



## BOARD OF DIRECTORS SPECIAL MEETING

Tuesday, January 19, 2021 @ 4:00 P.M.

IGU Office: 3408 International Street, Fairbanks, AK

Future IGU Meeting Location: 2216 S Cushman St, Fairbanks, AK

### DRAFT AGENDA

*To participate via teleconference call 1-253-215-8782;  
when prompted, enter meeting ID 884 4040 4354, Password 188967*

\*Given the ongoing COVID-19 concerns this meeting will be held **telephonically only**. Packets will be available to the public outside the door of the IGU Office or outside the door at our future meeting location 2216 S Cushman St \*

### Join Zoom Meeting

<https://us02web.zoom.us/j/88440404354?pwd=bHVuMk5McjRhRDNYU0N0VjV4S0FWZz09>

1-253-215-8782

**Meeting ID:** 884 4040 4354

**Password:** 188967

#### I. CALL TO ORDER

- Roll call
- Approval of Agenda
- Public Comment – *limited to three minutes*

#### II. NEW BUSINESS (Board Discussion & Possible Action)

- RFP 03-2020 Lobbying Services Appeal, Northern Policy Solutions .....Page 04
- **Resolution 2020-03** A RESOLUTION AUTHORIZING THE GENERAL MANAGER OF THE INTERIOR GAS UTILITY TO EXECUTE THE VOLUNTARY REFERRAL AGREEMENT BETWEEN IGU AND THE OFFICE OF ADMINISTRATIVE HEARINGS TO RESOLVE A BID PROTEST APPEAL .....Page 07
- **Resolution 2021-04** A RESOLUTION AUTHORIZING THE GENERAL MANAGER OF THE INTERIOR GAS UTILITY TO EXECUTE THE GAS SALE AND PURCHASE AGREEMENT BETWEEN IGU AND HILCORP ALASKA, LLC .....Page 10

#### IV. DIRECTOR REQUESTS FOR IGU INFORMATION

#### VI. CLOSING COMMENTS

- General Manager
- IGU Attorney
- Directors

#### VII. ADJOURNMENT

# Public Comment

RFP 03-2020  
Lobbying Services Appeal,  
Northern Policy Solutions



RECEIVED  
SK JAN 08 2021  
3:57pm

January 8, 2020

Northern Policy Solutions, LLC  
2835 Chief William Drive, Suite 3  
Fairbanks, Alaska 99709  
907-347-3300

Mr. Steve Haagenson  
Board Chair  
Interior Gas Utility  
3408 International Street  
Fairbanks, Alaska 99707

Re: Administrative appeal of actions by the IGU Procurement Officer regarding the evaluation, scoring, process and intent to award a Interior Gas under Request for Proposals #03-2020 (RFP) and IGU Manager Denial and Rejection of Northern Policy Solution's protest in that matter.

Dear Mr. Haagenson:

Northern Policy Solutions, LLC (NPS) submits this official administrative appeal regarding IGU actions in RFP #03-2020 as allowed by IGU Policy No. 6 (Procurement) and under Section 2.19 of the aforementioned RFP. IGU Policy No. 6 III(A)(2) states:

"The Board **shall**: Receive and **consider** formal written appeals of protest decisions or appeals of contractor claim decisions of the General Manager when the General Manager is acting as the Procurement Officer." (emphasis added)

This language is repeated in the IGU Procurement Manual at Section 5.1 with a specific reference back to Policy No. 6 III(A)(2) as follows:

"As stated in the IGU Procurement Policy the IGU Board **will**: Receive and **consider** formal written appeals of Protest decisions or appeals of Contractor claim decisions of the General Manager when the General Manager is acting as the Procurement Officer." (emphasis added)

As a result, the IGU Board is required to receive and consider my administrative appeal of the denial and rejection of my RFP #03-2020 protest under the Administrative Appeal of

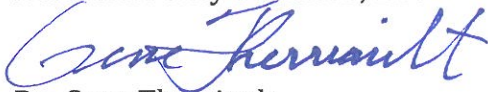
Mr. Steve Haagenson  
January 8, 2021

Protest Decision and Hearings process outlined out in IGU Procurement Manual, Section 6.13.3.<sup>1</sup> This review is to be done on a de novo basis.

Appropriate resolution and award of this RFP is no small matter. Securing promised funding for the IGU LNG storage repayment and assuring local, state and federal assistance with IGU customer expansion are imminent, pressing issues. The award of this RFP puts a potential five (5) year contractual relation in motion that will likely total to more than one hundred and fifty thousand dollars (\$150,000) . As such, NPS is sure the IGU management and Board of Directors will act timely on this matter.

Sincerely,

Northern Policy Solutions, LLC



By: Gene Therriault  
Owner/Member

Enclosure – Northern Policy Solutions, LLC administrative appeal of actions by IGU Procurement Officer regarding the evaluation, scoring, process and intent to wasre under RFP #03-2020 and IGU Denial and Rejection of the Northern Policy Solution’s protest in that matter

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<sup>1</sup> IGU Decision of Procurement Officer on Protest of IGU RFP #03-2020, dated December 30, 2020, Postmarked January 2, 2021, received by certified mail January 8, 2021.

# RESOLUTION 2021-03

**Suggested Motion:** Move to approve Resolution 2021-03 A RESOLUTION AUTHORIZING THE GENERAL MANAGER OF THE INTERIOR GAS UTILITY TO EXECUTE THE VOLUNTARY REFERRAL AGREEMENT BETWEEN IGU AND THE OFFICE OF ADMINISTRATIVE HEARINGS TO RESOLVE A BID PROTEST APPEAL



Considered on: January 19, 2021

Approved on: \_\_\_\_\_

## RESOLUTION 2021-03

### **A RESOLUTION AUTHORIZING THE GENERAL MANAGER OF THE INTERIOR GAS UTILITY TO EXECUTE THE VOLUNTARY REFERRAL AGREEMENT BETWEEN IGU AND THE OFFICE OF ADMINISTRATIVE HEARINGS TO RESOLVE A BID PROTEST APPEAL.**

**WHEREAS**, IGU issued a RFP for lobbying services, received, evaluated and issued an intent to award a contract for said services; and

**WHEREAS**, after IGU issued a notice of intent to award the lobbying services contract it received a timely protest that was denied by the General Manager and thereafter IGU received a timely appeal of the General Manager's denial of the bid protest; and

**WHEREAS**, the IGU Procurement Manual and the subject RFP provide for a hearing officer to hear bid protest appeals that have been denied by the General Manager; and

**WHEREAS**, the office of Administrative Hearings (OAH) provides hearing officers to public entities at a reasonable cost; and

**WHEREAS**, the OAH has hearing officers with substantial experience in public procurement and OAH provides a mechanism for the fair, impartial and objective resolution of the bid protest appeal.

**NOW, THEREFORE, BE IT RESOLVED** that the IGU Board of Directors hereby authorize the IGU General Manager to execute the Voluntary Referral Agreement between IGU and OAH (Attachment A).

**NOW, BE IT FURTHER RESOLVED** that the General Manager is authorized to purchase hearing officer services under the agreement as needed to resolve the appeal.

*Approved by the Board of Directors*

\_\_\_\_\_  
Steve Haagenson - Chair, for the IGU Board of Directors

\_\_\_\_\_  
Date

\_\_\_\_\_  
Heather Thomas - Secretary to the IGU Board of Directors

\_\_\_\_\_  
Date

Attachments:

**ATTACHMENT A – Voluntary Referral Agreement**

## Memorandum of Agreement for Adjudication Services

In accordance with AS 44.64.055 and .030(b), the undersigned agree that the Office of Administrative Hearings (OAH) will provide the Interior Alaska Natural Gas Utility (IGU) with adjudication-related services from an administrative law judge (ALJ) to hear the bid protest appeal arising out of IGU RFP 03-2020 (Lobbying Services).

Adjudication-related services under this agreement include presiding over any necessary prehearing, hearing and post-hearing proceedings, including procedural rulings, up to and including preparation and issuance of a final decision. If jointly requested by the parties, adjudication-related services include the provision of alternative dispute resolution services.

The assigned administrative law judge will follow the procedures in IGU Procurement Manual 6.13.9, and, to the extent not in conflict, AS 44.64 and its implementing regulations. However, AS 44.64.060 and .070(c) and their corresponding regulations will not apply.

IGU will reimburse OAH for the ALJ's time to provide the adjudication and/or mediation services for this appeal. ALJ time for adjudication and/or mediation services will be reimbursed at the usual hourly rate charged by OAH for adjudication services provided to State of Alaska executive branch agencies. That rate is calculated under a federally-approved cost allocation plan methodology. As of the date of this contract, the rate is \$217. The rate may change during the current fiscal year, but is not expected to increase more than 5 percent, if at all.

In light of the COVID pandemic, OAH is currently conducting almost all proceedings telephonically or by videoconference. In the event that an in-person hearing or other proceeding is held, ALJ time for travel between the work station of the ALJ and the hearing location will not be charged so long as travel does not interfere with the ALJ's ability to work a full state work day (accordingly, travel time for evening and early morning transit from Anchorage to Fairbanks, if required, will not be charged). Reasonable travel expenses will be reimbursed including, where necessary for the performance of these services, lodging and state per diem. OAH office costs such as support staff time, copying, record assembly, and long-distance telephone charges are subsumed in the hourly rate. Any extraordinary costs, such as to have a transcript of oral proceedings prepared, will be paid directly by IGU or the requesting party or, if incurred by OAH, will be reimbursed to OAH. OAH will record the hearing.

Dated this \_\_\_\_ day of January 2020.

...  
...  
...

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Cheryl Mandala  
Deputy Chief Administrative Law Judge  
By delegation of Kathleen Frederick  
Chief Administrative Law Judge  
Office of Administrative Hearings

Dated this \_\_\_\_ day of January 2020.



