

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2018**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number **33-42125**



Chugach Electric Association, Inc.

(Exact name of registrant as specified in its charter)

Alaska
(State or other jurisdiction of
incorporation or organization)

5601 Electron Dr., Anchorage, Alaska
(Address of principal executive offices)

Registrant's telephone number, including area code

92-0014224
(I.R.S. Employer
Identification No.)

99518
(Zip Code)

(907) 563-7494

Securities registered pursuant to Section 12(b) of the Act:	Name of each exchange on which registered
Title of each class	
N/A	N/A

Securities registered pursuant to Section 12(g) of the Act:

N/A
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

(Note: The registrant is a voluntary filer and not subject to the filing requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934. Although not subject to these filing requirements, the registrant has filed all reports that would have been required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months had the registrant been subject to such requirements.)

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. **N/A**

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the last practicable date. **NONE**

CHUGACH ELECTRIC ASSOCIATION, INC.

2018 Form 10-K Annual Report

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Statements in this report that do not relate to historical facts, including statements relating to future plans, events or performance, are forward-looking statements that involve risks and uncertainties. Actual results, events or performance may differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date of this report and the accuracy of which is subject to inherent uncertainty. Chugach Electric Association, Inc. (“Chugach”) undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances that may occur after the date of this report or the effect of those events or circumstances on any of the forward-looking statements contained in this report, except as required by law.

PART I

Item 1 – Business

General

Chugach was organized as an Alaska electric cooperative in 1948. Cooperatives are business organizations that are owned by their members. As not-for-profit organizations (Internal Revenue Code 501(c)(12)), cooperatives are structured to provide services to their members at cost, in part by eliminating the need to produce profits or a return on equity other than for reasonable reserves and margins. Today, cooperatives in general operate throughout the United States in such diverse areas as utilities, agriculture, irrigation, insurance and credit. All cooperatives are based upon similar principles and legal foundations. Because members’ equity is not considered an investment, a cooperative’s objectives and policies are oriented to serving member interests, rather than maximizing return on investment.

Chugach makes its current and periodic reports available, free of charge, on its website at www.chugachelectric.com as soon as practicable after filing with the Securities and Exchange Commission (“SEC”). The information on Chugach’s website is not a part of this Annual Report on Form 10-K. Chugach’s website also provides a link to the SEC’s website at <http://www.sec.gov>.

Chugach is one of the largest electric utilities in Alaska. We are engaged in the generation, transmission and distribution of electricity in the Anchorage and upper Kenai Peninsula areas. Chugach is on an interconnected regional electrical system referred to as the Alaska Railbelt, a 400-mile-long area stretching from the coastline of the southern Kenai Peninsula to the interior of the state, including Alaska’s largest cities, Anchorage and Fairbanks. Neither Chugach nor any other electric utility in Alaska’s Railbelt has any connection to the electric grid of the continental United States or Canada. Our principal executive offices are located at 5601 Electron Drive, Anchorage, Alaska 99518. Our telephone number is (907) 563-7494.

Chugach is an electric cooperative that is exempt from federal income taxation as an organization described in Section 501(c)(12) of the Internal Revenue Code. Chugach’s hydroelectric project is licensed by the Federal Energy Regulatory Commission (“FERC”). As such, Chugach is subject to FERC reporting requirements and our accounting records conform to the Uniform System of Accounts as prescribed by FERC. In lieu of state and local ad valorem, income and excise taxes, Alaska electric cooperatives must pay a gross revenue tax to the State of Alaska at the rate of \$0.0005 per kilowatt-hour (kWh) of electricity sold in the retail market during the preceding year. This tax is collected monthly and remitted annually. In addition, we currently collect a regulatory

cost charge (“RCC”) of \$0.000978 per kWh of retail electricity sold. The RCC is assessed to fund the operations of the Regulatory Commission of Alaska (“RCA”) and is collected monthly and remitted to the State of Alaska quarterly. We also collect sales tax on retail electricity sold to consumers in Whittier, seasonally (April through September), and in the Kenai Peninsula Borough, monthly. This tax is remitted to the City of Whittier monthly and to the Kenai Peninsula Borough quarterly. These taxes are a direct pass-through to consumer bills and therefore do not impact our margins.

We had 293 employees as of March 12, 2019. Approximately 70% of our employees are members of the International Brotherhood of Electrical Workers (“IBEW”). Chugach has three Collective Bargaining Unit Agreements (“CBA”) with the IBEW. We also have a CBA with the Hotel Employees and Restaurant Employees (“HERE”). All of the CBA’s have been renewed through June 30, 2021. The three IBEW CBAs provide for wage and pension contribution increases in all years and include health and welfare premium cost sharing provisions. The HERE CBA provides for wage, pension contribution, and health and welfare contribution increases in all years. We believe our relationship with our employees is good.

Our members are the consumers of the electricity sold by us. As of December 31, 2018, we had one wholesale customer, 68,544 retail members, and 84,510 service locations, including idle services. No individual retail customer accounts for more than ten percent of our revenue. Our customers’ requirements for capacity and energy generally peak in fall and winter as home heating and lighting needs rise and then decline in the spring and summer as the weather becomes milder and daylight hours increase.

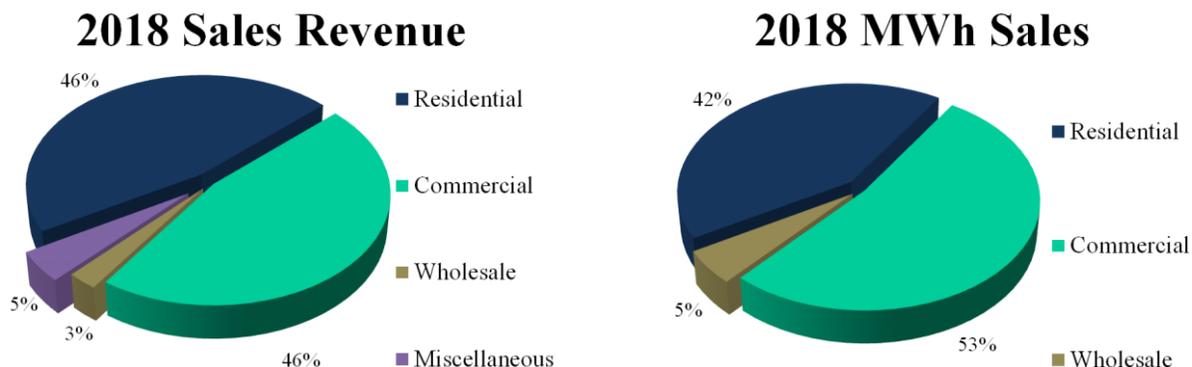
We supply power to the City of Seward (“Seward”) as a wholesale customer. Occasionally we sell available generation, in excess of our own needs, to Matanuska Electric Association, Inc. (“MEA”), Homer Electric Association, Inc. (“HEA”), Golden Valley Electric Association, Inc. (“GVEA”) and Anchorage Municipal Light & Power (“ML&P”).

Our customers are billed on a monthly basis per a tariffed rate for electrical power consumed during the preceding period. Billing rates are approved by the RCA, see “*Item 1 – Business – Rate Regulation and Rates.*” Base rates (derived on the basis of historic cost of service including margins) are established to generate revenues in excess of current period costs in any year and such excess is designated on our Consolidated Statements of Operations, Consolidated Statements of Changes in Equities and Margins, and Consolidated Statements of Cash Flows as “Assignable margins.” Retained assignable margins are designated on our Consolidated Balance Sheet as “Patronage capital” that is assigned to each member on the basis of patronage. Patronage capital is held for the account of the members without interest and returned when the Chugach Board of Directors deems it appropriate to do so.

In 2018, we had 531.2 megawatts (“MW”) of installed generating capacity (rated capacity) provided by 16 generating units at our five owned power plants: Beluga Power Plant, International Station Power Plant (historically known as “IGT”), Cooper Lake Hydroelectric Project, Southcentral Power Project (“SPP”), in which we own a 70% interest, and Eklutna Hydroelectric Project, in which we own a 30% interest. Of the 531.2 MW of installed generating capacity, approximately 87% was fueled by natural gas. The rest of our owned generating resources were hydroelectric facilities. In 2018, 75% of Chugach’s power, including purchased power, was generated from gas. Of that gas-fired generation, 90% took place at SPP and 4% took place at Beluga. SPP furnishes up to 200.2 MW of capacity; Chugach owns 70% of this plant’s output and ML&P owns the remaining 30%. The Bradley Lake Hydroelectric Project, which is not owned by Chugach, provides up to 27.4 MW,

as currently operated, for our retail customers and up to 0.9 MW for our wholesale customer. For more information concerning Bradley Lake, see “*Item 2 – Properties – Other Property – Bradley Lake.*” In addition, we purchase up to 17.6 MW from Fire Island Wind, LLC (“FIW”), annually. We operate 1,730 miles of distribution line and 437 miles of transmission line, which includes Chugach’s share of the Eklutna transmission line. For the year ended December 31, 2018, we sold 1.1 billion kWh of electrical power.

Customer Revenue from Sales



Miscellaneous revenue includes economy energy and capacity sales to GVEA, MEA, HEA and ML&P.

Retail Service Territory

Our retail service area covers most of Anchorage, excluding downtown Anchorage, as well as remote mountain areas and villages. The service area ranges from the northern Kenai Peninsula westward to Tyonek, including Fire Island, and eastward to Whittier.

Retail Customers

As of December 31, 2018, we had 68,544 members receiving power from 84,510 service locations, including idle services (some members are served by more than one service). Our customers are a mix of urban and suburban. The urban nature of our customer base means that we have a relatively high customer density per line mile. Higher customer density means that fixed costs can be spread over a greater number of customers. As a result of lower average costs attributable to each customer, we benefit from greater stability in revenue, as compared to a less dense distribution system in which each individual customer would have a more significant impact on operating results. For the past five years no retail customer accounted for more than ten percent of our revenues. The revenue contributed by retail customers for the years ended December 31, 2018, 2017 and 2016 is discussed in “*Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations – Year ended December 31, 2018, compared to the year ended December 31, 2017, and the year ended December 31, 2017, compared to the year ended December 31, 2016 – Revenues.*”

Wholesale Customers

We are the principal supplier of power to the City of Seward (“Seward”) under a wholesale power contract. Our wholesale power contract, including the fuel and purchased power components, contributed \$5.2 million, \$5.9 million, and \$4.9 million in revenues for the years ended December 31, 2018, 2017 and 2016, respectively.

Seward

We currently provide nearly all the power needs of the City of Seward. Sales to Seward represented approximately 5% of Chugach’s total energy sales for the years ended December 31, 2018, 2017, and 2016. We entered into the 2006 Agreement for the Sale and Purchase of Electric Power and Energy between Chugach Electric Association, Inc. and the City of Seward (“2006 Agreement”), effective June 1, 2006. The 2006 Agreement contains an evergreen clause providing for automatic five-year extensions unless written notice is provided at least one year prior to the expiration date. Neither Chugach nor Seward provided written notice to terminate as both utilities desired to extend the term of the agreement. Accordingly, on June 2, 2016, Chugach submitted an updated listing of its special contracts to reflect the extension of the expiration date of the 2006 Agreement from December 31, 2016 to December 31, 2021. On July 18, 2016, the RCA approved the filing.

The 2006 Agreement is an interruptible, all-requirements/no generation capacity reserves contract. It has many of the attributes of firm service, especially in the requirement that so long as Chugach has sufficient power available, it must meet Seward’s needs for power. However, service is interruptible because Chugach is under no obligation to supply or plan for generation capacity reserves to supply Seward and there is no limit on the number of times or hours per year that the supply can be interrupted. Counterbalancing this is the requirement that Chugach must provide power to Seward if Chugach has the power available after first meeting its obligations to its retail customers for whom Chugach has an obligation to provide reserves. The price under the 2006 Agreement reflects the reduced level of service because no costs of generation in excess of that needed to meet the system peak is assigned to Seward.

Economy Customers

Occasionally, Chugach sells available generation, in excess of its own needs, to other electric utilities. Sales are made under the terms and conditions of Chugach’s economy energy sales tariff. The price includes the cost of fuel, variable operations and maintenance expense, wheeling charges and a margin.

We’ve made non-firm, economy energy sales to GVEA, HEA, MEA, and ML&P on an as needed basis. Total non-firm sales were 379 MWh, 48,526 MWh, and 25,000 MWh for 2018, 2017, and 2016, respectively.

Rate Regulation and Rates

The RCA regulates our rates. We seek changes in our base rates by submitting Simplified Rate Filings (“SRF”) or through general rate cases filed with the RCA on an as-needed basis. Chugach’s base rates, whether set under a general rate case or a SRF, are established to allow the continued recovery of our specific costs of providing electric service. In each rate filing, rates are set at levels to recover all of our specific allowable costs and those rates are then collected from our retail and wholesale customers.

Alaska Statute 42.05.175 requires the RCA to issue a final order no later than 15 months after a complete tariff filing is made for a tariff filing that changes a utility’s revenue requirement or rate design. It is within the RCA’s authority to authorize, after a notice period, rate changes on an interim, refundable basis. In addition, the RCA has been willing to open limited reviews of matters to resolve specific issues from which expeditious decisions can often be rendered.

The RCA has exclusive regulatory control of Chugach’s retail and wholesale rates, subject to appeal to the Alaska courts. The regulatory environment in Alaska requires cooperatives to use a debt service coverage approach to ratemaking. Times Interest Earned Ratio (“TIER”) is designed to ensure Chugach maintains a coverage ratio that allows Chugach to remain in compliance with its debt covenants. Under Alaska law, financial covenants of an Alaskan electric cooperative contained in a debt instrument will be valid and enforceable, and rates set by the RCA must be adequate to meet those covenants. Under Alaska law, a cooperative utility that is negotiating to enter into a mortgage or other debt instrument that provides for a TIER greater than the ratio the RCA most recently approved for that cooperative must submit the mortgage or debt instrument to the RCA before the instrument takes effect. The rate covenants contained in the instruments governing our outstanding long-term indebtedness do not impose any greater TIER requirement than those previously approved by the RCA.

Chugach expects to continue to recover changes in its fuel and purchased power expenses through routine quarterly filings with the RCA, see *“Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations – Overview – Rate Regulation and Rates – Fuel and Purchased Power Recovery.”*

The Second Amended and Restated Indenture of Trust (“Indenture”), which became effective January 20, 2011, governs all of our outstanding bonds and requires us to set rates expected to yield margins for interest equal to at least 1.10 times total interest expense. The Second Amended and Restated Master Loan Agreement with CoBank, ACB (“CoBank”) which became effective June 30, 2016, also requires Chugach to establish and collect rates reasonably expected to yield margins for interest equal to at least 1.10 times total interest expense. The Credit Agreement with National Rural Utilities Cooperative Finance Corporation (“NRUCFC”), KeyBank National Association, Bank of America, N.A., and CoBank, which governs the unsecured credit facility Chugach may use to meet its obligations under its Commercial Paper Program, also requires Chugach to maintain minimum margins for interest of at least 1.10 times interest charges for each fiscal year.

For the years ended December 31, 2018, 2017 and 2016, our Margins for Interest/Interest (“MFI/I”) was 1.24, 1.27, and 1.27, respectively. For the same periods, our TIER was 1.26, 1.28, and 1.27, respectively.

Our Service Areas and Local Economy

Our service areas and the service area of our wholesale customer reside within the Alaska Railbelt region of Alaska which is linked by the Alaska Railroad.

Anchorage is located in the Southcentral region of Alaska, serving as a major center for many state governmental functions. Anchorage's economy is also supported by a large federal government and military presence. With established air, sea, and rail transportation facilities, many businesses are headquartered in Anchorage, while operating tourism, medical, educational, petroleum, mining, financial and other industries throughout the state.

Seward is a city located at the head of Resurrection Bay on the Kenai Peninsula. Seward, which is approximately 127 miles south of Anchorage, is a major fisheries port and also serves as the ocean terminus of the Alaska Railroad. Seward's other major industry is tourism.

Sales Forecasts

The following table sets forth our projected sales forecasts for the next five years:

Sales (MWh)	2019	2020	2021	2022	2023
Retail	1,060,016	1,058,950	1,061,598	1,064,252	1,066,912
Wholesale	57,110	56,529	56,670	56,811	56,954
Total	1,117,126	1,115,479	1,118,268	1,121,063	1,123,866

Energy sales are expected to slightly decline due to slow economic growth, progress in energy efficiency and conservation, and warmer than average temperatures due to continuing El Niño climactic conditions, which creates decreased energy use in our service territory. We are projecting a slight rebound beginning in 2021 based on recent sales trends and assuming normal temperatures. Actual sales may vary with changing weather, end-use efficiency, and economic conditions. These projections are based on assumptions that management believes to be reasonable as of the date the projections were made. The occurrence of a significant change in any of the assumptions could affect a change in the projected sales forecast.

Item 1A – Risk Factors

Chugach’s consolidated financial results will be impacted by weather, the economy of our service territory, fuel availability and prices, and the decisions of regulatory agencies. Our creditworthiness will be affected by national and international monetary trends, general market conditions and the expectations of the investment community, all of which are largely beyond our control. In addition, the following statements highlight risk factors that, in the view of management, may significantly affect our consolidated financial condition, results of operations, and cash flows. This discussion is not exhaustive. You may view risks differently than we do, or there may be other risks and uncertainties which you consider important which are not discussed. These risks, whether discussed below or those unknown, could negatively affect our business operations and financial condition. The statements below must be read together with factors discussed elsewhere in this document and in our other filings with the SEC.

Financing

On June 13, 2016, Chugach entered into a \$150.0 million senior unsecured credit facility (“Credit Agreement”), which is used to back Chugach’s Commercial Paper Program. The Credit Agreement will expire on June 13, 2021. Chugach is expected to continue to issue commercial paper in 2019, as needed. For additional information concerning our Commercial Paper Program, see “*Item 8 – Financial Statements and Supplementary Data – Note 11 – Debt – Commercial Paper.*” No assurance can be given that Chugach will be able to continue to access the commercial paper market. If Chugach were unable to access that market, the Credit Agreement would effectively replace Chugach’s Commercial Paper Program. The cost of raising money in the debt capital markets could increase while the availability of funds from those markets could diminish as a result of volatile global financial markets and economic conditions.

Credit Ratings

Changes in our credit ratings could affect our ability to access capital. We maintain a rating from Standard & Poor's Rating Services (“S&P”) and Fitch Ratings (“Fitch”) of "A" (Stable) and "A" (Watch Evolving), respectively. Fitch’s Watch Evolving rating is driven by Chugach’s planned purchase of ML&P, subject to regulatory approval, see “*Item 8 – Financial Statements and Supplementary Data – Note 16 – ML&P Acquisition.*” S&P and Moody's currently rate our commercial paper at "A-1" and "P-2", respectively. If these agencies were to downgrade our ratings, particularly below investment grade, our commercial paper rates could increase immediately and we may be required to pay higher interest rates on financings which we need to undertake in the future. Additionally our potential pool of investors and funding sources could decrease.

Natural disasters

Natural disasters or other catastrophic events may cause damage or disruption to our operations, and thus could have a strong negative effect on us. Our business operations are subject to interruption by natural disasters and other events beyond our control. Although we maintain crisis management and disaster response plans, such events could make it difficult or impossible for us to deliver our services to our customers. Our generation, transmission, distribution, corporate headquarters, information technology systems, and other critical business operations, are located near major seismic faults. Earthquakes and other catastrophic events, such as wild fires, floods, or other similar occurrences, could interrupt fuel supplies; affect demand for electricity or natural gas; cause unplanned outages or reduce generating output; damage Chugach's assets or operations; damage the assets or operations of third parties on which Chugach relies; damage property owned by customers or others; and cause personal injury or death. As a result, we could incur costs to purchase replacement power, to repair assets and restore service, and to compensate third parties. Because significant recovery time could be required to resume operations, our financial condition and operating results could be materially adversely affected in the event of a major earthquake or other catastrophic event.

War, acts and threats of terrorism, sabotage, and other significant events could adversely affect our operations

We cannot predict the impact that any future terrorist attacks or sabotage may have on the energy industry in general, or on our business in particular. Any such event may affect our operations in unpredictable ways, such as changes in insurance markets or instability in financial markets. Furthermore, electric generation, transmission and distribution facilities could be direct targets of, or indirect casualties of, an act of terror or sabotage. Chugach has not experienced any disruptions or significant costs associated with intentional attacks. While Chugach has numerous programs in place to safeguard our operating systems, a physical compromise of our facilities could adversely affect our ability to manage our facilities effectively.

Cyber security

A cyber security compromise of our business systems or facilities could adversely affect our ability to manage our facilities and operate effectively. Data breach, system crashes and ransomware or terrorism risks are mitigated by maintaining technical systems that detect and prevent these attacks and by training employees to recognize cyber threats. Despite these extensive internal technical and training efforts, the potential of a damaging cyber event is still a possibility. In support of RCA interest in cyber security standards Chugach is working with the other Railbelt utilities to develop a set of cyber security standards comparable to the North American Electric Reliability Corporation/Critical Infrastructure Protection ("NERC/CIP") standards. Chugach has not experienced any disruptions or significant costs associated with intentional attacks or unauthorized access to any of our systems.

While Chugach has numerous programs in place to safeguard our operating and business systems and the personal information of our customers and employees, a cyber security compromise of our facilities could adversely affect our ability to manage our facilities and operate effectively.

Pension Plans

We participate in the Alaska Electrical Pension Fund (“AEPF”). The AEPF is a multi-employer pension plan to which we make fixed, per employee contributions through our collective bargaining agreement with the IBEW, which covers our IBEW-represented workforce. We do not have control over the AEPF. Chugach receives information concerning its funding status annually. There is no contingent liability at this time. If a funding shortfall in the AEPF exists, we may incur a contingent withdrawal liability.

We also participate in the National Rural Electric Cooperative Association (“NRECA”) Retirement Security Plan (“RS Plan”), a multi-employer defined benefit master pension plan maintained and administered by NRECA for the benefit of its members and their employees. All employees not covered by a union agreement become participants in the RS Plan. We do not have control over the RS Plan. The RS Plan updates contribution rates on an annual basis to maintain the health of the plan under the plans rules allowed by the Employee Retirement Income Security Act (“ERISA”). The RS Plan’s funding status is governed by plan rules as provided by ERISA. Chugach receives information concerning its funding status biannually. The RS Plan is not subject to the Pension Protection Act of 2006 under a permanent exemption from Congress as of December 16, 2014.

On December 14, 2016 the Chugach Board of Directors approved a prepayment of \$7.9 million to the NRECA Retirement Security plan. Using the low interest rate environment, this prepayment will mitigate the impact of future contribution increases and will lower annual budgetary impacts of current contributions over an 11 year term.

Equipment Failures and Other External Factors

The generation and transmission of electricity requires the use of expensive and complex equipment. While we have maintenance programs for existing equipment, along with a contractual service plan in place for SPP, generating plants are subject to unplanned outages because of equipment failure or environmental disasters. In the event of unplanned outages, we must acquire power, which is not otherwise available from the fleet of Chugach generators, from other sources at unpredictable costs in order to supply our customers and comply with our contractual agreements. The fuel and purchased power rate adjustment process allows Chugach to recover current purchased power costs and to recover under-recoveries or refund over-recoveries with a three-month lag. If Chugach were to materially under-recover purchased power costs due to an unplanned outage, we would normally seek an increase in the rate adjustment to recover those costs at the time of the next quarterly fuel and purchased power rate adjustment filing. As a result, cash flows may be impacted due to the lag in payments for purchased power costs and the corresponding collection of those costs from customers. To the extent the regulatory process does not provide for the timely recovery of purchased power costs, Chugach could experience a material negative impact on its cash flows. Chugach has line of credit and commercial paper borrowing capacity to mitigate this risk.

Fuel Supply

In 2018, 75% of our electric energy was generated from natural gas. Our primary sources of natural gas in 2018 were Hilcorp and Chugach’s 10% share of the Beluga River Unit (“BRU”). Chugach currently has gas contracts in place to fill up to 100% of Chugach’s needs through March 31, 2023. Chugach also has agreements with AIX Energy, LLC, Cook Inlet Energy (“CIE”), and Furie Operating Alaska, LLC (“Furie”), which provide a structure to purchase

supplemental gas, adding diversity in Chugach's sources of natural gas to meet system load requirements.

On May 1, 2017, the RCA approved the Furie Agreement. The Furie Agreement provides Chugach with both firm and non-firm gas supplies over a 16-year period, with firm purchases beginning on April 1, 2023, and ending March 31, 2033, and interruptible gas purchases available to Chugach immediately and ending on March 31, 2033. With respect to firm purchases beginning on April 1, 2023, and ending on March 31, 2033, the Furie Agreement provides an annual gas commitment by Furie to sell and Chugach to purchase approximately 1.8 billion cubic feet (Bcf) of gas each year, which represents approximately 20% to 25% of Chugach's projected gas requirements during this period. The Furie Agreement also provides Chugach with additional purchase options, on a firm and interruptible basis. The initial price for firm gas is \$7.16 per thousand cubic feet (Mcf) beginning April 1, 2023 and escalates annually rising to \$7.98 per Mcf on April 1, 2032, the last year of the contract. On January 23, 2019, Furie sent a letter to Alaska Pipeline Company ("APLC"), an affiliate of ENSTAR Natural Gas Company ("ENSTAR"), declaring Force Majeure caused by a pipeline freeze up (frozen obstruction) within Furie's undersea pipeline serving the Kitchen Lights Units platform. Following a two week period where the frozen obstruction was unsuccessfully removed, APLC/ENSTAR sent a letter to Furie on February 11, 2019 declaring Furie in default of their contract under Section 13.4(ii) of the Furie APLC/ENSTAR Gas Supply Agreement dated February 26, 2016. APLC/ENSTAR stated that under Section 13.5 of their GSA the Parties have 20 days from the day of the letter to meet and resolve the issue or the contract may be terminated. To Chugach's knowledge, the dispute has not been resolved as of March 27, 2019. Failure to resolve the pipeline freezing issue may result in a potential gas supply delivery risk associated with Furie.

On April 21, 2016, the RCA approved the acquisition of the Beluga River Unit effective January 1, 2016, as discussed in "*Item 8 - Financial Statements and Supplementary Data – Note 15 – Beluga River Unit.*" The acquisition complements existing gas supplies and is expected to provide greater fuel diversity at an effective annual cost that is \$2 million to \$3 million less than alternative sources of gas in the Cook Inlet region.

The acquisition is expected to provide gas to meet Chugach's on-going generation requirements over an approximate 18-year period beginning in 2016. Gas associated with the acquisition is expected to provide about 15% of Chugach's gas requirements through 2033, although actual gas quantities produced are expected to vary on a year-by-year basis.

The State of Alaska's Department of Natural Resources ("DNR") published a study in September of 2015, "Updated Engineering Evaluation of Remaining Cook Inlet Gas Reserves," to provide an estimate of Cook Inlet's gas supply. The study estimated there are 1,183 Bcf of proved and probable reserves remaining in Cook Inlet's legacy fields. This is higher than the 2009 DNR study estimate of 1,142 Bcf. Effectively, Cook Inlet gas supply has slightly increased from 2009. The 2015 DNR estimate does not include reserves from a large gas field developed and in production by Furie and another considered for development by BlueCrest Alaska Operating, LLC. Furie has constructed an offshore gas production platform and has achieved commercial production. The platform and other production facilities are designed for up to 200 million cubic feet (MMcf) per day. Other gas producers are actively developing gas supplies in the Cook Inlet. Chugach is encouraged with these developments but continues to explore other alternatives to diversify its portfolio.

The Alaska Gasline Development Corporation (“AGDC”) is investigating a project to deliver North Slope gas to Southcentral Alaska for export. AGDC expects to complete the FERC license application and assess gas markets by mid-2019. The gas pipeline is expected to include off-take points to allow for the opportunity for future in-state deliveries of natural gas. If the project moves forward, the pipeline is expected to be completed in the mid 2020’s.

Cook Inlet Natural Gas Storage Alaska (“CINGSA”) began service April 1, 2012. The facility ensures local utilities, including Chugach, have gas available to meet deliverability requirements during peak periods and store gas during low demand periods. The RCA approved inception rates and a tariff for the CINGSA facility on January 31, 2011, and a Firm Storage Service (“FSS”) Agreement between the seller and Chugach in July of 2011. Injections into the facility began in 2012. Chugach's share of the capacity was 1.6 Bcf in 2018. Chugach is entitled to withdraw gas at a rate of up to 31 MMcf per day.

Recovery of Fuel and Purchased Power Costs

The RCA approved inclusion of all fuel, purchased power, and transportation costs related to our current contracts in the calculation of Chugach’s fuel and purchased power adjustment process which will ensure, in advance, that costs incurred under the contracts can be recovered from Chugach’s customers. The fuel and purchased power adjustment process collects under-recoveries and refunds over-recoveries from prior periods with minimal regulatory lag. Chugach's fuel and purchased power adjustment process includes quarterly filings with the RCA, which set the rates on projected costs, sales and system operations for the quarter. Any under- or over-recovery of costs is incorporated into the following quarterly filing. Chugach over-recovered \$3.4 million at December 31, 2018, and had under-recovered \$4.9 million at December 31, 2017. To the extent the regulated fuel and purchased power adjustment process does not provide for the timely recovery of costs, Chugach could experience a material negative impact on its cash flows. Chugach has line of credit and commercial paper borrowing capacity to mitigate this risk.

Regulatory

Chugach’s billing rates are approved by the RCA and Chugach is required to submit filings to the RCA for approval before any rate changes can be implemented. Chugach is currently a participant in the SRF process for adjustments to base demand and energy rates for Chugach retail customers and wholesale customer, Seward. SRF is an expedited base rate adjustment process available to electric cooperatives in the State of Alaska, with filings made either on a quarterly or semi-annual basis. Chugach is a participant on a quarterly filing schedule basis. While there is no limitation on decreases, base rate increases under SRF are limited to 8% in a 12-month period and 20% in a 36-month period. Chugach is also permitted to cease participation under the SRF process and adjust rates through general rate case filings, which do not have limitations on rate adjustments. For more information see “Item 8 - Financial Statements and Supplementary Data – Note 5 – Regulatory Matters – Simplified Rate Filings.”

To the extent the RCA does not allow for the recovery of our costs associated with our current or anticipated rate cases, Chugach could experience a material negative impact on its results of operations, financial position and cash flows.

Accounting Standards or Practices

We cannot predict the impact that future changes in accounting standards or practices may have on public companies in general, the energy industry or our operations specifically. New accounting standards could be issued that could change the way we record revenues, expenses, assets and liabilities. These changes in accounting standards could adversely affect our reported earnings or could increase reported liabilities.

Greenhouse Gas Regulations, Carbon Emission and Climate Change

Power plants are one of the largest sources of carbon emissions in the United States. Impacts of potential regulations regarding greenhouse gases (“GHG”), carbon emissions, and climate change on Chugach’s operations remain uncertain as political momentum changed with the 2016 presidential election. An Executive Order promoting energy independence and economic growth was issued on March 28, 2017, by the President instructing the Environmental Protection Agency (“EPA”) to review the Clean Power Plan. On August 21, 2018 the EPA moved forward with the Affordable Clean Energy (“ACE”) proposed regulation rule which would establish emission guidelines for states to develop plans to address GHG emissions from existing coal-fired power plants. The ACE rule would replace the 2015 Clean Power Plan (“CPP”), which the EPA has proposed to repeal because it exceeded EPA authority. The CPP was stayed by the U.S. Supreme Court and has never gone into effect. The comment period for the proposed ACE rule has closed and the EPA is currently reviewing and responding to the comments received. When the final rule is promulgated it is certain to face legal challenge.

The proposed Affordable Clean Energy regulation, in its current form, is not expected to have a material effect on Chugach’s financial condition, results of operations, or cash flows.

Additional costs related to a GHG tax or cap and trade program, if enacted by the U.S. Congress, or other regulatory action, could affect the relative cost of the energy Chugach produces. While Chugach cannot predict the implementation of any additional new law or regulation, or the limitations thereof, it is possible that new laws or regulations could increase capital and operating costs. Chugach has obtained or applied for all Clean Air Act permits currently required for the operation of generating facilities.

Other Environmental Regulations

Chugach is currently required to comply with numerous federal, state and local laws and regulations relating to the protection of the environment. While we believe Chugach has obtained all material environmental-related approvals currently required to own and operate our facilities, Chugach may incur significant additional costs because of compliance with these requirements in addition to costs related to any costs of compliance with laws or regulations relating to GHG or carbon emissions. Failure to comply with environmental laws and regulations could have a material effect on Chugach, including potential civil or criminal liability and the imposition of fines or expenditures of funds to bring our facilities into compliance. Delay in obtaining, or failure to obtain and maintain in effect any environmental approvals, or the delay or failure to satisfy any applicable environmental regulatory requirements related to the operation of our existing facilities could result in significant additional costs to Chugach and a material adverse impact to Chugach’s results of operations, financial condition, and cash flows.

Aging Plant

Some of our facilities were constructed over 30 years ago and, as a result, may require significant capital expenditures to maintain efficiency and reliability. As plant equipment ages, the potential for operational issues such as unscheduled outages increases which could negatively impact our cost of electric service. With the addition of the SPP generating facility, which began operation in 2013, we are able to significantly reduce the reliance on some of the older facilities. The older units are used for peaking, and, in the future, may be primarily used as a reserve. Mitigating the aging risk is Chugach's experienced work force, extensive maintenance program, and predictive maintenance measures. Also mitigating the risk of significant unanticipated capital expenditures associated with generation maintenance is a long-term service agreement smoothing major maintenance costs for our largest power producer, SPP. Additionally, we are working to establish the Power Pooling and Joint Dispatch Agreement which will allow us to buy power from other utilities if it is more efficient and economical than generating power on our own. If approved, the acquisition of ML&P will improve the efficiency and economics of power generation through the joint dispatch of the acquired ML&P generating assets.

Distributed Generation

Distributed generation technologies, such as combined heat and power, solar cells, micro turbines, fuel cells, batteries, and wind turbines currently exist or are in development. Significant technological advancements or positive perceptions regarding the environmentally friendly benefits of self-generation and distributed energy technologies could lead to the adoption of these technologies by our members. Increased adoption of these technologies by our members could reduce demand for electricity and the pool of customers from whom we recover fixed costs. This could have a negative impact on our business, financial condition, or cost of electric service.

Constraints on Transmission

We currently experience occasional constraints on our transmission system and those of other utilities used to transmit energy from our remote generators to loads due to periodic maintenance activities, equipment failures and other system conditions. We manage these constraints using alternative generation dispatch and energy purchasing patterns. The long-term solution for reducing transmission constraints include purchasing additional wheeling service from other utilities, or construction of additional transmission lines which would require significant capital expenditures.

Construction of new transmission lines presents numerous challenges. Environmental, state and local permitting processes can result in significant inefficiencies and delays in construction. These issues are unavoidable and are addressed through long-term planning. We typically begin planning new transmission at least 10 years in advance of the need and foster and participate in regional and interregional transmission planning and cost allocation discussions with neighboring transmission providers. In the event that we are unable to complete construction of planned transmission expansion, we must rely on purchases of electric power, which could put increased pressure on electric rates.

Counterparties

We rely on other entities in the production of power and supply of fuel and therefore, we are exposed to the risk that these counterparties may default in performance of their obligations to us. As a 70% owner in SPP, a 30% owner in the Eklutna Hydroelectric Project, and a 10% owner in the Beluga River Unit (“BRU”), we rely upon the other owners to fulfill their contractual and financial obligations. Additionally we rely on numerous other entities with whom we have purchased power agreements. Failure of our counterparties to perform their obligations could increase the cost of electric service we provide to our members as we, for example, may be forced to enter into alternative contractual arrangements or purchase energy or natural gas at prices that may exceed the prices previously agreed upon with the defaulting counterparty.

ML&P Acquisition

In December 2017, the Mayor of Anchorage, Alaska, announced plans to place a proposition on the April 3, 2018 municipal ballot allowing the voters to authorize the sale of ML&P to Chugach. The proposition was approved by Anchorage voters 65.08% to 34.92% per the certified election results. Chugach and the Municipality of Anchorage (“MOA”) negotiated final sales agreements and associated documents. The sale of ML&P was approved by the Anchorage Assembly on December 4, 2018 and the Chugach Board of Directors gave its final approval on December 19, 2018. The agreements and associated documents were executed on December 28, 2018. For more information concerning the potential ML&P Acquisition, see “Item 8 – Financial Statements and Supplementary Data – Note 16 – ML&P Acquisition.” There are many risks associated with the proposed acquisition including, but not limited to, regulatory approvals, incurrence of substantial debt, interest rate risk, realization of expected benefits and savings, etc., which could have a negative impact on our business, financial condition, or cost of electric service.

Interest Rates

Chugach is exposed to a variety of risks, including changes in interest rates. The interest rates on future borrowings could be significantly higher than interest rates on our existing debt. This could have a negative impact on our business, financial condition, or cost of electric service.

Legal Proceedings

Chugach has certain litigation matters and pending claims that arise in the ordinary course of business as discussed under “Item 3 – Legal Proceedings.” We cannot predict the outcome of any current or future legal proceedings. Our business, financial condition, and results of operations could be materially adversely affected by unfavorable resolution or adverse results of legal matters.

These factors, as well as weather and economic conditions, are largely beyond our control, but may have a material adverse effect on our earnings, cash flows and financial position.

Item 1B – Unresolved Staff Comments

None

Item 2 – Properties

General

As of December 31, 2018, we had 531.2 MW of installed capacity consisting of 16 generating units at five power plants. These included 332.0 MW of operating capacity at the Beluga facility on the west side of Cook Inlet; 140.1 MW at SPP in Anchorage (representing our share of generation capacity of the facility which we own jointly with ML&P); 28.2 MW at IGT in Anchorage; and 19.2 MW at the Cooper Lake facility, which is on the Kenai Peninsula. We also own rights to 11.7 MW of capacity from the two Eklutna Hydroelectric Project generating units that we jointly own with MEA and ML&P.

In addition to our own generation, we purchased power from the 120 MW Bradley Lake Hydroelectric Project, which is owned by the Alaska Energy Authority (“AEA”), operated by HEA and dispatched by Chugach, MEA’s 171 MW Eklutna Generation Station (“EGS”), and ML&P’s 120 MW George M. Sullivan Plant 2A. We also purchased power from FIW.

The Beluga, IGT and SPP facilities are fueled by natural gas. We own our offices and headquarters, located adjacent to IGT and SPP in Anchorage. We also lease warehouse space for some generation, transmission and distribution inventory (including a small amount of office space).

Generation Assets

We own the land and improvements comprising our generating facilities at Beluga, IGT and SPP. Our principal generation assets are in two plants, Beluga and SPP. With SPP in operation, the Beluga units are used for peaking, and in the future, may be primarily used as reserve. While the Beluga turbine-generators have been in service for many years, they have been maintained in good working order with scheduled inspections and periodic upgrades. All Beluga units are inspected annually with combustion and hot gas path parts replaced according to their condition or as recommended by the manufacturer. Units 3 and 5 are most often run for peak demand. In 2018, Unit 3 received major maintenance consistent with original equipment manufacturer (“OEM”) requirements for the gas turbine. Additionally, Unit 3’s generator received significant maintenance including generator testing, rotor removal and inspection, and stator re-wedge.

On February 1, 2013, SPP began commercial operation, contributing 200.2 MW of capacity provided by 4 generating units. Chugach owns 70% of this plant and ML&P owns the remaining 30%. Each owner takes a proportionate share of power from SPP. Our principal generation units at SPP are Units 10, 11, 12, and 13. Since the units have been in commercial operation, SPP units have received preventative maintenance inspections consistent with OEM recommendations through 2018. The gas turbine generators of Units 11, 12, and 13 receive two internal combustion system inspections each and one full package inspection annually. In 2018, Unit 11 gas turbine was replaced with a spare gas turbine. The removed gas turbine was sent to the OEM repair depot for a complete overhaul and will be returned in 2019. Unit 10 steam turbine received a scheduled inspection consistent with OEM specifications. All three steam-generating boilers were internally inspected as well as hydrotested in accordance with OEM recommendations.

The Cooper Lake Hydroelectric Project is partially located on federal lands. Chugach owns, operates and maintains the Cooper Lake project subject to a 50-year license granted to us by FERC in August of 2007. As part of the relicensing process, a relicensing settlement agreement

(“RSA”) was entered into in August 2005. The RSA required Chugach to establish a flow regime in Cooper Creek below the Cooper Lake Dam; designed to replace colder water flowing into the Cooper Creek drainage from Stetson Creek with warmer Cooper Lake water. This project included a Stetson Creek Diversion (Dam), Pipeline (Conveyance System) and Cooper Lake Outlet Works. Project construction was completed in July 2015.

The two generating units at Cooper Lake, Units 1 and 2, have a combined capacity of 19.2 MW. Both units were taken out of service for annual maintenance in August of 2017 and 2018. In September 2018 dredging activities began to remove accumulated sediment from the CLPP Tailrace structure. After several decades of solid material build-up in the tailrace structure, dredging is required to ensure the continued operation of the power plant as mandated by the FERC Engineering Guidelines. The material was stockpiled upland and is awaiting regulatory approval to determine final disposition of the dredged materials. Project completion is expected after winter thaw in 2019.

The Eklutna Hydroelectric Project is located on federal land subject to a United States Bureau of Land Management right-of-way grant issued in October of 1997. The facility is jointly owned, operated and maintained by Chugach, MEA, and ML&P with ownership shares of 30%, 17%, and 53%, respectively. Chugach owns rights to 11.7 MW of capacity from the two Eklutna Hydroelectric Project generating units.

The following matrix depicts nomenclature, run hours for 2018, percentages of contribution and other historical information for all Chugach generation units.

Facility	Commercial Operation Date	Nomenclature	Rating (MW) ⁽¹⁾	Run Hours (2018)	Percent of Total Run Hours	Percent of Time Available
Beluga Power Plant ⁽²⁾						
1	1968	GE Frame 5	19.6	51.8	0.12	97.3
2	1968	GE Frame 5	19.6	54.5	0.13	97.9
3	1973	GE Frame 7	64.8	208.9	0.48	59.9
5	1975	GE Frame 7	68.7	1,385.0	3.20	91.3
6	1976	GE 11DM-EV	79.2	0.0	0.00	64.8
7	1978	GE 11DM-EV	80.1	53.1	0.12	86.3
			332.0			
Cooper Lake Hydroelectric Project						
1	1960	BBC MV 230/10	9.6	2,466.0	5.70	85.8
2	1960	BBC MV 230/10	9.6	4,962.0	11.46	85.8
			19.2			
IGT Power Plant ⁽⁷⁾						
1	1964	GE Frame 5	14.1	11.6	0.03	91.5
2	1965	GE Frame 5	14.1	11.2	0.03	100.0
			28.2			
Southcentral Power Project						
10	2013	Mitsubishi SC1F-29.5 ⁽⁶⁾	40.2 ⁽⁵⁾	8,661.0	20.01	99.0
11	2013	GE LM6000 PF	33.3 ⁽⁵⁾	8,405.0	19.41	95.9
12	2013	GE LM6000 PF	33.3 ⁽⁵⁾	8,549.0	19.72	97.8
13	2013	GE LM6000 PF	33.3 ⁽⁵⁾	8,475.0	19.59	96.8
			140.1			
Eklutna Hydroelectric Project						
1	1955	Newport News	5.8 ⁽³⁾	N/A ⁽⁴⁾		72.1
2	1955	Oerlikon custom	5.9 ⁽³⁾	N/A ⁽⁴⁾		89.8
			11.7			
System Total			531.2	43,294.1	100.00	

⁽¹⁾ Capacity rating in MW at 30 degrees Fahrenheit.

⁽²⁾ Beluga Unit 4 was retired during 1994. Beluga Unit 8 was retired in April of 2015.

⁽³⁾ The Eklutna Hydroelectric Project is jointly owned by Chugach, MEA and ML&P. The capacity shown represents our 30% share of the plant's output under normal operating conditions. The actual nameplate rating on each unit is 23.5 MW.

⁽⁴⁾ Run hours are not recorded by Chugach for the Eklutna Hydroelectric Project as it is maintained by a committee of three owners.

⁽⁵⁾ The Southcentral Power Project is jointly owned by Chugach and ML&P. The capacity shown is our 70% share of the plant's output under normal operating conditions. The actual nameplate rating for the project is 200.2 MW.

⁽⁶⁾ Steam-turbine powered generator with heat provided by exhaust from natural gas fueled Units 11, 12 and 13 and additional heat from supplemental duct firing in the once through steam generators associated with the respective gas turbines (combined-cycle).

⁽⁷⁾ IGT Unit 3 was retired in August of 2015.

Note: GE = General Electric, BBC = Brown Boveri Corporation

Transmission and Distribution Assets

As of December 31, 2018, our transmission and distribution assets included 43 substations and 437 miles of transmission lines, which included Chugach's share of the Eklutna transmission line, 891 miles of overhead distribution lines and 839 miles of underground distribution line. We own the land on which 25 of our substations are located and a portion of the right-of-way connecting our Beluga plant to Anchorage. As part of our 1997 acquisition of 30% of the Eklutna Hydroelectric Project, we also acquired a partial interest in two substations and additional transmission facilities.

Most of Chugach's generation sites and many of its substation sites are on Chugach-owned lands. The rights for the sites not on Chugach-owned lands are as follows: the Postmark and Point Woronzof Substations, and the East Terminal Site (North - South Runway) are authorized by the State of Alaska Department of Transportation and Public Facilities, Ted Stevens Anchorage International Airport; the East Terminal Site (Six Mile) is under rights from Joint Base Elmendorf-Richardson; the West Terminal Site is authorized by the Matanuska-Susitna Borough; the University Substation is on State of Alaska land under rights from the Federal Bureau of Land Management; the Hope and Daves Creek Substations are authorized by the State of Alaska; the Portage Substation has a permit from the Alaska Railroad Corporation ("ARRC"); the Summit Lake Substation and Microwave Site are on land recently conveyed to the Kenai Peninsula Borough; the Dowling and Raspberry Substations are on Municipality of Anchorage land under rights from the State of Alaska; and, the Indian Substation is authorized by FERC License, until a permit is issued by Chugach State Park. The Cooper Lake Power Plant, Quartz Creek Substation, and the 69kV transmission line between them are operated under the FERC License. Most of Chugach's transmission, sub-transmission and distribution lines are either on public lands under rights from federal, state, municipal, borough agencies, ARRC, or on private lands via easements.

Title

On January 20, 2011, Chugach and the indenture trustee entered into the Indenture, granting a lien on substantially all of Chugach's assets to secure Chugach's long-term debt. Assets that are generally not subject to the lien of the Indenture include cash (other than cash deposited with the indenture trustee); instruments and securities; patents, trademarks, licenses and other intellectual property; vehicles and other movable equipment; inventory and consumable materials and supplies; office furniture, equipment and supplies; computer equipment and software; office leases; other leasehold interests for an original term of less than five years; contracts (other than power sales agreements with members having an original term exceeding three years, certain contracts specifically identified in the Indenture, and other contracts relating to the ownership, operation or maintenance of generation, transmission or distribution facilities); non-assignable permits, licenses and other contract rights; timber and minerals separated from land; electricity, gas, steam, water and other products generated, produced or purchased; other property in which a security interest cannot legally be perfected by the filing of a Uniform Commercial Code financing statement, and certain parcels of real property specifically excepted from the lien of the Indenture. The lien of the Indenture may be subject to various permitted encumbrances that include matters existing on the date of the Indenture or the date on which property is later acquired; reservations in United States patents; non-delinquent or contested taxes, assessments and contractors' liens; and various leases, rights-of-way, easements, covenants, conditions, restrictions, reservations, licenses and permits that do not materially impair Chugach's use of the mortgaged property in the conduct of Chugach's business.

Many of Chugach's properties are burdened by easements, plat restrictions, mineral reservation, water rights and similar title exceptions common to the area or customarily reserved in conveyances from federal or state governmental entities, and by additional minor title encumbrances and defects. We do not believe that any of these title defects will materially impair the use of our properties in the operation of our business.

Under the Alaska Electric and Telephone Cooperative Act, we possess the power of eminent domain for the purpose and in the manner provided by State of Alaska condemnation laws for acquiring private property for public use.

Other Property

Bradley Lake

We are a participant in the Bradley Lake Hydroelectric Project, which is a 120 MW rated capacity hydroelectric facility near Homer on the southern end of the Kenai Peninsula that was placed into service in September 1991. The project is nominally scheduled below 90 MW to minimize losses and ensure system stability. We have a 30.4% (27.4 MW as currently operated) share in the Bradley Lake project's output, and currently take Seward's share which we net bill to them, for a total of 31.4% of the project's capacity. We are obligated to pay 30.4% of the annual project costs regardless of project output.

The project was financed and built by AEA through grants from the State of Alaska and the issuance of \$166.0 million principal amount of revenue bonds supported by power sales agreements with six electric utilities that share the output from the facility (ML&P, HEA and MEA (through Alaska Electric Generation & Transmission Cooperative, Inc. ("AEG&T") and Alaska Electric and Energy Cooperative, Inc. ("AEEC")), GVEA, Seward and us). The participating utilities have entered into take-or-pay power sales agreements under which AEA has sold percentage shares of the project capacity and the utilities have agreed to pay a like-percentage of annual costs of the project (including ownership, operation and maintenance costs, debt-service costs and amounts required to maintain established reserves). By contract, we also provide transmission and related services to all of the participants in the Bradley Lake project.

The term of our Bradley Lake power sales agreement is 50 years from the date of commercial operation of the facility (September 1991) or when the revenue bond principal is repaid, whichever is longer. The agreement may be renewed for successive 40-year periods or for the useful life of the project, whichever is shorter. We believe that so long as this project produces power taken by us for our use that this expense will be recoverable through the fuel and purchased power adjustment process. The share of Bradley Lake indebtedness for which we are responsible is approximately \$13.4 million. Upon the default of a participant, and subject to certain other conditions, AEA is entitled to increase each participant's share of costs and pro rata output, to the extent necessary to compensate for the failure of the defaulting participant to pay its share, provided that no participant's percentage share is increased by more than 25%. Upon default, Chugach could be faced with annual expenditures of approximately \$6.3 million as a result of Chugach's Bradley Lake take-or-pay obligations.

The Battle Creek Diversion Project ("Project") is a project to increase water available for generation by constructing a diversion on the West Fork of Upper Battle Creek to divert flows to Bradley Lake, increasing annual energy output by an estimated 37,000 MWh. The Bradley Lake Project Management Committee ("BPMC") approved the project October 13, 2017, as amended December

1, 2017, and December 6, 2017. The Project cost is estimated at \$47.2 million and the BPMC approved financing on December 6, 2017. Construction began in the spring of 2018 and is anticipated to be completed in the fall of 2020. Not all Bradley Lake purchasers are participating in the development and resulting benefits of the Project at this time, although they have reserved their ability to participate in the Project at a later date. Chugach would be entitled to 39.38% of the additional energy produced if no additional participants elect to join. The share of Battle Creek indebtedness for which we are responsible is approximately \$16.2 million.

Eklutna

Along with two other utilities, Chugach purchased the Eklutna Hydroelectric Project from the Federal Government in 1997. Ownership was transferred from the Department of Energy's ("DOE") Alaska Power Administration jointly to Chugach (30%), MEA (17%) and ML&P (53%).

Beluga River Unit ("BRU")

On April 22, 2016, Chugach commenced receiving gas from the BRU as a Working Interest Owner ("WIO") of the gas production field. Chugach acquired a 10% working interest in the BRU by jointly purchasing, in partnership with ML&P, ConocoPhillips' 1/3 Working Interest Ownership of the BRU. In 2018, Chugach received 1.2 Bcf from the BRU field at the field's delivery meter as a WIO for Chugach native use in thermal generation at a weighted average transfer price of \$4.42 per Mcf.

In 2017 Chugach received 1.4 Bcf from the BRU field at the field's delivery meter as a WIO. Of that gas volume received Chugach allocated gas deliveries of 875 MMcf to the ConocoPhillips-ENSTAR contract (average price of \$7.57 per Mcf) and retained 506 MMcf for Chugach native use in thermal generation, which had a weighted average transfer price of \$4.64 per Mcf.

Fuel Supply

In 2018, 75% of our electric energy was generated from natural gas. Total gas purchased and produced during 2018 was approximately 8.4 Bcf. All of the production came from Cook Inlet, Alaska. The contract with Hilcorp provided 86%, Chugach's 10% share of the Beluga River Unit gas field provided 13%, and minor purchases from Furie provided the balance. The current gas contract with Hilcorp began providing gas in 2011 and will expire March 31, 2023. The BRU and Hilcorp, together, fill 100% of Chugach's firm needs through March 31, 2023. The gas contract with Furie currently provides Chugach with additional purchase options, on a firm and interruptible basis, and will provide both firm and non-firm gas supplies beginning on April 1, 2023 and ending March 31, 2033.

Hilcorp

Chugach entered into a contract with Hilcorp to provide gas beginning January 1, 2015, and through multiple amendments, now extends through March 31, 2023. The total amount of gas under contract is currently estimated to be 60 Bcf. Pricing for the 2018 term of the Hilcorp contract averaged \$7.54 per Mcf.

Furie Agreement

On March 16, 2017, Chugach submitted a request to the RCA for approval of the agreement entitled, “Firm and Interruptible Gas Sale and Purchase Agreement between Furie Operating Alaska, LLC and Chugach Electric Association, Inc.” (“Furie Agreement”) dated March 3, 2017. As part of the filing, Chugach requested RCA approval to recover both firm and interruptible purchases under the agreement and all attendant transportation and storage costs through its quarterly fuel and purchased power cost adjustment process.

The Furie Agreement provides Chugach with both firm and non-firm gas supplies over a 16-year period, with firm purchases beginning on April 1, 2023, and ending March 31, 2033, and interruptible gas purchases available to Chugach immediately and ending on March 31, 2033. With respect to the firm purchases, the Furie Agreement provides an annual gas commitment by Furie to sell and Chugach to purchase approximately 1.8 Bcf of gas each year, which represents approximately 20% to 25% of Chugach’s projected gas requirements during this period. The Furie Agreement also provides Chugach with additional purchase options, on a firm and interruptible basis. The initial price for firm gas is \$7.16 per Mcf beginning April 1, 2023 and escalates annually rising to \$7.98 per Mcf on April 1, 2032, the last year of the Furie Agreement.

On May 1, 2017, the RCA approved the Furie Agreement. The RCA also approved recovery of costs associated with the Furie Agreement through its fuel and purchased power cost adjustment process.

Glacier Oil and Gas Corporation / Cook Inlet Energy, LLC (“CIE”)

Glacier Oil and Gas Corporation retained holdings of Miller Energy Resources Ltd, including the subsidiary CIE, following bankruptcy proceedings in 2016. Chugach entered into a Gas Sale and Purchase Agreement (“GSPA”) with CIE in 2013, to supply gas from April 1, 2014, through March 31, 2018, with an option to extend for an additional five years by mutual agreement during the term of the GSPA. In an extension letter agreement dated February 17, 2017, both parties agreed to extend the term of the agreement until March 31, 2023. The GSPA with CIE provides Chugach with an opportunity to diversify its gas supply portfolio, and minimize its current dependence on the gas agreements in place with two vendors. The gas that may be purchased under the GSPA with CIE is not required, however it introduces a new pricing mechanism.

