



ML&P Transaction Approval

Sale of ML&P to Chugach Electric: Timeline to Date

- January 23, 2018 – AO 2018-1(S)
- April 3, 2018 – Ballot Proposition 10 Approval by more than 65% of voters
- April – September, 2018 – Negotiation of Transaction Terms
- October 9, 2018 – Introduction of AO Approving Sale

Chugach Electric proposes to acquire ML&P assets in a transaction that, among other terms, would include:

- **Payment of Competitive Value.** Chugach Electric would pay a competitive value of approximately \$1 billion for the acquisition of ML&P, subject to adjustment during the due diligence process.

Proceeds will be used to:

1. Retire ML&P and Municipality of Anchorage debt;
2. Replace ML&P's current payments in-lieu-of-tax to ensure that property and other taxes subject to the cap cannot rise as the result of the sale; and
3. Fund the MOA Trust Fund. The MOA Trust Fund is a permanent, protected fund with dividends payable only in accordance with a controlled spending policy adopted by law.

Any change in the use of the proceeds may be made only with approval of the majority of qualified voters voting on the question.

Retention of Employees. Chugach Electric would commit to not lay off any ML&P or Chugach Electric employees as a result of the transaction, and would succeed to all rights and obligations of the collective bargaining agreement covering ML&P employees.

No Increase in Base Rates. Base rates for existing ML&P and Chugach Electric ratepayers would not increase as a result of the transaction.

Section 16.04 **Disposal of Municipal Light & Power to Chugach Electric Association, Inc.; Disposition of Proceeds.**

- A. **ML&P to Chugach Electric.** In addition to the disposal options provided under section 16.02, and notwithstanding any other provision of this Charter to the contrary, the municipality may by ordinance **approved no later than December 31, 2018** sell, lease, or otherwise dispose of all or part of the assets and business of Municipal Light & Power to Chugach Electric Association, Inc.
- B. **Disposition of Proceeds.** Notwithstanding any provision of this Charter to the contrary, a portion of any annual payment received by the municipality in a transaction described in section 16.04A, equivalent to the Municipal Utility Service Assessment that the municipality would have received from ML&P had the transaction not occurred, shall be deemed and treated as a "payment in-lieu of taxes" for the purposes of section **14.03(a)(1)** and shall be available to the municipality for appropriation. All other proceeds of the sale of ML&P received by the municipality shall be disposed of in accordance with section 13.11.

Shall the Charter be amended, and the municipality be authorized (but not required) to sell all or part of ML&P to Chugach Electric and dispose of the proceeds of sale, as described above? (AO 2018-__)

YES

NO

Terms of Preliminary Chugach Offer: January 2018

- \$170M Cash at Closing
- \$542M Repayment of ML&P Debt at Closing
- PILT for 30 years (replacing MUSA), total NPV(5%) = \$142.1M
- Unsecured annual payments for 30 years, total NPV(5%) = \$170.3M
- Total transaction value of \$1,024M
 - subject to adjustment at due diligence

Submitted by: Chair of the Assembly at the
Request of the Mayor

Prepared by: Dept. of Law

For reading: _____ (*always blank*)

ANCHORAGE, ALASKA

AO No. 2018-_____

1 **AN ORDINANCE AUTHORIZING THE SALE OF SUBSTANTIALLY ALL ASSETS**
2 **OF MUNICIPAL LIGHT & POWER (ML&P) TO CHUGACH ELECTRIC**
3 **ASSOCIATION, INC., AND APPROVING A THIRTY-FIVE YEAR POWER**
4 **PURCHASE AGREEMENT, WITH OPTION TO PURCHASE, WITH CHUGACH**
5 **ELECTRIC, INC. FOR POWER GENERATED BY THE EKLUTNA**
6 **HYDROELECTRIC PROJECT.**
7



