

PURCHASE OF SERVICE CONTRACT

The parties to this contract are the State of North Dakota, acting through its North Dakota Public Service Commission, Compliance and Competitive Markets Division (STATE) and Houston Engineering, Inc., 6901 East Fish Lake Road, Suite 140, Maple Grove, MN 55369 (CONTRACTOR).

1. SCOPE OF WORK

CONTRACTOR, in exchange for the compensation paid by STATE under this Contract, agrees to provide the services enumerated below. CONTRACTOR shall be registered with the North Dakota Secretary of State and the North Dakota State Procurement Office prior to Contract execution.

Background Information

The North Dakota Energy Conversion and Transmission Facility Act (North Dakota Century Code chapter 49-22) authorizes the STATE to determine that the location, construction, and operation of jurisdictional energy conversion and transmission facilities will produce minimal adverse effects on the environment and the welfare of the citizens of North Dakota. STATE construction inspections ensure that projects are constructed in compliance with the siting laws (North Dakota Century Code chapter 49-22), siting rules (North Dakota Administrative Code article 69-06), and applicable Commission Orders. The STATE is currently contracting for construction inspection services concerning the following case:

Case No. PU-16-94
BOE Pipeline, LLC
16-Inch Crude Oil Pipeline – Dunn and McKenzie
Siting Application

Scope of Work

CONTRACTOR agrees to perform construction inspections applying engineering and science principles for the purpose of ensuring that energy conversion and transmission facilities authorized by the STATE are constructed in compliance with the siting laws, siting rules, and applicable Commission Orders. CONTRACTOR'S Project Manager assigned to the project shall be capable of reading and interpreting relevant laws, rules, Orders, and Commission precedent for proper execution of the project.

Upon execution of Contract, CONTRACTOR shall participate in all preconstruction conferences for energy conversion and transmission facilities listed within the Contract and held after the effective date of the Contract. If construction is already underway or complete upon Contract execution, CONTRACTOR shall immediately begin providing construction inspection services.

CONTRACTOR shall perform and document TOPSOIL REMOVAL INSPECTION(S) during the topsoil removal phase(s) of the project to verify that topsoil has been properly

removed and kept segregated from subsoil until replacement occurs. CONTRACTOR shall provide and maintain personnel at each construction spread during topsoil and subsoil removal and segregation activities until such time as CONTRACTOR has determined that equipment operators have demonstrated proficiency concerning topsoil and subsoil removal and segregation in compliance with the Commission's Order.

CONTRACTOR shall perform and document CONSTRUCTION INSPECTION(S) during project construction as provided in CONTRACTOR's written negotiated proposal to verify that the project is constructed in compliance with the siting laws, siting rules, and applicable Commission Orders. CONTRACTOR shall verify that the pipeline has been installed with the depth of cover required by the Commission's Order.

CONTRACTOR shall perform and document an AS-BUILT CONSTRUCTION INSPECTION upon completion of replacement of topsoil and grading, fertilization and seeding of the entire project area.

CONTRACTOR shall perform and document a RECLAMATION AND REVEGETATION INSPECTION after one full growing season but not less than one year from the anniversary date of completion of fertilization and seeding. The Reclamation and Revegetation Inspection must include a follow-up inspection of areas of concern identified in the As-Built Construction Inspection.

Specific, Results-Oriented Tasks

CONTRACTOR shall immediately report to the STATE any suspected non-compliance conditions regarding topsoil and subsoil removal and segregation. CONTRACTOR shall immediately report to the STATE a probable violation of the siting laws, siting rules, or applicable Commission Orders. The STATE may direct that CONTRACTOR stop Project construction activities. Project construction activities may not resume until authorized by the STATE.

CONTRACTOR shall provide to the STATE within 15 days after each Topsoil Removal Inspection, a written TOPSOIL REMOVAL INSPECTION REPORT. Each Report must contain:

- 1) location-referenced color photographs of construction activities;
- 2) a map identifying locations where photographs were taken and locations where compliance checks were performed; and
- 3) an executive summary of the Inspection findings concerning issues requiring resolution, areas of concern, and recommendations for resolution of issues.

CONTRACTOR shall provide to the STATE within 15 days after each Construction Inspection, a written CONSTRUCTION INSPECTION REPORT. Each Report must contain:

- 1) location-referenced color photographs of construction activities;
- 2) a map identifying locations where photographs were taken and locations where compliance checks were performed; and
- 3) an executive summary of the Inspection findings concerning issues requiring resolution, areas of concern, and recommendations for resolution of issues.