The GSPA identifies and defines two types of gas purchases. Base gas is defined by the volume of gas purchased on a firm or interruptible basis at an agreed delivery rate. Pricing for base gas purchases ranges from \$6.12 to \$7.31 per Mcf. Swing gas is gas sold to Chugach at a delivery rate in excess of the applicable base gas agreed delivery rate. Pricing for swing gas purchases ranges from \$7.65 to \$9.14 per Mcf.

AIX Energy, LLC

Chugach entered into a contract with AIX Energy, LLC (“AIX”) in 2014, to supply gas from March 1, 2015, through February 29, 2016. This agreement capped the price of gas at \$6.24 per Mcf and the total volume at 300,000 Mcf. In anticipation of this agreement’s expiration, Chugach entered into another gas sale and purchase agreement with AIX in November of 2015, to provide gas beginning April 1, 2016, through March 31, 2023, with the option to extend to March 31, 2029. The AIX agreements provide flexibility in both the purchase price and volumes and allow Chugach to further diversify its gas supply portfolio, with no minimum purchase requirements.

Municipality of Anchorage, dba Municipal Light and Power

Chugach entered into a contract with Municipality of Anchorage, DBA Municipal Light and Power (“ML&P”) in 2016, to supply gas beginning June 6, 2016, and expired March 31, 2017. This agreement capped the price of gas at \$5.75 per Mcf and the total volume at 500,000 Mcf. The ML&P agreement provided Chugach the ability to further diversify its gas supply portfolio, with no minimum purchase requirements.

Natural Gas Transportation Contracts

The terms of the Hilcorp agreement requires Chugach to transport gas. Chugach took over the transportation obligation for natural gas shipments for gas supplied under its contracts on October 1, 2010. The following information summarizes the transportation obligations for Chugach:

ENSTAR (Alaska Pipeline Company)

ENSTAR Natural Gas Company (“ENSTAR”) has a tariff to transport our gas purchased from gas suppliers on a firm basis to our IGT and SPP facilities.

Chugach and ENSTAR entered into a Firm Transportation Service Agreement on May 21, 2012, to provide for the transportation of gas to SPP. The agreement commenced on August 1, 2012, and remains in effect until canceled upon a 12-month written notice by either party. The agreement sets a contracted peak demand of 36,300 Mcf per day.

Harvest Alaska, LLC Pipeline System

Hilcorp now operates four major gas pipelines through Harvest Alaska, LLC, in the Cook Inlet basin, including the Kenai-Nikiski Pipeline (“KNPL”), the Beluga Pipeline (“BPL”), the Cook Inlet Gas Gathering System (“CIGGS”) and the Kenai-Kachemak Pipeline (“KKPL”).

On November 1, 2014, the RCA approved consolidation of these four pipelines into a single pipeline, the Kenai-Beluga Pipeline (“KBPL”). Chugach has entered into tariff agreements to ship gas on the KBPL.

Environmental Matters

Chugach includes costs associated with environmental compliance in both our operating and capital budgets. We accrue for costs associated with environmental remediation obligations when those costs are probable and reasonably estimated. We do not anticipate that environmental related expenditures will have a material effect on our results of operations or financial condition. We cannot, however, predict the nature, extent or cost of new laws or regulations relating to environmental matters.

The Clean Air Act and Environmental Protection Agency (“EPA”) regulations under the Clean Air Act establish ambient air quality standards and limit the emission of many air pollutants. New Clean Air Act regulations impacting electric utilities may result from future events or new regulatory programs. An Executive Order promoting energy independence and economic growth was issued on March 28, 2017, by the President instructing the EPA to review the Clean Power Plan. On August 21, 2018 the EPA moved forward with the Affordable Clean Energy (“ACE”) proposed regulation rule which would establish emission guidelines for states to develop plans to address GHG emissions from existing coal-fired power plants. The ACE rule would replace the 2015 Clean

Power Plan (“CPP”), which EPA has proposed to repeal because it exceeded EPA authority. The CPP was stayed by the U.S. Supreme Court and has never gone into effect. The comment period for the proposed ACE rule has closed and the EPA is currently reviewing and responding to the comments received. When the final rule is promulgated it is certain to face legal challenge. The proposed Affordable Clean Energy regulation, in its current form, is not expected to have a material effect on Chugach’s financial condition, results of operations, or cash flows. While Chugach cannot predict the implementation of any additional new law or regulation, or the limitations thereof, it is possible that new laws or regulations could increase capital and operating costs. Chugach has obtained or applied for all Clean Air Act permits currently required for the operation of generating facilities.

Chugach is subject to numerous other environmental statutes including the Clean Water Act, the Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Endangered Species Act, and the Comprehensive Environmental Response, Compensation and Liability Act and to the regulations implementing these statutes. Chugach does not believe that compliance with these statutes and regulations to date has had a material impact on its financial condition, results of operation or cash flows. However, the implementation of any additional new law or regulation, or the limitations thereof, or changes in or new interpretations of laws or regulations could result in significant additional capital or operating expenses. Chugach monitors proposed new regulations and existing regulation changes through industry associations and professional organizations.

Item 3 – Legal Proceedings

Chugach has certain litigation matters and pending claims that arise in the ordinary course of Chugach’s business. In the opinion of management, none of these other matters, individually, or in the aggregate, is or are likely to have a material adverse effect on Chugach’s results of operations, financial condition or cash flows.

Item 4 – Mine Safety Disclosures

Not Applicable

PART II

Item 5 – Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Not Applicable

Item 6 – Selected Financial Data

The following table presents selected historical information relating to financial condition and results of operations for the years ended December 31:

Balance Sheet Data	2018	2017	2016	2015	2014
Electric plant, net:					
In service	\$ 687,563,641	\$ 689,595,912	\$ 696,415,738	\$ 659,275,066	\$ 657,899,592
Construction work in	17,272,307	17,952,573	18,455,940	15,601,374	21,567,341
Electric plant, net	704,835,948	707,548,485	714,871,678	674,876,440	679,466,933
Other assets	123,814,640	129,970,259	121,284,452	110,437,674	126,244,688
Total assets	<u>\$ 828,650,588</u>	<u>\$ 837,518,744</u>	<u>\$ 836,156,130</u>	<u>\$ 785,314,114</u>	<u>\$ 805,711,621</u>
Capitalization:					
Long-term debt	429,963,417	456,327,846	442,890,253	446,227,620	473,024,497
Equities and margins	194,524,694	189,301,294	185,515,525	181,637,381	176,925,299
Total capitalization	<u>\$ 624,488,111</u>	<u>\$ 645,629,140</u>	<u>\$ 628,405,778</u>	<u>\$ 627,865,001</u>	<u>\$ 649,949,796</u>
Equity Ratio ¹	31.2%	29.3%	29.5%	28.9%	27.2%
Operations Data					
Operating revenues	\$ 202,252,742	\$ 224,688,669	\$ 197,747,579	\$ 216,421,152	\$ 281,318,513
Operating expenses	175,571,225	197,217,684	171,140,389	188,791,558	252,972,879
Interest expense	22,164,007	22,366,034	21,856,095	22,194,290	23,264,041
Capitalized interest	(306,377)	(164,898)	(454,798)	(379,845)	(463,335)
Net operating margins	4,823,887	5,269,849	5,205,893	5,815,149	5,544,928
Nonoperating margins	538,987	778,875	607,963	687,703	970,617
Assignable margins	<u>\$ 5,362,874</u>	<u>\$ 6,048,724</u>	<u>\$ 5,813,856</u>	<u>\$ 6,502,852</u>	<u>\$ 6,515,545</u>
Margins for Interest Ratio ²	1.24	1.27	1.27	1.29	1.28

¹ Equity ratio equals equities and margins divided by the sum of our long-term debt and equities and margins.

² Margins for interest ratio equals the sum of long and short-term interest expense and assignable margins divided by the sum of long and short-term interest expense, excluding amounts capitalized.

Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations

Caution Regarding Forward Looking Statements

Statements in this report that do not relate to historical facts, including statements relating to future plans, events or performance, are forward-looking statements that involve risks and uncertainties. Actual results, events or performance may differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date of this report and the accuracy of which is subject to inherent uncertainty. We undertake no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances that may occur after the date of this report or the effect of those events or circumstances on any of the forward-looking statements contained herein, except as required by law.

Results of Operations

Overview

Margins. We operate on a not-for-profit basis and, accordingly, seek only to generate revenues sufficient to pay operating and maintenance costs, the cost of fuel and purchased power, capital expenditures, depreciation and principal and interest on our indebtedness and to provide for reserves. These amounts are referred to as “margins.” Patronage capital, the retained margins of our members, constitutes our principal equity.

Times Interest Earned Ratio (“TIER”). Alaska electric cooperatives generally set their rates on the basis of TIER, which is a debt service coverage approach to ratemaking. TIER is determined by dividing the sum of assignable margins plus long-term interest expense (excluding capitalized interest) by long-term interest expense (excluding capitalized interest). Chugach’s long-term interest expense for the years ended December 31, 2018, 2017 and 2016 was \$20,583,923, \$21,424,095 and \$21,168,967, respectively. Chugach’s authorized TIER for ratemaking purposes on a system basis was 1.30 through July 4, 2016, which was established by the RCA in order U-01-08(26) on January 31, 2003. Pursuant to RCA order U-15-081(8), Chugach’s authorized TIER for ratemaking purposes on a system basis was increased to 1.35 effective July 5, 2016.

Chugach’s achieved TIER includes nonoperating margins that are not generated by electric rates. We manage our business with a view towards achieving our authorized TIER (currently established at 1.35) averaged over a 5-year period. For further discussion on factors that contribute to TIER results, see “*Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Year ended December 31, 2018, compared to the year ended December 31, 2017, and the year ended December 31, 2017 compared to the year ended December 31, 2016 – Expenses.*” We achieved TIERs for the past five years as follows:

<u>Year</u>	<u>TIER</u>
2018	1.26
2017	1.28
2016	1.27
2015	1.30
2014	1.29

Rate Regulation and Rates. Our electric rates are made up of two primary components: “base rates” and “fuel and purchased power rates.” Base rates provide recovery of fixed and variable costs related to providing electric service, while fuel and purchased power rates provide recovery of fuel and purchased power costs.

The RCA approves both base rates and fuel and purchased power recovery rates paid by our retail and wholesale customers.

Base Rates. Chugach’s base rates, whether set under a general rate case or an SRF, are established to allow the continued recovery of our specific costs of providing electric service. In each rate filing, rates are set at levels to recover all of our specific allowable costs, other than fuel and purchased power, and those rates are then collected from our retail and wholesale customers. Under SRF, base rate increases are limited to 8% over a 12-month period and 20% over a 36-month period. Chugach is still permitted to submit general rate case filings while participating in the SRF process. In general, during these periods, rate adjustments under SRF would temporarily cease. The RCA may authorize, after a notice period, rate changes on an interim and refundable basis.

In 2018, Chugach submitted quarterly SRF filings which resulted in a demand and energy rate increase of 0.3% to retail and a decrease of 0.2% to Seward effective May 1, 2018; an increase of 1.8% and 2.9% for retail customers and Seward, respectively, effective August 1, 2018; an increase of 2.7% and 1.5% for retail customers and Seward, respectively, effective November 1, 2018; an increase to demand and energy rates of 0.6% and 3.3% for retail customers and Seward, respectively, effective February 1, 2019; and an increase to demand and energy rates of 1.0% for retail customers and 0.1% for Seward, effective May 1, 2019.

In 2017, Chugach submitted quarterly SRF filings which resulted in a 3.0% decrease to system demand and energy rates effective July 1, 2017, and an increase of 1.9% for rates effective November 1, 2017.

On August 15, 2016, base demand and energy rates increased approximately 4.2% to Chugach’s retail customers and wholesale customer, Seward. These changes were the result of Chugach’s SRF.

Fuel and Purchased Power Rates. Chugach recovers fuel and purchased power costs directly from retail and wholesale customers through the fuel and purchased power rate adjustment process. Changes in fuel and purchased power costs are primarily due to fixed price or fuel price adjustment processes in gas-supply contracts. Other factors, including generation unit availability also impact fuel and purchased power recovery rate levels. The fuel and purchased power adjustment is approved on a quarterly basis by the RCA. There are no limitations on the number or amount of fuel and purchased power recovery rate changes. Increases in fuel and purchased power costs result in increased revenues while decreases in these costs result in lower revenues. Therefore, revenue from the fuel and purchased power adjustment process does not impact margins. Chugach recognizes differences between projected recoverable fuel and purchased power costs and amounts actually recovered through rates. The fuel cost under/over recovery on the balance sheet represents the net accumulation of any under- or over-collection of fuel and purchased power costs. A fuel cost under-recovery will appear as an asset on our balance sheet and will be collected from our members in subsequent periods. Conversely, a fuel cost over-recovery will appear as a liability on the balance sheet and will be refunded to members in subsequent periods.

Petition to Increase TIER

On January 15, 2019, Chugach submitted a Petition to the RCA requesting to increase its system target TIER from 1.35 to 1.55. If approved, and assuming no other changes on the system, this change would increase annual margins by approximately \$4.0 million. Chugach expects a decision on this request in July 2019.

Year ended December 31, 2018, compared to the year ended December 31, 2017, and the year ended December 31, 2017, compared to the year ended December 31, 2016

Margins

Our margins for the years ended December 31, were as follows:

	2018	2017	2016
Net Operating Margins	\$ 4,823,887	\$ 5,269,849	\$ 5,205,893
Nonoperating Margins	538,987	778,875	607,963
Assignable Margins	<u>\$ 5,362,874</u>	<u>\$ 6,048,724</u>	<u>\$ 5,813,856</u>

Net operating margins were \$0.4 million, or 8.5% less in 2018 from 2017, primarily due to lower operating revenue as a result of lower energy sales. Additionally, there were no sales of BRU gas in 2018 compared to 2017 due to the expiration of the gas sales contract on December 31, 2017. Net operating margins did not materially change in 2017 from 2016.

Nonoperating margins include interest income, Allowance for Funds Used During Construction (“AFUDC”), capital credits and patronage capital allocations and other. Nonoperating margins decreased \$0.2 million, or 30.8%, in 2018 from 2017, primarily due to the change in value on marketable securities. The increase in nonoperating margins in 2017 from 2016 was primarily due to increased interest and dividends associated with marketable securities.

Revenues

Operating revenues include sales of electric energy to retail, wholesale and economy energy customers and other miscellaneous revenues. In 2018, operating revenues were \$22.4 million, or 10.0% lower than 2017. The decrease was primarily due to lower energy sales and lower fuel costs recovered in revenue. Additionally, there were no gas sales in 2018 due to the expiration of the gas sales contract on December 31, 2017. In 2017, operating revenues were \$27.0 million, or 13.7% higher than 2016. The increase was primarily due to higher fuel and purchased power expense recovered in revenue and higher economy energy sales and wheeling.

Retail revenue decreased \$10.2 million, or 5.1% in 2018 from 2017 primarily due to lower energy sales and lower fuel costs recovered in revenue. Retail revenue increased \$17.3 million, or 9.6%, in 2017 from 2016 primarily due to increased fuel and purchased power costs recovered in revenue.

Wholesale revenue decreased \$0.7 million, or 11.9% in 2018 from 2017, due to decreased energy sales and lower fuel costs recovered in revenue. Wholesale revenue increased \$0.9 million, or 18.0% in 2017 from 2016, due to increased fuel and purchased power costs recovered in revenue.

Occasionally, Chugach sells available generation, in excess of its own needs, to other electric utilities as economy energy sales. Economy revenue decreased \$4.3 million in 2018 from 2017, as there were almost no economy energy sales in 2018. Economy revenue increased \$3.0 million in 2017 from 2016 due to increased sales to GVEA, MEA, and HEA.

Miscellaneous revenue decreased \$7.2 million, or 43.9%, primarily due to the expiration of the gas sales contract with ENSTAR at the end of 2017, which resulted in no gas sales in 2018. Additionally, there were fewer wheeling sales in 2018 compared to 2017, resulting in lower miscellaneous revenue earned in 2018. Miscellaneous revenue increased \$5.8 million or 54.7%, in 2017 from 2016 primarily due to sales of natural gas to ENSTAR as a result of Chugach's investment in the BRU in April 2016. Additional wheeling revenue from GVEA and MEA, in 2017, also contributed to the increase.

Based on the results of fixed and variable cost recovery established in Chugach's rate filings, wholesale sales to Seward contributed approximately \$1.3 million, \$1.4 million, and \$1.3 million towards fixed costs for the years ended December 31, 2018, 2017, and 2016, respectively.

See "Item 8 – Financial Statements and Supplementary Data – Note 17– Revenue From Contracts with Customers," for a table showing the base rate sales and fuel and purchased power revenue by customer class that is included in revenue for the years ended December 31, 2018, 2017, and 2016.

The major components of our operating revenue for the years ending December 31 were as follows:

	2018	2018	2017	2017	2016	2016
	Sales	Revenue	Sales	Revenue	Sales	Revenue
	(MWh)		(MWh)		(MWh)	
Retail	1,072,957	\$ 187,938,391	1,105,173	\$ 198,079,331	1,113,020	\$ 180,838,811
Wholesale:						
Seward	57,478	5,153,443	59,803	5,883,121	59,063	4,938,175
Total	57,478	5,153,443	59,803	5,883,121	59,063	4,938,175
Economy energy	379	37,358	48,526	4,351,050	25,000	1,340,750
Other	N/A	9,123,550	N/A	16,375,167	N/A	10,629,843
Total	1,130,814	\$ 202,252,742	1,213,502	\$ 224,688,669	1,197,083	\$ 197,747,579

Chugach provides economy energy on an as needed basis to GVEA, HEA, MEA, and ML&P. Sales are made under the terms and conditions of Chugach's economy energy sales tariff approved by the RCA. The price includes the cost of fuel, variable operations and maintenance expense, wheeling charges and a margin.

In 2018, 2017, and 2016, economy sales constituted approximately 0%, 2%, and 1%, respectively, of our operating revenues.

Expenses

The major components of our operating expenses for the years ended December 31 were as follows:

	2018	2017	2016
Fuel	\$ 56,283,541	\$ 78,552,672	\$ 54,778,582
Production	17,797,549	18,006,490	15,809,168
Purchased power	19,978,497	17,301,067	15,774,733
Transmission	7,361,503	6,129,871	5,590,737
Distribution	14,960,770	13,991,088	13,991,997
Consumer accounts	6,662,590	5,968,736	6,073,710
Administrative, general and other	22,651,092	23,256,983	22,888,048
Depreciation and amortization	29,875,683	34,010,777	36,233,414
Total operating expenses	\$ 175,571,225	\$ 197,217,684	\$ 171,140,389

Fuel

Chugach recognizes actual fuel expense as incurred. Fuel expense decreased \$22.3 million, or 28.4% in 2018 from 2017. The decrease was primarily due to less fuel consumed as a result of lower energy sales combined with increased purchased power. In 2018, Chugach purchased 6,492,496 Mcf of fuel at an average effective price of \$7.88 per Mcf. The amount of fuel purchased does not include fuel produced at BRU. In 2018, Chugach used 1,096,805 Mcf of fuel produced at BRU. In 2017, Chugach reported the amount used, including fuel produced at BRU, of 9,042,071 Mcf at an average effective delivered price of \$7.91 per Mcf. For comparative purposes, we have recalculated the 2017 average effective delivered price to only reflect the amount purchased. In 2017, Chugach purchased 8,898,135 Mcf of fuel at an average effective delivered price of \$8.04 per Mcf.

Fuel expense increased \$23.8 million, or 43.4% in 2017 from 2016. The increase was primarily due to an increase in the amount of natural gas used as well as an increase in the average effective delivered price. In 2016, Chugach reported the amount used, including fuel produced at BRU, of 8,546,043 Mcf of fuel at an average effective delivered price of \$5.63 per Mcf. For comparative purposes, we have recalculated the 2016 average effective delivered price to only reflect the amount purchased. In 2016, Chugach purchased 8,362,794 Mcf of fuel at an average effective delivered price of \$5.75 per Mcf.

Power Production

Power production expense did not materially change in 2018 from 2017. Power production expense increased \$2.2 million, or 13.9%, in 2017 from 2016, primarily due to increased operating and maintenance costs at SPP, as well as increased generation maintenance expense at the Beluga Power Plant associated with the amortization of production equipment parts, see “*Item 8 – Financial Statements and Supplementary Data – Note 5 – Regulatory Matters – Beluga Parts Filing.*”

Purchased Power

Purchased power expense increased \$2.7 million, or 15.5%, in 2018 from 2017, primarily due to increased purchases from MEA and Fire Island Wind, which resulted in a higher average effective price. In 2018, Chugach purchased 242,017 MWh of energy at an average effective price of 6.94 cents per kWh. In 2017, Chugach purchased 231,749 MWh of energy at an average effective price of 6.16 cents per kWh.

Purchased power expense increased \$1.5 million, or 9.7%, in 2017 from 2016, primarily due to an increase in purchases from ML&P and Bradley Lake, which was somewhat offset by a decrease in purchases from Fire Island Wind and a lower average effective price. In 2016, Chugach purchased 182,651 MWh at an average effective price of 7.17 cents per kWh.

Transmission

Transmission expense increased \$1.2 million, or 20.1%, in 2018 from 2017, primarily due to increased labor expense associated with substation, overhead line maintenance, and design and mapping support. Transmission expense increased \$0.5 million, or 9.6%, in 2017 from 2016, primarily due to increased labor expense associated with control & communication systems and line maintenance, as well as higher vegetation control expense.

Distribution

Distribution expense increased \$1.0 million, or 6.9%, in 2018 from 2017, primarily due to increased labor expense associated with overhead line maintenance as well as increased maintenance due to storm damage. Distribution expense did not materially change in 2017 from 2016.

Consumer Accounts

Consumer accounts expense increased \$0.7 million, or 11.6%, in 2018 from 2017, primarily due to increased labor and advertising expenses associated with the pending ML&P Acquisition. Additionally, increased credit card payment processing fees contributed to this increase. Consumer accounts expense did not materially change in 2017 from 2016.

Administrative, General, and Other

Administrative, general and other expenses did not materially change in 2018 from 2017 or 2017 from 2016.

Depreciation

Depreciation and amortization expense decreased \$4.1 million, or 12.2%, in 2018 from 2017, primarily due to the full year effect of lower depreciation rates which went into effect on July 1, 2017. Depreciation and amortization expense decreased \$2.2 million or 6.1%, in 2017 from 2016, primarily due to the half year effect of lower depreciation rates effective July 1, 2017.

Interest

Interest on long-term debt and other did not materially change in 2018 from 2017. Interest on long-term debt and other increased \$0.5 million, or 2.3%, in 2017 from 2016, primarily due to additional interest expense associated with the issuance of the 2017 Series A Bonds.

Interest charged to construction increased \$0.1 million, or 85.8% in 2018 from 2017, primarily due to a higher average CWIP balance. Interest charged to construction decreased \$0.3 million, or 63.7% in 2017 from 2016, primarily due to a lower average CWIP balance.

Non-Operating Margins

Non-operating margins decreased \$0.2 million, or 30.8% in 2018 from 2017, primarily due to the change in value of marketable securities. Non-operating margins increased \$0.2 million or 28.1% in 2017 from 2016, primarily due to higher interest and dividends associated with marketable securities.

Patronage Capital (Equity)

The following table summarizes our patronage capital and total equity position for the years ended December 31:

	2018	2017	2016
Patronage capital at beginning of year	\$ 172,928,887	\$ 169,996,436	\$ 167,447,781
Retirement/net transfer of capital credits	(468,164)	(3,116,273)	(3,265,201)
Assignable margins	5,362,874	6,048,724	5,813,856
Patronage capital at end of year	177,823,597	172,928,887	169,996,436
Other equity ¹	16,701,097	16,372,407	15,519,089
Total equity at end of year	<u>\$ 194,524,694</u>	<u>\$ 189,301,294</u>	<u>\$ 185,515,525</u>

¹ Other equity includes memberships and donated capital on capital credit retirements.

We credit to our members all amounts received from them for the furnishing of electricity in excess of our operating costs, expenses and provision for reasonable reserves. These excess amounts (i.e., assignable margins) are considered capital furnished by the members, and are credited to their accounts and held by us until such future time as they are retired and returned without interest. Approval of distributions of these amounts to members, also known as capital credits, is at the discretion of our Board. We currently have a practice of retiring patronage capital on a first-in, first-out basis for retail customers, but we are currently evaluating other methodologies. The Board may also return capital credits to former members and estates who have requested early retirements at discounted rates under a discounted capital credits retirement plan authorized by the Board in September 2002.

Capital credits retirements authorized by our Board, less early retirements, were \$0, \$2,631,928 and \$3,001,426 for the years ended December 31, 2018, 2017, and 2016, respectively.

Under the Indenture and debt agreements, Chugach is prohibited from making any distribution of patronage capital to Chugach's customers if an event of default under the Indenture or debt agreements exists. Otherwise, Chugach may make distributions to Chugach's members in each year equal to the lesser of 5% of Chugach's patronage capital or 50% of assignable margins for the prior fiscal year. This restriction does not apply if, after the distribution, Chugach's aggregate equities and margins as of the end of the immediately preceding fiscal quarter are equal to at least 30% of Chugach's total long-term debt and equities and margins.

Changes in Financial Condition

Assets

Total assets decreased \$8.9 million, or 1.1% in 2018 from 2017, primarily due to decreases in net utility plant, marketable securities, fuel cost under-recovery, accounts receivable, and prepayments, which were somewhat offset by an increase in fuel stock and deferred charges. Net utility plant decreased \$2.7 million, or 0.4%, in 2018 from 2017 primarily due to depreciation expense in excess of extension and replacement of plant. Marketable securities decreased \$5.1 million, or 44.7%, due to the maturity of investments, which were then converted to cash and used to pay patronage capital payments to MEA and HEA. Fuel cost under-recovery decreased \$4.9 million, or 100.0% due to the collection of the prior quarter's fuel and purchased power costs. Accounts receivable decreased \$4.5 million, or 12.7%, primarily due to lower energy sales and expiration of the ENSTAR gas sales contract in 2017. Prepayments decreased \$2.7 million, or 55.0% in 2018 from 2017, primarily due to recognition of the purchased power expense that had been prepaid for the Bradley Lake Hydroelectric Project during the fourth quarter of 2017. Fuel stock increased \$5.1 million, or 73.2%, primarily due to more fuel stored than withdrawn as a result of lower energy sales. Deferred charges increased \$4.9 million, or 15.0%, in 2018 from 2017 primarily due to costs associated with the pending acquisition of ML&P.

Liabilities and Equity

Total liabilities, equities and margins decreased \$8.9 million, or 1.1%, in 2018 from 2017. Decreases in long-term obligations, fuel, and patronage capital payable were somewhat offset by increases in equities and margins, commercial paper, fuel cost over-recovery, and cost of removal obligations. Total long-term obligations decreased \$26.4 million, or 5.8%, due to payment of principal on long-term debt. Fuel decreased \$4.1 million, or 41.0%, primarily due to lower fuel requirements caused by a decrease in energy sales. Patronage capital payable decreased \$5.4 million, or 61.4%, in 2018 from 2017 due to payment of HEA's and MEA's patronage capital payable. Total equities and margins increased \$5.2 million, or 2.8%, in 2018 from 2017 primarily due to the margins generated in 2018. Commercial paper increased \$11.0 million, or 22.0%, due to capitalized spending and timing of payments. Fuel cost over-recovery increased \$3.4 million, or 100.0%, due to the over-collection of the prior quarter's fuel and purchased power costs. Total current and non-current other liabilities increased \$3.1 million, or 40.1%, primarily due an increase in the underground ordinance liability. Cost of removal obligation / ARO increased \$2.5 million, or 4.1%, as a result of removal costs of electric plant in service included in depreciation rates during 2018.

Inflation

Chugach is subject to the inflationary trends existing in the general economy. We do not believe that inflation had a significant effect on our operations in 2018.

Contractual Obligations and Commercial Commitments

The following table presents Chugach's contractual and commercial commitments as of December 31, 2018:

Contractual cash obligations – Payments Due By Period

(In thousands)	Total	2019	2020-2021	2022-2023	Thereafter
Long-term debt, including current portion	\$ 458,997	\$ 26,609	\$ 46,901	\$ 43,313	\$ 342,174
Long-term interest expense	209,158	18,687	34,333	30,972	125,166
Commercial Paper ¹	61,000	61,000	0	0	0
Bradley Lake ²	36,900	4,341	8,656	5,257	18,646
Fuel and fuel transportation expense ³	438,814	60,286	107,238	80,084	191,206
BRU ⁴	14,957	1,151	2,301	2,301	9,204
Capital Credit Retirements ⁵	3,931	2,000	1,931	0	0
Total	<u>\$ 1,223,757</u>	<u>\$ 174,074</u>	<u>\$ 201,360</u>	<u>\$ 161,927</u>	<u>\$ 686,396</u>

¹ At December 31, 2018, Chugach's Commercial Paper Program was backed by a \$150.0 million Unsecured Credit Agreement, which funds operating and capital requirements. At December 31, 2018, there was \$61.0 million of commercial paper outstanding, therefore, the available borrowing capacity under the Commercial Paper Program was \$89.0 million and could be used for future operational and capital funding requirements.

² Estimated annual debt service requirements

³ Estimated committed fuel and fuel transportation expense

⁴ Estimate of operating and maintenance costs only and does not include capital improvements at this time.

⁵ Capital credit retirement commitments

Purchase obligations

Chugach is a participant and has a 30.4% share in the Bradley Lake Hydroelectric Project, see "*Item 2 – Properties – Other Property – Bradley Lake.*" This contract runs through 2041. We have agreed to pay a like percentage of annual costs of the project, Chugach's share of which has averaged \$5.8 million over the past five years. We believe these costs, adjusted for inflation, reasonably reflect anticipated future project costs.

Our primary sources of natural gas are Hilcorp and the BRU, see "*Item 2 – Properties – Fuel Supply.*" We pass fuel costs directly to our wholesale and retail customers through the fuel and purchased power recovery process, see "*Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Overview – Rate Regulation and Rates – Fuel and Purchased Power Recovery.*"

Liquidity and Capital Resources

We ended 2018 with \$7.4 million of cash, cash equivalents, and restricted cash equivalents, up from \$7.2 million at December 31, 2017 and \$6.4 million at December 31, 2016. Cash equivalents consist of all highly liquid debt instruments with a maturity of three months or less when purchased, an Overnight Repurchase Agreement and Concentration account with First National Bank Alaska (“FNBA”) and a money market account with UBS Financial Services.

	2018	2017	2016
Total cash provided by (used in):			
Operating activities	\$ 39,574,287	\$ 30,291,152	\$ 32,494,336
Investing activities	(22,422,067)	(29,556,082)	(90,627,652)
Financing activities	(16,925,010)	83,472	46,040,387
Increase (decrease) in cash and cash	<u>\$ 227,210</u>	<u>\$ 818,542</u>	<u>\$ (12,092,929)</u>

Cash provided by operating activities was \$39.6 million in 2018 compared to \$30.3 million in 2017 and \$32.5 million in 2016. The increase in cash provided by operating activities in 2018 from 2017 was primarily due to the change in fuel recovery position caused by the over-collection of fuel and purchased power costs recovered through the fuel and purchased power adjustment process in 2018. The collection of receivables and a decrease in prepayments in 2018, compared to 2017 also contributed to the increase, as well as less cash used for accounts payable. These were somewhat offset by more cash used for materials and supplies associated with distribution projects and deferred charges associated with ML&P acquisition activities. Additionally, more cash was used for fuel as a result of the decrease in the fuel liability and increase in fuel storage, compared with 2017. The decrease in cash provided by operating activities in 2017 from 2016 was primarily due to the change in our fuel recovery position caused by the under-collection of fuel and purchased power costs recovered through the fuel and purchased power adjustment process in 2017. Prepayments associated with Bradley Lake contributed to this decrease, which was somewhat offset by less cash used for deferred charges as a result of the NRECA pension prepayment in 2016.

Cash used in investing activities was \$22.4 million in 2018 compared to \$29.6 million in 2017 and \$90.6 million in 2016. The change in cash used in investing activities in 2018 from 2017 was primarily due to the maturity and sale of marketable securities as well as less cash used for extension and replacement of plant primarily due to a decrease in construction activity. The change in cash used in investing activities in 2017 from 2016 was primarily due to the impact of Chugach’s investment in the BRU and our investment activity with marketable securities in 2016.

Cash used by financing activities was \$16.9 million in 2018 compared to cash provided of \$0.1 million in 2017 and \$46.0 million in 2016. The change in 2018 from 2017 and in 2017 from 2016 was primarily due to the issuance of the 2017 Bonds, the proceeds of which were used, in part, to pay down the commercial paper balance during 2017.

Sources of Liquidity

Chugach has satisfied its operational and capital cash requirements through internally generated funds, a \$50.0 million line of credit from NRUCFC and a \$150.0 million Commercial Paper Program. At December 31, 2018, there was no outstanding balance on our NRUCFC line of credit and \$61.0 million of outstanding commercial paper under the Commercial Paper Program. Thus, at December 31, 2018, our available borrowing capacity under our line of credit was \$50.0 million and our available commercial paper capacity was \$89.0 million. The NRUCFC line of credit was renewed effective September 29, 2017, and expires September 29, 2022.

Chugach maintains a \$150.0 million Credit Agreement, which is used to back Chugach's Commercial Paper Program and is due to expire on June 13, 2021. Information concerning our Commercial Paper Program and the Credit Agreement are described in Note 11 to the financial statements, see "*Item 8 -Financial Statements and Supplementary Data- Note 11 – Debt – Commercial Paper.*"

A table providing information regarding monthly average commercial paper balances outstanding and corresponding weighted average interest rates are described in Note 11 to the financial statements, see "*Item 8 – Financial Statements and Supplementary Data – Note 11 – Debt – Commercial Paper.*"

Chugach has a term loan facility with CoBank. Loans made under this facility are evidenced by the 2016 CoBank Note, which is governed by the Amended and Restated Master Loan Agreement dated June 30, 2016, and secured by the Indenture. At December 31, 2018, Chugach had \$37.2 million outstanding with CoBank.

Under the Indenture, additional obligations may be sold by Chugach upon the basis of bondable additions and the retirement or defeasance of, or principal payments on previously outstanding obligations. The beginning balance of bondable additions on January 20, 2011, was \$322.2 million, which would support the issuance of additional debt of approximately \$293.0 million. On March 15, 2011, Chugach used \$5.5 million of bondable additions to pay financing costs associated with the 2011 Series A Bond transaction. On January 11, 2012, Chugach used \$275.0 million of bondable additions when it issued \$250.0 million of 2012 Series A Bonds. The balance of bondable additions after the January 11, 2012, transaction was \$38.2 million. On October 9, 2015, Chugach certified bondable additions of \$261.9 million bringing the balance of bondable additions to \$300.1 million. On February 6, 2018, Chugach certified bondable additions of \$56.3 million bringing the balance of bondable additions to \$356.4 million, which would support the issuance of approximately \$324.0 million in additional debt. Chugach's bondable additions balance is a reflection of its beginning balance less property retirements. On June 30, 2016, Chugach used \$45.6 million of principal payments to finance the acquisition of the BRU. On March 17, 2017, Chugach used \$40.0 million of principal payments to issue the 2017 Series A Bonds. Total principal payment capacity as of March 15, 2019 is \$127.5 million.

Chugach's ability to sell debt obligations will be dependent on the market's perception of Chugach's financial condition and credit rating, and Chugach's continuing compliance with the financial covenants, including the rate covenant, contained in the Indenture and its other credit documents. No assurance can be given that Chugach will be able to sell additional debt obligations even if otherwise permitted under the Indenture.

Financing

Information concerning our Financings are described in Note 11 to the financial statements, see “Item 8 - Financial Statements and Supplementary Data – Note 11 – Debt – Financing.”

Principal maturities of our outstanding long-term indebtedness at December 31, 2018, are set forth below:

Year Ending December 31	Principal Maturities
2019	26,608,667
2020	26,836,667
2021	20,064,667
2022	20,292,667
2023	23,020,667
Thereafter	342,173,996
	<u>\$ 458,997,331</u>

During 2018, we spent approximately \$27.3 million on capital-construction projects, net of reimbursements, which includes interest capitalized during construction. We develop five-year capital improvement plans that are updated every year. Our capital improvement requirements are based on long-range plans and other supporting studies and are executed through the five-year Capital Improvement Plan (“CIP”).

Set forth below is an estimate of internal funding for capital expenditures for the years 2019 through 2023 as contained in the CIP, which was approved by the Board on December 19, 2018:

Year	Estimated Expenditures (millions)
2019	\$ 76.3
2020	\$ 46.2
2021	\$ 26.7
2022	\$ 20.5
2023	\$ 20.4

We expect that cash flows from operations and external funding sources, including our available line of credit and Commercial Paper Program, will be sufficient to cover future operational and capital funding requirements.

Chugach Operations

In the near term, Chugach continues to face the challenges of operating in a flat load growth environment and securing replacement revenue sources. These challenges, along with energy issues and plans at the state level, will shape how Chugach proceeds into the future.

Chugach is pursuing replacement sources of revenue through potential new power sales and dispatch agreements, as well as transmission wheeling and ancillary services tariff revisions. Chugach has updated and expanded its operating tariff to include both firm and non-firm transmission wheeling services and attendant ancillary services in support of third-party transactions on the Chugach system. Chugach believes that cost reduction and containment, successful implementation of new power sales and dispatch agreements and revised tariffs will mitigate additional future rate increases.

ML&P Acquisition

In December 2017, the Mayor of Anchorage, Alaska, announced plans to place a proposition on the April 3, 2018 municipal ballot allowing the voters to authorize the sale of ML&P to Chugach. The proposition was approved by Anchorage voters 65.08% to 34.92% per the certified election results. Chugach and the Municipality of Anchorage (“MOA”) negotiated final sales agreements and associated documents. The sale of ML&P was approved by the Anchorage Assembly on December 4, 2018 and the Chugach Board of Directors gave its final approval on December 19, 2018. The agreements and associated documents were executed on December 28, 2018. For more information concerning the potential ML&P Acquisition, see “*Item 8 – Financial Statements and Supplementary Data – Note 16 – ML&P Acquisition.*”

Railbelt Grid Unification

Chugach remains focused on efforts in Alaska’s Railbelt to explore the benefits of grid unification. Currently, each of the six electric utilities in Alaska’s Railbelt own a portion of the transmission grid, as does the Alaska Energy Authority (“AEA”). Chugach is a proponent of following other successful business models to effectively unify the grid. Discussions on the issue led the Alaska State Legislature in 2014 to appropriate \$250,000 to the RCA to explore the issue and report back to legislators. The RCA expects to analyze and review present efforts to assess the organizational and governance structure needed for an independent consolidated system operator. Also, the RCA recommended development of a Railbelt-wide transmission-only utility (“Transco”). Beginning in 2016, progress reports associated with system-wide economic dispatch were required. With the support of the RCA, Chugach and several other Alaska Railbelt utilities began evaluating possible transmission business model opportunities including a Railbelt Reliability Council and a Transco, as well as, associated economic dispatch models that Chugach believes may lead to more optimal system-wide operations.

In June 2016, the RCA opened a docket to “evaluate the reliability and security standards and practices of Alaska Electric Utilities.” In 2017, Chugach and several other Alaska Railbelt utilities entered into a contract with GDS Associates, Inc. (“GDS”). GDS’s role is to facilitate discussion among all six Alaska Railbelt utilities and various stakeholders with an end goal of submitting to the RCA a proposal for a Railbelt Reliability Council (“RRC”), including a governance structure, which will be responsible for adoption and enforcement of uniform reliability and interconnection standards and integrated transmission resource planning. GDS presented to the RCA during technical conferences in January and March 2018. Chugach and the other utilities provided GDS’s final recommendation of the RRC to the RCA in May 2018. During the fourth quarter of 2018, the utilities reviewed and adapted the memorandum of understanding with GDS (“GDS MOU”) with the RCA. The utilities are currently in discussions with non-utility stakeholders to include their input in the RRC formation process. In parallel, the utilities and American Transmission Corporation (“ATC”) are in discussions regarding the formation of a transmission-only utility. ATC, GVEA, HEA, ML&P, and Seward Electric

System filed with the RCA for a Railbelt-wide Transco Certificate of Public Convenience (“CPCN”) on February 25, 2019. Chugach and MEA were not party to this filing. Currently our organization’s primary focus is on filing with the RCA for the transfer of the ML&P CPCN to Chugach, and we were unable to complete our due diligence on the Transco filing prior to the filing date. Chugach will intervene in the filing and intends on completing its due diligence of the Transco filing in the second quarter of 2019. Chugach cannot determine the materiality of any effect on its results of operations, financial condition, and cash flows until a business model and plan are adopted. The RCA initiated an order on March 15, 2019 requesting comments on proposed legislative language which would authorize the RCA to designate or develop an Electric Reliability Organization (“ERO”).

Earthquake

On November 30, 2019, a 7.1 magnitude earthquake jolted Southcentral Alaska. The epicenter was located approximately 10 miles northeast of Anchorage and resulted in significant damage throughout the area. While approximately 21,000 of Chugach’s members lost power, the number of members without power was reduced to less than 70 within 12 hours. On January 31, 2019, the President declared the earthquake a federal disaster. Chugach plans on applying for Federal Emergency Management Agency (“FEMA”) assistance as we continue to assess and repair any damages on our system due to the earthquake. At December 31, 2018, costs associated with system-wide repairs and damages reached \$0.7 million. At this time, Chugach does not anticipate this event to have a material impact on our financial condition, results of operations, and cash flows.

Fuel Supply

Chugach actively manages its fuel supply needs and currently has contracts in place to meet up to 100% of its anticipated needs through March of 2023. Chugach continues its efforts to secure long-term reliable gas supply solutions and encourages new development and continued investment in Cook Inlet. The DNR published a study in September 2015, “Updated Engineering Evaluation of Remaining Cook Inlet Gas Reserves,” to provide an estimate of Cook Inlet’s gas supply. The study estimated there are 1,183 Bcf of proved and probable reserves remaining in Cook Inlet’s legacy fields. This is higher than the 2009 DNR study estimate of 1,142 Bcf. Effectively, Cook Inlet gas supply has slightly increased from 2009. The 2015 DNR estimate does not include reserves from a large gas field under development by Furie and another considered for development by BlueCrest Alaska Operating, LLC. Furie has constructed an offshore gas production platform and has begun production. The platform and other production facilities are designed for up to 200 million cubic feet (MMcf) per day. Other gas producers are actively developing gas supplies in the Cook Inlet. Chugach is encouraged with these developments but continues to explore other alternatives to diversify its portfolio.

On April 21, 2016, the RCA approved the acquisition of the Beluga River Unit effective January 1, 2016, as discussed in “*Item 8 – Financial Statements and Supplementary Data – Note 5 – Regulatory Matters – Beluga River Unit and Note 15 – Beluga River Unit.*” Chugach’s interest in the BRU is to reduce the cost of electric service to its retail and wholesale members by securing an additional long-term supply of natural gas to meet on-going generation requirements. The acquisition complements existing gas supplies and is expected to provide greater fuel diversity at an effective annual cost that is \$2 million to \$3 million less than alternative sources of gas in the Cook Inlet region. Approximately 75% of Chugach’s current generation requirements are met from natural gas, 21% are met from hydroelectric facilities, and 4% are met from wind.

The BRU acquisition is expected to provide gas to meet Chugach's on-going generation requirements over an approximate 18-year period. Gas associated with the acquisition is expected to provide about 15% of Chugach's gas requirements through 2033, although actual gas quantities produced are expected to vary on a year-by-year basis.

Chugach has a firm gas supply contract with Hilcorp, see "*Item 8 – Financial Statements and Supplementary Data – Note 18 – Commitments and Contingencies – Commitments – Fuel Supply Contracts.*" In addition to this firm contract, Chugach has gas supply agreements with AIX Energy LLC through March 31, 2024 (with an option to extend the term an additional 5-year period through March 31, 2029), with Cook Inlet Energy LLC through March 31, 2018 (with an option to extend the term an additional 5-year period through March 31, 2023). Collectively, these agreements provide added diversification and optionality for Chugach to minimize costs within its gas supply portfolio.

Off-Balance Sheet Arrangements

We have not created, and are not party to, any special-purpose or off-balance-sheet entities for the purpose of raising capital, incurring debt or operating parts of our business that are not consolidated into our financial statements. We do not have any arrangements or relationships with entities that are not consolidated into our financial statements that are reasonably likely to materially affect our liquidity or the availability of our capital resources.

Critical Accounting Policies

Our accounting and reporting policies comply with United States generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires that management apply accounting policies and make estimates and assumptions that affect results of operations and reported amounts of assets and liabilities in the financial statements. Significant accounting policies are described in Note 2 to the financial statements, see "*Item 8 – Financial Statements and Supplementary Data – Significant Accounting Policies.*" Critical accounting policies are those policies that management believes are the most important to the portrayal of Chugach's financial condition and results of its operations, and require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about matters that are inherently uncertain. Most accounting policies are not considered by management to be critical accounting policies. Several factors are considered in determining whether or not a policy is critical in the preparation of financial statements. These factors include, among other things, whether the estimates are significant to the financial statements, the nature of the estimates, the ability to readily validate the estimates with other information including third parties or available prices, and sensitivity of the estimates to changes in economic conditions and whether alternative accounting methods may be utilized under GAAP. For all of these policies management cautions that future events rarely develop exactly as forecast, and the best estimates routinely require adjustment. Management has discussed the development and the selection of critical accounting policies with Chugach's Audit and Finance Committee. The following policies are considered to be critical accounting policies for the year ended December 31, 2018.

Electric Utility Regulation

Chugach is subject to regulation by the RCA. The RCA sets the rates Chugach is permitted to charge customers based on our specific allowable costs. As a result, Chugach applies FASB ASC 980, "Topic 980 – Regulated Operations." Through the ratemaking process, the regulators may require the recognition of costs or revenues in periods different than when they would be recognized by a non-regulated company. This treatment may result in the deferral of expenses and the recording of related regulatory assets based on anticipated future recovery through rates or the deferral of gains or creation of regulatory liabilities. The application of FASB ASC 980 has a further effect on Chugach's financial statements as a result of the estimates of allowable costs used in the ratemaking process. These estimates may differ from those actually incurred by Chugach; therefore, the accounting estimates inherent in specific costs such as depreciation and pension and post-retirement benefits have less of a direct impact on Chugach's results of operations than they would on a non-regulated company. As reflected in the financial statements, see "*Item 8 - Financial Statements and Supplementary Data – Note 2n – Deferred Charges and Liabilities,*" significant regulatory assets and liabilities have been recorded. Management reviews the ultimate recoverability of these regulatory assets and liabilities based on applicable regulatory guidelines. However, adverse legislation and judicial or regulatory actions could materially impact the amounts of such regulatory assets and liabilities and could adversely impact Chugach's financial statements.

New Accounting Standards

Information concerning New Accounting Standards are described in Note 3 to the financial statements, see "*Item 8 – Financial Statements and Supplementary Data – Note 3 –Accounting Pronouncements.*"

Item 7A – Quantitative and Qualitative Disclosures About Market Risk

Chugach is exposed to a variety of risks, including changes in interest rates. In the normal course of our business, we manage our exposure to these risks as described below. We do not engage in trading market risk-sensitive instruments for speculative purposes.

Interest Rate Risk

At December 31, 2018, our short- and long- term debt was comprised of our 2011, 2012, and 2017 Series A Bonds, 2016 CoBank Note and outstanding commercial paper.

The interest rates of Chugach’s 2011, 2012, and 2017 Series A Bonds and our 2016 CoBank Note are fixed and are set forth in the table below with carrying value and fair value, measured as Level 2 liabilities, (dollars in thousands) at December 31, 2018.

	Maturing	Interest Rate	Carrying Value	Fair Value
2011 Series A, Tranche A	2031	4.20 %	\$ 58,500	\$ 58,131
2011 Series A, Tranche B	2041	4.75 %	141,833	148,460
2012 Series A, Tranche A	2032	4.01 %	52,500	51,597
2012 Series A, Tranche B	2042	4.41 %	81,000	81,482
2012 Series A, Tranche C	2042	4.78 %	50,000	52,126
2017 Series A, Tranche A	2037	3.43 %	38,000	35,593
2016 CoBank Note	2031	2.58 %	37,164	34,742
Total			\$ 458,997	\$ 462,131

Chugach is exposed to market risk from changes in interest rates associated with our other credit facilities. Our credit facilities’ interest rates may be reset due to fluctuations in a market-based index, such as the London Interbank Offered Rate (“LIBOR”), Secured Overnight Financing Rate (“SOFR”), or the base rate or prime rate of our lenders. At December 31, 2018, we had \$61.0 million of commercial paper outstanding, which is currently our only debt subject to variable interest rates. Based on this balance a 100 basis-point rise or decline in interest rates would increase or decrease our interest expense by approximately \$0.6 million.

Item 8 – Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

The Members and the Board of Directors
Chugach Electric Association, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Chugach Electric Association, Inc. and subsidiary (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations, changes in equities and margins, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

Change in Accounting Principle

As discussed in Note 3 to the consolidated financial statements, effective January 1, 2018, the Company has adopted Financial Accounting Standards Board – Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, and related amendments.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 1983.

Anchorage, Alaska
March 27, 2019

Chugach Electric Association, Inc.
Consolidated Balance Sheets
December 31, 2018 and 2017

Assets	December 31, 2018	December 31, 2017
Utility plant:		
Electric plant in service	\$ 1,216,663,092	\$ 1,205,092,224
Construction work in progress	17,272,307	17,952,573
Total utility plant	1,233,935,399	1,223,044,797
Less accumulated depreciation	(529,099,451)	(515,496,312)
Net utility plant	704,835,948	707,548,485
Other property and investments, at cost:		
Nonutility property	76,889	76,889
Investments in associated organizations	8,570,046	8,980,410
Special funds	1,890,221	1,466,010
Restricted cash equivalents	108,000	1,028,758
Total other property and investments	10,645,156	11,552,067
Current assets:		
Cash and cash equivalents	6,106,995	5,485,631
Special deposits	54,300	54,300
Restricted cash equivalents	1,213,974	687,370
Marketable securities	6,316,583	11,420,900
Fuel cost under-recovery	0	4,921,794
Accounts receivable, less provisions for doubtful accounts of \$444,184 in 2018 and \$555,336 in 2017	31,165,249	35,680,680
Materials and supplies	16,223,477	15,291,095
Fuel stock	11,952,086	6,901,994
Prepayments	2,227,117	4,953,170
Other current assets	241,279	257,193
Total current assets	75,501,060	85,654,127
Other non-current assets:		
Deferred charges, net	37,668,424	32,764,065
Total other non-current assets	37,668,424	32,764,065
Total assets	\$ 828,650,588	\$ 837,518,744

Chugach Electric Association, Inc.
Consolidated Balance Sheets (continued)
December 31, 2018 and 2017

Liabilities, Equities and Margins	December 31, 2018	December 31, 2017
Equities and margins:		
Memberships	\$ 1,748,172	\$ 1,719,154
Patronage capital	177,823,597	172,928,887
Other	14,952,925	14,653,253
Total equities and margins	194,524,694	189,301,294
Long-term obligations, excluding current installments:		
Bonds payable	398,416,664	421,833,331
Notes payable	33,972,000	37,164,000
Less unamortized debt issuance costs	(2,425,247)	(2,669,485)
Total long-term obligations	429,963,417	456,327,846
Current liabilities:		
Current installments of long-term obligations	26,608,667	26,608,667
Commercial paper	61,000,000	50,000,000
Accounts payable	9,538,749	7,420,279
Consumer deposits	4,845,611	5,335,896
Fuel cost over-recovery	3,388,295	0
Accrued interest	5,671,840	5,991,619
Salaries, wages and benefits	7,863,112	7,017,131
Fuel	5,844,856	9,913,781
Other current liabilities	10,085,556	7,079,821
Total current liabilities	134,846,686	119,367,194
Other non-current liabilities:		
Deferred compensation	1,359,878	1,229,294
Other liabilities, non-current	580,841	531,630
Deferred liabilities	764,834	1,249,390
Patronage capital payable	3,393,253	8,798,077
Cost of removal obligation / asset retirement obligation	63,216,985	60,714,019
Total other non-current liabilities	69,315,791	72,522,410
Total liabilities, equities and margins	\$ 828,650,588	837,518,744

See accompanying notes to financial statements.

Chugach Electric Association, Inc.
Consolidated Statements of Operations
Years Ended December 31, 2018, 2017 and 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenues	\$ 202,252,742	\$ 224,688,669	\$ 197,747,579
Operating expenses:			
Fuel	56,283,541	78,552,672	54,778,582
Production	17,797,549	18,006,490	15,809,168
Purchased power	19,978,497	17,301,067	15,774,733
Transmission	7,361,503	6,129,871	5,590,737
Distribution	14,960,770	13,991,088	13,991,997
Consumer accounts	6,662,590	5,968,736	6,073,710
Administrative, general and other	22,651,092	23,256,983	22,888,048
Depreciation and amortization	29,875,683	34,010,777	36,233,414
Total operating expenses	\$ 175,571,225	\$ 197,217,684	171,140,389
Interest expense:			
Long-term debt and other	22,164,007	22,366,034	21,856,095
Charged to construction	(306,377)	(164,898)	(454,798)
Interest expense, net	\$ 21,857,630	\$ 22,201,136	21,401,297
Net operating margins	\$ 4,823,887	\$ 5,269,849	5,205,893
Nonoperating margins:			
Interest income	732,165	644,663	425,173
Allowance for funds used during construction	127,629	69,157	188,111
Capital credits, patronage dividends and other	(320,807)	65,055	(5,321)
Total nonoperating margins	\$ 538,987	\$ 778,875	607,963
Assignable margins	\$ 5,362,874	\$ 6,048,724	\$ 5,813,856

See accompanying notes to financial statements.

Chugach Electric Association, Inc.
Consolidated Statements of Changes in Equities and Margins
Years Ended December 31, 2018, 2017 and 2016

	Memberships	Other Equities and Margins	Patronage Capital	Total
Balance, January 1, 2016	\$ 1,661,744	\$ 12,527,856	\$ 167,447,781	\$ 181,637,381
Assignable margins	0	0	5,813,856	5,813,856
Retirement/net transfer of capital credits	0	0	(3,265,201)	(3,265,201)
Unclaimed capital credit retirements	0	1,175,962	0	1,175,962
Memberships and donations received	29,270	124,257	0	153,527
Balance, December 31, 2016	<u>1,691,014</u>	<u>13,828,075</u>	<u>169,996,436</u>	<u>185,515,525</u>
Assignable margins	0	0	6,048,724	6,048,724
Retirement/net transfer of capital credits	0	0	(3,116,273)	(3,116,273)
Unclaimed capital credit retirements	0	612,752	0	612,752
Memberships and donations received	28,140	212,426	0	240,566
Balance, December 31, 2017	<u>1,719,154</u>	<u>14,653,253</u>	<u>172,928,887</u>	<u>189,301,294</u>
Assignable margins	0	0	5,362,874	5,362,874
Retirement/net transfer of capital credits	0	0	(468,164)	(468,164)
Unclaimed capital credit retirements	0	105,651	0	105,651
Memberships and donations received	29,018	194,021	0	223,039
Balance, December 31, 2018	<u>\$ 1,748,172</u>	<u>\$ 14,952,925</u>	<u>\$ 177,823,597</u>	<u>\$ 194,524,694</u>

See accompanying notes to financial statements.