MUNICIPALITY OF ANCHORAGE

Assembly Memorandum

No. AM - 2018

Meeting Date: _____

1 **From:** MAYOR
2

3 **Subject:** AN ORDINANCE AUTHORIZING THE SALE OF SUBSTANTIALLY
4 ALL ASSETS OF MUNICIPAL LIGHT & POWER (ML&P) TO
5 CHUGACH ELECTRIC ASSOCIATION, INC., AND APPROVING A
6 THIRTY-FIVE YEAR POWER PURCHASE AGREEMENT, WITH
7 OPTION TO PURCHASE, WITH CHUGACH ELECTRIC, INC. FOR
8 POWER GENERATED BY THE EKLUTNA HYDROELECTRIC
9 PROJECT.
10

Terms of Sale Transaction

- Total transaction value of one billion nine million six-hundred thousand dollars (\$1,009,600,000.00)
 - Debt defeasance \$13.3 million less than original estimate
 - PILT estimate \$1.6 million less than original estimate (because valuation changed)
- Cash payment by Chugach Electric to MOA at closing in the amount of seven hundred sixty-seven point eight million (\$767.8 million)
- Payments in lieu of taxes (PILT) by Chugach Electric annually for fifty years, calculated based upon a formula tied to the proportion of assets located within the ML&P service territory as of the date of closing, with a total aggregate net present value of one hundred sixty-six point eight million (\$166.8 million)
- Companion Power Purchase Agreement, with incorporated option to purchase, for power generated by the MOA's share of the Eklutna Hydroelectric Project, with a net present value of between forty-eight point eight million (\$48.8 million) and seventy-five million (\$75 million), depending upon the election of Matanuska Electric Association to purchase its proportionate share of the MOA's share for twenty-six point two million (\$26.2 million)

Municipal Clerk's Office

Approved

Date: **January 9, 2018**

Submitted by: Assembly Members Croft,
Demboski, and Dyson

Prepared by: Assembly Counsel

For reading: January 9, 2018

**ANCHORAGE, ALASKA
AR No. 2018-21**

1 **A RESOLUTION OF THE ANCHORAGE ASSEMBLY STATING ITS**
2 **EXPECTATIONS FOR CHUGACH ELECTRIC ASSOCIATION TO WORK WITH**
3 **MATANUSKA ELECTRIC ASSOCIATION TO ENSURE MEA CUSTOMERS**
4 **WITHIN THE MUNICIPALITY BENEFIT FROM COST SAVINGS AND POWER**
5 **RELIABILITY AS CEA PROCEEDS WITH STEPS TO PURCHASE MUNICIPAL**
6 **LIGHT & POWER.**
7

8
9 **WHEREAS**, the Anchorage Assembly in AR 2017-235 § 1 urged the Chugach
10 Electric Association (CEA) and Municipal Light and Power (ML&P) to engage local
11 stakeholders including rate payers, labor, Matanuska Electric Association (MEA),
12 the renewable and efficiency energy industry, and begin substantive steps to
13 explore merger opportunities of ML&P and CEA utilities; and

Terms of Sale, Continued

- Post-closing commitment by Chugach Electric that non-COPA rates (a/k/a base rates) for existing ML&P and Chugach ratepayers will not increase as a result of this transaction
- Transfer of all IBEW-represented ML&P employees to Chugach Electric in accordance with the terms of a Transition Agreement executed by and between IBEW and Chugach Electric
- Offers of comparable employment to all non-represented and executive employees of ML&P as of the date of closing, including a salary and retirement contribution combined total value that is at least equal to the amounts paid by ML&P at the time of closing; and
- Post-closing commitment by Chugach Electric that no ML&P or Chugach Electric employees will be laid off as a result of this transaction

Strengths of Transaction Structure

- Bulk of the purchase price (\$767.8 million, rather than \$712 million) is paid in cash at closing
- Power Purchase Agreement, rather than unsecured payments over time
- PILT payments for 50 years
- No layoffs of ML&P or Chugach employees as a result of the transaction
- No increase in non-COPA rates (a/k/a base rates) for existing ML&P and Chugach ratepayers as a result of the transaction
- ML&P legacy customers bear the responsibility for PILT payments only while they are receiving the corresponding dedicated benefit of the Beluga River Unit gas; after December 31, 2033, both the burden of the PILT payments and the benefit of any remaining BRU gas will be shifted to all customers; and
- PILT calculated based on a formula tied to proportion of assets located within the ML&P service territory as of the date of closing, removing any incentive for Chugach Electric to move assets to or develop assets only within the Chugach legacy service territory.