# RESOLUTION 2021-04

**Suggested Motion:** Move to approve Resolution 2021-04 A RESOLUTION AUTHORIZING THE GENERAL MANAGER OF THE INTERIOR GAS UTILITY TO EXECUTE THE GAS SALE AND PURCHASE AGREEMENT BETWEEN IGU AND HILCORP ALASKA, LLC.



To: IGU Board of Directors

From: Dan Britton, General Manager  
Mary Ann Pease, MAP Consulting

Date: January 14, 2021

RE: Interior Gas Utility – Gas Sales and Purchase Agreement with Hilcorp Alaska, LLC

### **Recommendations for IGU Board action**

The IGU General Manager and Gas Consultant, MAP Consulting, recommends the IGU Board approve, Resolution 2021-04, A RESOLUTION AUTHORIZING THE GENERAL MANAGER OF THE INTERIOR GAS UTILITY TO EXECUTE THE GAS SALE AND PURCHASE AGREEMENT BETWEEN IGU AND HILCORP ALASKA, LLC.

This memorandum is intended to provide the IGU Board with a recap of the important negotiated contract provisions resulting in favorable terms to IGU and steps taken to source the best available natural gas supply to further IGU's goals.

### **Background:**

Since 2016, IGU has expended considerable time and resources searching for and evaluating potential natural gas or LNG supply options to support IGU's current customer demands and future growth needs. IGU has engaged multiple third-party consultants to assist with identifying options and negotiating terms of a natural gas supply or LNG contract that would meet IGU's needs. Most recently beginning in August of 2019, IGU hired MAP Consulting to continue this effort. Every gas supplier in Cook Inlet was contacted and detailed discussions followed based on the key tenants of IGU's gas supply requirements:

- Security of Supply
- Redundancy through multiple wells and fields or other reliable back-up source of supply
- Proven production capacity
- Operational experience in Alaska including history of providing Firm Gas supplies to other Utility customers.
- Firm vs Interruptible capabilities
- Price
- Contract length including options for extension
- Terms and Conditions, such as Minimum Take or Pay, Volume Flexibility and, All Requirements

Existing gas supply contracts in the Cook Inlet with other Utilities were reviewed and utilized to benchmark discussions with Hilcorp.

In addition to gas supplies to support IGU's Liquefaction Production, potential Third-Party LNG supplies have been considered and will continue to be assessed for potential benefit to our customers. To date a Long-Term



LNG supply resulting in lower cost and providing required security of supply has not been available, although the IGU Board recently authorized a short-term LNG opportunity with favorable price advantages.

### **Contract Need**

The IGU is a public corporation whose Mission is to provide low cost, clean burning, natural gas to the largest number of customers in the FNSB as possible, as soon as possible. IGU's goal is to bring both economic and environmental well-being to the residents of the Interior and provide an important and necessary benefit to the public.

IGU has in excess of 1,400 customers today and a commitment to ensure a secure supply of gas for current and future customers. Based on the conversion assumptions and estimated demand IGU is projecting the annual demand may exceed the capacity of Titan 1 in the 2023-2024 timeframe and therefore additional LNG supplies will be needed. IGU has analyzed purchasing LNG from third parties. We will continue to evaluate all LNG options based upon contract provisions that may include:

- Minimum take or pay commitments
- Commodity Risk
- Exchange rate fluctuations
- 3<sup>rd</sup> party supply risk
- Logistical challenges
- Security of Supply
- Price

The aforementioned contract provisions that may be required as part of any agreement could result in higher cost LNG when compared to the expansion of the Titan I facility.

IGU requires a gas supply contract suitable for the existing Liquefaction facility and the contemplated expansion of that facility. The negotiated Gas Sales and Purchase Agreement with Hilcorp meets the needs of IGU today and into the future. The negotiated pricing is below the price assumptions included in IGU's Long Term Capital Plan and Proforma, and the first two years contract price is below the price currently being paid by IGU.

### **Hilcorp Contract Overview**

Hilcorp will supply IGU:

*All of the requirements for gas at Point MacKenzie LNG Facility on a Firm basis for five Contract Years, and additional option periods if options are exercised by IGU.*



Gas is made available from numerous fields at the following delivery points connecting to the APL West pipeline system. Deliveries will generally be made to any of the following points connecting to the APL pipeline system:

- (a) 170 (BRU)
- (b) 600W (Ivan River)
- (c) 168 (Lewis River)
- (d) 8101 (KBPL to APC)
- (e) 189 (Pretty Creek)

### Gas Sale & Purchase Commitment

Hilcorp will provide IGU with the gas needed to operate the Point MacKenzie LNG Facility at a capacity necessary to meet IGU's minimum volume commitments as identified in Table "A" below, then and only then may IGU purchase Gas or LNG from others.

### Minimum and Maximum monthly contract quantity and daily contract quantity:

The following table sets forth the IGU's minimum and maximum quantities of requirements (in MMcf) for each Month of the Term, which must be purchased during that given month. Buyer and Seller understand that the actual Requirements during any given Month will vary, but will not be less than the minimum nor more than the maximum as reflected in the chart and that IGU may purchase up to **5,000 MCF/ day**.

Month	CY 1	CY 2	CY 3	CY 4	CY 5
April	60 - 150	60 - 150	60 - 150	60 - 150	60 - 150
May	38 - 155	38 - 155	38 - 155	38 - 155	38 - 155
June	24 - 150	24 - 150	24 - 150	24 - 150	24 - 150
July	22 - 155	22 - 155	22 - 155	22 - 155	22 - 155
August	25 - 155	25 - 155	25 - 155	25 - 155	25 - 155
September	42 - 150	42 - 150	42 - 150	42 - 150	42 - 150
October	71 - 155	71 - 155	71 - 155	71 - 155	71 - 155
November	105 - 150	105 - 150	105 - 150	105 - 150	105 - 150
December	120 - 155	120 - 155	120 - 155	120 - 155	120 - 155
January	125 - 155	125 - 155	125 - 155	125 - 155	125 - 155
February	103 - 140	103 - 140	103 - 145	103 - 140	103 - 140
March	98 - 155	98 - 155	98 - 155	98 - 155	98 - 155
Totals	833 min 1,825 <u>max</u>	833 min 1,825 <u>max</u>	833 min 1,830 <u>max</u>	833 min 1,825 <u>max</u>	833 min 1,825 <u>max</u>

In each of the calendar years of the contract, the minimum and maximum quantities are identified above. For example in April of CY1(2021), IGU is committing to a minimum volume of 2,000 MCF/day and a maximum of 5,000 MCF/day.



### Optional Volumes – up to 15 MMcfd

If IGU anticipates that our gas requirements will exceed 5 MMcfd, IGU shall provide 18 months' notice to Hilcorp of its intention to acquire additional volumes. The notice shall set forth the annual quantity, delivery profile and delivery start date for the additional volumes. Provided the additional volumes do not exceed 10MMcfd and total volumes do not exceed 15 MMcfd and IGU has provided 18 months' notice to Hilcorp, IGU shall have the right to purchase such additional gas pursuant to this Agreement.

### PRICE

The 2021 contract sales price of \$7.60/Mcf represents an approximate 1.5% reduction over the current Hilcorp gas supply price of \$7.72/Mcf. The new Hilcorp contract saves approximately \$100,000/year over the existing contract.

Contract Year	Pricing Periods	Sales Price (Dollars per Mcf)
1	04/01/2021 through 03/31/2022	\$7.60
2	04/01/2022 through 03/31/2023	\$7.68
3	04/01/2023 through 03/31/2024	\$7.75
4	04/01/2024 through 03/31/2025	\$7.83
5	04/01/2025 through 03/31/2026	\$7.91

### Term

The term of this Agreement shall commence on the Effective Date (TBD), and end on the Termination Date (3/31/2026). IGU shall have the option to **extend the term by up to two additional 3-year Terms** under this agreement provided IGU provides Hilcorp 180 days notice in advance of the expiration of the current Term.

### Turndown Option:

By Formal Notice ("Turndown Option Notice") to Seller received by Seller no later than August 1 of any Year commencing **August 1, 2021**, IGU may lower Hilcorp's obligation to sell and deliver, and IGU's obligation to buy and receive, Gas to fixed Annual Contract Quantities for the remainder of the Term commencing with the Contract Year following the date such Formal Notice is timely received ("Turndown Option").

The Turndown Option is subject to the following rules:

- (a) Buyer may exercise the **Turndown Option only once during the Term**. The volume by which Buyer lowers the estimated Buyer's Requirements volume for a Contract Year ("Turndown Volume") shall be the same in the Contract Year in which the Turndown Option becomes effective and the **succeeding Contract Years**.



b) The Turndown Volume shall be no more than **30% of the Annual Contract Quantity.**

**Turn Down Option Fee.** A reduction in the minimum yearly contract volume will be charged an annual fee of **\$145,775.**

#### **Discretionary Gas**

“Discretionary Gas” means Gas which IGU may request to purchase from Hilcorp based on either’s sole discretion. Should IGU at any time desire to purchase Gas in addition to the existing Requirements or the Daily Obligation, as applicable, IGU in its sole discretion may submit a request to Hilcorp for Discretionary Gas and Hilcorp may provide it at their sole discretion. The volume, Rate, Period (not to exceed twelve (12) months), and price for a sale of Discretionary Gas, and whether the sale is Firm or Interruptible, shall be as agreed between the Parties for that sale.

#### **Utility Priority**

This Agreement will not be subordinate to any of Seller’s other agreements with third party Gas purchasers. In the event of a reduction in available Gas production such that Seller cannot meet its Firm commitments, Seller will prioritize deliveries of Gas to public utilities certificated pursuant to AS 42.05 et seq. Available Gas will be allocated pro rata among public utilities based on Firm requirements.



