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**ALASKA LNG MIDSTREAM SERVICES
PRECEDENT AGREEMENT**

THIS PRECEDENT AGREEMENT is entered into as of this 9th day of June, 2014 (the “**Effective Date**”).

PARTIES:

TRANSCANADA ALASKA MIDSTREAM LP
a Delaware limited partnership (“**Transporter**”)

AND

THE STATE OF ALASKA,
acting in its proprietary capacity as owner of the State Gas Share
(“**Shipper**”).

RECITALS:

- A. On January 14, 2014, TADI, the State, AGDC and Affiliates of the Producer Parties (the “**HOA Parties**”) entered into a Heads of Agreement (“**HOA**”) which outlined the general principles governing the development of the Alaska LNG Project and related matters;
- B. As set forth in the HOA, the Producer Parties desire for the State to participate in the Alaska LNG Project by accepting the State Gas Share, and thereby participating with an ownership interest in the Alaska LNG Project commensurate with the percentage that the State Gas Share represents as a portion of the total natural gas flow from the Point Thomson Unit and the Prudhoe Bay Unit as reflected in the Key Project Agreements (as may be adjusted from time to time in accordance therewith, the “**Shipper Percentage**”), with the intent that the State or its designees will hold a percentage ownership interest in the Alaska LNG Project equal to the Shipper Percentage;
- C. The State selected TADI (now succeeded by its Affiliate, Transporter) to hold (in Transporter’s name) the Shipper Percentage of the equity in the Midstream Facilities of the Alaska LNG Project. Accordingly, on December 12, 2013, TADI, TC Alaska, Foothills (collectively the “**TC MOU Parties**”) and the State entered into a Memorandum of Understanding regarding the Alaska LNG Project, as clarified by the Letter of Clarification to Memorandum of Understanding, executed April 4, 2014 (collectively, the “**MOU**”);
- D. On May 8, 2014, the Enabling Legislation, as defined in the MOU, was signed into law and the provisions relevant to the MOU became effective, which Enabling Legislation is acceptable to the TC MOU Parties and the State;
- E. Pursuant to and in accordance with the MOU, TADI, through Affiliates, formed Transporter to allow Transporter, as TADI’s Affiliate, to acquire a participation interest in the Pre-FEED JVA and the FEED Agreement, and to acquire an equity participation interest in the Midstream Facilities equal to the Shipper Percentage to provide the Services to Shipper (the actual corporate structure of the Alaska LNG Project and Transporter’s equity participation interest in the Midstream Facilities are to be agreed upon by the parties to the Pre-FEED JVA and the State and finalized during the Pre-FEED process);

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- F. In order for the Parties to participate in the Pre-FEED and FEED process and to ultimately participate with the Alaska LNG Parties to make a positive FID in respect of the Midstream Facilities, the Parties acknowledge their mutual interests in furthering the development of the Midstream Facilities as part of the Alaska LNG Project; and
- G. In furtherance of the foregoing, the Parties desire to enter into this PA (which in all respects supersedes and replaces Exhibit C to the MOU) that sets forth the terms upon which the Parties will develop and enter into the FTSA.

NOW THEREFORE the Parties agree as follows:

**ARTICLE 1
DEFINITIONS AND INTERPRETATION**

1.1 Definitions

Whenever used in this PA, capitalized terms used will have the meanings set out in section 1 of Schedule A. The rules of interpretation set out in section 2 of Schedule A will apply to this PA.

1.2 Schedules

The schedules to this PA, as listed below, are an integral part of this PA:

<u>Schedule</u>	<u>Description</u>
A	Definitions and Interpretation
B	FTSA Terms
C	Negotiated Rate Principles
D	Creditworthiness Requirements
E	Audit Protocol
F	Transporter Conveyance Mechanics
G	Illustrative FTSA Table of Contents

**ARTICLE 2
PROJECT DEVELOPMENT PROCESS**

2.1 Pre-FEED Process and FTSA Development Process

The Parties agree that the process for development and execution of the FTSA as contemplated by this PA shall proceed in the following manner:

- (a) Promptly following the Effective Date, in the event the Pre-FEED JVA has not been executed, the Parties shall take reasonable commercial steps to finalize the Pre-FEED JVA. Upon agreement upon the terms of the Pre-FEED JVA by the State and the parties thereto (including Transporter), and execution of the Pre-FEED JVA by the Producer Parties and AGDC, Transporter will execute and deliver the Pre-FEED JVA simultaneously with the execution and delivery of the Pre-FEED JVA by the other parties thereto.

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- (b) Commencing promptly following the Effective Date and proceeding with reasonable dispatch, the Parties shall:
 - (i) Negotiate and seek to agree upon the final terms of the FTSA, as described in Section 2.2;
 - (ii) Determine the final contractual and regulatory structure applicable to the Midstream Facilities provision of the Services by Transporter to Shipper and such other shippers in such manner as the Parties may agree, acting reasonably, as described in Section 2.3;
 - (iii) Consult with each other in the establishment of the material provisions pertaining to the development, operation (including access to), and expansion of the Midstream Facilities to be contained in the Key Project Agreements;
 - (iv) Participate in the development of the definitive FEED Agreement and the other Key Project Agreements with a view to advancing the Alaska LNG Project to FEED and to FID; and
 - (v) Upon agreement pursuant to Section 2.2, submit to the State Legislature for approval (1) the FTSA, and (2) the FTSA Legislation, and shall support the approval of the FTSA Legislation.
- (c) Upon satisfaction of the conditions precedent set forth in ARTICLE 3 and provided this PA has not expired pursuant to Section 4.1(a) or been earlier terminated, the Parties shall execute the FTSA.

2.2 FTSA Terms

All of Section 2.2 is commercially sensitive for TransCanada and has been redacted on the basis that the State of Alaska intends to issue a Notice of Termination to TransCanada Alaska Midstream LP once an appropriation to pay TransCanada has been approved. In such case there will be no FTSA and so this Section 2.2 is not relevant.

2.3 Regulatory Strategy and Structure

- (a) Using reasonable efforts with due diligence and good faith, and pursuant to the process in Section 5.2, Transporter and Shipper shall seek to determine the appropriate strategy, in consultation with the appropriate regulatory agencies, where appropriate, in respect of Regulatory Approvals to be obtained by or on behalf of Transporter or Shipper (in their capacities as such) to allow Transporter to provide the Services as contemplated by the FTSA Terms. The strategy shall consider and incorporate, among other things, the appropriate regulatory regime and the terms of any service rules and regulations, if applicable.
- (b) The Parties agree that the intent of any such strategy, regime or regulatory structure is to be consistent with the following:
 - (i) the Pre-Construction Regulatory Approvals process for the Alaska LNG Project as a whole as reflected in the Key Project Agreements, including Article 6 of the HOA;

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- (ii) the process and schedule for (1) the Pre-FEED and FEED processes, (2) FID, and (3) construction and operation of the Midstream Facilities as determined in connection with the Alaska LNG Project as a whole as reflected in the Key Project Agreements; and
 - (iii) the FTSA Terms, the Negotiated Rate Principles, and the Creditworthiness Requirements.
- (c) In any consultation with FERC or other applicable regulatory agency in connection with the foregoing, Transporter will be the lead party for Transporter and Shipper as the primary point of communication with FERC or such other regulatory agency for the provision of Services by Transporter in respect of the Midstream Facilities (in coordination with the Pre-FEED JVA Parties, if necessary), and Shipper may participate in such communications. Nothing herein limits in any way Shipper's ability to meet and discuss issues with FERC or other applicable regulatory agencies in furtherance of its interests, including its interests (i) as a sovereign in its capacity as the State, (ii) as a shipper, and (iii) as an Affiliate of AGDC with respect to the LNG Plant. Transporter and Shipper agree that any such communications and discussions will be consistent with the terms of this PA, including the framework and agreements between the Parties pursuant to this Section 2.3.
- (d) Transporter and Shipper shall coordinate the preparation of the applications to secure the primary Regulatory Approvals in respect of the Services in conjunction with the operation of the Coordination Committee. Shipper expressly agrees to cooperate with the efforts of Transporter to obtain any such Regulatory Approvals sought by Transporter pursuant to and in accordance with Section 2.3, including providing any information that is reasonably requested by Transporter in preparing applications or prosecuting applications for such Regulatory Approvals. Shipper agrees not to appeal any such Regulatory Approvals which are issued substantially on the terms initially applied for and which are consistent with this PA, the FTSA (and FTSA Terms), the HOA and the Key Project Agreements and those items determined pursuant to Section 2.3(b) for the term of the FTSA and as considered by the Coordination Committee, unless Shipper is of the reasonable opinion that any provision or condition of such Regulatory Approvals which varies from or is in addition to the provisions or conditions initially applied for may have a material adverse effect on Shipper.

2.4 Creditworthiness Requirements

- (a) During the term of this PA and the term of the FTSA, Shipper shall establish and maintain its creditworthiness in accordance with the Creditworthiness Requirements.
- (b) Immediately prior to (i) execution of the FTSA, and (ii) FID, as reasonably requested by Shipper, Transporter shall demonstrate to Shipper's reasonable satisfaction that Transporter has provided (or is capable of providing) any required financial assurances in accordance with the Key Project Agreements.

2.5 State Shipper Requirements

For greater certainty for purposes of this PA and the FTSA (including the FTSA Terms), the following provisions shall only apply to Shipper where Shipper is the State Shipper: Section 2.3 (Regulatory Strategy and Structure), Section 4.4 (Conveyance of Transporter Alaska LNG Project Interest to Shipper), Section

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5.1 (Alaska LNG Project Information), Section 5.2 (Coordination Committee), Section 5.3 (Development Costs Approval), parts 4 and 5 of Schedule B (Buy-Back Right and Put Option), parts 17-19 of Schedule B (Expansions), and Schedule F (Transporter Conveyance Mechanics).

ARTICLE 3 CONDITIONS PRECEDENT

3.1 Shipper's Conditions Precedent

Shipper's obligation to execute the FTSA is subject to the satisfaction or written waiver (in its sole discretion) of the following conditions precedent within the time frames specified (each, a "**Shipper Condition**"):

- (a) **FTSA Legislation:** on or before the FTSA Decision Date the FTSA Legislation has become effective on terms satisfactory to Shipper in its sole discretion;
- (b) **Key Project Agreements:** the State and the Producer Parties shall have negotiated Key Project Agreements that, in Shipper's sole discretion, are sufficient for Shipper to make a State Gas Share determination; and
- (c) **Transporter Performance under this PA:**
 - (i) a Default Event of Transporter shall not have occurred and remain uncured; and
 - (ii) Shipper has received evidence (satisfactory to Shipper in its sole discretion) that Transporter has satisfied or waived the Transporter Conditions; and

The conditions precedent stated in this Section 3.1 are included for the sole benefit of Shipper and may only be waived by Shipper. Subject to Shipper's obligations in respect of the Termination Amount pursuant to Section 4.3, Shipper shall have no other liability whatsoever to Transporter in the event that any or all of the Shipper Conditions are not satisfied.

3.2 Transporter's Conditions Precedent

Transporter's obligation to enter into the FTSA is subject to the satisfaction or express waiver (in its sole discretion) of the following conditions precedent within the time frames specified (each, a "**Transporter Condition**"):

- (a) **FTSA Legislation:** on or before the FTSA Decision Date the FTSA Legislation has become effective on terms satisfactory to Transporter in its sole discretion;
- (b) **Shipper Performance under this PA:**
 - (i) a Default Event of Shipper shall not have occurred and remain uncured (including in respect of the Creditworthiness Requirements); and
 - (ii) Transporter shall have received evidence (satisfactory to Transporter in its sole discretion) that Shipper has satisfied or has waived the Shipper Conditions.

