



Chugach Acquisition of ML&P

Anchorage Assembly

January 19, 2018



Key Considerations

- Structured to provide benefit to the MOA, Chugach and ML&P ratepayers
 - Opportunity to provide benefits to MEA, consistent with January 9, 2018 Anchorage Assembly Resolution
- Substantial benefits realized over the long-term
 - Cost reductions realized through time
 - Responsive to industry changes
- Primary areas of savings
 - O&M efficiencies
 - Cost of capital

Agenda

Key Items	
Jobs	No employees to be laid off as a result of the transaction
Purchase Details	Over \$1 billion deal; a fair price
Savings	Operational and financing savings to result in lower electric rates
Chugach Financial Strength	Despite debt financing, the larger scale and amortization of new debt will result in a stronger utility through time

Jobs

- No employees will be laid off as a result of the acquisition
 - Savings will be through attrition (voluntary exits and retirements)
 - Applies to represented and non-represented employees of both Chugach and ML&P
 - Natural attrition is 4 to 5 percent annually; some positions will be refilled
- Provides consolidation of electric utility expertise

Timeline

Expected Schedule

January 23 rd , 2018	Assembly votes to approve ballot language
April 3 rd , 2018	Municipal election
April - December 2018	Finalize term sheet between Chugach and MOA
June 2018 - January 2019	File request for approval with the RCA
November 2018 - July 2019	Commission approval (six months following RCA filing)
March - September 2019	Transaction closing

Chugach Offer

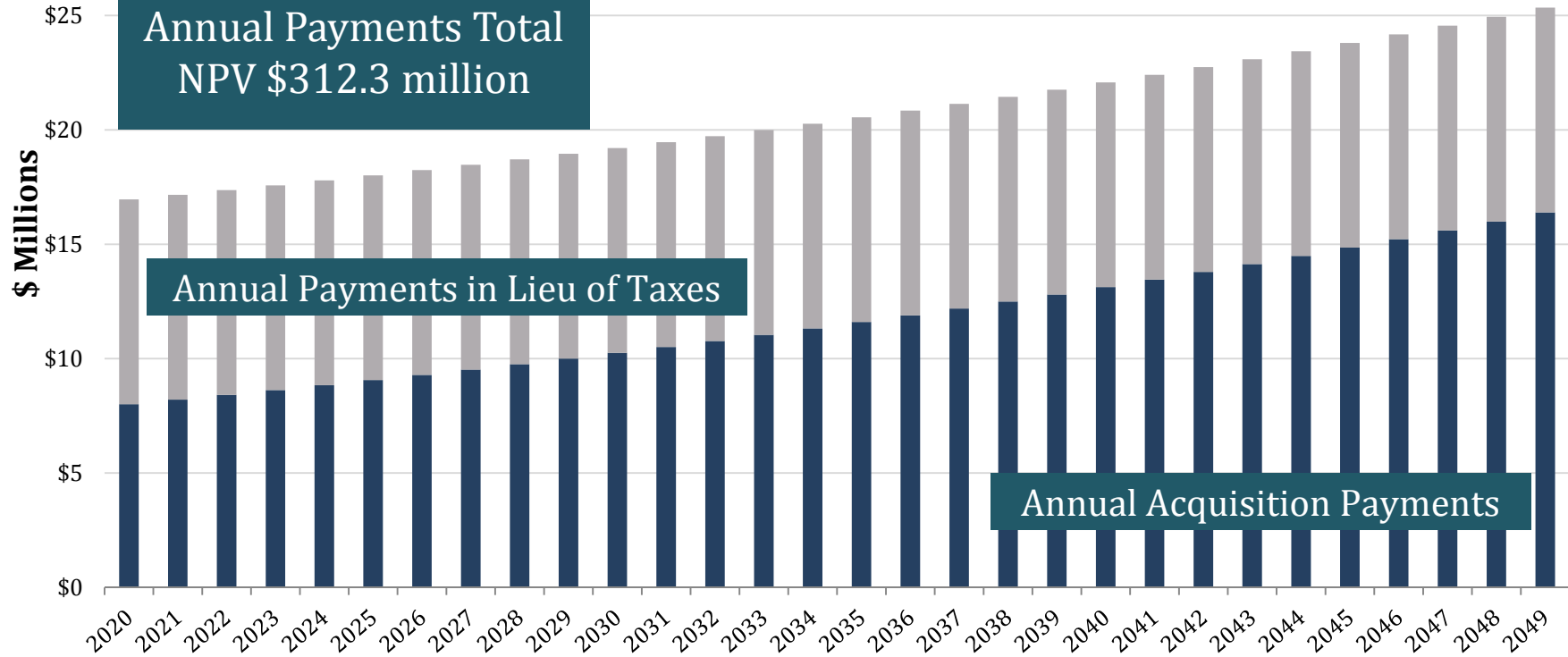
Acquisition	
ML&P Debt	\$524,000,000
Defeasance	\$18,000,000
ML&P Equity	\$170,000,000
Subtotal	\$712,000,000
Annual Acquisition Payments (NPV) ¹	\$170,300,000
Chugach Cost of Acquisition	\$882,300,000
Payments in Lieu of Taxes (NPV) ¹	\$142,000,000
Total MOA Receipts	\$1,024,300,000