CONTRACTOR shall provide to the STATE within 30 days after the As-Built Construction Inspection, a written AS-BUILT CONSTRUCTION INSPECTION REPORT. This Report must contain:

- 1) location-referenced color photographs of construction activities;
- 2) a map identifying locations where photographs were taken and locations where compliance checks were performed;
- 3) an executive summary which includes of issues requiring resolution, areas of concern, and recommendations for resolution of issues; and
- 4) a determination whether the transmission facility has been constructed in compliance with the siting laws, siting rules, and applicable Commission Orders.

CONTRACTOR shall provide to the STATE within 15 days after the Reclamation and Revegetation Inspection, a written RECLAMATION AND REVEGETATION INSPECTION REPORT. This Report must contain:

- 1) location-referenced color photographs of construction activities;
- 2) a map identifying locations where photographs were taken and locations where compliance checks were performed;
- 3) an executive summary of the Inspection findings concerning issues requiring resolution, areas of concern, and recommendations for resolution of issues; and
- 4) a determination whether the area affected by construction activities has been restored as near as practicable to the condition as it existed prior to the beginning of construction, including the reestablishment of desired plant species where applicable.

All Reports must be approved and signed by the lead Project Manager responsible for this project:

Barton L. Schultz
Houston Engineering, Inc.
6901 East Fish Lake Road, Suite 140
Maple Grove, MN ~~55369~~ 55369

The written negotiated proposal provided by CONTRACTOR is attached to and incorporated into this agreement.

2. COMPENSATION

Contractual Amount

STATE shall pay for the accepted services provided by CONTRACTOR under this Contract an amount not to exceed \$19,800.

The Contractual Amount is firm for the duration of the Contract and constitutes the entire compensation due CONTRACTOR for performance of its obligations under this Contract, unless amended, regardless of this difficulty, materials or equipment required,

including fees, licenses, overhead, profit and all other direct and indirect costs incurred by CONTRACTOR, except as provided by an amendment to this Contract.

CONTRACTOR agrees to invoice STATE for amounts not to exceed 20% of the contract amount upon submission of the Topsoil Removal Inspection Report, 15% of the contract amount upon submission of the first Construction Inspection Report, 15% of the contract amount upon submission of the second Construction Inspection Report, 20% of the contract amount upon submission of the As-Built Construction Inspection Report, and the remainder of expenses, not to exceed the contract amount in total, upon submission of the Reclamation and Revegetation Inspection Report.

Payment

1. Payment made in accordance with this Compensation section shall constitute payment in full for the services and work performed and the deliverables and work(s) provided under this Contract and CONTRACTOR shall not receive any additional compensation hereunder.
2. STATE will make every attempt to make payment under this Contract within thirty (30) calendar days after receipt of an approved invoice.
3. Payment of an invoice by STATE will not prejudice STATE's right to object to or question that or any other invoice or matter in relation thereto. CONTRACTOR's invoice will be subject to reduction for amounts included in any invoice or payment made which are determined by STATE, on the basis of audits conducted in accordance with the terms of this Contract, not to constitute allowable costs. At STATE's sole discretion, all payments shall be subject to reduction for amounts equal to prior overpayments to CONTRACTOR.
4. For any amounts that are or will become due and payable to STATE by CONTRACTOR, STATE reserves the right to deduct the amount owed from the payments that are or will become due and payable to CONTRACTOR under this Contract.

Travel

CONTRACTOR acknowledges travel costs are covered by the Contractual Amount and shall not invoice STATE for travel costs.

Prepayment

STATE will not make any advance payments before performance by CONTRACTOR under this Contract.

Payment of Taxes by STATE

STATE is not responsible for and will not pay local, state, or federal taxes. STATE sales tax exemption number is E-2001, and certificates will be furnished upon request by the purchasing agency.

Taxpayer ID

CONTRACTOR'S federal employer ID number is: 45-0314557.

Purchasing Card

STATE may make a payment using a government credit card. CONTRACTOR will accept a government credit card without passing the processing fees for the government credit card back to STATE.

3. TERM OF CONTRACT

This Contract begins on the date the last party has fully executed the Contract, and compensation ends on December 31, 2018.

No Automatic Renewal

This Contract will not automatically renew.

Extension Option

STATE reserves the right to extend the Contract up to three times for an additional period of time not to exceed 12 months per extension.

Renewal Option

STATE may renew this Contract upon satisfactory completion of the initial Contract term. STATE reserves the right to execute up to three options to renew this Contract under the same terms and conditions for a period of twelve months each.