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The conditions precedent stated in this Section 3.2 are included for the sole benefit of Transporter and may only be waived by Transporter. Transporter shall have no liability whatsoever to Shipper in the event that any or all of the Transporter Conditions are not satisfied.

**ARTICLE 4
TERM AND TERMINATION**

4.1 Term

The PA shall become effective as of the Effective Date and shall remain in effect, subject to Shipper's or Transporter's exercise of rights pursuant to Section 4.2 until the earliest to occur of the following (the "**Expiry Date**") (at which time this PA shall expire automatically without further action by either of the Parties):

- (a) the date that is one day prior to the second anniversary of the Effective Date; and
- (b) the Parties' execution of the FTSA, which, by its terms, will supersede and replace this PA.

4.2 Termination

This PA may be terminated prior to the Expiry Date as follows:

- (a) **Termination by Shipper:** Upon the delivery by Shipper to Transporter of a Notice of termination in the event that:
 - (i) the term(s) of the Key Project Agreements to which Shipper or its Affiliate is a party, is/are not acceptable to Shipper in its sole discretion;
 - (ii) each of (1) AGDC, (2) Transporter, and (3) one or more of the Producer Parties, have not executed the Pre-FEED JVA on or before November 30, 2014, or such later date agreed to by the Parties;
 - (iii) on or before the FTSA Decision Date, Transporter fails to execute the FTSA (including failure by the Parties to agree to the terms of the FTSA);
 - (iv) prior to a positive FEED Decision, Shipper elects, in its sole discretion, to terminate 90 days from providing Notice of termination to Transporter;
 - (v) any final Regulatory Approvals include material unacceptable condition(s) or requirement(s) to Shipper in its sole discretion, provided that such Notice is delivered within 90 days from the date of issuance of such Regulatory Approval;
 - (vi) the Pre-FEED JVA is (1) terminated prior to the expiry of the Pre-FEED JVA for any reason other than entry into the FEED Agreement, or (2) expires without a FEED Decision;
 - (vii) Transporter withdraws from the Pre-FEED JVA;
 - (viii) Any one or more of the Shipper Conditions have not been satisfied or waived within the time frame specified (or such later date as Shipper may agree), or if no time frame is specified, on or before the FTSA Decision Date; or

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- (ix) a Default Event of Transporter occurs, as set out in Section 6.1.
- (b) **Termination by Transporter:** Upon delivery by Transporter to Shipper of a Notice of termination in the event that:
 - (i) the term(s) of the Key Project Agreements to which Transporter or its Affiliate is a party, is/are not acceptable to Transporter in its sole discretion;
 - (ii) each of (1) AGDC, (2) Transporter, and (3) one or more of the Producer Parties, have not executed the Pre-FEED JVA on or before November 30, 2014, or such later date agreed to by the Parties;
 - (iii) on or before the FTSA Decision Date, Shipper fails to execute the FTSA (including failure by the Parties to agree to the terms of the FTSA);
 - (iv) any final Regulatory Approvals include material unacceptable condition(s) or requirement(s) to Transporter in its sole discretion, provided that such Notice is delivered within 90 days from the date of issuance of such Regulatory Approval;
 - (v) the Pre-FEED JVA is (1) terminated prior to the expiry of the Pre-FEED JVA for any reason other than entry into the FEED Agreement, or (2) expires without a FEED Decision;
 - (vi) any one or more of the Transporter Conditions have not been satisfied or waived within the time frame specified (or such later date as Transporter may agree), or if no time frame is specified, on or before the FTSA Decision Date; or
 - (vii) upon the occurrence of any of the following:
 - 1) Shipper fails to approve a Revised Transporter Estimate pursuant to Section 5.3(b)(iii);
 - 2) a Default Event of Shipper occurs, as set out in Section 6.3; or
 - 3) Transporter provides Notice to Shipper of its intent to terminate this PA pursuant to Section 7.4(d).

4.3 Payment of Termination Amount

- (a) In the event of (i) expiry of this PA pursuant to Section 4.1(a), or (ii) termination of this PA for any reason pursuant to Section 4.2, Shipper shall pay Transporter an amount equal to the Development Costs for the period up to and including the Termination Date. (collectively, all amounts calculated pursuant to and in accordance with this Section 4.3(a) are the “**Development Cost Amount**”).
- (b) If this PA:
 - (i) expires pursuant to Section 4.1(a);
 - (ii) is terminated pursuant to Section 4.2 as a result of any of the following events:

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- 1) by Shipper pursuant to Section 4.2(a) (except in the event of a Default Event of Transporter pursuant to Section 4.2(a)(ix));
- 2) by Transporter pursuant to (A) Section 4.2(b)(vii) (Shipper-initiated Transporter termination), or (B) Section 4.2(b)(vi) resulting from a failure of the Transporter Condition in Section 3.2(a) (FTSA Legislation) or Section 3.2(b) (Shipper Performance), then

in addition to the Development Cost Amount, Shipper shall further pay interest to Transporter calculated in accordance with the Carrying Cost Calculation (collectively, all amounts payable by Shipper to Transporter as calculated pursuant to Section 4.3(a) and this Section 4.3(b) are the “**Termination Amount**”).

- (c) Upon delivery of a Notice of termination for a termination event described in Section 4.3(a):
- (i) Transporter shall deliver to Shipper within 30 days a final report of the Termination Amount as of the Termination Date, together with reasonable supporting documentation thereof (collectively, “**Termination Amount Notice**”).
 - (ii) Upon request by Shipper (and no later than 10 days following receipt of such request), Transporter must provide information reasonably requested by Shipper concerning specific elements forming part of the Development Costs as part of Termination Amount, including supporting documentation and justification.
 - (iii) Not later than 30 days following receipt of the Termination Amount Notice, Shipper shall either (1) pay the Termination Amount, or (2) provide Notice to Transporter in reasonable detail of any objection to the Termination Amount, identifying those amounts forming part of the Termination Amount objected to and presenting an alternate Termination Amount (the “**Termination Amount Objection**”). For greater certainty, Shipper shall be restricted from objecting to any amounts forming part of the Termination Amount that have been deemed to be Prudent Costs pursuant to the terms of this PA.
 - (iv) If Shipper has delivered a Termination Amount Objection and the Parties fail to agree upon the Termination Amount within 5 Business Days following Transporter’s receipt of the Termination Amount Objection, then either Party may provide Notice to the other of its intent to commence the Dispute Resolution Procedure in respect of such Dispute, and
 - 1) Shipper shall make payment in full of the Termination Amount as specified in the Termination Amount Notice within 5 Business Days of the Notice of intent to commence the Dispute Resolution Procedure; and
 - 2) Transporter shall be entitled to receive and retain all undisputed portions of the Termination Amount, and any disputed amounts of the Termination Amount shall be paid into escrow in a trust account pending resolution of the Dispute pursuant to the Dispute Resolution Procedure. Upon resolution of the disputed portion of the Termination Amount, Transporter shall: (i) return such part of the disputed portion to the Shipper in the amount

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ultimately resolved in its favor, and/or (ii) transfer such part of such disputed portion to Transporter in the amount ultimately resolved in its favor. Interest earned on the Trust account shall be distributed *pro rata* with the distribution of the disputed amount as ultimately resolved.

- (v) Shipper shall pay interest at a rate of interest equal to the Agreed Interest Rate, on any amount outstanding after the payment due date pursuant to this Section 4.3(c), commencing on either:
 - 1) where this PA has been terminated by Transporter pursuant to Section 4.2(b), on the date that is 90 days after such payment due date (provided that interest shall continue to accrue on the outstanding amounts at an annual rate of interest equal to 7.1% compounded monthly and accruing daily prior to such 90th day); and
 - 2) in all other instances, on such payment due date.
- (d) Shipper's obligation to reimburse Transporter for the Termination Amount and pay Transporter any interest amounts payable pursuant to this Section 4.3 shall be Transporter's exclusive remedy in law and equity in the event this PA expires or terminates; provided however, in the event that Transporter is unable to enforce such obligation of Shipper, Transporter shall be entitled to assert all claims available to it at law or in equity to recover the Termination Amount. Subject to the foregoing, nothing herein is intended to affect Transporter's rights under Section 6.4 governing a Default Event of Shipper.
- (e) Shipper covenants that it will make all required appropriations requests from the Alaska Legislature in respect of the Termination Amount and take all reasonable commercial efforts to have all such appropriation requests approved by the Alaska Legislature.
- (f) Shipper's obligation to make payments pursuant to this Section 4.3 shall survive any expiration or termination of this PA until all such amounts owed by Shipper have been paid in full.

4.4 Conveyance of Transporter Alaska LNG Project Interest to Shipper

Upon a Termination Event and payment in full to Transporter of the Termination Amount and any interest amounts payable pursuant to Section 4.3, Transporter shall convey (or shall cause to be conveyed) the interests to Shipper (or its designee Affiliate) in accordance with the Transporter Conveyance Mechanics.

4.5 Survival

In the event this PA expires pursuant to Section 4.1(a) or is terminated pursuant to Section 4.2, the following Sections shall survive and shall continue to be of full force and effect for such period as necessary to give effect thereto: Article 1 (Definitions and Interpretation), Section 4.3 (Development Cost Reimbursement), Section 4.4 (Conveyance of Transporter Alaska LNG Project Interest to Shipper), Section 7.2 (Limitation of Liability), Section 7.1 (Confidentiality Agreement), Section 7.6 (Governing Law) and Section 7.7 (Dispute Resolution).

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ARTICLE 5 PROJECT DEVELOPMENT COOPERATION

5.1 Alaska LNG Project Information

- (a) In order to provide timely access to Shipper to material and relevant information relating to the development of the Midstream Facilities (collectively, “**Project Information**”), including (1) draft Key Project Agreements to which Transporter is or will be a Party, (2) information relating to all activities, design basis, and regulatory progress, and (3) quarterly progress reports including spend to date and schedule updates, that Transporter receives in its capacity as an equity participant in the Alaska LNG Project, Transporter will provide Shipper with the Project Information in a manner mutually agreeable to both Parties. Notwithstanding the foregoing, Transporter’s obligation to include specific Project Information (and Shipper access to such Project Information) shall be subject to (and limited by) Governmental Requirements and any confidentiality restrictions contained in the applicable Project Agreements to which Transporter is a Party.
- (b) Shipper use of any information provided pursuant this Section 5.1 shall be subject to any confidentiality restrictions arising from Section 7.1 and the Project Agreement(s) to which such information arises.

