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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

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May 29, 2009

Re: SD Public Utilities Commission Staff Consulting Contracts

Per the March 24, 2009 Commission Order you may file comments with the Commission regarding consulting contracts Commission Staff recommends the Commission approve. Commission staff issued a request for proposals from interested firms on March 12, 2009. Based on the material we received, Commission Staff recommends the following firms:

- 1) EN Engineering (<http://www.enengineering.com/>) to assist with pipeline engineering analysis
- 2) Natural Resource Group (<http://www.nrginc.com/>) to assist with environmental analysis
- 3) Dr. Michael Madden Ph.D to assist with socioeconomic analysis

Brief information regarding each consultant is enclosed. Your comments must be received by close of business on Monday June 8, 2009. The Commission will vote regarding Commission Staff's recommendation at its regularly scheduled meeting on June 9, 2009.

Please contact me with any questions.

Thank you.

Kara Semmler
Staff Attorney

ENE Skills and Experience

ENE has a growing staff of over 180 highly trained and qualified full time employees including over 50 degreed engineers with experience in design, operations and corrosion control. Our engineers hold degrees in a broad range of disciplines including mechanical, electrical, civil, chemical, metallurgical, and geological and petroleum engineering. This, combined with many years of hands on experience, provides a skill base unmatched in our industry. Included on our staff are registered professional engineers, National Association of Corrosion Engineers (NACE) certified engineers, cathodic protection specialists and certified coating specialist, degreed metallurgists as well as procurement specialists and designers / drafters with expertise in both AutoCAD and Micro-station.

Collectively, the staff of our Business units average 20 years of energy industry experience from a number of operating companies such as: Nicor Gas, Nicor Technology, Siemens, Commonwealth Edison, Peoples Energy, Natural Gas Pipeline Company of America, Enbridge, Unocal, Sonat and ANR. Our familiarity and experience with system operation is unmatched when designing facilities and maintenance programs for our clients.

All staff involved in working directly on client facilities are Operator Qualified for the specific tasks to which they are assigned. Our engineers not only have the technical training but actual field experience in project management, construction management, operations and field data collection, surveys and repairs. This experience provides them with a perspective that allows easy communication with the client and a thorough understanding of the issues associated with operating a system.

The operating experience of our staff in all aspects of gas transmission and distribution pipelines, liquids lines, compressor and pump stations and corrosion design and system maintenance makes ENE unique in the industry. That experience combined with a thorough knowledge of both federal and state regulations as well as industry codes and standards lead to designs, which are safe and reliable while being geared to practical operation, by field operating personnel. At ENE, our approach expands beyond the traditional role of providing just engineering support to providing a complete integrated program of solutions designed with the operator in mind.

At ENE service to our customers is our business. We deliver the excellence you demand and the expertise you need while balancing the realities of a cost driven world. We look at projects from an operator's perspective and will work with your team to assess your system, manage your risk, and hit design targets. Whether it is a single project or all your engineering needs ENE provides the highest quality service at the most effective cost. *Excellence from start to finish.*

Our Company

ENE is a joint venture of A. Epstein and Sons International and Nicor Energy Ventures. Epstein is an established international engineering and architectural firm focused primarily on design and construction of manufacturing plants, office buildings, conference/expo centers, airports and utility systems. Their long history of providing engineering consulting services, as well as their expertise in civil and structural engineering, provides ENE with a ready resource as we grow our business. Nicor Energy Ventures is a wholly owned subsidiary of Nicor Inc., a diversified energy company providing gas distribution services to over 2 million customers in Northern Illinois.

