

PROFESSIONAL SERVICES CONTRACT
AND TERMINATION OF APRIL 22, 2024, PROFESSIONAL SERVICES CONTRACT
BETWEEN

STATE OF ALASKA
ALASKA STATE LEGISLATURE
LEGISLATIVE BUDGET & AUDIT COMMITTEE

AND

GAFFNEY, CLINE & ASSOCIATES, INC.

TOTAL AMOUNT OF THIS CONTRACT: \$1,000,000 (amount includes reasonable travel expenses)

The parties to this Contract, made and entered into on the date the Legislative Affairs Agency Executive Director or her designee signs the Contract, are the State of Alaska, Alaska State Legislature, Legislative Budget and Audit Committee, whose address is 120 4th Street, State Capitol, Juneau, Alaska 99801-1182, hereinafter referred to as the "Committee," and Gaffney, Cline & Associates, Inc., whose address is 14990 Yorktown Plaza Dr, Houston, TX 77040, hereinafter referred to as the "Contractor."

THE PURPOSE OF THIS CONTRACT Is to provide the Committee with consulting work and analysis related to Alaska's natural resources fiscal systems, including, but not limited to, oil and gas fiscal systems, gas pipelines, natural gas, liquid natural gas (LNG), carbon management, carbon offset programs, carbon credits, carbon markets, carbon capture, carbon utilization, and carbon storage.

IT IS THEREFORE MUTUALLY AGREED THAT:

CLAUSE I – GENERAL; STATEMENT OF SCOPE OF WORK AND RELATED PROVISIONS

- (A) General: Energy and natural resource development and taxation in Alaska are complex issues. Any changes to state law related to these areas will have serious consequences for the affected industries, state government, and, most importantly, the citizens of Alaska. The Legislature is considering several bills this session to stimulate more natural gas production in Alaska, address the state's oil and gas fiscal system, and regulate carbon offsets, carbon credits, and carbon markets. Therefore, the Legislature requires a contractor with proven

experience, knowledge, skills, and capabilities related to these fields to advise and educate the Legislature on these matters.

(B) Scope of Work; Direction: There are three general scopes of work under the Contract:

- a. *Natural Gas Fiscal Systems.* The Contract work includes all work necessary to ensure that the Contractor can evaluate proposed changes to the state's fiscal systems related to natural gas and LNG. This requires an in-depth understanding of Alaska's current fiscal systems as they apply to the gas basins of the North Slope, Cook Inlet, and Middle Earth. For the Cook Inlet region of Alaska, this will include research needed to accurately advise the Legislature on all matters related to natural gas in the region, including, but not limited to, the development, production, storage, and operation of LNG infrastructure, leases for gas on state lands, usefulness of a temporary reduction of royalties, and benefits of making Cook Inlet survey data available to certain persons. The Contractor shall, if requested, develop an economic model to conduct evaluations of the current natural gas fiscal systems and the changes in proposed legislation.
- b. *Carbon.* The Contract work includes all work necessary to ensure that the Contractor can evaluate proposed changes to the state's carbon programs, including, but not limited to, carbon offset programs, carbon credits, carbon markets, carbon capture, carbon utilization, and carbon storage laws and policies. The Contractor shall educate the Legislature on carbon management policy as it is developed and applied to state lands nationally. In addition, the Contractor shall provide information and education on carbon offset programs, carbon credits, and carbon markets and, if requested, provide analytic models of carbon matters. The Contractor shall also provide guidance to the Legislature on the impact to state policy of 26 U.S.C. 45Q (Internal Revenue Code). The Contractor shall review ch. 2, SLA 2023 (SB 48, enacted by the 33rd Legislature) in preparation for the work under this Contract and any proposed legislation, including, but not limited to, House Bill 50, introduced by the 33rd Legislature.
- c. *Oil and Gas Fiscal Systems.* The Contract work includes all work necessary to ensure that the Contractor can evaluate proposed changes to Alaska's oil and gas fiscal system, including, but not limited to, the fiscal system that applies to the oil and gas basins of the North Slope, Cook Inlet, and Middle Earth, and Alaska's gas pipelines along with changes made to the oil and gas fiscal system over the last two decades. The Contractor will develop and vet a quantitative model of the state's current oil and gas fiscal system, analyze proposed changes to the fiscal system, and inform the Legislature of the effects of proposed statutory changes on the state's finances, oil and gas industry investment, basin development, and the state's relative competitiveness in attracting oil and gas investment dollars when compared

against other international jurisdictions. The Contractor shall also, on request, provide the Legislature with information on ways to improve the state's oil and gas fiscal system and educate the Legislature on various topics related to oil and gas fiscal systems.