5.2 Coordination Committee

- (a) To provide for the overall supervision and direction of, and strategic guidance with respect to, the development of the Midstream Facilities and the matters described in Section 2.1, a coordination committee shall be established and maintained during the term of this PA (the “**Coordination Committee**”).
- (b) The Coordination Committee will consist of at least two representatives of each Party (as designated by Notice to the other Party, each such designated representative for a Party, a “**Nominee**”). The Nominees, acting reasonably, will seek to reach consensus on all decisions, directions and other matters on which the Coordination Committee takes action under this PA.
- (c) The Coordination Committee shall meet at agreed upon times (not less than once per month for the period prior to FID, and not less than quarterly thereafter) to carry out its mandate. The Parties will work to schedule such meetings prior to each meeting of a Key Project Agreement governing body meeting concerning the Midstream Facilities or Integrated Matters, to determine whether the Parties have, or can reach, a common position on issues to be addressed at such governing body meetings (including in respect of any WP&B as contemplated by Section 5.3(a)). The agenda for any Coordination Committee meeting shall be distributed to the Nominees in advance of any such meeting. At the time of a meeting, items may be added to the agenda for that meeting only as the Coordination Committee may approve. All meetings shall be held at locations to be agreed upon by the Nominees and such meetings may be held by video conference or teleconference, as proposed by a Party by Notice to the other Party.
- (d) To the extent any issues relating to Project Information (not including WP&B approval pursuant to Section 5.3(a)) have not been resolved to Shipper’s satisfaction at the applicable meeting of the Coordination Committee, then upon Notice from Shipper of any

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remaining concerns with any Project Information, Transporter will act in good faith to raise and seek to resolve Shipper's concern through the applicable various committees established pursuant to the Key Project Agreements to which Transporter is a Party. Should Shipper's concern still not be resolved to Shipper's satisfaction, then Transporter will consider Shipper's outstanding concern when exercising its voting discretion on related matters before such committees. Transporter will advise the Shipper of its position with respect to the outstanding Shipper concern prior to any such vote.

5.3 Development Costs Approval

(a) *AKLNG Development Costs:*

- (i) On a timely basis after receipt thereof by Transporter pursuant to the Pre-FEED JVA or the FEED Agreement (as applicable), Transporter will provide Shipper with Notice of the then-applicable WP&B including a copy of the proposed WP&B ("**WP&B Notice**") for Shipper review and approval of the proposed WP&B. The WP&B Notice shall include reference to the date for approval or rejection of such WP&B by Transporter ("**WP&B Decision Date**") in its capacity as equity or participating interest holder in the Midstream Facilities in accordance with the established WP&B approval protocol in the applicable Key Project Agreements, including the Pre-FEED JVA and the FEED Agreement. The Parties acknowledge that the initial WP&B for the Pre-FEED JVA [REDACTED] is deemed to be approved by Shipper.
- (ii) Not later than five (5) Business Days prior to the WP&B Decision Date (the "**Shipper Decision Date**") Shipper shall provide Transporter with Notice ("**Shipper WP&B Notice**") of its determination whether such WP&B should be approved or rejected by Transporter, together with, in the case of rejection, supporting reasons for such rejection.
- (iii) If Shipper has provided Transporter with the Shipper WP&B Notice by the Shipper Decision Date, Transporter shall vote (as part of the approval process under the applicable Key Project Agreement) in accordance with the election of Shipper contained in the Shipper WP&B Notice. If the Shipper WP&B Notice indicates a rejection of such WP&B, Transporter shall raise the concern described in the Shipper WP&B Notice in connection with the exercise of such vote.
- (iv) In the event Shipper does not provide the Shipper WP&B Notice to Transporter by the Shipper Decision Date, Transporter shall be entitled to exercise its vote whether to approve or reject such WP&B in its sole discretion.
- (v) Notwithstanding Section 5.3(a)(iii), Transporter shall not be obliged to vote not to approve a WP&B where Shipper has elected to reject such WP&B if failure by Transporter to approve such WP&B would result (or be reasonably likely to result) in either a breach by, or default of, Transporter of the applicable agreement giving rise to the WP&B or an acceleration of any material obligations of Transporter pursuant to such agreement.

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(b) ***Transporter Development Costs:***

- (i) Promptly following the Effective Date and not later than [“120 days following the Effective Date” charged to “November 18, 2014” by amendment], the Parties shall agree upon a budget (including contingencies and applicable allocations of overhead components) for Transporter Development Costs for the period from the Effective Date to the Expiry Date (the total agreed budgeted amount is the “**Transporter Authorized Amount**”). Upon such agreement, Shipper acknowledges and accepts that the Transporter Authorized Amount is not a firm estimate, quotation or price, but only an estimate of the Transporter Development Costs to such date.
- (ii) If at any time Transporter reasonably anticipates that the Transporter Authorized Amount in effect at such time will be exceeded, Transporter shall provide Notice to Shipper containing reasonable details of such anticipated additional expenditures and its revised estimate in respect of the total Transporter Authorized Amount (the “**Revised Transporter Estimate**”). Transporter shall provide, upon the reasonable request of Shipper, such additional details and information as may be reasonably required in respect of such Revised Transporter Estimate.
- (iii) Shipper shall provide Notice to Transporter within ten (10) Business Days of its receipt of a Revised Transporter Estimate whether it approves or rejects the Revised Transporter Estimate. Upon approval of a Revised Transporter Estimate (as may be amended by agreement of the Parties), such Revised Transporter Estimate shall constitute the Transporter Authorized Amount unless and until further revised in accordance with this Section 5.3(b). If Shipper fails to approve a Revised Transporter Estimate within such time frame, Transporter shall have a right to terminate this PA in accordance with Section 4.2(b)(vii)1).
- (iv) Nothing contained in this Section 5.3(b) shall restrict Transporter’s rights to make expenditures necessary and proper for the protection of life, health, the environment and property in the case of an emergency without Shipper’s approval; provided, however, that Transporter shall immediately notify Shipper of the details of such emergency, the measures taken and the estimated costs. All such actual costs shall constitute part of the Transporter Authorized Amount in addition to the Transporter Authorized Amount in effect at such time (subject to audit in accordance with the Audit Protocol).

(c) ***Prudent Costs:*** All costs and expenses that have actually been incurred and that are:

- (i) approved or deemed approved by Shipper or any Affiliate pursuant to this Section 5.3 (including any portion forming part of the Transporter Authorized Amount); or
- (ii) pursuant to or in connection with a WP&B approved by the applicable Alaska LNG Parties (and in effect) under any Key Project Agreement (including where Transporter has voted to reject such WP&B pursuant to Section 5.3(a)(iii)),

shall be Prudent Costs for all purposes under this PA and the FTSA.

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**ARTICLE 6
EVENTS OF DEFAULT**

6.1 Default Events of Transporter

The following constitute Default Events of Transporter for the purposes of this PA:

- (a) an Insolvency Event occurs in relation to Transporter (unless any such Insolvency Event was caused, directly or indirectly, by a failure on the part of Shipper or any Affiliate of Shipper as a Limited Partner of Transporter to advance funds in connection with a cash call related to a requirement to advance funds under a Project Agreement); and
- (b) Transporter defaults in the performance or observance of any material covenant, obligation or condition to be observed or performed by it pursuant to this PA and does not remedy such default (if reasonably remediable) within 30 days of having received a default Notice advising Transporter to do so from Shipper or if not reasonably remediable within such 30-day period, fails to commence to remedy within such 30-day period and thereafter to proceed diligently and as expeditiously as possible to do so within a reasonable schedule agreed to by Shipper, acting reasonably.

6.2 Shipper Remedies

If a Default Event of Transporter occurs, Shipper may pursue such remedies available to it at law or in equity, including for direct damages suffered by Shipper, injunctive relief and specific performance, as appropriate.

6.3 Default Events of Shipper

The following constitute Default Events of Shipper for the purposes of this PA:

- (a) an Insolvency Event occurs in relation to Shipper or its Credit Support Provider;
- (b) Shipper fails to maintain the Creditworthiness Requirements and fails to remedy such default within the relevant time frame specified in paragraph 5 of Schedule D; and
- (c) Shipper defaults in the performance or observance of any other material covenant, obligation or condition to be observed or performed by Shipper pursuant to this PA and does not remedy such default (if reasonably remediable) within 30 days of having received a Default Notice from Transporter advising Shipper to do so, or if not reasonably remediable within such 30-day period, fails to commence to remedy within such 30-day period and thereafter to proceed diligently and as expeditiously as possible to do so within a reasonable schedule agreed to by Transporter, acting reasonably.

6.4 Transporter Remedies

If a Default Event of Shipper occurs, subject to the limitations contained in Section 4.3(d) in respect of payment of the Termination Amount upon expiration or termination of this PA, Transporter may pursue

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such remedies available to it at law or in equity, including for direct damages suffered by Transporter, injunctive relief and specific performance, as appropriate.

ARTICLE 7 MISCELLANEOUS

7.1 Confidentiality Agreement

Except to the extent expressly set forth to the contrary herein, this PA and all information generated and/or exchanged by the Parties pursuant to this PA shall be deemed to be Confidential Information subject in all respects to the Confidentiality Agreement, and all matters relating to this PA fall within the scope of "Discussions" as defined in the Confidentiality Agreement. The provisions of this Section 7.1 shall survive the termination of this PA and the assignment by a Party and its Affiliates of all of their interests in this PA prior to termination of this PA for the period specified in the Confidentiality Agreement.

7.2 Limitation of Liability

- (a) Under no circumstances shall:
 - (i) Transporter and its Affiliates and their respective directors, stockholders, officers, employees, agents, consultants, representatives, successors, transferees and assigns, or
 - (ii) Shipper and its Affiliates and their respective directors, stockholders, officers, employees, agents, consultants, representatives, successors, transferees and assigns,

be liable to the other Party (or any other Person claiming by through or under such other Party) for any Consequential Losses.

- (b) Transporter (and its Affiliates and their respective directors, stockholders, officers, employees, agents, consultants, representatives, successors, transferees and assigns) is not liable to Shipper (and its Affiliates and their respective directors, stockholders, officers, employees, agents, consultants, representatives, successors, transferees and assigns) for any Losses (howsoever caused and whether contractual or tortious), asserted against or suffered or incurred by the Shipper (or its Affiliates and their respective directors, stockholders, officers, employees, agents, consultants, representatives, successors, transferees and assigns), or any of them, except and to the extent that such Losses are caused by Gross Negligence or Wilful Misconduct, subject to any applicable restrictions binding upon Shipper under Alaska law as of the Effective Date in relation to any agreements surrounding the foregoing.

7.3 Mutual Representations and Warranties

Each Party represents and warrants to the other Party that:

- (a) **Organization, Qualification, and Corporate Power:** In the case of Transporter, it is duly organized or formed, validly existing, and in good standing under the laws of the jurisdiction of its organization or formation, and has all requisite power and authority to

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own, lease, and operate its assets and to carry on its businesses as they are now being conducted.

- (b) **Authorization of Transactions; Validity and Enforceability:** It has all requisite power and authority to enter into this PA, to perform its obligations hereunder, and to consummate the transactions contemplated hereby. The execution, delivery, and performance by it of this PA and the consummation by it of the transactions contemplated by this PA have been duly authorized by all necessary statutory, administrative, or corporate or partnership action or other action (as applicable) on the part of it. This PA has been duly executed and delivered by such Party. and, assuming the due authorization, execution, and delivery hereof by the other Party, constitutes a legal, valid, and binding obligation of it enforceable against it in accordance with its terms, except as such enforceability may be affected by: (i) applicable bankruptcy, reorganization, insolvency, moratorium, and other laws and court decisions of general application, including statutory and other laws regarding fraudulent or preferential transfers relating to, limiting, or affecting the enforcement of creditors' rights generally; and (ii) general principles of equity, including the effect of such general principles of equity upon the specific enforceability of any of the remedies, covenants, or other provisions contained herein and therein, and their application (regardless of whether enforcement is considered in a proceeding at law or in equity) as such principles relate to, limit, or affect the enforcement of creditors' rights generally, and provided that Transporter makes no representation and warranty as to the effect of Chapter 14 SLA 14 (also known as Senate Bill 138).
- (c) **Non-contravention; Consents and Approvals:** The execution and delivery by it of this PA, the consummation of the transactions contemplated by this PA, and the performance of the obligations of such Party hereunder will not conflict with, or result in any violation of or default under, any provision of any governing instrument applicable to such Party, or any agreement or other instrument to which such Party is a party or by which such Party (and in the case of a partnership each of its partners) or any of its assets is bound, or any Governmental Requirement or other law applicable to such Party, its assets, or to this PA.

