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Asset Purchase Agreement for the Acquisition of Anchorage Municipal Light & Power

WHEREAS, Chugach Electric Association, Inc. (Chugach) and Anchorage Municipal Light & Power (ML&P) currently provide electric service to customers within the Municipality of Anchorage (MOA) through Certificate of Public Convenience and Necessity (CPCN) Nos. 8 and 121, respectively, issued and approved by the Regulatory Commission of Alaska;

WHEREAS, the Anchorage Assembly approved Resolution AR No. 2017-235 on June 13, 2017 urging the MOA, ML&P and Chugach to initiate substantive steps to explore merger opportunities;

WHEREAS, Chugach completed economic and financial analyses associated with the acquisition of ML&P and has determined that acquisition of all or a portion of ML&P's assets under certain terms and conditions results in net economic benefit to Chugach's membership and ML&P's customers as evaluated on both a net present value and electric customer bill basis;

WHEREAS, the Chugach Board of Directors authorized the Chief Executive Officer to continue negotiations consistent with the terms and conditions contained in the December 18, 2017 Term Sheet between Chugach and the MOA;

WHEREAS, the Chugach Board of Director's guiding principles for the acquisition require that Chugach and ML&P's base electric rates do not increase as a result of the acquisition and that no Chugach or ML&P employee is laid off as a result of the acquisition;

WHEREAS, on January 22, 2018, the Chugach Board of Directors authorized the Chief Executive Officer to negotiate a conditional Transition Agreement that fulfills the applicable terms contained in the December 18, 2017, Term Sheet and that will form the basis for three new collective bargaining agreements between Chugach and the International Brotherhood of Electrical Workers, Local 1547;

WHEREAS, on January 23, 2018, the Anchorage Assembly approved Ordinance AO No. 2018-1(S), finding the sale of ML&P to Chugach is in the public interest and submitting to Anchorage voters a charter amendment authorizing, but not requiring, the assets and business of ML&P to be sold to Chugach;

WHEREAS, on April 3, 2018, 65 percent of the voters in the Municipal election approved the ballot proposition authorizing the MOA to move forward on the activities that could lead to a sale of ML&P assets to Chugach of approximately \$1 billion, subject to adjustment during the due diligence process and inclusive of all payments including payments in lieu of taxes;

WHEREAS, on June 27, 2018, the Chugach Board of Directors authorized the Chief Executive Officer to negotiate and develop an asset purchase agreement with the MOA for the purchase of all or a majority of the assets of ML&P, with potentially excludable assets including, but not limited to, assets related to the Eklutna Hydroelectric Project and properties within the vicinity of ML&P's

headquarters complex, under terms and conditions substantially the same as discussed in Executive Sessions;

WHEREAS, the negotiated terms and conditions associated with the sale and purchase of the assets of ML&P are contained in that certain Asset Purchase and Sale Agreement by and among Chugach and MOA attached hereto as Exhibit A ("Asset Purchase Agreement");

WHEREAS, the schedules to the Asset Purchase Agreement referenced therein are yet to be completed and are still being negotiated by Chugach and the MOA;

WHEREAS, the Asset Purchase Agreement provides that Chugach will purchase all or a portion of ML&P's Eklutna Hydroelectric generation over a 35-year term under the terms and conditions contained in that certain Eklutna Power Purchase Agreement by and among Chugach and MOA attached hereto as Exhibit B ("Eklutna PPA");

WHEREAS, the Asset Purchase Agreement provides that Chugach will make payments in lieu of taxes to the MOA under the terms and conditions contained in that certain Payment in Lieu of Taxes Agreement by and among Chugach and MOA attached hereto as Exhibit C ("PILT Agreement");

WHEREAS, the Asset Purchase Agreement provides that the costs of natural gas from Chugach's and ML&P's existing interests in the Beluga River Unit shall be allocated and paid under the terms and conditions contained in that certain BRU Fuel Agreement by and among Chugach and MOA attached hereto as Exhibit D ("BRU Agreement");

WHEREAS, the Chief Executive Officer, Association managers and advisors presented to the Board of Directors updated economic analyses of the potential acquisition on an on-going basis at regular, special and committee meetings throughout the course of the transaction negotiations;

WHEREAS, Chugach's updated economic analysis continues to show total potential gross savings of the combined utilities consistent with and potentially in excess of the initial analysis of \$280 to \$390 million, realized through economies of scale and scope from all facets of electric utility operations, including generation, transmission, distribution and customer-related functions (computed as a net present value using a five percent discount rate over a 40-year period);

WHEREAS, Chugach's updated economic analysis identifies base forecast total combined utility net savings, taking into account costs associated with the transaction which are necessary to achieve the projected savings, that exceed the \$110 million identified in the initial economic analysis;

WHEREAS, Chugach has received sufficient financing interest and high confidence from the placement agents for obtaining the necessary funding for the financing of the acquisition;

WHEREAS, Chugach has completed due diligence activity on the environmental condition of ML&P's properties and the results do not have a material impact on the transaction, other than the Storage Facility as defined in the Asset Purchase Agreement which is subject to ongoing due diligence activities and is potentially excluded from the transaction;

WHEREAS, Chugach has completed due diligence activities on the physical condition of ML&P's transmission, distribution, and substation facilities and the results do not have a material impact on the transaction;

WHEREAS, Chugach has yet to complete its due diligence activities on the physical condition of ML&P's generation facilities but will have completed those activities to Chugach's satisfaction prior to Closing on the transaction;

WHEREAS, on September 27, 2018, the Chugach Board of Directors authorized Chugach's Chief Executive Officer to sign the Execution Version of the Transaction Term Sheet and the Execution Version of the Eklutna Power Purchase Agreement Term Sheet;