Chugach Electric Association, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2018, 2017 and 2016

	2018	2017	2016
Cash flows from operating activities:			
Assignable margins	\$ 5,362,874	\$ 6,048,724	\$ 5,813,856
Adjustments to reconcile assignable margins to net cash provided by operating activities:			
Depreciation and amortization	29,875,683	34,010,777	36,233,414
Amortization and depreciation cleared to operating expenses	5,550,438	4,791,978	4,988,068
Allowance for funds used during construction	(127,629)	(69,157)	(188,111)
Write off of inventory, deferred charges and projects	175,608	413,690	997,301
Other	410,249	27,986	248,482
(Increase) decrease in assets:			
Accounts receivable, net	5,485,914	(2,858,099)	(4,926,631)
Fuel cost under-recovery	4,921,794	(4,921,794)	0
Materials and supplies	(992,627)	896,455	(850,493)
Fuel stock	(5,050,092)	(580,318)	741,865
Prepayments	2,726,053	(3,546,144)	59,275
Other assets	15,914	59,146	(71,144)
Deferred charges	(8,896,613)	(201,775)	(10,374,429)
Increase (decrease) in liabilities:			
Accounts payable	1,137,415	(1,469,106)	750,538
Consumer deposits	(490,285)	128,311	206,901
Fuel cost over-recovery	3,388,295	(3,824,722)	(1,311,023)
Accrued interest	(319,779)	118,251	(42,212)
Salaries, wages and benefits	845,981	(298,767)	56,092
Fuel	(4,068,925)	3,629,443	1,342,028
Other current liabilities	(8,930)	(2,045,800)	(1,051,220)
Deferred liabilities	(367,051)	(17,927)	(128,221)
Net cash provided by operating activities	39,574,287	30,291,152	32,494,336
Cash flows from investing activities:			
Return of capital from investment in associated organizations	414,187	370,010	319,233
Investment in special funds	(309,188)	(236,716)	0
Investment in marketable securities and investments-other	(2,872,104)	(924,903)	(10,580,000)
Investment in Beluga River Unit	0	0	(44,403,922)
Proceeds from the sale of marketable securities	7,666,196	0	0
Proceeds from capital grants	0	115,453	1,021,929
Extension and replacement of plant	(27,321,158)	(28,879,926)	(36,984,892)
Net cash used in investing activities	(22,422,067)	(29,556,082)	(90,627,652)
Cash flows from financing activities:			
Payments for debt issue costs	0	(206,871)	(277,155)
Net increase (decrease) in short-term obligations	11,000,000	(18,200,000)	48,200,000
Proceeds from long-term obligations	0	40,000,000	45,600,000
Repayments of long-term obligations	(26,608,667)	(24,836,667)	(48,181,832)
Memberships and donations received	328,690	853,318	1,329,489
Retirement of patronage capital and estate payments	(5,872,988)	(2,258,047)	(4,378,853)
Proceeds from consumer advances for construction	4,294,276	4,798,509	3,871,257
Repayments of customer advances for constructions	(66,321)	(66,770)	(122,519)
Net cash provided by (used in) financing activities	(16,925,010)	83,472	46,040,387
Net change in cash, cash equivalents, and restricted cash equivalents	227,210	818,542	(12,092,929)
Cash, cash equivalents, and restricted cash equivalents at beginning of period	\$ 7,201,759	\$ 6,383,217	\$ 18,476,146
Cash, cash equivalents, and restricted cash equivalents at end of period	\$ 7,428,969	\$ 7,201,759	\$ 6,383,217
Supplemental disclosure of non-cash investing and financing activities:			
Cost of removal obligation	\$ 2,502,966	\$ 2,110,487	\$ 3,008,808
Asset retirement obligation assumed upon BRU acquisition	\$ 0	\$ 0	\$ 3,523,409
Extension and replacement of plant included in accounts payable	\$ 2,149,039	\$ 1,185,788	\$ 1,915,033
Patronage capital retired/net transferred and included in other current liabilities	\$ 2,000,000	\$ 2,057,036	\$ 0
Supplemental disclosure of cash flow information - interest expense paid, net of amounts capitalized	\$ 21,041,442	\$ 20,911,535	\$ 20,220,317

See accompanying notes to financial statements.

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(1) Description of Business

Chugach Electric Association, Inc. (“Chugach”) is one of the largest electric utilities in Alaska. Chugach is engaged in the generation, transmission and distribution of electricity in the Anchorage and upper Kenai Peninsula areas. Chugach is on an interconnected regional electrical system referred to as the Alaska Railbelt, a 400-mile-long area stretching from the coastline of the southern Kenai Peninsula to the interior of the state, including Alaska's largest cities, Anchorage and Fairbanks.

Chugach’s retail and wholesale members are the consumers of the electricity sold. Chugach supplies much of the power requirements to the City of Seward (“Seward”), as a wholesale customer. Occasionally, Chugach sells available generation, in excess of its own needs, to Matanuska Electric Association, Inc. (“MEA”), Homer Electric Association, Inc. (“HEA”), Golden Valley Electric Association, Inc. (“GVEA”), and Anchorage Municipal Light & Power (“ML&P”).

Chugach was organized as an Alaska electric cooperative in 1948 and operates on a not-for-profit basis and, accordingly, seeks only to generate revenues sufficient to pay operating and maintenance costs, the cost of purchased power, capital expenditures, depreciation, and principal and interest on all indebtedness and to provide for reserves. Chugach is subject to the authority of the Regulatory Commission of Alaska (“RCA”).

The consolidated financial statements include the activity of Chugach and the activity of the Beluga River Unit (“BRU”). Chugach accounts for its share of BRU activity using proportional consolidation (see *Note 15 – “Beluga River Unit”*). Intercompany activity has been eliminated for presentation of the consolidated financial statements.

(2) Significant Accounting Policies

a. Management Estimates

In preparing the financial statements in conformity with United States generally accepted accounting principles (“GAAP”), the management of Chugach is required to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the balance sheet and revenues and expenses for the reporting period. Estimates include the allowance for doubtful accounts, workers’ compensation liability, deferred charges and liabilities, unbilled revenue, estimated useful life of utility plant, cost of removal and asset retirement obligation (“ARO”), and remaining proved BRU reserves. Actual results could differ from those estimates.

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b. Regulation

The accounting records of Chugach conform to the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission (“FERC”). Chugach meets the criteria, and accordingly, follows the accounting and reporting requirements of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 980, “Topic 980 - Regulated Operations.” FASB ASC 980 provides for the recognition of regulatory assets and liabilities as allowed by regulators for costs or credits that are reflected in current rates or are considered probable of being included in future rates. Our regulated rates are established to recover all of our specific costs of providing electric service. In each rate filing, rates are set at levels to recover all of our specific allowable costs and those rates are then collected from our retail and wholesale customers. The regulatory assets or liabilities are then reduced as the cost or credit is reflected in earnings and our rates, see *Note (2n) – “Deferred Charges and Liabilities.”*

c. Utility Plant and Depreciation

Additions to electric plant in service are recorded at original cost of contracted services, direct labor and materials, indirect overhead charges and capitalized interest. For property replaced or retired, the book value of the property, removal cost, less salvage, is charged to accumulated depreciation. Renewals and betterments are capitalized, while maintenance and repairs are normally charged to expense as incurred.

In accordance with FASB ASC 360, “Topic 360 – Property, Plant, and Equipment,” certain asset groups are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset group may not be recoverable in rates. Recoverability of asset groups to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of an asset group exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset group exceeds the fair value of the asset.

Depreciation and amortization rates have been applied on a straight-line basis and at December 31, 2018 are as follows:

Annual Depreciation Rate Ranges

Steam production plant	3.03%	-	3.26%
Hydroelectric production plant	0.88%	-	2.71%
Other production plant	2.18%	-	3.46%
Transmission plant	1.01%	-	10.50%
Distribution plant	1.40%	-	10.00%
General plant	1.95%	-	33.33%
Other	2.75%	-	2.75%

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On March 23, 2017, the RCA approved revised depreciation rates effective July 1, 2017 in Docket U-16-081(2). Chugach's depreciation rates include a provision for cost of removal. Chugach records a separate liability for the estimated obligation related to the cost of removal.

Chugach records Depreciation, Depletion and Amortization ("DD&A") expense on the BRU assets based on units of production using the following formula: ten percent of the total production from the BRU as provided by the operator divided by ten percent of the estimated remaining proved reserves (in thousand cubic feet (Mcf)) in the field multiplied by Chugach's total assets in the BRU.

d. Full Cost Method

Pursuant to FASB ASC 932-360-25, "Extractive Activities-Oil and Gas – Property, Plant and Equipment – Recognition," Chugach has elected the Full Cost method, rather than the Successful Efforts method, to account for exploration and development costs of gas reserves.

e. Asset Retirement Obligation ("ARO")

Chugach calculated and recorded an Asset Retirement Obligation associated with the BRU. Chugach uses its BRU financing rate as its credit adjusted risk free rate and the expected cash flow approach to calculate the fair value of the ARO liability. The ARO asset is depreciated using the DD&A formula previously discussed. The ARO liability is accreted using the interest method of allocation.

f. Investments in Associated Organizations

The loan agreement with National Rural Utilities Cooperative Finance Corporation ("NRUCFC") requires as a condition of the extension of credit, that an equity ownership position be established by all borrowers. Chugach's equity ownership in this organization is less than one percent. Chugach also has an equity ownership in CoBank, ACB ("CoBank") acquired in connection with prior loan agreements, which have since been repaid. Although we no longer have a patronage earning loan with CoBank, there remains an existing equity investment balance in this organization.

These equity investments do not have readily determinable fair values and are accounted for at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. No impairment or observable prices changes were recorded during 2018, 2017 or 2016. Investments in associated organizations was \$8.6 million and \$9.0 million at December 31, 2018 and 2017, respectively.

g. Special Funds

Special funds includes deposits associated with the deferred compensation plan and an investment associated with the BRU ARO. The BRU ARO investment was established pursuant to an agreement with the State of Alaska and was \$0.5 million and \$0.2 million as of December 31, 2018 and 2017, respectively.

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h. Cash, Cash Equivalents, and Restricted Cash Equivalents

The following table provides a reconciliation of cash, cash equivalents, and restricted cash equivalents reported within the Consolidated Balance Sheet that sum to the total of the same such amounts shown in the Consolidated Statements of Cash Flows.

	December 31, 2018	December 31, 2017
Cash and cash equivalents	\$ 6,106,995	\$ 5,485,631
Restricted cash equivalents	1,213,974	687,370
Restricted cash equivalents included in other property and investments	108,000	1,028,758
Total cash, cash equivalents and restricted cash equivalents shown in the consolidated statements of cash flows	\$ 7,428,969	\$ 7,201,759

Restricted cash equivalents include funds on deposit for future workers' compensation claims.

i. Marketable Securities

Chugach's marketable securities consist of bond mutual funds, corporate bonds, and certificates of deposit with a maturity less than 12 months, classified as trading securities, reported at fair value with interest and dividend income and gains and losses in earnings. Interest and dividend income is included in nonoperating margins – interest income, and was \$403.4 thousand and \$345.8 thousand at December 31, 2018 and 2017, respectively. Net gains and losses on marketable securities are included in nonoperating margins – capital credits, patronage dividends and other, and are summarized as follows:

	Twelve months ended December 31, 2018	Twelve months ended December 31, 2017
Net gains and (losses) recognized during the period on trading securities	\$ (310,225)	\$ 59,182
Less: Net gains and (losses) recognized during the period on trading securities <i>sold</i> during the period	(161,485)	0
Unrealized gains and (losses) recognized during the reporting period on trading securities <i>still held</i> at the reporting date	\$ (148,740)	\$ 59,182

j. Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount. The allowance for doubtful accounts is management's best estimate of the amount of probable credit losses in existing accounts receivable. Chugach determines the allowance based on its historical write-off experience and current economic conditions. Chugach reviews its allowance for doubtful accounts monthly. Past due balances over 90 days in a specified amount are reviewed individually for collectability. All other balances are reviewed in aggregate. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Chugach does not have any off-balance-sheet credit

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exposure related to its customers. Included in accounts receivable are invoiced amounts to ML&P for their proportionate share of current Southcentral Power Project (“SPP”) costs, which amounted to \$1.4 million and \$1.3 million in 2018 and 2017, respectively. At December 31, 2017, accounts receivable also included \$1.1 million from BRU operations primarily associated with gas sales to ENSTAR.

k. Materials and Supplies

Materials and supplies are stated at average cost.

l. Fuel Stock

Fuel Stock is the weighted average cost of fuel injected into Cook Inlet Natural Gas Storage Alaska (“CINGSA”). Chugach’s fuel balance in storage for the years ended December 31, 2018 and 2017 amounted to \$12.0 million and \$6.9 million, respectively.

m. Fuel and Purchased Power Cost Recovery

Expenses associated with electric services include fuel purchased from others and produced from Chugach’s interest in the BRU, both of which are used to generate electricity, as well as power purchased from others. Chugach is authorized by the RCA to recover fuel and purchased power costs through the fuel and purchased power adjustment process, which is adjusted quarterly to reflect increases and decreases of such costs. We recognize differences between projected recoverable fuel costs and amounts actually recovered through rates. The fuel cost under/over recovery on our balance sheet represents the net accumulation of any under- or over-collection of fuel and purchased power costs. Fuel cost under-recovery will appear as an asset on our balance sheet and will be collected from our members in subsequent periods. Conversely, fuel cost over-recovery will appear as a liability on our balance sheet and will be refunded to our members in subsequent periods.

n. Deferred Charges and Liabilities

Included in deferred charges and liabilities on Chugach’s financial statements are regulatory assets and liabilities recorded in accordance with FASB ASC 980. See *Note 8 – Deferred Charges and Liabilities*. Continued accounting under FASB ASC 980 requires that certain criteria be met. We capitalize all or part of costs that would otherwise be charged to expense if it is probable that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for ratemaking purposes and future revenue will be provided to permit recovery of the previously incurred cost. Management believes Chugach’s operations currently satisfy these criteria.

Chugach’s regulatory asset recoveries are embedded in base rates approved by the RCA. Specific costs incurred and recorded as Regulatory Assets, including the amortization period for recovery, are approved by the RCA either in standard Simplified Rate Filings (“SRF”), general rate case filings or specified independent requests. The rates approved related to the regulatory assets are matched to the amortization of actual expenses recognized. The regulatory assets are amortized and collected through rates over differing periods depending upon the period of benefit as established by the RCA. Deferred liabilities include refundable contributions in aid of

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construction, which are credited to the associated cost of construction of property units. Refundable contributions in aid of construction are held in deferred liabilities pending their return or other disposition. If events or circumstances should change so the criteria are not met, the write off of regulatory assets and liabilities could have a material effect on Chugach's financial position, results of operations or cash flows.

On December 29, 2016, Chugach made a prepayment of \$7.9 million to the National Rural Electric Cooperative Association ("NRECA") Retirement and Security ("RS") Plan, which is included in deferred charges. Chugach recorded the long term prepayment in deferred charges and is amortizing the deferred charge to administrative, general and other expense, over 11 years, which represents the difference between the normal retirement age of 62 and the average age of Chugach's employees in the RS Plan. The balance of the prepayment in deferred charges at December 31, 2018, 2017, and 2016 was \$6.5 million, \$7.2 million, and \$7.9 million, respectively.

o. Patronage Capital

Revenues in excess of current period costs (net operating margins and nonoperating margins) in any year are designated on Chugach's statement of operations as assignable margins. These excess amounts (i.e. assignable margins) are considered capital furnished by the members, and are credited to their accounts and held by Chugach until such future time as they are retired and returned without interest at the discretion of the Board of Directors ("Board"). Retained assignable margins are designated on Chugach's balance sheet as patronage capital. This patronage capital constitutes the principal equity of Chugach. The Board may also approve the return of capital to former members and estates who request early retirements at discounted rates under a discounted capital credits retirement plan authorized by the Board in September of 2002.

p. Consumer Deposits

Consumer deposits include amounts certain customers are required to deposit to receive electric service. Consumer deposits at December 31, 2018 and 2017, totaled \$3.0 million and \$3.7 million, respectively. Consumer deposits also represent customer credit balances as a result of prepaid accounts. Credit balances totaled \$1.8 million and \$1.6 million at December 31, 2018 and 2017.

q. Fair Value of Financial Instruments

FASB ASC 825, "Topic 825 – Financial Instruments," requires disclosure of the fair value of certain on and off balance sheet financial instruments for which it is practicable to estimate that value. The following methods are used to estimate the fair value of financial instruments:

Cash and cash equivalents – the carrying amount approximates fair value because of the short maturity of those instruments.

Restricted cash – the carrying amount approximates fair value because of the short maturity of those instruments.

Marketable securities – the carrying amount approximates fair value as changes in the market

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value are recorded monthly and gains or losses are reported in earnings (see note 2i and note 4).

Long-term obligations – the fair value estimate is based on the quoted market price for same or similar issues (see note 11).

Consumer deposits – the carrying amount approximates fair value because of the short refunding term.

The fair value of accounts receivable and payable, and other short-term monetary assets and liabilities approximate carrying value due to their short-term nature.

r. Operating Revenues

Revenues are recognized upon delivery of electricity and services. Energy sales revenues are Chugach’s primary source of revenue and are recognized upon delivery of electricity. Wheeling revenue is recognized when energy is wheeled across Chugach’s transmission lines. Gas sales are recorded through the transfer of natural gas and billed monthly. Other miscellaneous services are billed monthly as provided. Operating revenues are based on billing rates authorized by the RCA, which are applied to customers’ usage of electricity. Chugach’s rates are established, in part, on test period sales levels that reflect actual operating results. Chugach's tariffs include provisions for the recovery of gas costs according to gas supply contracts, as well as purchased power costs. For more information, see “*Note 17– Revenue From Contracts with Customers.*”

s. Capitalized Interest

Allowance for funds used during construction (“AFUDC”) and interest charged to construction - credit (“IDC”) are the estimated costs of the funds used during the period of construction from both equity and borrowed funds. AFUDC and IDC are applied to specific projects during construction. AFUDC and IDC calculations use the net cost of borrowed funds when used and is recovered through RCA approved rates as utility plant is depreciated. For all projects Chugach capitalized such funds at the weighted average rate of 4.1% during 2018 and 2017, and 4.3% during 2016.

t. Environmental Remediation Costs

Chugach accrues for losses and establishes a liability associated with environmental remediation obligations when such losses are probable and can be reasonably estimated. Such accruals are adjusted as further information develops or circumstances change. Estimates of future costs for environmental remediation obligations are not discounted to their present value. However, various remediation costs may be recoverable through rates and accounted for as a regulatory asset.

u. Income Taxes

Chugach is exempt from federal income taxes under the provisions of Section 501(c)(12) of the Internal Revenue Code and for the years ended December 31, 2018, 2017 and 2016 was in compliance with that provision. In addition, as described in *Note (18) – “Commitments and*

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Contingencies,” Chugach collects sales tax and is assessed gross revenue and excise taxes which are presented on a net basis in accordance with FASB ASC 606-10-65, “Topic 606 - Revenue from Contracts with Customers.”

Chugach applies a more-likely-than-not recognition threshold for all tax uncertainties. FASB ASC 740, “Topic 740 – Income Taxes,” only allows the recognition of those tax benefits that have a greater than fifty percent likelihood of being sustained upon examination by the taxing authorities. Chugach’s management reviewed Chugach’s tax positions and determined there were no outstanding or retroactive tax positions that were not highly certain of being sustained upon examination by the taxing authorities.

Management has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements for all periods presented. Chugach’s evaluation was performed for the tax periods ended December 31, 2015 through December 31, 2018 for United States Federal Income Tax, the tax years which remain subject to examination by major tax jurisdictions as of December 31, 2018.

(3) Accounting Pronouncements

Issued, and adopted:

ASC Update 2014-09 “Revenue from Contracts with Customers (Topic 606)” and Related Updates

In May of 2014, the FASB issued ASC Update (ASU) 2014-09, “Revenue from Contracts with Customers (Topic 606).” ASU 2014-09 provides guidance for the recognition, measurement and disclosure of revenue related to the transfer of promised goods or services to customers. Chugach adopted the standard on January 1, 2018, using the modified retrospective transition method with no cumulative effect adjustment as of adoption.

We evaluated our contracts associated with energy sales, wheeling, gas sales, and other miscellaneous revenue and did not identify any change to the timing or pattern of revenue recognition. The adoption of Topic 606 also included additional disclosure requirements. See “*Note 17 – REVENUE FROM CONTRACTS WITH CUSTOMERS.*”

ASC Update 2016-01 “Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities”

In January of 2016, the FASB issued ASU 2016-01, “Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.” ASU 2016-01 amends guidance related to certain aspects of the recognition, measurement, presentation and disclosure of financial instruments. This update is effective for fiscal years beginning after December 15, 2017, and interim periods within those years, with early adoption not permitted with certain exceptions. Chugach began application of ASU 2016-01 on January 1, 2018. Adoption did not have a material effect on our results of operations, financial position, and cash flows.

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ASC Update 2016-15 “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the FASB Emerging Issues Task Force)”

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the FASB Emerging Issues Task Force). ASU 2016-15 clarifies how certain cash payments and cash proceeds should be classified on the statement of cash flows to limit the diversity in practice. This update is effective for fiscal years beginning after December 15, 2017, including interim periods within those years, with early adoption permitted. Chugach began application of ASU 2016-15 on January 1, 2018. Adoption did not have a material effect on our results of operations, financial position, and cash flows.

ASC Update 2016-18 “Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)”

In November 2016, the FASB issued ASU 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force).” ASU 2016-18 clarifies how to classify and present changes in restricted cash or cash equivalents that occur when there are transfers between cash, cash equivalents, and restricted cash or restricted cash equivalents and when there are direct cash receipts into or payments made from restricted cash or restricted cash equivalents on the statement of cash flows to limit the diversity in practice. This update is effective for fiscal years beginning after December 15, 2017, including interim periods within those years, with early adoption permitted. Chugach began application of ASU 2016-18 on January 1, 2018. Adoption did not have a material effect on our results of operations, financial position, and cash flows.

While there was not a material impact to the net change in cash flows, the cash balances at both December 31, 2017 and 2016, increased \$1.7 million to reflect the restricted cash equivalents balances.

ASC Update 2017-01 “Business Combinations (Topic 805): Clarifying the Definition of a Business”

In January 2017, the FASB issued ASU 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business.” ASU 2017-01 clarifies the definition of a business by providing a screen to determine when a set of assets and activities acquired or disposed of constitute a business, as well as a framework for evaluating whether all elements of a business are present in the set. This update is effective for fiscal years beginning after December 15, 2017, including interim periods within those years, with early adoption permitted only when the transaction has not been reported in financial statements. Chugach began application of ASU 2017-01 on January 1, 2018. Adoption did not have a material effect on our results of operations, financial position, and cash flows.

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ASC Update 2017-07 “Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost”

In March 2017, the FASB issued ASU 2017-07, “Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.” ASU 2017-07 amends current guidance on the presentation and disclosure of other compensation costs in the income statement. This update is effective for fiscal years beginning after December 15, 2017, including interim periods within those years, with early adoption permitted only for financial statements that have not been issued. Chugach began application of ASU 2017-07 on January 1, 2018. Adoption did not have a material effect on our results of operations, financial position, and cash flows.

Issued, not yet adopted:

ASC Update 2016-02 “Leases (Topic 842): Section A – Leases: Amendments to the FASB Accounting Standards Codification; Section B – Conforming Amendments Related to Leases: Amendments to the FASB Accounting Standards Codification; Section C – Background Information and Basis for Conclusions” and Related Updates

In February of 2016, the FASB issued ASU 2016-02, “Leases (Topic 842): Section A – Leases: Amendments to the FASB Accounting Standards Codification; Section B – Conforming Amendments Related to Leases: Amendments to the FASB Accounting Standards Codification; Section C – Background Information and Basis for Conclusions.” ASU 2016-02 amends guidance related to the recognition, measurement, presentation and disclosure of leases for lessors and lessees. Pursuant to the new standard, lessees will be required to identify all leases, including those embedded in contracts, classify leases as finance or operating, recognize all leases on the balance sheet and record corresponding right-of-use assets and lease liabilities. The update requires the recognition of lease assets and liabilities for those leases currently classified as operating leases while also refining the definition of a lease. Operating leases will reflect lease expense on a straight-line basis, while finance leases will result in the separate presentation of interest expense on the lease liability and amortization expense of the right-of-use asset.

In January 2018, the FASB issued ASU 2018-01, “Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842.” ASU 2018-01 amends ASU 2016-02 to provide an optional transition practical expedient allowing entities to not evaluate under Topic 842 existing or expired land easements that were not previously accounted for as leases under the current lease guidance in Topic 840.

In December 2018, the FASB issued ASU 2018-20, “Leases (Topic 842): Narrow-Scope Improvements for Lessors.” ASU 2018-20 amends ASU 2016-02 to address lessor stakeholders concerns regarding the following issues: sales taxes and other similar taxes collected from lessees, certain lessor costs, and recognition of variable payments from contracts with lease and nonlease components.

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Topic 842 requires a modified retrospective transition, with the cumulative effect of transition, including initial recognition by lessees of lease assets and liabilities for existing operating leases, as of either the effective date, or the beginning of the earliest period presented. Under the effective date method, the entity's comparative reporting period is unchanged. Comparative reporting periods are presented in accordance with Topic 840, while periods subsequent to the effective date are presented in accordance with Topic 842. Chugach has elected to use the effective date method.

The standard includes certain practical expedients intended to ease the burden of adoption on preparers. Chugach has elected each of the following practical expedients:

- 1) Package of Practical expedients (all or nothing) - An entity may elect not to reassess: a) whether expired or existing contracts contain leases under the new definition of a lease, b) lease classification for expired or existing leases and c) whether previously capitalized initial direct costs would qualify for capitalization under Topic 842.
- 2) Use of hindsight - An entity may use hindsight in determining the lease term, and in assessing the likelihood that a lease purchase option will be exercised.
- 3) Land easements - An entity may elect not to reassess whether land easements meet the definition of a lease if they were not accounted for as leases prior to adoption of Topic 842 until they expire, unless they are modified on or after the effective date.

A lessee may elect not to separate the non-lease components of a contract from the lease component to which they relate. This means that the components will be treated as a single lease component. The lessee elects this practical expedient by class of underlying asset – for example: office equipment, automobiles, office space. Chugach has elected this practical expedient for all classes of underlying assets.

Chugach elected not to recognize right-of-use assets and lease liabilities that arise from short-term leases (those with a term of less than twelve months) for any class of underlying asset.

These updates are effective for fiscal years beginning after December 15, 2018, including the interim periods within those years, with early adoption permitted. Chugach will begin application of ASU 2016-02 and related updates on January 1, 2019. Chugach is continuing to evaluate existing leases and contracts to finalize the impact of these updates as both the lessee and lessor. Chugach expects that the impact will not be material to our recorded amounts of assets and liabilities or to our results of operations and cash flows, however we will be required to have extensive new disclosures.

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ASC Update 2016-13 “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” and Related Updates

In June 2016, the FASB issued ASC Update 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” ASC Update 2016-13 revised the criteria for the measurement, recognition, and reporting of credit losses on financial instruments to be recognized when expected. This update is effective for fiscal years beginning after December 15, 2019, including the interim periods within those years, with early adoption permitted for fiscal years beginning after December 15, 2018, including interim periods within those years. Chugach will begin application of ASC 2016-13 on January 1, 2020. Adoption is not expected to have a material effect on our results of operations, financial position, and cash flows.

ASC Update 2018-13 “Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement”

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.” ASU 2018-13 changes the fair value measurement disclosure requirements of ASC 820. This update is effective for all entities for fiscal years beginning after December 15, 2019, including interim periods therein. Early adoption is permitted for any eliminated or modified disclosures upon issuance of this ASU. Chugach will begin application of ASU 2018-13 on January 1, 2020. Adoption is not expected to have a material effect on our results of operations, financial position, and cash flows.

ASC Update 2018-14 “Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans”

In August 2018, the FASB issued ASU 2018-14, “Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans.” ASU 2018-14 modifies ASC 715-20 to improve disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The ASU is effective for fiscal years ending after December 15, 2020, for public companies. Early adoption is permitted. Chugach will begin application of ASU 2018-14 on January 1, 2021. Adoption is not expected to have a material effect on our results of operations, financial position, and cash flows.

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ASC Update 2018-15 “Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)”

In August 2018, the FASB issued ASU 2018-15, “Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.” ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The ASU is effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. Chugach will begin application of ASU 2018-15 on January 1, 2020. Adoption is not expected to have a material effect on our results of operations, financial position, and cash flows.

(4) Fair Value of Assets and Liabilities

Fair Value Hierarchy

In accordance with FASB ASC 820, Chugach groups its financial assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes United States Treasury and federal agency securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect Chugach’s estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

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The table below presents the balance of Chugach’s marketable securities measured at fair value on a recurring basis at December 31, 2018 and 2017. Chugach’s bond mutual funds, corporate bonds, and marketable certificates of deposit are measured using quoted prices in active markets. Chugach had no other assets or liabilities measured at fair value on a recurring basis at December 31, 2018 or 2017.

December 31, 2018	Total	Level 1	Level 2	Level 3
Bond mutual funds	\$ 6,316,583	\$ 6,316,583	\$ 0	\$ 0
December 31, 2017	Total	Level 1	Level 2	Level 3
Bond mutual funds	\$ 8,109,242	\$ 8,109,242	\$ 0	\$ 0
Corporate bonds	\$ 248,335	\$ 248,335	\$ 0	\$ 0
Certificates of deposit	\$ 3,063,323	\$ 3,063,323	\$ 0	\$ 0

Fair Value of Financial Instruments

Fair value estimates are dependent upon subjective assumptions and involve significant uncertainties resulting in variability in estimates with changes in assumptions. The fair value of cash and cash equivalents, accounts receivable and payable, and other short-term monetary assets and liabilities approximate carrying value due to their short-term nature.

The estimated fair values of long-term obligations included in the financial statements at December 31, 2018, are as follows:

	Carrying Value	Fair Value Level 2
Long-term obligations (including current installments)	\$ 458,997,331	\$ 462,131,094

(5) Regulatory Matters

Gas Dispatch Agreement

Chugach and MEA entered into an agreement entitled, “Gas Dispatch Agreement” in which Chugach provides gas scheduling and dispatch services to MEA. The initial term of the agreement was April 1, 2016, through March 31, 2017. Chugach and MEA have entered into several extensions with the latest covering a period through March 31, 2020. The RCA approved this extension filing in February 2019.

Simplified Rate Filing

Chugach is a participant in the Simplified Rate Filing (“SRF”) process for adjustments to base demand and energy rates for Chugach retail customers and wholesale customer, Seward. SRF is an expedited base rate adjustment process available to electric cooperatives in the State of Alaska, with filings made either on a quarterly or semi-annual basis. Chugach is a participant on a quarterly filing schedule basis. Chugach is required to submit filings to the RCA for approval before any rate changes can be implemented. While there is no limitation on decreases, base rate increases under SRF are limited to 8% in a 12-month period and 20% in a 36-month period.

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Chugach submitted quarterly SRF filings which resulted in a system demand and energy rate decrease of 3.0% effective July 1, 2017; an increase of 1.9% effective November 1, 2017; an increase of 0.4 % effective February 1, 2018; an increase of 0.3% effective May 1, 2018; an increase of 1.8% effective August 1, 2018; an increase of 2.7% effective November 1, 2018; an increase of 0.7% effective February 1, 2019; and an increase of 1.0% effective May 1, 2019.

Fuel and Purchased Power Rates

Chugach recovers fuel and purchased power costs directly from retail and wholesale customers through the fuel and purchased power rate adjustment process. Changes in fuel and purchased power costs are primarily due to fixed price or fuel price adjustment processes in gas-supply contracts. Other factors, including generation unit availability, also impact fuel and purchased power recovery rate levels.

The fuel and purchased power adjustment is approved on a quarterly basis by the RCA. There are no limitations on the number or amount of fuel and purchased power recovery rate changes. Increases in fuel and purchased power costs result in increased revenues while decreases in these costs result in lower revenues. Therefore, revenue from the fuel and purchased power adjustment process does not impact margins. Chugach recognizes differences between projected recoverable fuel and purchased power costs and amounts actually recovered through rates. The fuel cost under/over recovery on the balance sheet represents the net accumulation of any under- or over-collection of fuel and purchased power costs. A fuel cost under-recovery will appear as an asset on our balance sheet and will be collected from our members in subsequent periods. Conversely, a fuel cost over-recovery will appear as a liability on the balance sheet and will be refunded to members in subsequent periods.

Operation and Regulation of the Alaska Railbelt Electric and Transmission System

In June 2016, the RCA opened a docket to “evaluate the reliability and security standards and practices of Alaska Electric Utilities.” In 2017, Chugach and several other Alaska Railbelt utilities entered into a contract with GDS Associates, Inc. (“GDS”). GDS’s role is to facilitate discussion between all six Alaska Railbelt utilities and various stakeholders with an end goal of submitting to the RCA a Railbelt Reliability Council (“RRC”), including a governance structure, that will be responsible for adoption and enforcement of uniform reliability standards and integrated transmission resource planning. GDS presented to the RCA during two technical conferences in January and March of 2018. Chugach and the other utilities provided GDS’s final recommendation of the RRC to the RCA in May 2018. During fourth quarter of 2018, the utilities reviewed and adapted the memorandum of understanding with GDS (“GDS MOU”) with the RCA. The utilities are currently in discussions with non-utility stakeholders to include their input in the RRC formation process. In parallel, the utilities and American Transmission Corporation (ATC) are in discussions regarding the formation of a transmission-only utility. ATC, GVEA, HEA, ML&P, and Seward Electric System filed with the RCA for a Railbelt-wide Transco Certificate of Public Convenience (“CPCN”) on February 25, 2019. Chugach and MEA were not party to this filing. Currently our organization’s primary focus is on filing with the RCA for the transfer of the ML&P CPCN to Chugach, and we were unable to complete our due diligence on the Transco

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filing prior to the filing date. Chugach will intervene in the filing and intends on completing its due diligence of the Transco filing in the second quarter of 2019. Chugach cannot determine the materiality of any effect on its results of operations, financial condition, and cash flows until a business model and plan are adopted. The RCA initiated an order on March 15, 2019 requesting comments on proposed legislative language which would authorize the RCA to designate or develop an Electric Reliability Organization (“ERO”).

In June 2016, in response to Docket I-16-002, Railbelt Utility Information Technology and Operations Technology, leadership began meeting to discuss Railbelt Cybersecurity. The Railbelt Utilities Managers group designated the Cybersecurity Working Group to review industry standards and provide a statement of work to develop Railbelt Cybersecurity Standards. On June 21, 2018, Chugach posted a Request for Proposal to hire a consultant to write the standards. The final draft is expected to be presented to the Railbelt Utility Managers by March 31, 2019.

Cook Inlet Natural Gas Storage Alaska, LLC (“CINGSA”)

CINGSA filed Tariff Advice Number 32-733 on April 30, 2018, to request adjustments to their base rates for firm natural gas storage service (“FSS”) and interruptible gas storage service (“ISS”). Chugach has intervened in this case, and the RCA has suspended this filing into a docket. The RCA is expected to issue a decision by July 24, 2019.

On April 27, 2018, CINGSA filed a request with the RCA for advance determination of decisional prudence and assurance of cost recovery for what has been termed the Redundancy Project. Chugach participated in the regulatory docket opened to address this matter. On February 28, 2019, the RCA issued an order denying CINGSA’s Redundancy Project petition, however, the RCA found CINGSA’s proposal to restore an existing well prudent. The RCA closed the docket.

Regulatory Assets: Beluga Power Plant Unit No. 3 Overhaul and Cooper Lake Dredging Project

In June 2018, Chugach submitted petitions to the RCA for approval to create regulatory assets to amortize the costs for the overhaul of Beluga Unit No. 3 and for the Cooper Lake Power Plant Tailrace Dredging project. On August 27, 2018, the RCA authorized Chugach to create regulatory assets in the amount of \$4.2 million for the overhaul of Beluga Unit No. 3 for amortization over a 26-month period beginning September 1, 2018, and \$1.0 million for the Cooper Lake dredging project over a 16-month period beginning January 1, 2019.

Furie Agreement

On March 16, 2017, Chugach submitted a request to the RCA for approval of the agreement entitled, “Firm and Interruptible Gas Sale and Purchase Agreement between Furie Operating Alaska, LLC and Chugach Electric Association, Inc.” (“Furie Agreement”) dated March 3, 2017. As part of the filing, Chugach also requested RCA approval to recover both firm and interruptible purchases under the agreement and all attendant transportation and storage costs through its quarterly fuel and purchased power cost adjustment process.

The Furie Agreement provides Chugach with both firm and non-firm gas supplies over a 16-year period, with firm purchases beginning on April 1, 2023, and ending on March 31, 2033, and

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interruptible gas purchases available to Chugach immediately and ending on March 31, 2033. With respect to firm purchases beginning on April 1, 2023, and ending on March 31, 2033, the Furie Agreement provides an annual gas commitment by Furie to sell and Chugach to purchase approximately 1.8 Bcf of gas each year, which represents approximately 20% to 25% of Chugach's projected gas requirements during this period. The Furie Agreement also provides Chugach with additional purchase options, on a firm and interruptible basis. The initial price for firm gas is \$7.16 per Mcf beginning April 1, 2023 and escalates annually rising to \$7.98 per Mcf on April 1, 2032, the last year of the Furie Agreement.

On May 1, 2017, the RCA approved the Furie Agreement. The RCA also approved recovery of costs associated with the Furie Agreement through its fuel and purchased power cost adjustment process.

Beluga Parts Filing

On November 18, 2016, Chugach submitted a petition to the RCA for approval to create a regulatory asset that would allow Chugach to amortize and recover in rates the value of certain plant needed to support power production equipment located at the Beluga Power Plant.

Specifically, Chugach requested RCA approval to recover approximately \$11.4 million in equipment that supports Beluga generation units. Chugach requested that it be permitted to amortize the value of this plant over a period of 30 months for plant associated with Units 1 and 2 (approximately \$0.3 million), and 108 months for all other parts (approximately \$11.1 million). The amortization periods are consistent with the proposed depreciation rates for the Beluga units contained in Chugach's depreciation study that was submitted to the RCA on September 30, 2016.

The RCA opened Docket Number U-16-092 to review the petition. The RCA approved the petition May 17, 2017, closing docket U-16-092(2).

Depreciation Study Update

In compliance with a previous order from the RCA (U-12-009(8)), Chugach submitted a 2015 Depreciation Study Update to the RCA, requesting approval of the depreciation rates resulting from the study for use in Chugach's financial record keeping and for establishing electric rates. The filing was submitted to the RCA on September 30, 2016. Chugach proposed changes to depreciation rates that would result in a \$5.9 million reduction in annual depreciation expense. On a demand and energy rate basis, the impact was a 4.7% reduction to retail customers and a 4.6% reduction to Seward. The reductions on a total customer bill basis, which includes fuel and purchased power costs, were 3.2% and 1.9%, respectively. Chugach requested that the updated depreciation rates be implemented on July 1, 2017, for both accounting and ratemaking purposes.

On March 23, 2017, the RCA issued Order U-16-081(2) approving Chugach's proposed changes to its depreciation rates. The depreciation rates were approved as filed. The RCA required Chugach to file a new depreciation study by July 1, 2022, based on plant activity as of December 31, 2021.

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ML&P Acquisition

In December 2017, the Mayor of Anchorage, Alaska, announced plans to place a proposition on the April 3, 2018 municipal ballot allowing the voters to authorize the sale of ML&P to Chugach. The proposition was approved by Anchorage voters 65.08% to 34.92% per the certified election results. Chugach and the Municipality of Anchorage (“MOA”) negotiated final sales agreements and associated documents. The sale of ML&P was approved by the Anchorage Assembly on December 4, 2018 and the Chugach Board of Directors gave its final approval on December 19, 2018. The agreements and associated documents were executed on December 28, 2018. Pursuant to these agreements and associated documents, Chugach is preparing an application and filing which will be submitted to the RCA. For more information concerning the potential ML&P Acquisition, see “*Note 16 – ML&P Acquisition.*”

(6) Utility Plant

Major classes of utility plant as of December 31 are as follows:

Electric plant in service:	2018	2017
Steam production plant	\$ 101,141,201	\$ 101,116,277
Hydroelectric production plant	34,342,490	33,659,129
Other production plant	288,086,243	287,765,474
Transmission plant	298,767,612	296,018,078
Distribution plant	328,766,590	315,862,812
General plant	55,308,981	55,164,994
Unclassified electric plant in service ¹	54,877,480	60,294,349
Intangible plant ¹	5,455,371	5,455,371
Beluga River Natural Gas Field (BRU Asset & ARO)	48,088,715	47,927,331
Other ¹	1,828,409	1,828,409
Total electric plant in service	1,216,663,092	1,205,092,224
Construction work in progress	17,272,307	17,952,573
Total electric plant in service and construction work in progress	<u>\$ 1,233,935,399</u>	<u>\$ 1,223,044,797</u>

¹Unclassified electric plant in service consists of complete unclassified general plant, generation plant, transmission plant and distribution plant. Depreciation of unclassified electric plant in service has been included in functional plant depreciation accounts in accordance with the anticipated eventual classification of the plant investment. Intangible plant represents Chugach's share of a Bradley Lake transmission line financed internally. Other represents Electric Plant Held for Future Use.

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(7) Investments in Associated Organizations

Investments in associated organizations include the following at December 31:

	2018	2017
NRUCFC Capital Term Certificates	\$ 6,095,980	\$ 6,095,980
CoBank	2,405,407	2,819,307
Other	68,659	65,123
Total investments in associated organizations	<u>\$ 8,570,046</u>	<u>\$ 8,980,410</u>

(8) Deferred Charges and Liabilities

Deferred Charges

Regulatory assets and deferred charges, net of amortization, consisted of the following at December 31:

	2018	2017
Regulatory assets and deferred charges:		
Short-term debt issuance and reacquisition costs	\$ 280,933	\$ 386,892
Refurbishment of transmission equipment	86,420	95,679
Feasibility studies	194,122	237,425
Cooper Lake relicensing / projects	5,019,801	5,149,903
Fuel supply	1,702,759	1,801,970
Storm damage	258,952	453,166
Other regulatory deferred charges	471,558	719,563
Bond interest - market risk management	4,429,478	4,884,587
Environmental matters	933,469	978,820
Beluga parts and materials	9,341,355	10,696,210
Beluga Unit 3 major overhaul	2,726,259	64,493
Cooper Lake dredging	618,301	31,666
NRECA pension plan prepayment	6,484,132	7,204,591
ML&P acquisition & integration	4,953,291	0
Green Energy Program	46,577	0
Community Solar Project	121,017	0
Post-retirement benefit obligation	0	59,100
Total regulatory assets and deferred charges	<u>\$ 37,668,424</u>	<u>\$ 32,764,065</u>

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Regulatory assets and deferred charges, not currently being recovered in rates charged to consumers, consisted of the following at December 31:

	2018	2017
Regulatory assets and deferred charges:		
Cooper Lake dredging	\$ 618,301	\$ 0
Regulatory studies and other	35,575	201,775
ML&P acquisition & integration	4,953,291	0
Green Energy Program	46,577	0
Community Solar Project	121,017	0
Post-retirement benefit obligation	0	59,100
Total regulatory assets and deferred charges	\$ 5,774,761	\$ 260,875

We believe all regulatory assets and deferred charges not currently being recovered in rates charged to consumers are probable of recovery in the future based upon prior recovery of similar costs allowed by our regulator. The recovery of regulatory assets and deferred charges is approved by the RCA either in standard SRFs, general rate case filings or specified independent requests. In most cases, deferred charges are recovered over the life of the underlying asset.

Deferred Liabilities

Deferred liabilities, at December 31 consisted of the following:

	2018	2017
Refundable consumer advances for construction	\$ 357,858	\$ 416,263
Estimated initial installation costs for meters	79,276	100,927
Post-retirement benefit obligation	327,700	732,200
Total deferred liabilities	\$ 764,834	\$ 1,249,390

(9) Patronage Capital

Chugach has a Board-approved capital credit retirement policy, which is contained in Chugach’s financial forecast. This establishes, in general, a plan to return the capital credits of wholesale and retail customers based on the members’ proportionate contribution to Chugach’s assignable margins. At December 31, 2018, Chugach had \$177,823,597 of patronage capital (net of capital credits retired in 2018), which included \$172,460,724 of patronage capital that had been assigned and \$5,362,874 of patronage capital to be assigned to its members. At December 31, 2017, Chugach had \$172,928,887 of patronage capital (net of capital credits retired in 2017), which included \$166,880,163 of patronage capital that had been assigned and \$6,048,724 of patronage capital to be assigned to its members. Approval of actual capital credit retirements is at the discretion of the Chugach Board of Directors (“Board”). Chugach records a liability when the retirements are approved by the Board.

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Chugach entered into an agreement with HEA to return all of its patronage capital within five years after expiration of its power sales agreement, which was December 31, 2013. This agreement was related to a settlement agreement associated with the 2005 Test Year General Rate Case (Docket U-06-134). The RCA accepted the parties' settlement agreement on August 9, 2007. We finalized a new agreement with HEA in September 2017 which spread their retirement payments between 2017 and 2020 in increments of \$2.0 million annually. As a result, \$2.0 million of HEA's patronage capital was retired and paid in 2018 and in 2017. HEA's patronage capital payable, including the current portion classified as other current liabilities, was \$3.9 million and \$5.9 million at December 31, 2018 and 2017, respectively.

In an agreement reached in May of 2014 with MEA, capital credits retired to MEA are classified as patronage capital payable on Chugach's balance sheet. In December 2018, Chugach paid MEA \$3.4 million of its patronage capital payable. MEA's patronage capital payable was \$1.5 million and \$4.9 million at December 31, 2018 and 2017, respectively.

The Second Amended and Restated Indenture of Trust ("Indenture") and the CoBank Second Amended and Restated Master Loan Agreement prohibit Chugach from making any distribution of patronage capital to Chugach's customers if an event of default under the Indenture or debt agreements exists. Otherwise, Chugach may make distributions to Chugach's members in each year equal to the lesser of 5% of Chugach's patronage capital or 50% of assignable margins for the prior fiscal year. This restriction does not apply if, after the distribution, Chugach's aggregate equities and margins as of the end of the immediately preceding fiscal quarter are equal to at least 30% of Chugach's total long-term debt and equities and margins. There were only capital credit retirement payments authorized by our Board in 2018. Capital credit retirements authorized by our Board, less early retirements, were \$2,631,928, and \$3,001,426 for the years ended December 31, 2017, and 2016, respectively. With the exception of MEA's and HEA's patronage capital payable, the outstanding liability for capital credits authorized but not paid at December 31, 2018, 2017, and 2016 was \$0, \$57,036, and \$2,014,080, respectively.

(10) Other Equities

A summary of other equities at December 31 follows:

	2018	2017
Nonoperating margins, prior to 1967	\$ 23,625	\$ 23,625
Donated capital	2,407,898	2,213,876
Unclaimed capital credit retirement ¹	12,521,402	12,415,752
Total other equities	<u>\$ 14,952,925</u>	<u>\$ 14,653,253</u>

¹Represents unclaimed capital credits that have met all requirements of Alaska Statute section 34.45.200 regarding Alaska's unclaimed property law and have therefore reverted to Chugach.

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(11) Debt

Long-term obligations at December 31 are as follows:	2018	2017
2011 Series A Bond of 4.20%, maturing in 2031, with interest payable semi-annually March 15 and September 15 and principal due annually beginning in 2012	58,500,000	63,000,000
2011 Series A Bond of 4.75%, maturing in 2041, with interest payable semi-annually March 15 and September 15 and principal due annually beginning in 2012	141,833,331	147,999,998
2012 Series A Bond of 4.01%, maturing in 2032, with interest payable semi-annually March 15 and September 15 and principal due annually beginning in 2013	52,500,000	56,250,000
2012 Series A Bond of 4.41%, maturing in 2042, with interest payable semi-annually March 15 and September 15 and principal due annually between 2013 and 2020 and between 2032 and 2042	81,000,000	88,000,000
2012 Series A Bond of 4.78%, maturing in 2042, with interest payable semi-annually March 15 and September 15 and principal due annually beginning in 2023	50,000,000	50,000,000
2017 Series A Bond of 3.43%, maturing in 2037, with interest payable semi-annually March 15 and September 15 and principal due annually beginning in 2018	38,000,000	40,000,000
2016 CoBank Note, 2.58% fixed rate note maturing in 2031, with interest and principal due quarterly beginning in 2016	37,164,000	40,356,000
Total long-term obligations	\$ 458,997,331	\$ 485,605,998
Less current installments	26,608,667	26,608,667
Less unamortized debt issuance costs	2,425,247	2,669,485
Long-term obligations, excluding current installments	\$ 429,963,417	\$ 456,327,846

Covenants

Chugach is required to comply with all covenants set forth in the Indenture that secures the 2011, 2012, and 2017 Series A Bonds, and the 2016 CoBank Note. The CoBank Note is governed by the Second Amended and Restated Master Loan Agreement, which is secured by the Indenture dated January 20, 2011.

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Chugach is also required to comply with the 2016 Credit Agreement, between Chugach and NRUCFC, KeyBank National Association, Bank of America, N.A., and CoBank, ACB dated June 13, 2016, governing loans and extensions of credit associated with Chugach's Commercial Paper Program, in an aggregate principal amount not exceeding \$150.0 million at any one time outstanding.

Chugach is also required to comply with other covenants set forth in the Revolving Line of Credit Agreement with NRUCFC.

Security

The Indenture, which became effective on January 20, 2011, imposes a lien on substantially all of Chugach's assets to secure Chugach's long-term debt obligations. Assets that are generally not subject to the lien of the Indenture include cash (other than cash deposited with the indenture trustee); instruments and securities; patents, trademarks, licenses and other intellectual property; vehicles and other movable equipment; inventory and consumable materials and supplies; office furniture, equipment and supplies; computer equipment and software; office leases; other leasehold interests for an original term of less than five years; contracts (other than power sales agreements with members having an original term exceeding three years, certain contracts specifically identified in the indenture, and other contracts relating to the ownership, operation or maintenance of generation, transmission or distribution facilities); non-assignable permits, licenses and other contract rights; timber and minerals separated from land; electricity, gas, steam, water and other products generated, produced or purchased; other property in which a security interest cannot legally be perfected by the filing of a Uniform Commercial Code financing statement, and certain parcels of real property specifically excepted from the lien of the Indenture. The lien of the Indenture may be subject to various permitted encumbrances that include matters existing on the date of the Indenture or the date on which property is later acquired; reservations in United States patents; non-delinquent or contested taxes, assessments and contractors' liens; and various leases, rights-of-way, easements, covenants, conditions, restrictions, reservations, licenses and permits that do not materially impair Chugach's use of the mortgaged property in the conduct of Chugach's business.

Rates

The Indenture also requires Chugach, subject to any necessary regulatory approval, to establish and collect rates reasonably expected to yield margins for interest equal to at least 1.10 times total interest expense. If there occurs any material change in the circumstances contemplated at the time rates were most recently reviewed, the Indenture requires Chugach to seek appropriate adjustment to those rates so that they would generate revenues reasonably expected to yield margins for interest equal to at least 1.10 times interest charges, provided, however, upon review of rates based on a material change in circumstances, rates are required to be revised in order to comply and there are less than six calendar months remaining in the current fiscal year, Chugach can revise its rates so as to reasonably expect to meet the covenant for the next succeeding 12-month period after the date of any such revision.

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The Second Amended and Restated Master Loan Agreement with CoBank, which became effective on June 30, 2016, also requires Chugach to establish and collect rates reasonably expected to yield margins for interest equal to at least 1.10 times interest expense.

The 2016 Credit Agreement governing the unsecured facility providing liquidity for Chugach's Commercial Paper Program requires Chugach to maintain minimum margins for interest of at least 1.10 times interest charges for each fiscal year. Margins for interest generally consist of Chugach's assignable margins plus total interest expense, excluding amounts capitalized. Additionally, Chugach must maintain a minimum Consolidated Margins and Equities of \$145 million, excluding any unrealized gain or loss on any Hedging Agreement, for each fiscal quarter and fiscal year-end.

Distributions to Members

Under the Indenture and debt agreements, Chugach is prohibited from making any distribution of patronage capital to Chugach's customers if an event of default under the Indenture or debt agreements exists. Otherwise, Chugach may make distributions to Chugach's members in each year equal to the lesser of 5% of Chugach's patronage capital or 50% of assignable margins for the prior fiscal year. This restriction does not apply if, after the distribution, Chugach's aggregate equities and margins as of the end of the immediately preceding fiscal quarter are equal to at least 30% of Chugach's total long-term debt and equities and margins.

Maturities of Long-term Obligations

Long-term obligations at December 31, 2018, mature as follows:

Year ending December 31	2011 Series A Bonds	2012 Series A Bonds	2016 CoBank Note	2017 Series A Bonds	Total
2019	\$ 10,666,667	\$ 10,750,000	\$ 3,192,000	\$ 2,000,000	\$ 26,608,667
2020	10,666,667	10,750,000	3,420,000	2,000,000	26,836,667
2021	10,666,667	3,750,000	3,648,000	2,000,000	20,064,667
2022	10,666,667	3,750,000	3,876,000	2,000,000	20,292,667
2023	10,666,667	6,250,000	4,104,000	2,000,000	23,020,667
Thereafter	146,999,996	148,250,000	18,924,000	28,000,000	342,173,996
	<u>\$ 200,333,331</u>	<u>\$ 183,500,000</u>	<u>\$ 37,164,000</u>	<u>\$ 38,000,000</u>	<u>\$ 458,997,331</u>

Lines of credit

Chugach maintains a \$50.0 million line of credit with NRUCFC. Chugach did not utilize this line of credit in 2018 or 2017, and therefore had no outstanding balance at December 31, 2018 and 2017. The borrowing rate is calculated using the total rate per annum and may be fixed by NRUCFC. The borrowing rate was 3.75% at December 31, 2018, and 3.00% at December 31, 2017.

The NRUCFC Revolving Line Of Credit Agreement requires that Chugach, for each 12-month period, for a period of at least five consecutive days, pay down the entire outstanding principal

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balance. The NRUCFC line of credit was renewed effective September 29, 2017, and expires September 29, 2022. This line of credit is immediately available for unconditional borrowing.