7.4 Discriminatory Changes in Law

- (a) If the State enacts or amends (or is proposing to enact or amend) any Governmental Requirement in such a manner as to create a discriminatory adverse effect on Transporter (including any discriminatory adverse change to or effect on the assets, business operations or financial condition of the Transporter or its Affiliates) or any Midstream Facility (a "**Discriminatory Change in Law**"), then either Party may provide Notice to the other to express an opinion on its likely effects, giving details of its opinion of:
 - (i) any necessary change in the Services;
 - (ii) whether any changes are likely or required to the terms of this PA or the FTSA to deal with the effects of the Discriminatory Change in Law; and
 - (iii) whether relief from compliance with obligations is required during the implementation of any relevant Discriminatory Change in Law, including any loss of revenue or increase in costs (including Development Costs) that will result from the relevant Discriminatory Change in Law.

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- (b) As soon as practicable after receipt of any Notice pursuant to Section 7.4(a) from either Party, the Parties shall discuss the issues referred to in such Notice and:
 - (i) any ways in which Transporter can mitigate the effect of the Discriminatory Change of Law; and
 - (ii) the Parties will diligently and in good faith seek to renegotiate the terms of this PA and/or the FTSA to comply with such Discriminatory Change of Law and in accordance with the initial expectations of the Parties under this PA; provided, however, that the Parties recognize that discussion of the issues referred to in such Notice shall not constitute an admission by either Party that (i) there has been a Discriminatory Change in Law, or (ii) that a Party has an obligation to amend this PA.
- (c) Upon the occurrence of the Discriminatory Change in Law and subject to Transporter's reasonable commercial efforts to mitigate such Discriminatory Change in Law, and failing agreement of the Parties under Section 7.4(b)(ii) as to any modifications to this PA and/or the FTSA, then to the extent that:
 - (i) such Discriminatory Change of Law prevents Transporter from complying with any of its obligations under this PA or the FTSA, such failure to comply with that obligation shall be deemed not to be a breach of the applicable agreement;
 - (ii) as a non-remote result of the Discriminatory Change in Law:
 - 1) there is any increase in costs borne by Transporter in connection with the Midstream Facilities that would not otherwise be included in the Annual Reservation Charge as Annual Fixed O&M Expenses or Taxes Other Than Income Taxes in accordance with the Negotiated Rate Principles contained in Schedule C, then from and after the effective date of such Discriminatory Change in Law, such increased costs shall be incorporated into the Annual Reservation Charge to the account of Shipper; and
 - 2) any capital modifications are required to be made to any of the Midstream Facilities, the associated costs shall be borne by Shipper as an incremental capital cost in accordance with the Negotiated Rate Principles.

For greater certainty, such incremental costs shall be subject to audit in accordance with the Audit Protocol.
- (d) If Transporter reasonably determines that a Discriminatory Change of Law has occurred and its rights (including reasonable economic expectations) have been materially adversely effected that cannot be mitigated on reasonable commercial terms pursuant to Section 7.4(c), then Transporter shall have the right to terminate this PA pursuant to Section 4.2(b)(vii)3), or the FTSA pursuant to the equivalent provisions thereof.

7.5 Notices

- (a) Whenever this PA requires or permits any notice (each, a “**Notice**”) to be given to any Party or any other Person, such Notice must be in writing and must be delivered in person

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or by courier or electronic mail. A Notice will be deemed given when the Person to which it is addressed receives it; provided, however, that electronic mail if sent with an automatic delivery receipt received and retained which is transmitted after the normal business hours of the recipient will be deemed given on the next Business Day unless the recipient has in fact acknowledged its earlier receipt. All Notices to a Party must, if not delivered in person, be sent to the address for that Party which Section 7.5(b) specifies or at such other address as that Party has specified by Notice to the other Party. Oral communication does not constitute Notice for purposes of this PA, and telephone numbers for the Parties are listed below as a matter of convenience only.

- (b) This Section 7.5(b) includes initial contact information, including e-mail addresses and telephone numbers, for each Party. A Party may change its contact information from time to time by Notice to the other Party.

Transporter

Address: c/o TransCanada Alaska GP Inc.
450 – 1st Street SW
Calgary, AB T2P 5H1
Canada

Attention: President

Telephone No. 832-320-5655

E-mail Address dean_patry@transcanada.com

with a copy to:

Address: 717 Texas Street, Suite 2400
Houston, TX 77002

Attention: Corporate Secretarial

Telephone No. 832-320-5201

E-mail Address jon_dobson@transcanada.com

Shipper

Address: State of Alaska
Department of Natural Resources
550 W. 7th. Avenue, Suite 1400
Anchorage, AK 99501

Attention: Commissioner Joe Balash

Telephone No. 907-269-8431

E-mail Address joe.balash@alaska.gov

Whenever any Notice is required to be given under the provisions of this PA, a waiver thereof in writing signed by the Person or Persons entitled to receive that Notice, whether before or after the time stated therein, will be equivalent to the giving of that Notice.

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7.6 Governing Law

This PA and all Disputes arising under this PA shall be governed by and construed in accordance with the laws of the State of Alaska, without regard to the conflicts of law principles thereof, and the federal laws applicable therein.

7.7 Dispute Resolution

- (a) All Disputes shall be referred to the Senior Executives of the Parties, upon which:
 - (i) the Senior Executives representing the Parties shall meet within five (5) days of submission of the Dispute at a mutually acceptable time and place to exchange relevant information in an attempt to resolve the Dispute;
 - (ii) if a Senior Executive intends to be accompanied at the meeting by any other Person, the other Party's Senior Executive shall be notified of such intention at least three (3) Business Days in advance of the meeting and may also be accompanied to the meeting by another Person, provided that the maximum number of Persons from each Party shall be limited to three (3) including the Senior Executive;
 - (iii) all Persons (other than the Senior Executive) shall attend the meetings only as advisors to the Senior Executive they accompany; and
 - (iv) the Parties shall cause their respective Senior Executives to work together diligently and in good faith with the objective to resolve any Disputes consistent with the principles of this PA as soon as reasonably practicable.
- (b) Any and all Disputes not resolved by the Senior Executives shall be resolved in accordance with the following:
 - (i) Jurisdiction. Each of the Parties irrevocably agrees that any legal action, suit or proceeding arising out of or relating to this PA brought by any Party or its successors or assigns shall be brought and determined in the state courts of the State of Alaska, except that claims which are in the exclusive jurisdiction of the federal courts may be brought and determined in federal court in Alaska, and each of the Parties hereby irrevocably submits to the exclusive jurisdiction of the aforesaid courts for itself and with respect to its property, generally and unconditionally, with regard to any such proceeding arising out of or relating to this PA or the transactions contemplated by this PA. Each of the Parties agrees not to commence any proceeding relating to this PA except in the courts described above in Alaska, other than proceedings in any court of competent jurisdiction to enforce any judgment, decree or award rendered by any such court in Alaska as described herein. Each of the Parties further agrees that Notice as provided in Section 7.5 shall constitute sufficient service of process and the Parties further waive any argument that such service is insufficient. Each of the Parties hereby irrevocably and unconditionally waives, and agrees not to assert, by way of motion or as a defense, counterclaim or otherwise, in any proceeding arising out of or relating to this PA or the transactions contemplated by this PA, (i) any claim that it is not personally subject to the jurisdiction of the courts in Alaska as described

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herein for any reason, (ii) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) and (iii) that (A) the proceeding in any such court is brought in an inconvenient forum, (B) the venue of such proceeding is improper or (C) this PA, or the subject matter hereof, may not be enforced in or by such courts.

- (ii) WAIVER OF JURY TRIAL. EACH PARTY HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS PA OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS PA BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 7.7(b).
- (iii) Confidentiality. To the extent permitted by law, all negotiations, mediation and court determinations relating to a Dispute (including a settlement resulting from negotiation or mediation, a court order, documents exchanged or produced during a mediation or legal proceeding, and memorials, briefs or other documents prepared for any Dispute resolution) are confidential and may not be disclosed by the Parties, their Affiliates, and their respective employees, officers, directors, counsel, consultants, and expert witnesses, except (in accordance with Section 7.1) to the extent necessary to enforce this Section 7.7 or any court order, to enforce other rights of a Party, or as required by law or applicable securities exchange or securities commission; provided, however, that unintentional breach of this confidentiality provision shall not void any settlement or award.
- (iv) Costs of Dispute. Each Party shall bear its own expenses and costs incurred in connection with the proceedings, including attorneys' fees with respect to any Dispute.

7.8 Assignment

- (a) Shipper may only assign its rights and obligations under this PA and the FTSA with Transporter's consent (not to be unreasonably withheld), provided the assignee assumes in writing such rights and obligations on terms and conditions satisfactory to Transporter, including meeting and maintaining the Creditworthiness Requirements.
- (b) Where a proposed transferee of Shipper's interest pursuant to Section 7.8(a):
 - (i) is the State (or an Affiliate or agency thereof) and AS 09.50.250 – AS 09.50.280 has been repealed or amended in a manner such that the proposed transferee has or

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may have a right to claim sovereign immunity for any matters arising out of this PA or the FTSA, or

- (ii) is a government entity (or an Affiliate or agency thereof) other than the State or an Affiliate or agency thereof that now or hereafter has a right to claim sovereign immunity for itself or any of its assets,

then it shall be a condition precedent to the effectiveness of an assignment pursuant to this Section 7.8 (and the equivalent provision of the FTSA) that:

- (iii) the transferee acknowledges that its rights and obligations under this PA and the FTSA are of a commercial and not a governmental nature, and
 - (iv) the transferee waives any current or future immunity to the fullest extent permitted by Governmental Requirements of any applicable jurisdiction for any matters arising out of this PA and the FTSA. This waiver includes immunity from (A) any expert determination, mediation, or arbitration proceeding commenced pursuant to the applicable agreement; (B) any judicial, administrative or other proceedings to aid the expert determination, mediation, or arbitration commenced pursuant to the applicable agreement; and (C) any effort to confirm, enforce, or execute any decision, settlement, award, judgment, service of process, execution order or attachment (including pre-judgment attachment) that results from an expert determination, mediation, arbitration or any judicial or administrative proceedings commenced pursuant to such agreement.
- (c) Transporter may assign its rights and obligations under this PA or the FTSA to an Affiliate either (i) if the Shipper is the State (or an Affiliate of the State), with the prior written consent of Shipper (not to be unreasonably withheld), provided the assignee assumes in writing such rights and obligations on terms and conditions satisfactory to Shipper, or (ii) in all other instances, without the prior written consent of Shipper, provided that timely Notice of its intended assignment is provided to Shipper.
 - (d) Transporter shall not assign its rights or obligations under this PA or FTSA to a non-Affiliate without the prior written consent of Shipper (not to be unreasonably withheld), provided the assignee assumes in writing such rights and obligations on terms and conditions satisfactory to Shipper.

7.9 General

- (a) **Binding Effect:** This PA binds, and inures to the benefit of, the Parties and their respective successors (including any successor by reason of amalgamation of any Party) and permitted assigns.
- (b) **Governmental Requirements:** This PA, and the rights and obligations of the Parties under this PA are subject to all valid and applicable Governmental Requirements, except choice of law or conflict-of-laws rules or principles under Section 7.6.
- (c) **Severability:** If, in any jurisdiction, any provision of this PA or its application to any Party or circumstance is restricted, prohibited or unenforceable, such provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or

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unenforceability without invalidating the remaining provisions of this PA and without affecting the validity or enforceability of such provision in any other jurisdiction or without affecting its application to other Parties or circumstances.

