

**Power Purchase Agreement Term Sheet
MOA/Chugach
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"> ■ 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. ■ Although not obligated to do so, MOA has offered to MEA an option to either purchase from MOA at fair market value, or enter into a Power Purchase Agreement with MOA on terms and conditions comparable to those set forth herein with respect to, 35.71% of the Eklutna Interest (the "MEA Portion of the Eklutna Interest"). If MEA accepts such offer and consummates such a purchase from MOA or enters into such a PPA with MOA, Chugach would have rights, as set forth in this Term Sheet, to enter into a PPA with MOA for the Term with respect to the remaining 64.29% of the Eklutna Interest. If MEA rejects MOA's offer, Chugach would have rights, as set forth in this Term Sheet, to enter into a PPA with MOA for the Term with respect to 100% of the Eklutna Interest (such PPA between MOA and Chugach, in either such event, the "Eklutna PPA"). The portion of the Eklutna Interest that will be available to Chugach after any such decision of MEA with respect to MOA's offer is referred to herein as the "Chugach Portion of the Eklutna Interest." ■ Subject to the terms and conditions set forth below, Purchaser desires to purchase, and Seller desires to sell, under the Eklutna PPA, (a) the electric energy produced by the Chugach Portion of the Eklutna Interest and the electric energy that was capable of being produced by any water spilled from the Chugach Portion of the Eklutna Interest and (b) the environmental attributes, ancillary services and capacity associated with the Chugach Portion of the Eklutna Interest ((a) and (b) together, "Power"). ■ The Eklutna PPA is expressly contingent upon the closing of the transaction provided

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	<p>for under the Definitive Agreement. If the transaction contemplated under the Definitive Agreement does not close, the Eklutna PPA shall be null and void. Any purchase by MEA of the MEA Portion of the Eklutna Interest and any PPA between MOA and MEA with respect to the MEA Portion of the Eklutna Interest must similarly be conditioned on the closing of the transaction contemplated under the Definitive Agreement.</p> <ul style="list-style-type: none"> ■ The Parties intend that the legal status of the Eklutna PPA will be a power purchase agreement and not a secured purchase of the Chugach Portion of the Eklutna Interest or any other alternative form of transaction, and that Seller will at all times during the Term of the Eklutna PPA have and retain full undivided ownership of the Chugach Portion of the Eklutna Interest.
<p>PPA Annual Payments:</p>	<ul style="list-style-type: none"> ■ On or before the 15th day of each month during the Term (and any partial calendar month at the beginning or end of the Term), Purchaser shall pay Seller one-twelfth of the PPA annual amounts set forth in Exhibit A ("PPA Annual Payments") for the Power. The PPA Annual Payments shall be payable for the entire Term, notwithstanding any cessation of operations associated with the Eklutna Interest. ■ Seller shall sell and deliver to Purchaser, and Purchaser shall purchase and receive from Seller, all Power. ■ Purchaser shall receive and pay for all Power delivered to the low side of the step-up transformer(s) at the Eklutna switchyard (the "Delivery Point"). ■ The net present value, using a 5% discount rate, of the PPA Annual Payments is \$75 million if the Chugach Portion of the Eklutna Interest is 100% or \$48.8 million if the Chugach Portion of the Eklutna Interest is 64.29%. The PPA Annual Payments are shown in Exhibit A for both cases.
<p>Term:</p>	<ul style="list-style-type: none"> ■ 35 years. ■ If, effective as of the beginning of the Term, MEA acquires the MEA Portion of the Eklutna Interest from MOA, or enters into a PPA with MOA with respect to the MEA Portion of the Eklutna Interest, then the Chugach Portion of the Eklutna Interest for purposes of the Eklutna PPA will be 64.29%. ■ Upon expiration of the Term, Chugach may purchase the Chugach Portion of the Eklutna Interest for a purchase price equal to the net book value (or its equivalent) of the Chugach Portion of the Eklutna Interest, as reduced (although not below zero) by the aggregate amount of the net book value of any capital expenditures made by Chugach with respect to the Chugach Portion of the Eklutna Interest during the Term. For purposes of the Chugach Portion of the Eklutna Interest, "net book value" means gross plant in service (including customer-contributed plant) at original cost, less accumulated depreciation. In particular, the Eklutna PPA shall provide that the Parties agree that generation unit overhaul costs and, separately, any expenditure related to the Environmental Compliance and Compliance with other Governing Authorities, shall be capitalized or, if necessary, deferred and amortized for purposes of determining net book value. ■ If MEA wishes to acquire the MEA Portion of the Eklutna Interest from MOA at the end of the Term, such that the Chugach Portion of the Eklutna Interest available for Chugach to purchase is 64.29%, MOA will sell the MEA Portion of the Eklutna Interest to MEA for a purchase price equal to the net book value (or its equivalent) of the MEA Portion of the Eklutna Interest, as adjusted as follows: (i) in the event that MEA has, effective as of the beginning of the Term, entered into a PPA with MOA with respect to the MEA Portion of the Eklutna Interest, such net book value or equivalent amount will

