending. Reduced department's incident rate from 3.68 to 0.00, leaving the department on a 16-month streak without an OSHA recordable incident.

Superintendent - Economics, Scheduling and Laboratory July 1991 - December 1992

Amoco Oil Company, Mandan North Dakota

Directed a staff of 15 and managed \$1.0 million budget responsible for refinery's operational planning and product quality control. Performed profit improvement studies and financial analyses of operation and impacts of pipeline tariff changes. Testified at state product specification hearings. Coordinated long range process planning. Identified manner to process higher sulfur crude oils, and coordinated subsequent changes which reduced raw material costs by over 6%. Spearheaded local effort to qualify for Ford Q-1 supplier rating. Served on company's Upper Midwest Strategic Planning Committee.

Economics and Scheduling Engineer

March 1989 - July 1991

Amoco Oil Company, Mandan North Dakota

Prepared monthly operating plan for a 60 MBCD refinery. Evaluated crude slate changes. Maintained UNIX based SLP simulation model and other computer based product blending tools. Identified and design changes to comply with more stringent Phase II RVP regulations. Drafted annual military jet fuel bid. Developed refinery action plan for production of JP-8 vs. JP-4 military jet fuel.

Refinery Representative

April 1988 - March 1989

Amoco Oil Company, Mandan North Dakota

Coordinated \$4.3 million octane-expansion and fuel gas recovery projects including naphtha de-butanizer and de-ethanizer. Supervised application of design standards and construction methods, including safety and quality concerns. Engineered field changes to meet refinery standards. Prepared operating manual and directed unit start-up crew.

Operations Engineer

October 1985 - April 1988

Amoco Oil Company, Mandan North Dakota

Provided technical support for the crude, FCCU, VRU and polymer gasoline units within a petroleum refinery. Developed method to monitor non-linear furnace fouling. Conducted unit optimization studies. Prepared department's 5-year strategic business plan. Responsible for annual chemical and catalyst budget of \$2.2 million.

Environmental, Health and Safety Engineer

June 1981 - October 1985

Amoco Oil Company, Mandan North Dakota

Provided technical support including applications for air, water and solid waste permits and a 700-page RCRA Part II application for hazardous waste treating and storage. Coordinated and participated in ground oil studies including remediation design and installation. Developed and delivered mandated safety and environmental training. Prepared corporate comments on proposed state and federal regulations.

EDUCATION: *Masters in Management*

April 1990

University of Mary - Bismarck, North Dakota

Bachelor of Science in Chemical Engineering

May 1981

University of North Dakota - Grand Forks, North Dakota

AFFILIATIONS National Society of Professional Engineers - Member

& AWARDS: ND State Outstanding Young Engineer - 1987

Society of Women Engineers - Senior Life Member

ND Petroleum Council - Public Lands Committee Member

Member - ND State Emergency Planning Committee

INTERESTS Mandan Historical Society - Vice President

2005 - present

& ACTIVITIES: University of ND Chemical Engineering Advisory Council Member

2002 - present

Bismarck State College Curriculum Advisory Committee

1985

Bismarck-Mandan Symphony Foundation - President

1990 - 1992

Bismarck-Mandan Orchestral Association - Board of Director Member

1989 - 1992

ND State Congressional Science Scholarship Selection Committee

1991 - 1992

Gateway to Science Foundation - Board of Director Member

2002 - 2004

Aircraft Owners & Pilots Association - Member

1983 - present

KURT M MOSHER

kmosher@keitu.com

Keitu Consultants, Inc.

330 First St. NW, PO Box 98, Mandan, ND 58554

701-667-1800 (W)

WORK

EXPERIENCE:

Financial Analyst/Consultant

July 2004 - present

Keitu Consultants, Inc., Mandan North Dakota

Responsible for analytical work compiling, analyzing, evaluating and interpreting financial, statistical and engineering data for the purpose of preparing recommendations to revise utility rates. Also responsible for development of long-range financing plans, analyzing utility rates and charges, analyzing intergovernmental arrangements, and structuring municipal bond issues.

