



# **Chugach-ML&P Consolidation**

## **Enterprise and Utility Oversight Committee Meeting**

December 21, 2017



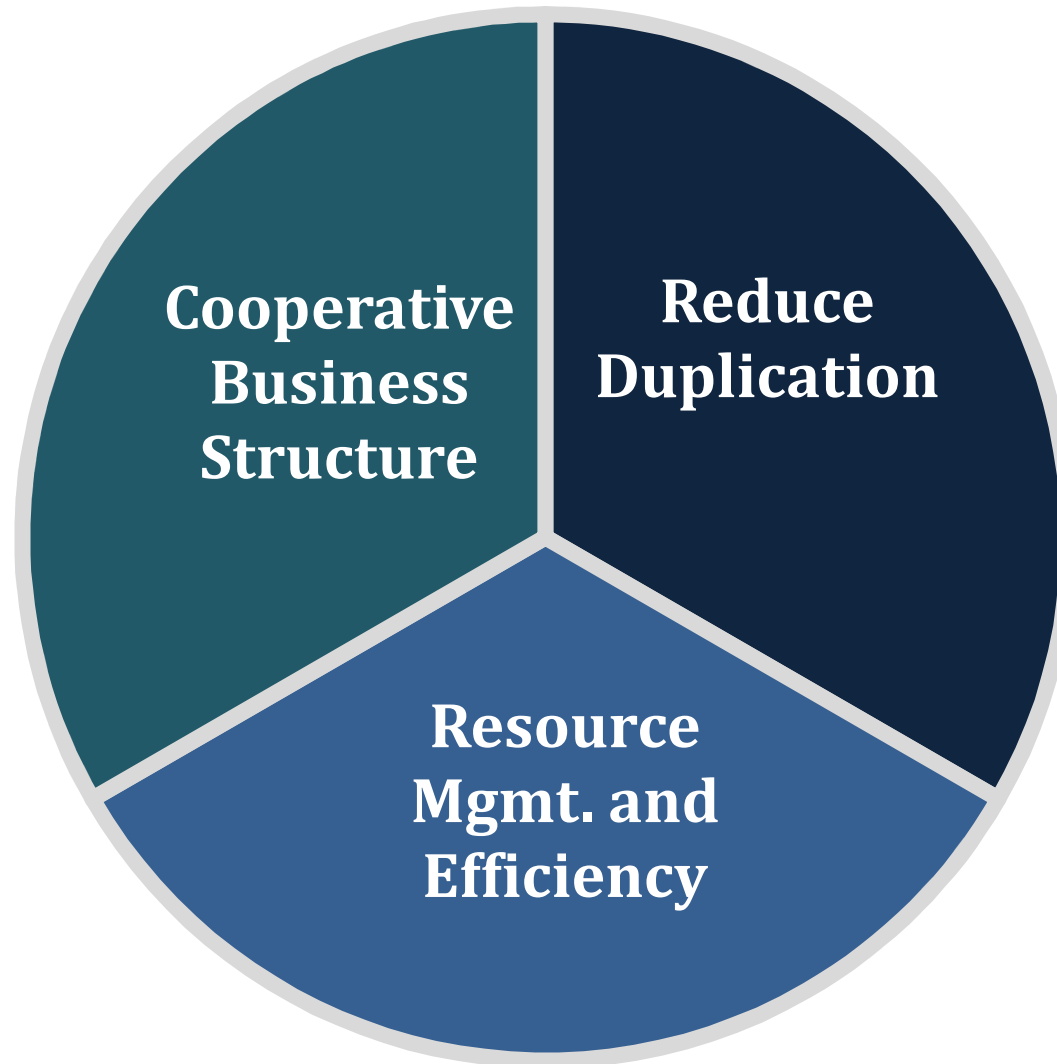
# Why This is the Right Time for Consolidation?

- 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?