Considered on: January 19, 2021

Approved on: \_\_\_\_\_

## RESOLUTION 2021-04

### **A RESOLUTION AUTHORIZING THE GENERAL MANAGER OF THE INTERIOR GAS UTILITY TO EXECUTE THE GAS SALE AND PURCHASE AGREEMENT BETWEEN IGU AND HILCORP ALASKA, LLC.**

**WHEREAS**, in October 2012, the community established the Interior Gas Utility (IGU), with the mission of ensuring provision of clean-burning natural gas to the most people in the FNSB, as soon as possible and at the lowest possible cost; and

**WHEREAS**, IGU, continues to advance the availability of natural gas in the FNSB through its investments in Liquefied Natural Gas (LNG) Storage and Distribution expansion; and

**WHEREAS**, IGU has been exploring all options for natural gas and LNG supplies that are beneficial to IGU and its customers; and

**WHEREAS**, IGU, desires to maintain a robust, secure supply of gas from an experienced Cook Inlet operator; Hilcorp Alaska, LLC (Hilcorp) has demonstrated operational capabilities and has diverse, substantial assets in the Cook Inlet, including multiple gas fields, pipelines and gas storage facilities and has been providing Firm Natural Gas service to Titan and Southcentral Gas and Electric Utilities since 2013; and

**WHEREAS**, IGU and Hilcorp have negotiated a Gas Sale and Purchase Agreement which outlines the terms under which Hilcorp will sell gas to IGU; and

**WHEREAS**, the negotiated terms include flexible provisions allowing IGU to meet its current and future demands with the opportunity to reduce minimum volume commitments should IGU find a reliable, price competitive, secure, alternative gas supply in the future; and

**WHEREAS**, the contract is for an initial 5-year term with an option for IGU to extend the Contract for 2 additional 3-year terms providing IGU with Firm Gas Supplies in the Cook Inlet for the next 11 years.

**NOW, THEREFORE, BE IT RESOLVED** that the IGU Board of Directors authorizes the IGU General Manager to execute the Gas Sale and Purchase Agreement between IGU and Hilcorp (Attachment A).

**NOW, BE IT FURTHER RESOLVED** that the General Manager is authorized to purchase Gas under the agreement.

*Approved by the Board of Directors*

\_\_\_\_\_  
Steve Haagenon - Chair, for the IGU Board of Directors

\_\_\_\_\_  
Date

\_\_\_\_\_  
Heather Thomas - Secretary to the IGU Board of Directors

\_\_\_\_\_  
Date

Attachments:

**ATTACHMENT A – Gas Sale and Purchase Agreement, HA-IGU**

**GAS SALE AND PURCHASE AGREEMENT**  
**BETWEEN**  
**HILCORP ALASKA, LLC**  
**AND**  
**INTERIOR ALASKA NATURAL GAS UTILITY**  
**IGU-01**

**Effective Date: \_\_\_\_\_ 1, 2020**

**Delivery Commencement Date: April 1, 2021**

**Termination Date: March 31, 2026**



## **GAS SALE AND PURCHASE AGREEMENT**

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## **GAS SALE AND PURCHASE AGREEMENT**

This GAS SALE AND PURCHASE AGREEMENT (“Agreement”) is made by Hilcorp Alaska, LLC (“Seller”), a Delaware limited liability company, with offices located at 3800 Centerpoint Drive, Suite 1400, Anchorage, Alaska 99503, and Interior Alaska Natural Gas Utility (“Buyer”), a public corporation, with offices located at 3408 International Street, Fairbanks, Alaska 99701-7901, collectively referred to as “Parties” and individually as “Party,” dated as of December 1, 2020 (the “Effective Date”).

### **RECITALS**

- A. Seller owns, controls, or has the right to dispose of Natural Gas produced from lands located in the Cook Inlet Area of Alaska.
- B. Seller has acquired substantially all of Marathon’s assets in the Cook Inlet Area. In connection with this transaction, the State of Alaska and Seller entered into a Consent Decree dated November 7, 2012, which was approved by the Superior Court on January 17, 2013, in Case No. 3AN-12-10858 CIV (“Consent Decree”). The Consent Decree imposes certain terms under which Seller must market its gas produced in the Cook Inlet Area through December 31, 2024.
- C. Buyer is a Gas wholesaler which aggregates Natural Gas, manufactures LNG, transports the LNG, re-gasifies the LNG and sells the resultant Gas to public utilities with Gas distribution systems and to government, industrial, commercial and residential customers which are not connected to a Gas distribution system. Buyer desires to purchase Gas to convert to liquefied natural gas for transport to its customers’ distribution centers.
- D. Buyer desires to purchase from Seller, and Seller desires to sell to Buyer, all of the requirements of Buyer and Buyer’s Affiliates for gas to Buyer’s Point MacKenzie LNG Facility on a Firm basis for five Contract Years.
- E. Seller and Buyer adopt the terms and conditions set forth herein to govern this transaction.

### **AGREEMENT**

#### **1. DEFINITIONS & INTERPRETATION.**

##### **1.1 Definitions.** The following definitions apply to this Agreement:

“ACH” has the meaning set forth in Section 8.2.

“Affiliate” means any legal entity which controls, is controlled by, or is under common control with, another legal entity and which has operations in Alaska. An entity is deemed to “control” another if it owns directly or indirectly at least twenty percent of either of the following: (1) The shares entitled to vote at a general

election of directors of such other entity; or (2) The voting interest in such other entity if such entity does not have either shares or directors.

“Agreement” has the meaning set forth in the Preamble.

“Alaska Clock Time” or “ACT” means Alaska Daylight Savings Time when Daylight Savings Time is in effect and Alaska Standard Time when Daylight Saving Time is not in effect.

“Annual Contract Quantity” or “ACQ” means the volume of Gas required to be (1) delivered and sold by Seller, and (2) received and purchased by Buyer, during a Contract Year during the Term of this Agreement as set forth in Section 2.3. Initially, the Annual Contract Quantity will be the minimum volumes set forth in Section 2.3(C). In the event Buyer exercises the Turndown Option, the Annual Contract Quantity thereafter will be fixed as specified in Buyer’s Turndown Option Notice.

“Arbitration Act” has the meaning set forth in Section 13.1.

“BTU” means British Thermal Unit which is the amount of energy needed to heat one pound of water by one degree Fahrenheit.

“Business Day” means a Day on which Buyer’s offices at 3408 International Street, Fairbanks, Alaska, are open for retail business.

“Buyer” has the meaning set forth in the Preamble.

“Buyer’s Requirements” means the volume of Gas Seller shall deliver to Buyer and Buyer shall take from Seller Gas needed to operate the Point MacKenzie LNG Facility at a capacity necessary to meet Buyer’s minimum volume commitments in Section 2.3(C) “Buyer’s Requirements” does not include the volumes of Gas or LNG which Buyer is permitted to purchase pursuant to Sections 2.3(A) or 2.3(B).

“Claim” means a claim, suit, liability, loss, demand, damages or cause of action by a third party for physical damage to property, bodily injury or death (including recoverable legal counsel fees and costs of litigation of the party asserting the Claim) arising from the physical operations of a Party, whether based in contract, tort, strict liability or otherwise. “Claim” does not include a claim based upon, arising from or related to the failure or refusal of Seller to deliver Gas or the failure or refusal of Buyer to receive Gas under this Agreement, for which the sole recourse and remedy is set forth in Section 2.4.

“Consent Decree” has the meaning set forth in Recital B.

“Continuous Rate” means a continuous rate of Gas delivery without significant deviation, which rate shall be calculated by dividing the volume per Day by 24

hours. For example, a rate of 3 MMcfpd will be delivered at a Continuous Rate of approximately 125 Mcf per hour without significant deviation.

“Contract Year” means a period beginning on April 1 at 00:00 a.m. and ending on the following March 31 at 24:00 p.m.

“Cook Inlet Area” means that region of Alaska bordered in red on the map which comprises Exhibit A.

“Cook Inlet Gas Distribution System” means the system of Gas transmission and distribution pipelines located in and around the Cook Inlet Area including pipelines owned by Alaska Pipeline Company and Harvest Alaska, LLC.

“Cover,” as referred to in Section 2.4, means Buyer’s commercially reasonable efforts to obtain replacement Gas, at a price reasonable for the Cook Inlet Area consistent with the amount of notice provided by the Seller, the immediacy of the Buyer’s Gas consumption needs, the quantities involved, and the anticipated length of the nonperformance by Seller.

“Day” means a 24-hour calendar day beginning at 00:00 hours and ending at 24:00 hours ACT. “Day” includes the 23-hour calendar day when local time changes from Alaska Standard Time to Alaska Daylight Savings Time and the 25-hour calendar day when local time changes from Alaska Daylight Savings Time to Alaska Standard Time.

“Daylight Savings Time” means the advancement of timekeeping clocks forward one hour from Standard Time near the start of spring pursuant to the Uniform Time Act of 1966, Pub. L. 89-387, 80 Stat. 107, 15 U.S.C. §§ 260-64, as amended, as administered by the US Department of Transportation.

“Delivery Points” has the meaning set forth in Section 3.1.

“Delivery Shortfall Volume” has the meaning set forth in Section 2.4.

“Discretionary Gas” means Gas which Buyer may request to purchase from Seller in Buyer’s sole discretion and which Seller may sell to Buyer in Seller’s sole discretion, as provided in Section 2.9.

“Dispute” means any dispute or controversy between the Parties arising out of this Agreement and any dispute or controversy regarding the existence, construction, validity, interpretation, enforceability, or breach of this Agreement.

“Effective Date” has the meaning set forth in the Preamble.

“Excess Taxes” means taxes (including interest and penalties thereon) in excess of those payable under tax law as of December 31, 2016, on the production or

severance of the Gas or the sale of Gas at the Sales Price. “Excess Taxes” do not include taxes, interest or penalties thereon which are determined after audit to be due under tax law as of December 31, 2016, on the production or severance of the Gas or the sale of the Gas at the Sales Price.