Manager - Logistics Services

September 1995 - September 2001

Herbalife International, Century City, CA

Created better ways of planning, ordering, and purchasing packaging and labeling for a nutrition supplements company. Result of plan reduced packaging costs from approximately \$7 million per year by over \$1 million. Coordinated delivery of labels for products marketed in over 50 countries with in-house licensing, design, production graphics, supply chain management and distribution operations departments and outside manufacturers and vendors. Direct reported to Senior Vice President of Supply Chain Management and Distribution Operations.

Executive Assistant/Researcher

April 1993 - September 1995

Jason Best Agency, Brentwood, CA

Worked for such companies as Technicolor, Inc. utilizing marketing, financial and computer abilities to prepare strategic plans and presentations for top-level executives interested in United States and international business opportunities.

PTE Staff - Real Estate Portfolio Services

February 1992 - March 1993

Arthur Andersen & Co., Los Angeles, CA

Worked on projects for the Resolution Trust Corporation (RTC) (the government entity created in 1989) to aid in the process of selling the assets of failed savings and loan institutions (S&Ls). For the three multi-billion dollar real estate assets transfers involved with, helped develop and implement a process to streamline the assignment function to allow the transfer of real estate loans. Evolved a manual, fill-in-the-blank, mix-and-match archaic method into a relational database-centered procedure. This improvement reduced manual handling of original documents, risk of errors, and allowed much easier tracking and control of information created. Supervised and trained staff and temporary personnel on how to work with Paradox databases. These databases were used to track and transfer thousands of performing and non-performing real estate assets from failed S&Ls, which ultimately were sold to other financial institutions. On our final major transfer, was sent from our Los Angeles office to New York City (NYC) as team leader of a group of New York Andersen senior staff responsible for task completion and hand off at Chemical Bank headquarters in NYC. Did due diligence on our work product as it was processed by hundreds of counties across the United States, and received by Chemical Bank.

Marketing and Distribution Consultant

February 1991 - January 1992

Giallo Incorporated, Huntington Beach, CA

Instructed Japanese trading company personnel on product, marketing and sales strategies for products for the automotive aftermarket.

Project Engineer and Business Consultant

May 1989 - January 1991

Jackson Racing, Huntington Beach, California

Accomplished research and development on Hondas and Mazda Miatas. Transformed a new fuel management system for the Miata from prototype stage to production kit. Created a strategic business plan and marketing plan for this automotive aftermarket company. Supplied public relations at multiple car events throughout California.

Contract Engineer

September 1987 - April 1988

Possis Corporation, Minneapolis, Minnesota

Oversaw startup of the automation and control function of a new General Mills food packaging line located in Lodi, California. Worked with contractors, plant personnel, vendors and outside engineering firms to accomplish this task. Specified and ordered components for a new PC-based workstation system that increased data acquisition capabilities and improved packaging line efficiencies in comparison to existing facilities.

Hardware Design Engineer

September 1983 - April 1987

Unisys Corporation, Roseville, Minnesota

Interfaced computer systems to hardware that monitored and controlled a vital manufacturing process. These systems modernized data collection and control of major plating lines operated at corporate facilities in the United States.

Motorcycle Mechanic

April 1976 - August 1983

Sioux Cycles, Bismarck, North Dakota

Job duties included setup and service of new motorcycles, warranty service, major and minor tune-ups, overhauling engines and fixing accident damage. Worked part-time and summers during high school and college.