- (d) **Relationship of the Parties:** Neither this PA nor any other documentation or communication between the Parties shall constitute or create a joint venture, partnership, legal entity, or other similar business combination or arrangement between the Parties. Each Party shall act only on an individual and several basis. No Party shall have the right to act as an agent for or a servant or employee of the other Party, to make commitments or assume obligations for and on behalf of the other Party, or to bind the other Party for any purpose whatsoever.
- (e) **Waiver:** No waiver by a Party of any breach by any other Party in the performance of any provision, condition, or requirement of this PA is deemed to be a waiver of, or in any manner a release of such Party from, performance of any other provision, condition, or requirement. No waiver is deemed to be a waiver of, or in any manner a release of such other Party from future performance of the same provision, condition, or requirement; nor shall any delay or omission of a Party to exercise any right hereunder in any manner impair the exercise of any such right or any like right accruing to it thereafter. Any waiver of any provision, condition, or requirement of this PA is valid only if it is in writing and signed by the Party against whom it is sought to be enforced.
- (f) **Waiver of Sovereign Immunity:** The provisions of AS 09.50.250 – AS 09.50.280 permit Transporter to bring an action against Shipper arising under this PA. The Parties agree any change in Alaska law that eliminates or materially impairs Transporter's rights to bring an action under this PA shall be deemed to be a Discriminatory Change in Law. Shipper acknowledges that its rights and obligations hereunder are of a commercial and not a governmental nature.
- (g) **Amendment:** No amendment, supplement, modification or waiver or termination of this PA and, unless otherwise specified, no consent or approval by either Party, shall be binding unless executed in writing by the Party to be bound thereby.
- (h) **Further Assurances:** Each Party agrees to use reasonable efforts to take, or to cause to be taken, all actions, and to do, or to cause to be done, all things reasonably necessary or appropriate to consummate the actions this PA contemplates.
- (i) **Entire Agreement:** This PA and any other documents or agreements between the Parties delivered in connection with this PA constitute the entire agreement of the Parties relating to their relationship under this PA. All prior negotiations and all provisions and concepts contained in all prior agreements (including the MOU and the Alaska LNG Midstream Services Term Sheet attached as Exhibit C to the MOU) between the Parties on matters contained in this PA are expressly superseded by this PA. The Parties expressly waive any reliance on representations or course of dealings made prior to the execution of this PA regarding the subject of this PA.
- (j) **Third Party Beneficiaries:** No provision of this PA confers, or is to be construed, deemed or interpreted as conferring, on any Person other than the Parties, any rights or remedies hereunder.

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- (k) **Execution and Delivery:** This PA may be executed in one or more counterparts, all of which will be considered one and the same agreement and will become effective when two or more counterparts have been signed by each of the Parties named on the original signature pages hereof and delivered to the other Party, it being understood that the Parties need not sign the same counterpart.

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Execution page follows

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IN WITNESS OF WHICH the Parties have duly executed and delivered this PA.

TRANSCANADA ALASKA
MIDSTREAM LP, by its general partner,
TRANSCANADA ALASKA GP INC.

THE STATE OF ALASKA

By:

Name:
Title:

By:

Name:
Title:

By:

Name:
Title:

SCHEDULE A
Definitions and Interpretation

Section 1 – Definitions

In the PA, unless the context otherwise requires:

“**Acid Gas**” means CO₂, H₂S and other impurities contained in natural gas.

“**Additional Gas**” has the meaning specified in Schedule B.

“**Affiliate**” means in relation to a Party any company, corporation, partnership or other legal entity (in this definition, each such entity and each Party are sometimes referred to as a “**Company**”) which is:

- (a) directly or indirectly, owned or controlled by such Party;
- (b) directly or indirectly owns or controls such Party; or
- (c) directly or indirectly, owned or controlled by a Company that also, directly or indirectly, controls such Party.

For the purpose of this definition:

- (i) a Company is directly owned or controlled by another Company that owns or controls shares or other interests carrying in the aggregate more than 50 percent of the voting rights exercisable at a general, shareholders, or members meeting of the first-mentioned Company, or the right to appoint or dismiss a majority of the directors thereof, or the power to direct or cause the direction of the management or policies through the ownership of securities, by contract or otherwise. A Company is indirectly owned or controlled by a Company or Companies (the “parent Company or Companies”) if a series of Companies can be specified, beginning with the parent Company or Companies and ending with the particular Company, so related that each Company of the series, except the parent Company or Companies, is directly controlled by one or more of the Companies in the series.
- (ii) in relation to Shipper, those State entities that otherwise meet the definition of “Affiliate” set forth above, when acting only in the State’s proprietary capacity (and not in a governmental capacity), including State corporations or authorities established by statute as instrumentalities of the State.

“**AGDC**” means the Alaska Gasline Development Corporation.

“**AGIA**” means the Alaska Gasline Inducement Act, AS 43.90, as well as the regulations promulgated thereunder.

“**AGIA License**” means the Alaska Gasline Inducement Act License issued December 5, 2008, by the State of Alaska to the AGIA Licensee, under the authority of AGIA, as amended by project plan amendments approved on January 29, 2010, May 2, 2012, June 11, 2013 and December 12, 2013.

“**AGIA Licensee**” means collectively, TransCanada Alaska Company, LLC and Foothills Pipe Lines Ltd.

“AGIA Project Plan Amendment 1B” means the project plan amendment under the AGIA License approved by the Alaska Commissioner of Natural Resources and the Alaska Commission of Revenue pursuant to AS 43.90.210 on December 12, 2013.

“Agreed Interest Rate” means interest compounded on a monthly basis, at the rate per annum equal to (a) the one (1) month term LIBOR rate applicable on the first Business Day prior to the due date of payment and thereafter on the first Business Day of each succeeding calendar month, plus (b) 10%. If the aforesaid rate is contrary to any applicable usury law, the rate of interest to be charged shall be the maximum rate permitted by such applicable law.

“AKLNG Development Costs” means all costs and expenses incurred under the CSA or any Project Agreement to which Transporter or any of its Affiliates is a Party, which shall include:

- (a) any contract cancellation penalties and continued funding obligations under such agreements;
- (b) all costs payable pursuant to [REDACTED] of the Pre-FEED JVA or equivalent articles under the CSA or other Project Agreements.

AKLNG Development Costs shall not include any costs or expenses for which Transporter or its Affiliates have received payment or reimbursement under the CSA or other Project Agreements.

“Alaska North Slope” means that part of the State that lies north of 68 degrees north latitude.

“Alaska LNG Project” means collectively, (i) the Midstream Facilities, and (ii) the LNG Plant.

“Alaska LNG Parties” means, collectively, as of the Effective Date, Transporter, the Producer Parties and AGDC and their respective Affiliates that have an equity or participation interest in the Alaska LNG Project.

“Annual Decommissioning Allowance” has the meaning specified in paragraph 5 of Part D of Schedule C.

“Audit Protocol” means the protocol for the review and audit of information by Shipper as set forth in Schedule E.

“Business Day” means a day, other than a Saturday, Sunday or holiday, on which federally chartered banks are open for commercial banking business (including dealings in foreign exchange and foreign currency deposits) in both Calgary, Alberta, Canada and Anchorage, Alaska.

“Buy-Back Notice Date” has the meaning specified in Schedule B.

“Carrying Cost Calculation” means the calculation of interest on a particular cost or expenditure forming part of the Development Costs, calculated at a rate of 7.1% per annum and compounded monthly and accruing daily. Such interest shall accrue, in respect of such cost or expenditure, from the later of (i) the FERC Pre-Filing Date, and (ii) the 15th day of the calendar month of the month such cost or expenditure was incurred, until the date of payment.

“Claims” means, in relation to any Person, any and all claims, actions, causes of action, accounts, liens, demands, lawsuits, suits, judgments, awards, adjudications, writs, orders, audits, proceedings, arbitrations, mediations, hearings, investigations or actions by any Governmental Authority, brought against or suffered, sustained or incurred by such Person, in each case whether fixed or contingent or foreseen or unforeseen, and whether based on contract, tort, statute or other legal or equitable theory of recovery.

“Confidentiality Agreement” means the Alaska LNG Project Confidentiality Agreement entered into by the State, Transporter, AGDC and TADI dated on or about the Effective Date, as such agreement may be amended from time to time.

“Consequential Loss” means, as to any Person, any damage, cost, expense, liability, or loss (including pass-through claims for indemnification or contribution owed to another Person under a contract, governmental requirement, or other obligation) of that Person that is caused (directly or indirectly) by any of the following arising out of, relating to, or connected with the PA or work carried out (or failed to be carried out) in relation to it: loss or deferment of income or profits; loss of use of any asset; loss of business or reputation; loss of business opportunity; loss of labor or management productivity; increases in wage, salary, or other cost of labor cost; or other indirect damages or losses, costs, expenses, or liabilities, whether or not similar to the foregoing; in addition, Consequential Loss includes any exemplary (whether statutory or common law), punitive, special, or treble or other multiple damages. Without limiting the generality of the foregoing, Consequential Losses include any:

- (a) losses arising as a result of hedges, swaps, derivatives, forwards, futures, options; and
- (b) loss of any contract of Shipper.

Notwithstanding any other provision of the foregoing definition, Consequential Losses shall not include:

- (i) any payment obligations to Transporter as set forth in the PA or FTSA (or any accelerations thereof as damages for a breach of contract), including (1) payment of the Termination Amount, or (2) payment of the Total Obligation under the PA or FTSA, as applicable; or
- (ii) to the extent direct contract damages that would otherwise meet the definition of Consequential Loss have been awarded to a non-Affiliate third party and are subject to allocation between or among the Parties to the Dispute.

“Conveyance Assets” has the meaning specified in the Transporter Conveyance Mechanics.

“Coordination Committee” has the meaning specified in Section 5.2(a).

“Credit Support Provider” has the meaning specified in Schedule D.

“Creditworthiness Requirements” means those requirements specified in Schedule D.

“Creditworthy” means, in respect of any Person, a Person that satisfies the requirements set forth in paragraph 1 or paragraph 2 of Schedule D at the relevant time.

“CSA” means the Concept Selection Agreement for ANS Gas Development dated March 29, 2012 between TADI and Affiliates of the Producer Parties, as amended from time to time.

“Default Event” means any one of the events of default specified in Sections 6.1 or 6.3.

“Delivery Point” means the point of custody transfer for the delivery of natural gas on a Midstream Facility, which shall be on the outlet side of the measurement station or at such other point as may be agreed upon between Transporter and Shipper.

“Development Costs” means all Prudent Costs incurred by Transporter and its Affiliates after December 31, 2013 in the development, design, financing, construction, acquisition and commissioning of the Midstream Facilities, which costs shall be comprised of only (i) the AKLNG Development Costs, and (ii) the Transporter Development Costs, deducting from the sum of (i) and (ii) the following amounts:

- (a) all AGIA payments received and retained by the AGIA Licensee relating to Transporter’s or its Affiliates’ share of development costs for activities authorized under the AGIA Project Plan Amendment 1B and carried out after December 31, 2013; and
- (b) all proceeds received by Transporter or its Affiliates from the State, any State Affiliate or State entity for use of the work or data created with the AKLNG Development Costs or the Transporter Development Costs.

“Development Cost Amount” has the meaning specified in Section 4.3(a).