“Field Operations Gas” means Gas Seller determines, in its sole and unfettered discretion, is necessary or desirable for Seller’s use for field operations and maintenance, gas dehydration, gas treatment and other field use.

“Firm” means that a Party may interrupt its performance without liability only to the extent that such performance is excused or permitted by the terms of this Agreement.

“Force Majeure Event” has the meaning set forth in Section 10.2.

“Gas” or “Natural Gas” means any mixture of hydrocarbons or of hydrocarbons and noncombustible gases, in a gaseous state consisting primarily of methane and meeting the quality specifications of Section 6.1.

“Gas Sale and Purchase Commitment” means the quantity of Gas that will be sold and delivered and purchased and received under this Agreement in accordance with Sections 2.3 and 2.4.

“Hilcorp Alaska, LLC” has the meaning set forth in the Preamble.

“Interior Alaska Natural Gas Utility has the meaning set forth in the Preamble.

“Liquefied Natural Gas” and “LNG” mean Gas condensed into a liquid by cooling it to approximately –260 °F.

“Mcf,” “MMcf” and “Bcf” mean thousand Standard Cubic Feet, Million Standard Cubic Feet, and Billion Standard Cubic Feet, respectively.

“MMcfpd” or “MMcfd” means MMcf delivered at a Continuous Rate for 24 hours during a Day.

“Month” means a period beginning at 00:00 hours ACT on the first Day of a calendar month and ending at 24:00 hours ACT on the last Day of that calendar month.

“Operational Notice” means a written confirmation from one Party to the other Party concerning the volumes of Gas accepted and to be delivered or a notice of Force Majeure as provided in Section 10.3.

“Point MacKenzie LNG Facility” means the Buyer’s Gas liquefaction plant located at Mile 2.5 Ayshire Road near Point MacKenzie in the Matanuska-Susitna Borough.

“RCA” means the Regulatory Commission of Alaska or its predecessor the Alaska Public Utilities Commission, as the context requires.

“Sales Price” has the meaning set forth in Section 7.1.

“Seller” has the meaning set forth in the preamble.

“Standard Cubic Foot” means the amount of Gas that would occupy a volume of one cubic foot at a temperature of sixty degrees Fahrenheit (60° F.) and at a pressure of fourteen and sixty five hundredths (14.65) pounds per square inch absolute.

“Standard Time” means the time of Day without the offset for Daylight Savings Time.

“Tariffs” means the tariffs of a utility or pipeline regulated by the RCA which tariffs have been approved by the RCA and are currently in effect.

“Term” has the meaning set forth in Section 4.1.

“Termination Date” means March 31, 2026 unless Buyer exercises its right to extend per Section 4.1 of this agreement.

“Termination Event” has the meaning set forth in Section 4.2.

“Transportation Costs” means charges imposed to move Gas sold under this Agreement on pipeline carrier or public utility pipelines pursuant to RCA-approved tariff rates and conditions.

“Variable Royalties” means royalties (including interest and penalties thereon) payable on the sale of the gas at other than the Sales Price due to a value attributed to the Gas under the applicable oil and gas lease which is higher or lower than the Sales Price. “Variable Royalties” do not include royalties, interest or penalties thereon which are determined after audit to be due or refundable on the sale of the Gas at the Sales Price.

“Year” means a calendar year.

**1.2 Principles of Construction.** In this Agreement, unless the context otherwise requires:

- (A) This Agreement is the entire agreement between the Parties respecting the subject matter thereof.

- (B) Headings and the rendering of text in bold and/or italics are for convenience only and do not affect the interpretation of this Agreement.
- (C) Words importing the singular include the plural and vice versa and the masculine, feminine and neuter genders include all genders.
- (D) The words “hereof”, “herein”, and “hereunder” and words of similar import shall refer to this Agreement as a whole and not to any particular provision of this Agreement.
- (E) A reference to a Section, paragraph, clause, Party, Exhibit or Schedule is a reference to that Section, paragraph, clause of, or that Party, Exhibit or Schedule to, this Agreement unless otherwise specified, and in the event of a conflict, the provisions of the main body of this Agreement shall prevail over the provisions of any Exhibit or Schedule.
- (F) A reference to this Agreement shall mean this Agreement including any amendment or supplement to, or replacement, novation or modification of this Agreement, but disregarding any amendment, supplement, replacement, novation or modification made in breach of this Agreement.
- (G) A reference to a Person includes that Person’s successors and permitted assigns.
- (H) The term “including” means “including without limitation” and any list of examples following such term shall in no way restrict or limit the generality of the work or provision in respect of which such examples are provided.
- (I) References to any statute, code or statutory provision are to be construed as a reference to the same as it may have been, or may from time to time be, amended, modified or reenacted, and include references to all bylaws, instruments, orders and regulations for the time being made thereunder or deriving validity therefrom.
- (J) Each Party acknowledges and agrees that it has participated in the drafting of this Agreement and has had the opportunity to consult with legal counsel and any other advisors of its choice to its satisfaction regarding the terms and provisions of this Agreement and the results thereof. As a result, the rule of construction that an agreement be construed against the drafter will not be asserted or applied to this Agreement.
- (K) All accounting terms not specifically defined herein shall be construed in accordance with GAAP.
- (L) In the event of a conflict, a mathematical formula describing a concept or

defining a term shall prevail over words describing a concept or defining a term.

- (M) References to any amount of money shall mean a reference to the amount in US Dollars.
- (N) The expression “and/or” when used as a conjunction shall connote “any or all of”.
- (O) Words, phrases or expressions which are not defined herein and which have a generally accepted meaning in the industry which is the subject of this Agreement shall have that meaning in this Agreement.
- (P) A waiver by either Party of any breach of the covenants and conditions to be performed under this Agreement by the other Party shall not be construed as a waiver of any succeeding breach of the same or any other covenant or condition.
- (Q) Except as otherwise expressly provided in this Agreement, no amendments to or modifications of this Agreement shall be valid unless they are in writing and signed by the Parties.

### **1.3 Exhibits.**

- (A) All of the Exhibits that are attached to the body of this Agreement are an integral part of this Agreement and are incorporated by reference into this Agreement, including:
  - (1) Exhibit A – Map of the Cook Inlet Area
  - (2) Exhibit B – Delivery Points
- (B) If a conflict exists between the body of this Agreement and the Exhibits, the body prevails to the extent of the conflict.

## **2. GAS SALES.**

**2.1 Gas Sales Commitment; Revision; Limitation on Gas Use or Resale.** Subject to all of the terms and conditions of this Agreement, Seller commits to deliver and sell to Buyer, and Buyer commits to receive and purchase from Seller, the Natural Gas volumes and rates set forth in this Section 2. Buyer may not resell Gas purchased under this Agreement for LNG export to foreign nations, nor may Buyer resell Gas purchased under this Agreement to a third party for resale for LNG export to foreign nations.

**2.2 Commitment Priorities.** Seller may cease or curtail deliveries under this



Agreement without liability to Buyer to assure a sufficient supply of Field Operations Gas.

**2.3 Gas Sale and Purchase Commitment.** Unless Seller and Buyer otherwise agree in a writing signed by both Parties, the Gas Sale and Purchase Commitment under this Agreement shall be as set forth below.

- (A) Requirements: Seller shall deliver to Buyer and Buyer shall take from Seller Gas needed to operate the Point MacKenzie LNG Facility at a capacity necessary to meet Buyer's minimum volume commitments in Section 2.3(C), then and only then may Buyer or Buyer's Affiliates purchase Gas from others.
- (B) Other LNG: Provided Buyer is taking from Seller all Gas needed to operate the Point MacKenzie LNG Facility at a capacity necessary to meet Buyer's minimum volume commitments in Section 2.3(C), then and only then may Buyer or Buyer's Affiliates purchase LNG from others.
- (C) Minimum and Maximum monthly contract quantity and daily contract quantity:
  - (1) The following table sets forth the Buyer's minimum and maximum quantities of Buyer's Requirements (in MMcf) for each Month of the Term, which must be purchased during that given month. Buyer and Seller understand that the actual Buyer's Requirements during any given Month will vary, but will not be less than the minimum nor more than the maximum as reflected in the chart in this Section 2.3(C)(1), and that buyer may purchase up to 5,000 MCF/ day.

Month	CY 1	CY 2	CY 3	CY 4	CY 5
April	60 - 150	60 - 150	60 - 150	60 - 150	60 - 150
May	38 - 155	38 - 155	38 - 155	38 - 155	38 - 155
June	24 - 150	24 - 150	24 - 150	24 - 150	24 - 150
July	22 - 155	22 - 155	22 - 155	22 - 155	22 - 155
August	25 - 155	25 - 155	25 - 155	25 - 155	25 - 155
September	42 - 150	42 - 150	42 - 150	42 - 150	42 - 150
October	71 - 155	71 - 155	71 - 155	71 - 155	71 - 155
November	105 - 150	105 - 150	105 - 150	105 - 150	105 - 150
December	120 - 155	120 - 155	120 - 155	120 - 155	120 - 155
January	125 - 155	125 - 155	125 - 155	125 - 155	125 - 155
February	103 - 140	103 - 140	103 - 145	103 - 140	103 - 140
March	98 - 155	98 - 155	98 - 155	98 - 155	98 - 155
Totals	833 min 1,825 max	833 min 1,825 max	833 min 1,830 max	833 min 1,825 max	833 min 1,825 max

- (2) The daily contract quantity is the volume of Gas meeting Buyer's Requirements on any given Day of the Term, as requested by Buyer pursuant to Section 2.5 where such request is within the limitations, conditions and other provisions set forth in this Agreement.

