



ML&P Sale – Worksession #1

Plan for Transaction Review

- November 2nd:
 - Review of Asset Purchase and Sale Agreement
 - Review of Summary of Economic Effects
- November 15th:
 - Review of PILT Agreement
 - Review of Power Purchase Agreement
 - Review of Regulatory Commission of Alaska Process
- November 30th:
 - Presentation on Financial Aspects of the Transaction (Concentric Energy Advisors)

Materials Subject to Review

- Transaction Documents:
 - Asset Purchase and Sale Agreement
 - Payment in Lieu of Taxes Agreement
 - Power Purchase Agreement
 - BRU Fuel Agreement
- Who has seen them?
 - Assembly
 - Chugach Board
 - ML&P Advisory Commission
 - Regulatory Commission of Alaska
- How can the public review?
 - <http://poweranchorage.com/>
 - <http://www.muni.org/Departments/Assembly/Clerk/Elections/Pages/MLPChugachSale.aspx>
 - <http://www.muni.org/Departments/Assembly/Pages/default.aspx>

Asset Purchase and Sale Agreement: What Does it Do?



Article II: What is MOA Selling?

- Real Property
- Personal Property
- BRU Interests
- Contracts
- Permits
- Rights to pursue claims/lawsuits
- Pre-payments
- Insurance Benefits
- Books and Records
- Goodwill

Article II: What is MOA Keeping?

- Excluded Real and Personal Property
- Excluded Contracts
- Benefit Plans
- Unrestricted Cash
- Shared Facilities and Assets
- Accounts Receivable
- Eklutna

Article II: What Responsibilities are Taken Over by Chugach?

- Contract liabilities
- BRU obligations
- Eklutna obligations
- Environmental obligations
- Claims in progress related to the purchased assets
- Employee leave
- Other liabilities arising from the purchased assets after closing

Article II: What Responsibilities are Kept by MOA?

- Accounts payable obligations
- Transaction costs
- Pre-closing taxes/MUSA
- Environmental obligations
- Specific pre-closing claims
- Employee claims
- IGCs
- Debt
- Claims arising from pre-closing actions

Article II: What is Chugach Paying MOA?

\$767,800,000.00

-- (Accrued Leave Liability)

-- (NBV of Excluded Assets)

= Purchase Price

Article II: Can the Price Change?



Article III: When Will We Close?

- December 4, 2018 – Assembly Vote
 - Execution of Transaction Documents
- RCA Filing
 - 180 days for RCA Review
- Closing within 120 days of RCA Approval



Article III: What has to Happen Before We Close?

- RCA Approval
- Ancillary Deal Documents
 - Assignment of real property leases and licenses
 - Assignment and assumption of all contracts
 - Transition Services Agreement
 - Documentation of other specific MOA requests

Articles IV and V: What Warranties are the Parties Offering?

From the Municipality:

- Organized and Authorized
- No Conflicts, No Consents Required
- Financial Statements
- No Undisclosed Liabilities
- No Material Adverse Effect
- Valid Material Contracts
- Valid Title to Assets
- Assets Usable and Sufficient
- Valid Title to Real Property
- Intellectual Property
- Inventory Owned and Usable
- Material Customers and Suppliers not Terminating
- Insurance in Place
- Legal Proceedings Disclosed
- Compliance with Laws
- Environmental Laws and Permits
- Benefit Plans
- Employees, Collective Bargaining Agreements
- Taxes Paid
- All Customers in Service Territory
- BRU-Specific Concerns
- No Brokers

From Chugach:

- Organized and Authorized
- No Conflicts, No Consents, No HSR
- No Brokers
- Legal Proceedings Disclosed
- Transition Agreement

Article VI: Will Operation of ML&P Have to Change Before Closing?

- “Ordinary course of business consistent with past practice and Prudent Utility Practices”
- Chugach consent required for significant acts, including:
 - Merger
 - Material liens
 - High value transactions
 - Disposal of material assets
 - Extraordinary pay raises

Article VII: What Could Prevent us From Closing?

- No RCA Approval
- Material Consent Lacking
- Failure of Reps or Warranties
 - Material Adverse Effect
 - Condemnation
 - Casualty

Article VIII: What Liability does MOA Keep After Closing?

- Breach of Representations or Warranties, and breach or non-fulfillment of a covenant, triggered by losses in excess of \$2M, and NTE \$30M
- Environmental liabilities in excess of \$25M over ten years

Article IX: Can the Parties Get out of This Agreement?

- By mutual consent
- If the other party is in material breach
- Change in law
- Failure to satisfy closing conditions by 1/31/20, unless caused by the other party
- Material casualty or condemnation

The Big Picture: Employees and Rates

Protections for Employees:

- Section 6.05: Covenants regarding employee treatment prior to and at closing
- Section 6.21: Post-closing covenant and compliance reporting

Protection for Rate-Payers:

- Section 6.21: Post-closing covenant and compliance reporting
- RCA process

Where Will the Money Go?

MUNICIPALITY OF ANCHORAGE
Assembly Information Memorandum

No. AIM 111-2018

Meeting Date: October 23, 2018

1 **FROM: MAYOR**

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3 **SUBJECT: SUMMARY OF ECONOMIC EFFECTS FOR AO 2018-89**

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5 This information memorandum is submitted to provide the Summary of Economic Effects for cost
6 associated with AO 2018-89.

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9 Prepared by: Municipal Light and Power
10 Approved by: Mark Johnston, General Manager
11 Concur: Alexander Slivka, CFO
12 Concur: William D. Falsey, Municipal Manager
13 Respectfully Submitted: Ethan A. Berkowitz, Mayor