Commercial Paper

On June 13, 2016, Chugach entered into a \$150.0 million senior unsecured credit facility (“Credit Agreement”), which is used to back Chugach’s Commercial Paper Program. The pricing includes an all-in drawn spread of one month LIBOR plus 90.0 basis points, along with a 10.0 basis points facility fee (based on an A/A2/A unsecured debt rating). The Credit Agreement will expire on June 13, 2021. The participating banks include NRUCFC, KeyBank National Association, Bank of America, N.A., and CoBank, ACB.

Our commercial paper can be repriced between one day and 270 days. Chugach is expected to continue to issue commercial paper in 2019, as needed.

Chugach had \$61.0 million and \$50.0 million of commercial paper outstanding at December 31, 2018 and 2017, respectively.

The following table provides information regarding 2018 monthly average commercial paper balances outstanding (dollars in millions), as well as corresponding weighted average interest rates:

Month	Average Balance	Weighted Average Interest Rate	Month	Average Balance	Weighted Average Interest Rate
January	\$ 44.7	1.80%	July	\$ 51.1	2.29%
February	\$ 38.1	1.78%	August	\$ 50.1	2.25%
March	\$ 51.8	2.12%	September	\$ 57.7	2.29%
April	\$ 59.5	2.29%	October	\$ 60.4	2.45%
May	\$ 56.4	2.21%	November	\$ 61.0	2.50%
June	\$ 53.3	2.26%	December	\$ 61.0	2.77%

Financing

In January 2011, Chugach issued \$275.0 million of First Mortgage Bonds, 2011 Series A, in two tranches, Tranche A and Tranche B, for the purpose of refinancing the 2001 and 2002 Series A Bonds in 2011 and 2012, and for general corporate purposes. Interest is paid semi-annually on March 15 and September 15 commencing on September 15, 2011. Principal on the 2011 Series A Bonds is paid in equal annual installments beginning March 15, 2012.

In January 2012, Chugach issued \$250.0 million of First Mortgage Bonds, 2012 Series A, in three tranches, Tranche A, Tranche B and Tranche C, for the purpose of repaying outstanding commercial paper used to finance SPP construction and for general corporate purposes. Interest is paid semi-annually March 15 and September 15 commencing on September 15, 2012. The 2012 Series A Bonds, Tranche A and Tranche C, pay principal in equal installments on an annual

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basis beginning March 15, 2013, and 2023, respectively. The 2012 Series A Bonds, Tranche B, pay principal beginning March 15, 2013, through 2020, and on March 15, 2032, through 2042.

In June 2016, Chugach entered into a term loan facility with CoBank, evidenced by the 2016 CoBank Note, which is governed by the Second Amended and Restated Master Loan Agreement dated June 30, 2016, and secured by the Indenture.

In March 2017, Chugach issued \$40.0 million of First Mortgage Bonds, 2017 Series A for general corporate purposes. Interest is paid semi-annually on March 15 and September 15, commencing on September 15, 2017. The 2017 Series A Bonds pay principal in equal installments on an annual basis beginning March 15, 2018. The bonds and all other long-term debt obligations are secured by a lien on substantially all of Chugach's assets, pursuant to the Indenture, which became effective on January 20, 2011, as previously amended and supplemented.

The following table provides additional information regarding the 2011 Series A, 2012 Series A, and 2017 Series A bonds and the 2016 CoBank Note at December 31, 2018 (dollars in thousands):

	Maturing	Average Life (Years)	Interest Rate	Issue Amount	Carrying Value
2011 Series A, Tranche A	2031	6.2	4.20 %	\$ 90,000	\$ 58,500
2011 Series A, Tranche B	2041	11.2	4.75 %	185,000	141,833
2012 Series A, Tranche A	2032	6.7	4.01 %	75,000	52,500
2012 Series A, Tranche B	2042	14.2	4.41 %	125,000	81,000
2012 Series A, Tranche C	2042	13.7	4.78 %	50,000	50,000
2017 Series A, Tranche A	2037	9.2	3.43 %	40,000	38,000
2016 CoBank Note	2031	5.2	2.58 %	45,600	37,164
Total				\$ 610,600	\$ 458,997

(12) Employee Benefit Plans

Pension Plans

Pension benefits for substantially all of Chugach's union employees are provided through the Alaska Electrical Pension Trust Fund and the UNITE HERE National Retirement Fund, multi-employer plans. Chugach pays an hourly amount per eligible union employee pursuant to the collective bargaining unit agreements. In these master, multi-employer plans, the accumulated benefits and plan assets are not determined or allocated separately to the individual employer.

Pension benefits for non-union employees are provided by the National Rural Electric Cooperative Association ("NRECA") Retirement and Security Plan ("RS Plan"). The RS Plan is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. Under ASC 960, "Topic 960 – Plan Accounting – Defined Benefit Pension Plans," the RS Plan is a multi-employer plan, in which the accumulated benefits and plan assets are not determined or allocated separately to individual employers. Chugach makes annual contributions to the RS Plan equal to the amounts accrued for pension expense.

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Chugach made contributions to all significant pension plans for the years ended December 31, 2018, 2017 and 2016 of \$6.3 million, \$5.9 million and \$6.7 million, respectively. The rate and number of employees in all significant pension plans did not materially change for the years ended December 31, 2018, 2017 or 2016.

In December 2012, a committee of the NRECA Board of Directors approved an option to allow participating cooperatives in the Retirement Security (“RS”) Plan (a defined benefit multi-employer pension plan) to make a prepayment and reduce future required contributions. The prepayment amount is a cooperative’s share, as of January 1, 2013, of future contributions required to fund the RS Plan’s unfunded value of benefits earned to date using Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative’s annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to January 1 of the year in which the amount is paid to the RS Plan. The 25% differential in billing rates is expected to continue for approximately 15 years from January 1, 2013. However unexpected changes in interest rates, asset returns and other plan experience, plan assumption changes, and other factors may have an impact on the differential in billing rates and the 15-year period.

On December 29, 2016, Chugach made a prepayment of \$7.9 million to the NRECA RS Plan. See *Note 2n – “Deferred Charges and Liabilities.”*

The following table provides information regarding pension plans which Chugach considers individually significant:

	Alaska Electrical Pension Plan ³			NRECA Retirement Security Plan ³		
	2018	2017	2016	2018	2017	2016
Employer Identification Number	92-6005171			53-0116145		
Plan Number	001			333		
Year-end Date	December 31			December 31		
Expiration Date of CBA's	June 30, 2021			N/A ²		
Subject to Funding Improvement Plan	No			No ⁴		
Surcharge Paid	N/A			N/A ⁴		
Zone Status	Green	Green	Green	N/A ¹	N/A ¹	N/A ¹
Required minimum contributions	None	None	None	N/A	N/A	N/A
Contributions (in millions)	\$3.5	\$3.3	\$3.2	\$2.8	\$2.6	\$3.5
Contributions > 5% of total plan contributions	Yes	Yes	Yes	No	No	No

¹A “zone status” determination is not required, and therefore not determined under the Pension Protection Act (PPA) of 2006.

²The CEO and COO are the only participants in the NRECA RS Plan who are subject to employment agreements. The CEO’s employment agreement is effective through April 30, 2024. The COO’s employment agreement is effective through January 1, 2024.

³The Alaska Electrical Pension Plan financial statements are publicly available. The NRECA RS Plan financial statements are available on Chugach’s website at www.chugachelectric.com.

⁴The provisions of the PPA do not apply to the RS Plan, therefore, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the RS Plan and may change as a result of plan experience.

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Health and Welfare Plans

Health and welfare benefits for union employees are provided through the Alaska Electrical Health and Welfare Trust and the Alaska Hotel, Restaurant and Camp Employees Health and Welfare and Pension Trust Fund. Chugach participates in multi-employer plans that provide substantially all union workers with health care and other welfare benefits during their employment with Chugach. Chugach pays a defined amount per union employee pursuant to collective bargaining unit agreements. Amounts charged to benefit costs and contributed to the health and welfare plans for these benefits for the years ending December 31, 2018, 2017, and 2016 were \$5.1 million, \$4.8 million, and \$4.5 million, respectively.

Chugach participates in a multi-employer plan through the Group Benefits Program of NRECA for non-union employees. Amounts charged to benefit cost and contributed to this plan for those benefits for the years ended December 31, 2018, 2017, and 2016 totaled \$2.7 million, \$2.8 million, and \$2.8 million, respectively.

Money Purchase Pension Plan

Chugach participates in a multi-employer defined contribution money purchase pension plan covering some employees who are covered by a collective bargaining agreement. Contributions to this plan are made based on a percentage of each employee's compensation. Contributions to the money purchase pension plan for the years ending December 31, 2018, 2017 and 2016 were \$137.3 thousand, \$141.8 thousand and \$132.3 thousand, respectively.

401(k) Plan

Chugach has a defined contribution 401(k) retirement plan which covers substantially all employees who, effective January 1, 2008, can participate immediately. Employees who elect to participate may contribute up to the Internal Revenue Service's maximum of \$18,500 in 2018, \$18,000 in 2017 and 2016, and allowed catch-up contributions for those over 50 years of age of \$6,000 in 2018, 2017, and 2016. Chugach does not make contributions to the plan.

Deferred Compensation

Effective January 1, 2011, Chugach participates in Vanguard's unfunded Deferred Compensation Program (the Program) to allow highly compensated employees who elect to participate in the Program to defer a portion of their current compensation and avoid paying tax on the deferrals until received. The program is a non-qualified plan under Internal Revenue Code 457(b).

Deferred compensation accounts are established for the individual employees, however, they are considered to be owned by Chugach until a distribution is made. The amounts credited to the deferred compensation account, including gains or losses, are retained by Chugach until the entire amount credited to the account has been distributed to the participant or to the participant's beneficiary. The balance of the Program at December 31, 2018, and 2017 was \$1,359,878 and \$1,229,294, respectively.

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Potential Termination Payments

Pursuant to a Chugach Operating Policy, non-represented employees, including the executive officers except the Chief Executive Officer and Chief Operating Officer, who are terminated by Chugach for reasons unrelated to employee performance are entitled to severance pay for each year or partial year of service as follows: two weeks for each year of service to a maximum of 26 weeks for 13 years or more of service.

(13) Bradley Lake Hydroelectric Project

Chugach is a participant in the Bradley Lake Hydroelectric Project (“Bradley Lake”). Bradley Lake was built and financed by the Alaska Energy Authority (“AEA”) through State of Alaska grants and \$166.0 million of revenue bonds. Chugach and other participating utilities have entered into take-or-pay power sales agreements under which shares of the project capacity have been purchased and the participants have agreed to pay a like percentage of annual costs of the project (including ownership, operation and maintenance costs, debt service costs and amounts required to maintain established reserves). Under these take-or-pay power sales agreements, the participants have agreed to pay all project costs from the date of commercial operation even if no energy is produced. Chugach has a 30.4% share, or 27.4 megawatts (MW) as currently operated, of the project’s capacity. The share of Bradley Lake indebtedness for which we are responsible is approximately \$13.4 million. Upon the default of a Bradley Lake participant, and subject to certain other conditions, AEA is entitled to increase each participant’s share of costs pro rata, to the extent necessary to compensate for the failure of another participant to pay its share, provided that no participant’s percentage share is increased by more than 25%. Upon default, Chugach could be faced with annual expenditures of approximately \$6.3 million as a result of Chugach’s Bradley Lake take-or-pay obligations. Management believes that such expenditures, if any, would be recoverable through the fuel and purchased power adjustment process.

The Battle Creek Diversion Project (“Project”) is a project to increase water available for generation by constructing a diversion on the West Fork of Upper Battle Creek to divert flows to Bradley Lake, increasing annual energy output by an estimated 37,000 MWh. The Bradley Lake Project Management Committee (“BPMC”) approved the project October 13, 2017, as amended December 1, 2017, and December 6, 2017. The Project cost is estimated at \$47.2 million and the BPMC approved financing on December 6, 2017. Construction began in the Spring of 2018 and is anticipated to be completed in the fall of 2020. Not all Bradley Lake purchasers are participating in the development and resulting benefits of the Project at this time, although they have reserved their ability to participate in the Project at a later date. Chugach would be entitled to 39.38% of the additional energy produced if no additional participants elect to join. The share of Battle Creek indebtedness for which we are responsible is approximately \$16.2 million.

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The following represents information with respect to Bradley Lake at June 30, 2018 (the most recent date for which information is available). Chugach's share of expenses was \$5,867,455 in 2018, \$6,452,898 in 2017, and \$5,662,522 in 2016, and is included in purchased power in the accompanying financial statements.

<u>(In thousands)</u>	Total	Proportionate Share
Plant in service	\$ 160,188	\$ 48,697
Long-term debt	74,709	26,415
Interest expense	2,371	721

Chugach's share of a Bradley Lake transmission line financed internally is included in Intangible Electric Plant.

(14) Eklutna Hydroelectric Project

Along with two other utilities, Chugach purchased the Eklutna Hydroelectric Project from the Federal Government in 1997. Ownership was transferred from the United States Department of Energy's Alaska Power Administration jointly to Chugach (30%), MEA (17%) and ML&P (53%).

Plant in service at December 31, 2018 included \$5,239,109, net of accumulated depreciation of \$2,757,865, which represents Chugach's share of the Eklutna Hydroelectric Project. At December 31, 2017, plant in service included \$4,123,105, net of accumulated depreciation of \$2,597,999. The facility is operated by ML&P with support from Chugach, and maintained jointly by all project owners in various capacities. Each participant contributes their proportionate share for operation, maintenance and capital improvement costs to the plant, as well as to the transmission line between Anchorage and the plant. When MEA was an all-requirements wholesale customer, under net billing arrangements, Chugach reimbursed MEA for their share of the costs. Chugach's share of expenses was \$416,237, \$403,511, and \$532,678 in 2018, 2017, and 2016, respectively, and is included in purchased power, power production and depreciation expense in the accompanying financial statements. ML&P performs major maintenance at the plant. Chugach performs the daily operation and maintenance of the power plant, providing personnel who perform daily plant inspections, meter reading, monthly report preparation, and other activities as required.

(15) Beluga River Unit

On February 4, 2016, Chugach entered into an agreement entitled, "Purchase and Sale Agreement between ConocoPhillips Alaska, Inc. ("CPAI") and Municipality of Anchorage d/b/a Municipal Light & Power and Chugach Electric Association, Inc." The Purchase and Sale Agreement transfers CPAI's working interest in the BRU to Chugach and ML&P. The total purchase price was \$148.0 million, with Chugach's portion totaling \$44.4 million. Chugach's interest in the BRU is to reduce the cost of electric service to its retail and wholesale members by securing an additional long-term supply of natural gas to meet on-going generation requirements. The acquisition complements existing gas supplies and is expected to provide greater fuel diversity.

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Under the joint bid arrangement, Chugach's ownership of CPAI's working interest is 30% and ML&P's ownership is 70%. The ownership shares include the attendant rights and privileges of all gas and oil resources, including 15,500 lease acres (8,200 in Unit / Participating Area and 7,300 held by Unit), Sterling and Beluga producing zones, and CPAI's 67% working interest in deep oil resources. On April 21, 2016, the acquisition was approved by the RCA and the transaction closed on April 22, 2016.

Additionally, CPAI had contractual gas sales obligations to ENSTAR through 2017. This contract was assumed by ML&P and Chugach on the basis of ownership share.

The BRU is located on the western side of Cook Inlet, approximately 35 miles from Anchorage, and is an established natural gas field that was originally discovered in 1962. The BRU was jointly owned (one-third) by CPAI, Hilcorp, and ML&P. Following the acquisition, ML&P's ownership of the BRU increased to approximately 56.7%, Hilcorp's ownership remained unchanged at 33.3%, and Chugach's ownership is 10.0%.

The BRU acquisition costs were recorded as deferred charges on Chugach's balance sheet and totaled \$1.5 million at December 31, 2016. Chugach requested that these costs be amortized based on units of production of the BRU and recognized as depreciation and amortization on Chugach's statement of operations. Chugach also requested approval to recover the deferred costs in the gas transfer price. The RCA issued an order combining the BRU cost recovery process and the request to create a regulatory asset into a single docket. On October 26, 2017, the RCA issued a final order accepting Chugach's filing and closing the docket, see "*Note 5 – Regulatory Matters – Beluga River Unit Gas Transfer Price.*"

Each of the BRU participants has a right to take their interest of the gas produced. Parties that take less than their interest of the field's output may either accept a cash settlement for their underlift or take their underlifted gas in future years. As part of the BRU acquisition, Chugach acquired 30% of CPAI's underlift, which was 69,099 Mcf at acquisition and was in an overlift position of 198 Mcf and 8 Mcf at December 31, 2018 and 2017, respectively. Chugach has opted to take any cumulative underlift in gas in the future and will record the gas as fuel expense on the statement of operations when received.

The revenue generated by Chugach's interest in the BRU operations was primarily associated with the gas sold to ENSTAR, pursuant to the aforementioned contract, which expired December 31, 2017. Chugach recognized revenue from the BRU in the amount of \$6.6 million and \$2.8 million in December 31, 2017 and 2016, respectively.

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Chugach records depreciation, depletion and amortization on BRU assets based on units of production. During 2018, Chugach lifted 1.2 Bcf resulting in a cumulative lift since purchase of 4.5 Bcf of the approximate 25.1 Bcf in Chugach's proven developed reserves. Chugach, and other owners, ML&P and Hilcorp, are operating under an existing Joint Operating Agreement. Hilcorp is the operator for BRU. In addition to the operator fees to Hilcorp, other BRU expenses include royalty expense and interest on long-term debt. All expenses other than depreciation, depletion and amortization and interest on long-term debt are included as fuel expense on Chugach's statement of operations. Chugach has applied and qualified for a small producer tax credit, provided by the State of Alaska, resulting in an estimate of no liability for production taxes for a period of ten years, through 2026. The revenue in excess of expenses less the allowed TIER from BRU operations is adjusted through Chugach's fuel and purchased power adjustment process.

(16) ML&P Acquisition

In December 2017, the Mayor of Anchorage, Alaska, announced plans to place a proposition on the April 3, 2018 municipal ballot allowing the voters to authorize the sale of ML&P to Chugach. The proposition was approved by Anchorage voters 65.08% to 34.92% per the certified election results. Chugach and the Municipality of Anchorage ("MOA") negotiated final sales agreements and associated documents. The sale of ML&P was approved by the Anchorage Assembly on December 4, 2018 and the Chugach Board of Directors gave its final approval on December 19, 2018.

On December 28, 2018, Chugach entered into an Asset Purchase and Sale Agreement ("APA") with the MOA to acquire substantially all of the assets, and certain specified liabilities of ML&P, subject to approval by the Regulatory Commission of Alaska ("RCA"). On December 28, 2018, Chugach also entered into an Eklutna Power Purchase Agreement, a Payment in Lieu of Taxes Agreement and a BRU Fuel Agreement ("Ancillary Agreements") with the MOA.

Pursuant to the APA, Chugach and the MOA will jointly submit applications to amend their respective CPCNs to permit Chugach to provide electric service in ML&P's legacy service territory. Additionally, Chugach and MOA will cooperate to obtain an order from the RCA approving the Ancillary Agreements and allowing Chugach to recover the costs associated with the transaction. Following RCA approval, a closing date will be scheduled for the transaction within 120 days. Upon closing, Chugach will transfer the purchase price of \$767.8 million less the estimated accrued leave liability and the estimated net book value of designated excluded assets. The APA also includes terms for post-closing purchase price adjustments.

The Eklutna Power Purchase Agreement, which will be effective upon closing, provides for the purchase of all or a portion of ML&P's share of generation from the Eklutna Hydroelectric Project by Chugach from MOA for a period of 35 years at specified fixed prices each year.

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The Payment in Lieu of Taxes Agreement (“PILT Agreement”), which will be effective upon closing, provides for Chugach to make annual payments in lieu of taxes to the MOA for a period of 50 years based on current millage rates and the adjusted book value of property for ML&Ps service territory as in existence at the closing as adjusted each year. The PILT Agreement also provides that until December 31, 2033, Chugach shall only collect amounts associated with those annual PILT payments from retail customers in the legacy ML&P territory. Thereafter, the annual PILT payments shall be collected from all Chugach retail customers.

The BRU Fuel Agreement, which will be effective upon closing, provides that through December 31, 2033, Chugach will use gas attributable to production in the portion of the Beluga River Unit acquired from MOA to serve retail customers of Chugach within the legacy ML&P territory at a specified gas transfer price and will use any excess gas to serve other customers of Chugach at the same specified gas transfer price.

(17) Revenue From Contracts With Customers

a. Nature of goods and services

The following is a description of the contracts and customer classes from which Chugach generates revenue.

i. Energy Sales

Energy sales revenues are Chugach’s primary source of revenue, representing approximately 95.5% and 92.7% of total operating revenue during the year ended December 31, 2018 and 2017, respectively. Energy sales revenues are recognized upon delivery of electricity, based on billing rates authorized by the RCA, which are applied to customers’ usage of electricity. Chugach’s rates are established, in part, on test period sales levels that reflect actual operating results. Chugach’s tariffs include provisions for the recovery of gas costs according to gas supply contracts and costs associated with the BRU operations, as well as purchased power costs.

Expenses associated with electric services include fuel purchased from others and produced from Chugach’s interest in the BRU, both of which are used to generate electricity, as well as power purchased from others. Chugach is authorized by the RCA to recover fuel and purchased power costs through the fuel and purchased power adjustment process, which is adjusted quarterly to reflect increases and decreases of such costs. The amount of fuel and purchased power revenue recognized is equal to actual fuel and purchased power costs. We recognize differences between projected recoverable fuel and purchased power costs and amounts actually recovered through rates. The fuel cost under/over recovery on our balance sheet represents the net accumulation of any under- or over-collection of fuel and purchased power costs. Fuel cost under-recovery will appear as an asset on our balance sheet and will be collected from our members in subsequent periods. Conversely, fuel cost over-recovery will appear as a liability on our balance sheet and will be refunded to our members in subsequent periods.

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Customer Class	Nature, timing of satisfaction of performance obligations, and significant payment terms
Retail	Retail energy customers can have up to four components of monthly billing included in revenue – energy, fuel and purchased power, demand and customer charge. The energy rate and fuel and purchased power surcharge are applied by kilowatt hour (kWh) usage. The demand charge is applied by kilowatt (kW). The customer charge is a monthly amount applied by meter.
Wholesale	Classified as firm energy sales. Four components of monthly billing are included in revenue – energy, fuel and purchased power, demand and customer charge. The energy rate and fuel and purchased power surcharge are applied by kWh usage. The demand charge is applied by kW. The customer charge is a monthly amount applied by meter.
Economy	Classified as non-firm energy sales. Three components of monthly billing are included in revenue – fuel, operations and maintenance, and margin. The actual fuel costs are billed per thousand cubic feet (Mcf) used. The operations and maintenance and margin rates are applied by megawatt hour (MWh) usage.

Payment on energy sales invoices to all customer classes above are due within 15 to 30 days.

Chugach calculates unbilled revenue, for residential and commercial customers, at the end of each month to ensure the recognition of a full month of revenue. Chugach accrued \$10,296,532 and \$10,674,543 of unbilled retail revenue at December 31, 2018 and 2017, respectively, which is included in accounts receivable on the balance sheet. Revenue derived from wholesale and economy customers is recorded from metered locations on a calendar month basis, so no estimation is required.

The collectability of our energy sales is very high with typically 0.10% written off as bad debt expense, adjusted annually.

There were no costs associated with obtaining any of these contracts, therefore no asset was recognized or recorded associated with obtaining any contract.

ii. Wheeling

Wheeling represented 3.3%, 3.4%, and 2.9% of our revenue during the year ended December 31, 2018, 2017, and 2016, respectively. Wheeling was recorded through the wheeling of energy across Chugach’s transmission lines at rates set by utility tariff and approved by the RCA. The rates are applied to MWh of energy wheeled. The collectability of wheeling is very high, with no adjustment required.

iii. Gas Sales

There were no gas sales during the year ended December 31, 2018. Gas sales represented 3.0% and 1.4% of our revenue during the years ended December 31, 2017 and 2016, respectively. Gas sales were recorded through the transfer of natural gas and billed monthly, using Mcf as the unit of measure, and the RCA approved gas transfer price, revised annually. The collectability of gas sales was very high, with no adjustment required.

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iv. Other Miscellaneous Services

Other miscellaneous services consist of various agreements including dispatch service and gas transfer agreements, pole rentals and microwave bandwidth. Revenue from these agreements is billed monthly and represented 1.2%, 0.9%, and 1.1% of our total operating revenue during the years ended December 31, 2018, 2017, and 2016, respectively. The revenue recognized from these agreements is recorded as the service is provided over a period of time. The collectability of these agreements is very high, with no adjustment required.

b. Disaggregation of Revenue

The table below details the revenue recognized by customer class and disaggregates base revenue from fuel and purchased power revenue recognized in the Consolidated Statement of Operations for the year ended December 31, 2018 and 2017 (in millions).

	Base Rate Sales Revenue			Fuel and Purchased Power Revenue			Total Revenue		
	2018	2017	% Variance	2018	2017	% Variance	2018	2017	% Variance
Retail	\$ 121.2	\$ 122.5	(1.1%)	\$ 66.7	\$ 75.6	(11.8%)	\$ 187.9	\$ 198.1	(5.1%)
Wholesale	\$ 2.0	\$ 2.1	(4.8%)	\$ 3.2	\$ 3.8	(15.8%)	\$ 5.2	\$ 5.9	(11.9%)
Economy	\$ 0.0	\$ 0.7	(100.0%)	\$ 0.0	\$ 3.6	(100.0%)	\$ 0.0	\$ 4.3	(100.0%)
Total Energy Sales	\$ 123.2	\$ 125.3	(1.7%)	\$ 69.9	\$ 83.0	(15.8%)	\$ 193.1	\$ 208.3	(7.3%)
Wheeling	\$ 0.0	\$ 0.0	0.0%	\$ 6.7	\$ 7.7	(13.0%)	\$ 6.7	\$ 7.7	(13.0%)
Gas Sales	\$ 0.0	\$ 0.0	0.0%	\$ 0.0	\$ 6.6	(100.0%)	\$ 0.0	\$ 6.6	(100.0%)
Other	\$ 2.4	\$ 2.0	20.0%	\$ 0.1	\$ 0.1	0.0%	\$ 2.5	\$ 2.1	19.0%
Total Miscellaneous	\$ 2.4	\$ 2.0	20.0%	\$ 6.8	\$ 14.4	(52.8%)	\$ 9.2	\$ 16.4	(43.9%)
Total Revenue	\$ 125.6	\$ 127.3	(1.3%)	\$ 76.7	\$ 97.4	(21.3%)	\$ 202.3	\$ 224.7	(10.0%)

The table below details the revenue recognized by customer class and disaggregates base revenue from fuel and purchased power revenue recognized in the Consolidated Statement of Operations for the year ended December 31, 2017, and 2016 (in millions).

	Base Rate Sales Revenue			Fuel and Purchased Power Revenue			Total Revenue		
	2017	2016	% Variance	2017	2016	% Variance	2017	2016	% Variance
Retail	\$ 122.5	\$ 121.7	0.7%	\$ 75.6	\$ 59.1	27.9%	\$ 198.1	\$ 180.8	9.6%
Wholesale	\$ 2.1	\$ 2.2	(4.5%)	\$ 3.8	\$ 2.8	35.7%	\$ 5.9	\$ 5.0	18.0%
Economy	\$ 0.7	\$ 0.5	40.0%	\$ 3.6	\$ 0.8	350.0%	\$ 4.3	\$ 1.3	230.8%
Total Energy Sales	\$ 125.3	\$ 124.4	0.7%	\$ 83.0	\$ 62.7	32.4%	\$ 208.3	\$ 187.1	11.3%
Wheeling	\$ 0.0	\$ 0.0	0.0%	\$ 7.7	\$ 5.7	35.1%	\$ 7.7	\$ 5.7	35.1%
Gas Sales	\$ 0.0	\$ 0.0	0.0%	\$ 6.6	\$ 2.8	135.7%	\$ 6.6	\$ 2.8	135.7%
Other	\$ 2.0	\$ 2.0	0.0%	\$ 0.1	\$ 0.1	0.0%	\$ 2.1	\$ 2.1	0.0%
Total Miscellaneous	\$ 2.0	\$ 2.0	0.0%	\$ 14.4	\$ 8.6	67.4%	\$ 16.4	\$ 10.6	54.7%
Total Revenue	\$ 127.3	\$ 126.4	0.7%	\$ 97.4	\$ 71.3	36.6%	\$ 224.7	\$ 197.7	13.7%

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c. Contract Balances

The table below provides information about contract receivables, contract assets and contract liabilities.

	December 31, 2018	December 31, 2017
Contract receivables, included in accounts receivable	\$ 27,179,031	\$ 31,215,494
Contract asset	0	4,921,794
Contract liabilities	5,196,426	1,581,481

Contract receivables represent amounts receivable from retail, wholesale, economy, wheeling, and BRU customers.

The contract asset consists of the fuel cost under-recovery and represents the under-collection of fuel and purchased power costs through the fuel and purchased power adjustment process, which will be collected from customers in the following quarter.

Contract liabilities consist of credit balances and fuel cost over-recovery. Credit balances are reported as consumer deposits and represent the prepaid accounts of retail customers and are recognized in revenue as the customer uses electric service. Fuel cost over-recovery represents the over-collection of fuel and purchased power costs through the fuel and purchased power adjustment process, which will be refunded to customers through lower rates in the following quarter.

Significant changes in the contract assets and liabilities balances during the year ended December 31, 2018, are as follows:

	Contract assets Increase (decrease)	Contract liabilities (Increase) decrease
Revenue recognized that was included in the contract liability balance at the beginning of the period	\$ 0	\$ (1,581,481)
Revenue recognized and transferred from contract asset at the beginning of the period	(4,921,794)	0
Cash received, excluding amounts recognized as revenue during the period	0	5,196,426
Net change	\$ (4,921,794)	\$ 3,614,945

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d. Transaction Price Allocated to Remaining Performance Obligations

The table below includes estimated revenue to be recognized in 2019 related to performance obligations that are unsatisfied (or partially unsatisfied) at December 31, 2018.

	2018
Credit balances	\$ 1,808,131
Fuel cost over-recovery	3,388,295

Credit balances are primarily associated with Chugach’s LevelPay program. The program calculates the monthly amount to be collected from customers annually. It is anticipated the balance will be recognized in revenue within the following year as customers consume electricity.

Chugach’s fuel cost over- and under- recovery are adjusted quarterly, therefore, amounts over or under collected will be collected or refunded in the following quarter.

(18) Commitments and Contingencies

Contingencies

Chugach is a participant in various legal actions, rate disputes, personnel matters and claims both for and against Chugach’s interests. Management believes the outcome of any such matters will not materially impact Chugach’s financial condition, results of operations or liquidity. Chugach establishes reserves when a particular contingency is probable and calculable. Chugach has not accrued for any contingency at December 31, 2018, as it does not consider any contingency to be probable nor calculable. Chugach faces contingencies that are reasonably possible to occur; however, they cannot currently be estimated.

Concentrations

Approximately 70% of our employees are members of the International Brotherhood of Electrical Workers (“IBEW”). Chugach has three Collective Bargaining Unit Agreements (“CBA”) with the IBEW. We also have a CBA with the Hotel Employees and Restaurant Employees (HERE). All three IBEW CBA’s and the HERE CBA have been renewed through June 30, 2021.

Fuel Supply Contracts

Chugach entered into a gas contract with Hilcorp effective January 1, 2015, to provide gas through March 31, 2018. On September 15, 2014, the RCA approved an amendment to the Hilcorp gas purchase agreement extending gas delivery and subsequently filling 100% of Chugach’s needs through March 31, 2019. On September 8, 2015, the RCA approved another amendment to the Hilcorp gas purchase agreement extending the term of the agreement, thus filling up to 100% of Chugach’s needs through March 31, 2023. The total amount of gas under this contract is estimated to be 60 Bcf. All of the production is expected to come from Cook

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Inlet, Alaska. The terms of the Hilcorp agreement require Chugach to manage the natural gas transportation over the connecting pipeline systems. Chugach has gas transportation agreements with ENSTAR Natural Gas Company (“ENSTAR”) and Hilcorp.

The RCA approved a natural gas supply contract with Marathon Alaska Production, LLC (“MAP”) effective May 17, 2010. This contract includes two contract extensions that were exercised in 2011. Effective February 1, 2013, this gas purchase agreement was assigned to Hilcorp, who purchased MAP’s assets in Cook Inlet. This contract began providing gas April 1, 2011, and will expire March 31, 2023. The total amount of gas under contract is currently estimated up to 49 Bcf. These contracts fill 100% of Chugach’s needs through March 31, 2023. All of the production is expected to come from Cook Inlet, Alaska.

In 2018, 75% of our electric energy was generated from gas, with 4% generated at the Beluga Power Plant and 90% generated at SPP. In 2017, 81% of our power was generated from gas, with 14% generated at Beluga and 81% generated at SPP.

The following represents the cost of fuel purchased and or transported from various vendors as a percentage of total fuel costs for the years ended December 31:

	2018	2017	2016
Hilcorp	90.9 %	88.4 %	56.9 %
Furie	0.6 %	5.3 %	0.0 %
ConocoPhillips (COP)	0.0 %	0.0 %	32.0 %
AIX Energy	0.0 %	0.1 %	0.7 %
ENSTAR	4.9 %	3.4 %	4.7 %
Harvest (Hilcorp) Pipeline	3.6 %	2.1 %	3.2 %
Miscellaneous	0.0 %	0.7 %	2.5 %

Patronage Capital Payable

Pursuant to agreements reached with HEA and MEA, and discussed in *Note (9) – “Patronage Capital,”* patronage capital allocated or retired to HEA or MEA is classified as patronage capital payable on Chugach’s balance sheet. The Board of Directors approved a capital credit retirement payment on November 5, 2018. MEA received a retirement payment of \$3.4 million, decreasing their payable to \$1.5 million at December 31, 2018. We finalized an agreement with HEA in September 2017, which spread their retirement payments between 2017 and 2020 in increments of \$2.0 million annually. As a result, \$2.0 million of HEA’s patronage capital payable was retired and paid in 2018 and 2017, and \$2.0 million of HEA’s patronage capital was reclassified to a current payable under other current liabilities leaving \$1.9 million in long term patronage capital payable at December 31, 2018. At December 31, 2017, total patronage capital payable to HEA and MEA was \$5.9 million and \$4.9 million, respectively.

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Regulatory Cost Charge

In 1992, the State of Alaska Legislature passed legislation authorizing the Department of Revenue to collect a Regulatory Cost Charge from utilities to fund the governing regulatory commission, which is currently the RCA. The tax is assessed on all retail consumers and is based on kilowatt-hour (kWh) consumption. The tax is collected monthly and remitted to the State of Alaska quarterly. The Regulatory Cost Charge has changed since its inception (November of 1992) from an initial rate of \$0.000626 per kWh to the current rate of \$0.000978, effective July 1, 2018. The tax is reported on a net basis and the tax is not included in revenue or expense.

Sales Tax

Chugach collects sales tax on retail electricity sold to Kenai and Whittier consumers. The tax is collected monthly and remitted to the Kenai Peninsula Borough quarterly. Sales tax is reported on a net basis and the tax is not included in revenue or expense.

Gross Revenue Tax

Chugach pays to the State of Alaska a gross revenue tax in lieu of state and local ad valorem, income and excise taxes on electricity sold in the retail market. The tax is collected monthly and remitted annually.

Underground Compliance Charge

In 2005, the Anchorage Municipal Assembly adopted an ordinance to require utilities to convert overhead distribution lines to underground. To comply with the ordinance, Chugach must expend two percent of a three-year average of gross retail revenue within the Municipality of Anchorage annually in moving existing distribution overhead lines underground. Consistent with Alaska Statutes regarding undergrounding programs, Chugach is permitted to amend its rates by adding a two percent charge to its retail members' bills to recover the actual costs of the program. The rate amendments are not subject to RCA review or approval. Chugach's liability was \$7,270,099 and \$4,206,223 for this charge at December 31, 2018 and 2017, respectively, and is included in other current liabilities. These funds are used to offset the costs of the undergrounding program.

Environmental Matters

Chugach includes costs associated with environmental compliance in both our operating and capital budgets. We accrue for costs associated with environmental remediation obligations when those costs are probable and reasonably estimated. We do not anticipate that environmental related expenditures will have a material effect on our results of operations or financial condition. We cannot, however, predict the nature, extent or cost of new laws or regulations relating to environmental matters.

The Clean Air Act and Environmental Protection Agency ("EPA") regulations under the Clean Air Act establish ambient air quality standards and limit the emission of many air pollutants. New Clean Air Act regulations impacting electric utilities may result from future events or new regulatory programs. An Executive Order promoting energy independence and economic growth

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was issued on March 28, 2017, by the President instructing the EPA to review the Clean Power Plan. On August 21, 2018 the EPA moved forward with the Affordable Clean Energy (“ACE”) proposed regulation rule which would establish emission guidelines for states to develop plans to address GHG emissions from existing coal-fired power plants. The ACE rule would replace the 2015 Clean Power Plan (“CPP”), which the EPA has proposed to repeal because it exceeded EPA authority. The CPP was stayed by the U.S. Supreme Court and has never gone into effect. The comment period for the proposed ACE rule has closed and the EPA is currently reviewing and responding to the comments received. When the final rule is promulgated it is certain to face legal challenge. The proposed Affordable Clean Energy regulation, in its current form, is not expected to have a material effect on Chugach’s financial condition, results of operations, or cash flows. While Chugach cannot predict the implementation of any additional new law or regulation, or the limitations thereof, it is possible that new laws or regulations could increase capital and operating costs. Chugach has obtained or applied for all Clean Air Act permits currently required for the operation of generating facilities.

Chugach is subject to numerous other environmental statutes including the Clean Water Act, the Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Endangered Species Act, and the Comprehensive Environmental Response, Compensation and Liability Act and to the regulations implementing these statutes. Chugach does not believe that compliance with these statutes and regulations to date has had a material impact on its financial condition, results of operation or cash flows. However, the implementation of any additional new law or regulation, or the limitations thereof, or changes in or new interpretations of laws or regulations could result in significant additional capital or operating expenses. Chugach monitors proposed new regulations and existing regulation changes through industry associations and professional organizations.

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(19) Quarterly Results of Operations (unaudited)

2018 Quarter Ended

	Dec. 31	Sept. 30	June 30	March 31
Operating Revenue	\$ 54,092,291	\$ 46,114,590	\$ 45,988,583	\$ 56,057,278
Operating Expense	44,361,690	42,244,792	41,492,627	47,472,116
Net Interest	5,477,364	5,388,981	5,433,913	5,557,372
Net Operating Margins	4,253,237	(1,519,183)	(937,957)	3,027,790
Nonoperating Margins	105,621	222,773	110,423	100,170
Assignable Margins	<u>\$ 4,358,858</u>	<u>\$ (1,296,410)</u>	<u>\$ (827,534)</u>	<u>\$ 3,127,960</u>

2017 Quarter Ended

	Dec. 31	Sept. 30	June 30	March 31
Operating Revenue	\$ 62,934,930	\$ 49,405,607	\$ 51,554,650	\$ 60,793,482
Operating Expense	52,778,100	44,850,594	48,365,752	51,223,238
Net Interest	5,575,665	5,569,961	5,535,031	5,520,479
Net Operating Margins	4,581,165	(1,014,948)	(2,346,133)	4,049,765
Nonoperating Margins	157,569	207,513	201,916	211,877
Assignable Margins	<u>\$ 4,738,734</u>	<u>\$ (807,435)</u>	<u>\$ (2,144,217)</u>	<u>\$ 4,261,642</u>

Item 9 – Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A – Controls and Procedures

Evaluation of Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, we carried out an evaluation of the effectiveness of the design and operation of our “disclosure controls and procedures” (as defined in the Securities Exchange Act of 1934 (Exchange Act) Rule 13a-15(e)) under the supervision and with the participation of our management, including our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”). Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be disclosed in our periodic reports to the SEC, ensures that such information is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and such information is accumulated and communicated to our management, including our CEO and CFO, to allow timely decisions regarding required disclosure. The design of any system of controls is based in part upon various assumptions about the likelihood of future events, and there can be no assurance that any of our plans, products, services or procedures will succeed in achieving their intended goals under future conditions.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting identified in connection with the evaluation that occurred during the quarter ended December 31, 2018, that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal controls over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Under the supervision and with the participation of our management, including our CEO and CFO, we assessed the effectiveness of our internal controls over financial reporting as of December 31, 2018, using the criteria set forth in “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) (2013 framework). Based on this assessment, management believes that, as of December 31, 2018, Chugach maintained effective internal controls over financial reporting.

Independent Registered Accountant's Internal Control Attestation

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to applicable law.

Item 9B – Other Information

None.

PART III

Item 10 – Directors, Executive Officers and Corporate Governance

Chugach operates under the direction of a Board of Directors (“Board”) that is elected at large by our membership. Day-to-day business and affairs are administered by the CEO. Our seven-member Board sets policy and provides direction to the CEO. Each statutory officer must be a member of the Board, but these officers do not participate in the day-to-day management of Chugach. No member of the Board is an employee of Chugach nor does any member of the Board have a material relationship with Chugach. Therefore, the Board has determined that all members are independent. Our Board of Directors oversees Chugach’s risk management, satisfying itself that our risk management practices are consistent with our corporate strategy.

Identification of Directors

Candidates for our Board of Directors may be nominated by a Nominating Committee or by petition. The Nominating Committee is comprised of members selected from different sections of the service area of Chugach. No member of the Board may serve on the Nominating Committee. The Nominating Committee reviews the qualifications of the Board candidates and nominates candidates for election at the annual meeting. Any 50 or more members, acting together, may make other nominations by petition.

As required by our bylaws, all of the members of our Board are elected solely by the vote of our members. We do not have any direct role in the nomination of the candidates or the election of members to our Board. Therefore, the following director biographies do not include a discussion of the specific experience, qualifications, attributes or skills that led our members to the conclusion that a person should serve as a director on our Board.

Bettina Chastain, 54, Chair, is a private consultant at Arktis, LLC. She has spent her career as an executive, business owner and engineer, providing technical and management consulting services to the oil and gas and energy sectors in Alaska, nationally and internationally. She has been a very active member of the community serving on several non-profit boards for many years. She was elected to the Board in May of 2015. She currently serves as a member of the Operations Committee, Governance Committee, and Audit and Finance Committee. She is a National Rural Electric Cooperative Association Credentialed Cooperative Director and has earned her Board Leadership Certificate. Her term expires in May of 2019.

Susan Reeves, 70, Vice Chair, is a founding member of Reeves Amodio LLC, where she practices law. She has been active on Alaska non-profit boards and commissions for many years. She was elected to the Board in 2010 and re-elected in 2013 and 2016. She currently serves as the Chair of the Governance Committee, the Vice Chair of the Operations Committee, and as a member of the Audit and Finance Committee. She is a National Rural Electric Cooperative Association Credentialed Cooperative Director. Her term expires in May of 2020.

Rachel Morse, 47, Treasurer, is a partner with Blue Skies Solutions, LLC. She has been a partner with Blue Skies Solutions, LLC since the business's inception in 2003. Ms. Morse took on the role of Interim Executive Director of the Anchorage Downtown Partnership in July 2018. Ms. Morse was Assistant Vice Chancellor for Alumni Relations at the University of Alaska Anchorage (UAA). She has also served as Development Director for the Rural Alaska Community Action Program, Inc., and Executive Director at the Bird Treatment and Learning Center. She has been a Chugach member for more than 17 years and served on the Nominating Committee from 2015-2017. She was appointed to the Board in December 2017 and re-elected in May of 2018. She currently serves as the Chair of the Audit and Finance Committee and Vice Chair of the Governance Committee. Her term expires in May of 2022.

Stuart Parks, 55, Secretary, is a Vice President with NANA WorleyParsons. He has been with NANA WorleyParsons and its related companies since 1990. During the last ten years, he has been responsible for leadership and management, business development, strategy development, contract management, market analysis, customer relations and program/project management. Prior to his appointment to the Board Mr. Parks served on Chugach's Renewable Energy Committee. He was appointed to the Board in January 2017 and re-elected in May 2017. He currently serves as the Chair of the Operations Committee. His term expires in May of 2021.

Jim Henderson, 72, Director, is a principal with New American Financial Group in the financial services industry. He specializes in asset-based finance products, reorganization and refinancing of distressed companies, and accounting and disposition of capital assets. His primary emphasis is transportation, industrial machinery and aviation operations, assets and industry development. He has over 35 years of experience in consulting and analysis and finance of capital assets. Mr. Henderson has served on various committees for Chugach in the past. He was elected to the Board in 2011 and re-elected in 2014 and 2018. He currently serves as a member of the Audit and Finance Committee and Governance Committee. He is a National Rural Electric Cooperative Association Credentialed Cooperative Director and has earned his Board Leadership Certificate and Director Gold Credential. His term expires in May of 2022.

Harry T. Crawford, Jr., 66, Director, is a former Alaska State Legislator, retired iron worker and a small real estate developer. He was elected to the Board in 2011 and re-elected in 2014 and 2017. He currently serves as a member of the Operations and Governance Committees. He is a National Rural Electric Cooperative Association Credentialed Cooperative Director and has earned his Board Leadership Certificate. His term expires in May of 2020.

Harold Hollis, 67, Director, is currently the Vice President, Construction & Engineering for NANA Development Corporation in Anchorage. He was previously a principal owner and Senior Vice President at Coffman Engineers, Inc., and has also worked as Vice President of WHPacific, Inc. He is a professional engineer and Alaska resident for more than 35 years. He has a background in leadership, management, strategic growth, business development, engineering, construction and operations. He was appointed to the Board on July 25, 2018. He currently serves as the Vice Chair of the Audit and Finance Committee and a member of the Operations Committee. His term expires in May of 2019.

Identification of Executive Officers

Lee D. Thibert, 63, was appointed Chief Executive Officer effective July 17, 2016. Prior to that appointment, Mr. Thibert served as Sr. Vice President, Strategic Development and Regulatory Affairs since July 1, 2013, Sr. Vice President, Strategic Planning and Corporate Affairs since June 11, 2008, Sr. Vice President, Power Delivery from March 20, 2006, to February 1, 2008, General Manager, Distribution Division since January 31, 2005, Sr. Vice President, Power Delivery since June 3, 2002, Executive Manager, Transmission & Distribution Network Services since June 1, 1997, Executive Manager, Operating Divisions from June of 1994. Before moving up to the Executive Manager position, he served as Director of Operations from May of 1987.

Sherri Highers, 50, was appointed Chief Financial Officer and Sr. Vice President, Finance and Administration on October 26, 2018. Prior to this appointment, she served as Chief Financial Officer and Vice President, Finance and Administration since July 23, 2013, Manager, Budget and Financial Reporting since December 1, 2005, Senior Financial Analyst since October 18, 2002, Financial Analyst since October 18, 1999, and Accountant since April 6, 1998.

Brian J. Hickey, 60, was appointed Chief Operating Officer effective January 1, 2019. Prior to that appointment he served as Sr. Vice President, System Operations since January 1, 2017, and Executive Manager, Grid Development since June 5, 2012. Prior to that appointment he was a Sr. Project Manager for NANA WorleyParsons and Electric Power Systems, where he managed power plant and hydrocarbons projects in Alaska's Railbelt and on Alaska's North Slope since March 2008. Prior to that, he served Chugach for twenty years in various senior management roles including System Operations Supervisor, Manager of Substation Operations, Manager of Power Control, Director of Technical Services and lastly Vice President, Power Delivery. Mr. Hickey is a registered Professional Electrical Engineer, registered project management professional, holds a Bachelor of Science in Electrical Engineering, masters certificate in project management and a master's degree in global finance.

Paul R. Risse, 64, was appointed Sr. Vice President, Production & Engineering on January 1, 2017. Prior to that appointment, he served as Sr. Vice President, Power Supply since October 27, 2008. Prior to that appointment, he served as Acting Sr. Vice President, Power Supply since December 6, 2007. Prior to that appointment, Mr. Risse served as Director of Generation Technical Services since March 27, 2006; Manager, Plant Technical Services since January 1, 2003; Project Manager since August 15, 2000; Project Engineer since April 5, 2000; and Manager Substation Operations since January 25, 1995. Prior to his current Chugach employment, Mr. Risse served in various Transmission and Generation positions at Southern California Edison. Mr. Risse is a registered professional engineer, and holds a Bachelor of Science degree in Electrical Engineering and a Masters of Business Administration (MBA).

Tyler E. Andrews, 53, was appointed Sr. Vice President, Employee Services and Communications on October 26, 2018. Prior to that appointment he served as Vice President, Employee Services and Communications since June 7, 2018. Prior to that appointment he served as Vice President, Member and Employee Services since September 9, 2013. Prior to that appointment he served as Vice President, Human Resources since March 17, 2008. Mr. Andrews has over 20 years of experience in Human Resources and Labor Relations. Since June of 2008, Mr. Andrews has also served as an appointed board member of the State of Alaska's labor relations agency. Prior to his employment with Chugach, Mr. Andrews served as the Sr. Manager of Labor Relations for Alaska Communications Systems. Prior to that, he served more than 10 years with the State of Alaska in a wide range of Human Resources and Labor Relations functions including Human Resources Manager and Chief Spokesperson on numerous collective bargaining teams.

Arthur W. Miller, 55, was appointed Sr. Vice President, Regulatory and External Affairs on October 26, 2018. Prior to that appointment he served as Vice President, Regulatory and External Affairs since January 2, 2018. Prior to becoming Vice President, he served as Executive Manager, Regulatory and External Affairs since July 18, 2016. Prior to this appointment, Mr. Miller held the Director, Regulatory Affairs and Pricing position since August 2009. He has served as a manager of the Regulatory Affairs and Pricing department since January 1996 and worked as a Senior Rate Analyst from June 1993 after being hired as a Rate Analyst in June 1990.

Matthew C. Clarkson, 34, was appointed Vice President, General Counsel on December 19, 2018. Prior to becoming Vice President, he served as General Counsel since he was hired on March 12, 2018. Prior to his employment with Chugach, Mr. Clarkson was in private practice for more than 6 years focusing primarily on utility regulation, regulatory litigation, civil litigation, and civil and administrative appeals. Prior to practicing as an attorney, Mr. Clarkson attended Washington University in St. Louis School of Law where he graduated in May of 2011.

Code of Ethics

Chugach finalized a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer and any person performing similar functions on June 16, 2004. In February of 2009, Chugach contracted with an outside firm to provide a financial reporting hotline to support the code of ethics. It is also posted on Chugach's website at www.chugachelectric.com.

Nominating Committee

Chugach has not made any material changes to the procedures by which our membership may recommend nominees to our Board. The Board appoints a Nominating Committee each year. The Nominating Committee consists of members selected from different sections of the service area of Chugach. No member of the Board may serve on the Nominating Committee. The Nominating Committee reviews the qualifications of the Board candidates and nominates candidates for election at the annual meeting. The Nominating Committee considers diversity, skills, and such other factors as it deems appropriate given the current needs of the Board and Chugach. Any 50 or more members, acting together, may make other nominations by petition. All of our current Board members were nominated by the Nominating Committee.

Audit and Finance Committee Financial Expert

The Board relies on the advice of all members of the Audit and Finance Committee therefore the Board has not formally designated an Audit and Finance Committee financial expert.

Identification of the Audit and Finance Committee

Chugach Board Policy No. 127, “Audit and Finance Committee Charter,” defines the Audit and Finance Committee as follows:

The Audit and Finance Committee shall be comprised of three or more directors as determined by the Board. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Association or an outside consultant or other programs. The Committee may also retain the services of a qualified accounting professional with auditing expertise to assist it in the performance of its responsibilities.

The Board Chair shall appoint the Board Treasurer as Audit and Finance Committee Chairperson. The Audit and Finance Committee shall elect from its members a Vice Chair, and appoint a recording secretary as needed. Members of the 2018 Audit and Finance Committee include Chair Rachel Morse, Vice Chair Harold Hollis and Directors Susan Reeves, Jim Henderson, and Bettina Chastain.

The disclosure required by Rule 10A-3(d) of the Exchange Act regarding exemption from the listing standards for audit committees is not applicable to the Chugach Audit and Finance Committee.

Item 11 – Executive Compensation

Compensation Discussion and Analysis

In 1986, the NRECA developed the COMPensate wage and salary plan to provide its members with a systematic and standardized method to evaluate jobs in their specific cooperative, grade them, compare wages and salaries with those in similar electric utility systems and in the external marketplace and then create and apply statistically determined, equitable pay scales. In 1988, the Chugach Board approved implementation of NRECA’s COMPensate wage and salary plan for non-bargaining unit employees, excluding the CEO and COO, with the objective of establishing wages and salaries for non-bargaining unit employees that would attract and retain qualified personnel and encourage their superior performance, growth and development.

Each year the NRECA regression analysis/compensation model is updated with current salary survey values to ensure that the ranges reflect fair market value. The overall change to the salary ranges reflects market changes to the midpoint of the salary ranges and creates an opportunity for but not a guarantee of salary increases. Salary increases are not automatic and are based on performance. Any changes to the salary plan for Chugach are approved by the Chugach Board.

Compensation Committee Interlocks and Insider Participation

Chugach does not have a compensation committee. The compensation of the CEO is determined by the Board and no other individual, whether presently or previously employed by Chugach, was a party to the deliberations undergone by the Board in determining the CEO's compensation. The compensation of the COO is determined by the CEO.

CEO Lee Thibert must maintain an overall parameter performance score to be eligible for a performance-based payment. Annual performance payments are calculated as a percentage of his base salary, ranging from 0% to 30%, based on individual and company-wide performance objectives determined by the Board. Various objectives include organizational vision and planning, leadership and management, Board relations/communications, electric system operations, organizational effectiveness, member/community relations, financial management and performance, employee relations, and project specific objectives. In 2018, upon the Board's review of the performance of the CEO with respect to these objectives, Mr. Thibert received an award of \$89,986, representing 25.4% of his base salary.

Effective January 1, 2019 Chugach's CEO entered into an employment agreement with Brian J. Hickey, 60, as COO. Pursuant to the approved term sheet, Mr. Hickey's agreement will have a term of five years effective from the date of signing, with an automatic one-year extension absent a notice of termination. Mr. Hickey's annual base salary will be \$332,000 effective November 28, 2018. This employment agreement will be consistent with the terms of Chugach's employment agreement with the CEO, excluding the dispute resolution and executive benefit plan (pension protection) provisions. All other health and welfare benefits will be paid consistent with current Chugach non-represented compensation programs.

Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		
		Threshold	Target	Maximum
Lee D. Thibert Chief Executive Officer	4/25/2018	\$ 0	\$ 89,986	\$ 98,886

The median employee was determined as of December 31, 2018, and was the same as in 2017. There has been no change to employee population or employee compensation arrangements since 2017 that would impact the calculation of the median pay ratio. The total annual compensation, excluding change in pension value, of Chugach's median employee in 2018 was \$147,622. The current CEO's total compensation, excluding change in pension value, in 2018 was 3.89 times the total compensation of Chugach's median employee.