**Term Sheet
Chugach/ML&P
September 28, 2018**

**PRELIMINARY NON-BINDING EXPRESSION OF INTENT -- SUBJECT TO
FURTHER NEGOTIATION**

Disclaimer:	DELIVERY, DISCUSSION OR EXECUTION OF THIS TERM SHEET SHOULD NOT BE CONSTRUED AS AN OFFER OR COMMITMENT WITH RESPECT TO THE PROPOSED TRANSACTION TO WHICH THIS TERM SHEET PERTAINS. SEE "LEGAL RELATIONSHIP" BELOW.
Seller:	Municipality of Anchorage, AK ("Seller" or "MOA")
Purchaser:	Chugach Electric Association, Inc. ("Purchaser" or "Chugach," and collectively with MOA the "Parties")
Proposed Transaction:	<ul style="list-style-type: none">■ Purchase of all assets of MOA's Municipal Light & Power Department ("ML&P"), including but not limited to MOA's interest in the Beluga River Unit ("BRU") (collectively, the "Purchased Assets") but excluding MOA's interest in the Eklutna Hydroelectric Project generation assets and certain other property retained by MOA (collectively, the "Excluded Assets"), in exchange for the consideration set forth herein (the "Transaction").■ The Purchased Assets include (a) (except as otherwise determined by the Parties) all ML&P buildings, fixtures, easements, and other real property, equipment, contracts (including leases), power supply agreements, books and records, and (b) customer deposit cash or cash accounts, cash, cash equivalents and securities (in each case to the extent constituting restricted assets and to the extent not to be used by MOA to defease or repay the ML&P Debt), including, without limitation, any such assets held under or pursuant to ML&P's debt documents or representing the proceeds of bonds, deferred regulatory liability for gas sales funds, underlift accounts and ARO funds managed by ML&P or MOA, any decommissioning funds, and any other cash collected from ratepayers for obligations assumed by Chugach, as of the closing of the Transaction (the "Closing"), together with any other assets agreed by the Parties.



Power Purchase Agreement Term Sheet
MOA/Chugach
September 28, 2018

PRELIMINARY NON-BINDING EXPRESSION OF INTENT -- SUBJECT TO FURTHER NEGOTIATION

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Seller:	Municipality of Anchorage, AK ("Seller" or "MOA")
Purchaser:	Chugach Electric Association, Inc. ("Purchaser" or "Chugach," and collectively with MOA, the "Parties")
Proposed Transaction:	<ul style="list-style-type: none">■ Seller intends to transfer to Chugach all of Seller's rights, title, and interests in MOA's Municipal Light & Power Department ("ML&P") assets, including but not limited to MOA's interest in the Beluga River Unit ("BRU"), but excluding MOA's interest in the Eklutna Hydroelectric Project generation assets (the "Eklutna Interest") and certain other property retained by MOA, as more specifically described in the proposed Asset Purchase Agreement between the Parties (the "Definitive Agreement"). The water that is available for production of electricity from the Eklutna Interest is net of all water taken by Anchorage Water and Wastewater Utility for water supply purposes.■ Currently the Eklutna Hydroelectric Project, which has a maximum simultaneous project capacity of 39 MW, is owned as a tenancy in common by MOA as to a 53.33% undivided interest, by Chugach as to a 30.00% undivided interest, and by Matanuska Electric Association, Inc. ("MEA") as to a 16.67% undivided interest.

What Happens Next?

- October 9 – AO Approving Sale Introduced
- October 24 – Asset Purchase Agreement Finalized
- November – First Public Hearing and Worksessions on Deal Documents, Community Presentations
- December 4 – Public Hearing and Vote on AO