“Discriminatory Change in Law” has the meaning specified in Section 7.4.

“Dispute” means a dispute, matter, controversy or claim between or among the Parties or their Affiliates arising out of or relating to the PA or FTSA (as applicable), including the validity, interpretation, construction or enforcement of this PA, or a Party’s (or a Party’s Affiliate’s) performance, privileges, rights or obligations under or with respect to the PA or FTSA (as applicable), including the Audit Protocol.

“Dispute Resolution Procedure” means, (i) for purposes of the PA, the procedure set forth in Section 7.7; and (ii) for purposes of the FTSA, the applicable dispute resolution procedure set forth in the FTSA, which is intended to be materially consistent with that described in Schedule B.

“Dollars” and the sign “\$” means US dollars.

“Downstream Activities” means all operations and activities undertaken with respect to the LNG Plant as part of the Alaska LNG Project.

“Effective Date” has the meaning specified in the preamble to the PA.

“Enabling Legislation” means Chapter 14 SLA 14 (also known as Senate Bill 138).

“End of ICT Purchase Price” means an amount equal to the greater of (a) \$1, and (b) the net book value determined as the difference between the GPIS Balance, less the Accumulated Depreciation amount as of the end of the ICT, plus (i) the book value of any physical materials and supplies, and (ii) any prepayments of amounts by Shipper that have not amortized prior to the end of the ICT, subject to adjustments reflecting reconciliations consistent with paragraph 6 of Part C of Schedule C.

“Entity” means any foreign or domestic general partnership, limited partnership, limited liability company, corporation, joint enterprise or venture, joint stock company, business or statutory trust, employee benefit plan, cooperative, association, or other legal entity.

“Expansion” has the meaning specified in Schedule B.

“Expansion Shipper” has the meaning specified in Schedule B.

“Expiry Date” has the meaning specified in Section 4.1.

“FEED” means a front-end engineering and basic engineering design study, which the Parties anticipate to include the following (with the detailed work plan and deliverables of FEED being developed during Pre-FEED):

- (a) Sufficiently detailed basic engineering packages for the components of the Alaska LNG Project and a contracting strategy to enable contractor bidding for the Engineering, Procurement and Construction (**“EPC”**) contracts;
- (b) A resourcing, commissioning and start-up plan;
- (c) The finalization of those Key Project Agreements (to be entered into after the FEED Agreement) required to implement the Alaska LNG Project;
- (d) A technical and commercial definition of the Alaska LNG Project;
- (e) A detailed update of the Alaska LNG Project economics, financing and commercial assumptions, including an updated estimate of capital costs sufficient for a final investment decision;
- (f) A final assessment of environmental, social and health impacts of the Alaska LNG Project;
- (g) Long-lead procurement activities;
- (h) Other activities necessary to enable a final investment decision to be taken by the Alaska LNG Parties such as but not limited to financing, permitting and registration; and
- (i) The bidding and internal selection of EPC contractors, as applicable.

“FEED Agreement” means the agreement under which FEED would be undertaken for the Alaska LNG Project.

“FEED Decision” [REDACTED] as defined in the Pre-FEED JVA.

“FERC” means the Federal Energy Regulatory Commission and any successor thereof.

“FERC Pre-Filing Date” means the date of FERC approval of Alaska LNG Project’s request to initiate the pre-filing process.

“FID” means the final investment decision by some or all of the Alaska LNG Parties to proceed to construct the Alaska LNG Project.

“Financial Security” has the meaning specified in Schedule D.

“FTSA”, means one or more transportation services agreements entered into by Transporter and Shipper (or their permitted assigns) for the Pipelines and the GTP, containing terms and conditions substantially consistent with the FTSA Terms.

“FTSA Decision Date” means December 31, 2015 or such later date as the Parties may agree.

“FTSA Legislation” means legislation to be enacted by the Alaska Legislature that has become effective as provided under AS 01.10.070, that authorizes Shipper to enter into the FTSA and to the extent applicable to fund, subject to appropriation, the State’s direct and contingent payment obligations for the Termination Amount under the FTSA.

“FTSA Terms” has the meaning specified in Section 2.2(a).

“Gas Pipeline” means the Alaska LNG Project component consisting of a main natural gas pipeline from the outlet flange of the GTP on the Alaska North Slope to the inlet flange of the LNG Plant, which may have five (5) or more off-take points along the pipeline for deliveries of gas within the State. The term “Gas Pipeline” refers to the main gas pipeline and does not include any gas pipelines downstream of any off-take point between the GTP and the LNG Plant.

“Gas Treatment Plant” or **“GTP”** means the Alaska LNG Project component consisting of facilities and related activities to receive natural gas from the PBU Gas Transmission Line, the PTU Gas Transmission Line, and/or other facilities, treat the natural gas to pipeline quality specifications, dispose of or deliver by-products, deliver liquid products for further transportation, and deliver treated natural gas for transportation through the Gas Pipeline.

“Governmental Authority” means:

- (a) any domestic or foreign federal, provincial, state, territorial, county, regional district, borough, city, municipal or other government or any agency, board, bureau, commission, court, department, or other instrumentality of any such government acting in a governmental capacity; or
- (b) any Person having the authority under any applicable governmental requirement to assess and collect taxes for its own account;

in each case having jurisdiction or authority in regard to the applicable Person or thing.

“Governmental Requirement” means any applicable obligation, limitation or requirement that applies to the Midstream Facilities or the Parties:

- (a) under any law, including the common law and any statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, writ, edict, award, authorization or other requirement of any Governmental Authority;
- (b) included in any issued Regulatory Approval; or
- (c) resulting from binding arbitration or mediation with a Governmental Authority.

“Gross Negligence” means any act or failure to act (whether sole, joint or concurrent) by Senior Supervisory Personnel of Transporter which was a reckless disregard of or wanton indifference to, harmful consequences such Person knew, or should have known, that such act or failure to act would have on the safety or property of another Person.

“HOA” has the meaning specified in Recital A.

“HOA Parties” has the meaning specified in Recital A.

“ICT” has the meaning specified in Schedule B.

“ISD” means the commercial in-service date of the Alaska LNG Project.

“Initial System” means the Midstream Facilities as initially constructed and placed in service as of ISD.

“Insolvency Event” means, in relation to any Person, the occurrence of one or more of the following:

- (a) an order is made or an effective resolution passed for the winding-up, liquidation or dissolution of the Person;
- (b) the Person institutes proceedings for its winding up, liquidation or dissolution, or takes action to become a voluntary bankrupt, or consents to the filing of a bankruptcy proceeding against it, or files a proposal, a notice of intention to make a proposal, a petition or answer or consent seeking reorganization (including under any Insolvency Law), readjustment, arrangement, composition or similar relief under any Insolvency Law or consents to the filing of any such petition, or consents to the appointment of a receiver, liquidator, trustee or assignee in bankruptcy or insolvency of all or a substantial part of the property of the Party or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they come due, or commits any other act of bankruptcy, or suspends or threatens to suspend transaction of its usual business, or any action is taken by the Person in furtherance of any of the aforesaid;
- (c) a court having jurisdiction enters a decree or order adjudging the Person a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, readjustment, arrangement, composition or similar relief under any Insolvency Law, or a decree or order of a court having jurisdiction for the appointment of a receiver, liquidator, trustee or assignee in bankruptcy or insolvency of all or a substantial part of the undertaking or property of the Person, or for the winding up, dissolution or liquidation of its affairs, is entered and the decree, order or petition is not contested and the effect of it stayed, or any material part of the property of the Person is sequestered or attached and is not returned to the possession of the Person or released from such attachment within twenty (20) days thereafter;
- (d) any proceedings, voluntary or involuntary, are commenced, or an order or petition is issued, respecting the Person pursuant to any Insolvency Law;
- (e) the Person causes or institutes any proceeding for its dissolution or termination; or
- (f) the Person is generally not paying its debts as they become due or makes a general assignment for the benefit of creditors.

“Insolvency Law” means any Governmental Requirement respecting bankruptcy, insolvency, fraudulent preferences or other matters affecting the rights of creditors generally.

“Integrated Matters” means, collectively, those Alaska LNG Project activities related to both (i) the Downstream Activities, and (ii) the Midstream Activities, as contemplated by [REDACTED] of the Pre-FEED JVA.

“Key Project Agreements” means, collectively, the HOA, the Pre-FEED JVA, the FEED Agreement, the Project Equity Participation Agreement and those other material Project Agreements relating to the development and operation of the Midstream Facilities or the Alaska LNG Project as a whole.

“Liabilities” or **“Liability”** means any and all liabilities and obligations, whether under common law, in equity, under any Governmental Requirement or otherwise, whether tortious, contractual, vicarious, statutory or otherwise, whether absolute or contingent and whether based on fault, strict liability or otherwise.

“LIBOR” means, for any calendar month (one of the twelve (12) calendar months of the calendar year commencing on the first day of each calendar month, in accordance with the Gregorian Calendar, and the term “Monthly” shall be construed accordingly, the percentage rate per annum, compounded on a

monthly basis, equal to the average of the annual yield rates applicable to one-month dollar deposits which rate is shown on the display referred to as the “LIBOR Page” (or any display substituted therefor) of Reuter Monitor Money Rates Service (or its successor) as at approximately 10:00 a.m. (New York time) on the first Business Day of that month.

“**Linefill Gas**” has the meaning specified in Schedule B.

“**Losses**” means, in relation to a matter, any and all losses, damages, costs, disbursements, out-of-pocket expenses, charges, indebtedness, obligations, assessments, fines, penalties, fees and expenses of every kind, nature or description incurred or sustained by a Person, including court costs, costs incurred or sustained in connection with any Claims (including Professional Fees and reasonable costs of investigating and defending Claims) arising from such matter, regardless of whether such Claims are sustained, together with any interest which may be imposed in connection therewith.

“**LNG**” means any hydrocarbon or mixture of hydrocarbons consisting predominantly of methane in a liquid state at or below its boiling point at a pressure of approximately one (1) atmosphere.

“**LNG Plant**” means the Alaska LNG Project component consisting of an LNG plant facility, including the structures, equipment, underlying land rights and all other associated systems, for pre-processing and liquefaction of natural gas, and storage and off-loading of liquefied natural gas, including terminal facilities and auxiliary marine vessels.

“**Maintenance Capital Additions**” means, collectively, facility additions required to maintain the reliable capacity of the Midstream Facilities or to extend the useful life of the facilities, for which costs have not been expensed as Annual Fixed O&M Expenses as described in Schedule C, part D, paragraph 6.

“**Midstream Activities**” means all operations and activities undertaken with respect to the Midstream Facilities as part of the Alaska LNG Project.

“**Midstream Facilities**” means, collectively: (i) the PBU Gas Transmission Line, (ii) the PTU Gas Transmission Line, (iii) the Gas Pipeline, and (iv) the Gas Treatment Plant, and “**Midstream Facility**” means any one of them.

“**Moody’s**” means Moody’s Investors Service, Inc. or its successor.

“**MOU**” has the meaning specified in Recital C.

“**NGA**” means the Natural Gas Act, 15 U.S.C. § 717b, *et seq.*

“**Negotiated Rate**” means the negotiated rate for the provision of the Services, calculated in accordance with the Negotiated Rate Principles.

“**Negotiated Rate Principles**” means the Negotiated Rate principles set forth in Schedule C.

“**Nominee**” has the meaning specified in Section 5.2(b).

“**Notice**” has the meaning specified in Section 7.5(a).

“**Other Shipper**” has the meaning specified in Schedule B.