	<p>be reduced (although not below zero) by the aggregate amount of the net book value of any capital expenditures made by MEA with respect to the MEA Portion of the Eklutna Interest during the Term; and (ii) in the event that MEA has not, effective as of the beginning of the Term, entered into a PPA with MOA with respect to the MEA Portion of the Eklutna Interest, such net book value or equivalent amount will be increased by the aggregate amount of the net book value of any capital expenditures made by Chugach with respect to the MEA Portion of the Eklutna Interest during the Term. If MEA so purchases the MEA Portion of the Eklutna Interest, MOA will pay to Chugach the amount of the net proceeds received by MOA from MEA in consideration for such sale. For purposes of the MEA Portion of the Eklutna Interest, "net book value" means gross plant in service (including customer-contributed plant) at original cost, less accumulated depreciation. In particular, any PPA between MOA and MEA with respect to the MEA Portion of the Eklutna Interest shall provide that the parties agree that generation unit overhaul costs and, separately, any expenditure related to the Environmental Compliance and Compliance with other Governing Authorities, shall be capitalized or, if necessary, deferred and amortized for purposes of determining net book value.</p>
<p>Nomination and Scheduling:</p>	<ul style="list-style-type: none"> ■ Purchaser shall nominate and schedule for delivery to Purchaser the electric energy from the Chugach Portion of the Eklutna Interest in accordance with Prudent Utility Practice.
<p>Operations:</p>	<ul style="list-style-type: none"> ■ Purchaser shall manage, control, operate and maintain all parts of the Chugach Portion of the Eklutna Interest in a manner consistent with Prudent Utility Practice. ■ Seller shall, in consultation with Purchaser, select the person to serve as MOA's representative on the Eklutna Operating Committee. Such representative shall make decisions consistent with Prudent Utility Practice, the rights and obligations of the Purchaser under the Eklutna PPA, and the rights and obligations of MEA under any PPA between MOA and MEA with respect to the MEA Portion of the Eklutna Interest. ■ Purchaser shall be responsible for all capital investment and O&M expense payable with respect to the Chugach Portion of the Eklutna Interest, including any expenditures or capital investment related to any environmental compliance or other compliance with governmental requirements applicable to the Chugach Portion of the Eklutna Interest. ■ "Prudent Utility Practice" means any applicable practices, methods, and acts engaged in or approved by a significant portion of (a) as to Seller, the hydroelectric generating industry in the United States of America, or (b) as to Purchaser, the electric utility industry in the United States of America, during the relevant time period, or the practices, methods and acts which, in the exercise of reasonable judgment by a prudent hydroelectric generator operator (or prudent utility operator, if applicable to Purchaser) in light of the facts known or which should reasonably have been known at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability, safety, expedition and the requirements of any Governing Authority having jurisdiction. Without limitation of the foregoing, "Prudent Utility Practice" shall include the applicable operating policies, standards, criteria, and/or guidelines of any applicable Governing Authority and any manufacturer of a component of the Facilities. "Prudent Utility Practice" is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to the acceptable practices, methods or acts generally accepted (a) as to Seller, by the hydroelectric energy electric generating industry in the United States of America or (b) as to Purchaser, by the electric utility industry in the United States of America.

