

**FACILITIES REIMBURSEMENT AGREEMENT  
BETWEEN  
SEMCO ENERGY, INC D/B/A SEMCO ENERGY GAS COMPANY  
AND  
NORTHERN NATURAL GAS COMPANY**

This Facilities Reimbursement Agreement (“Agreement”) is entered into as of July 18, 2019, by and between Northern Natural Gas Company (“Northern”) and SEMCO Energy, Inc. D/B/A SEMCO Energy Gas Company (“SEMCO”). Pursuant to the request of Northern with respect to its Silver City, Michigan TBS Abandonment Project, SEMCO will build, own, and operate new natural gas facilities, and realign firm entitlement away from the Silver City MI #1 town border station (TBS) (POI 3739) to allow Northern to seek abandonment of the TBS. This Agreement is subject to the following terms and conditions:

1. SEMCO will complete the construction of its facilities as set forth on Exhibit A with an estimated in-service date of their facilities of November 1, 2020 (“Project”). Specifically, in order to complete the Project, SEMCO shall provide all necessary materials and perform all work in a good and workmanlike manner in accordance with prudent industry practice. SEMCO agrees to complete the realignment of firm entitlement as set forth on Exhibit A as soon as practicable upon completion of the Project.
2. Northern will provide SEMCO a Contribution in Aid of Construction (“CIAC”) for one-half of the actual costs of the Project, including but not limited to construction costs and overheads (“Actual Costs”). Northern will pay SEMCO an initial CIAC of \$270,000, which amounts to fifty (50) percent of the estimate of the Project costs, on April 1, 2020 (“Initial CIAC”). The Initial CIAC shall be paid to SEMCO prior to SEMCO’s commencement of construction of the Project. Upon completion of construction of the Project, Northern will true-up the Initial CIAC to one-half of the Actual Costs of the Project. If the Initial CIAC exceeds one-half of the Actual Costs, SEMCO will reimburse Northern for the difference between the Initial CIAC and one-half of the Actual Costs, and if one-half of the Actual Costs exceed the Initial CIAC, Northern will pay SEMCO the difference between one-half of the Actual Costs and the Initial CIAC. Any payment or reimbursement shall be made within thirty (30) days of notice by SEMCO to Northern of the Actual Costs of the Reimbursement.
3. In the event the project is terminated by Northern or due to Northern’s default prior to completion, Northern shall pay SEMCO for half of all costs incurred and/or committed to for construction of the Project up to the date of termination.
4. This Agreement shall continue in effect after termination to the extent necessary to provide for final billings and payments pursuant to this Agreement, and to permit the determination and enforcement of liability and indemnification obligations arising from acts or events that occurred while the Agreement was in effect.
5. SEMCO shall indemnify and hold Northern and Northern’s affiliates, including its officers, directors, employees and agents, harmless from and against any and all claims arising out of

or in connection with the Project to the extent that such claims arise out of the negligence or willful misconduct of SEMCO or its agents. Northern shall indemnify and hold SEMCO and SEMCO's affiliates, including its officers, directors, employees and agents, harmless from and against any all claims arising out of its reconnection of the relocated TBSs to its pipeline system.

6. SEMCO consents to the abandonment of the Silver City MI #1 TBS (POI 3739). Upon completion of the Project, and SEMCO's realignment of firm entitlement away from the Silver City MI #1 TBS, Northern will seek removal and abandonment of the Silver City MI #1 TBS.
7. AS TO ALL MATTERS OF CONSTRUCTION AND INTERPRETATION, THIS AGREEMENT SHALL BE INTERPRETED, CONSTRUED AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CONFLICT OF LAW PROVISIONS.
8. TO THE FULLEST EXTENT PERMITTED BY LAW, EACH OF THE PARTIES HERETO WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY FURTHER WAIVES ANY RIGHT TO CONSOLIDATE ANY ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED.
9. The provisions of this Agreement shall not inure to the benefit of, or be enforceable by, any person or entity other than SEMCO, Northern, and any permitted successor or assign. No other person shall have the right to enforce any of the provisions contained in this Agreement.
10. In the event any provision of this Agreement or portion thereof is found to be wholly or partially invalid, illegal or unenforceable in any judicial proceeding, then such provision shall be deemed to be modified or restricted to the extent and in the manner necessary to render the same valid and enforceable, or shall be deemed excised from this Agreement, as the case may require, and this Agreement shall be construed and enforced to the maximum extent permitted by law, as if such provision had been originally incorporated herein as so modified or restricted, or as if such provision had not been originally incorporated herein, as the case may be.
11. Neither party will be liable for any failure to perform its obligations under this Agreement to the extent such failure is caused by an event or occurrence beyond the reasonable control of the party, including, without limitation, strikes, lockouts, labor troubles or other work stoppages, inability to procure materials, Acts of God or the public enemy, fires, water, hurricanes, tornadoes, storms, earthquakes, riots, failure of power, electric blackouts, electric brownouts, variations in electric voltage, unforeseen obstacles to the construction of the Project, acts of terrorists, war or war operations, restraints of government or other cause or causes that could not, with reasonable diligence and commercially reasonable efforts, be controlled or prevented by the party (including, without limitation, the performance by third-party vendors, permitted subcontractors or others). The provisions of this section shall not excuse Northern from any of its outstanding payment obligations under this Agreement.

- 12. This Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. No promises, agreements, or warranties additional to this Agreement will be deemed to be a part of this Agreement, nor will any alteration, amendment, or modification be effective unless confirmed in writing by the parties.
- 13. This Agreement may be signed in counterparts, each of which when signed shall be an original, but all of which shall together constitute one and the same instrument.
- 14. Any document generated by the parties with respect to this Agreement, including this Agreement, may be imaged and stored electronically (Imaged Documents). Imaged Documents may be introduced as evidence in any proceeding as if such were original business records, and neither party shall contest the admissibility of Imaged Documents as evidence in any proceeding.

The parties hereto have executed this Agreement to indicate their acceptance.

Northern Natural Gas Company

By: Kurt Rith

Title: Sr. Vice President

Date: 7-25-19

SEMCO Energy, Inc. D/B/A SEMCO Energy Gas Company

By: Daniel J. Forsyth

Title: VP of Business Services

Date: July 29, 2019



EXHIBIT A  
To  
Facilities Reimbursement Agreement  
Between  
SEMCO ENERGY, INC D/B/A SEMCO ENERGY GAS COMPANY  
and  
NORTHERN NATURAL GAS COMPANY

1. Silver City MI #1 TBS, POI 3739 – SEMCO will build, operate and own new natural gas facilities so that Northern can seek abandonment of the TBS.
2. Realignment – SEMCO shall realign existing firm entitlement on contracts #110024 and #110025 away from the Silver City MI #1 TBS as soon as practical upon completion of the Project.