To ensure that the Contractor is prepared to evaluate proposed changes to the state's oil and gas fiscal system, the Contractor shall review House Bill 3001 of 2006 ("Petroleum Production Act" or "PPT"), House Bill 2001 of 2007 ("Alaska's Clear and Equitable Share" or "ACES"), House Bill 280 of 2010 ("Cook Inlet Recovery Act"), Senate Bill 21 of 2013 ("More Alaska Production Act" or "MAPA"), House Bill 247 of 2016, and any oil and gas fiscal legislation that has passed or passes during the 2024 Legislative Session or that is proposed or considered during the term of this Contract that relates to oil and gas, LNG, or the operation of liquid natural gas.

The Contractor shall develop an economic model with which to evaluate the current fiscal system and the changes in proposed legislation, including, but not limited to, Senate Bill 114, and may include a request for the Contractor to provide information on improvements to the oil and gas fiscal system and the effects of proposed changes of legislation.

The Contractor is required to be available to the Legislature on an as-needed basis to review proposed changes and legislation, provide quantitative and qualitative analysis through written reports, visuals, and verbal presentations in legislative committee meetings, and testify as an expert in legislative committee meetings related to the scopes of work under this Contract. The amount of work will be largely dependent upon the amount of legislation introduced proposing changes during the regular and any special legislative sessions. Regular sessions begin in January each year and last for up to 121 days. In addition, special sessions may be held to address specific matters at any time of the year.

The Contractor will perform all work at the direction of the Project Director, including, but not limited to, scopes of work, projects, and deadlines, directed by the Project Director.

CLAUSE II - PERIOD AND DATES OF PERFORMANCE

This Contract shall begin on the date the contract is signed by the Executive Director of the Legislative Affairs Agency or her designee, and terminates at 11:59 p.m. Alaska Time on June 30, 2025, with the Committee then having two (2) one-year renewal options remaining in the Contract, unless terminated earlier as provided under the Contract.

CLAUSE III - COMPENSATION

- (A) The Contractor shall be paid at the following hourly rates for services rendered by the Contractor's staff during this Contract:

Title	Hourly Rate
Executive Director	\$680.00 per hour
Director	\$578.00 per hour
Principal Advisor	\$473.00 per hour
Senior Advisor	\$420.00 per hour
Senior Consultant	\$368.00 per hour

The Contractor's staff assigned to provide services under this Contract are listed below with the Title of each staff member:

Staff Member	Staff Title
Nicholas Fulford	Director
Kerry Sandhu	Director
William Cline	Executive Director
Michael Cline	Director
Fredrick Weltge	Senior Advisor
Raeid Jewad	Principal Advisor
Devassy Varghese	Senior Consultant
Fernando Rolla	Senior Advisor

The Project Director must be notified if a staff member is replaced during the Contract. The Project Director must approve the new staff member before the new staff member provides services under this Contract.

- (B) All travel must be pre-approved by the Project Director. If approved travel is required in the performance of this Contract and supported by receipts, the Contractor will be reimbursed for transportation expenses as follows:

Air travel will be reimbursable for the cost of economy seating; ground transportation will be reimbursable for the actual cost of travel by taxi or a ride-share app; and lodging will be reimbursable at the rate of a standard hotel room. Meals will be reimbursed at the federal per diem rate. Travel will be invoiced separately from service hours. Copies of all reimbursable travel receipts must be included.

Staff travel charges will be paid at the staff hourly rate described in this Clause III (Compensation) for point-to-point travel time, except that the maximum staff travel charges while traveling may not exceed six (6) hours per day of travel. If the staff works during the travel day, charges for services rendered and staff travel are limited to a maximum of twelve (12) hours combined in one day; the Contractor may not bill for travel and services concurrently.

- (C) All payments shall be based on billings provided by the Contractor that include the items required for time records listed in Clause V (Records; Audit) of this Contract. The Project Director must approve all billings before payment may be made.
- (D) If payment is not made within 90 days after the Committee 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 91st day through the date payment is made. A payment is considered made on the date it is mailed or personally delivered to the Contractor.
- (E) Total payments under this Contract, including reimbursements for travel expenses, may not exceed ONE MILLION and No/100 Dollars (\$1,000,000.00).

CLAUSE IV - PROJECT DIRECTOR

The Project Director is appointed by the Committee Chair and is authorized to oversee and direct the activities of the Contractor under this Contract. The Committee Chair may replace the Project Director at any time and shall provide notice of the replacement to the Contractor. The Contractor will be notified in writing of the name of the Project Director upon execution of this Contract and at any time there is a change to the Project Director during the life of this Contract.