# 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**

# 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**

# Resource Management & Efficiency

**Operations and maintenance activities**

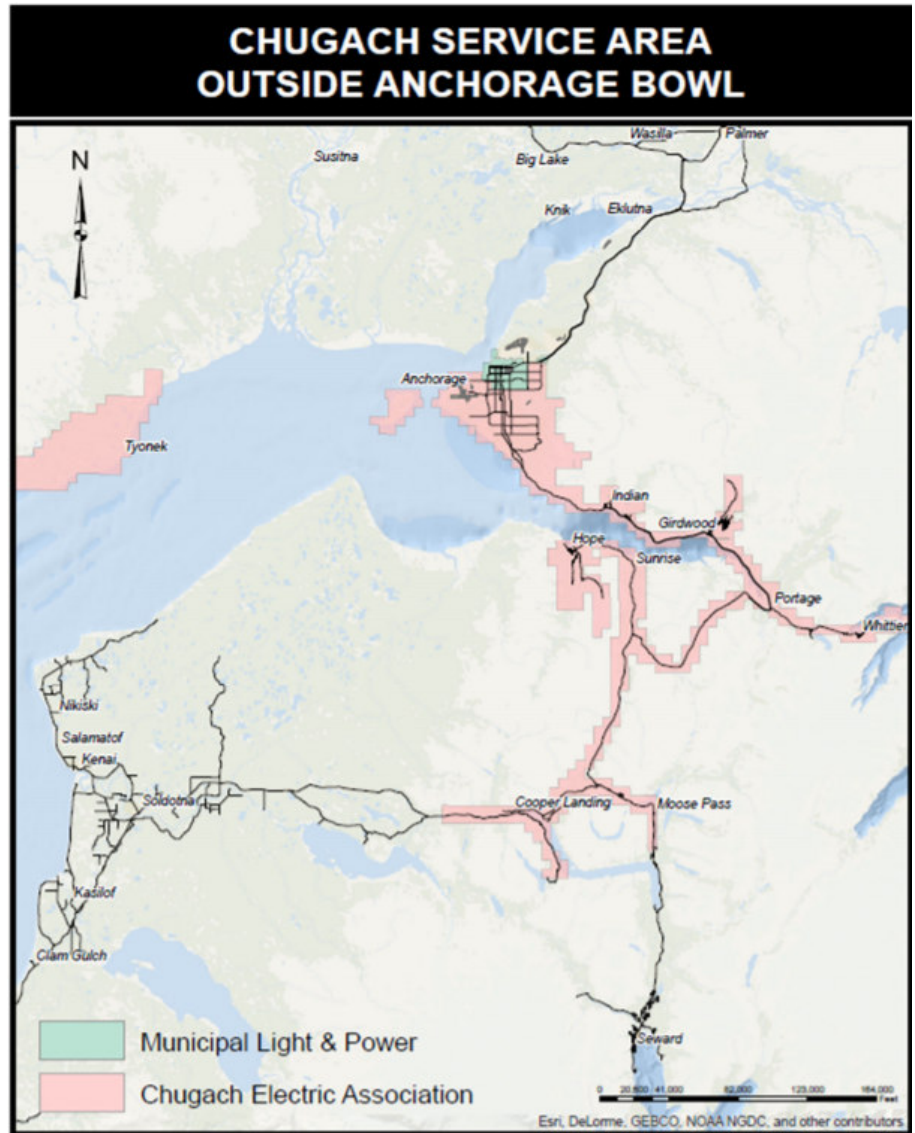
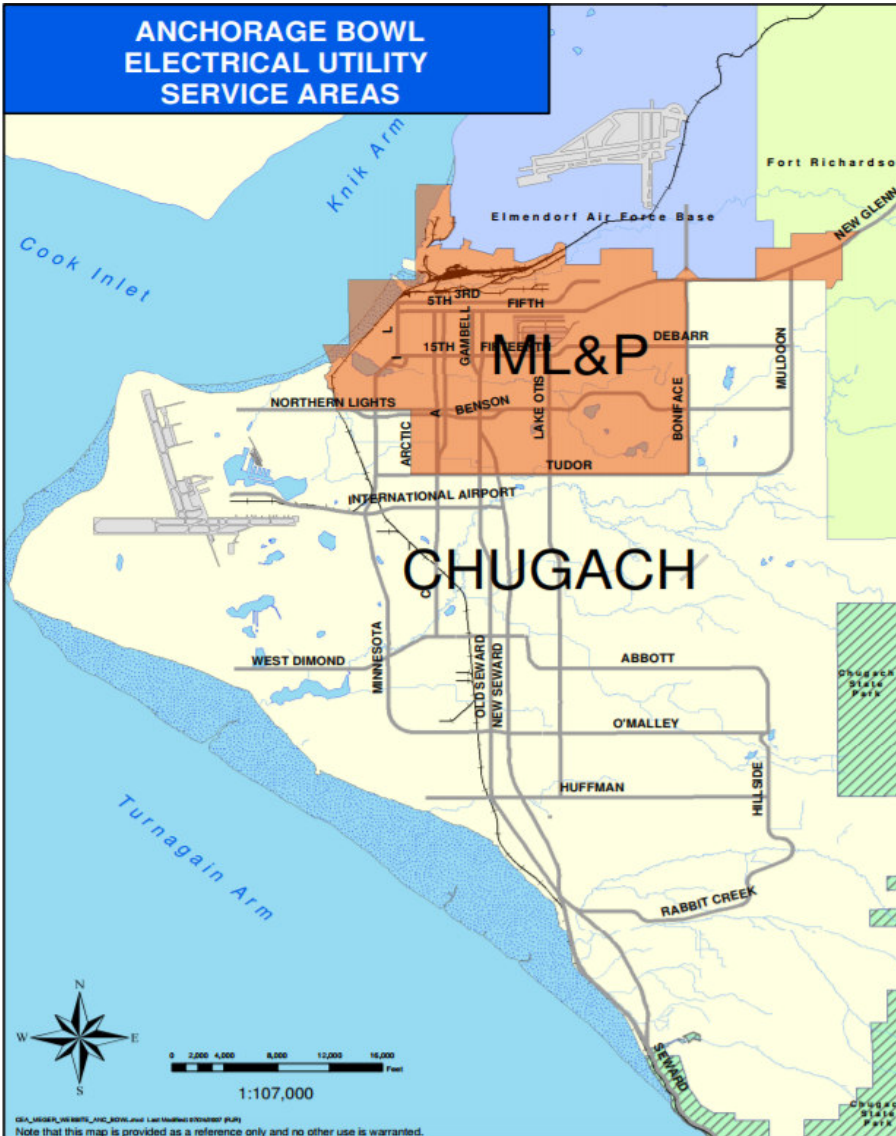
**Legal, regulatory, environmental and insurance**

