Chugach-ML&P Consolidation
Enterprise and Utility Oversight Committee Meeting
December 21, 2017
Why This is the Right Time for Consolidation?

- Creating savings for ratepayers
- Increasing efficiencies
- Providing increased revenue for critical municipal services
- Low interest rate environment
Value of a Chugach-ML&P Consolidation to the Municipality of Anchorage

- Monetize MOA’s equity in ML&P
- Monetize the value of surplus real estate
  - ML&P headquarters
- Receive Payments in Lieu of Taxes (PILT) equivalent to current ML&P contribution
- Lower electric rates to the entire Municipality
- Receive capital credits on electric utility purchases
Where Does Value Come From?

- Cooperative Business Structure
- Reduce Duplication
- Resource Mgmt. and Efficiency
Benefits of a Chugach ML&P Consolidation

Chugach’s Cooperative Business Structure

- Retain Local Control through Chugach’s member-elected board
- Capital credit retirements
- No income Taxes
- Lower cost of capital
- Lower rates
- Streamlined base rate adjustment process (SRF)
- 70 years experience as local Anchorage electric utility
Core Value Areas

Reduce Duplication

- One headquarters complex
- Combine functions on company-wide basis
- Consolidate call centers and customer billing
- Generation reserves – retire surplus generation
- Convey surplus ML&P real estate to MOA
- Oversight of Bradley Lake, Eklutna, SPP and Alaska intertie
Core Value Areas

Resource Management & Efficiency

- Operations and maintenance activities
- Legal, regulatory, environmental and insurance
- Generation engineering and project management
- Consolidation of utility expertise
- Leverage investment in new technologies (AMI, battery/flywheel)
Service Territories

ANCHORAGE BOWL ELECTRICAL UTILITY SERVICE AREAS

CHUGACH SERVICE AREA OUTSIDE ANCHORAGE BOWL

Note that this map is provided as a reference only and no other use is warranted.

Municipal Light & Power
Chugach Electric Association
Benefits of Consolidation

- Strengthens both Chugach’s and Anchorage’s long-term competitiveness through increases in economies of scale
- A larger utility with a strong balance sheet is better equipped to make ongoing investments and deal with uncertainty
- Diversifies current load
- Facilitates additional integration of renewables; enhances hydro-thermal coordination; reduces spill on Fire Island wind
- Increases leverage on supply-chain factors of production
- Other benefits include even greater efficiencies in economic dispatch, long-term capital investment and generation maintenance
## Chugach Offer

### Acquisition Price

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>ML&amp;P Debt (including defeasance)</td>
<td>$542,000,000</td>
</tr>
<tr>
<td>ML&amp;P Equity</td>
<td>$170,000,000</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$712,000,000</strong></td>
</tr>
<tr>
<td>Annual Acquisition Payments (NPV)(^1)</td>
<td>$170,300,000</td>
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### Amount Paid to the MOA

- **$882,300,000**

### Payments in Lieu of Taxes (NPV)\(^1\)

- **$142,100,000**

### Total MOA Receipts

- **$1,024,400,000**

\(^1\) Net present value based on 5% discount rate, 30 years.
Total Value of Transaction

- **Debt**: $542m
- **Lump Sum Equity Payment**: $170m
- **Annual Acquisition Payments**: $170m
- **PILT**: $142m

**Estimated Benefits to MOA**
- Capital Credits: $7m
- Lease Payments: $9m
- Reduced Rate to MOA: $5m

**Value to MOA**

**Value to Electric Consumer**
- Reduced Rates: $111m to $220m
- Capital Credits: $170M

**Estimated Benefits to Ratepayers**
- Capital Credits: $7m
- Lease Payments: $9m
- Reduced Rate to MOA: $5m

**Total Value**: >$1 Billion

1 Net present value based on 5% discount rate, 30 years.
30-Year Payments to MOA

Payment at Closing (2019)

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<td><strong>Total Amount Due at Closing</strong></td>
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Annual Payments Total
NPV $312.4 million

1 Net present value based on 5% discount rate, 30 years.
Delivering Results for Anchorage Ratepayers

- Transaction will result in lower overall costs to the community at-large (unique situation), increasing efficiencies and savings for ratepayers
  - Lower electric rates for both Chugach and ML&P
  - Decrease MOA debt and increase investment in MOA trust
- Environmental
  - Lower carbon impact through generation efficiency improvements, lower Fire Island Wind curtailments
70 Years as a Responsible Community Member
Summary

- Transaction is a win-win for the Anchorage Community
  - Significant and long-term reductions in cost for electric service
  - Lower electric rates; no rate increases as a result of the transaction
  - Local control and cooperative business structure, including return of capital credits
  - No employee layoffs (attrition); emphasis on training and employee development
Chugach is committed to working with all stakeholders throughout the entire process.