NORTH POLE REFINERY SALE PROPOSAL

February 25, 2014

On-Site

1. The buyer would take over on-site remediation responsibilities.
2. FHR would recognize the liability being assumed by the buyer through a purchase price reduction.
3. The State would release FHR from liability for on-site contamination and protect it from contribution claims.
4. The State would return to its earlier cleanup level of 350 ppb for on-site groundwater and 943 ppb for on-site soil.
    a. These are the numbers the State was using before anyone knew that sulfolane had migrated off-site.
    b. Using these numbers is justified because:
        i. No one will be drinking the groundwater on-site or off-site (see below).
        ii. The groundwater remediation system captures sulfolane tainted water, no matter the level, before it moves off-site.
        iii. The buyer needs to be able to estimate the liability it is assuming.
        iv. The buyer needs to be able to operate the sulfolane unit to produce gasoline without the fear that an incident will result in a massive cleanup liability driven by a drinking water standard that is so low (14 ppb). Accommodating a buyer's needs in this regard won't endanger the public because no one will be drinking the water.

Off-Site

1. All parties need certainty as to what the future will hold for the off-site contamination.
    a. North Pole residents need a long term solution for drinking water. The State has seen fecal coliform contamination in North Pole residential groundwater wells, so removing sulfolane from the water won't make it fit to drink.

b. A buyer needs certainty that it won't be assuming liability for off-site contamination that it didn't cause.

c. FHR needs certainty that a sale of the refinery won't result in the company paying for any spills the buyer has in the future

d. The State needs certainty as to what FHR will contribute to a long-term solution.

e. The City of North Pole and contractors need certainty that they can move soil and dewater construction sites without bearing unnecessary expense.

2. A long term solution for North Pole residents is a public water system, together with institutional controls such as municipal ordinances, restrictive covenants, easements or comprehensive plans that prohibit or limit access to the groundwater for use as drinking water.

3. FHR would:

   a. Pay 10% of the cost of extending a public water system, up to a maximum of $25MM. This is a reasonable allocation because:

      i. FHR has been paying 100% of the costs up to this point (over $70MM, with $25MM of that uninsured).

      ii. Alaska law apportions liability to the parties who owned the facility or the land at the time the discharge occurred.

      iii. There is no question that the off-site sulfolane came from spills that happened when Williams owned the refinery and the State owned the land.

      iv. The State has seen fecal coliform contamination in North Pole residential groundwater wells, meaning that there is a water quality issue outside of sulfolane.

   b. Be released and protected from contribution claims for off-site contamination.

4. The State would release a buyer and protect it from contribution claims for off-site contamination existing before closing, except to the extent, and only to the extent, the buyer has additional releases that impact groundwater off-site or fails to operate the on-site groundwater remediation system.