Chugach does not have shareholders and no vote has been put before the membership to approve the CEO's compensation or the compensation of any other named executive. The salary and awards for all other named executive officers are set annually by the CEO within annual budget guidelines approved by the Board.

Compensation Committee Report

Chugach does not have a compensation committee. The Board has reviewed and discussed the disclosures included in the Compensation Discussion and Analysis with management and has recommended the disclosures be included in Chugach's Annual Report on Form 10-K.

Cash Compensation

The following table sets forth all remuneration paid by us for the last three fiscal years to our chief executive officer, chief financial officer, and three other most highly compensated executive officers:

Summary Compensation Table

Name	Year	Salary	Cash Award	Change in Pension Value and Nonqualified Deferred Compensation	All Other Compensation ¹	Total
Lee D. Thibert, Chief Executive Officer	2018	\$ 354,185	\$ 89,986	\$ 89,273	\$ 8,697	\$ 542,141
	2017	\$ 321,954	\$ 57,600	\$ 233,706	\$ 7,575	\$ 620,835
	2016	\$ 293,138	\$ 29,590	\$ 171,215	\$ 6,687	\$ 500,630
Sherri L. Highers, Chief Financial Officer	2018	\$ 199,440	\$ 37,648	\$ 119,409	\$ 1,869	\$ 358,366
	2017	\$ 185,221	\$ 29,240	\$ 98,311	\$ 1,813	\$ 314,585
	2016	\$ 176,405	\$ 18,422	\$ 75,726	\$ 932	\$ 271,485
Brian J. Hickey Chief Operating Officer	2018	\$ 233,508	\$ 44,291	\$ 147,102	\$ 5,553	\$ 430,454
	2017	\$ 219,226	\$ 34,401	\$ 70,566	\$ 3,350	\$ 327,543
	2016	\$ 208,460	\$ 7,424	\$ 54,913	\$ 3,029	\$ 273,826
Paul R. Risse Sr. Vice President, Production & Engineering	2018	\$ 224,944	\$ 44,291	\$ 77,557	\$ 5,271	\$ 352,063
	2017	\$ 216,669	\$ 34,401	\$ 61,258	\$ 5,031	\$ 317,359
	2016	\$ 211,885	\$ 17,517	\$ 126,256	\$ 4,731	\$ 360,389
Tyler E. Andrews, Sr. Vice President Employee Services & Communications	2018	\$ 197,150	\$ 37,648	\$ 76,812	\$ 1,935	\$ 313,545
	2017	\$ 183,002	\$ 29,240	\$ 48,273	\$ 28,764	\$ 289,279
	2016	\$ 178,824	\$ 15,353	\$ 41,669	\$ 8,353	\$ 244,199
Arthur W. Miller Sr. Vice President, Regulatory & External Affairs	2018	\$ 195,700	\$ 37,648	\$ 224,353	\$ 17,438	\$ 475,139
	2017	\$ 164,352	\$ 26,315	\$ 209,670	\$ 11,640	\$ 411,977
	2016	\$ 148,522	\$ 14,897	\$ 106,704	\$ 1,722	\$ 271,845

¹Includes costs for life insurance premiums, tax withholdings on awards, payment for unused vacation days, severance and non-cash awards.

Pension Benefits

We have elected to participate in the NRECA RS Plan, a multi-employer defined benefit master pension plan maintained and administered by the NRECA for the benefit of its members and their employees. Under ASC 960, "Topic 960 – Plan Accounting – Defined Benefit Pension Plans," the plan is a multi- employer plan, in which the accumulated benefits and plan assets are not determined or allocated separately to individual employers. The RS Plan is intended to be a qualified pension plan under Section 401(a) of the Code. All employees not covered by a union agreement become participants in the RS Plan on the first day of the month following completion of one year of eligibility service. An employee is credited with one year of eligibility service if he or she completes 1,000 hours of service either in his or her first 12 consecutive months of employment or in any calendar year for us or certain other employers in rural electrification (related employers). Pension benefits vest at the rate of 10% for each of the first four years of vesting service and become fully vested and non-forfeitable on the earlier of the date a participant has five years of vesting service or the date the participant attains age 55 while employed by us or a related employer. A participant is credited with one year of vesting service for each calendar year in which he or she performs at least one hour of service for us or a related employer. Pension benefits are generally paid upon the participant's retirement or death. A participant may also elect to receive pension benefits while still employed by us if he or she has reached his normal retirement date by completing 30 years of benefit service (defined below) or, if earlier, by attaining age 62. A participant may elect to receive actuarially reduced early retirement pension benefits before his or her normal retirement date provided he or she has attained age 55.

Pension benefits paid in normal form are paid monthly for the remaining lifetime of the participant. Unless an actuarially equivalent optional form of benefit payment to the participant is elected, upon the death of a participant the participant's surviving spouse will receive pension benefits for life equal to 50% of the participant's benefit. The annual amount of a participant's pension benefit and the resulting monthly payments the participant receives under the normal form of payment are based on the number of his or her years of participation in the RS Plan (benefit service) and the highest five-year average of the annual rate of his or her base salary during the last 10 years of his or her participation in the RS Plan (final average salary). Annual compensation in excess of \$265,000, as adjusted by the Internal Revenue Service for cost of living increases, is disregarded after January 1, 1989. The participant's annual pension benefit at his or her normal retirement date is equal to the product of his or her years of benefit service times final average salary times two percent. In 1998, NRECA notified us that there were employees whose pension benefits from NRECA's Retirement and Security Program would be reduced because of limitations on retirement benefits payable under Section 401(a)(17) or 415 of the Code. NRECA made available a Pension Restoration Severance Pay Plan and a Pension Restoration Deferred Compensation Plan for cooperatives to adopt in order to make employees whole for their lost benefits. In May of 1998, we adopted both of these plans to protect the benefits of current and future employees whose pension benefits would be reduced because of these limitations.

On October 16, 2002, the Board authorized an amendment to the RS Plan with an effective date of November 1, 2002. Under the amended RS Plan, the retirement benefit payable to any Participant whose retirement is postponed beyond his or her Normal Retirement Date shall be computed as of the Participant's actual retirement date. The retirement benefit payable to any Participant under the 30-Year RS Plan shall be computed as of the first day of the month in which the Participant's actual retirement date occurs.

Benefit service as of December 31, 2018, that is taken into account under the RS Plan for the executive officers is shown below with the assumptions for calculation of the present value of accumulated benefits.

Pension Benefits Table

Name	Plan	Credited Years of Service	Present Value of Accumulated Benefit	NRECA RS Payments During Last Fiscal Year ¹
Lee D. Thibert, Chief Executive Officer	Retirement Security	1.17	\$ 2,164,156	\$ 126,610
Sherri L. Highers, Chief Financial Officer	Retirement Security	19.08	\$ 773,051	\$ 0
Brian J. Hickey, Chief Operating Officer	Retirement Security	24.83	\$ 1,311,241	\$ 0
Paul R. Risse, Sr. VP, Production & Engineering	Retirement Security	1.92	\$ 138,815	\$ 0
Tyler E. Andrews, Sr. VP, Employee Services & Communications	Retirement Security	9.75	\$ 447,656	\$ 0
Arthur W. Miller, Sr. VP, Regulatory & External Affairs	Retirement Security	27.5	\$ 1,538,696	\$ 0

¹Payments issued as a result of quasi-retirements

It is assumed that participants retire at the earlier of age 62 or 30 years of benefit service and elect a lump sum benefit.

Lump sum amounts are calculated using the PBGC rate (0.75% for 2018 and 1.25% for 2017), 30-year Treasury rate (2.80% for 2018 and 2.86% for 2017) and the PPA three-segment yield rates (2.20%, 3.57%, and 4.24% for 2018 and 1.79%, 3.80%, and 4.71% for 2017) and the required IRS mortality table for lump sum payments (1994 GAR, projected to 2002, blended 50%/50% for unisex mortality in combination with the 30-year Treasury rates and RP 2000 PPA at 2018 and 2017, respectively, combined unisex 50%/50% mortality in combination with the PPA rates). The lump sum is then discounted at 4.16% interest only (no mortality is assumed) from assumed retirement date back to December 31, 2018, and 3.56% interest only (no mortality is assumed) from assumed retirement date back to December 31, 2017, to determine the present value for the appropriate year.

Deferred Compensation

Chugach participates in Vanguard’s unfunded Deferred Compensation Program (“the Program”) to allow highly compensated employees who elect to participate in the Program to defer a portion of their current compensation and avoid paying tax on the deferrals until received. As a non-qualified plan under Internal Revenue Code 457(b), the Program is not subject to non-discrimination testing. The Program is designed to help decrease current taxable income, take advantage of tax deferred compounding and set aside additional money for retirement. The money is accessible only upon separation of service, disability or death (in which case it is paid to the designated beneficiary). The distribution is taxable as income in the year received.

Deferred compensation accounts are established for the individual employees, however, they are considered to be owned by Chugach until a distribution is made. Deferred compensation plan assets would be subject to creditors’ demands in the case of bankruptcy. Deferred compensation assets are invested with Vanguard Funds, a family of no-load mutual funds. Each participant in the Program determines the investment fund or funds into which their accounts are invested. The amounts credited to the deferred compensation account, including gains and losses, are retained by Chugach until the entire amount credited to the account has been distributed to the Participant or to the Participant’s beneficiary.

Deferred Compensation Table

Name	Executive Contributions in last FY	Registrant Contributions in last FY	Aggregate Change in last FY	Aggregate Withdrawals/ Distributions	Aggregate balance at FYE
Lee D. Thibert Chief Executive Officer	\$ 18,500	\$ 0	\$ (2,142)	\$ 0	\$ 38,078
Tyler E. Andrews, Sr. Vice President, Employee Services & Communications	\$ 18,500	\$ 0	\$ (7,551)	\$ 0	\$ 128,212
Paul R. Risse Sr. Vice President, Production & Engineering	\$ 18,500	\$ 0	\$ (1,676)	\$ 0	\$ 35,930
Arthur W. Miller Sr. Vice President, Regulatory & External Affairs	\$ 18,500	\$ 0	\$ (5,636)	\$ 0	\$ 77,484

Potential Termination Payments

Pursuant to a Chugach Operating Policy, non-represented employees, including the executive officers except the Chief Executive Officer and Chief Operating Officer, who are terminated by Chugach for reasons unrelated to employee performance are entitled to severance pay for each year or partial year of service as follows: two weeks for each year of service to a maximum of 26 weeks for 13 years or more of service. If either the CEO or COO are terminated by Chugach without cause, they will receive a lump sum payment equal to 100% of their annual base salary payable and the full cost of health and welfare coverage for a period not in excess of twelve months.

The following is a list of the estimated severance payments, including the payment of accrued vacation that would be made to each of the executive officers in the case of termination not related to employee performance:

Potential Termination Payments Table

Name	Estimated Severance Payment ¹
Lee D. Thibert, Chief Executive Officer	\$ 626,955
Sherri L. Highers, Chief Financial Officer	\$ 168,113
Brian J. Hickey, Chief Operating Officer	\$ 389,898
Paul R. Risse, Sr. Vice President, Production & Engineering	\$ 306,795
Tyler E. Andrews, Sr. Vice President, Employee Services & Communications	\$ 154,736
Arthur W. Miller Sr. Vice President, Regulatory & External Affairs	\$ 298,273

¹Estimated severance payment is calculated as of the last business day of 2018.

Director Compensation

Directors are compensated for their services at the rate of \$300 per Board meeting and \$200 per other meeting at which they are representing Chugach in an official capacity within the State of Alaska, and \$350 per day when attending meetings or training outside of the State, including a fee for each day of travel, plus reimbursement of reasonable out of pocket expenses, up to a maximum of 70 meetings per year for a director and 85 meetings per year for the Chair. The Chair of the Board receives an additional \$50 per day for each day of each meeting if the Chair performs the duties of Chair at the meeting.

The following table sets forth the dollar amounts of all fees paid in cash by us for the fiscal year ending December 31, 2018, to each of our current and former Board members:

Director Compensation Table

Name	Fees Paid In Cash
Bettina Chastain, Chair and Director	\$ 22,400
Susan Reeves, Vice-Chair and Director	\$ 16,050
Stuart Parks, Secretary and Director	\$ 19,350
Rachel Morse, Treasurer and Director	\$ 19,400
Harry Crawford, Jr., Director	\$ 21,200
Jim Henderson, Director	\$ 21,700
Harold Hollis, Director	\$ 7,350
Sisi Cooper, Former Treasurer and Director	\$ 10,550
Janet Reiser, Former Chair and Director	\$ 1,600
Total	\$ 139,600

Chugach's annual membership meeting was held on May 22, 2018. One board member, Jim Henderson, was re-elected to a four-year term and one appointed board member, Rachel Morse, was elected to a four-year term. Sisi Cooper resigned from the Board effective June 20, 2018, due to not meeting the residency requirements within Chugach's bylaws as determined by the Board. The Board appointed Harold Hollis on July 25, 2018, to fill the vacancy left as a result of Sisi Cooper's resignation.

Item 12 – Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Not Applicable

Item 13 – Certain Relationships and Related Transactions, and Director Independence

The Chugach Board has a written “Prohibited Conduct and Conflict of Interest” policy and procedures for review and approval of related-party transactions. If a related-party transaction subject to review involves directly or indirectly:

- The CEO or a member of the Board (or an immediate family member or domestic partner of the CEO or Board member), the remaining Board members will conduct the review.
- An employee (or an immediate family member or domestic partner of the employee), the CEO will conduct the review and shall determine whether it is necessary to inform the Board.

Among other factors, the nature of the transaction and whether the transaction or relationship impairs the ability of the employee or director to serve the best interests of Chugach are evaluated during the review.

There are no relationships or transactions to which Chugach is a party, or intended to be a party, subject to disclosure under Item 404(a) of Regulation S-K.

Item 14 – Principal Accounting Fees and Services

The Audit and Finance Committee of the Board retained KPMG LLP as the independent registered public accounting firm for Chugach during the fiscal year ended December 31, 2018.

Fees and Services

KPMG LLP has provided certain audit, audit-related, tax and non-audit services, the fees for which are as follows:

	<u>2018</u>	<u>2017</u>
Audit and audit-related services:		
Audit and quarterly reviews	\$ 276,786	\$ 274,094
Audit-related services	51,875	34,013
Non-audit services:		
Tax consulting and return preparation	13,539	10,700
Other services	0	0
Total	\$ 342,200	\$ 318,807

The Audit and Finance Committee has a policy to pre-approve all services to be provided by Chugach’s independent registered public accounting firm. All services from Chugach’s independent registered public accounting firm for fiscal years ended December 31, 2018 and 2017 were pre-approved by the Audit and Finance Committee.

PART IV

Item 15 – Exhibits, Financial Statement Schedules

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Other schedules are omitted as they are not required or are not applicable, or the required information is shown in the applicable financial statements or notes thereto.

EXHIBITS

Listed below are the exhibits, which are filed as part of this Report:

<u>Exhibit Number</u>	<u>Description</u>
<u>3.1</u>	<u>Articles of Incorporation of the Registrant. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated June 30, 2001, SEC File No. 033-42125.</u>
<u>3.2</u>	<u>Bylaws of the Registrant. Previously filed as an exhibit to the Registrant's Current Report on Form 8-K dated May 19, 2016, SEC File No. 033-42125.</u>
<u>4.18</u>	<u>Second Amended and Restated Indenture of Trust between the Registrant and U.S. Bank National Association dated January 20, 2011. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2010, SEC File No. 033-42125.</u>
<u>4.19</u>	<u>First Supplemental Indenture to the Second Amended and Restated Indenture of Trust between the Registrant and U.S. Bank National Association dated January 20, 2011. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2010, SEC File No. 033-42125.</u>
<u>4.20</u>	<u>Bond Purchase Agreement between the Registrant and the 2011 Series A Bond Purchasers dated January 21, 2011. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2010, SEC File No. 033-42125.</u>
<u>4.21</u>	<u>Form of 2011 Series A Bond (Tranche A) due March 15, 2031. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2010, SEC File No. 033-42125.</u>
<u>4.22</u>	<u>Form of 2011 Series A Bond (Tranche B) due March 15, 2041. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2010, SEC File No. 033-42125.</u>
<u>4.23</u>	<u>Second Supplemental Indenture to the Second Amended and Restated Indenture of Trust between the Registrant and U.S. Bank National Association dated September 30, 2011. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2011, SEC File No. 033-42125.</u>
<u>4.24</u>	<u>Third Supplemental Indenture to the Second Amended and Restated Indenture of Trust between the Registrant and U.S. Bank National Association dated January 5, 2012. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2011, SEC File No. 033-42125.</u>

- 4.25 Bond Purchase Agreement between the Registrant and the 2012 Series A Bond Purchasers dated January 11, 2012. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2011, SEC File No. 033-42125.
- 4.26 Form of 2012 Series A Bond (Tranche A) due March 15, 2032. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2011, SEC File No. 033-42125.
- 4.27 Form of 2012 Series A Bond (Tranche B) due March 15, 2042. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2011, SEC File No. 033-42125.
- 4.28 Form of 2012 Series A Bond (Tranche C) due March 15, 2042. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2011, SEC File No. 033-42125.
- 4.29 Fourth Supplemental Indenture to the Second Amended and Restated Indenture of Trust between the Registrant and U.S. Bank National Association dated February 3, 2015. Previously filed as an exhibit to the Registrant's Current Report on Form 8-K dated February 3, 2015, SEC File No. 033-42125.
- 4.30 Fifth Supplemental Indenture to the Second Amended and Restated Indenture of Trust between the Registrant and U.S. Bank National Association dated June 30, 2016. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated June 30, 2016, SEC File No. 033-42125.
- 4.31 Sixth Supplemental Indenture to the Second Amended and Restated Indenture of Trust between the Registrant and U.S. Bank National Association dated March 17, 2017. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated March 31, 2017, SEC File No. 033-42125
- 4.32 Bond Purchase Agreement between the Registrant and the 2017 Series A Bond Purchasers dated March 17, 2017. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated March 31, 2017, SEC File No. 033-42125
- 4.33 Form of 2017 Series A Bond (Tranche A) due March 15, 2037. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated March 31, 2017, SEC File No. 033-42125
- 10.2^P Joint Use Agreement between the Registrant and the City of Seward dated effective as of September 11, 1998. Previously filed as an exhibit to the Registrant's Registration Statement on Form S-1 dated September 19, 1991, SEC File No. 33-42125. (Filed on paper – hyperlink is not required pursuant to Rule 105 of Regulation S-T).

- 10.3^P Net Billing Agreement among the Registrant and the City of Seward dated effective as of September 11, 1998. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 1991, SEC File No. 033-42125. (Filed on paper – hyperlink is not required pursuant to Rule 105 of Regulation S-T).
- 10.4.2 2006 Agreement for the Sale and Purchase of Electric Power and Energy between the Registrant and the City of Seward dated effective February 27, 2007. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2007, SEC File No. 033-42125.
- 10.4.3 Amendment No. 2 to the 2006 Agreement for the Sale and Purchase of Electric Power and Energy between the Registrant and the City of Seward dated effective March 1, 2012. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated March 31, 2012, SEC File No. 033-42125.
- 10.7 Power Purchase Agreement by and between Fire Island Wind, LLC and the Registrant dated as of June 21, 2011. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2011, SEC File No. 033-42125.
- 10.15.1 Amended and Restated Alaska Intertie Agreement Among Alaska Energy Authority, Municipality of Anchorage d/b/a Municipal Light and Power, the Registrant, Golden Valley Electric Association, Inc., Alaska Electric Generation and Transmission Cooperative, Inc. dated November 18, 2011. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2011, SEC File No. 033-42125.
- 10.17^P Memorandum of Understanding Regarding Intertie Upgrades among Alaska Energy Authority, the Registrant, Golden Valley Electric Association, Inc., Homer Electric Association, Inc., Matanuska Electric Association, Inc., Municipality of Anchorage d/b/a Municipal Light and Power, and the City of Seward d/b/a Seward Electric System dated March 21, 1990. Previously filed as an exhibit to the Registrant's Registration Statement on Form S-1 dated September 19, 1991, SEC File No. 33-42125. (Filed on paper – hyperlink is not required pursuant to Rule 105 of Regulation S-T).
- 10.18 Amendment No. 1 to the Alaska Intertie Agreement-Insurance and Liability dated March 28, 1991. Previously filed as an exhibit to the Registrant's Registration Statement on Form S-1 dated March 22, 2001, SEC File No. 333-57400.

- 10.19^P Intertie Grant Agreement between the Registrant, Golden Valley Electric Association, Inc., Fairbanks Municipal Utility System, Anchorage Municipal Light and Power, Alaska Electric Generation and Transmission Cooperative, Inc. (on behalf of Matanuska Electric Association, Inc. and Homer Electric Association, Inc.), City of Seward, the State of Alaska, Department of Administration and Alaska Industrial Development and Export Authority dated August 17, 1993. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 1993, SEC File No. 033-42125. (Filed on paper – hyperlink is not required pursuant to Rule 105 of Regulation S-T).
- 10.20^P Grant Transfer and Delegation Agreement between the Registrant and Golden Valley Electric Association, Inc., Fairbanks Municipal Utility System, Anchorage Municipal Light and Power, Alaska Electric Generation and Transmission Cooperative, Inc., Matanuska Electric Association, Inc., Homer Electric Association, Inc., Seward, the State of Alaska, Department of Administration, and AMEA dated November 5, 1993. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 1993, SEC File No. 033-42125. (Filed on paper – hyperlink is not required pursuant to Rule 105 of Regulation S-T).
- 10.22 Amendment No. 1 to the 1993 Alaska Intertie Project Participants Agreement dated December 10, 1999. Previously filed as an exhibit to the Registrant's Registration Statement on Form S-1 dated March 22, 2001, SEC File No. 333-57400.
- 10.23 Grant Administration Agreement by and among the Registrant, Alaska Industrial Development and Export Authority, Golden Valley Electric Association, Inc., Fairbanks Municipal Utilities System, Anchorage Municipal Light & Power, Alaska Electric Generation and Transmission Cooperative, Inc. (on behalf of Homer Electric Association, Inc. and Matanuska Electric Association, Inc.) and City of Seward dated August 30, 1994. Previously filed as an exhibit to the Registrant's Registration Statement on Form S-1 dated March 22, 2001, SEC File No. 333-57400.
- 10.24^P Bradley Lake Agreement for the Sale and Purchase of Electric Power by and among the Registrant, the Alaska Power Authority, Golden Valley Electric Association, Inc., the Municipality of Anchorage, the City of Seward, the Alaska Electric Generation and Transmission Cooperative, Inc., Homer Electric Association, Inc. and Matanuska Electric Association Inc. dated December 8, 1987. Previously filed as an exhibit to the Registrant's Registration Statement on Form S-1 dated September 19, 1991, SEC File No. 33-42125. (Filed on paper – hyperlink is not required pursuant to Rule 105 of Regulation S-T).

- 10.24.1 Partial Assignment of Bradley Lake Hydroelectric Project Agreement for the Sale and Purchase of Electric Power by and among the Registrant, the Alaska Power Authority, Golden Valley Electric Association, Inc., the Municipality of Anchorage, the City of Seward, the Alaska Electric Generation and Transmission Cooperative, Inc., Homer Electric Association, Inc. and Matanuska Electric Association Inc. dated June 30, 2003. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2003, SEC File No. 033-42125.
- 10.25^P Agreement for the Wheeling of Electric Power and for Related Services by and among the Registrant, Homer Electric Association, Inc., Golden Valley Electric Association, Inc., Matanuska Electric Association, Inc., the Municipality of Anchorage, Inc. d/b/a Municipal Light and Power, the City of Seward d/b/a Seward Electric System and Alaska Electric Generation and Transmission Cooperative, Inc. dated December 8, 1987. Previously filed as an exhibit to the Registrant's Registration Statement on Form S-1 dated September 19, 1991, SEC File No. 33-42125. (Filed on paper – hyperlink is not required pursuant to Rule 105 of Regulation S-T).
- 10.25.1 Partial Assignment of Bradley Lake Hydroelectric Project Agreement for the Wheeling of Electric Power and for Related Services by and among the Registrant, Homer Electric Association, Inc., Golden Valley Electric Association, Inc., Matanuska Electric Association, Inc., the Municipality of Anchorage, Inc. d/b/a Municipal Light and Power, the City of Seward d/b/a Seward Electric System and Alaska Electric Generation and Transmission Cooperative, Inc. dated June 30, 2003. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2003, SEC File No. 033-42125.
- 10.26^P Transmission Sharing Agreement by and among the Registrant, Homer Electric Association, Inc., Golden Valley Electric Association, Inc. and the Municipality of Anchorage d/b/a Municipal Light and Power. Previously filed as an exhibit to the Registrant's Registration Statement on Form S-1 dated September 19, 1991, SEC File No. 33-42125. (Filed on paper – hyperlink is not required pursuant to Rule 105 of Regulation S-T).
- 10.27^P Amendment to Agreement for Sale of Transmission Capability by and among the Registrant, Homer Electric Association, Inc., Alaska Electric Generation and Transmission Cooperative, Inc., Golden Valley Electric Association, Inc. and the Municipality of Anchorage d/b/a Municipal Light and Power dated March 7, 1989. Previously filed as an exhibit to the Registrant's Registration Statement on Form S-1 dated September 19, 1991, SEC File No. 33-42125. (Filed on paper – hyperlink is not required pursuant to Rule 105 of Regulation S-T).
- 10.28^P Bradley Lake Hydroelectric Agreement for the Dispatch of Electric Power and for Related Services between the Registrant and the Alaska Energy Authority dated February 19, 1992. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 1991, SEC File No. 033-42125. (Filed on paper – hyperlink is not required pursuant to Rule 105 of Regulation S-T).

- 10.29^P Agreement for Bradley Lake Resource Scheduling by and among the Registrant, Homer Electric Association, Inc. and the Alaska Electric Generation and Transmission Cooperative, Inc. dated September 29, 1992. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 1992, SEC File No. 033-42125. (Filed on paper – hyperlink is not required pursuant to Rule 105 of Regulation S-T).
- 10.29.1 Assignment of Agreement for Bradley Lake Resource Scheduling by and among the Registrant, Homer Electric Association, Inc. and the Alaska Electric Generation and Transmission Cooperative, Inc. dated June 30, 2003. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2003, SEC File No. 033-42125.
- 10.30^P Interconnection Agreement between the Registrant and Municipality of Anchorage Municipal Light and Power dated December 2, 1983. Previously filed as an exhibit to the Registrant's Registration Statement on Form S-1 dated September 19, 1991, SEC File No. 33-42125. (Filed on paper – hyperlink is not required pursuant to Rule 105 of Regulation S-T).
- 10.30.1^P Addendum No. 1 to Interconnection Agreement between the Registrant and Municipality of Anchorage Municipal Light and Power dated August 8, 1984. Previously filed as an exhibit to the Registrant's Registration Statement on Form S-1 dated September 19, 1991, SEC File No. 33-42125. (Filed on paper – hyperlink is not required pursuant to Rule 105 of Regulation S-T).
- 10.30.2^P Amendment No. 1 to Interconnection Agreement between the Registrant and Municipality of Anchorage Municipal Light and Power dated November 28, 1984. Previously filed as an exhibit to the Registrant's Registration Statement on Form S-1 dated September 19, 1991, SEC File No. 33-42125. (Filed on paper – hyperlink is not required pursuant to Rule 105 of Regulation S-T).
- 10.31^P Gas Transportation Agreement by and among the Registrant, Alaska Pipeline Company and ENSTAR Natural Gas Company dated December 7, 1992. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 1992, SEC File No. 033-42125. (Filed on paper – hyperlink is not required pursuant to Rule 105 of Regulation S-T).
- 10.32^P Eklutna Purchase Agreement by and among the Registrant, Matanuska Electric Association, Inc., Municipality of Anchorage d/b/a Municipal Light and Power and Alaska Power Administration. Previously filed as an exhibit to the Registrant's Registration Statement on Form S-1 dated September 19, 1991, SEC File No. 33-42125. (Filed on paper – hyperlink is not required pursuant to Rule 105 of Regulation S-T).
- 10.33 Eklutna Hydroelectric Project Closing Documents dated October 2, 1997. Previously reported as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 1997, SEC File No. 033-42125.

- 10.35 FSS Service Agreement between Cook Inlet Natural Gas Storage Alaska, LLC and the Registrant, effective October 26, 2011. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2011, SEC File No. 033-42125.
- 10.36^P Agreement by and among the Registrant, Municipality of Anchorage d/b/a Anchorage Municipal Light and Power, Matanuska Electric Association, Inc., U.S. Fish and Wildlife Service, National Marine Fisheries Service, Alaska Energy Authority and the State of Alaska re: the Eklutna and Snettisham Hydroelectric Projects. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 1991, SEC File No. 033-42125. (Filed on paper – hyperlink is not required pursuant to Rule 105 of Regulation S-T).
- 10.37^P Daves Creek Substation Agreement between the Registrant and the Alaska Energy Authority dated March 13, 1992. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 1992, SEC File No. 033-42125. (Filed on paper – hyperlink is not required pursuant to Rule 105 of Regulation S-T).
- 10.45.11 Second Amended and Restated Master Loan Agreement between the Registrant and CoBank, ACB, dated June 30, 2016. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated June 30, 2016, SEC File No. 033-42125.
- 10.45.12 Supplement to the Second Amended and Restated Master Loan Agreement between the Registrant and CoBank, ACB, dated June 30, 2016. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated June 30, 2016, SEC File No. 033-42125.
- 10.45.13 Form of 2016 CoBank Note. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated June 30, 2016, SEC File No. 033-42125.
- 10.47.5 Line of Credit Agreement between the Registrant and the National Rural Utilities Cooperative Finance Corporation (NRUCFC) dated effective September 29, 2017. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated September 30, 2017, SEC File No. 033-42125
- 10.56 Order On Offer Of Settlement And Issuing New License between the Registrant and the Federal Energy Regulatory Commission dated effective August 24, 2007. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2007, SEC File No. 033-42125.
- 10.58 Agreement Covering Terms and Conditions of Employment for Beluga Power Plant Culinary Employees between the Registrant and the Hotel Employees & Restaurant Employees Union Local 878 dated effective December 13, 2007. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2007, SEC File No. 033-42125.

- 10.58.1 Letter of Agreement By and Between the Registrant and the Hotel Employees and Restaurant Employees Union Local 878 dated effective July 1, 2010. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated March 31, 2010, SEC File No. 033-42125.
- 10.58.2 Letter of Agreement By and Between the Registrant and the Hotel Employees and Restaurant Employees Union Local 878 dated effective July 1, 2013. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated September 30, 2013, SEC File No. 033-42125.
- 10.58.3 Letter of Agreement By and Between the Registrant and the Hotel Employees and Restaurant Employees Union Local 878 dated effective July 1, 2017. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated June 30, 2017, SEC File No. 033-42125.
- 10.59 Agreement Covering Terms and Conditions of Employment for Office and Engineering Personnel between the Registrant and the International Brotherhood of Electrical Workers Local 1547 dated effective September 13, 2007. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2007, SEC File No. 033-42125.
- 10.59.1 Letter of Agreement By and Between the Registrant and the International Brotherhood of Electrical Workers Local 1547 for Office and Engineering Personnel dated effective July 1, 2010. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2009, SEC File No. 033-42125.
- 10.59.2 Letter of Agreement By and Between the Registrant and the International Brotherhood of Electrical Workers Local 1547 Representing Office and Engineering Bargaining Unit dated effective July 1, 2013. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated March 31, 2013, SEC File No. 033-42125.
- 10.59.3 Letter of Agreement By and Between the Registrant and the International Brotherhood of Electrical Workers Local 1547 Representing Office and Engineering Bargaining Unit dated effective July 1, 2017. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated March 31, 2017, SEC File No. 033-42125.
- 10.60 Agreement Covering Terms and Conditions of Employment for Generation Plant Personnel between the Registrant and the International Brotherhood of Electrical Workers Local 1547 dated effective November 9, 2007. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2007, SEC File No. 033-42125.
- 10.60.1 Letter of Agreement By and Between the Registrant and the International Brotherhood of Electrical Workers Local 1547 for Generation Plant Personnel dated effective July 1, 2010. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2009, SEC File No. 033-42125.

- 10.60.2 Letter Of Agreement between the Registrant and the International Brotherhood of Electrical Workers Local 1547 for Generation Plant Personnel dated March 15, 2012. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated June 30, 2012, SEC File No. 033-42125.
- 10.60.3 Letter of Agreement By and Between the Registrant and the International Brotherhood of Electrical Workers Local 1547 Representing Generation Bargaining Unit dated effective July 1, 2013. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated March 31, 2013, SEC File No. 033-42125.
- 10.60.4 Letter of Agreement By and Between the Registrant and the International Brotherhood of Electrical Workers Local 1547 Representing Generation Bargaining Unit dated effective July 1, 2017. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated March 31, 2017, SEC File No. 033-42125.
- 10.61 Agreement Covering Terms and Conditions of Employment for Outside Plant Personnel between the Registrant and the International Brotherhood of Electrical Workers Local 1547 dated effective December 12, 2007. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2007, SEC File No. 033-42125.
- 10.61.1 Letter of Agreement By and Between the Registrant and the International Brotherhood of Electrical Workers Local 1547 for Outside Plant Personnel dated effective July 1, 2010. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2009, SEC File No. 033-42125.
- 10.61.2 Letter of Agreement By and Between the Registrant and the International Brotherhood of Electrical Workers Local 1547 Representing Outside Plant Bargaining Unit dated effective July 1, 2013. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated March 31, 2013, SEC File No. 033-42125.
- 10.61.3 Letter of Agreement By and Between the Registrant and the International Brotherhood of Electrical Workers Local 1547 Representing Outside Plant Bargaining Unit dated effective July 1, 2017. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated March 31, 2017, SEC File No. 033-42125.
- 10.65 Agreement for the Sale and Purchase of Natural Gas between the Registrant and ConocoPhillips Alaska, Inc. and ConocoPhillips, Inc. (collectively, ConocoPhillips) effective August 21, 2009. Previously filed as an exhibit to the Registrant's Current Report on Form 8-K dated August 21, 2009, SEC File No. 033-42125.

- 10.68 Transportation Agreement between the Registrant and Beluga Pipeline Company dated effective October 1, 2010. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated September 30, 2010, SEC File No. 033-42125.
- 10.69 Transportation Agreement For Interruptible Transportation Of Natural Gas between the Registrant and Kenai Nikiski Pipeline dated effective October 1, 2010. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated September 30, 2010, SEC File No. 033-42125.
- 10.73 Special Contract for Natural Gas Transportation Service between the Registrant and ENSTAR Natural Gas Company effective November 1, 2012. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2012, SEC File No. 033-42125.
- 10.74 Firm Transportation Service Agreement between the Registrant and ENSTAR Natural Gas Company effective August 1, 2012. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2012, SEC File No. 033-42125.
- 10.75 Gas Sale and Purchase Agreement between the Registrant and Hilcorp Alaska LLC effective September 10, 2013. Previously filed as an exhibit to the Registrant's Current Report on Form 8-K dated September 10, 2013, SEC File No. 033-42125.
- 10.75.1 First Amendment to the Gas Sale and Purchase Agreement between the Registrant and Hilcorp Alaska, LLC effective September 15, 2014. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated September 30, 2014, SEC File No. 033-42125.
- 10.75.2 Second Amendment to the Gas Sale and Purchase Agreement between the Registrant and Hilcorp Alaska, LLC effective May 4, 2015. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated March 31, 2015, SEC File No. 033-42125.
- 10.75.3 Third Amendment to the Gas Sale and Purchase Agreement between the Registrant and Hilcorp Alaska, LLC effective September 8, 2015. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated September 30, 2015, SEC File No. 033-42125.
- 10.76 Agreement between the Registrant and Cook Inlet Energy Inc. effective December 2, 2013. Previously filed as an exhibit to the Registrant's Annual Report on Form 10-K dated December 31, 2013, SEC File No. 033-42125.
- 10.78 Employment Agreement between the Registrant and Lee D. Thibert dated effective May 1, 2016. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated March 31, 2016, SEC File No. 033-42125.

- 10.78.1 Amendment to Employment Agreement between the Registrant and Lee D. Thibert dated effective October 24, 2018. Incorporated by reference to the Registrant's Form 8-K dated October 24, 2018.
- 10.79 2016 Credit Agreement between the Registrant and the National Rural Utilities Cooperative Finance Corporation (NRUCFC), Bank of America, N.A., KeyBank National Association, and CoBank, ACB, dated June 13, 2016. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated June 30, 2016, SEC File No. 033-42125.
- 10.81 Firm and Interruptible Gas Sale and Purchase Agreement (GSA) between the Registrant and Furie Operating Alaska, LLC dated effective May 1, 2017. Previously filed as an exhibit to Registrant's Current Report on Form 8-K dated May 1, 2017, SEC File No. 033-42125.
- 10.82 Asset Purchase and Sale Agreement between the Registrant and the Municipality of Anchorage, Alaska dated effective December 28, 2018
- 10.83 Eklutna Power Purchase Agreement between the Registrant and the Municipality of Anchorage dated effective December 28, 2018
- 10.84 Payment in Lieu of Taxes Agreement between the Registrant and the Municipality of Anchorage, Alaska dated effective December 28, 2018
- 10.85 BRU Fuel Agreement between the Registrant and the Municipality of Anchorage, Alaska dated effective December 28, 2018
- 10.86 Employment Agreement between the Registrant and Brian J. Hickey dated effective January 1, 2019
- 14 Code of Ethics for Senior Financial Officers of the Registrant dated effective June 16, 2004. Previously filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q dated June 30, 2004, SEC File No. 033-42125.
- 31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS XBRL Instance Document
101.SCH XBRL Taxonomy Extension Schema Document
101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB XBRL Taxonomy Extension Label Linkbase Document
101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF XBRL Taxonomy Extension Definition Linkbase Document

^P Filed on Paper

Item 16 – Form 10-K Summary

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 27, 2019.

CHUGACH ELECTRIC ASSOCIATION, INC.

By: 

Lee D. Thibert
Chief Executive Officer

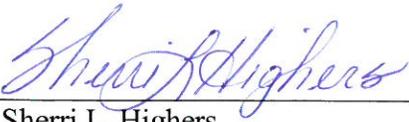
Date: March 27, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 26, 2019, by the following persons on behalf of the registrant and in the capacities indicated:



Lee D. Thibert

Chief Executive Officer
(Principal Executive Officer)



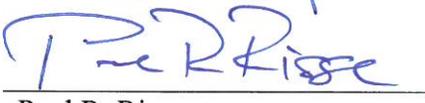
Sherri L. Highers

Chief Financial Officer
(Principal Financial Officer)
(Principal Accounting Officer)



Brian J. Hickey

Chief Operating Officer



Paul R. Risse

Sr. Vice President, Production & Engineering



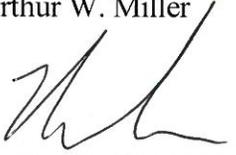
Tyler E. Andrews

Sr. Vice President, Employee Services &
Communications



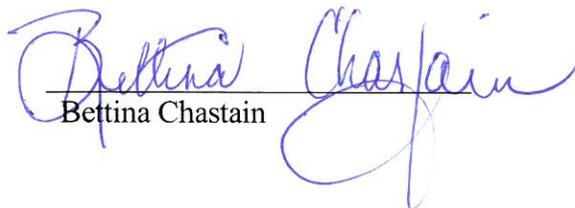
Arthur W. Miller

Sr. Vice President, Regulatory and External
Affairs



Matthew C. Clarkson

Vice President, General Counsel

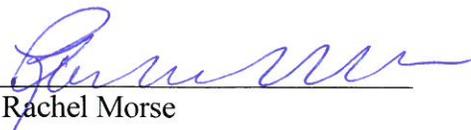


Bettina Chastain

Director & Chair of the Board

Susan Reeves

Director & Vice Chair of the Board



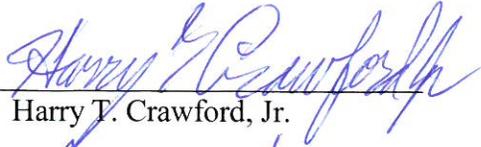
Rachel Morse

Director & Treasurer of the Board



Stuart Parks

Director & Secretary of the Board



Harry T. Crawford, Jr.

Director



Jim Henderson

Director



Harold Hollis

Director

**Supplemental Information to be Furnished With Reports Filed
Pursuant to Section 15(d) of the Act by Registrants
Which Have Not Registered Securities Pursuant to Section 12 of the Act**

No annual report or proxy materials have been sent to security holders and no such report or proxy materials are to be furnished to security holders subsequent to the filing of this Annual Report on Form 10-K.

Execution Copy

ASSET PURCHASE AND SALE AGREEMENT

between

MUNICIPALITY OF ANCHORAGE, ALASKA

and

CHUGACH ELECTRIC ASSOCIATION, INC.

dated as of

December 28, 2018

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EXHIBITS

Exhibit A	Additional Buyer Due Diligence
Exhibit B	Additional Seller Due Diligence
Exhibit C-1	Form of Assignment, Assignment of Leases, Conveyance and Bill of Sale (BRU Interest)
Exhibit C-2	Form of Quitclaim Deed (BRU Interest)
Exhibit C-3	Form of Mineral Deed (BRU Interest)
Exhibit D	Closing Prorations
Exhibit E	Designated Excluded Assets
Exhibit F	Eklutna Transmission Assets
Exhibit G	Generation Assets
Exhibit H	Form of Revocable Use Permit
Exhibit I	ML&P Service Territory
Exhibit J	Transferred Cash Calculated as of December 31, 2017
Exhibit K	Form of Bill of Sale
Exhibit L	Form of Assignment and Assumption Agreement
Exhibit M	Form of Special Warranty Deed for Plant 2/Plant 2A Parcel

Exhibit N	Form of Quitclaim Deed for Other Owned Real Property
Exhibit O	Form of Officer’s Confirmation of Compliance with Ordinance and Proposition 10
Exhibit P	Form of Opinion of Bond Counsel

ASSET PURCHASE AND SALE AGREEMENT

This Asset Purchase and Sale Agreement (this “**Agreement**”), dated as of December 28, 2018, is made and entered into by and between the Municipality of Anchorage, Alaska, a political subdivision organized under the laws of the State of Alaska (“**Seller**”), and Chugach Electric Association, Inc., a not-for-profit electric cooperative corporation organized under the laws of the State of Alaska (“**Buyer**”).

RECITALS

WHEREAS, Seller owns and operates Municipal Light and Power (“**ML&P**”), an electric utility serving customers within the Municipality of Anchorage, Alaska, and Seller wishes to exit the electric utility business and cease performing any business activities associated with ML&P’s provision of electric services as currently conducted by Seller and as proposed to be conducted by Seller prior to the Closing (as defined below) (the “**Business**”) (other than continued ownership of the Eklutna Generation Assets (as defined below) and supplying power pursuant to the Eklutna Power Purchase Agreement (as defined below));

WHEREAS, Seller wishes to sell and assign to Buyer, and Buyer wishes to purchase and assume from Seller, substantially all of the assets, and certain specified liabilities, of the Business, subject to the terms and conditions set forth herein;

WHEREAS, Seller and Buyer desire for Buyer to provide electric service to Seller’s electric utility customers, commencing on the Closing Date (as defined below);

WHEREAS, as an integral part of the transactions contemplated hereby, Seller and Buyer have entered into the Eklutna Power Purchase Agreement, the PILT Agreement (as defined below), and BRU Fuel Agreement (as defined below) as of the date hereof;

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties, and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I Definitions

The following terms have the meanings specified or referred to in this ARTICLE I:

“**Accounting Principles**” means GAAP, applied in a manner consistent with the accounting practices, procedures, policies, principles and methodologies used and applied by Seller in preparation of the Audited Financial Statements.

“**Accounts Receivable**” has the meaning set forth in Section 2.02(f).

“**Accrued Leave**” means, with respect to any and all Transferred Employees, accrued leave (i.e., annual leave, cashable sick leave and the like, but excluding in all cases non-cashable sick leave and non-cashable annual leave (as such terms are used in Chapter 3.30 of Title 3 of the

Anchorage, Alaska, Code of Ordinances)) in accordance with ML&P's current policies and agreements.

“Accrued Leave Liability” means the liability for Accrued Leave as of the Closing Date calculated in accordance with GAAP.

“Acquisition Proposal” has the meaning set forth in Section 6.03(a).

“Action” means any claim, action, cause of action, demand, directive, lawsuit, appeal, arbitration, notice of violation, proceeding, litigation, citation, summons, subpoena or investigation of any nature, civil, criminal, administrative, regulatory, or otherwise, whether at law or in equity.

“Additional Buyer Due Diligence” means the due diligence described in Exhibit A.

“Additional Seller Due Diligence” means the due diligence described in Exhibit B.

“Adjustment Amount” has the meaning set forth in Section 2.08(c)(i).

“AFEs” has the meaning set forth in Section 4.23.

“Affiliate” of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

“Agreement” has the meaning set forth in the preamble.

“AMC” means the Anchorage Municipal Code.

“Ancillary Documents” means the Bill of Sale, the Assignment and Assumption Agreement, Deeds, Assignment and Assumption of Leases, Real Property Interest Assignments, the PILT Agreement, the Eklutna Power Purchase Agreement, the BRU Fuel Agreement, the BRU Transfer Documents, and the other agreements, instruments and documents required to be delivered at the Closing.

“ARRC” means the Alaska Railroad Corporation.

“ARRC Modifications” has the meaning set forth in Section 6.26.

“Assigned Contracts” has the meaning set forth in Section 2.01(g).

“Assignment and Assumption Agreement” has the meaning set forth in Section 3.02(a)(ii).

“Assignment and Assumption of Lease” has the meaning set forth in Section 3.02(a)(iv).

“Assumed Environmental Liabilities” means Environmental Claims and Liabilities under Environmental Laws that, in each case, are directly related to the Purchased Assets (including violations of Environmental Laws and the presence or Release of Hazardous Materials at, in, on, or under, or migrating from or to, the Purchased Assets).

“Assumed Liabilities” has the meaning set forth in Section 2.03.

“Audited Financial Statements” has the meaning set forth in Section 4.04.

“Available Proceeds” means the sum of (i) the total aggregate amount of insurance coverage under all of Seller’s policies of insurance that are applicable to the Purchased Assets that were damaged or destroyed by the relevant Casualty during the Interim Period, plus (ii) the amount (or value, if provided in the form of property or repair assistance) of assistance that Seller has been provided (or that has been committed to be provided to Seller) in any form (including cash grant, property, or repair assistance) by any Person (including the Federal Emergency Management Agency of the United States or any other Governmental Authority) that may be used by Seller to cure such Casualty in accordance with the provisions of Section 6.18, plus (iii) the amounts recovered or recoverable by Seller from Customers for storm restoration in accordance with Seller’s Past Practice during similar Casualty events.

“AWWU” means Seller’s Anchorage Water and Wastewater Utility.

“Balance Sheet” has the meaning set forth in Section 4.04.

“Balance Sheet Date” has the meaning set forth in Section 4.04.

“Basket” has the meaning set forth in Section 8.04(a).

“Benefit Plan” has the meaning set forth in Section 4.19(a).

“Bill of Sale” has the meaning set forth in Section 3.02(a)(i).

“Bond Release Consideration” has the meaning set forth in Section 3.02(c).

“Books and Records” has the meaning set forth in Section 2.01(q).

“Bradley Lake Tax Exempt Debt” means the AEA Power Revenue Bonds, First, Second and Sixth Series and any like bonds issued prior to Closing.

“BRU” means the Beluga River Unit, an oil and gas unit formed pursuant to the Unit Agreement for the Development and Operation of the Beluga River Unit, State of Alaska, Third Judicial District, dated April 26, 1962.

“**BRU Fuel Agreement**” means the BRU Fuel Agreement dated as of the date hereof between Seller and Buyer.

“**BRU Interest**” means any right, title, or interest of Seller in BRU and associated property, whenever such interest may have been acquired, including property of the type set forth in Section 1.1 of the BRU Purchase and Sale Agreement.

“**BRU Joint Operating Agreement**” means that certain Beluga River Unit Joint Operating Agreement dated April 1, 1962, providing for the joint exploration, development and operation of the BRU.

“**BRU Purchase and Sale Agreement**” means the Purchase and Sale Agreement dated effective as of 7:00 a.m., Alaska time, on January 1, 2016 between ConocoPhillips Alaska, Inc., a Delaware corporation, Buyer, and Seller.

“**BRU Transfer Documents**” means the assignment documents in the form of Exhibit C-1 and the deeds set forth in Exhibits C-2 and C-3.

“**Business**” has the meaning set forth in the recitals.

“**Business Day**” means any day except Saturday, Sunday, or any other day on which commercial banks located in Anchorage, Alaska are authorized or required by Law to be closed for business.

“**Buyer**” has the meaning set forth in the preamble.

“**Buyer Closing Certificate**” has the meaning set forth in Section 7.03(f).

“**Buyer Indemnitees**” has the meaning set forth in Section 8.02.

“**Buyer’s Accountants**” means KPMG LLP.

“**Cap**” has the meaning set forth in Section 8.04(a).

“**Casualty**” means an event causing any portion of the Purchased Assets or Eklutna Generation Assets to be damaged or destroyed and requiring expenditures in excess of \$5,000,000 for repair or replacement of such damaged or destroyed Purchased Assets or Eklutna Generation Assets; *provided, however*, that any intentional demolition or removal of any Purchased Assets or Eklutna Generation Assets in connection with repair or replacement of such Purchased Assets or Eklutna Generation Assets shall not be considered a Casualty.

“**Casualty Notice**” has the meaning set forth in Section 6.18(a).

“**CERCLA**” means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 et seq.

“**Closing**” has the meaning set forth in Section 3.01.

“**Closing Date**” has the meaning set forth in Section 3.01.

“**Closing Debt**” means the amount of Debt outstanding at Closing, including the costs of defeasance and redemption.

“**Closing Prorations**” means the prorations set forth on Exhibit D.

“**Closing Statement**” has the meaning set forth in Section 2.08(a).

“**Code**” means the Internal Revenue Code of 1986.

“**Co-Location Agreement**” means the proposed Facilities Co-Location Agreement by and between ML&P and AWWU setting forth the terms and conditions for the design, construction, operation, and maintenance of the interface between AWWU and ML&P at the existing and new facilities comprised of Plant 2A and Plant 2, the existing AWWU Energy Recovery Station, the newly constructed AWWU ERS Heat Exchanger Addition, existing AWWU Water Reservoirs 1&2, AWWU’s existing Well 9, the existing Centennial Vault, and AWWU’s existing Ship Creek Water Treatment Facility.

“**Comparable Position**” means a position as determined by Buyer that reflects the general responsibilities and duties as held at ML&P, *provided* that individuals holding Designated Positions may not hold the same title or authority such as Chief Executive Officer or Chief Financial Officer. Professional positions such as accountant and engineer will be placed into their appropriate field of expertise.

“**Contracts**” means, with respect to Seller and ML&P, all contracts, leases, deeds, mortgages, licenses, instruments, notes, commitments, undertakings, indentures, joint ventures, and all other agreements, commitments, and legally binding arrangements, in each case in written form, including power supply agreements, service obligations, power purchase agreements, construction agreements, equipment and service purchase agreements, operations and maintenance agreements, power pooling agreements, fuel purchase agreements, interconnection agreements, transmission agreements, contractual services and long-term technical services agreements, and fuel storage agreements related to BRU (including the BRU Joint Operating Agreement).

“**Cure Amount**” means the amount of costs that will be required to be paid in order to cure in accordance with the provisions of Section 6.18 the damage to or destruction of the Purchased Assets and Eklutna Generation Assets resulting from a Casualty.

“**Customer**” means any electric service customer of Seller prior to the Closing Date within the Service Territory.

“**Customer Service Assets**” means the customer service facilities, equipment, and other tangible property and assets used in or for the Business or located on the Real Property,

including the facilities, equipment and other tangible property and assets that connect the Distribution Assets to each individual Customer's Delivery Point, Customer/premise/account data, historical consumption information, meters, remote metering equipment, and equipment needed to access the meters.

"Debt" means ML&P's Series 2014A electric revenue bonds, Series 2009A electric revenue bonds, Series 2009B electric revenue bonds, Series 2005A electric revenue bonds and the Wells Fargo Municipal Capital Strategies, LLC Direct Drawdown Commercial Paper Program, and any other debt of Seller secured by revenues of ML&P.

"Debt Financing" means the financing plan to be described in the application filed to obtain RCA Approval.

"Deed" has the meaning set forth in Section 3.02(a)(iii).

"Delivery Point" means the point on the Customer's premises where Seller's wires connect to Customer's electric meter.

"Designated Excluded Assets" means the assets set forth on Exhibit E.

"Designated Positions" means any Utility Division Manager II, Program & Policy Director and General Manager.

"Direct Claim" has the meaning set forth in Section 8.05(c).

"Disclosure Schedules" means the Disclosure Schedules delivered by Seller and Buyer concurrently with the execution and delivery of this Agreement.

"Disputed Amounts" has the meaning set forth in Section 2.08(b).

"Distribution Assets" means the electric distribution facilities, equipment, and other tangible property and assets used in or for the Business, including the facilities, equipment, and other tangible property and assets that connect the Transmission Assets to the Customer Service Assets, distribution substation equipment, feeder circuits and associated hardware (including switches and switch gear, regulators, capacitor banks, reclosers, and protective equipment), primary circuits, transformers, secondaries, and services, and associated physical assets (including poles, conductors, cables, insulators, metering, and outdoor lights).

"Documentation Closing Date" has the meaning set forth in Section 3.02(c).

"Dollars or \$" means the lawful currency of the United States.

"Effect" has the meaning set forth in the definition of Material Adverse Effect.

"Eklutna Generation Assets" means all undivided interests, rights, title, and obligations of Seller in and to the Eklutna Hydroelectric Project (including real property, fixtures, equipment, personalty, contract and water rights, but not, except as otherwise provided in

Section 6.30, including the Eklutna Transmission Assets), including rights, interests, and obligations pursuant to the Alaska Power Administration Asset Sale and Administration Act, Public Law 104-58 (109 Stat. 557 (1995)) and arising from, but not limited to the following documents: (i) Agreement for Public Water Supply and Energy Generation from Eklutna Lake, Alaska, dated February 17, 1984, between the Alaska Power Administration, an entity of the United States Department of Energy, and Seller (and Supplemental Agreements No.1 and 2 thereto); (ii) Memorandum of Understanding (Transition Plan) dated July 25, 1989 among Seller, Buyer, and MEA; (iii) Eklutna Purchase Agreement dated August 2, 1989 among Buyer, Seller, MEA, and the Alaska Power Administration, a unit of the United States Department of Energy; (iv) Eklutna Purchasers Manner of Acting, Functional Responsibilities, and Staffing Agreement dated August 7, 1991 among Buyer, Seller, MEA, the United States Fish and Wildlife Service, the National Marine Fisheries Service, the Alaska Energy Authority and the State of Alaska; (v) Agreement regarding fish and wildlife affected by the Snettisham and Eklutna Projects, dated August 7, 1991, among Seller, Buyer, MEA, the United States Fish and Wildlife Service, the National Marine Fisheries Service, the Alaska Energy Authority and the State of Alaska; (vi) 1996 Eklutna Hydroelectric Project Transition Plan, dated May 28, 1996, among the Alaska Power Administration, Seller, Buyer, and MEA; (vii) Agreement for Extension of 1996 Eklutna Hydroelectric Project Transition Plan, dated October 2, 1997, among Seller, Buyer, and MEA; and (viii) Closing Agreement, dated October 2, 1997, among the Alaska Power Administration, Seller, Buyer, and MEA, including all instruments identified in Appendix A thereto.