WHEREAS, on September 28, 2018, Chugach's Chief Executive Officer and the MOA signed the Execution Version of the Transaction Term Sheet and the Execution Version of the Eklutna Power Purchase Agreement Term Sheet and these documents were publicly released;

WHEREAS, upon approval by the Chugach Board of Directors, the sale will then be considered by ordinance for approval by the Anchorage Assembly no later than December 31, 2018 for Chugach to acquire, from the MOA, the assets of ML&P as identified in the Asset Purchase Agreement;

WHEREAS, the obligations of each party to consummate the transaction contemplated by the Asset Purchase Agreement are subject to the closing conditions expressly provided for in Article VII of the Asset Purchase Agreement;

WHEREAS, the acquisition, as structured, is consistent with the Association's business management philosophy of sustainability, providing benefit on a financial, environmental and social (community) basis;

WHEREAS, Chugach management has represented to the Chugach Board of Directors that the transaction encompassed by the Asset Purchase Agreement is in the best interests of the Association and will produce economic benefits for residents and businesses of the Municipality of Anchorage;

WHEREAS, Chugach management has recommended that the Chugach Board of Directors authorize the Chief Executive Officer to execute the Asset Purchase Agreement substantially in the form attached hereto as Exhibit A;

WHEREAS, Chugach management has recommended that the Chugach Board of Directors authorize the Chief Executive Officer to execute the Eklutna PPA substantially in the form attached hereto as Exhibit B;

WHEREAS, Chugach management has recommended that the Chugach Board of Directors authorize the Chief Executive Officer to execute the PILT Agreement substantially in the form attached hereto as Exhibit C;

WHEREAS, Chugach management has recommended that the Chugach Board of Directors authorize the Chief Executive Officer to execute the BRU Agreement substantially in the form attached hereto as Exhibit D; and,

WHEREAS, the Chugach Board of Directors has carefully and thoroughly reviewed all materials, information, and recommendations provided to it by Chugach management, advisors, and outside consultants, and has determined that the transaction encompassed by the Asset Purchase Agreement, the Eklutna PPA, the PILT Agreement, and the BRU Agreement (“Transaction Agreements”) is in the best interests of the Association.

NOW THEREFORE BE IT RESOLVED, the Board of Directors finds that the Chief Executive Officer shall only be authorized to execute and deliver the Transaction Agreements after having satisfied the following conditions: 1) Receipt of satisfactory 2017 ML&P audited financial statements and current interim financial statements; 2) Completion of the Disclosure Schedules as defined in the Asset Purchase Agreement; 3) Determination of no known material negative impact to ML&P having occurred; and, 4) Receipt of Assembly approval of the Transaction Agreements substantially in the form as attached hereto;

BE IT FURTHER RESOLVED, that the Chief Executive Officer shall thoroughly review the materials and report back to the Board of Directors on the satisfaction of the conditions stated herein at the Board of Director’s Regular Board Meeting on November 28, 2018;

BE IT FURTHER RESOLVED, subject to the Board of Director’s determination that the conditions stated herein have been satisfied, the Board of Directors authorizes the Chief Executive Officer to execute and deliver the Asset Purchase Agreement substantially in the form attached hereto as Exhibit A;

BE IT FURTHER RESOLVED, subject to the Board of Director’s determination that the conditions stated herein have been satisfied, the Board of Directors authorizes the Chief Executive Officer to execute and deliver the Eklutna PPA substantially in the form attached hereto as Exhibit B;

BE IT FURTHER RESOLVED, subject to the Board of Director’s determination that the conditions stated herein have been satisfied, the Board of Directors authorizes the Chief Executive Officer to execute and deliver the PILT Agreement substantially in the form attached hereto as Exhibit C;

BE IT FURTHER RESOLVED, subject to the Board of Director’s determination that the conditions stated herein have been satisfied, the Board of Directors authorizes the Chief Executive Officer to execute and deliver the BRU Agreement substantially in the form attached hereto as Exhibit D;

BE IT FURTHER RESOLVED, that the Transaction Agreements, attached hereto as Exhibits A, B, C and D, shall remain confidential and only be made publicly available by Chugach upon agreement with the MOA;

BE IT FURTHER RESOLVED, that following execution and delivery of the Transaction Agreements, Chugach be, and hereby is, authorized and empowered to perform all of its obligations under the Transaction Agreements;

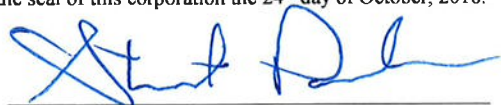
BE IT FURTHER RESOLVED, that following execution and delivery of the Transaction Agreements, the Chief Executive Officer be, and hereby is, authorized and empowered to take

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such further action and to execute and deliver (or delegate the execution and delivery of) all such further agreements, certificates, instruments and documents, in the name and on behalf of Chugach; to pay or cause to be paid all expenses; to take all such other actions as the Chief Executive Officer shall deem necessary, desirable, advisable or appropriate to consummate, effectuate, carry out or further the transactions contemplated by, and the intent and purposes of, the foregoing resolutions; and that any and all such actions heretofore or hereafter taken by the Chief Executive Officer hereby are, adopted, affirmed, approved, and ratified in all respects as the act and deed of Chugach Electric Association, Inc.

I, Stuart Parks, do hereby certify that I am the Secretary of Chugach Electric Association, Inc., an electric non-profit cooperative membership corporation organized and existing under the laws of the State of Alaska: that the foregoing is a complete and correct copy of a resolution adopted at a meeting of the Board of Directors of this corporation, duly and properly called and held on the 24th day of October, 2018; that a quorum was present at the meeting; that the resolution is set forth in the minutes of the meeting and has not been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of this corporation the 24th day of October, 2018.



Secretary