(D) Turndown Option:

(1) By Formal Notice ("Turndown Option Notice") to Seller received by Seller no later than August 1 of any Year commencing August 1, 2021, Buyer may lower Seller's obligation to sell and deliver, and Buyer's obligation to buy and receive, Gas to fixed Annual Contract Quantities for the remainder of the Term commencing with the Contract Year following the date such Formal Notice is timely received ("Turndown Option"). The Turndown Option is subject to the following rules:

- (a) Buyer may exercise the Turndown Option only once during the Term. The volume by which Buyer lowers the estimated Buyer's Requirements volume for a Contract Year ("Turndown Volume") shall be the same in the Contract Year in which the Turndown Option becomes effective and the succeeding Contract Years.
- (b) The Turndown Volume shall be no more than 30% of the Annual Contract Quantity. The new Annual Contract Quantity in a given year shall be determined by subtracting the Turndown Volume from the sum of the monthly minimum Buyer's Requirements Volume set forth in Section 2.3(C) for the Contract Years in which the turndown is applicable, respectively.

- (c) The Buyer's Turndown Option Notice shall contain the following information: The Contract Year(s) in which the Turndown Option will be effective; the Turndown Volume; and the resulting new Annual Contract Quantity(ies) in the remaining Contract Year(s).
  - (d) If the Turndown Option Notice is received by Seller after August 1 of a certain Year, it shall be deemed given on the following August 1.
- (2) Revised Obligations. In the event Buyer exercises its Turndown Option within the rules provided in Section 2.3(D), the new Annual Contract Quantity in the Contract Year following Buyer's Turndown Option Notice (and in each Contract Year thereafter) shall be fixed at the total monthly minimum Buyer's Requirements volume from 2.3(C) above minus the Turndown Volume specified in Buyer's Turndown Option Notice. In each Contract Year following the exercise of the Turn Down Option the Buyer's Maximum Daily Quantity will be adjusted downward to reflect the reduced Annual Contract Quantity.
- (3) Turn Down Option Fee. A reduction in the minimum yearly contract volume will be charged an annual fee of \$145,775.

## **2.4 Nature of Gas Sale and Purchase Commitment and Remedies**

### **(A) Commitments:**

- (1) Except as otherwise provided or excused in this Agreement, on each Day of the Term Seller will make available to Buyer Buyer's Requirements on a Firm basis and Buyer will receive and take from Seller Buyer's Requirements.
- (2) During the Months of May, June, July, August and September, for the purpose of operational efficiencies Buyer may elect to shut-in the Point MacKenzie LNG Facility up to three (3) Days a week. Buyer shall notify Seller of Buyer's shut-in schedule as soon as reasonably possible to allow Seller to adjust its gas production and storage facilities in anticipation of the shut-in Days. During the Days on which Buyer shuts in the Point MacKenzie LNG Facility, (i) Seller shall not be in breach of its obligations to make available and deliver Gas, and (ii) Buyer shall not be in breach of its obligation to receive Gas, respectively, under this Agreement.

### **(B) Buyer's Remedies:**

- (1) If Seller for any reason, including a Force Majeure Event or quality issues, does not deliver all of the applicable Buyer's Requirements, or if Buyer because of Force Majeure Event cannot take from Seller all of Buyer's Requirements, Buyer may make whatever purchases are necessary to replace the shortage from any available source. Buyer will in good faith attempt to purchase only the amount of Gas necessary to replace the shortage. Should any provision of this Agreement constrain Buyer in such a way that Buyer cannot replace the shortage on reasonable terms and conditions, that provision (or provisions) shall be relaxed or waived but only to the extent necessary to permit Buyer to purchase the replacement volumes on reasonable terms and conditions.
- (2) Seller shall make commercially reasonable efforts to use delivery points and gas available from its existing and operable wells, including storage wells, prior to disrupting any deliveries to buyer for any reason consistent with Section 2.4(F).
- (3) If, for reasons other than a Force Majeure Event, Seller fails to deliver (or make available for delivery) Buyer's Requirements on any given Day, the difference between the Buyer's Requirements on that Day and the amount of Gas actually delivered (or made available for delivery) that Day is called the "Delivery Shortfall Volume."
  - (a) Buyer's sole remedy with respect to such failure by Seller shall be to Cover the Delivery Shortfall Volume. With respect to the replacement of the Delivery Shortfall Volume, Seller shall be responsible for, and shall pay Buyer, the positive difference, if any, between the average weighted purchase price paid by Buyer for such replacement Gas and the Sales Price for Gas multiplied by the volume of such replacement Gas, provided, however, that in no event shall Seller be liable to Buyer for the payment (as Cover or otherwise) of more than an amount equal to the Delivery Shortfall Volume multiplied by the Sales Price for Gas.
  - (b) To the extent the Delivery Shortfall Volume cannot be fully replaced through Cover, then Seller shall be responsible for, and shall pay Buyer, the applicable Sales Price for Gas times such portion of the Delivery Shortfall Volume not replaced through Cover.
  - (c) In no event shall Seller be liable to Buyer for the payment of more than an amount equal to the Delivery Shortfall Volume

multiplied by the current Sales Price for Gas, whether or not all or a portion of the Delivery Shortfall Volume could be replaced by Cover.

- (3) Buyer shall provide to Seller all information necessary to calculate amounts due from Seller to Buyer (including volume, price, and delivery Day, as applicable) as soon as practicable after acquiring replacement Gas through Cover.
- (C) Seller's Remedy: Buyer shall pay Seller for Buyer's Requirements whether Buyer received Buyer's Requirements from Seller or a third party, provided that the volume for which Buyer owes payment to Seller shall be reduced by (i) the portion of Buyer's Requirements Seller did not deliver for whatever reason (except volumes delivered to Buyer by a third party provider where Seller made the volume available to Buyer), and (ii) the portion of Buyer's Requirements Buyer did not receive to the extent and only to the extent such non-receipt is excused under this Agreement.
- (E) Exclusion and Waiver of Other Remedies: Neither Party shall be entitled to an award of, and hereby waives the right to recover, incidental, consequential, punitive, exemplary, or other non-direct damages or any other damages from the other Party arising from or related to this Agreement, whether asserted by or awarded to such Party or any third party and whether based on contract, tort, strict liability or other claim or theory of liability. The remedies listed in this Section 2.4 are the sole and exclusive remedies for Buyer's failure or refusal to receive Buyer's Requirements, or Seller's failure or refusal to deliver Buyer's Requirements, where such failures or refusals are not excused or permitted under this Agreement.
- (F) **Utility Priority.** This Agreement will not be subordinate to any of Seller's other agreements with third party Gas purchasers. In the event of a reduction in available Gas production such that Seller cannot meet its Firm commitments, Seller will prioritize deliveries of Gas to public utilities certificated pursuant to AS 42.05 *et seq.* Available Gas will be allocated pro rata among public utilities based on Firm requirements. Nothing in this provision modifies the rights and obligations contained in Section 2.4.

## **2.5 Delivery Rate and Scheduling.**

- (A) Seller shall deliver and Buyer shall receive Gas in the amount of Buyer's Requirements at a Continuous Rate as provided in Section 2.4(A).
- (B) By 3:00 p.m. ACT, the Day before Buyer is to receive Gas from Seller, Buyer shall send Seller's Gas Control Group an estimate of its Gas needs for the next Day.

- 2.7 Operational Notices.** All notices made pursuant to this Section 2 (other than Section 2.8) will be given as Operational Notices. The Parties will document the commencement and termination of all sales and purchases of Gas, the Continuous Rate, the Delivery Point and any modifications of the Continuous Rate within a reasonable time after the applicable Operational Notice. The transactional summaries will be tabulated by the Seller in a spreadsheet that will be provided to Buyer periodically or in response to a request. Delays in updating the spreadsheet shall not negate or otherwise affect a sale of Natural Gas under this Agreement.
- 2.8 Optional Volumes.** If at any time Buyer anticipates that Buyer's Requirements will exceed 5 MMcfpd, Buyer shall provide 18 months notice to Seller of its intention to acquire additional volumes. The notice shall set forth the annual quantity, delivery profile and delivery start date for the additional volumes. Provided the additional volumes do not exceed 10MMcfd and total volumes do not exceed 15 MMcfd and Buyer has provided 18 months' notice to Seller, Buyer shall have the right to purchase such additional gas pursuant to this Agreement.
- 2.9 Discretionary Gas.** Should Buyer at any time desire to purchase Gas in addition to the Buyer's Requirements or the Daily Obligation, as applicable, Buyer in its sole discretion may submit a request to Seller for Discretionary Gas and Seller may provide it at Seller's sole discretion. The volume, Rate, Period (not to exceed twelve (12) months), and price for a sale of Discretionary Gas, and whether the sale is Firm or Interruptible, shall be as agreed between the Parties for that sale, and shall be documented as provided in Exhibit C.

### **3. DELIVERY POINTS; TITLE; LIABILITY AND RISK OF LOSS; PIPELINES.**

#### **3.1 Delivery Points.**

- (A) Unless otherwise agreed between the Parties, the authorized delivery points are set forth in Exhibit B ("Delivery Points").
- (B) Buyer may request Gas to be delivered at specific Delivery Points and to otherwise minimize the costs payable by Buyer pursuant to Section 7.3, and Seller will work in good faith to honor such requests, in each case within the limitations of Seller's Gas production facilities, the requirements of Seller's other Gas sales agreements, and Seller's ability to economically administer its business.

- 3.2 Title.** Title to all Gas delivered by Seller and received by Buyer will pass at the Delivery Points. All liability and risk associated with the Gas will follow title.

#### 4. TERM.

**4.1 Term.** The term of this Agreement shall commence on the Effective Date, and unless sooner terminated under Section 4.2, end on the Termination Date (“Term”). Buyer shall have the option to extend the term by up to two additional 3-year Terms under this agreement provided Buyer provides Notice to Seller 180 days in advance of the expiration of the current Term.