**Generation engineering and project management**

**Consolidation of utility expertise**

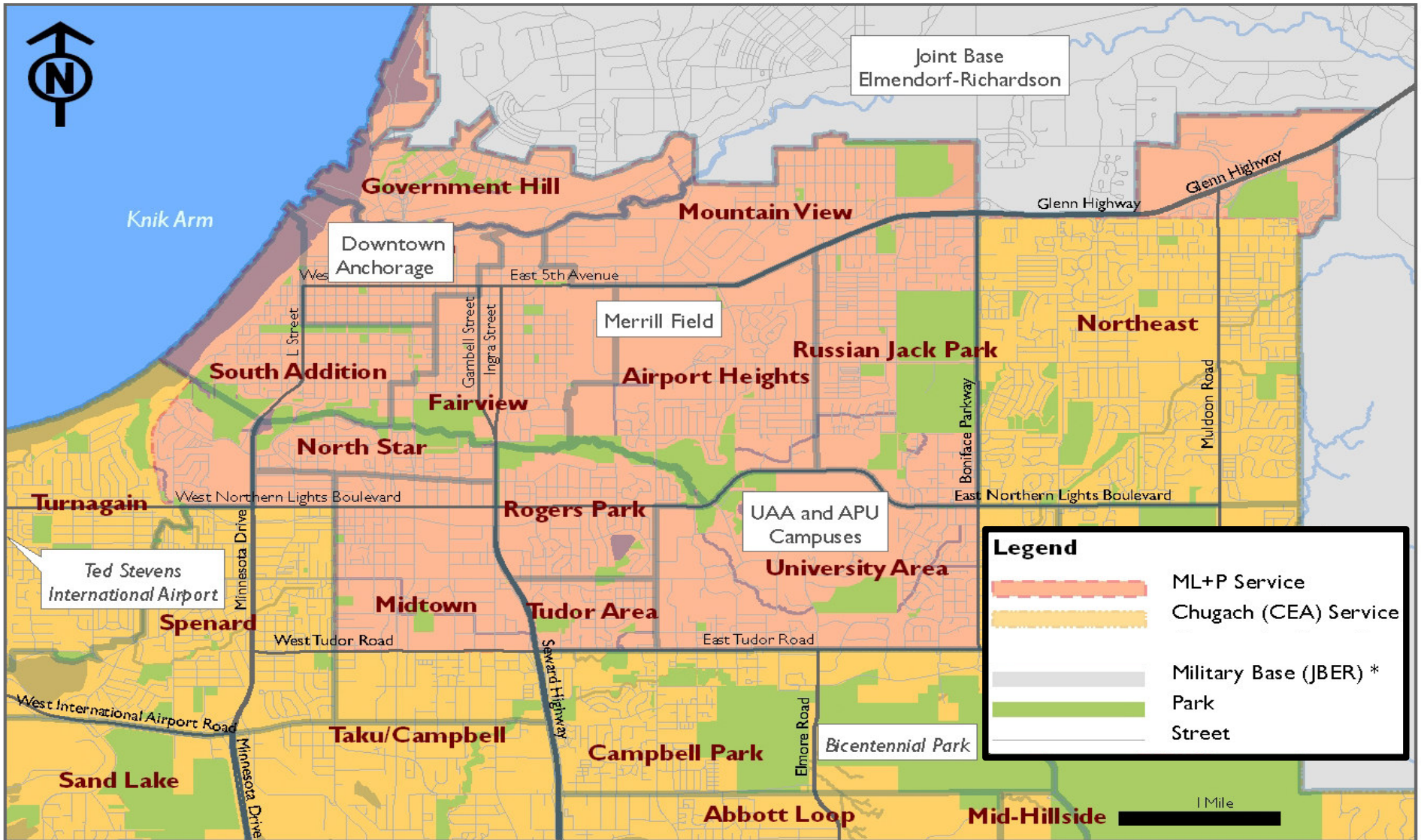
**Leverage investment in new technologies (AMI,  
battery/flywheel)**