CLAUSE V – RECORDS; AUDIT

The Contractor shall accurately maintain detailed time records by the hour that state the date and detail of the work done and identify the individual(s) that did the work. The Contractor shall also keep any other records that are required by the Contract or the Project Director. The records required by this paragraph are subject to inspection by the Project Director or Committee at all reasonable times.

CLAUSE VI – MATERIALS AND PROCESSES COVERED BY PATENTS, TRADEMARKS, OR COPYRIGHTS

If the Contractor employs any design, device, material, or process covered by a patent, trademark, or copyright not held by the Contractor, the Contractor shall obtain permission to use the design, device, material, or process from its owner. The Contractor shall indemnify, hold harmless, and defend the Legislature of the State of Alaska, the Committee, the officers, agents, and employees of the Legislature and the Committee, and any affected third party from any and all claims for infringement by reason of the use of patented design, device, material or process, or any trademark or copyright, and for any costs, expenses, and damages due to infringement at any time during the work or after the completion of the work.

CLAUSE VII – OWNERSHIP AND REUSE OF DATA AND DOCUMENTS

All data, documents, reports, material, and other items generated as a consequence of work done under this Contract are the property of the Committee, including economic

models and databases created as required by this Contract. To the extent the Contractor has any interest in the copyright for these items under the copyright laws of the United States, the Contractor transfers any and all interest the Contractor 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 termination of the Contract, all items shall be delivered to the Project Director. The Contractor acknowledges that all the items are the property of the Committee. Notwithstanding this provision, the Committee will not have proprietary rights to financial models, databases, or software developed under the Contract solely for the purposes of the Contract, nor will it prevent the Contractor from making publicly available work performed under the Contract where such work has already been made publicly available by the Committee. The Committee may use these financial models, databases, or software items in its present or future legislative work.

CLAUSE VIII – INFORMAL DEBRIEFING

When the Contract is completed, an informal debriefing may be performed at the discretion of the Project Director. If performed, the scope of the debriefing will be limited to the work performed by the Contractor.

CLAUSE IX – DISPUTE

To make a claim under this Contract, the Contractor shall provide notice within 10 days of discovery of the claim or 10 days of the termination of the Contract, whichever is sooner, to the Procurement Officer that the Contractor intends to file a claim under Alaska Legislative Procurement Procedures secs. 350 - 370. The Contractor shall file the complete claim concerning this Contract with the Procurement Officer in accordance with Alaska Legislative Procurement Procedures secs. 350-370 within 90 days of the discovery of the claim or 90 days after the termination of this Contract, whichever is sooner.

CLAUSE X – VENUE

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

CLAUSE XI – FEDERAL AND STATE LAWS

In addition to the other requirements of this Contract, the Contractor must comply with all applicable Federal and State labor, wage/hour, safety, and other laws which have a bearing on the Contract and must have all licenses and permits required by the Federal government, State, and municipality for performance of the work covered by this Contract, including, but not limited to, a valid Alaska business license and any necessary applicable professional licenses. The Contractor must pay all fees associated with the licenses and permits required for performance of the Contract. The Contractor shall pay all Federal, State, and local taxes incurred by the Contractor, in the performance of the Contract. The Contractor's certification that taxes have been paid may be verified before final payment

by the Committee.

CLAUSE XII – COVERAGE UNDER THE ETHICS LAW

Certain provisions of AS 24.60 (the Legislative Ethics Act) apply to legislative contractors. It is the responsibility of the Contractor to review AS 24.60 and remain compliant with all applicable provisions of AS 24.60 throughout the term of the Contract.

CLAUSE XIII – INDEMNIFICATION

The Contractor shall indemnify, hold harmless, and defend the Committee, the Alaska State Legislature, and officers, agents, and employees of the Committee and the Alaska State Legislature from liability of any nature or kind, including, but not limited to, costs, attorney fees, and expenses, for or on account of any and all legal actions or claims of any character whatsoever resulting from injuries or damages sustained by any person or persons or property as a result of any error, omission, or negligence of the Contractor that occurs on or about the Committee's or State of Alaska premises or that relates to the Contractor's performance of its contractual obligations.