**4.2 Termination Event Defined.** Each of the following events is a “Termination Event”: (a) any Party makes an assignment for the benefit of creditors; (b) any Party defaults in its payment obligations under this Agreement and does not resolve the default, as provided in Section 8; (c) any Party commences, authorizes, or acquiesces in the commencement of a proceeding under any bankruptcy, insolvency, or similar law, or has such a proceeding commenced against it; or (d) any Party or any Party’s parent company becomes bankrupt or insolvent, or is unable to pay its debts when due.

**4.3 Termination.** If a Termination Event described in Section 4.2 occurs, the non-defaulting Party shall have the right to immediately withhold or suspend deliveries or payment (other than for Gas already delivered), or terminate this Agreement.

**4.4 Reservations.** Each Party reserves all claims, rights, setoffs, counterclaims, and other defenses to which it is entitled under this Agreement.

#### 5. MEASUREMENT.

The measurement standards in effect on the applicable delivery pipelines of the Cook Inlet Gas Distribution System on the date of delivery will apply to all Gas delivered under this Agreement.

#### 6. QUALITY.

Seller warrants all Natural Gas delivered to the Delivery Point will be of a pressure, condition, and quality sufficient to meet the tariffs of the pipelines of the Cook Inlet Gas Distribution System used to transmit Gas to the Delivery Point.

#### 7. SALES PRICE; COST ALLOCATION; STATE’S ROYALTY SHARE.

##### 7.1 Sales Price.

(A) The Sales Price for Gas purchased and sold hereunder shall be as follows:

Contract Year	Pricing Periods	Sales Price (Dollars per Mcf)
1	04/01/2021 through 03/31/2022	\$7.60

Contract Year	Pricing Periods	Sales Price (Dollars per Mcf)
2	04/01/2022 through 03/31/2023	\$7.68
3	04/01/2023 through 03/31/2024	\$7.75
4	04/01/2024 through 03/31/2025	\$7.83
5	04/01/2025 through 03/31/2026	\$7.91

If Seller exercises the additional 3-year term options the sales price shall be escalated at 1.5% per year of the additional terms.

**7.2 Costs Allocated to Seller.** Seller is responsible for the following costs relating to Gas sold or moved under this Agreement:

- (A) Gas development, production, separation, dehydration and other processing;
- (B) Facility construction, operation and maintenance;
- (C) Gas gathering, treatment and compression necessary to meet pipeline specifications and pressures;
- (D) Costs other than Transportation Costs to move Gas to a Delivery Point;
- (E) Lessor royalties, overriding royalties, production payments and other payments of any kind (other than taxes) due to third parties upon the production and sale of the Gas at the Sales Price, but not including Variable Royalties; and
- (F) Severance and/or production taxes at the tax rates and under the laws and rules in place on the Effective Date, but not including Excess Taxes.

**7.3 Costs Allocated to Buyer:** Buyer is responsible for the following costs relating to Gas sold under this Agreement:

- (A) Transportation Costs to, at, from and after delivery at a Delivery Point, including reimbursement of Transportation Costs paid initially by Seller;
- (B) Storage, facilities, equipment, operations, and maintenance costs after delivery at a Delivery Point;
- (C) Taxes imposed on the Gas or Buyer's operations after a Delivery Point;



- (D) Variable Royalties (which may be a debit or a credit); and
- (E) Excess Taxes.

## **8. INVOICING AND CREDIT REQUIREMENTS.**

**8.1 Billing.** By the fifteenth (15th) Day of each Month, Seller shall give Buyer an invoice showing the following for the previous Month:

- (A) the charge for the Gas showing the volumes of each Category of Gas sold times the applicable Sales Price for each Category as calculated in accordance with Section 7.1(B);
- (B) the credit for Buyer's Remedy, if any, or charge for Seller's Remedy, if any, as provided and calculated in accordance with Section 2.4;
- (C) the costs allocated to Buyer;
- (D) any corrections for the previous or prior Months;
- (E) any interest charges imposed under Section 8.4; and
- (F) the total amount due from Buyer to Seller.

## **8.2 Payment.**

- (A) Buyer shall make payment to Seller on or before the twenty-fifth (25th) Day of each Month by Automated Clearing House ("ACH") or wire transfer to the account of Seller set out below. Upon thirty (30) Days' written notice, Seller may designate a different financial institution or account to which Buyer will thereafter make payments.

Bank Name:	Amegy Bank
Bank ABA #:	113011258
Account Name:	Hilcorp Alaska, LLC
Account Number:	53484238

- (B) Buyer may set-off against and withhold from amounts payable by Buyer to Seller any and all amounts that are due Buyer by Seller under this Agreement where such amounts have not been credited to Buyer in Seller's invoice.
- (C) Buyer may, without prejudice to any claim or right, pay any disputed amount and must pay any undisputed amount. The Parties shall cooperate to resolve any disputed amount in a timely manner.

**8.3 Remedies for Non-Payment.** If Buyer fails to pay undisputed amounts to Seller for Gas within thirty (30) Days after the invoice is received, in addition to any other remedy available, Seller will have the right to cease or curtail deliveries under this Agreement after notice to Buyer until payment (and interest under Subsection 8.4 below) is received, which right will not prejudice Seller's rights to collect any sums due Seller (including interest under Subsection 8.4 below) for Gas previously delivered to Buyer hereunder.

**8.4 Interest.** Pending resolution of a billing dispute, if payment is not made within thirty (30) Days of invoice receipt, the unpaid balance shall bear interest, compounded Monthly, at the prime rate in effect at JPMorgan Chase Bank, NA, plus 1% on the first Day of each Month, or the maximum contract rate permitted by law, whichever is less, plus attorney's fee, court costs, and other costs in connection with the collection of unpaid amounts.

**8.5 Adequate Assurance of Performance.**

- (A) Failure to Pay or Reasonable Ground for Insecurity: If (i) Buyer fails to pay according to the provisions hereof and such failure continues for a period of ten (10) Business Days after written notice of such failure is provided to Buyer or (ii) Seller has reasonable grounds for insecurity regarding the performance by Buyer of any obligation under this Agreement, then Seller, by written notice to Buyer, may, singularly or in combination with any other rights it may have, demand Adequate Assurance of Performance by Buyer. "Adequate Assurance of Performance" means, at the option of Seller, (x) advance payment in cash by Buyer to Seller for volumes of Gas expected to be sold hereunder in the following two-Month period, as determined by Buyer, or (y) delivery to Seller by Buyer of an acceptable letter of credit in an amount equal to not less than the aggregate proceeds that would be due from Buyer for such volumes of Gas. If Buyer fails to provide Adequate Assurance of Performance to Seller within five (5) Business Days of Seller's notice, then Seller shall have the right to cease or curtail all sales of Gas under this Agreement without prior notice and without limiting any other rights or remedies available to it under this Agreement or otherwise. Failure of Seller to exercise its right to suspend or reduce sales of Gas as provided in this Section 8.5 shall not constitute a waiver by Seller of any rights or remedies Seller may have under this Agreement, applicable law, or otherwise.

**9. WARRANTY OF TITLE.**

Seller warrants title at the Delivery Point to all Gas delivered to Buyer hereunder and Seller's right to deliver the same, and agrees to hold Buyer harmless from, and indemnify

it against, any and all loss, damage, cost, expense, or liability of whatsoever kind arising out of claims of third persons with respect to the title to such Gas, including costs, expenses, and reasonable attorney's fees incurred by Buyer in defending against any such claims.

## **10. FORCE MAJEURE.**

**10.1 Force Majeure Event.** In the event either Party is rendered unable wholly or in part by the occurrence of a Force Majeure Event to perform its obligations under this Agreement, the obligation of such Party (other than payment of money), insofar as fulfillment of the obligation is affected by such Force Majeure Event, will be suspended during the continuance of any inability so caused, but for no longer period, and such cause will, insofar as possible, be remedied with reasonable dispatch.

**10.2 Force Majeure Defined.** "Force Majeure Event" means any event that directly or indirectly renders a Party unable, wholly or in part, to perform or comply with any obligation, covenant or condition in this Agreement if the event, or the adverse effects of the event, is outside of the control of, and could not have been prevented by, the affected Party with reasonable foresight, at reasonable cost, and by the exercise of reasonable diligence in good faith, and is not attributable to the negligence or willful misconduct of the affected Party. Force Majeure Events include without limitation the following events (to the extent they otherwise satisfy the definition): (i) act of God, fire, lightning, landslide, earthquake, volcano activity, storm, hurricane, hurricane warning, flood, high water, washout, explosion, or well blowout; (ii) strike, lockout, or other industrial disturbance, act of the public enemy, war, military operation, blockade, insurrection, riot, epidemic, arrest or restraint by government of people, terrorist act, civil disturbance, or national emergency; (iii) the inability of the affected Party to acquire, or the delay on the part of the affected Party in acquiring materials, supplies, machinery, equipment, servitudes, right of way grants, pipeline shipping capacity, easements, permits or licenses, approvals, or authorizations by regulatory bodies or oil and gas lessors needed to enable the Party to perform; (iv) breakage of or accident to machinery, equipment, facilities, or lines of pipe, and the repair, maintenance, improvement, replacement, test, or alteration to the machinery, equipment, facilities, or lines of pipe; or (v) act, order, or requisition of any governmental agency or acting governmental authority, or any governmental law, proration, regulation, or priority.

**10.3 Notices.** A Party experiencing a Force Majeure Event will notify the other Party by Operational Notice of the nature, extent and estimated duration of the Force Majeure Event as soon as reasonably possible but in no event more than twenty-four (24) hours after becoming aware of the occurrence of the event. The Party experiencing the Force Majeure Event will update the other Party on a reasonably frequent basis but in no event less than once every five (5) Days thereafter by Operational Notice.

**10.4 Diligence.** The Party experiencing a Force Majeure Event shall exercise diligence in good faith to remedy the Force Majeure Event and resume full performance under this Agreement as soon as reasonably practicable (except that the settlement of strikes, lockouts, or other labor disputes or the restoration of a failed natural gas well shall be entirely within the discretion of the affected Party).