“**PA**” means the agreement to which this Schedule A forms a part, together with all Schedules attached to such agreement, and any extension, renewal or amendment thereof agreed to in writing by the Parties.

“Partnership Asset Conveyance” means an election by Shipper pursuant to the Transporter Conveyance Mechanics.

“Partnership Interest Conveyance” means an election by Shipper pursuant to the Transporter Conveyance Mechanics.

“Party” means Shipper or Transporter individually, and **“Parties”** means Shipper and Transporter collectively.

“PBU Gas Transmission Line” means the Alaska LNG Project component consisting of a natural gas transmission line from the outlet flange of the Prudhoe Bay Unit Central Gas Facility to the inlet flange of the GTP, including the structures, equipment, underlying land rights and all other associated systems.

“Pre-FEED” means pre-front-end engineering and design work and activities on the approved concept in preparation for FEED for the Alaska LNG Project, including technical and execution studies and optimization and FEED/EPC invitation to tender development including sufficient design detail and environmental field work to support FERC applications and filings.

“Pre-FEED JVA” means the Alaska LNG Project Pre-FEED Venture Agreement to be executed, after Enabling Legislation becomes effective, by the Producer Parties, Transporter and AGDC on terms acceptable to the parties thereto, as may be amended from time to time.

“Person” means any natural person, Entity, estate, labour union, or Governmental Authority.

“Pipelines” means, collectively, the PTU Gas Transmission Line, the PBU Gas Transmission Line and the Gas Pipeline, and **“Pipeline”** means any one of them.

“Point Thomson Unit” means the oil and gas leases and described land located on the North Slope of Alaska as may exist from time to time from which oil, gas and associated substances are developed and produced on a unitized basis under the terms of the Unit Agreement for the Development and Operation of the Point Thomson Unit with the State of Alaska, dated March 1, 1977 and the Unit Operating Agreement Point Thomson Unit Area by and between the Working Interest Owners of the Point Thomson Unit, dated March 1, 1977, each as amended from time to time.

“Pre-Construction Regulatory Approvals” means, collectively, those Regulatory Approvals that are, in the opinion of Transporter, material and customarily required by prudent pipeline operators prior to the commencement of on-site construction or pre-construction activities.

“Prior Capital Contribution” means the Transporter’s Affiliates share of costs incurred on the Alaska portion of the AGIA Project from December 5, 2008 to the effective date of the Pre-FEED JVA that have not otherwise been included as Development Costs, less a credit equal to the AGIA reimbursement received and retained by the Transporter or its Affiliates that were associated with such costs. The maximum amount of Prior Capital Contribution shall be determined as agreed by the Parties prior to the FTSA Decision Date and shall not exceed \$70 million.

“Producer Parties” means ExxonMobil LNG LLC, BP Alaska LNG LLC and ConocoPhillips Alaska LNG Company, and their respective upstream Affiliates operating in Alaska, and such parties’ successors in interest in accordance with the agreements governing the Alaska LNG Project.

“Professional Fees” means reasonable: (i) fees and disbursements of legal counsel on a solicitor and his own client basis; and (ii) fees and disbursements of any other professional advisors and consultants, including expert witnesses, and such other reasonable out-of-pocket expenses as are incurred in connection with such professional advisors and consultants.

“Project Agreements” means, collectively, those final agreements among any or all of the Alaska LNG Parties, the State and Shipper to (i) give effect to the HOA, and (ii) develop, construct, own or operate the Alaska LNG Project, including the HOA, the Pre-FEED JVA, the FEED Agreement and the Project Equity Participation Agreement.

“Project Equity Participation Agreement” means the agreement or agreements including some or all of the Producer Parties, Transporter and AGDC under which the ownership structure of the Alaska LNG Project and the holding of participating equity interests (including the Shipper Percentage) are established.

“Project Information” has the meaning specified in Section 5.1(a).

“Prudent Costs” means those incurred costs that could reasonably be expected to be incurred by a qualified, experienced, responsible and financially sound developer of facilities in the nature of the Midstream Facilities, acting reasonably, prudently, fairly and in good faith. Prudent Costs shall include those incurred costs deemed to be prudently incurred pursuant to Section 5.3(c) or the Audit Protocol.

“Prudhoe Bay Unit” means the oil and gas leases and described land located on the North Slope of Alaska as may exist from time to time from which oil, gas and associated substances are developed and produced under the terms of the Unit Agreement Prudhoe Bay Unit with the State of Alaska, dated April 1, 1977 and the Unit Operating Agreement Prudhoe Bay Unit by and between the Working Interest Owners of the Prudhoe Bay Unit, dated April 1, 1977, each as amended from time to time.

“PTU Gas Transmission Line” means the Alaska LNG Project components consisting of a natural gas transmission line from the outlet flange of the Point Thomson Unit production facility to the inlet flange of the GTP, including the structures, equipment, underlying land rights and all other associated systems.

“Rate Base” has the meaning as specified in Schedule C.

“Receipt Point” means the point of custody transfer for the receipt of natural gas into a Midstream Facility, which shall be on the inlet side of the measurement station or at such other point as may be agreed between Transporter and Shipper.

“Regulatory Approvals” means collectively, such applications, accreditations, authorizations, approvals, declarations, qualifications, notifications, consents, permits, franchises, certificates, licenses, waivers, implementing orders, or exemptions, or registrations or filings, and any necessary amendments or supplements thereto, of any Governmental Authority, that Transporter or its Affiliate, in its sole discretion, determines are necessary for, and are on terms satisfactory to, Transporter or its Affiliate for the construction, ownership and operation of the Midstream Facilities and to provide the Services.

“Related Parties” means Affiliates and any respective representatives, successors, assigns, officers, directors, employees, shareholders, members, agents, contractors, consultants and advisors of a Person or Persons.

“Remaining Useful Life of the Midstream Facilities” means, at any time, the estimated length of time remaining before the Midstream Facilities will need to be decommissioned, taking into account the condition, operating environment, service level, capacity utilization, technical obsolescence and functional obsolescence of such facilities, as well as the remaining useful life of the Midstream Facilities determined pursuant to the Key Project Agreements, as such time is (i) determined by an independent qualified expert appointed as agreed by the Parties, or (ii) otherwise agreed to by the Parties.

“Renewal Date” has the meaning specified in Schedule B.

“Required Accounting Practice” means the usual and customary accounting practices of Transporter or its Affiliates consistently applied in businesses similar to that conducted by Transporter.

“Revised Transporter Estimate” has the meaning specified in Section 5.3(b)(ii).

“S&P” means Standard & Poor’s Financial Services LLC or its successor.

“Senior Executive” means any individual who has the authority to negotiate and bind the Party to a settlement of the Dispute for that Party. For purposes of the State, the Commissioner of the Department of Natural Resources is the Senior Executive.

“Senior Supervisory Personnel” means any individual who functions for the Party or one of its Affiliates at a management level equivalent or superior to any individual functioning as such Party’s senior manager who has direct responsibility for, and directs all operations of such Party in relation to the Midstream Facilities, but excluding all individuals functioning at a level below this position.

“Services” has the meaning specified in Schedule B.

“Shipper” has the meaning specified in the preamble to the PA.

“Shipper Condition” has the meaning specified in Section 3.1.

“Shipper Decision Date” has the meaning specified in Section 5.3(a)(ii).

“Shipper Percentage” has the meaning specified in Recital B.

“Shipper WP&B Notice” has the meaning specified in Section 5.3(a)(ii).

“State” means the State of Alaska. As of the Effective Date, the Shipper is the State.

“State Gas Share” means, collectively, the State’s share of royalty in kind gas and gas production tax as gas provided by the Producer Parties and received by the State from the Producer Parties’ natural gas resources on the North Slope of Alaska, should the State elect to receive its royalty in kind and production tax as gas.

“State Shipper” means Shipper, where Shipper meets the following criteria:

- (a) is the State;
- (b) holds (pursuant to this PA or the FTSA) at least 50% of the Transporter Capacity of the Gas Pipeline and the GTP, and
- (c) it or its Affiliate is not otherwise in default under this PA, the FTSA or any other agreement in relation to the Alaska LNG Project between Transporter or its Affiliates and Shipper or its Affiliates.

“TADI” means TransCanada Alaska Development Inc., a Delaware corporation.

“Tax” means all income, profits, capital gains, franchise, use, ad valorem, property, excise, payroll, stamp, documentary, real property transfer or gain, gross receipts, goods and services, harmonized sales, pipeline transportation, user, value added, sales, registration, transfer, withholding, or other tax, fee, assessment, or charge any Governmental Authority imposes, including any interest, penalty, or additional amount it also may impose on the tax, fee, assessment, or charge.

“TC MOU Parties” has the meaning specified in Recital C.

“Term” has the meaning specified in Schedule B.

“Termination Amount” has the meaning specified in Section 4.3(b) for purposes of the PA, and for purposes of the FTSA Terms and the FTSA, as specified in provisions comparable to Section 4.3(b).

“Termination Amount Objection” has the meaning specified in Section 4.3(c)(ii).

“Termination Amount Notice” has the meaning specified in Section 4.3(c)(i).

“Termination Date” means the earlier to occur of (i) the Expiry Date, and (ii) the date on which the PA terminates under Section 4.2.

“Total Obligation” means: (i) for the period prior to ISD, an amount equal to the Shipper Percentage of the total development and capital costs of the Midstream Facilities, including AFUDC; and (ii) from ISD and for the balance of the Term, an amount equal to all payment obligations of Shipper under the FTSA for the remaining Term.

“Transmission Lines” means the Alaska LNG Project components consisting of the PBU Gas Transmission Line and the PTU Gas Transmission Line.

“TransCanada” means TransCanada PipeLines Limited, a federal Canadian corporation.

“TransCanada Costs” means those salaries, wages, employee benefits and overhead for the employees and internal contractors of Transporter or its Affiliates to the extent engaged in the development, design, financing, construction and commissioning of the Midstream Facilities.

“Transporter” has the meaning specified in the preamble to the PA.

“Transporter Authorized Amount” has the meaning specified in Section 5.3(b)(i), as such Transporter Authorized Amount may be increased pursuant to Section 5.3(b).

“Transporter Capacity” means Transporter’s share of total capacity available in each Midstream Facility as part of the Initial System, as established and reflected in the relevant Key Project Agreements to which Transporter is a party (including any Key Project Agreements addressing gas balancing and related capacity issues).

“Transporter Condition” has the meaning specified in Section 3.2.

“Transporter Conveyance Mechanics” means those provisions outlined in Schedule F.

“Transporter Development Costs” means, without duplication of any AKLNG Development Costs, all costs and expenses (including TransCanada Costs) incurred by Transporter through:

- (a) Transporter’s role as sponsor or equity participant in the Alaska LNG Project and all associated costs and expenses not otherwise considered AKLNG Development Costs (including costs incurred for regulatory strategy and Regulatory Approvals, securing financing or acquiring lands or rights-of-way for the Alaska LNG Project);
- (b) development of the PA and FTSA and all other related agreements in respect of the Services;

- (c) development of all other agreements between Transporter and the State and their respective Affiliates in respect of the Alaska LNG Project (including governance or equity option agreements);
- (d) participation in the development of the Pre-FEED JVA, FEED Agreement, and the Project Agreements to which Transporter or its Affiliates is a party, which are not otherwise described in paragraphs (a), (b) or (c) of this definition;
- (e) development of, participation in, and prosecution of, the Regulatory Approvals described in and contemplated by Section 2.2;
- (f) carrying out of administration and reporting obligations to and with Shipper pursuant to the PA, FTSA and all other agreements between Transporter and Shipper and their respective Affiliates;
- (g) governmental relations in respect of the Alaska LNG Project, including presentations to, and discussions with, the State and the Alaska Legislature as requested by Shipper or the State;
- (h) business development activities in respect of the Midstream Facilities or the Services, including shipper (other than Shipper) solicitation and other engagement activities (for greater certainty, any costs associated with such business development activities in respect of an Incremental Expansion (as described in Part 20 of Schedule B) shall be allocated to such Incremental Expansion upon the in-service date of such Incremental Expansion);
- (i) cooperation and coordination with AGDC regarding the Alaska LNG Project;
- (j) establishment and administration of Transporter and the Services, including the costs of the general partner of Transporter in administering Transporter's affairs; and
- (k) the administration or termination of AGIA or the AGIA License.