# Service Territories





# Contiguous Service Territory Boundary



\* JBER is part of ML+P's service area but is displayed separately

# Benefits of Consolidation

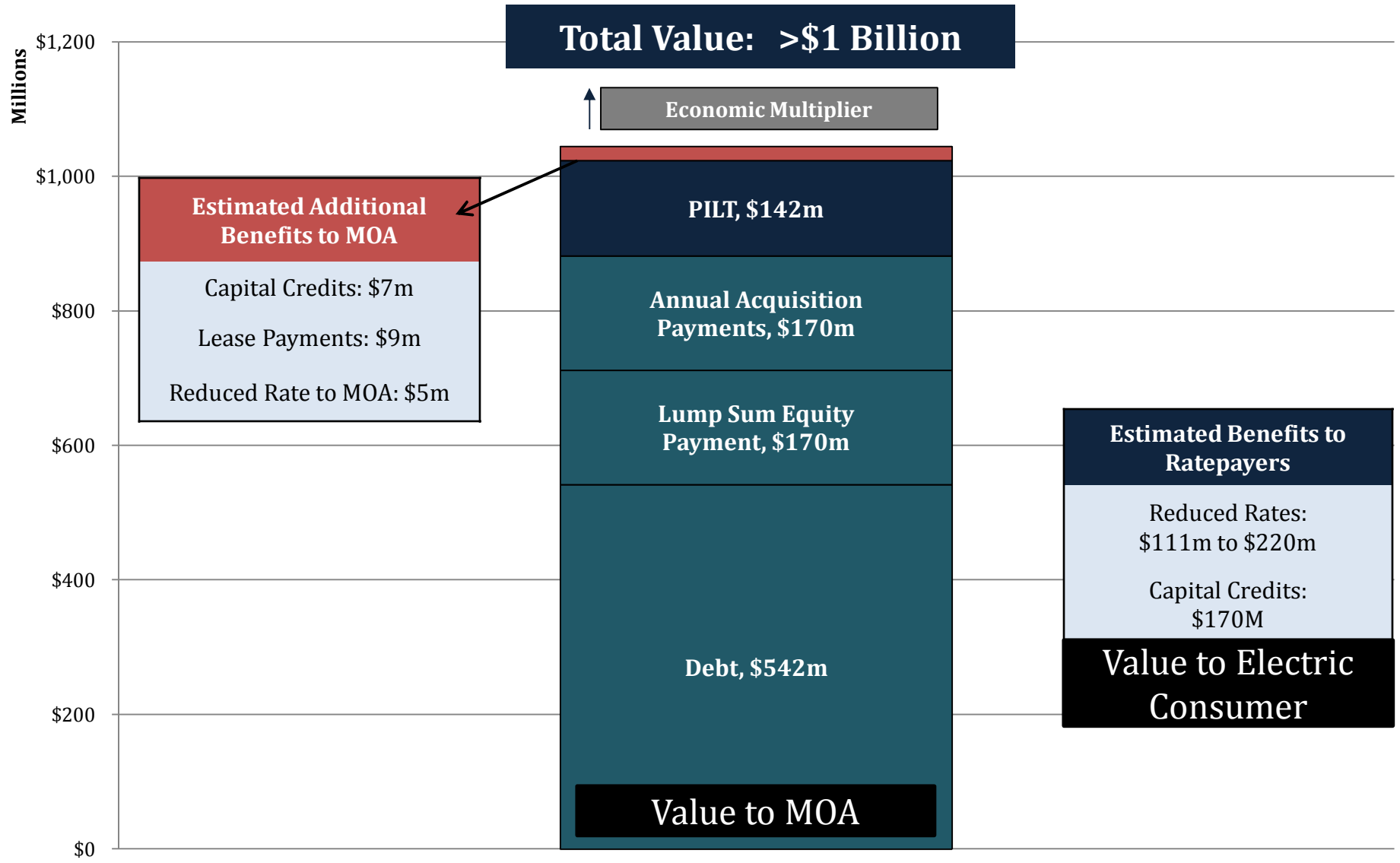
- Strengthens both Chugach's and Anchorage's long-term competitiveness through increases in economies of scale
- A larger utility with a strong balance sheet is better equipped to make ongoing investments and deal with uncertainty
- Diversifies current load
- Facilitates additional integration of renewables; 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

<b>Acquisition Price</b>	
ML&P Debt (including defeasance)	\$542,000,000
ML&P Equity	\$170,000,000
Subtotal	\$712,000,000
Annual Acquisition Payments (NPV) <sup>1</sup>	\$170,300,000
<b>Amount Paid to the MOA</b>	<b>\$882,300,000</b>
<b>Payments in Lieu of Taxes (NPV)<sup>1</sup></b>	<b>\$142,100,000</b>
<b>Total MOA Receipts</b>	<b>\$1,024,400,000</b>

<sup>1</sup> Net present value based on 5% discount rate, 30 years.

# Total Value of Transaction



<sup>1</sup> Net present value based on 5% discount rate, 30 years.