4. TIME IS OF THE ESSENCE

CONTRACTOR hereby acknowledges that time is of the essence for performance under this Contract unless otherwise agreed to in writing by the parties.

5. TERMINATION OF CONTRACT

Termination by Mutual Agreement

This Contract may be terminated by mutual consent of both parties, executed in writing.

Termination without Cause

STATE may terminate this Contract in whole or in part when it has determined that continuing the Contract is no longer necessary or would not produce beneficial results commensurate with the further expenditure of public funds.

Termination for Lack of Funding or Authority

STATE by written notice to CONTRACTOR, may terminate the whole or any part of this Contract under any of the following conditions:

- 1) If funding from federal, state, or other sources is not obtained and continued at levels sufficient to allow for purchase of the services or supplies in the indicated quantities or term.
- 2) If federal or state laws or rules are modified or interpreted in a way that the services are no longer allowable or appropriate for purchase under this Contract or are no longer eligible for the funding proposed for payments authorized by this Contract.

- 3) If any license, permit, or certificate required by law or rule, or by the terms of this Contract, is for any reason denied, revoked, suspended, or not renewed.

Termination of this Contract under this subsection is without prejudice to any obligations or liabilities of either party already accrued prior to termination.

Termination for Cause

STATE may terminate this Contract effective upon delivery of written notice to CONTRACTOR, or any later date stated in the notice:

- 1) If CONTRACTOR fails to provide services required by this Contract within the time specified or any extension agreed to by STATE; or
- 2) If CONTRACTOR fails to perform any of the other provisions of this Contract, or so fails to pursue the work as to endanger performance of this Contract in accordance with its terms.

The rights and remedies of STATE provided in this subsection are not exclusive and are in addition to any other rights and remedies provided by law or under this Contract.

6. FORCE MAJEURE

Neither party shall be held responsible for delay or default caused by fire, flood, riot, acts of God or war if the event is beyond the party's reasonable control and the affected party gives notice to the other party immediately upon occurrence of the event causing the delay or default or that is reasonably expected to cause a delay or default.

7. INDEMNITY

CONTRACTOR agrees to defend, indemnify, and hold harmless the state of North Dakota, its agencies, officers and employees (STATE), from and against claims based on the vicarious liability of the STATE or its agents, but not against claims based on the STATE's contributory negligence, comparative and/or contributory negligence or fault, sole negligence, or intentional misconduct. The legal defense provided by CONTRACTOR to the STATE under this provision shall be free of any conflicts of interest, even if retention of separate legal counsel for the STATE is necessary. An attorney appointed to represent the STATE shall first qualify as and be appointed by the North Dakota Attorney General as a Special Assistant Attorney General as required under North Dakota Century Code section 54-12-08. CONTRACTOR also agrees to defend, indemnify, and hold the STATE harmless for all costs, expenses, and attorneys' fees incurred if the STATE prevails in an action against CONTRACTOR in establishing and litigating the indemnification coverage provided herein. This obligation shall continue after the termination of this agreement.

8. INSURANCE

CONTRACTOR shall secure and keep in force during the term of this agreement and CONTRACTOR shall require from all subcontractors, prior to commencement of an agreement between Contractor and the subcontractor, to secure and keep in force during the term of this agreement, from insurance companies, government self-

insurance pools or government self-retention funds, authorized to do business in North Dakota, the following insurance coverages:

- 1) Commercial general liability, including premises or operations, Contractual, and products or completed operations coverages (if applicable), with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
- 2) Automobile liability, including Owned (if any), Hired, and Non-Owned automobiles, with minimum liability limits of \$250,000 per person and \$1,000,000 per occurrence.
- 3) Workers compensation coverage meeting all statutory requirements. The policy shall provide coverage for all states of operation that apply to the performance of this Contract.
- 4) Employer's liability or "stop gap" insurance of not less than \$1,000,000 as an endorsement on the workers compensation or commercial general liability insurance.