EDUCATION:

Master of Business Administration

April 1990

Pepperdine University - Malibu, California

Bachelor of Science in Electrical Engineering

May 1983

University of North Dakota - Grand Forks, North Dakota

AFFILIATIONS

& AWARDS:

President - Business School Society - Pepperdine University

1988 - 1990

INTERESTS

& ACTIVITIES: Cars, trucks, and motorcycles

1974 - present

Shirley Haider

shaider@keitu.com

Keitu Engineers & Consultants, Inc.
330 First St. NW, PO Box 98, Mandan, ND 58554
701-667-1800

WORK

Regulatory Analyst

February 2007 – present

EXPERIENCE:

Keitu Engineers & Consultants, Inc., Mandan, ND

Professional level work in the analysis of utility rates, expenses, revenues and services. Prepares or assists in the preparation of exhibits. Interprets state and federal laws and commission rules. Analyzes utility applications, reports, financial records, and cost studies to make recommendations concerning utility operations, terms, conditions and prices of utility services.

Regulatory Analyst I/II

November 1990 – December 2003

Montana-Dakota Utilities Co.

Responsible for rate case statement for summary of operation and maintenance expenses. Verified and checked other rate case statements. Involved in determining monthly purchase gas adjustments cost adjustments. Reviewed rates for conformity to regulations, and compiled data pertaining to operating costs, revenues, and volume of gas. Reviewed rate investigation reports, analyses of bad debt expenses, and rate assignments for completeness and conformity to regulation. Reviewed special rate accounts to determine changes. Compiled data for reports pertaining to costs, revenues, and volumes of gas consumed.

Rate Assistant

April 1983 – November 1990

Montana-Dakota Utilities Co.

Computed amounts due from documents. Filed records of invoices and support documents. Consulted manuals which included rates, rules, regulations, and government tax and tariff information. Compiled cost factor reports, such as labor, production, storage, and equipment. Verified compiled data from vendor invoices to ensure accuracy and revises billing data when errors are found. Resolved discrepancies on accounting records. Answered mail and telephone inquiries regarding rates, routing, and procedures. Estimated market value of product or services. Updated manuals when rates, rules, or regulations were amended.

Accounting Clerk

May 1981 – April 1983

Montana-Dakota Utilities Co.

Performed calculating, posting, and verifying duties to obtain financial data for use in maintaining accounting records. Compiled and sorted documents, such as invoices and checks, substantiating business transactions. Verified and posted details of business transactions, such as funds received and disbursed, and totals accounts, using calculator or computer. Computed and recorded charges, refunds, cost of lost or damaged goods, freight charges, rentals, and similar items. Type vouchers, invoices, checks, account statements, reports, and other records, using typewriter or computer.

EDUCATION:

Associate of Arts

May 1981

Bismarck State College – Bismarck, North Dakota

ADDITIONAL TRAINING:

AGA Gas Rate Fundamentals Course

Attended conferences, workshops, and meetings to assist in development of skills necessary to understand and analyze energy issues and regulatory policy.

VII. Firm Qualifications and Project Experience

Firm Background

Keitu Engineers & Consultants, Inc. (Keitu; pronounced “K-2”) is a North Dakota-based company with engineers, business consultants, environmental science and health specialists plus and natural resource managers ready to provide immediate and/or supplemental assistance to our clients. Keitu was issued a Certificate of Authorization by the ND Board of Registration for Professional Engineers and Land Surveyors in 2001 and has been listed as in “Good Standing” by the ND Secretary of State’s office since that time. The firm is also licensed to practice in South Dakota and Montana.

Keitu’s strategy is to provide a full range of engineering, emergency management and regulatory affairs services regionally in the areas of:

- Economic Development
- Utility Economic and Business Continuity Consulting
- Agricultural, Chemical and Process Engineering
- Utility and Energy Engineering
- Environmental Engineering & Services,
- Emergency Management
- Industrial Health and Safety Services

Our firm has participated in a range of economic studies, from conducting scoping and preliminary engineering studies for butane isomerization units for the oil industry. We were also approached by two separate trade associations for background on canola and soybean based bio diesel fuel and possible siting of production facilities in North Dakota.