For purposes of calculating the Development Cost Amount pursuant to Section 4.3(a) on expiration or termination of the PA, the Transporter Development Costs shall not exceed the Transporter Authorized Amount then in effect.

“Wilful Misconduct” means any act or failure to act (whether sole, joint or concurrent) by Senior Supervisory Personnel of Transporter, which was voluntary and was intended to cause harmful consequences such Person knew would have on the safety or property of another Person, provided that Wilful Misconduct does not include any act or failure to act insofar as it: (i) constituted Gross Negligence or mere ordinary negligence; or (ii) was done or omitted in accordance with the express instructions or approval of the other Party.

“WP&B” means, in relation to the AKLNG Development Costs, a work program and budget pursuant to the Key Project Agreements whereby Transporter or its Affiliates incur AKLNG Development Costs.

[REDACTED]

“WP&B Decision Date” has the meaning specified in Section 5.3(a)(i).

“WP&B Notice” has the meaning specified in Section 5.3(a)(i).

Section 2 – Certain Rules of Interpretation

In the PA:

- (a) **Article/Section References:** References to “Article” or “Section” mean the specified Article or Section of the PA, and the word “Schedule” refers to schedules to the PA, unless the PA specifies otherwise.
- (b) **“Herein”:** The PA uses the words “herein,” “hereof,” and “hereunder” and words of similar import to refer to the PA as a whole and not to any provision of the PA.
- (c) **Number and Gender:** Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.
- (d) **Uses of Certain Words:** The word “including” (and, with correlative meaning, the word “include”) means including, without limiting the generality of any description preceding that word. The words “shall” and “will” are used interchangeably in the mandatory and imperative sense. The word “may” means is authorized or permitted to, while “may not” means is not authorized or permitted to. The word “knowledge” (and, with correlative meaning, the word “known”) means actual knowledge of a fact, rather than constructive knowledge of a fact.
- (e) **Generally Accepted Meanings:** Words, phrases, or expressions that are not defined in the PA but that have a generally accepted meaning in the practice of measurement and metering in the international businesses of production, transportation, distribution, and sale of gas have that meaning in the PA.
- (f) **Time Periods:** The word “day” means one of Monday through Sunday of each week including legal holidays. Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.
- (g) **Statutory references:** A reference to a statute includes all regulations made pursuant to such statute and, unless otherwise specified, the provisions of any statute or regulation which amends, supplements or supersedes any such statute or any such regulation.
- (h) **Governmental references:** A reference to a governmental official, agency, board, bureau, commission, department, or other instrumentality thereof continues to apply regardless of any changes in name or title, and applies to the successor official, agency, board, bureau, commission, department, or other instrumentality thereof to which the referenced responsibilities or functions may be transferred. Reference to a government official includes the official’s designee.
- (i) **No Strict Construction:** The language used in this PA is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.
- (j) **Derivative Terms:** Where a term is defined herein, a capitalized derivative of such term shall have a corresponding meaning unless the context otherwise requires.
- (k) **Headings:** Headings of Articles and Sections are inserted for convenience of reference only and shall not affect the construction or interpretation of the PA.

- (l) **Numerical Conflicts:** In the event of a conflict between a written numerical reference and its corresponding parenthetical numeric reference, the written numerical reference shall govern.
- (m) **Consent:** Whenever a provision of the PA requires an approval or consent and such approval or consent is not delivered within the applicable time limit, then, unless otherwise specified, the Party whose consent or approval is required shall be conclusively deemed to have withheld its approval or consent.
- (n) **Currency:** Unless otherwise specified, all references to money amounts are to the lawful currency of United States of America.
- (o) **Time:** Time is of the essence in the performance of the Parties' respective obligations.

SCHEDULE B
FTSA Term Sheet

All of Schedule B is commercially sensitive for TransCanada and has been redacted on the basis that the State of Alaska intends to issue a Notice of Termination to TransCanada Alaska Midstream LP once an appropriation to pay TransCanada has been approved. In such case there will be no FTSA and so this Schedule B is not relevant.

SCHEDULE C
Negotiated Rate Principles

All of Schedule C is commercially sensitive for TransCanada and has been redacted on the basis that the State of Alaska intends to issue a Notice of Termination to TransCanada Alaska Midstream LP once an appropriation to pay TransCanada has been approved. In such case there will be no FTSA and so this Schedule C is not relevant.

SCHEDULE D

Creditworthiness Requirements

All of Schedule D is commercially sensitive for TransCanada and has been redacted on the basis that the State of Alaska intends to issue a Notice of Termination to TransCanada Alaska Midstream LP once an appropriation to pay TransCanada has been approved. In such case there will be no FTSA and so this Schedule D is not relevant.

SCHEDULE E

Books & Records and Audit Protocol

All of Schedule E is commercially sensitive for TransCanada and accordingly has been redacted.

SCHEDULE F
Transporter Conveyance Mechanics

Upon the occurrence of an event giving rise to these Transporter Conveyance Mechanics, the following mechanics shall apply:

- (a) Shipper shall provide Notice to Transporter of its election of either a “Partnership Interest Conveyance” or a “Partnership Asset Conveyance” in the manner outlined in paragraphs (b) and (c) below. For a termination of the PA or the FTSA as described in paragraph (d)(ii) below, such Notice shall be delivered concurrently with payment of the Termination Amount. For a transfer as described in paragraph (d)(i) below, such Notice shall be delivered on such date as is agreed by the Parties in the FTSA.
- (b) If Shipper has elected a Partnership Interest Conveyance, Transporter shall cause an assignment of the Partnership Interests of the TransCanada Limited Partner and General Partner (as such terms are defined in the limited partnership agreement of Transporter) to Shipper or its designee Affiliate, and the general partner of Transporter shall provide written notice to its limited partners of the occurrence of such event (a “**Termination Conveyance Notice**”). The Termination Conveyance Notice shall identify:
 - (i) the event which gives rise to these Transporter Conveyance Mechanics and the provision of the PA or FTSA which grants such conveyance right;
 - (ii) the partner which is obligated to make the transfer and the partner (or its Affiliate designee) that has the right to receive the transfer of a partnership interest in Transporter (the “**Partnership Interest**”); and
 - (iii) the price for the Partnership Interest to be transferred, which is determined in accordance with paragraph (d) below.
- (c) If Shipper has elected a Partnership Asset Conveyance, assign or transfer to Shipper (or its designee Affiliate) (which items are, collectively, the “**Conveyance Assets**”):
 - (i) all of its interest in either the Pre-FEED JVA or the FEED Agreement, whichever is then in force, in accordance with the provisions of such agreement;
 - (ii) any equity participation interest in the Alaska LNG Project and the Midstream Facilities pursuant to any Project Agreement then in force, in accordance with the provisions of such agreement; and
 - (iii) such other assets of Transporter as are used and useful in respect of the Midstream Facilities.
- (d) The transfer price for the Partnership Interest or the Conveyance Assets (as applicable) to be transferred shall be determined as follows:
 - (i) with respect to transfers resulting from the Buy-Back Right and the Put Option as set forth in FTSA Terms, the transfer price shall be equal to the End of ICT Purchase Price; and
 - (ii) with respect to transfers resulting from a termination of:
 - (A) the PA under Section 4.4, or

- (B) the FTSA prior to FID under the provisions of the FTSA giving effect to part 6 of Schedule B;

the transfer price shall be \$1.00.

- (e) In addition to payment of the transfer price as described in paragraph (d) above, Shipper (or its designee Affiliate) shall reimburse Transporter (in the case of a Partnership Asset Conveyance), or the transferring Entity of the Partnership Interest for all reasonable costs and expenses incurred by such Entity in giving effect to the transfer contemplated by these Transporter Conveyance Mechanics, including all legal fees and all costs and expenses associated with (i) complying with the requirements of any of the Key Project Agreements, including obtaining any required consents or approvals; and (ii) obtaining any Regulatory Approvals in respect of such transfer. Such costs and expenses may be audited by Shipper in accordance with the Audit Protocol for a period of 1 year following the closing date of the purchase and sale transaction.
- (f) For greater certainty, any such assignment shall be made to Shipper:
- (i) in the event of a Partnership Interest Conveyance, after the TransCanada Limited Partner (as defined in the limited partnership agreement of Transporter) has received its share of any distributions related to the Termination Amount, and
- (ii) promptly, and shall not be delayed until final resolution of any Dispute pursuant to Section 4.3(c) of the PA or comparable provision of the FTSA. Any amounts payable to Transporter in relation to the resolution of such Dispute shall result in a corresponding increase to the transfer price by way of post-closing adjustment.
- (g) The proceeds shall be payable by the Shipper or its Affiliate designee receiving the transfer of Partnership Interest from the transferring Partner or receiving the Conveyance Assets from the Transporter, as applicable.
- (h) In the event of a Partnership Interest Conveyance, the Termination Conveyance Notice shall contain such other terms and conditions as are necessary or appropriate in connection with the transactions contemplated therein, provided that none of such terms and conditions shall conflict in any way with the provisions of these Transporter Conveyance Mechanics, the PA, the FTSA or any Key Project Agreements to which Transporter is a party.
- (i) The applicable purchase and sale agreement shall be prepared on terms customarily included in similar transactions and agreed upon by the Persons involved such transaction. Any such assignment shall be made on an “as is, where is” basis, without representation or warranty of any kind by the relevant assigning Entity, subject only to a reasonable representation and warranty by such assigning Entity as to its title or right to transfer such items free and clear of any liens and encumbrances other than those liens and encumbrances as would typically be allowed in respect of comparable transferred interests.
- (j) The completion of the purchase and sale transaction pursuant to this Schedule F shall take place at Houston, Texas on the date no later than the number of days specified below after (1) the Termination Conveyance Notice (in the case of a Partnership Interest Conveyance), or (2) payment of the Termination Amount :
- (i) 120 days for a conveyance in respect of those provisions of the FTSA corresponding to parts 4 or 5 Schedule B; or

(ii) 30 days for a conveyance in respect of a notice delivered under Section 4.4;

provided, however, that if any Regulatory Approval or waiting period is required in connection with any such transfer, then such period shall be extended by the number of days necessary to satisfy such regulatory requirement. If such day is not a Business Day, the closing shall occur at the same time and place on the next succeeding Business Day.

(k) For greater certainty, any assignment made pursuant to these Transporter Conveyance Mechanics shall be subject to (i) any restrictions contained in the Key Project Agreements and (ii) those matters outlined in Section 2.2(c) of the PA (or equivalent provision of the FTSA).

SCHEDULE G

Illustrative FTSA Table of Contents

All of Schedule G has been redacted on the basis that the State of Alaska intends to issue a Notice of Termination to TransCanada Alaska Midstream LP once an appropriation to pay TransCanada has been approved. In such case there will be no FTSA and so this Schedule G is not relevant.