**10.5 Extended Force Majeure Events.** If the Party claiming the Force Majeure Event estimates that the Force Majeure Event will not be remedied for a period of more than ninety (90) Days, the Parties shall meet within thirty (30) Days to agree upon a commercially reasonable course of action during the period of the Force Majeure Event that is consistent with the intent of this Agreement. If the Parties are unable to agree upon a commercially reasonable course of action, either Party, upon sixty (60) Days' notice, may reduce Seller's and Buyer's obligations with respect to the affected portion of the Gas to be made available and taken hereunder; provided however, that the remaining provisions of this Agreement shall apply with respect to the portion of Seller's and Buyer's obligations that are not so reduced.

## **11. INDEMNIFICATION.**

**11.1 Indemnification.** Each Party will protect, defend, indemnify and hold harmless the other from any and all liability and expense on account of all Claims arising from any act or accident including a failure to act, as to which and to the extent that the indemnifying Party was at fault in connection with the installation, presence, maintenance, and operation of property, equipment, and facilities of the indemnifying Party used in connection with or associated with the Gas delivered hereunder. This duty to protect, defend, indemnify, and hold harmless will survive the expiration or termination of this Agreement.

The parties to this agreement recognize and agree that the Interior Alaska Natural Gas Utility has no appropriation currently available to it to indemnify Hilcorp Alaska, LLC under this provision and that enactment of an appropriation in the future to fund a payment under this provision remains in the sole discretion of the governing body. In IGU's opinion, as a matter of law, the governing body's failure to make such an appropriation creates no further liability or obligation by the Interior Alaska Natural Gas Utility. Hilcorp disagrees with the legal conclusion set forth in the immediately preceding sentence.

**11.2 No Alteration of Remedy Provisions.** Nothing in this Section 11 shall add to, detract from or otherwise modify the provisions of this Agreement concerning the failure or refusal of Seller to deliver Gas or the failure or refusal of Buyer to receive Gas under this Agreement, for which the sole recourse and remedy is set forth in Section 2.4.

## **12. NOTICES**

- 12.1 Regular Notices.** Except as specifically provided otherwise in Sections 2.5 and 10.3 of this Agreement, all notices and communications under this Agreement (other than Operational Notices) will be made in writing by certified mail (return receipt requested), email, or by nationally recognized overnight courier. All such notices will be deemed effective (a) if mailed, on the date indicated on the returned receipt, (b) if delivered personally, when delivered, (c) if sent by email during the normal business hours of the recipient, on the same Business Day as sent, and (d) if sent by email after the normal business hours of the recipient, on the next Business Day following the date of transmission.

**Seller**

Hilcorp Alaska, LLC

Attn: Vice President Marketing & Business Development

Physical: 3800 Centerpoint Drive, Suite 1400  
Anchorage, AK 99503

Mailing: PO Box 244027  
Anchorage, AK 99524-4027

Email: kgibson@hilcorp.com

**Buyer**

Interior Alaska Natural Gas Utility

Attn: Dan Britton, General Manager

Physical: 3408 International Way  
Fairbanks, AK 99701

Mailing: 3408 International Way  
Fairbanks, AK 99701

Email: dwbritton@interiorgas.com

- 12.2 Operational Notices.** Any Operational Notice required or permitted to be given to either Party will be given by telephone and confirmed by email, at the telephone numbers and email addresses set forth below (or such other telephone numbers and email addresses as the Parties may designate from time to time by written notice under Section 12.3). Notices given by telephone will be effective immediately and the confirmation by email will be effective as provided in Section 12.1. The Party providing an Operational Notice will attempt to contact the primary contact first. If the primary contact is unavailable to receive notice in a timely manner, the Party providing an Operational Notice will contact the alternate contact.

**Seller**

Hilcorp Alaska, LLC

3800 Centerpoint Drive, Suite 100

Anchorage, AK 99503

**Primary Contact:**

Kurt Gibson

Vice President Marketing & Business Development

Telephone: (907) 777-8407

Mobile: (907) 980-7527

Email: kgibson@hilcorp.com

**Alternate Contact:**

Susan Ellenbecker

Marketing Analyst

Telephone: (907) 777-8318

Mobile: (907) 529-5196

Email: sellenbecker@hilcorp.com

**Buyer**

Interior Alaska Natural Gas Utility

3408 International Way

Fairbanks, AK 99701

**Primary Contact:**

Jim Branch

Plant Manager

Telephone: (907) 373-6111

Mobile: (907) 863-3112

Email: jbranch@interiorgas.com

**Alternate Contact:**

Dan Britton

Telephone: (907) 452-7111

Mobile: (907) 322-7111

Email: dwbritton@interiorgas.com

- 12.3 Changes in Contact Information.** Either Party may designate address changes by formal written notice as provided in this section.

**13. GOVERNING LAW AND RESOLUTION OF DISPUTES.**

- 13.1 Governing Law.** This Agreement is governed by and interpreted under the laws of the State of Alaska, without regard to its choice of law rules. Arbitration shall be governed by the Revised Uniform Arbitration Act as adopted by the State of Alaska, AS 09.43.300 - .595 ("Arbitration Act"), except as modified in this Agreement.

- 13.2 Resolution of Disputes.** Before initiating litigation, the Parties shall work together

in good faith to resolve any Dispute between them using direct negotiations and mediation as set out in this Section 13. While the procedures in this Section 13 are pending, each Party shall continue to perform its obligations under this Agreement, unless to do so would be impossible or impracticable under the circumstances.

- 13.3 Direct Negotiations.** If a Dispute arises, a Party shall initiate the resolution process by giving notice setting out in writing and in detail the issues in Dispute and the value of the claim to the other Party. A meeting between the Parties, attended by individuals with decision-making authority, must take place within thirty (30) Days from the date the notice was sent in an attempt to resolve the Dispute through direct negotiations.
- 13.4 Mediation.** If the Dispute cannot be settled by direct negotiations within thirty (30) Days of initiation of the resolution process, either Party may initiate non-binding mediation by giving notice to the other Party. The place of mediation shall be Anchorage, Alaska. The Parties shall select a mutually acceptable mediator within five (5) Business Days of the notice initiating mediation.
- 13.5 Arbitration.** If the Dispute is not resolved by mediation within thirty (30) Days from the date of the notice requiring mediation, or if the Dispute is unresolved within sixty (60) Days from the date of the notice requiring direct negotiations, then the Dispute shall be finally settled by binding arbitration and either Party may initiate such arbitration by giving notice to the other Party. The arbitration shall be conducted in accordance with The International Institute for Conflict Prevention & Resolution (“CPR”) Rules for Non-Administered Arbitration (“CPR Rules”), except to the extent of conflicts between the CPR Rules at present in force and the provisions of this Agreement, in which event the provisions of this Agreement prevail. The CPR is the appointing authority. The place of arbitration shall be Anchorage, Alaska.
- 13.6 Procedure.** The following provisions shall apply to any arbitration proceedings commenced pursuant to Section 13.5:
- (A) The number of arbitrators shall be one if the monetary value of the Dispute is US \$5,000,000 or less. The number of arbitrators shall be three if the monetary value is greater than US \$5,000,000.
  - (B) The arbitrator or arbitrators must remain neutral, impartial and independent regarding the Dispute and the Parties. If the number of arbitrators to be appointed is one, that arbitrator, or the presiding arbitrator if the arbitrators are three, must be a lawyer experienced in the resolution of disputes with experience relating to the issues in dispute.
  - (C) The Parties waive any claim or right to recover for, and the arbitrator has or arbitrators have no power to award, incidental, consequential, punitive or

exemplary damages. The arbitrator has or arbitrators have no authority to appoint or retain expert witnesses for any purpose unless agreed to by the Parties. The arbitrator has or arbitrators have the power to rule on objections concerning jurisdiction, including the existence or validity of this arbitration clause and existence or the validity of this Agreement.

- (D) All arbitration fees and costs shall be borne equally regardless of which Party prevails. Each Party shall bear its own costs of legal representation and witness expenses.
- (E) The arbitrator is or arbitrators are authorized to take any interim measures as the arbitrator considers or arbitrators consider necessary, including the making of interim orders or awards or partial final awards. An interim order or award may be enforced in the same manner as a final award using the procedures specified below. Further, the arbitrator is or arbitrators are authorized to make pre- or post-award interest at the interest rate specified in Subsection 8.4.
- (F) The arbitrator or arbitrators must render a reasoned award in writing. This award shall be based upon a decision which must detail the findings of fact and conclusions of law on which it rests.
- (G) The Dispute will be resolved as quickly as possible. The arbitrator's or arbitrators' award must be issued within three (3) Months from completion of the hearing, or as soon as possible thereafter.

### **13.7 Enforceability.**

- (A) All disputes arising under this Agreement not resolved by the Parties via mediation and/or arbitration will be resolved in the state or federal courts of Alaska in Anchorage, Alaska. Each party, to the extent permitted by law, knowingly, voluntarily, and intentionally waives its right to a trial by jury in any action or other legal proceeding arising out of or relating to this Agreement and the transactions it contemplates. This waiver applies to any action or legal proceeding, whether sounding in contract, tort, or otherwise.
- (B) Except for proceedings to preserve property pending determination by the arbitrator or arbitrators or to enforce an award, the mandatory exclusive venue for any judicial proceeding permitted in this Agreement is Anchorage, Alaska. The Parties consent to the jurisdiction of the state and federal courts in Anchorage, Alaska, and waive any defenses they have regarding jurisdiction.
- (C) Proceedings to enforce judgment entered on an award may be brought in any court having jurisdiction over the person or assets of the non-prevailing Party. The prevailing Party may seek, in any court having jurisdiction,



judicial recognition of the award, or order of enforcement or any other order or decree that is necessary to give full effect to the award.