# 30-Year Payments to MOA

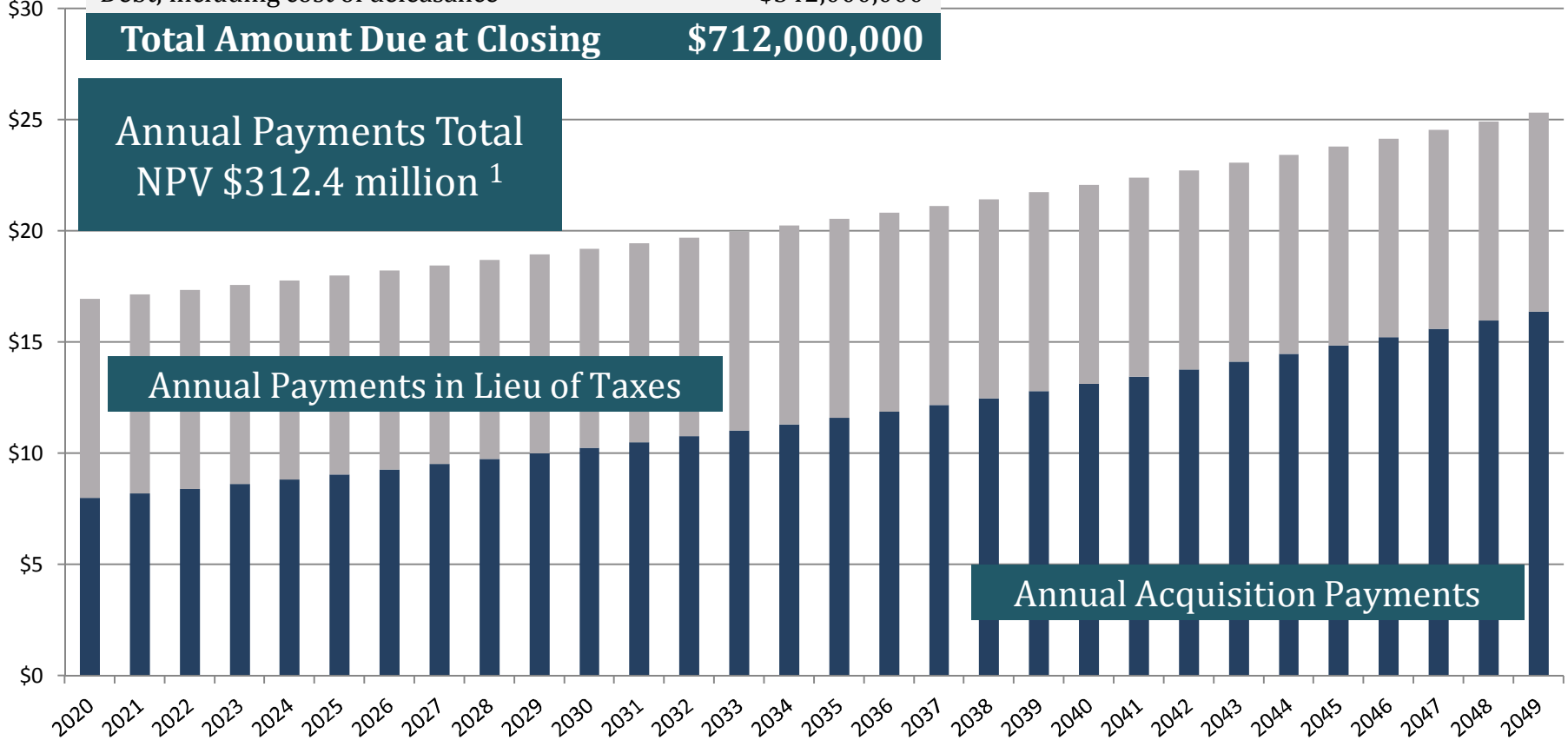
## Payment at Closing (2019)

Equity	\$170,000,000
Debt, including cost of defeasance	\$542,000,000

**Total Amount Due at Closing \$712,000,000**

Annual Payments Total  
NPV \$312.4 million <sup>1</sup>

\$ Millions



<sup>1</sup> 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



# Summary

## Cooperative Principles

- **Voluntary and Open Membership**
- **Democratic Member Control**
- **Member Economic Participation**
- **Autonomy and Independence**
- **Education, Training and Information**
- **Cooperation among Cooperatives**
- **Concern for the Community**



Chugach is committed to working with all stakeholders throughout the entire process