Our firm also provides traditional regulatory affairs, including assisting clients with follow-up activities after OSHA, US DOT, EPA, and ND Department of Health inspections and/or internal corporate audits, hydrocarbon management, waste sampling and analysis; water and wastewater management; stormwater management; and industrial hygiene, environmental management consulting, and safety training. Keitu services include environmental audits and site assessments, including geologic and hydrogeologic analysis; environmental permitting and compliance services; solid waste facility planning and management, litigation support; and asbestos and lead-based paint testing and consulting. Our emergency planning practice will include development of business continuity plans, response plan and risk assessments have been performed for a variety of private and public clients, including electrical utilities, transportation companies, oil producers and manufacturers.

Additional information on our firm can be viewed on our website at www.keitu.com.

Firm Financial Rating

Keitu Engineers & Consultants, Inc. has been in operation since October 2001. We recently expanded to a staff of five full-time employees and three part-time employees. Our total sales revenue for 2006 was approximately \$285,000.

Our Dun and Bradstreet number is 10-692-4231. As of March 28, 2006, Keitu maintained an EE2 D&B rating with a PayDex score of 80. A list of credit references can be provided upon request.

Firm Experience with Similar Projects

Keitu Engineers & Consultants, Inc. has to date been unaware that the ND Public Service Commission has solicited for these services prior to this point in time. Admittedly, the firm can not offer any references for work regarding utility rate case studies operation since October 2001. We therefore were unable to provide letters of reference from past clients with similar projects.

Three alternate demonstrations are offered in lieu of the firm's direct experience with this type of project. Three of the team of Keitu professionals assigned to this project have performed economic and feasibility analysis from "the other side of the fence" i.e. from the "commercial" verses the "regulatory" side prior to their associated with Keitu Engineers & Consultants, Inc. References are being offered on that basis.

Similarly, the firm has completed prior projects in the \$40,000 price range. Client references presented in Section VII are also being offered on that basis. Our success in maintaining satisfied clients is demonstrated by their repeat business, and our slow and steady growth in staff size over the past 2 years.

Finally, we offer technical support to a variety of client situations. We are members of many trade associations throughout the state. The executive directors and administrative staff at these organizations are familiar with our work and have received feedback from a wide variety of their member from our work. We would also welcome you to discuss with them the quality of our services as well.

VII. References

Non-Client References

**Contact: John Stitzell, Principal, Middleton Consulting Group
1934 Chatham Drive
Wheaton, Illinois 60187**

Home Phone: (630) 510-7510

Cell Phone: (630) 373-0329

Email: jasgpmc@comcast.net

Mr. Stitzell was the refinery manager at the Mandan Refinery during Kathleen Spilman's tenure as Economics and Scheduling Superintendent as well as the Chairman for Amoco's Upper Midwest Business Unit. He rose to the position of General Manager – Marketing in Amoco before his retirement. Although semi-retired, he continues to provide consulting services both domestically and internationally.

**Contact: John Berger, Operations Manager, Tesoro Mandan Refinery
900 Old Red Trail NE
Mandan, ND 58554-5000**

Business Phone: (701) 667-2464

Email: jberger@tsocorp.com

John remains involved with setting priorities of capital projects at the refinery, and worked in the Economics and Scheduling Department at the refinery while Kathleen Spilman was Superintendent there.

**Contact: Al Kuntz, Director of Technology, Lignite Council
P.O. Box 2277
1016 E. Owens Ave, Suite 200
Bismarck, ND 58502**

Business Phone: (701) 426-8663

Email: alkuntz@lignite.com

Al coordinates technology assessments for the Lignite Council including coal liquefaction and gasification projects looking to site within North Dakota. His prior career assignments were with Dakota Gasification in Beulah ND and several international engineering and construction firms.

