

**AMENDMENT #2
to the
PROFESSIONAL SERVICES CONTRACT BETWEEN**

State of Alaska
Legislative Budget & Audit Committee
State Capitol Building, Room 502
Juneau, AK 99801

AND

PFC Energy, LLC
1300 Connecticut Avenue, N.W. Suite 800
Washington, DC 20036, USA

***Amended Contract Amount – Not to Exceed: \$1,650,000
(including reimbursement for expenses)***

The parties to this contract Amendment #2 are the State of Alaska, Legislative Budget & Audit Committee, hereinafter referred to as the “Committee,” and PFC Energy, LLC, hereinafter referred to as the “Consultant.”

This Amendment #2 amends the parties’ contract dated January 4, 2012, as amended on May 2, 2012. This amendment becomes effective when the amendment is signed by the Chair of the Committee.

WHEREAS the Committee finds that it will continue to need ongoing services from the Consultant under Task 6 of the proposal during the Twenty-Eighth Alaska State Legislature;

WHEREAS the Legislature’s consideration of the matters covered by the tasks identified under the contract has evolved during the contract to include an additional related area on the subject of monetizing Alaska natural gas; and

WHEREAS, in order to handle the need for ongoing services and the evolution into an additional related area, the Committee wants to extend the contract and add a task to the contract;

The parties, therefore, amend the contract as follows:

THE PURPOSE OF THIS CONTRACT is modified to read: THE PURPOSE OF THIS CONTRACT IS TO PROVIDE THE LEGISLATURE WITH PROFESSIONAL FISCAL ANALYSIS and CONSULTING RELATED TO ALASKA'S UPSTREAM OIL AND GAS SECTOR, TO ALASKA'S OIL AND GAS FISCAL SYSTEMS, AND TO PROPOSALS FOR MONETIZING NORTH SLOPE GAS.

Clause I (A) is modified to add the following:

The Consultant will continue to provide professional services under Task 6 of the proposal related to Alaska's oil and gas fiscal systems. The Consultant will provide assistance understanding and evaluating proposals for monetizing Alaska natural gas and associated fiscal issues.

Clause II (A) is modified to read:

The period of performance under this Contract shall be from December 12, 2011 through January 31, 2014 unless terminated earlier as provided herein, or extended by mutual agreement of the parties. All reports and analysis shall be completed and any necessary reviews and other summary writing required shall be completed and delivered to the Chair of the Committee by January 31, 2014.

Clause II (B) is amended to read:

- (B) Upon delivery of written notice to the Consultant, this contract may be terminated by the Chair of the Committee or the project director with or without cause. To terminate, the Committee shall provide notice by e-mail or delivery of hard copy to the Consultant, whichever method is selected in the sole discretion of the Committee. If this contract is so terminated and the termination is not based on a breach by the Consultant, the Committee shall compensate the Consultant for services provided under the terms of this contract up to the date the termination notice is delivered, provided the Consultant provides the Committee with a statement in writing containing a description of the services provided prior to contract termination, and a copy of all documents, reports, material and other items required to be delivered to the project director by Clause VII of this contract. The compensation to be paid under this paragraph (B) will be based on the professional fee rate structure and travel expense calculation established under Clause III (A) and (B) of this contract, as amended by this amendment.

Clause III is amended to read:

CLAUSE III – COMPENSATION AND METHOD OF PAYMENT

- (A) The Consultant shall be compensated based on the following professional fee rate structure for work performed on or after the effective date of this Amendment #2:

<u>Staff Position</u>	<u>Day Rate/Billing Rate</u>
Partner	\$5,200
Senior Director	\$4,200
Director	\$3,500
Senior Manager	\$3,000
Manager	\$2,400
Senior Analyst	\$1,900
Analyst	\$1,500

Work shall be directed with the overall goal of providing the Committee with the best possible analysis in the most efficient and least costly manner.

For the purposes of this section, each travel day will be billed at ½ of the day rate.

- (B) For travel occurring on or after the effective date of this Amendment #2, the Consultant shall be reimbursed under this paragraph (B) for direct travel expenses necessary to perform this contract if the Project Director requires Consultant personnel to travel to Alaska. Actual expenses, calculated without markup, for transportation and lodging that are supported by receipts and that are approved by the Project Director will be reimbursed to the Consultant. Daily per diem for meals and incidentals will be paid, upon approval by the Project Director, to the Consultant based on the federal per diem rate and calculated according to the policies set forth in the Alaska Administrative Manual 60.250 pertaining to Travel: Meal and Incidental Expense Allowances.
- (C) The Consultant shall submit monthly billings for the work under this contract. A billing must be approved by the Chair of the Committee or the Project Director before it is paid.
- (D) If a payment is not made within 90 days after the Committee has received a billing, the Committee shall pay interest on the unpaid balance of the billing at the rate of 1.5 percent per month from, and including, the 91st day through the date payment is made. A payment is considered made on the date it is mailed or personally delivered to the Consultant.
- (E) Total payments under this contract may not exceed \$1,650,000, including reimbursement for expenses.

Clause VII is amended to read:

CLAUSE VII – RECORDS; AUDIT; OWNERSHIP AND REUSE OF DOCUMENTS

(A) For work performed on and after the effective date of this Amendment #2, in addition to any other records required by this Contract, the Consultant shall accurately maintain detailed time records that state the date of the work, break down the time into hours and describe in detail the work done during the hour, and identify which individual did the work. The Consultant shall also keep any other records that are required by the Project Director. The records required by this contract are subject to inspection by the Committee or the project director at all reasonable times.

