



November 22, 2017

Mayor Ethan Berkowitz
Municipality of Anchorage
632 West 6th Avenue, Suite 840
Anchorage, AK 99501

Re: Non-Binding Letter of Interest – Municipal Light & Power

Dear Mayor Berkowitz:

I am pleased to write you today on behalf of CIRI Energy, LLC, the wholly-owned, energy-focused subsidiary of Cook Inlet Region, Inc. (CIRI), to express CIRI Energy's sincere interest and intent to acquire the Municipality of Anchorage's electric utility, Municipal Light & Power (ML&P). Subject to the qualifications and assumptions set forth in this letter, we value the enterprise of ML&P at \$805 million and are prepared to purchase it for that price in an all-cash, asset acquisition transaction. We request that you initiate the public processes necessary to make ML&P's assets available for purchase. CIRI Energy understands that such a transaction must be approved by the Anchorage Assembly and ultimately supported by the citizens of Anchorage and would result from a competitive, best-value process.

CIRI Energy owns a significant portfolio of investments, including the Fire Island Wind project and interests in over 300 megawatts of other renewable energy and 500 megawatts of natural gas-fired generating assets in the United States. Through the Fire Island Wind project and its other energy investments, CIRI Energy has developed an expertise and understanding of electric utilities, particularly as applied in Alaska's unique Railbelt electrical grid and regulatory environment. And, as you know, CIRI Energy's parent company, CIRI, is a well-respected sizable local business. CIRI has just under \$1 billion of assets that it manages from its Anchorage headquarters in Midtown. Additionally, CIRI developed and continues to hold numerous marquis commercial properties in Anchorage including the Fireweed Business Center office building and the Tikahtnu Commons retail development in Northeast Anchorage. CIRI and CIRI Energy are long-term investors in the Anchorage market.

CIRI Energy will complement its own financial capacity and operational expertise for an ML&P acquisition by joint venturing with one or more large institutional investors with which CIRI has prior and existing investments and relationships. These partners bring considerable experience in acquiring, owning and operating regulated electric utilities and infrastructure assets. Our discussions and negotiations with these potential partners have advanced considerably in recent weeks. We are confident they share CIRI's core values as long-term, cautious investors that will provide a stable and expert presence enhancing the operational efficiency, capital structure and deployment of generation assets to stabilize, and possibly reduce, rates for ML&P's customers and other Railbelt ratepayers.

CIRI Energy currently estimates ML&P's enterprise value at \$805 million, comprised of approximately \$525 million of outstanding debt and \$280 million of equity value attributable to the Municipality of Anchorage. CIRI Energy, through its pending joint venture, is prepared to pay the enterprise value in cash at closing and regulatory approval of an asset acquisition of the assets of ML&P, with such enterprise value subject to adjustment up or down depending on five key currently outstanding factors:

1. The rate, outcome, and terms and conditions of ML&P's outstanding rate case, currently in hearing before the Regulatory Commission of Alaska denominated as matters U-16-094 and U-17-008;
2. The final terms of the proposed "Southcentral Power Pool", also known as the "Tight Power Pool", that CIRI Energy understands to be under active negotiation by and among ML&P, Chugach Electric Association and Matanuska Electric Association;
3. The terms and amount of debt necessary to replace ML&P's existing utility debt;
4. The outcome and resolution of Chugach Electric Association's right of first refusal and other terms contained in the Operating Agreement for the Southcentral Power Plant, as those matters relate to ML&P's ownership of 30 percent of that generating asset; and
5. The satisfactory outcome of the ordinary due diligence of matters of material significance and the negotiation of final binding transaction documents.

In anticipation of a possible transaction, CIRI Energy is also prepared to articulate certain commitments to our post-acquisition ownership and management of ML&P should a transaction occur that create a net benefit for MLP's stakeholders, including:

1. A rate freeze of base rate, energy and demand charges for a period of at least four years;
2. No lay-offs of non-executive employees for at least the term of the rate freeze; and
3. Maintenance of the status quo relating to the current IBEW representation of ML&P's union work force, including specifically its Collective Bargaining Agreement and its negotiated work rules.

The transaction proposed herein is contingent on completion of confirmatory due diligence, approval by CIRI's Board, and approval by the Regulatory Commission of Alaska without conditions unacceptable to CIRI Energy.

A transaction between us through which CIRI Energy acquires ML&P's assets from the Municipality of Anchorage will unlock latent value for the residents and tax payers of Anchorage by monetizing an asset from which many of them currently receive little or no value. It will also open doors to rate stabilization through the recognition of operational and capital efficiencies and cooperation with ML&P's large institutional customers such as the Joint Base Elmendorf-Richardson, the universities and the large hospitals and medical complexes. Given CIRI Energy's direct experience

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investing in and developing renewable energy projects, we will also seek to increase the deployment of renewable energy and energy efficiency technologies in the Railbelt in a manner that is rate-neutral or better.

CIRI is a long-term Alaska-based investor in the regional economy. We are excited to provide this non-binding letter of interest to you regarding the proposed acquisition of ML&P. We believe such an acquisition provides value to the Municipality and its tax payers and to ML&P's ratepayers. We look forward to further discussions with you regarding this letter of interest.

Sincerely,

CIRI Energy, LLC

A handwritten signature in black ink, appearing to read 'ES' with a stylized flourish.

Ethan Schutt
President

Cc. Steven Kantor, Hilltop Securities