“Eklutna Power Purchase Agreement” means the Eklutna Power Purchase Agreement dated as of the date hereof between Seller and Buyer.

“Eklutna Transmission Assets” means the Transmission Assets of the Eklutna Hydroelectric Project set forth on Exhibit F.

“Encumbrance” means any charge, claim, community property interest, pledge, condition, equitable interest, lien (statutory or other), option, security interest, mortgage, easement, encroachment, right of way, right of first refusal, or restriction of any kind, including any restriction on use, voting, transfer, receipt of income, or exercise of any other attribute of ownership.

“Environmental Claim” means any Action, Governmental Order, lien, fine, penalty, or, as to each, any settlement or judgment arising therefrom, by or from any Person alleging actual or potential liability of any kind or nature (including liability, responsibility, or Losses for the costs of enforcement proceedings, investigations, cleanup, corrective action, governmental response, removal, or remediation, natural resources damages, property damages, personal injuries, medical monitoring, penalties, contribution, indemnification and injunctive relief) arising under any Environmental Law, including those arising out of, based on, or resulting from: (a) the presence or Release of, or exposure to, any Hazardous Materials; or (b) any actual or alleged non-compliance with any Environmental Law or term or condition of any Environmental Permit.

“Environmental Law” means any applicable Law, and any applicable Governmental Order or binding agreement with any Governmental Authority: (a) relating to pollution (or the

cleanup thereof) or the protection of natural resources, endangered or threatened species, human health or safety in relation to exposures to Hazardous Materials in the environment, or the environment (including ambient air, soil, surface water or groundwater, or subsurface strata); or (b) concerning the presence of, exposure to, or the management, manufacture, use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, production, disposal or remediation of any Hazardous Materials. The term “Environmental Law” includes, where applicable, the following (including their implementing regulations and any state analogs and any applicable and binding remediation or other standard established by any Governmental Authority pursuant to the same): CERCLA; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§ 6901 et seq.; the Federal Water Pollution Control Act of 1972, as amended by the Clean Water Act of 1977, 33 U.S.C. §§ 1251 et seq.; the Toxic Substances Control Act of 1976, as amended, 15 U.S.C. §§ 2601 et seq.; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. §§ 11001 et seq.; the Clean Air Act of 1966, as amended by the Clean Air Act Amendments of 1990, 42 U.S.C. §§ 7401 et seq.; and Title 46 of Alaska Statutes.

“**Environmental Notice**” means any directive, notice of violation or infraction, in each case written, or other written notice or communication respecting any actual or threatened Environmental Claim, including communications relating to actual or alleged non-compliance with any Environmental Law or with any term or condition of any Environmental Permit.

“**Environmental Permit**” means any Permit obtained or required to be obtained pursuant to Environmental Law.

“**E.O. 11246**” has the meaning set forth in Section 4.20(d).

“**ERISA**” means the Employee Retirement Income Security Act of 1974, and the regulations promulgated thereunder.

“**ERISA Affiliate**” means, with respect to the period of six (6) years prior to the date of this Agreement, all employers (whether or not incorporated) that would be treated together with Seller or any of its Affiliates as a “single employer” within the meaning of Section 414 of the Code or Section 4001 of ERISA.

“**Estimated Accrued Leave Liability**” means the Accrued Leave Liability, without giving effect to the transactions contemplated hereby, estimated in good faith by Seller and delivered to Buyer no later than three (3) Business Days prior to the Closing Date.

“**Estimated Net Book Value of Designated Excluded Assets**” means the Net Book Value of Designated Excluded Assets estimated in good faith by Seller and delivered to Buyer no later than three (3) Business Days prior to the Closing Date.

“**Estimated Purchase Price**” has the meaning set forth in Section 2.06.

“**Estimated Purchase Price Statement**” has the meaning set forth in Section 2.06.

“Estimated Transferred Cash” has the meaning set forth in Section 2.06.

“Excluded Assets” has the meaning set forth in Section 2.02.

“Excluded Contracts” has the meaning set forth in Section 2.02(a).

“Excluded Liabilities” has the meaning set forth in Section 2.04.

“Financial Closing Date” has the meaning set forth in Section 3.02(c).

“FIRPTA Certificate” has the meaning set forth in Section 7.02(l).

“GAAP” means United States generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB) and as in effect from time to time.

“Generation Assets” means the generating plants and related facilities as more fully described on Exhibit G hereto.

“Government Contracts” has the meaning set forth in Section 4.07(a)(xii).

“Governmental Authority” means any federal, state, local or foreign government, or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations, or orders of such organization or authority have the force of Law), or any arbitrator, court, or tribunal of competent jurisdiction. References to “Governmental Authority” shall exclude Seller except where Seller is acting in a legislative or regulatory capacity as expressly authorized by applicable Law.

“Governmental Order” means any binding order, directive, writ, judgment, injunction, decree, stipulation, determination, or award entered by or with any Governmental Authority.

“Hazardous Materials” means: (a) any material, substance, chemical, waste, product, derivative, compound, mixture, solid, liquid, mineral, or gas, in each case, whether naturally occurring or manmade, that is hazardous, acutely hazardous, toxic, or words of similar import or regulatory effect under Environmental Laws; (b) any petroleum or petroleum-derived products, radon, radioactive materials or wastes, asbestos in any form or condition, lead or lead-containing materials, urea formaldehyde foam insulation and polychlorinated biphenyls; and (c) any other material, substance, or waste that is regulated, or to which liability or standards of conduct may be imposed, under any Environmental Law.

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

“Hydrocarbons” means merchantable oil, gas, casinghead gas, condensate, distillate, and other liquid and gaseous hydrocarbons of every kind or description produced from or attributable to the BRU Interest.

“**IBEW**” means the International Brotherhood of Electrical Workers, Local 1547.

“**IBEW Collective Bargaining Agreement**” means any collective bargaining agreement in effect, as of immediately prior to the Closing, between Seller and the IBEW with respect to any ML&P employees.

“**Indemnified Party**” has the meaning set forth in Section 8.05.

“**Indemnifying Party**” has the meaning set forth in Section 8.05.

“**Independent Accountant**” has the meaning set forth in Section 2.08(b).

“**Insurance Policies**” has the meaning set forth in Section 4.15.

“**Intellectual Property**” means any and all rights in any of the following in any jurisdiction throughout the world: (a) issued patents and patent applications (whether provisional or non-provisional), including divisionals, continuations, continuations-in-part, substitutions, reissues, reexaminations, extensions, or restorations of any of the foregoing, and other Governmental Authority-issued indicia of invention ownership (including certificates of invention, petty patents, and patent utility models) (“**Patents**”); (b) trademarks, service marks, brands, certification marks, logos, trade dress, trade names, and other similar indicia of source or origin, together with the goodwill connected with the use of and symbolized by, and all registrations, applications for registration, and renewals of, any of the foregoing (“**Trademarks**”); (c) copyrights and works of authorship, whether or not copyrightable, and all registrations, applications for registration, and renewals of any of the foregoing (“**Copyrights**”); (d) internet domain names and social media account or user names (including “handles”), whether or not Trademarks, all associated web addresses, URLs, websites and web pages, social media accounts and pages, and all content and data thereon or relating thereto, whether or not Copyrights; (e) mask works, and all registrations, applications for registration, and renewals thereof; (f) industrial designs, and all Patents, registrations, applications for registration, and renewals thereof; (g) trade secrets, know-how, inventions (whether or not patentable), discoveries, improvements, technology, business and technical information, databases, data compilations and collections, tools, methods, processes, techniques, and other confidential and proprietary information and all rights therein (“**Trade Secrets**”); (h) computer programs, operating systems, applications, firmware and other code, including all source code, object code, application programming interfaces, data files, databases, protocols, specifications, and other documentation thereof (“**Software**”); (i) rights of publicity; and (j) all other intellectual or industrial property and proprietary rights.

“**Intellectual Property Agreements**” means all licenses, sublicenses, consent to use agreements, settlements, coexistence agreements, covenants not to sue, waivers, releases, permissions and other Contracts, whether written or oral, relating to any Intellectual Property that is used or held for use in the conduct of the Business to which Seller is a party, beneficiary, or otherwise bound.

“Intellectual Property Assets” means all Intellectual Property that is owned by Seller and used or held for use in the conduct of the Business, together with all royalties, fees, income, payments, and other proceeds now or hereafter due or payable to Seller with respect to such Intellectual Property.

“Intellectual Property Registrations” means all Intellectual Property Assets that have been the subject of a registration, or application for registration, by or with any Governmental Authority or authorized private registrar in any jurisdiction, including issued Patents, registered Trademarks, domain names, and registered Copyrights, and pending applications for any of the foregoing.

“Interim Period” means the period from the date of this Agreement to the Closing.

“Inventory” has the meaning set forth in Section 2.01(f).

“Knowledge of Seller” or “Seller’s Knowledge” or any other similar knowledge qualification, means the actual knowledge of any matter, fact, or thing that is, as of the date of this Agreement, known to either of Mark Johnston or William Falsey, after reasonable inquiry. For purposes of this definition, “reasonable inquiry” shall take into account the scope of the individual’s duties and includes reasonable inquiry of the Representatives of Seller who are responsible for, or have direct involvement in, the subject matter of the representation and warranty or other matter involved and review of relevant records within the possession or control of Seller.

“Law” means any statute, law, ordinance, regulation, rule, code, order, constitution, treaty, common law, judgment, decree, Permit requirement, other binding requirement or rule of law of, or compulsory standard established by, any Governmental Authority.

“Leased Real Property” has the meaning set forth in Section 4.10(b).

“Leases” has the meaning set forth in Section 4.10(b).

“Liabilities” means liabilities, obligations, or commitments of any nature whatsoever, asserted or unasserted, known or unknown, absolute or contingent, accrued or unaccrued, matured or unmatured, or otherwise.

“Losses” means losses, damages, Liabilities, deficiencies, Actions, judgments, interest, awards, penalties, fines, costs or expenses of whatever kind, including reasonable attorneys’ fees and the cost of enforcing any right to indemnification hereunder and the cost of pursuing any insurance providers. For all purposes in this Agreement the term **“Losses”** does not include any Non-reimbursable Damages.

“Material Adverse Effect” means any event, occurrence, fact, condition, change, or development (each, an **“Effect”**) that is, or would reasonably be expected to become, individually or in the aggregate with other Effects, materially adverse to (a) the business, results of operations, condition (financial or otherwise), or assets of the Business, (b) the value of the

Purchased Assets and Eklutna Generation Assets, or (c) the ability of Seller to consummate the transactions contemplated hereby on a timely basis; *provided, however*, that none of the following shall be deemed in itself, or in any combination, to constitute, and none of the following shall be taken into account in determining whether there has been or will be, a Material Adverse Effect: (x) (i) general economic, regulatory, or political conditions in the State of Alaska, the United States, or globally; (ii) conditions generally affecting the industries or markets in which the Business operates, including any changes in local markets for electric power or electric transmission systems or operations thereof; (iii) any changes in financial, banking, credit, or securities markets in general; (iv) acts of war (whether or not declared), armed hostilities, or terrorism, or the escalation or worsening thereof; (v) acts of God (including earthquakes, floods, or similar natural disasters or catastrophes); (vi) any changes in applicable Laws (other than a change in Law enacted by the Assembly of Seller between the date of this Agreement and the Closing) or accounting rules, including GAAP; (vii) the taking of or omission to take any action, which action or omission is required or expressly permitted by this Agreement or consented to by Buyer, except pursuant to Section 6.06; (viii) the public announcement, pendency, or completion of the transactions contemplated by this Agreement; (ix) any change resulting or arising from the identity of, or any facts or circumstances relating to, Buyer or its Affiliates, including the impact of any of the foregoing on any relationships, contractual or otherwise, with customers, suppliers, distributors, collaboration partners, joint venture partners, employees, or regulators; (x) seasonal fluctuations in the Business; or (xi) any failure to meet any projections, forecasts, or estimates of revenue, earnings, cash flow, or cash position (it being understood that the facts or circumstances giving rise to such failure may be taken into account in determining whether a Material Adverse Effect has occurred); *provided further, however*, that any event, occurrence, fact, condition, or change referred to in clauses (i) through (vi) immediately above shall be taken into account in determining whether a Material Adverse Effect has occurred or would reasonably be expected to occur to the extent that such event, occurrence, fact, condition, or change has a disproportionate effect on the Business compared to other participants in the industries in which the Business operates; and (y) any adverse change in or effect on the Business that is cured by Seller before the earlier of (i) the Closing Date and (ii) the date on which this Agreement is terminated pursuant to ARTICLE IX hereof.

“**Material BRU Contract**” has the meaning set forth in Section 4.23(d).

“**Material Contracts**” has the meaning set forth in Section 4.07(a).

“**Material Customers**” has the meaning set forth in Section 4.14(a).

“**Material Suppliers**” has the meaning set forth in Section 4.14(b).

“**Maximum Uncovered Loss Amount**” means \$10,000,000.

“**MEA**” means Matanuska Electric Association, Inc.

“**ML&P**” has the meaning set forth in the recitals.

“ML&P Information” means (i) (A) audited statements of net position, statements of revenues, expenses and changes in net position and statements of cash flows for the three most recently completed fiscal years ended at least ninety (90) days prior to the Closing Date prepared in accordance with GAAP and related trial balances, (B) unaudited interim statements of net position, statements of revenues, expenses and changes in net position and statements of cash flows of ML&P for a fiscal quarter ended not later than one hundred thirty-four (134) days prior to the Closing Date (but excluding any fourth quarter of any fiscal year) prepared in accordance with GAAP; and (ii) to the extent applicable, draft comfort letters (including “negative assurance comfort”), which ML&P’s auditors are prepared to deliver solely upon completion of customary procedures, and other information of ML&P that is reasonably available or readily obtainable, including any information reasonably necessary for the preparation of the pro forma financial statements by Buyer, provided that (x) such other information is reasonably requested in writing by Buyer, and (y) ML&P’s auditors have not withdrawn any audit opinion with respect to any financial statements contained therein.

“Multiemployer Plan” has the meaning set forth in Section 4.19(c).

“Net Book Value of Designated Excluded Assets” means the net book value of the Designated Excluded Assets as of the end of the calendar month immediately preceding the Closing Date.

“Non-reimbursable Damages” has the meaning set forth in Section 8.06.

“Offering Documents” has the meaning set forth in Section 6.13(b).

“Ordinance” has the meaning set forth in Section 6.21.

“Other Real Property Interests” has the meaning set forth in Section 4.10(c).

“Owned Real Property” has the meaning set forth in Section 4.10(a).

“Parkland Substations” means ML&P Substation No. 6 and ML&P Substation No. 8 at Goose Lake Park.

“Parkland Use Permit” means a revocable permit, license, right-of-way, or easement granted by Seller to Buyer under the provisions of AMC 25.30.020C, and on terms and conditions substantially similar to those contained in the form of Revocable Use Permit set forth in Exhibit H, to enable Buyer to use, maintain, and operate each Parkland Substation in the manner used, maintained, and operated by Seller immediately prior to the Closing, which revocable permit, license, right-of-way, or easement in each case does not require the payment of a fee from Buyer to Seller in excess of \$1.00 per year.

“Permits” means all permits, licenses, franchises, approvals, authorizations, registrations, certificates, variances and similar rights obtained or required to be obtained from Governmental Authorities.

“Permitted Encumbrances” has the meaning set forth in Section 4.08.

“Person” means an individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association, or other entity.

“PILT Agreement” means the Payment in Lieu of Taxes Agreement between Seller and Buyer dated the date hereof.

“Plant 2” means ML&P’s George M. Sullivan Power Plant No. 2.

“Plant 2A” means ML&P’s George M. Sullivan Power Plant No. 2A.

“Plant 2A Mural” means the large-scale illuminated mural painted on the exterior front façade of Plant 2A pursuant to the Art Production Contract entered into between Seller and Haddad Drugan LLC under the authority of AMC Chapter 7.40 and executed on behalf of Seller on October 8, 2015.

“Post-Signing Due Diligence” means the Additional Buyer Due Diligence and other due diligence related to integration planning, preparation for post-Closing operations, obtaining RCA Approval, events or circumstances arising after the date of this Agreement, inquiries with respect to Updated Financial Statements and matters disclosed therein, environmental and real estate due diligence related to the Storage Facility or any other Real Property acquired by ML&P prior to Closing, due diligence necessary to obtain title insurance and title opinions, due diligence to obtain appraisers’ reports and bond additions under Buyer’s indenture, investigations regarding the accuracy of representations and warranties of Seller hereunder and Seller’s compliance with covenants set forth herein or any Ancillary Document executed prior to Closing, and actions necessary to complete Closing and take other actions required by this Agreement, and other matters consented to by Seller, such consent not to be unreasonably withheld, conditioned or delayed.

“Pre-Closing Tax Period” means any taxable period ending on or before the Closing Date and, with respect to any taxable period beginning before and ending after the Closing Date, the portion of such taxable period ending on and including the Closing Date.

“Proposition 10” has the meaning set forth in Section 6.21.

“Prudent Utility Practices” means any of the practices, methods and acts engaged in or accepted by a significant portion of the electrical utility industry in the United States at the time the decision was made or any of the practices, methods and acts that, in the exercise of reasonable judgment in light of the facts known or that should reasonably have been known at the time a decision is made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with applicable Law, regulation, permits, codes, standards, equipment manufacturer’s recommendations, reliability, safety, environmental protection, economy, and expedition. Prudent Utility Practices is not intended to be limited to the optimum

practice, method or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts.

“**Purchase Price**” has the meaning set forth in Section 2.05.

“**Purchased Assets**” has the meaning set forth in Section 2.01.

“**Qualified Benefit Plan**” has the meaning set forth in Section 4.19(c).

“**RCA**” means the Regulatory Commission of Alaska.

“**RCA Approval**” has the meaning set forth in Section 6.06.

“**Real Property**” means, collectively, the Owned Real Property, the Leased Real Property, and the Other Real Property Interests.

“**Real Property Interest Assignment**” has the meaning set forth in Section 3.02(a)(v).

“**Recipients**” has the meaning set forth in Section 2.07.

“**Release**” means any actual or threatened release, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, abandonment, disposing or allowing to escape or migrate into or through the environment (including ambient air (indoor or outdoor), soil gas, surface water, groundwater, land surface, or subsurface strata or within any building, structure, facility, or fixture).

“**Representative**” means, with respect to any Person, any and all officials, managers, directors, employees, consultants, financial advisors, counsel, accountants, and other agents of such Person.

“**Resolution Period**” has the meaning set forth in Section 2.08(b).

“**Restricted Comments**” has the meaning set forth in Section 6.09(b).

“**Retention Agreements**” means the retention agreements referenced in Section 4.06(o)(i) of the Disclosure Schedules.

“**Review Period**” has the meaning set forth in Section 2.08(b).

“**SEC**” means the United States Securities and Exchange Commission.

“**Section 503**” has the meaning set forth in Section 4.20(d).

“**Seller**” has the meaning set forth in the preamble.

“**Seller Closing Certificate**” has the meaning set forth in Section 7.02(i).

“Seller Indemnitees” has the meaning set forth in Section 8.03.

“Seller’s Accountants” means BDO USA, LLP.

“Seller’s Past Practices” means the recent historical operation, maintenance, and repair practices, methods, and actions performed prior to the date of this Agreement by, or on behalf of, Seller with respect to the Purchased Assets and Eklutna Generation Assets, in a manner complying with applicable Law.

“Service Territory” means the area approved and designated by the RCA as ML&P’s service territory described in the map attached hereto as Exhibit I.

“Shared Facilities and Assets” means the following items to the extent not used or held for use principally in connection with the Business: (i) the accounting records of Seller, (ii) insurance policies and rights thereto, (iii) assets, tangible or intangible, related to general and administrative services of Seller, including finance, information technology, accounting systems, and human resources, (iv) domain names, phone numbers, phone systems, shared networks, and computer systems, and (v) the network control system for LED street lights, including central management server hosting services and sustainment operations.

“Single Employer Plan” has the meaning set forth in Section 4.19(c).

“Statement of Objections” has the meaning set forth in Section 2.08(b).

“Storage Facility” means the ML&P Pole Yard located at Lots 1 & 2 Block 27A East Addition Subdivision (PID 003-073-07 & 003-073-09).

“Tangible Personal Property” has the meaning set forth in Section 2.01(i).

“Tax Return” means any return, declaration, report, claim for refund, information return, or statement or other document relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“Taxes” means all federal, state, local, foreign and other income, gross receipts, sales, use, production, ad valorem, transfer, documentary, franchise, registration, profits, license, lease, service, service use, withholding, payroll, employment, unemployment, estimated, excise, severance, environmental, stamp, occupation, premium, property (real or personal) (including payments in lieu of taxes), real property gains, windfall profits, customs, duties, or other taxes, fees, assessments, or charges in the nature of a Tax, together with any interest, additions, or penalties with respect thereto and any interest in respect of such additions or penalties.

“Third Party Claim” has the meaning set forth in Section 8.05(a).

“Transferred Cash” means customer deposit cash or cash accounts, cash, cash equivalents, and securities (in each case to the extent constituting restricted assets and, in the case of cash contractually restricted in connection with Debt, to the extent not used by Seller to defease or repay the Closing Debt), including any such assets collected for payments in lieu of

taxes, including pursuant to AMC 26.10.025 or held under or pursuant to ML&P's debt documents or representing the proceeds of bonds, deferred regulatory liability for gas sales funds, future gas purchases regulatory liabilities, underlift accounts and asset retirement obligation funds managed by ML&P or Seller, any decommissioning funds, utility underground requirements including those set forth in AS 42.05.381(h), (i), and (j) and AMC 21.07.050 and AMC Title 21 undergrounding funds, and any other cash collected from ratepayers for obligations assumed by Buyer including customer deposits. Exhibit J sets forth the Transferred Cash and separately identifies any cash contractually restricted in connection with Debt which will be used by Seller to defease or repay the Closing Debt, in each case as if the Closing had occurred as of December 31, 2017.

“Transferred Employees” means those employees hired by Buyer pursuant to Section 6.05.

“Transition Agreement” means the Transition Agreement by and between Buyer and the IBEW as executed on behalf of Buyer and the IBEW on August 17, 2018, and as amended, modified, supplemented, restated, or replaced.

“Transmission Assets” means the electric transmission tangible personal property, and real property, used in or for the Business of ML&P or located on the Real Property, including the facilities, equipment, and other tangible property and assets that connect the Distribution Assets to transmission interconnection points (and other property and assets associated with or ancillary thereto), transformers, breakers, capacitor banks, switches, arresters, instrument transformers, substation structures, substations, buswork, substation battery and chargers, relay protection panels, relay communications/carriers, remote telemetry and control equipment, metering, fault recorders, sequence of event recorders, annunciators, relay vaults, substation fencing, transmission lines, conductors, transmission line structures and poles, and control buildings.

“Trust Agreements” means the (i) Trust Agreement, dated as of November 1, 2005, between Seller and U.S. Bank National Association, (ii) Trust Agreement, dated as of December 3, 2009, between Seller and U.S. Bank National Association, and (iii) Trust Agreement, dated as of November 1, 2014, between Seller and U.S. Bank National Association.

“Union” has the meaning set forth in Section 4.20(b), and includes the IBEW.

“Updated Financial Statements” means financial statements delivered pursuant to Section 6.13 or Section 6.17.

“Upfront Payment” means \$767,800,000.

“VEVRAA” has the meaning set forth in Section 4.20(d).

ARTICLE II PURCHASE AND SALE

Section 2.01 Purchase and Sale of Assets. Subject to the terms and conditions set forth herein, at the Closing, Seller shall sell, assign, transfer, convey, and deliver to Buyer, and Buyer shall purchase from Seller, free and clear of any Encumbrances (including Encumbrances related to the Closing Debt and any other debt of Seller as provided in this Agreement) other than Permitted Encumbrances, all of Seller's right, title, and interest in, to, and under all of the assets, properties, and rights of every kind and nature, whether real, personal or mixed, tangible or intangible (including goodwill), wherever located and whether now existing or hereafter acquired (other than the Excluded Assets), which are used or held for use in connection with the Business (collectively, the "**Purchased Assets**"), including the following:

- (a) all Transmission Assets (including the Eklutna Transmission Assets, except as otherwise provided in Section 6.30);
- (b) all Distribution Assets;
- (c) all Generation Assets other than the Eklutna Generation Assets;
- (d) all Customer Services Assets;
- (e) Transferred Cash;
- (f) all inventory, finished goods, raw materials, work in progress, packaging, supplies, parts, stored gas, BRU fuel inventory, and other inventories ("**Inventory**");
- (g) all Contracts relating to the Business or by which the Purchased Assets may be bound, including Intellectual Property Agreements, including those set forth on Section 2.01(g) of the Disclosure Schedules (the "**Assigned Contracts**");
- (h) all Intellectual Property Assets;
- (i) all furniture, fixtures, equipment, machinery, tools, vehicles, rolling stock, office equipment, supplies, computers, telephones, and other tangible personal property (the "**Tangible Personal Property**");
- (j) all Owned Real Property (including the Storage Facility) and Leased Real Property and easements and Other Real Property Interests;
- (k) the BRU Interest;
- (l) all Permits, including Environmental Permits, that are held by Seller, transferable, and required for the conduct of the Business as currently conducted or for the ownership and use of the Purchased Assets, including those listed on Section 4.17(b) and Section 4.18(b) of the Disclosure Schedules;

(m) all rights to any Actions of any nature available to or being pursued by Seller (including any appeals by Seller of the denial by the State of Alaska Department of Revenue of gas production tax credits) to the extent related to the Purchased Assets or the Assumed Liabilities, whether arising by way of counterclaim or otherwise;

(n) all prepaid expenses, credits, advance payments, claims, security, refunds, rights of recovery, rights of set-off, rights of recoupment, deposits, charges, sums, and fees (including any such item relating to the payment of Taxes);

(o) all of Seller's rights under warranties, indemnities and all similar rights against third parties to the extent related to any Purchased Assets;

(p) all insurance benefits, including rights and proceeds, arising from or relating to the Purchased Assets or the Assumed Liabilities;

(q) originals, or where not available, copies, of all books and records, including books of account, ledgers and general, financial and accounting records, machinery and equipment maintenance files, purchasing records, manuals, equipment repair, maintenance or service records, operating, safety and maintenance manuals, inspection reports, environmental assessments, engineering design plans, documents, blueprints and as built plans, specifications, drawings, procedures and other similar items of Seller, customer lists, customer purchasing histories, price lists, distribution lists, supplier lists, production data, quality control records and procedures, customer complaints and inquiry files, research and development files, records, and data (including all correspondence with any Governmental Authority), sales material and records (including pricing history, total sales, terms and conditions of sale, sales and pricing policies and practices), strategic plans, internal financial statements, marketing and promotional surveys, material and research and files relating to the Intellectual Property Assets and the Intellectual Property Agreements, whether existing in hard copy or magnetic or electronic form ("**Books and Records**"); and

(r) all goodwill and the going concern value of the Business.

Section 2.02 Excluded Assets. Notwithstanding the foregoing, the Purchased Assets shall not include the following assets (collectively, the "**Excluded Assets**");

(a) all Contracts, including Intellectual Property Agreements, that are not Assigned Contracts (the "**Excluded Contracts**");

(b) all Benefit Plans and assets attributable thereto;

(c) the assets, properties, and rights specifically set forth on Section 2.02(c) of the Disclosure Schedules;

(d) unrestricted cash and cash equivalents other than Transferred Cash;

- (e) Shared Facilities and Assets;
- (f) all accounts or notes receivable held by Seller, and any security, claim, remedy or other right related to any of the foregoing (“**Accounts Receivable**”);
- (g) the Eklutna Generation Assets;
- (h) the Designated Excluded Assets;
- (i) the Plant 2A Mural; and
- (j) the rights which accrue or will accrue to Seller under this Agreement and the Ancillary Documents.

Section 2.03 Assumed Liabilities. Buyer shall execute and deliver in favor of Seller the Assignment and Assumption Agreement, pursuant to which Buyer shall, subject to the terms and conditions set forth herein, assume and agree to pay, perform, and discharge when due the following Liabilities of Seller, whether direct or indirect, known or unknown, absolute or contingent, accrued, fixed or otherwise, or whether due or to become due, solely to the extent such Liabilities accrue or arise from and after the Closing (except as otherwise specifically provided in this Agreement with respect to the Assumed Environmental Liabilities), other than Excluded Liabilities (as defined below), in accordance with the respective terms and subject to the respective conditions thereof (collectively, but excluding the Excluded Liabilities, the “**Assumed Liabilities**”):

- (a) all Liabilities in respect of the Assigned Contracts and other Purchased Assets except to the extent that such Liabilities, but for a breach or default by Seller, would have been paid, performed, or otherwise discharged on or prior to the Closing Date or to the extent the same arise out of any failure to perform, improper performance, warranty or other breach, default, or violation by Seller on or prior to the Closing;
- (b) agreements and obligations related to BRU as of the Closing;
- (c) agreements and obligations related to the Eklutna Generation Assets as of the Closing;
- (d) the Assumed Environmental Liabilities;
- (e) all Liabilities under any Actions of any nature available to or being pursued by Seller (including the obligation to pursue any appeals of the denial by the State of Alaska Department of Revenue of gas production tax credits) to the extent related to the Purchased Assets or the Assumed Liabilities, whether arising by way of counterclaim or otherwise, that are included in the Purchased Assets;
- (f) Accrued Leave as of the Closing Date; and
- (g) all other Liabilities arising out of or relating to Buyer’s ownership or operation of the Purchased Assets on or after the Closing Date.

Section 2.04 Excluded Liabilities. Notwithstanding the provisions of Section 2.03 or any other provision in this Agreement to the contrary, Buyer shall not assume and shall not be responsible to pay, perform, or discharge any Liabilities of Seller of any kind or nature whatsoever other than the Assumed Liabilities (the “**Excluded Liabilities**”). Seller shall pay and satisfy in due course all Excluded Liabilities that Seller is obligated to pay and satisfy. Without limiting the generality of the foregoing, the Excluded Liabilities shall include the following:

- (a) all obligations related to accounts payable as of the Closing Date;
- (b) any Liabilities of Seller arising or incurred in connection with the negotiation, preparation, investigation, and performance of this Agreement, the Ancillary Documents, and the transactions contemplated hereby and thereby, including fees and expenses of Seller’s counsel, accountants, consultants, and advisers;
- (c) any Liability for (i) Taxes of Seller or Taxes relating to the Business, the Purchased Assets, or the Assumed Liabilities for any Pre-Closing Tax Period, or (ii) other Taxes of Seller of any kind or description (including any Liability for Taxes of Seller that becomes a Liability of Buyer under any common law doctrine of de facto merger or transferee or successor liability or otherwise by operation of contract or Law);
- (d) any Liabilities to the extent relating to or arising out of the Excluded Assets, including Environmental Claims and Liabilities under Environmental Laws to the extent related to the Excluded Assets;
- (e) any Liabilities (whether arising before or after the Closing) in respect of any pending or threatened Action arising out of, relating to, or otherwise in respect of the ownership or operation of the Business or the Purchased Assets to the extent such Action relates to such ownership or operation on or prior to the Closing Date;
- (f) any Liabilities of Seller, whether arising before or after the Closing, under or in connection with the issues raised, considered, decided, or appealed from (x) RCA Order No. U-16-094(9)/U-17-008(13) and Order No. U-16-094(10)/U-17-008(14), (y) Case No. 3AN-14-06125CI, and (z) Docket No. U-18-102(1), but in each such case only to the extent that (i) such Liabilities relate to ownership or operation of the Business or the Purchased Assets on or prior to the Closing Date and (ii) any related Loss is not recoverable in rates by Buyer;
- (g) any Liability of Seller or similar claim against Seller for injury prior to the Closing to a Person or property, including workers’ compensation claims;
- (h) any Liabilities of Seller arising, whether before or after the Closing, under or in connection with any Benefit Plan providing benefits to any present or former employee of Seller in connection with employment with Seller other than Accrued Leave;
- (i) any Liabilities relating to any payroll or other compensation obligations incurred and required to be paid prior to the Closing, the failure by Seller to hire any

individual, the employment or services (or termination by Seller of the employment or services) of any individual, including Retention Agreements, wages, COBRA coverage, compensation, bonuses, benefits, accrued vacation, severance, retention, termination payments, affirmative action, personal injury, discrimination, harassment, retaliation, wrongful discharge, unfair labor practices, or constructive termination by Seller of any individual, or any similar or related claim or cause of action attributable to any actions or inactions by Seller, in each case prior to the Closing Date, with respect to the Transferred Employees, independent contractors, applicants, and any other individuals who are determined by a court or by a Governmental Authority to have been applicants or employees of Seller;

(j) any Liabilities related to the Business which constitute intercompany payables or intergovernmental charges owing to Seller;

(k) any Liabilities of the Business relating to or arising from unfulfilled commitments, quotations, purchase orders, customer orders, or work orders that (i) do not constitute part of the Purchased Assets or (ii) are not validly and effectively assigned to Buyer pursuant to this Agreement;

(l) any Liabilities to indemnify, reimburse, or advance amounts to any present or former official, manager, employee, or agent of Seller for or in connection with any event or circumstance occurring while such individual was an official, manager, employee, or agent of Seller;

(m) any Liabilities under the Excluded Contracts or any other Contracts, including Intellectual Property Agreements, (i) that are not validly and effectively assigned to Buyer pursuant to this Agreement or (ii) to the extent such Liabilities arise out of or relate to a breach by Seller of such Contracts prior to the Closing;

(n) any Liabilities associated with debt, revenue bonds, commercial paper, loans, or credit facilities of Seller or the Business;

(o) any Liabilities, other than Assumed Environmental Liabilities, arising out of, in respect of, or in connection with the failure by Seller to comply with any Law or Governmental Order;

(p) fines or penalties owing to any Governmental Authority for events to the extent occurring or arising prior to the Closing Date;

(q) any Liability of Seller arising from the violation, breach, or default by Seller, prior to the Closing, of any Assumed Liability or Intellectual Property Assets included in the Purchased Assets;

(r) any Liability arising under any collective bargaining agreement of Seller, including any and all obligations incurred under the IBEW Collective Bargaining

Agreement prior to the Closing Date, including pension/retirement obligations under the Alaska Electrical Pension Fund regarding accruals earned prior to Closing;

(s) any Liability of Seller or ML&P for payments in lieu of taxes, including pursuant to AMC 26.10.025;

(t) any other Liability of Seller accruing or arising and required to be performed prior to the Closing;

(u) any Environmental Claims and Liabilities under Environmental Laws, and Losses arising from environmental conditions at the Purchased Assets, as of the Closing Date other than the Assumed Environmental Liabilities; and

(v) any other Liabilities not expressly assumed by Buyer pursuant to Section 2.03 and any Liabilities expressly allocated to or retained by Seller in this Agreement.

Section 2.05 Purchase Price. The aggregate purchase price for the Purchased Assets to be paid on the Closing Date will be the assumption of the Assumed Liabilities plus an amount (as adjusted in accordance with this Agreement, the “**Purchase Price**”) equal to the following:

(a) the Upfront Payment,

(b) minus the Accrued Leave Liability;

(c) minus the Net Book Value of Designated Excluded Assets.

Section 2.06 Estimated Purchase Price Statement. At least ten (10) Business Days before the Closing, Seller shall prepare and deliver to Buyer a statement, prepared in accordance with the Accounting Principles (the “**Estimated Purchase Price Statement**”), setting forth Seller’s good faith estimates of the Estimated Accrued Leave Liability, the Estimated Net Book Value of Designated Excluded Assets and the calculation of the Estimated Purchase Price, as determined in accordance with Section 2.05 (the “**Estimated Purchase Price**”). Such statement shall also include an estimate of the Transferred Cash (the “**Estimated Transferred Cash**”).

Section 2.07 Payment of Estimated Purchase Price. At the Closing, Buyer will deliver, or cause to be delivered, to the intended final recipients (the names, wiring information and other relevant payment information of which recipients as may be reasonably requested by Buyer shall have been furnished by Seller in writing no later than three (3) Business Days prior to the Closing (such recipients, the “**Recipients**”), an amount equal to the Estimated Purchase Price for payment, on behalf of the Business, to the appropriate Recipient. Seller shall cause the Recipients to include amounts and Persons necessary to irrevocably defease or repay all Closing Debt in accordance with Section 3.02(c). With the exception of any portion of the Transferred Cash that Seller delivers to Buyer on the Closing Date, the Purchase Price shall be paid net of Estimated Transferred Cash in lieu of any obligation of Seller to deliver Transferred Cash on the Closing Date.

Section 2.08 Purchase Price Adjustment. Following the Closing, the Purchase Price will be adjusted as set forth below:

(a) **Closing Statement Preparation.** Within sixty (60) days after the Closing Date, Buyer shall prepare and deliver to Seller a statement (the “**Closing Statement**”) setting forth a calculation of (i) the Accrued Leave Liability, (ii) the Transferred Cash, (iii) the Net Book Value of Designated Excluded Assets and (iv) the Closing Prorations, and (v) a recalculation of the Purchase Price, if any, based on each of the foregoing. The Closing Statement will be calculated (x) pursuant to the definitions within this Agreement, (y) in accordance with the Accounting Principles where applicable, and (z) without giving effect to the transactions contemplated hereby. Seller shall cooperate with Buyer in promptly responding to Buyer’s reasonable requests while Buyer is preparing the Closing Statement.

(b) **Examination and Review.**

(i) Examination. After receipt of the Closing Statement, Seller shall have forty-five (45) days (the “**Review Period**”) to review the Closing Statement. During the Review Period, Seller and its attorneys and accountants shall have access to the books and records of the Business, the personnel of, and work papers prepared by, Buyer or Buyer’s Accountants to the extent that they relate to the Closing Statement and to such historical financial information (to the extent in Buyer’s possession) relating to the Closing Statement as Seller may reasonably request for the purpose of reviewing the Closing Statement and to prepare a Statement of Objections (as defined below), *provided*, that such access shall be in a manner that does not interfere with the normal business operations of Buyer or the Business.

(ii) Objection. On or prior to the last day of the Review Period, Seller may object to the Closing Statement by delivering to Buyer a written statement setting forth Seller’s objections in reasonable detail, indicating each disputed item, its amount and the basis for Seller’s disagreement therewith (the “**Statement of Objections**”). If Seller fails to deliver the Statement of Objections before the expiration of the Review Period, the Closing Statement and the calculations contained therein shall be deemed to have been accepted by and to be final and binding on Seller and Buyer. If Seller delivers the Statement of Objections before the expiration of the Review Period, Buyer and Seller shall negotiate in good faith to resolve such objections within thirty (30) days after the delivery of the Statement of Objections (the “**Resolution Period**”), and, if the same are so resolved within the Resolution Period, the Closing Statement and the calculations contained therein, in each case with such changes as may have been previously agreed in writing by Buyer and Seller, shall be final and binding on Seller and Buyer and shall not be subject to further review.

(iii) Resolution of Disputes. If Seller and Buyer fail to reach an agreement with respect to any or all of the matters set forth in the Statement of

Objections before expiration of the Resolution Period, then any amounts remaining in dispute (“**Disputed Amounts**”) shall be submitted for resolution to an impartial regionally recognized financial consulting firm or a firm of independent certified public accountants other than Seller’s Accountants, the Business’s accountants or Buyer’s Accountants mutually agreeable to Buyer and Seller (the “**Independent Accountant**”) who, acting as an expert and not an arbitrator, and without considering extrinsic evidence, shall resolve the Disputed Amounts only to the extent they relate to accounting matters and make any adjustments to the Closing Statement. The Independent Accountant shall be jointly instructed by the parties to make a determination as soon as practicable within thirty (30) days (or such other time as the parties hereto shall agree in writing) after engagement of the Independent Accountant, and its resolution of the Disputed Amounts and, other than with respect to conclusions of Law and interpretation of this Agreement and consideration of extrinsic evidence, its adjustments to the Closing Statement shall be conclusive (other than with respect to conclusions of Law and interpretation of this Agreement and consideration of extrinsic evidence) absent manifest error. The Independent Accountant shall decide only the specific items under dispute by the parties and the Independent Accountant’s decision for each Disputed Amount must be within the range of values assigned to each such item in the Closing Statement and the Statement of Objections, respectively. The fees and expenses of the Independent Accountant shall initially be split 50/50 between Buyer and Seller, and after the final resolution of any dispute, shall be borne by Buyer, on the one hand, and Seller, on the other hand, based on the percentage which the portion of the contested amount not awarded to each party bears to the amount actually contested by such party (and the appropriate party shall reimburse the other party accordingly). For example, if closing accounts receivable is the only disputed item, and Seller claims that closing accounts receivable is \$1,000, and Buyer contests only \$500 of the amount claimed by Seller, and if the Independent Accountants ultimately resolve the dispute by awarding Seller \$300 of the \$500 contested, then the costs and expenses of Independent Accountants will be allocated 60% (i.e., $300 \div 500$) to Buyer and 40% (i.e., $200 \div 500$) to Seller. Any dispute that cannot be resolved by the Independent Accountant pursuant to the provisions hereof shall be resolved by courts of law set forth in Section 10.11.

(c) **Adjustment Payments.** The Closing Prorations and the Purchase Price shall be recalculated using such finally determined amounts in lieu of the estimates of such amounts used in the calculation of the Purchase Price payable at Closing.

(i) With respect to Accrued Leave Liability, Net Book Value of Designated Excluded Assets and Closing Prorations, the Purchase Price shall be increased (in the case of an aggregate positive amount) or decreased (in the case of an aggregate negative amount) on a dollar-for-dollar basis by the aggregate amount, if any, determined by (A) subtracting the Estimated Accrued Leave Liability from the Accrued Leave Liability, (B) subtracting the Estimated Net

Book Value of Designated Excluded Assets from the Net Book Value of Designated Excluded Assets and (C) adding the Closing Prorations if the aggregate amount of the prorations is for the benefit of Seller and subtracting the amount of Closing Prorations if the aggregate amount of the prorations is for the benefit of Buyer, and adding together the amounts calculated in each of the foregoing (A), (B) and (C) to reach a final net amount owing under this Section 2.08 (such net amount, the “**Adjustment Amount**”).

(ii) No later than within two (2) Business Days after the determination of the Adjustment Amount, (A) if the Adjustment Amount results in an increase to the Purchase Price, Buyer shall pay to Seller an amount equal to the Adjustment Amount (without interest) and (B) if the Adjustment Amount results in a decrease to the Purchase Price, Seller shall disburse to Buyer an amount equal to the Adjustment Amount (without interest). In addition, if Estimated Transferred Cash minus Transferred Cash is a negative number, Seller shall pay Buyer the difference on such date, and if a positive number, Buyer shall pay Seller such difference on such date.

Section 2.09 Treatment of Adjustment Payments. Any payments made pursuant to Section 2.08 shall be made by wire transfer of immediately available funds to such account or accounts as is directed in writing by Buyer or Seller, as the case may be, and shall be treated as an adjustment to the Purchase Price by the parties for Tax purposes, unless otherwise required by Law.

Section 2.10 Allocation of Purchase Price. Seller and Buyer agree to file their respective IRS Forms 8594 for the Purchase Price and all Tax Returns in accordance with allocation principles to be agreed upon by Seller and Buyer prior to the Closing. Seller and Buyer shall cooperate to the extent necessary following the Closing to determine a final allocation using such agreed allocation principles and Seller and Buyer shall use such final allocation for Form 8594.

Section 2.11 Withholding Tax. Buyer shall be entitled to deduct and withhold from the Purchase Price all Taxes that Buyer may be required to deduct and withhold under any provision of Tax Law. All such withheld amounts shall be treated as delivered to Seller hereunder.

Section 2.12 Third Party Consents. To the extent that Seller’s rights under any Contract or Permit constituting a Purchased Asset, or any other Purchased Asset, may not be assigned to Buyer without the consent of another Person which has not been obtained, this Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof or be unlawful, and except as otherwise provided in Section 6.20 or elsewhere in this Agreement, Seller, at its expense, shall use its commercially reasonable efforts to obtain any such required consent(s) as promptly as possible. If any such consent shall not be obtained or if any attempted assignment would be ineffective or would impair Buyer’s rights under the Purchased Asset in question so that Buyer would not in effect acquire the benefit of all such rights, Seller, to the maximum extent reasonably permitted by Law and the Purchased Asset, shall act after the Closing as Buyer’s agent in order to obtain for it the benefits thereunder and shall cooperate reasonably, to the maximum extent reasonably permitted by Law and the Purchased Asset, with Buyer in any other reasonable arrangement designed to provide such benefits to Buyer. Notwithstanding any provision in this Section 2.12 to the contrary, Buyer shall

not be deemed to have waived its rights under Section 7.02(d) hereof unless and until Buyer either provides written waivers thereof or elects to proceed to consummate the transactions contemplated by this Agreement at Closing.

ARTICLE III CLOSING

Section 3.01 Closing. Subject to the terms and conditions of this Agreement, the consummation of the transactions contemplated by this Agreement (the “**Closing**”) shall take place at the headquarters of Buyer located at 5601 Electron Drive, Anchorage, AK 99518, at 10:00 a.m., local time, within one hundred and twenty (120) days after RCA Approval is received, provided that the Closing shall take place no sooner than the fifth (5th) Business Day after all of the conditions to Closing set forth in ARTICLE VII are either satisfied or waived (other than conditions which, by their nature, are to be satisfied on the Closing Date), or at such other time, date, or place as Seller and Buyer may mutually agree upon in writing. The date on which the Closing is to occur is herein referred to as the “**Closing Date**”.

Section 3.02 Closing Deliverables.

- (a) At the Closing, Seller shall deliver to Buyer the following:
 - (i) a bill of sale in the form of Exhibit K hereto (the “**Bill of Sale**”) and duly executed by Seller, transferring the Tangible Personal Property included in the Purchased Assets to Buyer;
 - (ii) an assignment and assumption agreement in the form of Exhibit L hereto (the “**Assignment and Assumption Agreement**”) and duly executed by Seller, effecting the assignment to and assumption by Buyer of the Purchased Assets and the Assumed Liabilities;
 - (iii) with respect to ML&P Plant 2/ML&P Plant 2A, a special warranty deed in the form of Exhibit M hereto (with an accompanying agreement to be entered into by Buyer and Seller effective as of the Closing to set forth the terms upon which Seller may access the Plant 2A Mural following the Closing on mutually acceptable terms and conditions), and with respect to each other parcel of Owned Real Property, a quitclaim deed in form of Exhibit N hereto (each, a “**Deed**”) and duly executed and acknowledged by Seller;
 - (iv) with respect to each Lease, an Assignment and Assumption of Lease in form and substance reasonably satisfactory to Buyer (each, an “**Assignment and Assumption of Lease**”) and duly executed and acknowledged by Seller;
 - (v) with respect to the Other Real Property Interests (other than any easements appurtenant to any Owned Real Property), one or more assignments in

form and substance reasonably satisfactory to Buyer (each, a “**Real Property Interest Assignment**”) and duly executed and acknowledged by Seller;

(vi) the BRU Transfer Documents duly executed by Seller;

(vii) the Seller Closing Certificate;

(viii) the FIRPTA Certificate;

(ix) the certificates of the Clerk of Seller required by Section 7.02(j) and Section 7.02(k);

(x) such other customary instruments of assignment, transfer, assumption, conveyance, filings or documents (including transfer of vehicle titles), in form and substance reasonably satisfactory to Buyer and Seller, as may be required to give effect to this Agreement; and

(xi) such other agreements, consents, documents, instruments and writings as are required to be delivered by Seller at or prior to the Closing pursuant to this Agreement or the Ancillary Documents.

(b) At the Closing, Buyer shall deliver to Seller the following:

(i) the Purchase Price paid in the manner set forth in Section 2.07;

(ii) the Assignment and Assumption Agreement duly executed by Buyer;

(iii) with respect to each Lease, an Assignment and Assumption of Lease duly executed by Buyer;

(iv) the BRU Transfer Documents duly executed by Buyer;

(v) the Buyer Closing Certificate;

(vi) the certificates of the Secretary or Assistant Secretary of Buyer required by Section 7.03(g) and Section 7.03(h); and

(vii) such other agreements, documents, instruments and writings as are required to be delivered by Buyer at or prior to the Closing pursuant to this Agreement of the Ancillary Documents.

(c) The parties hereto anticipate that all of the conditions set forth in ARTICLE VII other than the funding described in this Section 3.02(c) shall be satisfied on a date that is mutually agreed by the parties hereto (the “**Documentation Closing Date**”). On the Documentation Closing Date, the parties hereto shall have delivered all documentation required by ARTICLE VII to be delivered at or prior to the Closing, to be

held in escrow until the delivery of the Upfront Payment to Seller on a date that is no sooner than twenty (20) days following the Documentation Closing Date (such date, the “**Financial Closing Date**”). On the Financial Closing Date, a portion of the Upfront Payment together with any other funds of Seller to the extent necessary shall be deposited into the applicable bond fund under the Trust Agreements and other documents related to the Closing Debt in accordance with the provisions related to the disposition of the system and defeasance/redemption provisions of the Trust Agreements and other documents pursuant to which such Closing Debt was issued in an amount that shall be sufficient to pay and redeem the Closing Debt (“**Bond Release Consideration**”). The sufficiency of such deposit of monies and the amount of the Bond Release Consideration shall be verified by an independent certified public accountant, acting as an expert and not an arbitrator, that is acceptable to Buyer and Seller. Seller shall cause irrevocable instructions to be given on or prior to the Financial Closing Date to the trustees under and in accordance with the Trust Agreements, and there shall be delivered to Buyer and Seller on or prior to the Closing Date opinions of bond counsel to Seller, in a form satisfactory to Buyer and Seller, to the effect that the pledge of the pledged revenues, and all covenants, agreements and obligations of Seller to the holders of the Closing Debt, and all liens, benefits or security under the Closing Debt, have thereupon ceased, terminated and become void, discharged and satisfied upon deposit of the Bond Release Consideration at the Financial Closing Date as aforesaid and that the actions contemplated by this Agreement will not have an adverse effect on the tax-exempt status of the Closing Debt. Any Bond Release Consideration and interest earned thereon not used to repay or defease Closing Debt shall be paid over to Seller. For the avoidance of doubt, except as set forth in this Section 3.02(c), the Financial Closing Date shall be the Closing Date under this Agreement.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth in the correspondingly numbered Section of the Disclosure Schedules, Seller represents and warrants to Buyer that the statements contained in this ARTICLE IV are true and correct as of the date hereof. Without limiting any other provision of this Agreement, for purposes only of this ARTICLE IV, the definition of Purchased Assets shall include the Eklutna Generation Assets and the definition of Business shall be understood to mean the operation of the Eklutna Generation Assets.

Section 4.01 Organization and Qualification of Seller. Seller is a political subdivision duly organized, validly existing under the Laws of the State of Alaska and has all requisite power and authority to own, operate or lease the properties and assets now owned, operated or leased by it and to carry on the Business as currently conducted.

Section 4.02 Authority of Seller. Seller has all requisite municipal power and authority to enter into this Agreement and the Ancillary Documents to which Seller is a party, to carry out its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Seller of this Agreement and any Ancillary Document to which Seller is a party, the performance by Seller of its obligations hereunder and thereunder and the

consummation by Seller of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of Seller. This Agreement has been duly executed and delivered by Seller, and (assuming due authorization, execution and delivery by Buyer) this Agreement constitutes a legal, valid and binding obligation of Seller enforceable against Seller in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general equity principles, whether considered in a proceeding at law or in equity. When each Ancillary Document to which Seller is or will be a party has been duly executed and delivered by Seller (assuming due authorization, execution and delivery by each other party thereto), such Ancillary Document will constitute a legal and binding obligation of Seller enforceable against it in accordance with its terms.

Section 4.03 No Conflicts; Consents.

(a) The execution, delivery and performance by Seller of this Agreement and the Ancillary Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the Charter of Seller; (b) conflict with or result in a violation or breach of any provision of any Law or Governmental Order applicable to Seller, the Business, or the Purchased Assets; (c) except as set forth in Section 4.03(a) of the Disclosure Schedules, require the consent, notice or other action by any Person under, conflict with, result in a material violation or material breach of, constitute a material default or an event that, with or without notice or lapse of time or both, would constitute a material default under, result in the acceleration of or create in any party the right to accelerate, terminate, modify or cancel any Contract or Permit to which Seller is a party or by which Seller or the Business is bound or to which any of the Purchased Assets are subject (including any Assigned Contract); or (d) result in the creation or imposition of any Encumbrance other than Permitted Encumbrances on the Purchased Assets. Except for the RCA Approval and the other Governmental Authority approvals set forth in Section 4.03(a) of the Disclosure Schedules, no material consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to Seller in connection with the execution and delivery of this Agreement or any of the Ancillary Documents and the consummation of the transactions contemplated hereby and thereby.

(b) No filing is required under the HSR Act because Seller is a U.S. governmental authority referred to in 15 U.S.C. § 18a(c)(4).

Section 4.04 Financial Statements. Complete copies of the audited financial statements consisting of the statements of net position of the Business as at December 31, 2017 and December 31, 2016 and the statements of revenues, expenses and changes in net position and statements of cash flows in each of the years ending December 31, 2017 and December 31, 2016 (the “**Audited Financial Statements**”) have been delivered to Buyer. The Audited Financial Statements have been prepared in accordance with GAAP applied on a consistent basis throughout the period involved. The Audited Financial Statements are based on the books and records of the Business, and fairly present the financial condition of the Business as of the respective dates they were prepared and the results of the operations of the Business for the periods indicated. The statement of net position of the Business as of

December 31, 2017 is referred to herein as the “**Balance Sheet**” and the date thereof as the “**Balance Sheet Date**” Seller maintains a standard system of accounting for the Business established and administered in accordance with GAAP. Each statement of net position of the Business included in the Updated Financial Statements delivered to Buyer will fairly present in all material respects, the financial position of the Business as of its date and each of the statements of revenues, expenses and changes in net position and statements of cash flows will fairly present in all material respects, the information set forth therein for the Business, and in each case, will be prepared in accordance with GAAP consistently applied during the periods involved, except, in the case of unaudited financial statements, the absence of notes (that, if presented, would not differ materially from those presented in the most recent audited financial statements delivered as Updated Financial Statements).