¹ Net present value based on 5% discount rate, 30 years.

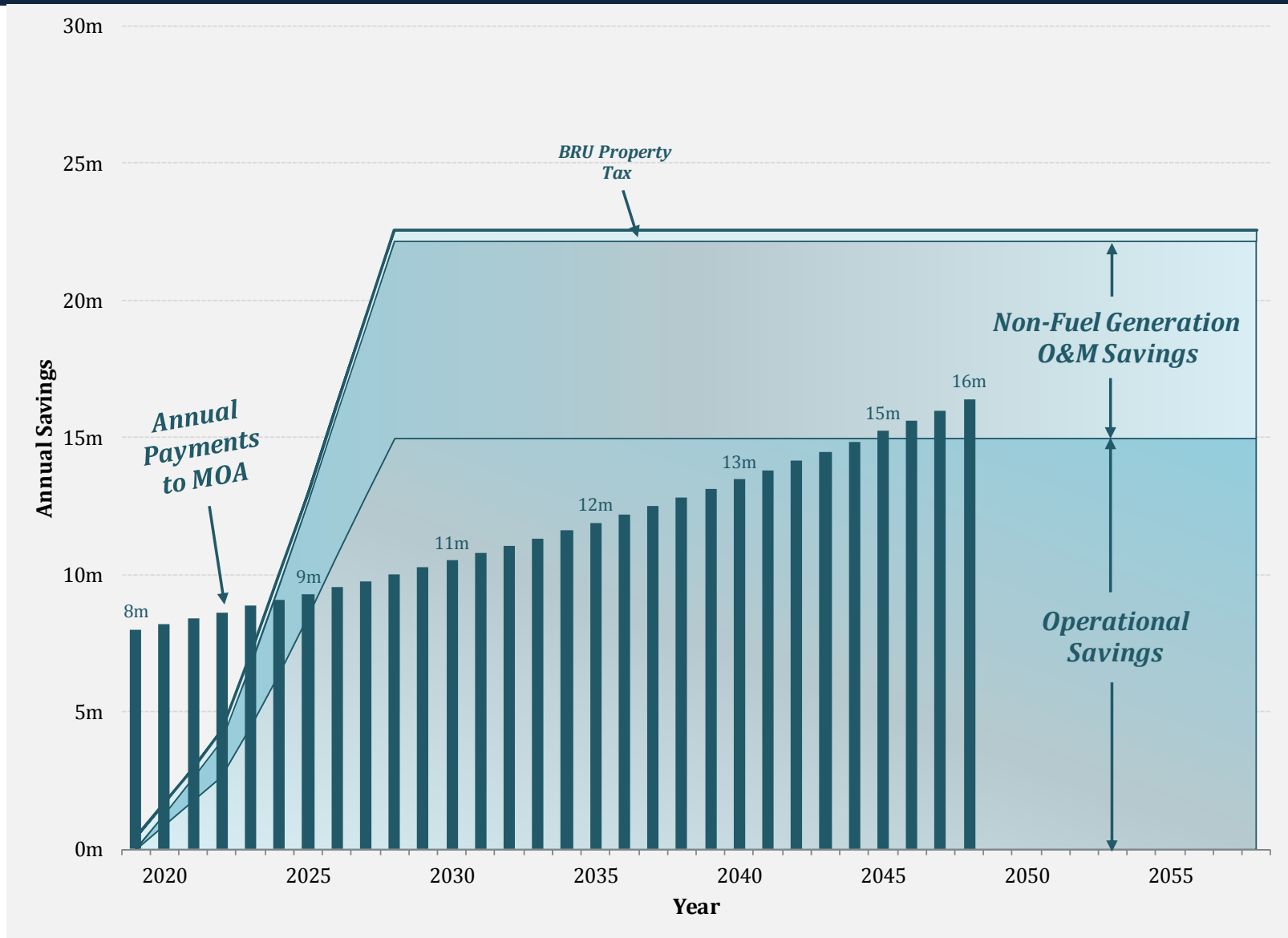
30-Year Payments to MOA

Payment at Closing (2019)