ENE Organization

ENE is organized into the following Business Groups:

- **Transmission** - provides design of larger diameter, high-pressure transmission and liquid pipelines, compressor and pump stations, LNG/Propane-air peaking plants, automation and controls. In addition, this group also provides system audits, pipeline failure analysis and material procurement services.
- **Distribution** – provides a focus on local utility distribution systems providing design for; new business, replacements, public improvements, meter and regulators and storage facilities. Other services include hydraulic planning and modeling, public improvement negotiations and right of way acquisition investigations.
- **Automation Controls and Electrical Design** – provides engineering services for automation system and control system projects and electrical design. Design, development, testing and commission from small instrumentation to entire facility automation systems, including integration to corporate SCADA systems.
- **Technology** – provides corrosion design; corrosion program implementation and maintenance, including annual survey requirements, troubleshooting and repairs. This group is responsible for the coordination of all of ENE's efforts directed toward Pipeline Integrity

The business groups exist to ensure an appropriate level of expertise is maintained and added focus is placed on each segment of the client base. Many of our assignments require the expertise and talents that are dispersed throughout our organization. Therefore, there is a high priority placed on communication with our client, and the ability to function like a single cohesive unit in order to deliver the services our clients need.

Customer Base

ENE's primary customer base is comprised of natural gas transmission, gas distribution, liquid pipeline and industrial companies. Our client list includes companies such as: Nicor Gas, We Energies, Exelon, PECO, Southwest Gas, Southern Star, Enbridge, BP Pipelines, MidAmerican Energy, Northern Natural, Dominion, Exxon Mobil, Teppco, Wolverine, West Shore and Kinder Morgan.

ENE Services

ENE can manage an individual project or an entire program from planning to construction to commissioning. The services we provide include detailed design, management of the procurement of materials, real estate investigations, operations support, and project oversight each step of the way. We also have extensive experience in project planning and feasibility studies to assist in determining appropriate project costs, obtaining necessary project approvals and coordinating applications with various State and Federal agencies. A specific scope of services can be tailored to meet your particular needs, whether it is preparing preliminary conceptual designs or cost studies, detailed design, corrosion design or surveys, route selection studies, flow modeling or project economics. We can also handle all the administrative details including coordination with federal, state, county or municipal agencies to secure permits.

The breadth of resources within ENE allows us to be a total solutions company that offers superior quality in engineering, procurement and project management both prior to and during construction and operations consulting.

A partial list of the specific areas where ENE possesses expertise and experience include:

- Distribution main replacement design
- Public improvements design
- Storage facility design
 - Dehydration
 - Odorization
 - Inline heating
- Meter & Regulator stations
- Pipeline and distribution flow modeling
- Pipeline efficiency studies
- Project economic studies
- Project scheduling and forecasting
- Pipeline design
- Compressor station design
- Pump station design
- Process facilities
- Drafting
- Real estate investigation and acquisition
- Permitting
- Environmental
- Material specifications
- Coating specifications
- Material procurement
- Construction contracts, specifications, bid analysis and management
- SCADA systems, instrumentation, controls and automation systems
- Metallurgical and welding analysis
- Failure analysis
 - External & Internal corrosion
 - Stress corrosion cracking
 - Compressor unit fatigue cracking
 - Engine and compressor component failures
 - Pressure vessels
 - Pipe steel defects
- Corrosion analysis and consultation
- Cathodic protection design
- AC mitigation analysis and design
- Atmospheric corrosion surveys and analysis
- Indirect inspections (CIS, DCVG, ACVG, PCM)
- Internal corrosion program development, monitoring and analysis
- Pipe Line Integrity Management Programs
- DOT compliance consulting
- Compliance audits
- Compressor station and facility audit

INTRODUCTION

Personal Statement

I have been engaged in the successful preparation of economic impact analyses, market feasibility studies and various other research projects for public and private interests for more than 30 years. A significant portion of this work has focused on natural resource development and other basic industries.

In addition, I have become very familiar with economic, social and other environmental impacts associated with the energy industry and ancillary business development. This opportunity has been amply afforded me in connection with my service as an state representative in Wyoming. In particular, I am a member of the Joint Revenue standing committee which has a major responsibility in developing financial mechanisms in the energy industry for mitigation as well as flows of revenue for long term public benefits. Wyoming is a state that also has vast experience with impacts of pipeline projects of all types including methane, natural gas and crude oil. The community impacts experienced in the state regarding individual pipeline projects are well documented and available for comparison from the state agencies.