Section 4.05 Undisclosed Liabilities. Seller has no Liabilities with respect to the Business, except (a) those which are adequately reflected or reserved against in the Balance Sheet (including notes thereto) as of the Balance Sheet Date, and (b) those which have been incurred in the ordinary course of business consistent with past practice since the Balance Sheet Date and which are not, individually or in the aggregate, material in amount.

Section 4.06 Absence of Certain Changes, Events and Conditions. Between the Balance Sheet Date and the date of this Agreement, and other than in the ordinary course of business consistent with past practice, there has not been any:

- (a) event, occurrence or development that has had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect;
- (b) declaration or payment of any dividends or distributions on or in respect of any of ML&P’s equity or redemption, purchase or acquisition of ML&P’s equity with respect to the Business;
- (c) material change in any method of accounting or accounting practice for the Business, except as required by GAAP or as disclosed in the notes to the Audited Financial Statements;
- (d) material change in cash management practices and policies, practices and procedures with respect to collection of Accounts Receivable, establishment of reserves for uncollectible Accounts Receivable, accrual of Accounts Receivable, inventory control, prepayment of expenses, payment of trade accounts payable, accrual of other expenses, deferral of revenue and acceptance of customer deposits;
- (e) entry into any Contract that would constitute a Material Contract;
- (f) incurrence, assumption or guarantee of any indebtedness for borrowed money in connection with the Business except unsecured current obligations and Liabilities incurred in the ordinary course of business consistent with past practice and Prudent Utility Practices;

- (g) transfer, assignment, sale or other disposition of any of the Purchased Assets shown or reflected in the Balance Sheet, except for the sale of Inventory and surplus equipment in the ordinary course of business;
- (h) cancellation of any debts or claims or amendment, termination or waiver of any rights constituting Purchased Assets;
- (i) transfer or assignment of or grant of any license or sublicense under or with respect to any material Intellectual Property Assets or Intellectual Property Agreements (except non-exclusive licenses or sublicenses granted in the ordinary course of business consistent with past practice and Prudent Utility Practices);
- (j) abandonment or lapse of or failure to maintain in full force and effect any material Intellectual Property Registration, or failure to take or maintain reasonable measures to protect the confidentiality or value of any material Trade Secrets included in the Intellectual Property Assets;
- (k) material damage, destruction or loss, or any material interruption in use, of any Purchased Assets, whether or not covered by insurance;
- (l) acceleration, termination, material modification to or cancellation of any Assigned Contract or Permit;
- (m) material capital expenditures which would constitute an Assumed Liability;
- (n) imposition of any Encumbrance upon any of the Purchased Assets;
- (o) (i) grant of any bonuses, whether monetary or otherwise, or increase in any wages, salary, severance, pension or other compensation or benefits in respect of any non-represented current or former employees, officials, managers, independent contractors or consultants of the Business for which the aggregate costs and expenses to the Business exceed \$2,000,000, other than as provided for in the Retention Agreements or any other written agreements or required by applicable Law, or (ii) action to accelerate the vesting or payment of any compensation or benefit for any current or former employee, official, manager, consultant or independent contractor of the Business;
- (p) hiring or promoting any person as or to (as the case may be) an official or manager or hiring or promoting any employee below official or manager except to fill a vacancy in the ordinary course of business;
- (q) adoption, material modification or termination of any: (i) employment, severance, retention or other agreement with any current or former employee, official, manager, independent contractor or consultant of the Business, (ii) Benefit Plan, or (iii) collective bargaining, letters of agreement, or other agreement with a Union, in each case whether written or oral;

(r) any loan to (or forgiveness of any loan to), or entry into any other transaction with, any current or former officials, managers or employees of the Business;

(s) adoption of any plan of merger, consolidation, reorganization, liquidation or dissolution or filing of a petition in bankruptcy under any provisions of federal or state bankruptcy Law or consent to the filing of any bankruptcy petition against it under any similar Law;

(t) purchase, lease or other acquisition of the right to own, use or lease any property or assets in connection with the Business for an amount in excess of \$1,500,000, individually (in the case of a lease, per annum) or \$20,000,000 in the aggregate (in the case of a lease, for the entire term of the lease, not including any option term), except for purchases of Inventory or supplies in the ordinary course of business consistent with past practice and Prudent Utility Practices;

(u) any transfer of assets historically used by ML&P to Seller or a division or business unit of Seller which have an aggregate net book value in excess of \$1,000,000; and

(v) any Contract to do any of the foregoing, or any action or omission that would result in any of the foregoing.

Section 4.07 Material Contracts.

(a) Section 4.07(a) of the Disclosure Schedules lists each of the following Contracts (but excluding any Leases) (x) by which any of the Purchased Assets are bound or affected or (y) to which Seller is a party and by which it is bound in connection with the Business or the Purchased Assets (such Contracts, together with all Contracts concerning the occupancy, management or operation of any Real Property (including brokerage contracts) listed or otherwise disclosed in Section 4.10(b) of the Disclosure Schedules and all Intellectual Property Agreements set forth in Section 4.11(b) of the Disclosure Schedules, being “**Material Contracts**”):

(i) all Contracts, not otherwise provided for in this Section 4.07(a), that involve aggregate consideration in excess of \$2,000,000 and that, in each case, cannot be cancelled without penalty and without more than ninety (90) days’ prior notice;

(ii) all Contracts that require Seller to purchase or sell a stated portion of the requirements or outputs of the Business or that contain “take or pay” provisions and that require payments in excess of \$2,000,000 for each individual Contract;

(iii) all Contracts for the purchase, exchange, or sale of electricity, energy, capacity, or other energy-related products or ancillary services and requiring payments in excess of \$2,000,000 for each individual Contract;

(iv) all Contracts for the purchase, exchange, sale, or storage of natural gas, fuel oil, diesel, or any other fuel and requiring payments in excess of \$2,000,000 for each individual Contract;

(v) all Contracts for the transmission of electricity that require payments in excess of \$2,000,000 for each individual Contract;

(vi) all interconnection Contracts;

(vii) all Contracts that provide for the indemnification of any Person or the assumption of any Tax, environmental, or other Liability of any Person;

(viii) all Contracts that relate to the acquisition or disposition of any business, a material amount of stock or assets of any other Person or any real property (whether by merger, sale of stock, sale of assets or otherwise), other than Contracts entered into in the ordinary course of business relating to assets with a net book value of less than \$2,000,000 individually or \$5,000,000 in the aggregate;

(ix) all broker, distributor, dealer, manufacturer's representative, franchise, agency, sales promotion, market research, marketing consulting, and advertising Contracts that provide for annual compensation by Seller in an amount in excess of \$2,000,000 and that are not cancelable by Seller without more than ninety (90) days' prior notice;

(x) all agreements and Contracts with employees, independent contractors, or consultants (or similar arrangements) other than written or oral offers or Contracts terminable without material penalty or without more than ninety (90) days' prior notice;

(xi) except for Contracts relating to trade receivables, all Contracts relating to indebtedness (including guarantees);

(xii) all Contracts with any Governmental Authority ("**Government Contracts**");

(xiii) all Contracts that limit or purport to limit the ability of Seller to compete in any line of business or with any Person or in any geographic area or during any period of time;

(xiv) all joint venture, partnership, or similar Contracts;

(xv) all Contracts for the sale of any of the Purchased Assets or for the grant to any Person of any option, right of first refusal or preferential or similar right to purchase or otherwise acquire an interest in any of the Purchased Assets, other than Contracts entered into in the ordinary course of business relating to

assets with a net book value of less than \$2,000,000 individually or \$5,000,000 in the aggregate;

(xvi) all powers of attorney with respect to the Business or any Purchased Asset;

(xvii) all collective bargaining agreements or Contracts with any Union;

(xviii) all Contracts related to the BRU Interests;

(xix) all Contracts related to Eklutna Generation Assets and Eklutna Transmission Assets;

(xx) any construction contract, equipment purchase contract, operations and maintenance agreement, management or administrative services contract, and technical or contractual service agreement entered into in the past five (5) years which has required or will require expenditures in excess of \$2,000,000, including all such agreements related to ML&P Plant 2A; and

(xxi) Contracts related to the purchase or sale of air pollution emission allowances or credits.

(b) Each Material Contract is valid and binding on Seller in accordance with its terms and is in full force and effect. None of Seller or, to Seller's Knowledge, any other party thereto is in breach of or default under (or is alleged to be in breach of or default under), or has provided or received any notice of any intention to terminate, any Material Contract. No event or circumstance has occurred that, with notice or lapse of time or both, would constitute an event of default under any Material Contract or result in a termination thereof or would cause or permit the acceleration or other changes of any right or obligation or the loss of any benefit thereunder. Complete and correct copies of each Material Contract (including all modifications, amendments and supplements thereto and waivers thereunder) have been made available to Buyer. There are no material disputes pending or threatened under any Contract included in the Purchased Assets.

Section 4.08 Title to Purchased Assets. Except as provided in Section 4.08 of the Disclosure Schedules, Seller has good and valid title to, or a valid leasehold interest in, all of the Purchased Assets (the foregoing representation and any other representation in this Agreement shall not be modified or negated by the execution or recording of any quit claim deed). All such Purchased Assets (including leasehold interests) are free and clear of Encumbrances except for the following (collectively referred to as "**Permitted Encumbrances**"):

(a) those items set forth in Section 4.08 of the Disclosure Schedules;

(b) mechanics', carriers', workmen's, repairmen's or other like liens arising or incurred in the ordinary course of business consistent with past practice or amounts that

are not delinquent and that are not, individually or in the aggregate, material to the Business or the Purchased Assets;

(c) easements, rights of way, servitudes, permits, licenses, covenants, restrictions, zoning ordinances and other similar Encumbrances affecting Real Property that individually or in the aggregate, do not prohibit or materially interfere with the current operation of any Real Property;

(d) other than with respect to Owned Real Property, liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business consistent with past practice which are not, individually or in the aggregate, material to the Business or the Purchased Assets;

(e) Encumbrances for Taxes or assessments that are not delinquent;

(f) Encumbrances that have been placed by any developer, landlord, or other third party on any Leased Real Property or Other Real Property Interest that individually or in the aggregate, do not prohibit or materially interfere with the current operation of the Real Property;

(g) all matters that an accurate survey of the Real Property would disclose that individually or in the aggregate, do not prohibit or materially interfere with the current operation of the Real Property;

(h) deed restrictions limiting the use of the Real Property to non-residential uses;

(i) except with respect to the BRU Interest, any conveyance, transfer, or lease of any oil, gas, or mineral rights and profits, rights, and appurtenances relating thereto; or

(j) in the case of any buildings or other improvements owned by Seller on any Leased Real Property, the terms and conditions of the applicable Lease.

Section 4.09 Condition and Sufficiency of Assets. The buildings, plants, structures, furniture, fixtures, machinery, equipment, vehicles and other items of Tangible Personal Property included in the Purchased Assets are structurally sound, are in good operating condition and repair, and are adequate for the uses to which they are being put. The Purchased Assets are sufficient for the continued conduct of the Business immediately after the Closing in substantially the same manner as conducted prior to the Closing and constitute all of the rights, property and assets necessary to conduct the Business as currently conducted. None of the Excluded Assets are material to the Business. The Purchased Assets have been operated and maintained in accordance with Prudent Utility Practices. Except as set forth in Section 4.09 of the Disclosure Schedules, all of the Generation Assets, Transmission Assets and Distribution Assets owned, in whole or in part, leased or operated by ML&P have been operated in all material respects in the ordinary course of business consistent with past practice, and there are no pending material claims for defective work, equipment or materials relating to the Purchased Assets.

Section 4.10 Real Property.

(a) Section 4.10(a) of the Disclosure Schedules sets forth each parcel of real property owned by Seller and used in or necessary for the conduct of the Business as currently conducted (together with all buildings, fixtures, structures and improvements situated thereon and all easements, rights-of-way and other rights and privileges appurtenant thereto, collectively, the “**Owned Real Property**”), including with respect to each property, the address location and use. Seller has delivered to Buyer copies of the deeds and other instruments (as recorded) by which Seller acquired such parcel of Owned Real Property, and copies of all title insurance policies, opinions, abstracts and surveys in the possession of Seller with respect to such parcel. With respect to each parcel of Owned Real Property:

(i) Seller has good and valid fee simple title, free and clear of all Encumbrances, except (A) Permitted Encumbrances and (B) those Encumbrances set forth on Section 4.10(a)(i) of the Disclosure Schedules;

(ii) except as set forth in Section 4.10(a)(ii) of the Disclosure Schedules or in any Permitted Encumbrance, Seller has not leased or otherwise granted to any Person the right to use or occupy such Owned Real Property or any portion thereof; and

(iii) to Seller’s Knowledge, there are no unrecorded outstanding options, rights of first offer or rights of first refusal to purchase such Owned Real Property or any portion thereof or interest therein.

(b) Section 4.10(b) of the Disclosure Schedules sets forth each parcel of real property leased by Seller and used in or necessary for the conduct of the Business as currently conducted (together with all rights, title and interest of Seller in and to leasehold improvements relating thereto, including security deposits, reserves or prepaid rents paid in connection therewith, collectively, the “**Leased Real Property**”), and a true and complete list of all leases, subleases, licenses, concessions and other agreements (whether written or oral), including all amendments, extensions renewals, guaranties and other agreements with respect thereto, pursuant to which Seller holds any Leased Real Property (collectively, the “**Leases**”). Seller has delivered to Buyer a true and complete copy of each Lease. With respect to each Lease:

(i) except as set forth in Section 4.10(b) of the Disclosure Schedules, such Lease is valid, binding, enforceable, and in full force and effect, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors’ rights and to general equity principles, whether considered in a proceeding at law or in equity, and Seller enjoys peaceful and undisturbed possession of the Leased Real Property, subject to Permitted Encumbrances;

(ii) To Seller's Knowledge, Seller is not in breach or default under such Lease, and no event has occurred or circumstance exists which, with the delivery of notice, passage of time or both, would constitute such a breach or default, and Seller has paid all rent due and payable under such Lease;

(iii) Seller has not received nor given any currently-effective notice of any default or event that with notice or lapse of time, or both, would constitute a default by Seller under any of the Leases and, to the Knowledge of Seller, no other party is in default thereof, and no party to any Lease has exercised any termination rights with respect thereto;

(iv) Except as set forth in Section 4.10(b)(iv) of the Disclosure Schedules, Seller has not subleased, assigned or otherwise granted to any Person the right to use or occupy such Leased Real Property or any portion thereof; and

(v) Seller has not pledged, mortgaged or otherwise granted an Encumbrance on its leasehold interest in any Leased Real Property.

(c) Seller holds sufficient title in all easements, licenses, franchises and other interests in real property other than the Owned Real Property and Leased Real Property that are used in or necessary for the conduct of the Business as currently conducted (together with all of Seller's equipment and fixtures situated thereon and all other rights and privileges appurtenances thereto, collectively, the "**Other Real Property Interests**"). Section 4.10(c) of the Disclosure Schedules contains a list of all material Other Real Property Interests. With respect to all Other Real Property Interests:

(i) Except as provided in Section 4.10(c) of the Disclosure Schedules, the Other Real Property Interests are valid, binding, enforceable, and in full force and effect, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors' rights and to general equity principles, whether considered in a proceeding at law or in equity, and Seller enjoys peaceful and undisturbed possession of the rights or occupancy conferred by the Other Real Property Interests, subject to Permitted Encumbrances;

(ii) To Seller's Knowledge, Seller is not in breach or default under any agreement evidencing or granting the Other Real Property Interests, and no event has occurred or circumstance exists which, with the delivery of notice, passage of time or both, would constitute such a breach or default, and Seller has paid all consideration due and payable with respect to the Other Real Property Interests;

(iii) Seller has not received nor given any currently-effective notice of any default or event that with notice or lapse of time, or both, would constitute a default by Seller with respect to any of the Other Real Property Interests and, to the Knowledge of Seller, no other party is in default thereof; and

(iv) Seller has not subleased, sublicensed, assigned or otherwise granted to any Person the right to use or occupy any of the Other Real Property Interests or any portion thereof.

(d) Seller has not received any written notice of (i) violations of building codes or zoning ordinances or other governmental or regulatory Laws affecting the Real Property, (ii) existing, pending or threatened condemnation proceedings affecting the Real Property, or (iii) existing, pending or threatened zoning, building code or other moratorium proceedings, or similar matters which would reasonably be expected to adversely affect the ability to operate the Real Property as currently operated and in accordance with Prudent Utility Practices. Neither the whole nor any material portion of any Real Property has been damaged or destroyed by fire or other casualty.

(e) The Real Property is sufficient for the continued conduct of the Business immediately after the Closing in substantially the same manner as conducted prior to the Closing and constitutes all of the real property necessary to conduct the Business as currently conducted.

Section 4.11 Intellectual Property.

(a) Section 4.11(a) of the Disclosure Schedules contains a correct, current and complete list of: (i) all Intellectual Property Registrations, specifying as to each, as applicable: the title, mark, or design; the jurisdiction by or in which it has been issued, registered or filed; the patent, registration or application serial number; the issue, registration or filing date; and the current status; (ii) all unregistered Trademarks included in the Intellectual Property Assets; (iii) all proprietary Software included in the Intellectual Property Assets; and (iv) all other material Intellectual Property Assets that are used or held for use in the conduct of the Business. All required filings and fees related to the Intellectual Property Registrations have been timely filed with and paid to the relevant Governmental Authorities and authorized registrars, and all Intellectual Property Registrations are otherwise in good standing. Seller has provided Buyer with true and complete copies of file histories, documents, certificates, office actions, correspondence and other materials related to all Intellectual Property Registrations.

(b) Section 4.11(b) of the Disclosure Schedules contains a correct, current and complete list of all Intellectual Property Agreements, specifying for each the date, title and parties thereto. Seller has provided Buyer with true and complete copies (or in the case of any oral agreements, a complete and correct written description) of all such Intellectual Property Agreements, including all modifications, amendments and supplements thereto and waivers thereunder. Each Intellectual Property Agreement is valid and binding on Seller in accordance with its terms and is in full force and effect. Neither Seller nor any other party thereto is, or is alleged to be, in breach of or default under, or has provided or received any notice of breach of, default under, or intention to terminate (including by non-renewal), any Intellectual Property Agreement.

(c) Except as set forth in Section 4.11(c) of the Disclosure Schedules, Seller is the sole and exclusive legal and beneficial, and with respect to the Intellectual Property Registrations, record, owner of all right, title, and interest in and to the Intellectual Property Assets, and has the valid and enforceable right to use all other Intellectual Property used or held for use in or necessary for the conduct of the Business, in each case free and clear of Encumbrances other than Permitted Encumbrances.

(d) Neither the execution, delivery or performance of this Agreement, nor the consummation of the transactions contemplated hereunder, will result in the loss or impairment of or payment of any additional amounts with respect to, nor require the consent of any other Person in respect of, Buyer's right to own or use any Intellectual Property Assets or any Intellectual Property subject to any Intellectual Property Agreement.

(e) All of the Intellectual Property Registrations are valid and enforceable, and all Intellectual Property Registrations are subsisting and in full force and effect. Seller has taken reasonable and necessary steps to maintain and enforce the Intellectual Property Assets and to preserve the confidentiality of all Trade Secrets included in the Intellectual Property Assets.

(f) The conduct of the Business, including the use of the Intellectual Property Assets and the Intellectual Property licensed under the Intellectual Property Agreements in connection therewith, and the products, processes, and services of the Business have not infringed, misappropriated, or otherwise violated the Intellectual Property or other rights of any Person. To Seller's Knowledge, no Person has infringed, misappropriated, or otherwise violated any Intellectual Property Assets or the Intellectual Property licensed under the Intellectual Property Agreements.

(g) There are no Actions (including any opposition, cancellation, revocation, review, or other proceeding) settled, pending, or, to the Knowledge of Seller, threatened (including in the form of offers to obtain a license): (i) alleging any infringement, misappropriation, or other violation of the Intellectual Property of any Person by Seller in the conduct of the Business; (ii) challenging the validity, enforceability, registrability, patentability, or ownership of any Intellectual Property Assets; or (iii) by Seller or any other Person alleging any infringement, misappropriation, or violation by any Person of any Intellectual Property Assets. Seller is not subject to any outstanding or prospective Governmental Order (including any motion or petition therefor) that does or would reasonably be expected to restrict or impair the use of any Intellectual Property Assets.

(h) This Section 4.11 constitutes the sole and exclusive representation and warranty of Seller with respect to any Intellectual Property matters.

Section 4.12 Inventory. All Inventory, whether or not reflected in the Balance Sheet, consists of a quality and quantity usable and salable in the ordinary course of business consistent with past practice, except for obsolete, damaged, or defective items that have been written off or written down to fair market value or for which adequate reserves have been established. Section 4.12 of the Disclosure

Schedules sets forth all Inventory that is obsolete, damaged, or defective that has not or will not be repaired which has an aggregate net book value in excess of \$1,000,000. All Inventory is owned by Seller free and clear of all Encumbrances, and no Inventory is held on a consignment basis. The quantities of each item of Inventory (whether raw materials, work-in-process or finished goods) are not excessive, but are reasonable in the present circumstances of Seller.

Section 4.13 Transferred Cash. Exhibit J sets forth a description and the amount of all Transferred Cash as if the Closing had occurred as of December 31, 2017.

Section 4.14 Customers and Suppliers.

(a) Section 4.14(a) of the Disclosure Schedules sets forth with respect to the Business (i) each customer who has paid aggregate consideration to Seller for electricity or other electric utility services rendered in an amount greater than or equal to \$1,000,000 for each of the two most recent fiscal years (collectively, the “**Material Customers**”); and (ii) the amount of consideration paid by each Material Customer during such periods. Except as set forth in Section 4.14(a) of the Disclosure Schedules, Seller has not received any written notice, and has no reason to believe, that any of the Material Customers has ceased, or intends to cease after the Closing, to use electricity or other electric utility services of the Business or to otherwise terminate or materially reduce its relationship with the Business.

(b) Section 4.14(b) of the Disclosure Schedules sets forth with respect to the Business (i) each supplier to whom Seller has paid consideration for goods or services rendered in an amount greater than or equal to \$2,000,000 for each of the two most recent fiscal years (collectively, the “**Material Suppliers**”); and (ii) the amount of purchases from each Material Supplier during such periods. Except as set forth in Section 4.14(b) of the Disclosure Schedules, Seller has not received any written notice, and has no reason to believe, that any of the Material Suppliers has ceased, or intends to cease, to supply goods or services to the Business or to otherwise terminate or materially reduce its relationship with the Business.

Section 4.15 Insurance. Section 4.15 of the Disclosure Schedules sets forth (a) a true and complete list of all current policies or binders of fire, liability, product liability, umbrella liability, real and personal property, workers’ compensation, vehicular, fiduciary liability and other casualty, property and other insurance maintained by Seller relating to the Business, the Purchased Assets or the Assumed Liabilities (collectively, the “**Insurance Policies**”); and (b) with respect to the Business, the Purchased Assets or the Assumed Liabilities, a list of all pending claims and the claims history for Seller since January 1, 2016. Except as set forth on Section 4.15 of the Disclosure Schedules, there are no claims related to the Business, the Purchased Assets or the Assumed Liabilities pending under any such Insurance Policies as to which coverage has been questioned, denied or disputed or in respect of which there is an outstanding reservation of rights. Seller has not received any written notice of cancellation of, premium increase with respect to, or alteration of coverage under, any of such Insurance Policies. All premiums due on such Insurance Policies have either been paid or, if not yet due, accrued. All such Insurance Policies (a) are in full force and effect and enforceable in accordance with their terms; (b) are provided by carriers who are financially solvent; and (c) have not been subject

to any lapse in coverage. Seller is not in default under, or has otherwise failed to comply with, in any material respect, any provision contained in any such Insurance Policy. The Insurance Policies are of the type and in the amounts customarily carried by Persons conducting a business similar to the Business and are sufficient for compliance with all applicable Laws and Contracts to which Seller is a party or by which it is bound. True and complete copies of the Insurance Policies have been made available to Buyer.

Section 4.16 Legal Proceedings; Governmental Orders.

(a) Except as set forth in Section 4.16(a) of the Disclosure Schedules, there are no Actions pending or, to Seller's Knowledge, threatened against or by Seller (a) relating to or affecting the Business, the Purchased Assets, or the Assumed Liabilities; or (b) that challenge or seek to prevent, enjoin, or otherwise delay the transactions contemplated by this Agreement. To Seller's Knowledge, no event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such Action.

(b) Except as set forth in Section 4.16(b) of the Disclosure Schedules, there are no outstanding Governmental Orders and no unsatisfied judgments, penalties or awards against, relating to or affecting the Business. Seller is in compliance with the terms of each Governmental Order set forth in Section 4.16(b) of the Disclosure Schedules. No event has occurred or circumstances exist that may constitute or result in (with or without notice or lapse of time) a violation of any such Governmental Order.

(c) Except as set forth in Section 4.16(c) of the Disclosure Schedules, as of the date hereof, ML&P (i) is not a Person whose rates or services are regulated by a Governmental Entity, (ii) is not a party to any rate proceeding before a Governmental Authority with respect to rates charged by ML&P, (iii) does not have rates in any amounts that have been or are being collected subject to refund, pending final resolution of any rate proceeding pending before a Governmental Authority or on appeal to a court, or (iv) is not a party to any contract with any Governmental Authority imposing conditions on rates or services in effect as of the date hereof or which, to the Knowledge of Seller, are as of the date hereof scheduled to go into effect at a later time.

Section 4.17 Compliance With Laws; Permits.

(a) Except as set forth in Section 4.17(a) of the Disclosure Schedules, Seller has at all times complied, and is now complying, in each case in all material respects, with all Laws applicable to the conduct of the Business and the ownership and use of the Purchased Assets.

(b) All Permits required for Seller to conduct the Business as currently conducted or for the ownership and use of the Purchased Assets have been obtained by Seller and are valid and in full force and effect. All fees and charges with respect to such Permits as of the date hereof have been paid in full. Section 4.17(b) of the Disclosure Schedules lists all material current Permits issued to Seller which are related to the conduct of the Business as currently conducted or the ownership and use of the Purchased

Assets, including the names of the Permits and their respective dates of issuance and expiration. No event has occurred that, with or without notice or lapse of time or both, would reasonably be expected to result in the revocation, suspension, lapse or limitation of any Permit set forth in Section 4.17(b) of the Disclosure Schedules.

(c) All filings required to be made by ML&P since January 1, 2015, with the RCA have been made, including all forms, statements, reports, agreements and all documents, exhibits, amendments and supplements appertaining thereto, including all rates, tariffs and related documents, and all such filings complied in material respects, as of their respective dates, with all applicable requirements of applicable statutes and the rules and regulations promulgated thereunder.

Section 4.18 Environmental Matters.

(a) To the Knowledge of Seller, the Purchased Assets and the operations of Seller with respect to the Business and the Purchased Assets are currently and have, during the period of five (5) years prior to the Closing Date, at all times been in compliance with all Environmental Laws. Seller has not received from any Person, with respect to the Business or the Purchased Assets, any: (i) Environmental Notice or Environmental Claim; or (ii) written request for information pursuant to Environmental Law, which, in each case, either remains pending or unresolved, or is the source of ongoing obligations or requirements as of the Closing Date.

(b) Seller has obtained and, to Seller's Knowledge, is in compliance with all Environmental Permits (each of which is disclosed in Section 4.18(b) of the Disclosure Schedules) necessary for the conduct of the Business as currently conducted or for the ownership, lease, operation, or use of the Purchased Assets, and all such Environmental Permits are in full force and effect. With respect to any such Environmental Permits, to Seller's Knowledge, there is no condition, event, or circumstance that is reasonably likely to prevent or impede the transfer of the same to Buyer as of the Closing Date, and Seller has not received any Environmental Notice or other communication regarding, and to Seller's Knowledge there is no, actual or potential material adverse change in the status or terms and conditions of the same.

(c) Except as set forth in Section 4.18(c) of the Disclosure Schedules, Seller has not within the last six (6) years received any written notice from any Governmental Authority that the Business or any of the Purchased Assets or real property currently or formerly owned, leased, or operated by Seller in connection with the Business is not or has not been in compliance with, any Environmental Law or any Environmental Permit;

(d) Except as set forth in Section 4.18(d) of the Disclosure Schedules, there are no Environmental Claims pending or, to Seller's Knowledge, threatened against Seller with respect to the Business or any of the Purchased Assets or real property currently or formerly owned, leased or operated by Seller in connection with the Business. Except as set forth in Section 4.18(d) of the Disclosure Schedules, to Seller's Knowledge, there are no facts or circumstances regarding the Business or any of the

Purchased Assets or real property currently or formerly owned, leased, or operated by Seller in connection with the Business that are reasonably likely to result in any Environmental Claim against Seller or Buyer.

(e) To Seller's Knowledge, none of the Business or the Purchased Assets or any real property currently or formerly owned, leased or operated by Seller in connection with the Business is listed on, or has been proposed for listing on, the National Priorities List (or CERCLIS) under CERCLA, or any similar state list.

(f) Except as set forth in Section 4.18(f) of the Disclosure Schedules, to Seller's Knowledge, there has been no Release of Hazardous Materials in contravention of Environmental Law, or which would reasonably be expected to give rise to any Environmental Claim, with respect to the Business or the Purchased Assets or any real property currently or formerly owned, leased or operated by Seller in connection with the Business, and Seller has not received any Environmental Notice that, nor, to Seller's Knowledge, are any of the Business or the Purchased Assets or real property currently or formerly owned, leased or operated by Seller in connection with the Business (including soils, soil gas, groundwater, surface water, buildings and other structure located thereon) contaminated with any Hazardous Material in such a manner as would reasonably be expected to result in an Environmental Claim against Seller or Buyer.

(g) Section 4.18(g) of the Disclosure Schedules contains a complete and accurate list of (x) all active or abandoned aboveground or underground storage tanks owned or operated by Seller in connection with the Business or the Purchased Assets, or to Seller's Knowledge, otherwise located on the Owned Real Property and Leased Real Property; and (y) all, to Seller's Knowledge, polychlorinated-biphenyl-containing equipment, located at, on, or under the Owned Real Property and Leased Real Property.

(h) Section 4.18(h) of the Disclosure Schedules contains a complete and accurate list of all off-site Hazardous Materials treatment, storage, or disposal facilities or locations used by Seller and any predecessors, or otherwise used to treat, store or dispose of waste generated by Seller and any predecessors, in connection with the Business or the Purchased Assets as to which Seller may retain liability, and Seller has not received any Environmental Notice with respect to such off-site Hazardous Materials treatment, storage, or disposal facilities or locations used by Seller.

(i) Seller has not retained or assumed, by contract or, to Seller's Knowledge, by operation of Law, any Liabilities of third parties under Environmental Law.

(j) Except as otherwise provided in Section 6.29(a), Seller has provided or otherwise made available to Buyer in the manner set forth in Section 4.18(j) of the Disclosure Schedules: (i) any and all material environmental reports, studies, audits, records, sampling data, site assessments, risk assessments, economic models and other similar documents with respect to the Business or the Purchased Assets or any real property currently or formerly owned, leased or operated by Seller in connection with the Business which are in the possession or control of Seller related to compliance with

Environmental Laws, Environmental Claims or an Environmental Notice or the Release of Hazardous Materials, provided that, where multiple drafts of such documents were generated, Buyer has made available and listed only the most recent version of such document; and (ii) any and all material documents concerning planned or anticipated capital expenditures required to reduce, offset, limit or otherwise control pollution or emissions, manage waste or otherwise ensure compliance with current or future Environmental Laws (including costs of remediation, pollution control equipment and operational changes).

(k) During the period of six (6) years prior to the Closing Date, there have been no claims by Seller against comprehensive general liability or excess insurance carriers for any Loss resulting from, relating to or arising from Environmental Claims with respect to the Business or any of the Purchased Assets or real property currently or formerly owned, leased or operated by Seller in connection with the Business.

(l) To Seller's Knowledge, there is not any condition, event or circumstance concerning the Release or regulation of Hazardous Materials that would reasonably be expected to, after the Closing Date, prevent, impede or materially increase the costs to own and operate the Business or the Purchased Assets as currently carried out.

(m) This Section 4.18 constitutes the sole and exclusive representation and warranty of Seller with respect to environmental matters, including all matters arising under Environmental Laws.

Section 4.19 Employee Benefit Matters.

(a) Section 4.19(a) of the Disclosure Schedules contains a true and complete list of each material pension, benefit, retirement, compensation, employment, consulting, profit-sharing, deferred compensation, incentive, bonus, performance award, change in control, retention, severance, vacation, paid time off (PTO), medical, vision, dental, disability, welfare, Code Section 125 cafeteria, fringe-benefit and other similar agreement, plan, policy, program or arrangement (and any amendments thereto), in each case whether or not reduced to writing and whether funded or unfunded, including each "employee benefit plan" within the meaning of Section 3(3) of ERISA, whether or not tax-qualified and whether or not subject to ERISA, which is or has been maintained, sponsored, contributed to, or required to be contributed to by Seller for the benefit of any current or former employee, officer, director, retiree, independent contractor or consultant of the Business or any spouse or dependent of such individual, or under which Seller has or may have any Liability, or with respect to which Buyer would reasonably be expected to have any Liability (as listed on Section 4.19(a) of the Disclosure Schedules, each, a "**Benefit Plan**"). Seller has no ERISA Affiliates. Section 4.19(a) of the Disclosure Schedules denotes which Benefit Plans are governmental plans as defined in Section 3(32) of ERISA.

(b) With respect to each Benefit Plan that is a retirement plan, Seller has made available to Buyer accurate, current and complete copies of the plan document together with all amendments.

(c) Each Benefit Plan that is intended to be qualified within the meaning of Section 401(a) of the Code (a “**Qualified Benefit Plan**”) is so qualified and received a favorable and current determination letter from the Internal Revenue Service with respect to the most recent five year filing cycle, or with respect to a prototype or volume submitter plan, can rely on an opinion letter from the Internal Revenue Service to the prototype plan or volume submitter plan sponsor, to the effect that such Qualified Benefit Plan is so qualified and that the plan and the trust related thereto are exempt from federal income taxes under Sections 401(a) and 501(a), respectively, of the Code, and nothing has occurred that would reasonably be expected to adversely affect the qualified status of any Qualified Benefit Plan.

No pension plan (other than a multiemployer plan within the meaning of Section 3(37) of ERISA (a “**Multiemployer Plan**”) which is subject to minimum funding requirements, including any multiple employer plan, (each a “**Single Employer Plan**”) in which employees of the Business participate or have participated has an “accumulated funding deficiency,” whether or not waived, or is subject to a lien for unpaid contributions under Section 303(k) of ERISA or Section 430(k) of the Code. No Single Employer Plan covering employees of the Business which is a defined benefit plan has an “adjusted funding target attainment percentage,” as defined in Section 436 of the Code, less than 80%.

(d) Seller has not (i) incurred or reasonably expects to incur, either directly or indirectly, any material Liability under Title IV of ERISA or related provisions of the Code or applicable local Law relating to employee benefit plans; (ii) failed to timely pay premiums to the Pension Benefit Guaranty Corporation; or (iii) engaged in any transaction which would give rise to liability under Section 4069 or Section 4212(c) of ERISA.

(e) With respect to each Benefit Plan (i) that is a Multiemployer Plan, (A) all contributions required to be paid by Seller have been timely paid to the applicable Multiemployer Plan, (B) Seller has not incurred any withdrawal liability under Title IV of ERISA that remains unsatisfied, and (C) no Multiemployer Plan is in critical, endangered or seriously endangered status or has suffered a mass withdrawal; (ii) no Action has been initiated by the Pension Benefit Guaranty Corporation to terminate any Multiemployer Plan or to appoint a trustee for any Multiemployer Plan; and (iii) no such plan maintained or contributed to within the last six (6) years is a Single Employer Plan subject to Title IV of ERISA.

(f) This Section 4.19 and Section 4.20 (to the extent related to pensions and employee benefits) constitute the sole and exclusive representation and warranty of Seller regarding pension and employee benefit or liabilities or obligations, or compliance with Laws relating thereto.

Section 4.20 Employment Matters.

(a) Section 4.20(a) of the Disclosure Schedules contains a list of all persons who are employees, independent contractors or consultants of the Business as of the date hereof, including any employee who is on a leave of absence, or short-term or long-term disability of any nature, paid or unpaid, authorized or unauthorized, and sets forth for each such individual the following: (i) name; (ii) title or position (including whether full-time or part-time); (iii) hire date; (iv) current annual hourly rate or salary; and (v) commission, bonus or other incentive-based compensation paid in 2017. As of the date hereof, all compensation, including wages, commissions, bonuses, fees and other compensation, payable to all employees, independent contractors or consultants of the Business for services performed on or prior to the date hereof have been paid in full and, except as set forth in Section 4.20(a) of the Disclosure Schedules, there are no outstanding agreements, understandings or commitments of Seller to pay any compensation, commissions, bonuses, or fees after the Closing Date.

(b) Except as set forth in Section 4.20(b) of the Disclosure Schedules, Seller is not, and has not been for the past five (5) years, a party to, bound by, or negotiating any collective bargaining agreement or other Contract with a union, works council or labor organization (collectively, “**Union**”), and there is not, and has not been for the past five (5) years, any Union representing or purporting to represent any employee of Seller, and no Union or group of employees is seeking or has sought to organize employees for the purpose of collective bargaining. Except as set forth in Section 4.20(b) of the Disclosure Schedules, there has never been, nor has there been any threat of, any strike, slowdown, work stoppage, lockout, concerted refusal to work overtime or other similar labor disruption or dispute affecting Seller or any employees of the Business. Except for any Union set forth in Section 4.20(b) of the Disclosure Schedules, Seller has no duty to bargain with any Union. With respect to any Union or collective bargaining agreement identified in Section 4.20(b) of the Disclosure Schedules or otherwise, in no event shall Buyer be required to assume an existing collective bargaining agreement other than as set forth in Section 6.05. Seller shall not represent to any Union that Buyer intends to assume any such agreement or maintain the terms of any such agreement other than as set forth in Section 6.05. Section 4.20(b) of the Disclosure Schedules sets forth each pending union arbitration or grievance.

(c) Seller is and has been in compliance in all material respects with the terms of the collective bargaining agreements and other Contracts listed on Section 4.20(b) of the Disclosure Schedules and all applicable Laws pertaining to employment and employment practices to the extent they relate to employees, volunteers, interns, consultants and independent contractors of the Business, including all Laws relating to labor relations, equal employment opportunities, fair employment practices, employment discrimination, harassment, retaliation, reasonable accommodation, disability rights or benefits, immigration, wages, hours, overtime compensation, child labor, hiring, promotion and termination of employees, working conditions, meal and break periods, privacy, health and safety, workers’ compensation, leaves of absence, paid sick leave and

unemployment insurance. All individuals characterized and treated by Seller as consultants or independent contractors of the Business are properly treated as independent contractors under all applicable Laws. All employees of the Business classified as exempt under the Fair Labor Standards Act and state and local wage and hour laws are properly classified in all material respects. Seller is in material compliance with and has materially complied with all immigration laws, including Form I-9 requirements and any applicable mandatory E-Verify obligations. Except as set forth in Section 4.20(c) of the Disclosure Schedules, there are no Actions against Seller pending, or to the Seller's Knowledge, threatened to be brought or filed, by or with any Governmental Authority or arbitrator in connection with the employment of any current or former applicant, employee, consultant, volunteer, intern or independent contractor of the Business, including any charge, investigation or claim relating to unfair labor practices, equal employment opportunities, fair employment practices, employment discrimination, harassment, retaliation, reasonable accommodation, disability rights or benefits, immigration, wages, hours, overtime compensation, employee classification, child labor, hiring, promotion and termination of employees, working conditions, meal and break periods, privacy, health and safety, workers' compensation, leaves of absence, paid sick leave, unemployment insurance or any other employment related matter arising under applicable Laws.

(d) With respect to each Government Contract and to the extent required by Law, Seller is and has been in material compliance with Executive Order No. 11246 of 1965 ("**E.O. 11246**"), Section 503 of the Rehabilitation Act of 1973 ("**Section 503**") and the Vietnam Era Veterans' Readjustment Assistance Act of 1974 ("**VEVRAA**"), including all implementing regulations. Seller maintains and materially complies with affirmative action plans in compliance with E.O. 11246, Section 503 and VEVRAA, including all implementing regulations. To Seller's Knowledge, Seller is not, and has not been for the past five (5) years, the subject of any audit, investigation or enforcement action by any Governmental Authority in connection with any Government Contract or related compliance with E.O. 11246, Section 503 or VEVRAA. To the extent required by Law, Seller is and has also been in material compliance with the McNamara-O'Hara Service Contract Act of 1965, the Davis Bacon Act of 1931 and the Contract Work Hours and Safety Standards Act (CWHSSA). Seller has not been debarred, suspended or otherwise made ineligible from doing business with the United States government or any government contractor.

(e) This Section 4.20 and Section 4.06, Section 4.17 and Section 4.19 (in each case, to the extent related to labor and employment matters) constitute the sole and exclusive representation and warranty of the Company regarding labor or employment matters.

Section 4.21 Taxes. Except as set forth in Section 4.21 of the Disclosure Schedules:

(a) All Tax Returns with respect to the Business required to be filed by Seller for any Pre-Closing Tax Period have been, or will be, timely filed. Such Tax Returns are,

or will be, true, complete and correct in all material respects. All Taxes due and owing by Seller (whether or not shown on any Tax Return) have been, or will be, timely paid.

(b) Seller has withheld and paid each Tax required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, customer, or other party, and materially complied with all information reporting and backup withholding provisions of applicable Law.

(c) No extensions or waivers of statutes of limitations have been given or requested with respect to any Taxes of Seller.

(d) All deficiencies asserted, or assessments made, against Seller as a result of any examinations by any taxing authority have been fully paid.

(e) Seller is not a party to any Action by any taxing authority. There are no pending or threatened Actions by any taxing authority.

(f) There are no Encumbrances for Taxes upon any of the Purchased Assets nor, to Seller's Knowledge, is any taxing authority in the process of imposing any Encumbrances for Taxes on any of the Purchased Assets (other than for current Taxes not yet due and payable).

(g) Seller is not a "foreign person" as that term is used in Treasury Regulations Section 1.1445-2.

(h) This Section 4.21 (and so much of Section 4.19 and Section 4.23 as relates to Taxes) constitutes the sole and exclusive representation and warranty of Seller regarding Tax matters.

Section 4.22 Service Territory. The Delivery Point for each Person purchasing electricity from Seller is located within the Service Territory.

Section 4.23 BRU Interest.

(a) There is neither (i) to Seller's Knowledge, written demand; nor (ii) lawsuit, or any compliance order, notice of probable violation or similar governmental action, pending or, to Seller's Knowledge, threatened before any court or governmental agency that (x) would result in a material impairment or loss of title to any part of the BRU Interest, (y) seeks the imposition of (or could reasonably be expected to generate) an amount greater than or equal to \$500,000 in damages with respect to the BRU Interest, or (z) would materially hinder or impede the operation of the BRU Interest;

(b) All Tax Returns required to be filed by Seller with respect to the BRU Interest have been timely filed and are true, correct and complete in all material respects, and all Taxes with respect to the BRU Interest, whether or not shown due on such Tax Returns, have been timely paid.

(c) To Seller's Knowledge, (a) Seller's ownership and the operation of the BRU Interest is in compliance in all material respects with all Laws, and (b) all Permits, licenses, approvals, consents, certificates, and other authorizations material to the operation of the BRU Interest have been obtained and maintained in effect.

(d) Section 4.23 of the Disclosure Schedules includes all Material BRU Contracts that are of one or more of the following types, to the extent the same would be binding on the BRU Interest after Closing: (i) a contract for the sale, purchase, exchange, or other disposition of Hydrocarbons that is not cancellable without penalty on sixty (60) days or less prior written notice; (ii) a contract to sell, lease, farmout, exchange, or otherwise dispose of all or any part of the BRU Interest (but excluding conventional rights of reassignment upon intent to abandon or release a lease); (iii) a joint operating agreement, unitization agreement, unit operating agreement, or similar agreement; (iv) an area of mutual interest agreement; (v) a contract for the gathering, treatment, storage, processing, or transportation (excluding transportation via common carrier pipelines that can be terminated without penalty on ninety (90) days or fewer notice) of Hydrocarbons; or (vi) any other contract or agreement, excluding leases and joint operating agreements, that would reasonably be expected to result in aggregate payments by Seller of more than \$100,000 or aggregate revenues to Seller of more than \$300,000 during the current or any subsequent calendar year (each, a "**Material BRU Contract**"); *provided, however*, that, with respect to subsection (vi) only, this Section 4.23(d) shall be deemed to be qualified to Seller's Knowledge. To Seller's Knowledge each Material BRU Contract is in full force and effect and neither Seller, nor, to Seller's Knowledge, any other Person, is in default under any such Material BRU Contract, or, with the passage of time, the giving of notice, or both, would be in breach or default under any such Material BRU Contract. Prior to the date hereof, Seller has made available to Buyer complete and correct copies of each Material BRU Contract and any amendments or modifications thereof.

(e) There are no outstanding authorizations for expenditure ("**AFEs**") which are binding on the BRU Interest and which Seller reasonably anticipates will individually require expenditures by Seller or its successor in interest from and after the Closing in excess of \$2,000,000 other than as listed in Section 4.23(e) of the Disclosure Schedules.

(f) Seller has not received any written notice, remaining unresolved, from any Governmental Authority that any well included in the BRU Interest is in material noncompliance with applicable Laws. To Seller's Knowledge, all plugged and abandoned wells included in the BRU Interest have been plugged and abandoned in all material respects in accordance with applicable Law.

(g) Seller has not received any notice of violation, remaining uncured, from any Governmental Authority alleging any portion of the BRU Interest is in material noncompliance with any Environmental Law, nor to Seller's Knowledge is there any basis for such notice.

(h) Except as set forth in Section 4.23(h) of the Disclosure Schedules, Seller has not received any request by any Governmental Authority for additional or

supplemental decommissioning or plugging and abandonment security to be furnished by Seller, including any supplemental bonding request, with respect to the BRU Interest.

(i) Seller is not obligated by virtue of any take-or-pay payment, advance payment, imbalance, or other similar payment to deliver a material quantity of Hydrocarbons produced from the BRU Interest at some future time without receiving payment therefor. For purposes of this Section 4.23, “a material quantity” means more than 25,000 MCF or its BTU equivalent.

(j) Seller has not created any Title Defect (as defined in the BRU Purchase and Sale Agreement) on the BRU Interest acquired pursuant to the BRU Purchase and Sale Agreement since such BRU Interest was acquired.

Section 4.24 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder’s or other fee or commission in connection with the transactions contemplated by this Agreement or any Ancillary Document based upon arrangements made by or on behalf of Seller.

ARTICLE V REPRESENTATIONS AND WARRANTIES OF BUYER

Except as set forth in the correspondingly numbered Section of the Disclosure Schedules, Buyer represents and warrants to Seller that the statements contained in this ARTICLE V are true and correct as of the date hereof.

Section 5.01 Organization of Buyer. Buyer is an electric not-for-profit cooperative corporation duly organized, validly existing and in good standing under the Laws of the State of Alaska and has all requisite corporate power and authority to own, operate or lease its properties and assets and to conduct its business as currently conducted.

Section 5.02 Authority of Buyer. Buyer has all requisite corporate power and authority to enter into this Agreement and the Ancillary Documents to which Buyer is a party, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Buyer of this Agreement and any Ancillary Document to which Buyer is a party, the performance by Buyer of its obligations hereunder and thereunder and the consummation by Buyer of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of Buyer. This Agreement has been duly executed and delivered by Buyer, and (assuming due authorization, execution and delivery by Seller) this Agreement constitutes a legal, valid and binding obligation of Buyer enforceable against Buyer in accordance with its terms. When each Ancillary Document to which Buyer is or will be a party has been duly executed and delivered by Buyer (assuming due authorization, execution and delivery by each other party thereto), such Ancillary Document will constitute a legal and binding obligation of Buyer enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws of general applicability relating to or affecting creditors’ rights and to general equity principles, whether considered in a proceeding at law or in equity.

Section 5.03 No Conflicts; Consents.

(a) The execution, delivery and performance by Buyer of this Agreement and the Ancillary Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the certificate of incorporation, bylaws or other organizational documents of Buyer; (b) assuming RCA Approval is received, conflict with or result in a violation or breach of any provision of any Law or Governmental Order applicable to Buyer; or (c) except as set forth in Section 5.03 of the Disclosure Schedules, require the consent, notice or other action by any Person under any Contract to which Buyer is a party. Except for RCA Approval, no consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to Buyer in connection with the execution and delivery of this Agreement and the Ancillary Documents and the consummation of the transactions contemplated hereby and thereby, except for and such consents, approvals, Permits, Governmental Orders, declarations, filings or notices which, in the aggregate, would not have a Material Adverse Effect.

(b) In reliance on Seller's representation and warranty in Section 4.03(b), no filing under the HSR Act is required.

Section 5.04 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement or any Ancillary Document based upon arrangements made by or on behalf of Buyer.

Section 5.05 Legal Proceedings. Except as set forth in Section 5.05 of the Disclosure Schedules, there are no Actions pending or, to Buyer's knowledge, threatened against or by Buyer that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. No event has occurred or circumstances exist that may give rise or serve as a basis for any such Action.

Section 5.06 Transition Agreement.

(a) In the event that the Transition Agreement has, prior to the Closing, been ratified by the requisite vote of the members of the IBEW and become effective, then as of the Closing, (i) the Transition Agreement will be valid and binding on Buyer and the IBEW in accordance with the Transition Agreement's terms and in full force and effect; (ii) neither Buyer nor, to Buyer's knowledge, any other party to the Transition Agreement will be in breach of or default under (or be alleged to be in breach of or default under), or will have provided or received any notice of any intention to terminate, the Transition Agreement; (iii) no event or circumstance will have occurred that, with notice or lapse of time or both, would constitute an event of default under the Transition Agreement or result in a termination thereof or would cause or permit the acceleration or other changes of any right or obligation or the loss of any benefit thereunder; and (iv) there will be no material disputes pending or threatened under the Transition Agreement. In the event that the Transition Agreement has, at any time prior to the Closing, been ratified by the

requisite vote of the members of the IBEW and become valid and binding, Buyer will provide to Seller a complete and correct copy of the Transition Agreement (including all modifications, amendments, and supplements thereto and waivers thereunder).

(b) In the event that the Transition Agreement is valid and binding and in full force and effect as of the Closing, Buyer will be in compliance with each and all of the requirements of the Ordinance and Proposition 10 with respect to employees of Seller and Buyer and the IBEW Collective Bargaining Agreement.

ARTICLE VI COVENANTS

Section 6.01 Conduct of Business Prior to the Closing.

(a) From the date hereof until the Closing, except as required by Law, as otherwise provided in this Agreement, or as consented to in writing by Buyer (which consent shall not be unreasonably withheld, conditioned, or delayed), Seller shall (x) use its commercially reasonable efforts to conduct the Business in all material respects in the ordinary course of business consistent with past practice and Prudent Utility Practices; and (y) use its commercially reasonable efforts to maintain and preserve intact its current Business organization, operations, and franchise and to preserve the rights, franchises, goodwill, and relationships of its employees, customers, lenders, suppliers, regulators, and others having relationships with the Business. Without limiting the foregoing, from the date hereof until the Closing Date, Seller shall use its commercially reasonable efforts to (i) preserve and maintain all Permits required for the conduct of the Business as currently conducted or the ownership and use of the Purchased Assets and the Eklutna Generation Assets; (ii) pay the debts, Taxes, and other obligations of the Business when due; (iii) continue to collect Accounts Receivable in a manner consistent with past practice, without discounting such Accounts Receivable; (iv) maintain the properties and assets included in the Purchased Assets and the Eklutna Generation Assets in the same condition as they were on the date of this Agreement, subject to reasonable wear and tear; (v) continue in full force and effect without modification all Insurance Policies, except as required by applicable Law; (vi) defend and protect the properties and assets included in the Purchased Assets and the Eklutna Generation Assets from infringement or usurpation; (vii) perform in all material respects all of its obligations under all Assigned Contracts; (viii) maintain the Books and Records in accordance with past practice; (ix) comply in all material respects with all Laws applicable to the conduct of the Business or the ownership and use of the Purchased Assets and the Eklutna Generation Assets; and (x) not take or permit any action that would reasonably be expected to cause any of the changes, events, or conditions described in Section 4.06 to occur. Without limiting the generality of the foregoing, from the date of this Agreement until the Closing, and except as set forth in Section 6.01 of the Disclosure Schedules, Seller will not do any of the following with respect to the Business:

(A) merge or consolidate the Business with any other Person, or restructure, reorganize or completely or partially liquidate the Business;

(B) other than capital expenditures covered by clause (F) below, acquire assets (whether by merger, tender offer, consolidation, purchase of property, or otherwise) outside of the ordinary course of business from any other Person with a value or purchase price in the aggregate in excess of \$1,000,000 in any transaction or series of related transactions;

(C) create or incur any material lien on any of the Purchased Assets including any material Intellectual Property Assets or Eklutna Generation Assets, other than Permitted Liens;

(D) make any loans, advances, or capital contributions to, guarantees of, or investments in any Person (other than advances made in the ordinary course of business consistent with past practice to employees of the Business for reimbursement of routine travel or business expenses in accordance with the terms of the applicable policy in effect on the date of this Agreement);

(E) incur any indebtedness, or issue or sell any debt securities or warrants or other rights to acquire any debt security of the Business except for commercial paper the proceeds of which are used to finance Purchased Assets or the Eklutna Generation Assets or refinance commercial paper outstanding on the date hereof;

(F) make or authorize any capital expenditures or series of related capital expenditures that are not in the ordinary course of business consistent with past practice and Prudent Utility Practices;

(G) except in the ordinary course of business consistent with past practice and Prudent Utility Practices; and except as required by Law (including the legal obligation under the National Labor Relations Act or state or local law to bargain in good faith to reach a labor contract with a labor organization that has been certified as the bargaining agent for the designated employee group), (1) enter into any Contract that would have been a Material Contract or Material BRU Contract had it been entered into prior to the date of this Agreement or (2) amend or modify in a material manner or terminate any Material Contract or Material BRU Contract, or cancel, modify in a material manner, or waive any material debts, rights, or claims thereunder;

(H) make any changes with respect to accounting policies or procedures, except as required by changes in applicable GAAP;

(I) (1) except with respect to matters related to the appeal of the Alaska Department of Revenue production tax credits, waive, release, settle, or compromise any pending Action against the Business other than settlements or compromises of any such legal action (a) in which the amount paid by or on behalf of the Business does not exceed \$500,000 in any individual Action or \$1,000,000 in the aggregate and (b) that would not impose any material restrictions on the Business or (2) commence, join in, or appeal any such legal action, other than in the ordinary course of business;

(J) (1) make or change any material Tax election, (2) change Seller's method of accounting for Tax purposes, (3) file any material amended Tax Return, (4) settle, concede, compromise or abandon any material Tax claim or assessment, (5) surrender any right to a refund of material Taxes or (6) consent to any extension or waiver of the limitation period applicable to any claim or assessment with respect to material Taxes;

(K) fail to use commercially reasonable efforts to maintain in full force and effect the Insurance Policies covering the Business and its properties, assets, and businesses in a form and amount consistent with past practice and Prudent Utility Practices;

(L) transfer, sell, lease, license, mortgage, pledge, surrender, encumber, divest, cancel, abandon, or allow to lapse or expire or otherwise dispose of any material assets (including any material Intellectual Property Assets), licenses, operations, product lines, businesses or interests of the Business except (1) in the ordinary course of business consistent with past practice and Prudent Utility Practices, (2) for sales of obsolete assets, or (3) for transactions involving a de minimis amount of assets in the aggregate;

(M) except as required pursuant to existing written Benefit Plans in effect prior to the date of this Agreement or as otherwise required by applicable Law and except as contemplated by this Agreement, (1) pay, grant or provide any severance or termination payments or benefits to any non-union official, manager, contractor, or employee of the Business; (2) increase the compensation, bonus or pension, welfare, severance, or other benefits of, pay any bonus, incentive, or retention payments to, or make any equity awards to any non-union official, manager, contractor, or employee of the Business, except for increases in base salary in the ordinary course of business consistent with past practice for employees who are not officials or managers; (3) establish, adopt, amend, or terminate any Benefit Plan; (4) take any action to accelerate the vesting or payment, or fund or in any other way secure the payment, of compensation or benefits under any Benefit Plan; (E) change in any material respect any

actuarial or other assumptions used to calculate funding obligations with respect to any Benefit Plan or to change the manner in which contributions to such plans are made or the basis on which such contributions are determined, except as may be required by GAAP; (5) forgive any loans to officials, managers or employees of the Business; or (6) hire or terminate without cause any official, manager, or any employee with total cash compensation and benefits in excess of \$100,000, other than any such hire that is a replacement hire to fill a vacant position in existence as of the date of this Agreement;

(N) take any action or omit to take any action that would reasonably be expected to result in any of the conditions to the Closing set forth in Section 7.03 not being satisfied;

(O) communicate with officials, managers, employees, or consultants of the Business regarding the compensation, benefits, or other treatment they will receive in connection with the Closing or after the Closing, other than communications that are not inconsistent with (1) the terms of this Agreement or (2) previous public announcements or communications;

(P) enter into, terminate, or materially modify or amend any (1) agreement or practice relating to fuel procurement that is not in the ordinary course of business consistent with past practice, (2) agreement or course of dealing with or among any of the other owners of (a) Purchased Assets that are owned in part by ML&P or (b) the Eklutna Generation Assets, (3) power sale contract that has a term of longer than two (2) years or (4) coal, natural gas, fuel oil, diesel or other fuel purchase contract that has a term of longer than two (2) years; or

(Q) agree, authorize, or commit to do any of the foregoing actions or enter into any Contracts with respect to any of the foregoing actions.