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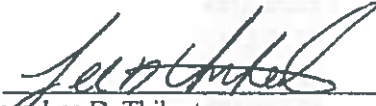
	<ul style="list-style-type: none"> ■ Purchaser will use commercially reasonable efforts to maintain, in effect during the Term, insurance coverage with respect to the Chugach Portion of the Eklutna Interest in addition to the MOA insurance on such interest, so the combined coverages and amounts are at any time not less than the net present value of the remaining PPA Annual Payments using a 5% discount rate.
Performance Security:	<ul style="list-style-type: none"> ■ None.
Environmental Compliance and Compliance with other Governing Authorities:	<ul style="list-style-type: none"> ■ The Parties specifically recognize that the policies, rules, regulations and legal requirements of Governing Authorities applicable to the ownership and operation of the Eklutna Interest may change over the 35 year term of the PPA. Purchaser will bear the risk of any such changes. If the optimal remedy in response to any such change is to cease operation of the Chugach Portion of the Eklutna Interest, Purchaser will nonetheless remain obligated to make the PPA Annual Payments for the remaining Term.
Force Majeure and Casualty:	<ul style="list-style-type: none"> ■ Purchaser shall continue to make PPA Annual Payments throughout the Term notwithstanding any Force Majeure event or casualty or condemnation affecting the Eklutna Hydroelectric Project or its operation.
Events of Default:	<ul style="list-style-type: none"> ■ Customary Events of Default.
Representations and Warranties:	<ul style="list-style-type: none"> ■ Customary Representations and Warranties
Indemnification:	<ul style="list-style-type: none"> ■ Customary Indemnification and Survival terms
Dispute Resolution:	<ul style="list-style-type: none"> ■ Customary Dispute Resolution terms
Compliance with Laws and Change in Laws:	<ul style="list-style-type: none"> ■ Additional Customary Compliance with Laws and Change in Laws terms not already provided for in Environmental Compliance and Compliance with Other Governing Authorities
RCA Approval:	<ul style="list-style-type: none"> ■ Customary RCA approval terms as mutually agreed by the Parties.
Confidentiality:	<ul style="list-style-type: none"> ■ This Term Sheet will, as of the date of execution of this Term Sheet, no longer be subject to the terms of any confidentiality agreement between Seller and Purchaser, and neither this Term Sheet nor any of its contents will be considered confidential information for purposes of any such confidentiality agreement.
Legal Relationship:	<ul style="list-style-type: none"> ■ This Term Sheet is preliminary and is intended to set forth certain basic terms and to serve as a basis for further discussion and negotiations between the Parties with respect to the Transaction. This Term Sheet does not contain all matters upon which agreement must be reached in order for the transaction to be completed. Except as expressly provided in the preceding paragraph entitled "Confidentiality", the matters set forth in this Term Sheet are not intended to and do not constitute a binding agreement of the Parties or establish any obligation of the Parties with respect to the Transaction, and this Term Sheet may not be relied upon by a Party as the basis for a contract by estoppel or

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	otherwise. A binding agreement will arise only upon the negotiation, execution and delivery of the Definitive Agreement and the satisfaction of the conditions set forth therein, including completion of due diligence (which may lead to price, terms or conditions changes) and the approval of such agreements and the Transaction by the respective governing body(ies) and management of each Party, which approval shall be in the sole and absolute subjective discretion of the respective governing body(ies) and management.
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Agreed to and accepted by:

CHUGACH ELECTRIC ASSOCIATION, INC.

By: 
Name: Lee D. Thibert
Title: Chief Executive Officer
Dated: 9/28/18

MUNICIPALITY OF ANCHORAGE


By: 
Name: William D. Falscy
Title: Municipal Manager
Dated: 9/28/18

Exhibit A: Eklutna Power Purchase Agreement (PPA) Term Sheet

**Summary of Annual Payments Paid
to the Municipality of Anchorage: 35-Year Term**

Contract Year	PPA Annual Payments (Nominal \$)	
	Eklutna Interest	Eklutna Interest
	100%	64.29%
1	\$3,908,021	\$2,542,345
2	\$3,947,101	\$2,567,769
3	\$3,986,572	\$2,593,446
4	\$4,026,438	\$2,619,381
5	\$4,066,702	\$2,645,574
6	\$4,107,369	\$2,672,030
7	\$4,148,443	\$2,698,751
8	\$4,189,927	\$2,725,738
9	\$4,231,827	\$2,752,995
10	\$4,274,145	\$2,780,525
11	\$4,316,886	\$2,808,331
12	\$4,360,055	\$2,836,414
13	\$4,403,656	\$2,864,778
14	\$4,447,692	\$2,893,426
15	\$4,492,169	\$2,922,360
16	\$4,537,091	\$2,951,584
17	\$4,582,462	\$2,981,100
18	\$4,628,287	\$3,010,911
19	\$4,674,569	\$3,041,020
20	\$4,721,315	\$3,071,430
21	\$4,768,528	\$3,102,144
22	\$4,816,214	\$3,133,166
23	\$4,864,376	\$3,164,497
24	\$4,913,019	\$3,196,142
25	\$4,962,150	\$3,228,104
26	\$5,011,771	\$3,260,385
27	\$5,061,889	\$3,292,988
28	\$5,112,508	\$3,325,918
29	\$5,163,633	\$3,359,178
30	\$5,215,269	\$3,392,769
31	\$5,267,422	\$3,426,697
32	\$5,320,096	\$3,460,964
33	\$5,373,297	\$3,495,574
34	\$5,427,030	\$3,530,529
35	\$5,481,300	\$3,565,835