Another positive attribute of my background concerns the fact that I resided 30 years in South Dakota in near proximity to the pipeline project proposed in this application. This benefit is reinforced by my experience doing considerable economic and business research pertaining to South Dakota regional economies. Examples of my research include market analyses, feasibility studies, economic impact studies, and local government issues. I have worked on such studies pertaining to the gold mining industry, the power generation industry, manufacturing, health, agriculture and many others.

As your inspection of my professional resume' will indicate, I have completed numerous studies that demonstrate my intimate knowledge of the communities in South Dakota. Many of these communities will experience significant benefits and also challenges that may suggest mitigation measures. Because of this background and experience, I am confident that I will be able to produce quality research products that may be required during the course of the approval process. I also believe that my professional standards will assure that I will provide critical and constructive reviews of work products provided to the commission by the applicant.

The extensive experience I have acquired in completing these analyses has resulted in an ability to produce final documents that are clear, concise and readily understandable by the lay public possessing limited backgrounds in analytical techniques.

Qualifications, Experience and Competence

1. The person responsible for generating work products in connection with this project is Dr. Michael K. Madden. His area of expertise as a consultant includes the preparation of applied economic studies that focus on economic impacts and general survey activities in general. A more complete chronology of his experience in these and other areas of inquiry can be found in his resume' appearing at the end of this response.
2. Mr. Madden holds a doctorate degree from Iowa State University with a major in Economics and a minor in Statistics.

PROJECT DESCRIPTION AND CONSULTANT RESPONSIBILITIES

As delineated in the request, much of the work envisioned will be identified in response to the content of submittals by the applicant. The ultimate need for research and other specific data collection tasks will be determined by the extent and completeness of these work products submitted by the applicant. As a staff consultant, it will in all cases be my responsibility to evaluate the accuracy, completeness and objectivity of work products delivered by the applicant.

According to the application filed to the Public Utilities Commission, the window of time anticipated for the project activity in South Dakota will extend for two years covering most of 2011 and 2012. The number of workers will peak at about 1,400. Although the application apparently does not indicate where workers will be living during the course of construction, such information will be critical to evaluating social and economic impacts along the project corridor.

Another issue that needs to be considered is how construction activity of this scope will interact with existing economic sectors. An example is the vacation travel industry since many services required by transient workers are very similar to service requirements of vacation travelers.



INTRODUCTION

Natural Resource Group, LLC (NRG) appreciates the opportunity to present this proposal to assist the South Dakota Public Utilities Commission (SDPUC) in evaluating the South Dakota portion of the Keystone XL Pipeline Project.

The Keystone XL Pipeline Project is proposed to transport up to 900,000 barrels of crude oil per day from an oil supply hub near Hardisty, Alberta, Canada to terminals in Port Arthur and Houston, Texas. The Keystone XL Pipeline Project would include approximately 313 miles of new 36-inch-diameter pipeline and associated aboveground facilities in South Dakota. Specifically, the pipeline would cross Harding, Butte, Perkins, Meade, Pennington, Haakon, Jones, Lyman and Tripp Counties.

This proposal describes NRG's experience, understanding of the environmental scope of service, project team, and estimated costs.

COMPANY OVERVIEW AND EXPERIENCE

NRG is a privately owned consulting firm with offices in Minneapolis and throughout the country, providing environmental consulting services exclusively to the energy industry and energy regulatory community. Since its founding, NRG has distinguished itself from other environmental consulting firms by focusing primarily in the area of pipeline infrastructure development. NRG's staff consists of individuals with private industry and regulatory backgrounds. This mix of experience makes NRG well qualified to assist energy companies through the regulatory process for constructing and operating energy infrastructure facilities, as well as our regulatory clients in evaluating energy infrastructure applications and proposals before them. NRG is exceptionally well qualified to assist the SDPUC in evaluating the Keystone XL Pipeline Project for the following reasons:

- Energy Industry Experience – On behalf of many of the nation's leading energy companies, NRG has successfully managed the environmental permitting, construction, inspection, and compliance monitoring effort for more than 7,700 miles of natural gas and petroleum products pipeline, numerous natural gas compressor stations and storage facilities, oil pumping stations, oil and liquefied natural gas terminals, meter stations, and pipeline maintenance projects. We have performed all aspects of these projects including initial routing, site feasibility, and cost studies; designing and implementing an effective public outreach program; coordinating environmental field surveys; participating in interagency meetings; and preparing all necessary reports, applications, and other documentation in support of federal, state, and local environmental permits and approvals. We are also experienced at preparing detailed, site-specific Construction, Restoration, and Maintenance plans for work on Bureau of Land Management lands and Construction, Operations, and Maintenance Plans for work on U.S. Forest Service lands.
- Regulatory Agency Experience – NRG has assisted federal and state agencies in evaluating energy infrastructure proposals and permit applications before them. This process has typically involved coordinating and attending scoping meetings, public comment meetings, and other public outreach efforts; coordinating the environmental review process among multiple agencies; managing stakeholder mailing lists; conducting independent analysis of applicant-provided environmental data; preparing data requests



to the applicant; tracking and addressing public comments; preparing the environmental analyses required by the National Environmental Policy Act (NEPA) and state-level environmental review processes, including Environmental Assessments and Environmental Impact Statements; and supporting agencies in responding to interventions or other protests.

- Expert Testimony Experience – NRG has provided expert testimony on several large oil and gas pipeline projects throughout the Midwest. We are familiar with evidentiary hearing procedures. We also have very extensive experience addressing issues that arise in certificate proceedings, particularly those related to resource agency concerns, landowner complaints, and agricultural considerations, among others.
- Relevant Geographic Experience – NRG's Minneapolis office is close to the proposed facilities and our Minneapolis office staff has worked on numerous projects in the Upper Midwest and western states. The project experience map on page 3 and the project descriptions provided in Appendix A demonstrate our broad experience.
- Depth of Expertise and Available Capacity – NRG has more than 180 environmental engineers, scientists, and regulatory analysts, making us the largest group of pipeline facility permitting specialists nationwide. The proposed timing of the Keystone XL Pipeline Project would be favorable in terms of NRG's current staffing availability and capacity. Several significant projects that have tied up a core group of project managers and task managers will be completed or will be nearing completion as the Keystone XL Pipeline Project kicks off. These include senior consultants and support staff, primarily in our Minneapolis office location, whom NRG would dedicate to the project. Our proposed project team is presented in a following section, and resumes of key personnel are included in Appendix B.
- Proven Record of Quality Assurance on Fast-Track Projects – Because of our specialization and deep staff, NRG has repeatedly demonstrated the ability to anticipate and address, in advance, project needs and challenges. Combining this level of service with well-written, comprehensive documents is critical to successfully supporting projects on aggressive schedules. In particular, NRG has received high praise on its document quality from agencies and project sponsors.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION)
BY TRANSCANADA KEYSTONE PIPELINE,)
LP FOR A PERMIT UNDER THE SOUTH)
DAKOTA ENERGY CONVERSION AND)
TRANSMISSION FACILITIES ACT TO)
CONSTRUCT THE KEYSTONE XL)
PROJECT)

HP 09-001

CERTIFICATE OF SERVICE

I hereby certify the commission staff letter regarding consultants was served upon all of the parties listed below on the 29th day of May, 2009, either electronically or by mailing a true and correct copy thereof to them by first class mail, postage prepaid, at their last known addresses, to-wit:

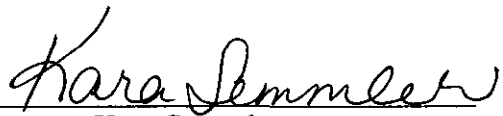
PUC Docket Filing System – Ms. Patricia Van Gerpen
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HARDING COUNTY AUDITOR - kathy.glines@state.sd.us
BUTTE COUNTY AUDITOR - elaine.jensen@state.sd.us
PERKINS COUNTY FINANCE OFFICER - sylvia.chapman@state.sd.us
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