### **13.8 Confidentiality.**

- (A) The Parties agree that any Dispute and any negotiations, mediation and arbitration proceedings between the Parties in relation to any Dispute shall be confidential and will not be disclosed to any third party.
- (B) The Parties further agree that any information, documents or materials produced for the purposes of, or used in, negotiations, mediation or arbitration of any Dispute shall be confidential and will not be disclosed to any third party.
- (C) Without prejudice to the foregoing, the Parties agree that disclosure may be made:
  - (1) In order to enforce any of the provisions of this Agreement including without limitation, the agreement to arbitrate, any arbitration order or award and any court judgment.
  - (2) To the auditors, legal advisers, insurers and affiliates of that Party to whom the confidentiality obligations set out in this Agreement shall extend.
  - (3) Where that Party is under a legal or regulatory obligation to make such disclosure, but limited to the extent of that legal obligation.
  - (4) With the prior written consent of the other Party.
- (D) The Parties agree to submit to the jurisdiction of the state and federal courts in Anchorage, Alaska, for the purposes of any proceedings to enforce this Section 13.8.

## **14. ADJUSTMENT OF PRICE UNDER EXISTING GAS SALES AGREEMENT**

The Gas Sale and Purchase Agreement between Seller and Buyer with an Effective Date of August 1, 2017 (“Existing GSA”), contemplates deliveries through March 31, 2021. Seller and Buyer agree that commencing on the Effective Date, and throughout the remainder of its term on March 31, 2021, the price for all deliveries of Gas under the Existing GSA shall be Seven Dollars and Sixty Cents (\$7.60) per Mcf. This price adjustment shall be effective on January 1, 2021 notwithstanding any other provision regarding the effective date of this Agreement.

## **15. MISCELLANEOUS**

- 15.1 Authority.** Each Party covenants to each other Party that it has the legal authority to enter into and perform this Agreement and each obligation assumed by such

Party under this Agreement.

- 15.2 Further Assurances.** The Parties shall at their own cost and expense execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to evidence or perform the intent and purposes of this Agreement or to show the ability to perform the intent and purposes of this Agreement.
- 15.3 No Duty to Third Parties.** This Agreement is made for the sole benefit of the Parties and their respective successors and assigns. The Parties do not intend to create, and this Agreement will not be construed to create, by implication or otherwise, any rights in any other person or entity not a Party to this Agreement, and no such person or entity will have any rights or remedies under or by reason of this Agreement, or any right to the exercise of any right or power hereunder or arising from any default hereunder.
- 15.4 No Partnership.** The execution and performance of this Agreement is not intended by the Parties to create and will not be construed to create any partnership or business association between the Parties.
- 15.5 Right to Examine Books and Records.** Each Party to this Agreement, at its sole expense, will have the right to audit the books and records of the other Party relating to performance of this Agreement. All audits will be conducted in accordance with professional auditing standards and during normal business hours. The audited Party will fully cooperate with the auditing Party to accomplish the audit as expeditiously as possible. Each Party's right to audit will remain in effect until two (2) years after termination or expiration of this Agreement.
- 15.6 Conflicts of Interest.** Each Party represents and warrants to the other Party that said Party or its subcontractors, and its and their owners, shareholders, partners, directors, offices, employees or other agents have neither paid, agreed to pay, nor will pay, any sums, kickbacks, or other such consideration to any owners, shareholders, partners, directors, offices, employees or other agent of the other Party, or to any third party in connection with this Agreement, nor has any such payment or agreement for payment been requested or solicited by any such owners, shareholders, partners, directors, offices, employees or other agents.
- 15.7 Binding Nature; Successors and Assigns; Assignment.** This Agreement shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective Parties hereto, and the covenants, conditions, rights and obligations of this Agreement shall run for the full term of this Agreement. This Agreement is assignable only with the prior written consent of the other Party, which consent will not be unreasonably withheld. No assignment for which written consent has been received will be effective until the assignee agrees in writing to assume and fully perform the terms of this Agreement.

- 15.8 Seller Not A Public Utility.** Seller is not a public utility and nothing contained herein will be deemed as a dedication to the public of the Natural Gas, or any land, wells, pipelines, or other facilities, or any part thereof.
- 15.9 Counterparts.** This Agreement may be executed by the Parties in any number of counterparts and on separate counterparts, including electronic transmittals, each of which when so executed will be deemed an original, but all such counterparts, when taken together, will constitute but one and the same Agreement. In the event one Party executes the Agreement, and the other Party does not execute the Agreement within ten (10) Days of the first Party's execution, the execution of the Agreement by the first Party will be deemed null and void.

*The remainder of the page intentionally left blank.*

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as of the date set forth in the preamble.

**IMPORTANT NOTICE: THIS AGREEMENT CONTAINS PROVISIONS REGARDING INDEMNITIES AND WARRANTIES THAT EXPRESS THE AGREEMENT OF THE PARTIES CONCERNING CLAIMS ARISING OUT OF THIS AGREEMENT.**

**HILCORP ALASKA, LLC**

**INTERIOR ALASKA NATURAL GAS  
UTILITY**

**Signature:**

**Signature:**

\_\_\_\_\_

\_\_\_\_\_

**Name:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

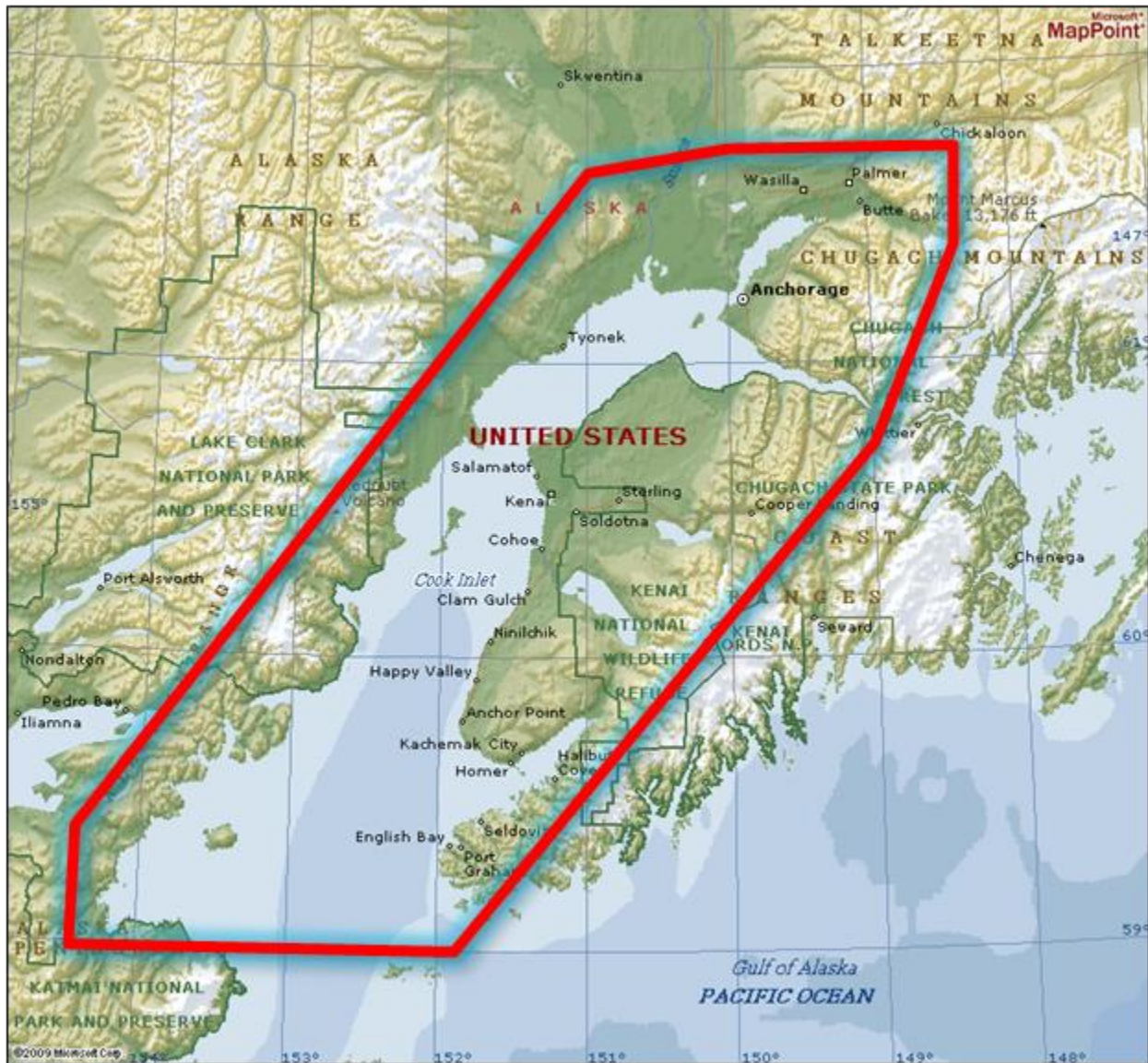
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**Date:** \_\_\_\_\_

# GAS SALE AND PURCHASE AGREEMENT

## Exhibit A Map of Cook Inlet Area



## **GAS SALE AND PURCHASE AGREEMENT**

### **Exhibit B Delivery Points**

The following Delivery Points are authorized under this Agreement. Unless otherwise agreed by the Parties, Seller may deliver Gas sold under this Agreement at any Delivery Point listed herein.

- (1) Any delivery point connecting to the APL West pipeline system. Deliveries will generally be made to any of the following points connecting to the APL pipeline system:
  - (a) 170 (BRU)
  - (b) 600W (Ivan River)
  - (c) 168 (Lewis River)
  - (d) 8101 (KBPL to APC)
  - (e) 189 (Pretty Creek)

# Director Requests for IGU Information

# Closing Comments

- General Manager
- IGU Attorney
- Directors



# ADJOURNMENT