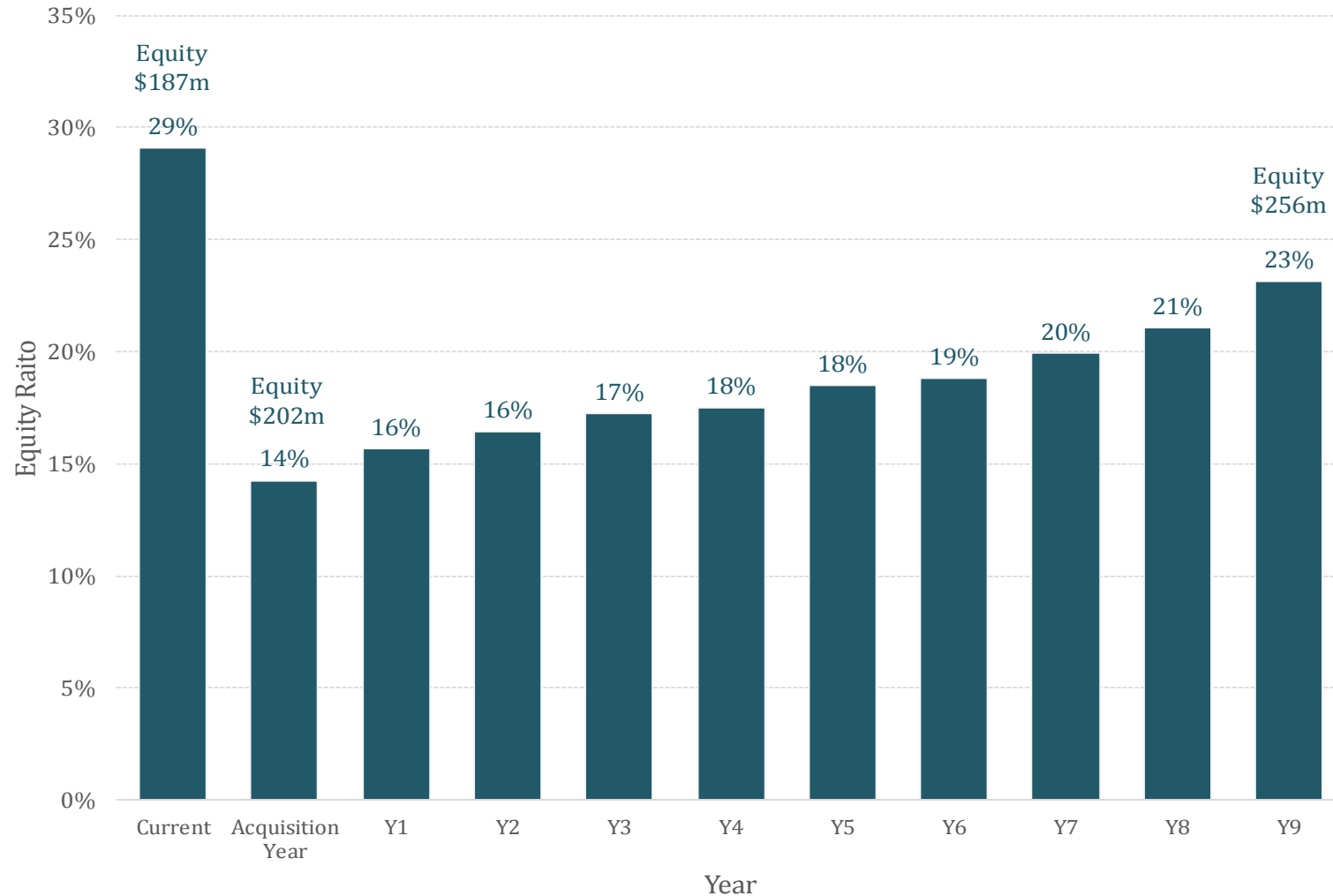
Equity	\$170,000,000
Debt, including cost of defeasance	\$542,000,000
Total Amount Due at Closing	\$712,000,000