CLAUSE XIV – INSURANCE

Without limiting indemnification responsibilities under Clause XIII (Indemnification) of this Contract and Clause VI (Materials and Processes Covered by Patents, Trademarks, or Copyrights), the Contractor shall purchase at its own expense and maintain in force at all times during the performance of services under this agreement, the policies of insurance listed below. Where specific limits are shown, it is understood that they shall be the minimum acceptable limits. If the Contractor's policy contains higher limits, the Committee is entitled to coverage to the extent of such higher limits. Certificates of insurance must be furnished to the Project Director prior to beginning work and must provide for notice of cancellation, nonrenewal, or material change of conditions. Failure of the Contractor to furnish the Committee with satisfactory evidence of insurance, or to notify the Project Director of the lapse of, or material change in, a policy, is a material breach of the Contract and shall be grounds for termination of the Contractor's services. All insurance policies shall comply with and be issued by insurers authorized in Alaska or another state to transact the business of insurance.

Workers Compensation Insurance: The Contractor shall provide and maintain, for all employees engaged in work under this Contract, coverage as required by AS 23.30.045, and as required by any other applicable statute. The policy must waive subrogation against the state.

Commercial General Liability Insurance: Covering all business premises of, and operations by or on behalf of, the Contractor in the performance of the Contract, including, but not limited to, blanket contractual coverage, products coverage, premises and operations coverage, independent Contractor's coverage, broad form property damage endorsement, and personal injury endorsement; the policy must have minimum coverage limits of \$1,000,000 combined single limit per occurrence

and annual aggregates where generally applicable. Unless waived by the Committee, the insurance policy shall name the Committee as an additional insured.

Commercial Automobile Liability Insurance: Covering all vehicles used by the Contractor in the performance of work under this Contract with minimum coverage limits of \$500,000 combined single limit per occurrence.

Professional Liability Insurance: Covering all errors, omissions, or negligent acts in the performance of the professional services under this agreement with minimum coverage limits of \$1,000,000 combined single limit per occurrence and annual aggregate.

All insurance shall be considered to be primary and non-contributory to any other insurance carried by the Committee through self-insurance or otherwise. The Contractor shall provide evidence of continuous coverage by submitting, without reminder, annual renewal certificates for the required insurance to the Project Director for the life of the Contract.

CLAUSE XV - NONDISCLOSURE AND CONFIDENTIALITY

The Contractor agrees that all confidential information shall be used only for purposes of providing the deliverables and performing the work specified in this Contract and shall not disseminate or allow dissemination of confidential information except as provided for in this Clause XV (Nondisclosure and Confidentiality) of the Contract. The Contractor shall hold as confidential and will use reasonable care (including both physical security and electronic security) to prevent unauthorized access by, storage, disclosure, publication, dissemination to, or use by third parties of, the confidential information. "Reasonable care" includes compliance by the Contractor with all applicable federal and state laws. The Contractor must promptly notify the Committee in writing if it becomes aware of any improper storage, disclosure, loss, unauthorized access to, or use of any confidential information.

Confidential information, as used in this Contract, means any data, files, software, information, or materials (whether prepared by the State, the Committee, or their agents, advisors, or contractors) in oral, electronic, tangible, or intangible form and however stored, compiled, or memorialized, that is classified confidential as defined by the State of Alaska Information Security Policies adopted by the Department of Administration and provided by the Committee to the Contractor or the Contractor's agent or otherwise made available to the Contractor or the Contractor's agent in connection with the Contract, or acquired, obtained, or learned of by the Contractor or the Contractor's agent in the performance of the Contract. Examples of confidential information include but are not limited to, personal information, health data, financial data, trade secrets, equipment specifications, user lists, passwords, research data, and technology data (infrastructure, architecture, operating systems, security tools, IP addresses, etc.).

Additionally, all data, documents, reports, material, and other items generated as a consequence of work done under this Contract and all related working papers shall be

held by the Contractor as confidential.

CLAUSE XVI – HUMAN TRAFFICKING

By signature on this Contract, the Contractor certifies that the Contractor is not headquartered in a country recognized as Tier 3 in the most recent United States Department of State's Trafficking in Persons Report.

In addition, if the Contractor conducts business in but is not headquartered in a country recognized as Tier 3 in the most recent United States Department of State's Trafficking in Persons Report, a certified copy of the Contractor's policy against human trafficking must be submitted to the Committee prior to contract execution.

The most recent United States Department of State's Trafficking in Persons Report can be found at the following website: <https://www.state.gov/bureaus-offices/under-secretary-for-civilian-security-democracy-and-human-rights/office-to-monitor-and-combat-trafficking-in-persons/>.

If the Contractor fails to comply with this paragraph, the Committee may without liability, cancel this Contract.

CLAUSE XVII – ASSIGNMENT OR TRANSFER OF CONTRACT

Assignment or transfer of the Contract is subject to Sec. 160 of the Alaska Legislative Procurement Procedures.

