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LEGISLATIVE AUDIT

PROFESSIONAL SERVICES CONTRACT BETWEEN

Legislative Budget and Audit Committee

AND

Alaska Natural Resources to Liquids, LLC

CONTRACT AMOUNT: \$35,200

The parties to this Contract, made and entered into the date the Chair of the Legislative Budget and Audit Committee signs the Contract, are the Legislative Budget and Audit Committee, whose address is Room 429, State Capitol, Juneau, Alaska 99801 -1182, hereinafter referred to as the "Committee," and Alaska Natural Resources to Liquids, LLC whose address is 310 K Street, Suite 200, Anchorage, Alaska 99501, hereinafter referred to as the "Consultant."

THE PURPOSE OF THIS CONTRACT IS TO PROVIDE AN OVERVIEW OF A NORTH SLOPE GAS TO LIQUID (GTL) OPTION AS THE STATE EVALUATES PROPOSALS FOR THE DEVELOPMENT OF A NATURAL GAS PIPELINE.

IT IS THEREFORE MUTUALLY AGREED THAT:

CLAUSE I- STATEMENT OF WORK

Consultant will provide an overview of a North Slope GTL option as the State of Alaska evaluates proposals for the development of a natural gas pipeline. Consultant will provide both a written report ("Report") and oral testimony on the Report to the

Legislature on the potential of a GTL option for developing North Slope Natural Gas. The Report will cover the following areas of interest:

- An overview of current available GTL technologies;
- An overview of federal economic support for GTLs;
- An overview of the market for GTL products;
- An overview of the transportation products market on the U.S. West Coast;
- A general comparison of the U.S. natural gas and crude oil markets;
- A general economic overview of a North Slope GTL option;
- An overview of environmental concerns with GTL manufacture;
- An overview of the benefits of the GTL process for North Slope operations;
- An overview of the benefits of batching GTL products, Natural Gas Liquids (NGLs) and crude oil in the Trans Alaska Pipeline System (TAPS) oil line; and
- A general overview of the benefits of phased GTL development versus full-scale GTL development or other mega projects.

CLAUSE II - PERIOD AND DATES OF PERFORMANCE AND TERMINATION

- (A) The work under this Contract shall begin on April 1, 2008, and terminate June 30, 2008.
- (B) This Contract may be terminated by the Committee upon delivery of written notice to the Consultant. If this Contract is so terminated, and the termination is not based on a breach by the Consultant, the Consultant shall be compensated for services provided under the terms of this Contract to the date of termination if the Consultant provides the Committee with a written report containing a description of the services performed, a statement of the results or conclusions formed based upon any research or analysis performed, and a copy of the written material produced during the Contract.

CLAUSE III - COMPENSATION AND METHOD OF PAYMENT

- (A) For the work specified in this Contract the Consultant shall be compensated \$35,200.00.
- (B) Payment shall be based on proper billing provided in one statement by the Consultant upon delivery of the Report to the Project Director.
- (C) The Committee will not pay a billing unless approved by the Project Director and the Committee Chair.
- (D) If a payment is not made within 30 days after the Project Director has received a proper 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 31st 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 \$35,200.00.

CLAUSE IV - PROJECT DIRECTOR

The Project Director is Cheryl Sutton, Aide to the Committee.

CLAUSE V – COVERAGE UNDER THE ETHICS LAW

The Consultant may be subject to the provisions of AS 24.60 (Legislative Ethics) as a legislative employee unless excluded from the definition of “legislative employee” under AS 24.60.990(a) (11). Select Committee on Legislative Ethics Advisory Opinion 99-01 concludes that “any contractors who are paid through the state payroll system, contractors (or those designated within a contracting firm or company) with the Ethics Committee and those services or professional services contractors with legislative contracts over \$5,000, who will incur more than incidental use of state resources or who either contract for legislative policy related services or who are designated to represent the Legislature in a policy-related capacity, fall within the legislative employee definition and are therefore subject to the legislative ethics code.”

CLAUSE VI – EXPENSES AND DUPLICATION

- (A) Except as may be otherwise provided by Clause III and (B) of this clause, the office space, equipment, supplies, clerical support and other expenses that are necessary for the Consultant to carry out the Consultant’s obligations under this Contract shall be supplied and paid by the Consultant at no cost to the Committee.
- (B) Duplicates of any material or other item produced under this Contract may be produced by the Committee; the office space, equipment, supplies, clerical support, and other expenses required for duplication shall be supplied by the Committee.

CLAUSE VII – RECORDS, DOCUMENTS, AUDIT

The Consultant shall accurately maintain those records which are required by the Project Director. The records are subject to inspection by the Committee or the Project Director at all reasonable times for two (2) years following the delivery of the Report to the Project Director. Except for items licensed under this clause, all documents, reports, material, and other items generated as a consequence of work performed under this Contract are the property of the Committee. To the extent they are works of authorship, they are deemed to be works made for hire under the copyright laws of the United States and will be and remain the sole and exclusive property of the Committee. If an item is not eligible under U.S. copyright laws to be a work made for hire, the Consultant assigns to the Committee a perpetual license to use the items in the Committee's operations. Upon completion of the work or the termination of this Contract, the items shall be delivered to the Project Director.

CLAUSE VIII - INDEMNIFICATION

The Consultant shall indemnify, save harmless, and defend the Committee, and the Committee's officers, agents and employees from liability for any claim, including, but not limited to, costs and attorney fees arising from the claim, arising from Consultant's negligence or intentional misconduct in the performance of Consultant's obligations under this Contract.

CLAUSE IX - VENUE

In the event that the parties to this Contract find it necessary to litigate the terms of the Contract, venue shall be the State of Alaska, First Judicial District at Juneau, and the Contract shall be interpreted according to the laws of Alaska.

CLAUSE X - ASSIGNMENT

This Contract may not be assigned to another party unless in accordance with Sec. 160 of the Procurement Procedures of the Alaska State Legislature.

CLAUSE XI - WORKERS' COMPENSATION

During the life of this Contract, the Consultant, if Consultant hires employees, shall provide and maintain workers' compensation insurance covering all employees of Consultant. The Consultant shall require any subcontractor, if the subcontractor has employees, to provide and maintain workers' compensation insurance for the subcontractor's employees. Consultant shall provide the Committee, upon request, with written proof of the coverage required by this clause.

CLAUSE XII - CERTIFICATION

Execution of this Contract by the Legislative Auditor or her designee hereby constitutes a certification that funds are available in an appropriation to pay for work performed starting April 1, 2008, and through June 30, 2008.

CLAUSE XIII - MODIFICATION AND PREVIOUS AGREEMENTS

This document contains all terms and conditions agreed upon by the parties. No other understandings, oral or otherwise, regarding the subject matter of this contract shall be deemed to exist or to bind either of the parties to this Contract.

This Contract may be amended by mutual agreement of the parties but any amendment must be in writing and signed by the parties,

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

CONSULTANT

Alaska Natural Resources to Liquids, LLC

AGENCY

Legislative Budget & Audit Committee



Richard Peterson Date

Member

Tax ID: 76-2895559



Representative Ralph Samuels Date

Chair

Legislative Budget & Audit Committee

ACCEPTED:



Cheryl Sutton Date

Project Director

CERTIFYING AUTHORITY:



Pat Davidson Date

Legislative Auditor

APPROVED AS TO FORM:



Legal Counsel Date