Client References

Contact: Robert Kelly, PE
Manager, Engineering Services; MorGranSou Rural Electric Coop
2816 37th St. NW
PO Box 1175
Mandan, ND 58554

Business Phone: (701) 663-0297
Email: rkelly@morgransou.com

Mr. Kelly engaged Keitu to develop several containment structure designs and oil spill prevention control and countermeasure plans and associated training. Keitu representatives participated in a trade association committee to coordinate the 2006 ND REC Operations and Maintenance Seminar held last year in Fargo.

Contact: Ron Ness, Executive Director
ND Petroleum Council
120 N 3rd Street Suite 225
PO Box 1395
Bismarck, ND 58502-1395

Business Phone: (701) 223-6380
Email: ronness@ndoil.org

Keitu Engineers & Consultants, Inc. developed and delivered training manual for this trade organization to prepare its members for impending regulatory changes. The ND Petroleum Council represents over 130 companies in the oil and gas industry in the State is familiar with our services and staff.

Contact: Victor Peterson, EHS Coordinator
Phoenix International Corporation
3401 1st Avenue North
1441 44th St NW
Fargo, ND 58102

Business Phone: (701) 277-6209
Email: PetersonVictor@JohnDeere.com

Keitu is continuing to provide support to this major North Dakota manufacturer. We assisted in preparing their sites for an internal environmental health and safety audit, which they achieved the highest rating for the first time in 2006.

IX. Project Costs and Payment Terms

Keitu will perform the tasks outlined in the RFP PU-06-525 on fixed and firm basis of \$39,960 total price including salaries, wages, direct costs and indirect costs.

The proposed project costs are presented in US dollars in the format specified in the RFP.

Total Estimated Project Cost **\$ 39,960.00**

Direct Costs

Labor	Hours	Loaded Cost	Extended Cost	13,481.43
Timothy Spilman	110.0	\$43.93	\$5,421.43	
Kathleen Spilman	56.0	58.21	\$3,260.00	
Kurt Mosher	56.0	45.71	\$2,560.00	
Shirley Haider	64.0	35.00	\$2,240.00	

Direct Expenses **1830.29**

Indirect Costs

Supplies	450.00
Overhead	7,396.30
Profit	16,801.98

The following fees typically apply to these professionals

Timothy Spilman	Project Manager	\$ 138 per hour
Kathleen Spilman	Managing Director	\$ 163 per hour
Kurt Mosher	Specialist – Financial	\$ 128 per hour
Shirley Haider	Rate Analyst	\$ 98 per hour

After February 15, Keitu can begin work on the investigation and filing written testimony. This work must be completed by April 15. Keitu appropriated 134 hours of billable time to accomplish Commission activities during this time. We have also 32 hours appropriated for travel for site investigations. Keitu Consultants has appropriated 40 billable hours to assist in the surrebuttal testimony for NSP’s rebuttal testimony. Keitu has appropriated 40 billable hours for preparation of the technical hearing May 24 and 25. We have 40 additional hours appropriated for the technical hearing and a working session. All combine for a total of 286 hours of consulting time to assist the Commission with assistance to evaluate rate base, rate of return, net operating income, cost allocations and rate design in the gas rate case filed by Northern States Power Company.

If awarded the contract, Keitu will invoice work on a monthly basis with payment terms of net 30 days. Keitu further understands that no payment will be made in advance before performance by the contractor under this contract. It is also understood that no payment will be made until the purchasing agency approves the contract.

No prompt payment discount is proposed for this contract.

X. Conflicts of Interest

Keitu Engineers & Consultants, Inc. is not aware of any conflicts of interest associated with working on this project for the ND Public Service Commission. No employee, their spouses or children are employed by or under contract to the State of North Dakota. Similarly, Keitu Engineers & Consultants, Inc. does not currently have nor expect to have any State employee engaged as a 1099 employee or subcontractor during the period February 2007 through July 2007.

As an authorized engineering firm in the State of North Dakota, Keitu Engineers & Consultants, Inc. and its employees are also bound by the rules of ethics outlined in NDAC Title 28 Rules of Professional Conduct and the Code of Ethics.