



CONFIDENTIAL LETTER

November 22, 2017

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

RE: Letter of Interest to Acquire Municipal Light & Power

Dear Mr. Johnston:

Golden Valley Electrical Association (“GVEA”) would like to thank you for the opportunity to present this *Letter of Interest* to acquire Municipal Light & Power, which is the electrical utility in Anchorage, Alaska. We understand Municipal Light & Power was founded in 1932. It includes generation, transmission, and distribution assets as well as a recently acquired 70 percent interest in the Beluga River Unit Gas Field, making it a vertically integrated natural gas-fired utility in the Alaska Railbelt.

Municipal Light & Power contains a 20-square mile service area, which includes commercial, university, and medical customers in the downtown and midtown business districts as well as industrial loads in the Ship Creek and Port of Anchorage areas. Municipal Light & Power provides electricity to Joint Base Elmendorf-Richardson and sells electricity to other Railbelt utilities.

History of Golden Valley Electric Association

GVEA is a not-for-profit, member-owned electric cooperative incorporated in 1946 and has been a tax exempt corporate entity since 1954. It currently has 34,480 members with service to more than 44,580 meters in Fairbanks, Delta Junction, Nenana, Healy, and Cantwell. There is an average of 14 consumers per mile of line served by 273 full time employees. The annual kilowatt-hour sales in 2016 were 1.29 billion. GVEA’s peak load in 2016 was 207.7 megawatts and its overall system peak of 223 megawatts was set in 2007.

GVEA operates and maintains 3,241 miles of transmission and distribution lines as well as 34 substations. The system is interconnected with Clear Air Force Station, Fort Wainwright, Eielson

Air Force Base, Fort Greely, the University of Alaska-Fairbanks, and all electric utilities in the Alaska Railbelt, which extends from Homer to Fairbanks.

The 97-mile, 230kV Northern Intertie transmission line project ensures that GVEA maintains reliability. In addition, GVEA operates BESS, the Battery Energy Storage System, which the most powerful energy storage system in the world. It can provide 27 megawatts of electricity for 15 minutes or up to 40 megawatts for less time. This has helped GVEA members enjoy a reliability factor of 99.97 percent; on average, GVEA members have experienced less than 2.5 hours without power. GVEA supports renewable energy. We commissioned the 24 megawatt Eva Creek Wind Farm, which is the largest wind farm in Alaska.

Our Due Diligence Team

Our due diligence team will be managed by Ron Woolf, the Chief Financial Officer at GVEA. Mr. Woolf's experience includes nine years with GVEA and served as the former Chief Financial Officer for the City of Fairbanks. In addition to Mr. Woolf and his staff, we have also engaged the services of MR Valuation Consulting, LLC ("MRV Consulting") from New York City to assist with the review and evaluation of the recently released data regarding Municipal Light & Power. Mark Rodriguez, the managing partner at MRV Consulting will be assisting GVEA in its due diligence efforts.

MRV Consulting is an international valuation consulting company that provides valuation advisory and consulting services to clients worldwide. Their valuation practice is comprised of degreed engineers, business valuation analysts, and appraisers designated by the American Society of Appraisers, the Appraisal Institute, and the Royal Institution of Chartered Surveyors, who possess advanced degrees in business, accounting, engineering, and finance. They provide valuation advisory services to support many complex industries including the energy and utilities sector with experience in North America, Central and South America, Europe, Asia, and Africa.

Purchase Price Range

Based upon our limited review of the publicly available data as well as the information provided within the data room, we estimate a purchase price range of:

\$850,000,000 to \$950,000,000

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 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.

Stipulations

GVEA affirms that upon acquiring Municipal Light & Power, it will not apply for a rate increase nor will it layoff 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.

Signatures

IN WITNESS WHEREOF, the signature below from Municipal Light & Power indicates receipt and acknowledgement of this Letter of Interest.

For Municipal Light & Power

By: _____
Mark Johnston, General Manager

Dated: _____