(B) All documents, reports, material, and other items generated as a consequence of work done under this contract are the property of the Committee. To the extent the Consultant has any interest in the copyright for these items under the copyright laws of the United States, the Consultant transfers, by this contract, any and all interest the Consultant has in the copyright for these items to the Committee, and the Committee will be the owner of the copyright for these items. Upon completion of the work or the termination of this contract, the items shall be delivered to the Chair of the Committee or project director. Consultant acknowledges that all the items are Committee records and, as a result, are public records. Notwithstanding the above provisions, Clause VII(B) does not give the Committee proprietary rights to Consultant's pre-existing designs, technology, know-how, patents, models or data, including, but not limited to, materials that were prepared for Consultant's online subscription services or multi-client studies.

Clause X is amended to read:

CLAUSE X – ASSIGNMENT OR TRANSFER

Assignment or transfer of the contract entered into is subject to Sec. 160 of the Procurement Procedures of the Alaska State Legislature.

Clause XIII is amended to read:

CLAUSE XIII – CERTIFICATION

Execution of this contract amendment by the Committee Chair and the signing of this contract amendment by the Certifying Authority hereby constitute a certification that funds are available in an appropriation to pay for work performed starting December 12, 2011 and running through June 30, 2013. Availability of funds to pay for work performed from July 1, 2013 through January 31, 2014, is contingent upon appropriation of funds for the next fiscal year. Notwithstanding any other provision of this amended contract, if, in the judgment of the certifying authority of this contract amendment, sufficient funds are not appropriated for that fiscal year, the amended contract will be terminated under Clause II or amended.

As required by Legislative procurement procedures, a majority of the members of the Legislative Budget and Audit (LB&A) Committee authorized this Contract entered into December 13th,

2011, approved the exemption under Section 040 (a) (1), and approved a motion for the expenditure of funds for this purpose at its December 5, 2011 meeting. A copy of the justification for the exemption is attached as Attachment #2 to this contract.

A motion for the expenditure of funds as required by Amendment #1 to this contract was approved by a majority of the LB&A Committee at its April 25th, 2012 meeting.

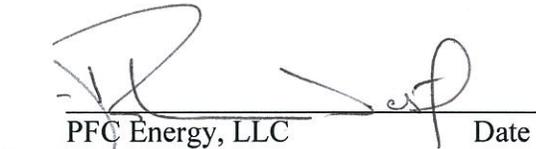
The execution of this Amendment #2, including the exemption under Section 040 (a) (1), was authorized by a majority of the members of the Committee at its October 16th, 2012 meeting. A copy of the justification for the exemption is attached as Attachment #1 to Amendment #2.

All other terms of the contract remain the same.

IN WITNESS WHEREOF, the parties have executed this contract amendment on the dates indicated below:

CONSULTANT

COMMITTEE



PFC Energy, LLC
J. Robinson West
Chairman & CEO
Tax ID No: 52-1350858
Date



Representative Mike Hawker
Chair,
Legislative Budget & Audit Committee
Procurement Officer
Date 10.16.12

CERTIFYING AUTHORITY



Kristin Curtis
Legislative Auditor
Date 10/16/12

APPROVED AS TO FORM:



Legal Counsel
Date 10-11-12

Attachment #1 to Amendment #2

Professional Services Contract between

Legislative Budget & Audit Committee and PFC Energy, LLC

Written Justification for Section 040 (a) (1) Exception

Under Section 040 (a) (1) of the Legislative Procurement Procedures, it is not practicable to award this contract amendment by competitive sealed bidding, competitive sealed proposals, or other competitive method. In compliance with Section 040 (a) (1) of the Legislative Procurement Procedures, it is not practicable to award this contract amendment by competitive sealed bidding, competitive sealed proposals, or other competitive method.

This amendment provides continuity of specialized professional services supporting legislative work that was not completed during the initial contract term, as was contemplated when that contract was originally awarded. This amendment extends the term of services for a contractor who is uniquely capable of providing an in-place project team with extensive and particular experience and knowledge that resulted directly and irreplaceably from the work performed during the initial term of the contract. Additionally, the scope of the contractor's work is being revised to accurately reflect the evolution of the legislature's consideration of the matters contemplated in the original agreement as those matters, themselves, are evolving independently of the legislature.

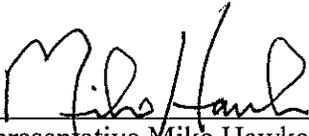
The services and work product being secured is required solely for the purposes of, and in the best interests of, the Legislative Budget and Audit Committee (LBA) in meeting the requirements of the Legislature to investigate, understand, and evaluate possible changes to Alaska's oil and gas fiscal systems and proposals to monetize Alaska's natural gas resources.

Through the prior performance of the original contract dated January 4, 2012, and Amendment No. 1 to the contract dated May 2, 2012, the contractor has become more familiar with the factual circumstances of oil and gas production in Alaska, and has, through performance of the contract, honed its expertise through preparing reports and otherwise fielding questions from legislators individually, and during committee hearings. The expertise the contractor has developed so far is unique to Alaska, and took place over nearly a year of performance of the contract and Amendment No. 1.

Given the pace of developments in the world energy markets, and the work to develop Alaska's Oil and Gas resources in relation to the world energy markets for the benefit of all Alaskans, it is in the best interests of the legislature to exempt this contract amendment from competitive sealed bidding. Award of Amendment No. 2 by competitive sealed bidding would be impracticable, and could result in the loss of the current contractor's unique expertise, and incur the substantial

expense and investment of time and resources to develop the necessary expertise and experience with a new contractor.

Accordingly, it is in the best interests of the legislature that the Legislative Budget and Audit Committee (LBA) award a contract amendment to PFC Energy, LLC on these matters without competitive solicitation.

 10.16.12

Representative Mike Hawker Date
Chair, Legislative Budget and Audit Committee
Procurement Officer