The insurance coverages listed above shall meet the following additional requirements:

- 1) Any deductible or self-insured retention amount or other similar obligation under the policies shall be the sole responsibility of CONTRACTOR. The amount of any deductible or self-retention is subject to approval by the STATE.
- 2) This insurance may be in policy or policies of insurance, primary and excess, including the so-called umbrella or catastrophe form and shall be placed with insurers rated "A-" or better by A.M. Best Company, Inc., provided any excess policy follows form for coverage. Less than an "A-" rating shall be approved by the STATE. The policies shall be in form and terms approved by the STATE.
- 3) The duty to defend, indemnify, and hold harmless the STATE under this agreement shall not be limited by the insurance required in this agreement.
- 4) The State of North Dakota and its agencies, officers, and employees (STATE) shall be endorsed on the commercial general liability policy, including any excess policies (to the extent applicable), as additional insured. The STATE shall have all the benefits, rights and coverages of an additional insured under these policies that shall not be limited to the minimum limits of insurance required by this agreement or by the Contractual indemnity obligations of CONTRACTOR.
- 5) The insurance required in this agreement, through a policy or endorsement, shall include:
 - a) "Waiver of Subrogation" waiving any right to recovery the insurance company may have against the STATE;
 - b) a provision that CONTRACTOR'S insurance coverage shall be primary (i.e. pay first) as respects any insurance, self-insurance or self-retention maintained by the STATE and that any insurance, self-insurance or self-retention maintained by the STATE shall be in excess of the CONTRACTOR'S insurance and shall not contribute with it;

- c) cross liability/severability of interest for all policies and endorsements;
 - d) The legal defense provided to the STATE under the policy and any endorsements shall be free of any conflicts of interest, even if retention of separate legal counsel for the STATE is necessary;
 - e) The insolvency or bankruptcy of the insured CONTRACTOR shall not release the insurer from payment under the policy, even when such insolvency or bankruptcy prevents the insured CONTRACTOR from meeting the retention limit under the policy.
- 6) CONTRACTOR shall furnish a certificate of insurance to the undersigned STATE representative prior to commencement of this agreement. All endorsements shall be provided as soon as practicable.
 - 7) Failure to provide insurance as required in this agreement is a material breach of Contract entitling the STATE to terminate this agreement immediately.
 - 8) CONTRACTOR shall provide at least 30 day notice of any cancellation or material change to these policies or endorsements.

9. WORKS FOR HIRE

CONTRACTOR acknowledges that all work(s) under this Contract is "work(s) for hire" within the meaning of the United States Copyright Act (Title 17 United States Code) and hereby assigns to STATE all rights and interests CONTRACTOR may have in the work(s) it prepares under this Contract, including any right to derivative use of the work(s). All software and related materials developed by CONTRACTOR in performance of this Contract for STATE shall be the sole property of STATE, and CONTRACTOR hereby assigns and transfers all its right, title, and interest therein to STATE. CONTRACTOR shall execute all necessary documents to enable STATE to protect STATE's intellectual property rights under this section.

10. WORK PRODUCT

All work product, equipment or materials created or purchased under this Contract belong to STATE and shall be delivered to STATE at STATE'S request upon termination of this Contract.

11. NOTICE

All notices or other communications required under this Contract shall be given by registered or certified mail and are complete on the date mailed when addressed to the parties at the following addresses:

*Barton L. Schultz, PE
Houston Engineering, Inc.
6901 East Fish Lake Road, Suite 140
Maple Grove, ME 55369*

Executive Secretary
North Dakota Public Service Commission
600 E Boulevard Ave., Dept. 408
Bismarck, ND 58505-0480

Notice provided under this provision does not meet the notice requirements for monetary claims against the STATE found at North Dakota Century Code section 32-12.2-04.

12. CONFIDENTIALITY

CONTRACTOR shall not use or disclose any information it receives from STATE under this Contract that STATE has previously identified as confidential or exempt from mandatory public disclosure except as necessary to carry out the purposes of this Contract or as authorized in advance by STATE. STATE shall not disclose any information it receives from CONTRACTOR that CONTRACTOR has previously identified as confidential and that STATE determines in its sole discretion is protected from mandatory public disclosure under a specific exception to the North Dakota open records law, North Dakota Century Code chapter 44-04. The duty of STATE and CONTRACTOR to maintain confidentiality of information under this section continues beyond the term of this Contract.

13. COMPLIANCE WITH PUBLIC RECORDS LAW

CONTRACTOR understands that, except for disclosures prohibited in this Contract, STATE shall disclose to the public upon request any records it receives from CONTRACTOR. CONTRACTOR further understands that any records that are obtained or generated by CONTRACTOR under this Contract, except for records that are confidential under this Contract, may, under certain circumstances, be open to the public upon request under the North Dakota open records law. CONTRACTOR agrees to contact STATE immediately upon receiving a request for information under the open records law and to comply with STATE'S instructions on how to respond to the request.

