



CONFIDENTIAL LETTER

December 12, 2017

Mark Johnston
General Manager
Municipal Light & Power
1200 East 1st Avenue
Anchorage, AK 99501

***RE: Supplemental Letter of Interest to Acquire Municipal Light & Power
Range of Values***

Dear Mr. Johnston:

Golden Valley Electrical Association (“GVEA”) would like to thank you for the opportunity to present a supplemental *Letter of Interest* to acquire Municipal Light & Power, which is the electrical utility in Anchorage, Alaska.

Since our previous Letter of Interest, dated November 22, 2017, our due diligence team has been able to further evaluate the project data. Currently, we are able to fine tune our range of values to acquire Municipal Light & Power to be within the following range:

Purchase Price Range

\$875,000,000 to \$1,050,000,000

We understand Municipal Light & Power currently has \$508,000,000 of long and short-term interest-bearing debt. Upon access to additional financial data, asset information, and due diligence, GVEA will be able to provide a firm purchase price offer within the next two to three months.

We further understand that the City of Anchorage benefits from utility ownership by receiving some \$12,000,000 to \$14,000,000 annually from property tax payments and from providing shared services to Municipal Light & Power. GVEA is open to alternative financial terms, such as seller financing, so that the city can maintain a comparable cash flow for the next 40 years.

GVEA's Commitment to Renewable Energy

The GVEA Board of Directors maintains a strong commitment to renewable energy. They have demonstrated this commitment through the development of the Eva Creek Wind Project, which is the largest wind farm in Alaska. GVEA commissioned the 24-megawatt wind farm in 2013.

In 2012, GVEA launched its you have "*the Power to Use Less*" campaign. The campaign focuses on seven ways members can conserve energy in their homes. It is not the size of the house that matters, it is the electrical usage habits of the occupants in conjunction with the age and number of electrical appliances that matters.

In 2005, GVEA launched its Sustainable Natural Alternative Power ("SNAP") Program. SNAP connects local people who want to produce small-scale renewable energy with local members who want to support it. SNAP producers install their own renewable power systems. Currently, we have more than 160 renewable energy producers participating in the SNAP program.

In 1993, GVEA launched its *EnergySense* Programs, which have helped thousands of residential and commercial members save energy (and money) through education in energy and efficiency, switching to LED light bulbs, and using adjustable, weather-proof, vehicle-plug-in timers.

A future renewable energy commitment includes the development of the largest solar array project in Alaska. GVEA's future solar project will be 563 kilowatts, which will be comprised of 1,760 panels – sized at 320 watts each. The estimated annual production is expected to be 594,500 kilowatt-hours. This solar project was recently awarded to a local vender in Fairbanks. GVEA was able to obtain a USDA-REAP grant to assist in the development of this project.

Stipulations

GVEA affirms that upon acquiring Municipal Light & Power, it will not apply for a rate increase nor will it lay off any existing personnel for a minimum of 24 months.

The acquisition of Municipal Light & Power is subject the additional necessary due diligence and approval by the GVEA Board of Directors.

Non-Binding

This letter does not create a binding agreement between GVEA and Municipal Light & Power and will not be enforceable. Only the future Purchase and Sale Agreement will be enforceable. The terms and conditions for any Purchase and Sale Agreement will supersede any terms and conditions contained within this Letter of Interest.

We look forward to working with you and your team over the next few months. This letter is governed by the laws of the State of Alaska. Please indicate your receipt and acknowledgement of this Letter of Interest. We look forward to completing this transaction.

Sincerely,



Cory Borgeson
President & CEO
Golden Valley Electric Association, Inc.