Timing of Annual Savings and Payments



Chugach Equity Ratio



¹ Current reflects actual Chugach equity ratio on November 30, 2017.

² Assumes capital retirement rate of 50% of prior year margins.

³ Achieved equity ratios will depend on the timing of the transaction and performance of the combined utility.

Combined Balance Sheet Strength

- Although the combined entity will experience an immediate reduction in equity ratio, the increased scale and larger balance sheet will position the utility to weather future challenges
- Over time, the overall position of the combined entity will improve:
 - (1) Competitive Position: Savings achieved through synergy will make the combined entity more competitive
 - (2) Diversification: The combination of the two territories will widen the customer base and expose the combined utility to less volatility
 - (3) Fuel Sources: The combined entity will be better positioned to integrate renewables and negotiate favorable terms with gas suppliers

Lower Cost of Capital for Customers

Year 1 Cost of Capital				
Company	Capital Component	Capital Structure	Cost	Weighted Average Cost of Capital
ML&P	Debt	64.6%	3.93%	2.54%
	Equity	35.4%	13.00%	4.61%
	Weighted Average Cost of Capital			7.15%
Chugach (on acquisition purchase price)	Debt	100%	5.00%	5.00%
	Equity		0.35 TIER	1.75%
	Weighted Average Cost of Capital			6.75%

- 40 basis point advantage on cost of capital in Year 1
- In addition, Chugach returns capital credits to its members

Key Benefits of Acquisition

- Electric cooperative business structure
 - Retain local control through member-elected board
 - Lower overall cost of capital
 - Capital credit retirements
- Eliminate duplication
 - Combine functions on company-wide basis
 - Single headquarters building / complex
 - Generation reserves
 - Oversight of Bradley Lake, Eklutna and the Southcentral Power Project
- Resource management and efficiency
 - Operations and maintenance activities
 - Generation engineering and project management
 - Legal, regulatory, environmental and insurance

Summary

- Unique opportunity to combine two utilities that have adjacent service territories and natural synergies
- Permanent cost savings will be realized through time and reflected in electric rates
- No job layoffs as a result of the transaction
- No rate increases as a result of the transaction
- Transaction structured to provide substantial benefit within the Anchorage community