14. INDEPENDENT ENTITY

CONTRACTOR is an independent entity under this Contract and is not a STATE employee for any purpose, including the application of the Social Security Act, the Fair Labor Standards Act, the Federal Insurance Contribution Act, the North Dakota Unemployment Compensation Law and the North Dakota Workforce Safety and Insurance Act. CONTRACTOR retains sole and absolute discretion in the manner and means of carrying out CONTRACTOR'S activities and responsibilities under this Contract, except to the extent specified in this Contract.

15. ASSIGNMENT AND SUBCONTRACTS

CONTRACTOR may not assign or otherwise transfer or delegate any right or duty without STATE'S express written consent. However, CONTRACTOR may enter into subcontracts provided that any subcontract acknowledges the binding nature of this Contract and incorporates this Contract, including any attachments. CONTRACTOR is solely responsible for the performance of any subcontractor. CONTRACTOR does not have authority to Contract for or incur obligations on behalf of STATE.

16. SPOILIATION – NOTICE OF POTENTIAL CLAIMS

CONTRACTOR shall promptly notify STATE of all potential claims that arise or result from this Contract. CONTRACTOR shall also take all reasonable steps to preserve all physical evidence and information that may be relevant to the circumstances surrounding a potential claim, while maintaining public safety, and grants to STATE the opportunity to review and inspect the evidence, including the scene of an accident.

17. MERGER AND MODIFICATION

This Contract, including the following documents, constitutes the entire agreement between the parties. There are no understandings, agreements, or representations, oral or written, not specified within this Contract. This Contract may not be modified, supplemented or amended, in any manner, except by written agreement signed by both parties.

Notwithstanding anything herein to the contrary, in the event of any inconsistency or conflict among the documents making up this Contract, the documents shall control in this order of precedence:

- a. The terms of this Contract as may be amended;
- b. CONTRACTOR's written negotiated proposal dated June 17, 2016.
- c. All terms and conditions contained in any end user agreements (e.g. automated click-throughs, shrink wrap, or bonus wrap) are specifically excluded and null and void, and shall not alter the terms of this Contract.

18. SEVERABILITY

If any term of this Contract is declared by a court having jurisdiction to be illegal or unenforceable, the validity of the remaining terms is unaffected, and, if possible, the rights and obligations of the parties are to be construed and enforced as if the Contract did not contain that term.

19. APPLICABLE LAW AND VENUE

This Contract is governed by and construed in accordance with the laws of the STATE. Any action to enforce this Contract shall be adjudicated exclusively in the State District Court of Burleigh County, North Dakota. Each party consents to the exclusive jurisdiction of such court and waives any claim of lack of jurisdiction or forum non conveniens.

20. ALTERNATIVE DISPUTE RESOLUTION – JURY TRIAL

STATE does not agree to any form of binding arbitration, mediation, or other forms of mandatory alternative dispute resolution. The parties have the right to enforce their rights and remedies in judicial proceedings. STATE does not waive any right to a jury trial.

21. ATTORNEY FEES

In the event a lawsuit is instituted by STATE to obtain performance due under this Contract, and STATE is the prevailing party, CONTRACTOR shall, except when prohibited by North Dakota Century Code section 28-26-04, pay STATE'S reasonable attorney fees and costs in connection with the lawsuit.

22. NONDISCRIMINATION AND COMPLIANCE WITH LAWS

CONTRACTOR agrees to comply with all laws, rules, and policies, including those relating to nondiscrimination, accessibility and civil rights. CONTRACTOR agrees to timely file all required reports, make required payroll deductions, and timely pay all taxes and premiums owed, including sales and use taxes and unemployment compensation and workers' compensation premiums. CONTRACTOR shall have and keep current at all times during the term of this Contract all licenses and permits required by law.

23. STATE AUDIT

All records, regardless of physical form, and the accounting practices and procedures of CONTRACTOR relevant to this Contract are subject to examination by the North Dakota State Auditor, the Auditor's designee, or Federal auditors. CONTRACTOR shall maintain all such records for at least three years following completion of this Contract and be able to provide them at any reasonable time. STATE, State Auditor, or Auditor's designee shall provide reasonable notice.

24. EFFECTIVENESS OF CONTRACT

This Contract is not effective until fully executed by both parties.

CONTRACTOR

Houston Engineering, Inc.

By: Barton A. Schulz
Title: Office Manager

Date: June 30, 2016

STATE OF NORTH DAKOTA

Acting through its North Dakota Public Service Commission

By: _____

Title: Julie Fedorchak, Chairman

Date: _____

By: _____

Title: Randy Christmann, Commissioner

Date: _____

By: _____

Title: Brian P. Kalk, Commissioner

Date: _____