CLAUSE XVIII – BINDING ON SUCCESSORS

Subject to Clause XVII (Assignment or Transfer of Contract) and Clause XX (Severability of Contract) of this Contract, the Contract and all the covenants, provisions, and conditions contained in the Contract shall inure to the benefit of and be binding upon the successors and assigns of the Contractor and the Committee.

CLAUSE XIX – BREACH OF CONTRACT

In case of a breach of the Contract, for whatever reason, by the Contractor, the Committee may procure the services from other sources and hold the Contractor responsible for damages resulting from the breach.

CLAUSE XX – SEVERABILITY OF CONTRACT

If any provision of this Contract is declared by a court to be illegal or in conflict with any law, the Committee and the Contractor shall be bound by the remainder of the Contract without the provision.

Clause XXI – EXCLUSIVITY & NON-CONFLICT OF INTEREST

During the term of this Contract and any renewals under the Contract, the Contractor agrees to not work or agree to perform work that would cause a conflict of interest or perceived or potential conflict of interest with the work of the Committee. The Contractor will not accept work, enter into a contract, amend an existing contract, or accept an obligation or duty from a third party that is substantially similar to the scope of work of this Contract. Contractor warrants that there is no other existing contract, agreement, obligation, or duty on its part that is substantially similar to the scope of work of this Contract.

CLAUSE XXII – TERMINATION OF CONTRACT

Upon delivery of written notice to the Contractor, this Contract may be terminated by the Committee Chair with or without cause. To terminate, the Project Director shall provide notice by email or delivery of a hard copy to the Contractor; the method selected for notice is at the sole discretion of the Project Director. If the Contract is terminated and the termination is not based on a breach by the Contractor, the Committee shall compensate the Contractor for services provided under the terms of the Contract up to the date the termination notice is delivered, provided the Contractor provides the Committee with a statement in writing containing a description, including, but not limited to, the detailed records required by Clause V (Records; Audit) of the services provided prior to contract termination and any other records requested by the Project Director.

CLAUSE XXIII – TIME

Time is of the essence for this Contract.

CLAUSE XXIV - AUTHORIZATION; CERTIFICATION

Execution of this Contract and Termination of the April 22, 2024, Professional Services Contract was authorized by a majority of the members of the Committee at a meeting on May 6, 2024.

The Alaska Legislative Procurement Procedures sec. 040(a)(1) procurement exemption justification was authorized by the Chair of the Legislative Budget and Audit Committee on May 6, 2024. The sec. 040 procurement exemption justification is attached as Exhibit A to this Contract.

Execution of this Contract by the Executive Director of the Legislative Affairs Agency or her designee hereby constitutes a certification that funds are available in an appropriation to pay for work performed under this Contract through June 30, 2024. Availability of funds to pay for work performed from July 1, 2024, through June 30, 2025, is contingent upon appropriation of funds for that fiscal year. If, in the judgment of the Executive Director of the Legislative Affairs Agency, sufficient funds are not appropriated for the appropriate fiscal year, the Contract will be terminated, or, if the Committee and Contractor agree in writing to amend the contract, the Contract may be amended in writing by the parties.

CLAUSE XXV - TERMINATION OF APRIL 22, 2024, CONTRACT

On the date this Contract is signed by the Executive Director of the Legislative Affairs Agency or her designee, the prior contract entered into by the Committee and the Contractor on April 22, 2024, is terminated. For work that the Contractor performed before the date this Contract is entered into, for which the Contractor has not been paid, the Contractor will provide a billing and be paid under the April 22, 2024, Contract.

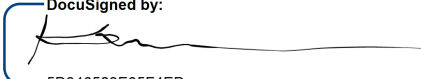
CLAUSE XXVI - MODIFICATION AND PREVIOUS AGREEMENTS


This Contract 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 not be modified unless in writing and signed by the parties to this Contract.

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

CONTRACTOR:
GAFFNEY, CLINE &
ASSOCIATES, INC.

COMMITTEE:
STATE OF ALASKA
LEGISLATIVE BUDGET & AUDIT
COMMITTEE

DocuSigned by:

7/11/2024
5D346523E85F4ED...
Kerry Sandhu Date
Director
Business License No.: 734028


DocuSigned by:

7/12/2024
CD3540F0BF4B4FC...
Representative Ben Carpenter Date
Chair
Legislative Budget & Audit Committee
Procurement Officer

CERTIFYING AUTHORITY:

APPROVED AS TO FORM:

DocuSigned by:

7/12/2024
C04855B03D574F4...
Jessica Geary Date
Executive Director
Legislative Affairs Agency


5/10/24
Legal Counsel Date