Notwithstanding the foregoing, Seller will be entitled, during the period prior to the Closing, to negotiate with its real property lessors and easement grantors, including ARRC, with respect to ML&P's rights and obligations as lessee or easement holder with respect to such properties, but will promptly advise Buyer of the nature of such negotiations.

(b) To the extent permitted by applicable Law, Seller shall cause ML&P to, on a reasonable basis, (i) discuss with Buyer any changes in ML&P's regulated rates or charges, standards of service, or regulatory accounting from those in effect on the date of this Agreement and (ii) discuss with Buyer, and use commercially reasonable efforts to incorporate the views of Buyer, prior to making any filing (or any amendment thereto), or effecting any agreement, commitment, arrangement or consent, whether written or oral,

formal or informal, with respect thereto (other than to implement rate changes in accordance with existing formula rates) that changes ML&P's rates in a material manner that may, individually or in the aggregate, impact ML&P's revenue for a period of longer than one year. Notwithstanding the foregoing, ML&P shall not be required to have discussions or consult with Buyer prior to entering into arrangements with customers or other Persons in the ordinary course of business consistent with past practice, and in no event shall ML&P be obligated to have discussions or consult with Buyer with respect to any of the foregoing if, in the opinion of ML&P's outside counsel, to do so would be inconsistent with applicable Law.

(c) Nothing contained in this Agreement is intended to give Buyer the right to control or direct Seller's operations of the Business prior to the Closing. Prior to the Closing, each of Buyer and Seller will exercise, consistent with the terms and conditions of this Agreement and applicable Law, complete control and supervision over its respective operations.

(d) Notwithstanding anything to the contrary in this Section 6.01, ML&P may take reasonable actions in compliance with applicable Law with respect to any operational emergencies (including any restoration measures in response to any hurricane, tornado, ice storm, tsunami, flood, earthquake, or other natural disaster or weather-related event, circumstance, or development), equipment failures, outages, or an immediate and material threat to the health or safety of natural Persons.

Section 6.02 Access to Information.

(a) From the date hereof until the Closing, Seller shall, for the purpose of enabling Buyer to conduct the Post-Signing Due Diligence, (a) afford Buyer and its Representatives reasonable access to and the reasonable right to inspect, upon reasonable notice and during Seller's normal business hours, all of the Real Property, properties, assets, premises, Books and Records, Contracts and other documents and data related to the Business, subject where applicable to the terms of the Site Access and Indemnification Agreement dated as of June 7, 2018 between Seller and Buyer as the same may be amended or supplemented from time to time; (b) furnish Buyer and its Representatives with such financial, operating and other data and information related to the Business as Buyer or any of its Representatives may reasonably request; and (c) instruct the Representatives of Seller to cooperate with Buyer in its investigation of the Business. Without limiting the foregoing, Seller shall, subject to receipt of all required approvals of Governmental Authorities, permit Buyer and its Representatives to conduct Post-Signing Due Diligence with respect to the environmental condition of the Real Property, including the collecting and analysis of samples of indoor or outdoor air, surface water, groundwater, or surface or subsurface land on, at, in, under or from the Real Property. Any investigation pursuant to this Section 6.02(a) shall be conducted in such manner as not to interfere unreasonably with the conduct of the Business or any other businesses of Seller. No investigation by Buyer or other information received by Buyer shall operate as a waiver or otherwise affect any representation, warranty, or agreement given or made by Seller in this Agreement.

(b) From the date hereof until the Closing, Buyer shall, for the purpose of enabling Seller to conduct the Additional Seller Due Diligence, (a) furnish Seller and its Representatives with such financial, operating and other data and information related to the assets and business of Buyer as Seller or any of its Representatives may reasonably request for purposes of reviewing and evaluating Buyer's financial condition, the financial risks of the transactions contemplated by this Agreement, and the proposed Debt Financing; and (b) instruct the Representatives of Buyer to cooperate with Seller in its due diligence investigation with respect to Buyer. Any investigation pursuant to this Section 6.02(b) shall be conducted in such manner as not to interfere unreasonably with the conduct of any businesses of Buyer. Except as provided in Section 6.22 and Section 8.07(b), no investigation by Seller or other information received by Seller shall operate as a waiver or otherwise affect any representation, warranty, or agreement given or made by Buyer in this Agreement.

(c) At the earliest practicable time, Seller shall use commercially reasonable efforts to provide Buyer with the information noted on Exhibit A and reasonable follow-up requests with respect thereto.

(d) Prior to receipt of RCA Approval, the parties shall take initial steps to assess necessary integration planning, including those set forth on Section 6.02(d) of the Disclosure Schedules. Following receipt of RCA Approval, the parties shall work together to coordinate and finalize integration planning so as to enable Buyer to operate the Purchased Assets on the Closing Date, including taking the actions set forth on Section 6.02(d)(ii) of the Disclosure Schedules. In connection with such integration planning, Seller and Buyer shall, to the extent appropriate, develop a plan for the transition of customers of the Business to Buyer in accordance with a plan intended to mitigate to the extent reasonably possible any impact or cost to Seller's customers and comply with all RCA requirements, including coordination of timing of initial notification of customers, inclusion of materials in Seller's pre-Closing invoices relating to customer cut-over process, customer data conversion process, and sharing of meter and other technical information.

Section 6.03 No Solicitation of Other Bids.

(a) Seller shall not authorize or permit any of its Representatives to, directly or indirectly, (i) encourage, solicit, initiate, facilitate, or continue inquiries regarding an Acquisition Proposal; (ii) enter into discussions or negotiations with, or provide any information to, any Person concerning a possible Acquisition Proposal; or (iii) enter into any agreements or other instruments (whether or not binding) regarding an Acquisition Proposal. Seller shall immediately cease and cause to be terminated, and shall cause all of its Representatives to immediately cease and cause to be terminated, all existing discussions or negotiations with any Persons conducted heretofore with respect to, or that could lead to, an Acquisition Proposal. For purposes hereof, "**Acquisition Proposal**" means any inquiry, proposal, or offer from any Person (other than Buyer and other than MEA pursuant to any rights of MEA under Section 1 of the Agreement for Extension of 1996 Eklutna Hydroelectric Project Transition Plan, dated October 2, 1997, among

Seller, Buyer and MEA as provided for in the Eklutna Power Purchase Agreement) relating to the direct or indirect disposition, whether by sale, merger or otherwise, of all or any portion of the Business or the Purchased Assets.

(b) In addition to the other obligations under this Section 6.03, Seller shall promptly (and in any event within three (3) Business Days after receipt thereof by Seller or its Representatives) advise Buyer orally and in writing of any Acquisition Proposal, any request for information with respect to any Acquisition Proposal, or any inquiry with respect to or which would reasonably be expected to result in an Acquisition Proposal, the material terms and conditions of such request, Acquisition Proposal or inquiry, and the identity of the Person making the same.

(c) Seller agrees that the rights and remedies for noncompliance with this Section 6.03 shall include having such provision specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach shall cause irreparable injury to Buyer and that money damages would not provide an adequate remedy to Buyer.

Section 6.04 Notice of Certain Events.

(a) From the date hereof until the Closing, each party shall promptly notify the other party in writing of:

(i) any fact, circumstance, event, or action the existence, occurrence, or taking of which (A) has had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (B) has resulted in, or would reasonably be expected to result in, any representation or warranty made by such party hereunder not being true and correct in any material respect or (C) has resulted in, or would reasonably be expected to result in, the failure of any of the conditions set forth in Section 7.02 or Section 7.03 to be satisfied;

(ii) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement;

(iii) any notice or other communication from any Governmental Authority in connection with the transactions contemplated by this Agreement; and

(iv) any Actions commenced or, to Seller's Knowledge or Buyer's knowledge, threatened against, relating to, or involving or otherwise affecting the Business, the Purchased Assets, or the Assumed Liabilities that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to Section 4.16 or Section 5.05 or that relate to the consummation of the transactions contemplated by this Agreement.

(b) A party's receipt of information pursuant to this Section 6.04 shall not operate as a waiver or otherwise affect any representation, warranty, or agreement given or made by such party in this Agreement (including Section 8.02, Section 8.03, Section 9.01(b), or Section 9.01(c)) and shall not be deemed to amend or supplement the Disclosure Schedules.

Section 6.05 Employees and Employee Benefits.

(a) Should the Transition Agreement fail for any reason to be valid and binding and in full force and effect as of the Closing, Buyer will ensure that Buyer and Seller are nonetheless in compliance with each and all of the requirements of the Ordinance and Proposition 10 with respect to employees of Buyer or Seller, including by offering, prior to the Closing, employment to all of Seller's employees and by accepting and assuming, effective as of the Closing, all rights and obligations of Seller under the IBEW Collective Bargaining Agreement. Unless Buyer has obtained the written consent of the IBEW to release Seller from any obligation to require Buyer to assume the IBEW Collective Bargaining Agreement, Seller shall be entitled to represent to the IBEW that Buyer will, effective as of the Closing, accept and assume or otherwise maintain the terms of the IBEW Collective Bargaining Agreement.

(b) Prior to the Closing Date, Buyer shall provide employment welcome letters describing the wage rate, leave accrual rate/balance (including Accrued Leave transferred), retirement contribution, job assignment and supervisor for each ML&P bargaining unit member covered by the IBEW Collective Bargaining Agreement, with such terms becoming effective for those bargaining unit members that have elected to remain employed as of 12:01 AM on the Closing Date. If the Transition Agreement is not in full force and effect at the time that Buyer provides such employment welcome letters, the terms of such employment welcome letters shall replicate the terms of the IBEW Collective Bargaining Agreement. If the Transition Agreement is in full force and effect at the time that Buyer provides such employment welcome letters, the terms of such employment welcome letters shall, except to the extent that the Transition Agreement varies the terms of the IBEW Collective Bargaining Agreement, replicate the terms of the IBEW Collective Bargaining Agreement. Seller shall terminate the employment of all current non-temporary full-time employees of the Business effective as of 12:01 AM on the Closing Date.

(c) Except with respect to Accrued Leave, Seller shall be solely responsible, and Buyer shall have no obligations whatsoever for, any compensation or other amounts payable to any current or former employee, official, manager, independent contractor or consultant of the Business, including hourly pay, commission, bonus, salary, accrued vacation, fringe, pension or profit sharing benefits or severance pay for any period relating to the service with Seller at any time prior to the Closing Date and Seller shall pay all such amounts to all entitled persons not later than three (3) days following the Closing Date. Buyer will credit all Accrued Leave to Transferred Employees promptly upon the commencement of their employment with Buyer.

(d) Seller shall remain solely responsible for the satisfaction of all claims for medical, dental, life insurance, health, accident, or disability benefits brought by or in respect of current or former employees, independent contractors, or consultants of the Business or the spouses, dependents or beneficiaries thereof, which claims relate to events occurring prior to the Closing Date. Seller also shall remain solely responsible for all workers' compensation claims of any current or former employees, officials, managers, independent contractors or consultants of the Business which relate to events occurring prior to the Closing Date. Seller shall pay, or cause to be paid, all such amounts to the appropriate persons as required by applicable Law.

(e) For those non-temporary full-time employees not covered by the Transition Agreement, Buyer will offer full-time employment in Comparable Positions and set forth in a written notice to Seller delivered not later than thirty (30) days prior to Closing.

(f) For each individual non-temporary full-time employee not covered by the Transition Agreement, Buyer will maintain a salary (excluding overtime or retention benefits under the Retention Agreements) and retirement contribution combined total value that is at least equal to the amount incurred by ML&P at the time of Closing; all other compensation and benefits will be consistent with Buyer policies in place at the time of Closing.

(g) With respect to any employee benefit plan maintained by Buyer in which any former ML&P employees not covered by the Transition Agreement will participate effective as of the Closing Date, Buyer will recognize all service of such employees with ML&P as if such service were with Buyer, for purposes of determining vacation entitlements or eligibility and vesting in any benefit plan in which such employees may be eligible to participate after the Closing.

(h) Buyer shall use commercially reasonable efforts to cause its third-party insurance providers or third party administrators to (i) waive any pre-existing conditions, actively at work requirements and waiting periods, to the extent such pre-existing condition, actively at work requirements and waiting periods did not apply to or had been satisfied by, Seller's employees who become employed by Buyer under a comparable plan covering such employees prior to the Closing, and (ii) cause such plans to honor any expenses incurred by the employees and their beneficiaries under similar plans of Seller during the calendar year in which the Closing occurs for purposes of satisfying applicable deductible, co-insurance and maximum out-of-pocket expenses.

(i) The provisions of this Section 6.05 are for the sole benefit of the parties to this Agreement and nothing herein, expressed or implied, is intended or shall be construed to confer upon or give to any person (including, for the avoidance of doubt, any employee), other than the parties and their respective permitted successors and assigns, any legal or equitable or other rights or remedies under or by reason of any provision of this Agreement. Nothing contained herein, express or implied: (i) shall be construed to establish, amend, or modify any benefit plan, program, agreement or

arrangement; (ii) shall alter or limit the ability of Seller or to amend, modify or terminate any benefit plan, program, agreement or arrangement; or (iii) is intended to confer upon any current or former employee any right to employment or continued employment for any period of time by reason of this Agreement, or any right to a particular term or condition of employment.

Section 6.06 Governmental Approvals and Consents.

(a) Each party hereto shall, as promptly as reasonably practicable after the date of this Agreement, (i) make, or cause to be made, all filings and submissions (including those required by the RCA) required under any Law applicable to such party; and (ii) use commercially reasonable efforts to obtain, or cause to be obtained, all consents, authorizations, orders, and approvals from all Governmental Authorities that may be or become necessary for its execution and delivery of this Agreement and the performance of its obligations pursuant to this Agreement and the Ancillary Documents. Each party shall cooperate fully in all reasonable respects with the other party in promptly seeking to obtain all such consents, authorizations, orders, and approvals. The parties hereto shall not willfully take any action that would reasonably be expected to have the effect of delaying, impairing, or impeding the receipt of any required consents, authorizations, orders, and approvals.

(b) Seller and Buyer shall use commercially reasonable efforts to give all notices to, and obtain all consents from, all third parties that are described in Section 4.03 and Section 5.03 of the Disclosure Schedules.

(c) Without limiting the generality of the parties' undertakings pursuant to subsections (a) and (b) above, each of the parties hereto shall use all commercially reasonable efforts to:

(i) respond to any inquiries by any Governmental Authority regarding antitrust or other matters with respect to the transactions contemplated by this Agreement or any Ancillary Document;

(ii) avoid the imposition of any order or the taking of any action that would reasonably be expected to restrain, alter, or enjoin the transactions contemplated by this Agreement or any Ancillary Document; and

(iii) in the event any Governmental Order adversely affecting the ability of the parties to consummate the transactions contemplated by this Agreement or any Ancillary Document has been issued, to have such Governmental Order vacated or lifted.

(d) All analyses, appearances, meetings, discussions, presentations, memoranda, briefs, filings, arguments, and proposals made by or on behalf of either party before any Governmental Authority or the staff or regulators of any Governmental Authority, in connection with the transactions contemplated hereunder (but, for the

avoidance of doubt, not including any interactions between Seller or Buyer with Governmental Authorities in the ordinary course of business, any disclosure which is not permitted by Law, or any disclosure containing competitively or commercially sensitive information) shall be disclosed to the other party hereunder in advance of any filing, submission, or attendance, it being the intent that the parties will consult and cooperate reasonably with each other, and consider in good faith the views of each other, in connection with any such analyses, appearances, meetings, discussions, presentations, memoranda, briefs, filings, arguments, and proposals. Each party shall give notice to the other party reasonably in advance of any meeting, discussion, appearance, or contact with any Governmental Authority or the staff or regulators of any Governmental Authority, with such notice being sufficient to provide the other party with the opportunity to attend and participate in such meeting, discussion, appearance, or contact.

(e) Notwithstanding the foregoing, nothing in this Section 6.06 shall require, or be construed to require, (i) Buyer to agree to (A) sell, hold, divest, discontinue, or limit, before or after the Closing Date, any assets, businesses, or interests of Buyer or (B) any conditions relating to, or changes or restrictions in, the operations of any such assets, businesses, or interests which, in either case, would reasonably be expected to result in a Material Adverse Effect or materially and adversely impact the economic or business benefits to Buyer of the transactions contemplated by this Agreement and the Ancillary Documents; or (ii) either party to agree to any material modification or waiver of the terms and conditions of this Agreement.

(f) In addition to and without limiting the foregoing, Buyer and Seller will use commercially reasonable efforts to cooperate (including, in the case of Buyer, with respect to describing Buyer's financing information) and advocate to obtain an order from the RCA approving, as part of the transactions to be consummated hereby, the amendment of the certificate of public convenience and necessity of each of Buyer and Seller to reflect the transactions to be consummated hereby, which order includes approval of (A) recovery by Buyer in future rates of: (i) the Upfront Payment, all of any acquisition adjustment contained therein and the financing costs related to the Upfront Payment; (ii) payments under the PILT Agreement; (iii) payments made under the Eklutna Power Purchase Agreement, (iv) the pass-through of BRU costs of production as contemplated in the BRU Fuel Agreement (other than as contemplated in Section 2.01(ii) of the BRU Fuel Agreement) (payments under the PILT Agreement, the Eklutna Power Purchase Agreement and the cost of production pass-through referenced in the BRU Fuel Agreement (other than in Section 2.01(ii) of the BRU Fuel Agreement) to be recovered as Buyer operating expenses (with no margin added to the payment amount)), and (v) the integration costs after Closing, and (B) the Eklutna Power Purchase Agreement itself; and which order from the RCA shall not contain any condition or conditions materially adverse to either Buyer or Seller, as determined by each of Buyer or Seller with respect to itself in good faith and in the exercise of its commercially reasonable business judgment ("**RCA Approval**"). In addition, Buyer and Seller will use commercially reasonable efforts to cooperate and advocate to obtain an order from the RCA approving, as part of the transactions to be consummated hereby, (X) recovery by Buyer in future rates of the

costs associated with consummating the transactions and (Y) Buyer's use of BRU gas as contemplated in Section 2.01(ii) of the BRU Fuel Agreement, and crediting of the proceeds of such use to ML&P's Deferred Regulatory Liability from Gas Sales account for the benefit of retail customers of Buyer within the ML&P legacy service area. Buyer and Seller shall jointly submit a petition for RCA Approval within seventy-five (75) days after the date hereof.

(g) In addition to providing the cooperation provided for in Section 6.06(f), Buyer will, not later than the initial submission to obtain RCA Approval, and periodically thereafter, share with Seller and ML&P such financing information as is reasonably requested by Seller of the financing for Buyer's acquisition of the Purchased Assets, it being understood that Seller and its Representatives will look to Buyer's publically available SEC reports and ratings to primarily assess Buyer's financial condition and ability to finance the acquisition. Notwithstanding the foregoing, Buyer shall not be required to provide to Seller any fee letters or engagement letters relating to the Debt Financing.

Section 6.07 Books and Records.

(a) In order to facilitate the resolution of any claims made against or incurred by Seller prior to the Closing, or for any other reasonable purpose, for a period of four (4) years after the Closing, Buyer shall:

(i) retain the Books and Records (including personnel files) relating to periods prior to the Closing in a manner reasonably consistent with the prior practices of Seller; and

(ii) upon reasonable notice, afford Seller's Representatives reasonable access (including the right to make, at Seller's expense, photocopies), during normal business hours, to such Books and Records.

(b) In order to facilitate the resolution of any claims made by or against or incurred by Buyer after the Closing, or for any other reasonable purpose, for a period of four (4) years following the Closing, Seller shall:

(i) retain the books and records (including personnel files) of Seller which relate to the Business and its operations for periods prior to the Closing; and

(ii) upon reasonable notice, afford the Buyer's Representatives reasonable access (including the right to make, at Buyer's expense, photocopies), during normal business hours, to such books and records.

(c) Neither Buyer nor Seller shall be obligated to provide the other party with access to any books or records (including personnel files) pursuant to this Section 6.07 where such access would violate any Law.

Section 6.08 Closing Conditions. From the date hereof until the Closing, each party hereto shall use commercially reasonable efforts to take such actions as are reasonably necessary to expeditiously satisfy the closing conditions set forth in ARTICLE VII hereof.

Section 6.09 Public Announcements.

(a) Neither party may issue any formal written press release or engage in any organized press conference regarding this Agreement unless such press release is issued jointly by the parties or such press conference is conducted jointly by the parties or, before (i) release by a party of any such press release, such party furnishes the other party with a copy of such press release and obtains the approval of the other party for issuance of such press release, or (ii) engaging in any such organized press conference, such party obtains the approval of the other party for such press conference. Such approval shall not, in either such case, be unreasonably withheld, conditioned, or delayed. Notwithstanding the foregoing, neither party will be prohibited from issuing any such press release or engaging in such press conference, without obtaining approval from the other party, if issuing such press release or engaging in such press conference is required in order to comply with applicable Law or legal proceedings. The restrictions imposed by this Section 6.09(a) on issuing press releases or engaging in press conferences shall (x) in the case of Seller, apply only to the Mayor's office and the leadership of ML&P and shall not in any event apply to the Assembly of Seller, any member of the Assembly of Seller, or any other individual who has been elected to office in Seller and (y) not apply to either party in the event that the other party is in breach of any of its obligations under this Agreement. Seller shall use its reasonable efforts to persuade any Person not subject to the provisions of this Section 6.09(a) pursuant to the previous sentence to comply with the obligations in this Agreement and in any event shall not encourage or assist any such Person to take actions contrary to the intent of this Section 6.09(a).

(b) Neither Seller nor Buyer shall at any time make, with respect to the transactions to be consummated by this Agreement, publish, or communicate to any Person in any public forum any defamatory or maliciously false remarks, comments, or statements concerning the other party or any of its employees, officers, officials, or directors ("**Restricted Comments**"). The restrictions imposed by this Section 6.09(b) on Restricted Comments shall, in the case of Seller, apply only to the Mayor's office and the leadership of ML&P and shall not in any event apply to the Assembly of Seller, any member of the Assembly of Seller, or any other individual who has been elected to office in Seller. Seller shall use its reasonable efforts to persuade any Person not subject to the provisions of this Section 6.09(b) pursuant to the previous sentence to comply with the obligations in this Agreement and in any event shall not encourage or assist any such Person to take actions contrary to the intent of this Section 6.09(b).

Section 6.10 Bulk Sales Laws. The parties hereby waive compliance with the provisions of any bulk sales, bulk transfer, or similar Laws of any jurisdiction that may otherwise be applicable with respect to the sale of any or all of the Purchased Assets to Buyer; it being understood that any Liabilities arising out of the failure of Seller to comply with the requirements and provisions of any

bulk sales, bulk transfer, or similar Laws of any jurisdiction that would not otherwise constitute Assumed Liabilities shall be treated as Excluded Liabilities.

Section 6.11 Receivables. From and after the Closing, if Buyer receives or collects any funds relating to any Accounts Receivable, Buyer shall promptly remit such funds to Seller.

Section 6.12 Transfer Taxes. All transfer, documentary, sales, use, stamp, registration, value added and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement and the Ancillary Documents (including any real property transfer Tax and any other similar Tax) shall be borne and paid in equal shares (50% each) by Seller and Buyer without regard to which party files and pay such Taxes and fees or is required by any Governmental Authority to file and pay such Taxes and fees; *provided* that Buyer shall pay all such Taxes and fees if such Tax or fee is assessed solely because of Buyer's status as a non-Governmental Authority.

Section 6.13 Financing Assistance.

(a) Buyer shall use its commercially reasonable efforts to take, or cause to be taken, all actions and do, or cause to be done, all things necessary, advisable, or proper to obtain the Debt Financing on or prior to the Closing Date. Buyer shall give Seller prompt written notice if and when Buyer becomes aware that any portion of the Debt Financing may not be available for the purposes of consummating the transactions contemplated by this Agreement. Buyer shall keep Seller informed on a reasonably current basis with reasonably detailed information about the status of Buyer's efforts to obtain the Debt Financing. Buyer shall not take any action that would reasonably be expected to materially delay or prevent the consummation of the transactions contemplated hereby, including the Debt Financing.

(b) Seller shall use its commercially reasonable efforts to cause its officials, employees, attorneys, accountants, and other Representatives to provide all customary cooperation that is reasonably requested by Buyer and reasonably necessary to arrange for and obtain the Debt Financing, to the extent that the participation by members of management of Seller is reasonably necessary in connection therewith. Seller shall provide such commercially reasonable assistance as is customarily provided for in financings of the type contemplated by the Debt Financing, including using commercially reasonable efforts, at Buyer's cost and expense, in (i) (A) designating one or more members of senior management of Seller to participate in, at reasonable times and upon reasonable notice, a reasonable number of investor presentations and rating agency materials and presentations and (B) assisting with the preparation of customary offering documents and materials of Buyer, including private placement or offering memoranda, bank information memoranda, bank syndication material and packages, and similar documents and materials, in connection with the Debt Financing (all such documents and materials, collectively, the "**Offering Documents**"), (ii) furnishing to Buyer all ML&P Information (including execution of customary authorization and management representation letters) as may be reasonably requested by Buyer to assist in the preparation of the Offering Documents, (iii) providing information that is reasonably available or readily obtainable regarding Seller to assist Buyer in preparing Buyer's pro

forma financial statements to the extent specified by SEC Regulation S-X, and designating, upon request, whether any such information is suitable to be made available to lenders and other investors who do not wish to receive material non-public information, (iv) designating one or more members of senior management of Seller to participate, at reasonable times and upon reasonable notice, in due diligence sessions, drafting sessions, management presentations, rating agency presentations (subject to customary confidentiality provisions), lender meetings (including one-on-one meetings), and one or more road shows, (v) requesting ML&P's independent auditors to cooperate reasonably with Buyer's independent auditors, participate in customary accounting due diligence sessions, and provide customary accountant's comfort letters and consents that are used in any offering document for the Debt Financing, and (vi) assisting in the preparation of, and executing and delivering at the Closing, definitive documents related to the Debt Financing and other customary certificates and documents as may be reasonably requested by Buyer.

(c) Notwithstanding anything to the contrary contained in this Section 6.13, nothing in this Section 6.13 shall require any such cooperation to the extent that it would (i) require Seller to pay any commitment or other fees, reimburse any expenses or otherwise incur any liabilities or give any indemnities, (ii) unreasonably interfere with the Business, (iii) require Seller to enter into or approve any agreement or other documentation or agree to any change or modification of any existing agreement or other documentation, (iv) require Seller to prepare pro forma financial statements or pro forma adjustments reflecting the Debt Financing or the transactions contemplated by this Agreement (*provided* that Seller shall otherwise cooperate with the preparation of such pro forma financial statements and pro forma adjustments prepared by Buyer), (v) require Seller to approve or authorize the Debt Financing, or (vi) require Seller to cause the delivery of (A) legal opinions or reliance letters or any certificate as to solvency or any other certificate necessary for the Debt Financing, other than accountants' customary comfort letters as contemplated by clause (v) of Section 6.13(b), (B) any audited financial information or any financial information prepared in accordance with Regulation S-K or Regulation S-X under the Securities Act of 1933, or any financial information, in each case, in a form not customarily prepared by Seller with respect to any period (*provided*, that for the avoidance of doubt, the foregoing clause (B) shall not be relied upon to prevent Seller from delivering its year-end audited financial statements or quarterly unaudited financial statements to the extent otherwise required by this Agreement or assisting Buyer reasonably in preparing necessary information) or (C) any financial information with respect to a month or fiscal period that has not yet ended or that has ended less than 90 days, or less than 210 days in the case of an annual period, prior to the date of such request.

(d) Buyer shall (i) promptly reimburse Seller for all reasonable out-of-pocket costs or expenses (including reasonable and documented costs and expenses of counsel and accountants) incurred by Seller or any of its Representatives in connection with any cooperation provided for in this Section 6.13, and (ii) indemnify and hold harmless Seller and each and all of its Representatives from and against any Losses incurred as a result

of, or in connection with, any cooperation provided for in this Section 6.13 or the Debt Financing and any information used in connection therewith, unless Seller acted in bad faith or with gross negligence and other than in the case of fraud.

Section 6.14 Shared Intellectual Property and Jointly Used Assets.

(a) If Buyer determines that it requires the use of any Intellectual Property that is deemed important by Seller to its other business units, Seller will, subject to obtaining any required licensor consent, license use of the property to Buyer upon terms satisfactory to the parties; *provided* that Buyer shall be responsible for obtaining any required licensor consent.

(b) With respect to assets used jointly by ML&P and Seller (e.g., communication equipment or facilities and joint easements and the network control system for LED street lights referred to in clause (v) of the definition of Shared Facilities and Assets), Seller will, subject to obtaining any required third party consents, use commercially reasonable efforts to cause arrangements to be entered into that provide Buyer with the right to use such assets upon terms satisfactory to the parties. Seller and Buyer shall use commercially reasonable efforts to cooperate to develop a protocol for mutual use of the network control system for LED street lights.

Section 6.15 Capital Credit Allocations and Retirements. As a cooperative member, Seller will receive annual capital credit allocations in accordance with Buyer's bylaws. Buyer will exercise its commercially reasonable efforts to pursue alternative capital credit retirement methods, to include hybrid last in, first out (LIFO), first in, first out (FIFO) methods to recognize new members.

Section 6.16 Utility Rates; Balancing Accounts.

(a) Buyer will take such actions, including the use of Cost of Power and Non-Cost of Power ratemaking allocation methods that are consistent with those used by Seller prior to the Closing, as are reasonably necessary and appropriate to ensure that the Non-Cost of Power Adjustment rates for any Persons that are ratepayers of ML&P or Seller as of the Closing Date will not increase as a result of the transactions contemplated by this Agreement.

(b) Prior to the Closing, Seller and Buyer shall use commercially reasonable efforts to work together to develop balancing accounts or other procedures for customer bills for the month of the Closing so that customers will not be double billed for any charges (including customer fees or demand charges).

Section 6.17 Financial Information.

(a) Seller shall use commercially reasonable efforts to deliver to Buyer audited financial statements not later than July 1 following the end of each fiscal year during the Interim Period and unaudited quarterly financial statements (including financial statements for the comparative period for the prior year) not later than sixty (60)

days following the end of each fiscal quarter during the Interim Period that meet the requirements of GAAP. Seller shall provide Buyer with monthly financial statements when available. Seller shall provide Buyer with financial statements for the quarter ended March 31, 2018 by not later than January 31, 2019, financial statements for the quarter ended June 30, 2018 by not later than March 31, 2019, and financial statements for the quarter ended September 30, 2018 by not later than May 31, 2019. All such financial statements shall be materially consistent with the Audited Financial Statements.

(b) Seller shall, and shall use commercially reasonable efforts to cause its independent auditors to, assist Buyer in preparing all necessary financial statements and financial information with respect to ML&P that meet the requirements of Item 9.01 of Form 8-K promulgated by the SEC that permits Buyer to timely file a Form 8-K pursuant to Item 2.01 of Form 8-K following the Closing. Such efforts shall include delivering the financial statements referred to in Section 6.17(a) sufficiently in advance of Closing so that Buyer can timely file the referenced Form 8-K with the SEC. Seller shall execute all release letters and other documents that are reasonably necessary to permit its independent auditors to assist Buyer and issue audit opinions on ML&P financial statements and consent to the filing of ML&P financial statements with the SEC and be incorporated by reference into any Buyer filing. Any re-audit of ML&P financial statements in accordance with accounting principles issued by the Financial Accounting Standards Board shall be at the cost and expense of Buyer.

(c) Buyer shall use commercially reasonable efforts to cause its independent auditors to deliver any consent required by Buyer that is required by Law or the rules and regulations of the SEC.

Section 6.18 Casualty During the Interim Period.

(a) If a Casualty occurs during the Interim Period, Seller shall give notice to Buyer of such occurrence within sixty (60) days after such occurrence has ended, and shall include in such notice a detailed estimate of the Cure Amount and an estimate of the insurance proceeds that can reasonably be expected to be recovered with respect to such Casualty (described in clause (i) of the definition of Available Proceeds) (the “**Casualty Notice**”). Seller shall cooperate reasonably with Buyer in providing information to and responding to any questions that Buyer has regarding the Casualty and the Cure Amount, including providing Buyer and its Representatives (i) access, in accordance with the provisions of Section 6.02(a), to the property subject to the Casualty and (ii) all correspondence and reports regarding the amount of the casualty loss and available insurance.

(b) If a Casualty occurs during the Interim Period:

(i) If Seller estimates in the Casualty Notice that the Cure Amount will not exceed the sum of the Maximum Uncovered Loss Amount plus the insurance proceeds with respect to such Casualty (described in clause (i) of the definition of Available Proceeds) that have been collected or are collectible by

Seller, then Seller shall have the right to elect, by giving notice to Buyer within thirty (30) days after Seller has given the Casualty Notice to Buyer, to either:

(1) extend the Closing Date to permit Seller to: (A) repair or replace the Purchased Assets and the Eklutna Generation Assets that were damaged or destroyed as a result of the Casualty; and (B) attempt to obtain the proceeds with respect to such Casualty described in clause (ii) of the definition of Available Proceeds; or

(2) proceed to the Closing under this Agreement, *provided* that all other conditions to the Closing have been satisfied or waived in accordance with the terms of this Agreement.

(ii) If Seller estimates in the Casualty Notice that that the Cure Amount will exceed the sum of the Maximum Uncovered Loss Amount plus the insurance proceeds with respect to such Casualty (described in clause (i) of the definition of Available Proceeds) that have been collected or are collectible by Seller, then Buyer will have the right to elect, by giving notice to Seller within thirty (30) days after Seller has given Buyer the Casualty Notice, to either:

(1) terminate this Agreement, in which case this Agreement will be deemed to have terminated five (5) days after such notice of termination is given; or

(2) extend the Closing Date to permit Seller to: (A) repair or replace the Purchased Assets and the Eklutna Generation Assets that were damaged or destroyed as a result of the Casualty; and (B) exercise good faith reasonable efforts during the period prior to the Closing Date to collect Available Proceeds with respect to such Casualty, in accordance with Seller's Past Practice during similar Casualty events.

(iii) If Seller makes an election under Section 6.18(b)(i)(1): (A) Seller shall have the right, in its reasonable discretion, to determine the period of such extension of the Closing Date (such period not to exceed one year); (B) Seller shall repair or replace the Purchased Assets that were damaged or destroyed as a result of the Casualty so that ML&P and the Business will operate in accordance with Seller's Past Practice; and (C) Seller shall exercise commercially reasonable efforts during the period prior to the Closing Date to collect Available Proceeds, in accordance with Seller's Past Practice during similar Casualty events.

(iv) If Seller makes an election under Section 6.18(b)(i)(2): (A) Seller shall repair or replace the Purchased Assets and the Eklutna Generation Assets that were damaged or destroyed as a result of the Casualty so that ML&P and the Business will operate in accordance with Seller's Past Practice; (B) the Closing shall occur on the Closing Date, *provided* that all of the other conditions to the Closing have been satisfied or waived in accordance with the terms of this

Agreement; and (C) Seller shall exercise commercially reasonable efforts during the period prior to the Closing Date to collect Available Proceeds, in accordance with Seller's Past Practice during similar Casualty events.

(v) If Buyer makes an election under Section 6.18(b)(ii)(2): (A) Seller shall have the right, in its reasonable discretion, to determine the period of such extension of the Closing Date (such period not to exceed one year); (B) Seller shall repair or replace the Purchased Assets and the Eklutna Generation Assets that were damaged or destroyed as a result of the Casualty so that ML&P and the Business will operate in accordance with Seller's Past Practice; (C) Seller shall exercise commercially reasonable efforts during the period prior to the Closing Date to collect Available Proceeds, in accordance with Seller's Past Practice during similar Casualty events; (D) Buyer shall at the Closing pay, reimburse Seller for, and hold Seller harmless from and against the reasonable costs of any such repairs or replacements made by Seller in accordance with Prudent Utility Practices that exceed the sum of (1) the Available Proceeds that have been collected by Seller and (2) the Maximum Uncovered Loss Amount, and (E) Seller shall pay to Buyer any shortfall in Available Proceeds set forth in the Casualty Notice.

(c) Closing Before Completion of Repairs.

(i) If the Closing occurs under the terms of Section 6.18(b)(i) before all of the repairs or replacements have been made to the damaged or destroyed Purchased Assets or the Eklutna Generation Assets, then (i) at the Closing, Seller will stop conducting such repairs and replacements and will assign to Buyer all Contracts with respect to such repairs or replacements that have not been completed, or as to which payment in full has not been made by Seller, and Buyer shall assume all of such Contracts as Assumed Liabilities (subject to Buyer's prior approval of such Contracts, which approval shall not be unreasonably withheld, conditioned, or delayed); (ii) at the Closing, to the extent permitted by applicable Law, Seller shall pay to Buyer any Available Proceeds that have been collected by Seller and that have not been expended by Seller in connection with such repairs and replacements; (iii) after the Closing, to the extent permitted by applicable Law, Seller shall be entitled to pursue and retain any Available Proceeds for any repairs or replacements expenses incurred by Seller or Buyer in connection with such Casualty; (iv) Buyer shall complete any remaining repairs; and (v) Seller shall reimburse Buyer for all reasonable costs associated with such repairs in accordance with Prudent Utility Practices to the extent such costs exceed any Available Proceeds paid to Buyer under clause (ii) above.

(ii) If the Closing occurs under the terms of Section 6.18(b)(ii)(2) before all of the repairs or replacements have been made to the damaged or destroyed Purchased Assets or the Eklutna Generation Assets, then (i) at the Closing, Seller will stop conducting such repairs and replacements and will assign to Buyer all Contracts with respect to such repairs or replacements that have not

been completed, or as to which payment in full has not been made by Seller, and Buyer shall assume all of such Contracts as Assumed Liabilities (subject to Buyer's prior approval of such Contracts, which approval shall not be unreasonably withheld, conditioned, or delayed); (ii) at the Closing, to the extent permitted by applicable Law, Seller shall pay to Buyer any Available Proceeds that have been collected by Seller and that have not been expended by Seller in connection with such repairs and replacements; (iii) after the Closing, to the extent permitted by applicable Law, Buyer shall be entitled to retain, and Seller and Buyer shall jointly pursue for Buyer's benefit, any Available Proceeds for any repairs or replacements expenses incurred by Buyer in connection with such Casualty; and (iv) Buyer shall be solely responsible for the completion of any remaining repairs or replacements and any and all costs associated with such repairs and replacements.

(d) **Right to Inspect.** Buyer and Buyer's Representatives shall, upon reasonable notice and at reasonable times, be entitled, in accordance with the provisions of Section 6.02(a), to inspect and observe any repairs and replacements performed or provided by Seller under this Section 6.18.

(e) **Dispute as to Estimate of Cure Amount.** If Buyer disputes the estimated Cure Amount set forth in any Casualty Notice, Buyer shall provide Seller with notice of such dispute within thirty (30) days after such Casualty Notice has been given to Buyer and shall include in such notice a detailed breakdown of Buyer's estimate of the Cure Amount with respect to such Casualty. During the fifteen (15)-day period after Buyer gives Seller such dispute notice, Seller and Buyer shall use reasonable efforts to resolve such dispute. If Seller and Buyer have not resolved such dispute during such fifteen (15)-day period, then Seller and Buyer shall submit the disputed items related to the estimate of the Cure Amount to a utility consultant reasonably acceptable to Seller and Buyer that has expertise in evaluating casualty losses, which consultant shall act as an expert and not as an arbitrator. The utility consultant shall issue its final decision on the disputed items in writing to Seller and Buyer within thirty (30) days after such disputed items have been submitted to the consultant, and such final decision shall, absent manifest error, be binding on both parties as to the estimate of the Cure Amount with respect to the Casualty. Buyer and Seller shall each pay 50% of such consultant's engagement fees and expenses. Any dispute under this Section 6.18(e) shall toll the applicable time limits set forth in this Section 6.18 until the resolution of such dispute under this Section 6.18(e).

Section 6.19 Eminent Domain. If, before the Closing, all or any portion of the Purchased Assets or the Eklutna Generation Assets material to the operation of ML&P and the Business is taken by eminent domain or is the subject of a pending taking that has not yet been consummated, Seller shall give notice to Buyer promptly of such taking or pending taking. Seller shall use such commercially reasonable efforts to replace any Purchased Assets or the Eklutna Generation Assets subject to the eminent domain action as Seller shall deem reasonably necessary for the continued operation of ML&P and the Business in accordance with Seller's Past Practices. If such portion of the Purchased Assets and the Eklutna Generation Assets has a net book value of \$10,000,000 or greater, and such proceeding or

replacement is not substantially completed by the Closing, Buyer may elect, by giving notice thereof to Seller, to: (a) terminate this Agreement; (b) proceed to Closing and receive any condemnation award for the taking; or (c) extend the Closing Date by not more than twelve (12) months in order to permit Seller to replace any Purchased Assets or Eklutna Generation Assets subject to the eminent domain action as Seller shall deem reasonably necessary for the continued operation of ML&P in accordance with Seller's Past Practices.

Section 6.20 Leased Property. For the leased equipment or real property set forth in Section 6.20 of the Disclosure Schedules, Buyer shall make any payments required to terminate, assign, or sublease any such equipment or real property lease and shall be responsible, at its sole cost and expense, for obtaining any required lessor consents to such termination, assignment, or sublease.

Section 6.21 Confirmation of Compliance with Requirements of Ordinance and Proposition 10.

(a) Buyer covenants and agrees that it will comply in full with all applicable requirements of Ordinance No. 2018-1(S) of the Anchorage Assembly (the "**Ordinance**") and all applicable requirements of the ballot proposition presented to voters of Seller in connection with the Ordinance ("**Proposition 10**"). Without limiting the foregoing or any other provision of this Agreement, in furtherance of the requirements of the Ordinance and Proposition 10, Buyer covenants and agrees that, for a period of ten (10) years after the Closing Date, Buyer will provide to Seller, not later than thirty (30) days following each anniversary of the Closing Date, a written confirmation from a duly authorized officer of Buyer in the form attached hereto as Exhibit O.

(b) Buyer covenants and agrees that the rights and remedies of Seller for any noncompliance by Buyer with the requirements of the Ordinance and Proposition 10 and with the requirements of this Section 6.21 shall include having such provision specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach shall cause irreparable injury to Seller and that money damages would not provide an adequate remedy to Seller.

Section 6.22 Schedule Updates. On or prior to the Closing Date, Seller shall promptly deliver to Buyer supplemental information concerning events or circumstances occurring subsequent to the date hereof that would, in Seller's reasonable judgment, cause the closing condition in Section 7.02(a) not to be met. No such supplemental information shall be deemed to avoid or cure any misrepresentation or breach of warranty or constitute an amendment of any representation, warranty, or statement in this Agreement or the applicable Disclosure Schedule; *provided* that if such supplemental information relates to an event or circumstance occurring subsequent to the date hereof that would permit Buyer to terminate this Agreement as a result of the information so disclosed and Buyer does not exercise such termination right prior to the Closing, then such supplemental information shall constitute an amendment of the representation, warranty, or statement to which it relates for purposes of ARTICLE VIII. In addition to the foregoing, Seller shall have the right to update any Disclosure Schedule (a) to disclose any event, condition, fact, or circumstance occurring after the date of this Agreement that is not material that occurred in the ordinary course and did not involve or result from a violation of Law, torts, breach of Contract, or failure to perform or comply with any covenant or

agreement of Seller contained in this Agreement, and (b) otherwise, with the approval of Buyer, which approval shall not be unreasonably withheld, conditioned, or delayed, to reflect matters that, individually and in the aggregate, are not material, and such updated Disclosure Schedule shall in each case constitute an amendment of the representation, warranty, or statement to which it relates for purposes of ARTICLE VIII.

Section 6.23 Eklutna Public Water Supply. Seller shall not amend, extend, supplement or otherwise modify the Agreement for Public Water Supply and Energy Generation from Eklutna Lake, Alaska executed on February 17, 1984 between the Alaska Power Administration and Seller, as such agreement has been amended and supplemented to date.

Section 6.24 Delivery of Books and Records. Not later than 30 days following the Closing, Seller will transfer all Books and Records stored at Designated Excluded Assets to other locations, as designated by Buyer, that are included in the Purchased Assets.

Section 6.25 Parkland Substations. Seller shall use commercially reasonable efforts to obtain voter approval in accordance with AMC 25.30.020D for the grant to Buyer, without the payment of any additional consideration over and above the Purchase Price, of perpetual easements permitting the exercise of any rights and actions that are required for Buyer to operate the Parkland Substations. Without limiting the foregoing, if such voter approval is not obtained prior to the Closing, Seller shall at the Closing grant to Buyer a Parkland Use Permit for each Parkland Substation and shall thereafter while Buyer has a continuing need for such Parkland Use Permit, unless and until such voter approval is obtained, use commercially reasonable efforts to renew such Parkland Use Permit, in each case prior to the expiration thereof. If Seller at any time terminates or fails to renew any such Parkland Use Permit for any reason other than breach by Buyer of any of its obligations under such Parkland Use Permit, Buyer in its sole discretion shall have the option to relocate the Parkland Substation that is the subject of such Parkland Use Permit, and if Buyer exercises such option, Seller shall have the obligation to reimburse and indemnify Buyer in accordance with the provisions of this Agreement for the reasonable out-of-pocket costs reasonably incurred by Buyer for such relocation (including all such costs incurred in removing and rebuilding the applicable Parkland Substation, restoring the affected parkland property, and interconnecting the applicable Parkland Substation to Buyer's system upon completion of the move).

Section 6.26 Grants of Easements by Seller to Buyer.

(a) If Buyer reasonably requires the grant of any easement or right-of-way across land of Seller, other than municipal land formally dedicated to permanent or long-term park or recreational purposes, for the exercise of any rights and actions that are required for Buyer to use, maintain, and operate any Purchased Assets after the Closing in the manner used, maintained, and operated by Seller immediately prior to the Closing, Seller shall, subject to and in accordance with any requirements of applicable Law (including the AMC), and without the payment of any additional consideration over and above the Purchase Price, grant to Buyer such easement or right-of-way on Seller's customary terms and conditions.

(b) If Buyer reasonably requires the grant of any easement or right-of-way across municipal land formally dedicated to permanent or long-term park or recreational purposes for the exercise of any rights and actions that are required for Buyer to use, maintain, and operate any Purchased Assets after the Closing in the manner used, maintained, and operated by Seller immediately prior to the Closing, Seller shall use commercially reasonable efforts to obtain voter approval in accordance with AMC 25.30.020D for the grant to Buyer, without the payment of any additional consideration over and above the Purchase Price, of such easement or right-of-way. Without limiting the foregoing, unless and until such voter approval is obtained, Seller shall grant to Buyer in place of such irrevocable perpetual easement or right-of-way, without the payment of any additional consideration over and above the Purchase Price, a revocable permit, license, right-of-way, or easement under AMC 25.30.020C, on Seller's customary terms and conditions, to enable Buyer to operate the Purchased Assets in the manner operated by Seller immediately prior to the Closing, and shall thereafter while Buyer has a continuing need for such permit, license, right-of-way, or easement, unless and until such voter approval is obtained, use commercially reasonable efforts to renew such revocable permit, license, right-of-way, or easement, in each case prior to the expiration thereof.

Section 6.27 ARRC Modifications.

(a) Seller shall use commercially reasonable efforts to enter into the following arrangements with ARRC prior to the Closing (including any required consents of ARRC to assignment of such arrangements to Buyer in connection with the transactions contemplated by this Agreement) (the "**ARRC Modifications**"), in each case on terms that, taken as a whole, are no less favorable to the lessee or permit holder (as the case may be) than the terms of the lease between ARRC and Seller for the parcel on which Substation 13 is located (ARRC Contract No. 6108) and otherwise are acceptable to Seller in the exercise of its reasonable discretion:

(i) as a replacement for ARRC Contract No. 4565 and related supplements, a lease having a term not less than five (5) years, with an option on the part of Seller to extend such term for at least one additional term of not less than three (3)-to-five (5) years, for the parcel on First Avenue on which ML&P Plant 1 and the associated switchyard are located;

(ii) an extension of the Permit to cross ARRC track to access ML&P Plant 1 (ARRC Contract No. 7021, effective July 1, 1995) between ARRC and Seller for a term of not less than five (5) years, with an option on the part of Seller to extend such term for at least one additional term of not less than three (3)-to-five (5) years;

(iii) as a replacement for ARRC Contract No. 7634, a lease having a term of not less than five (5)-to-six (6) years for the leased parcel on Second Avenue on which ML&P Substation 9A is located, to permit relocation of Substation 9A (to Substation 3 at 2nd Avenue and Barrow); and

(iv) an extension of the Blanket Permit (ARRC Contract No. 5980 and related supplements) between ARRC and Seller for a term of not less than five (5) years, with an option on the part of Seller to extend such term for at least one additional term of not less than three (3)-to-five (5) years.

(b) If any ARRC Modification shall not be obtained or if any ARRC Modification would be ineffective or would impair Buyer's rights under the Purchased Asset in question so that Buyer would not in effect acquire the benefit of all such rights, Seller, to the maximum extent reasonably permitted by applicable Law and the Purchased Asset, shall act after the Closing as Buyer's agent in order to obtain for it the benefits thereunder and shall cooperate reasonably, to the maximum extent reasonably permitted by applicable Law and the Purchased Asset, with Buyer in any other reasonable arrangement designed to provide such benefits to Buyer. Notwithstanding any provision in this Section 6.27 to the contrary, Buyer shall not be deemed to have waived its rights under Section 7.02(s) hereof unless and until Buyer either provides written waivers thereof or elects to proceed to consummate the transactions contemplated by this Agreement at Closing.

Section 6.28 Compliance with ML&P Overhead Distribution Line Undergrounding Program. Buyer shall, with respect to undergrounding by Buyer of overhead distribution lines in the Service Territory between the Closing Date and December 31, 2024, comply, as and to the extent required by AMC 21.07.050, with the provisions of the five-year undergrounding program adopted by ML&P pursuant to AMC 21.07.050F for undergrounding of overhead distribution lines as in effect on the Closing Date.

Section 6.29 Delivery of Real Property and Environmental Documents; Cooperation with Respect to Real Property Transfers.

(a) Seller shall, not later than 30 days after RCA Approval, provide Buyer with copies of all easements granted to Seller prior to 2002 and copies of all documents described in Section 4.18(j) that were not provided or otherwise made available to Buyer in accordance with the provisions of Section 4.18(j) prior to the date of this Agreement.

(b) Seller and Buyer shall cooperate reasonably to prepare legal descriptions and other documentation required for the transfer from Seller to Buyer of all Owned Real Property and Other Real Property Interests included in the Purchased Assets.

Section 6.30 Determination of Status of Eklutna Transmission Assets as Purchased Assets or Excluded Assets. Seller and Buyer agree that if MEA has not, on or before March 1, 2019, consented, in accordance with the provisions of Section 1 of the Agreement for Extension of 1996 Eklutna Hydroelectric Project Transition Plan dated October 2, 1997 by and among Seller, Buyer, and MEA, to the sale by Seller to Buyer under this Agreement of all undivided interests, rights, and title of Seller in and to the Eklutna Transmission Assets, (i) the Eklutna Transmission Assets will be deemed to be Excluded Assets rather than Purchased Assets for purposes of this Agreement, (ii) each reference in this Agreement to the Eklutna Generation Assets will be deemed to include the Eklutna Transmission Assets, (iii) the "Facility" under the Eklutna Power Purchase Agreement will be deemed to include the

Eklutna Transmission Assets and the “Seller’s Interest” under the Eklutna Power Purchase Agreement will be deemed to include all undivided interests, rights, title, and obligations of Seller in and to the Eklutna Transmission Assets, including for purposes of the Purchase Option under Section 14.3 of the Eklutna Power Purchase Agreement, and (iv) Seller will execute such reasonable additional documents, instruments and assurances and take such additional actions as are reasonably necessary and appropriate in order to confirm Buyer’s rights to use Seller’s rights and interests in and to the Eklutna Transmission Assets in connection with the Eklutna Power Purchase Agreement, including execution and delivery of one or more transmission service agreements for such purposes.

Section 6.31 Further Assurances. Following the Closing, each of the parties hereto shall execute and deliver such additional documents (including a mutually acceptable transition services agreement, if Buyer wishes Seller to provide transition services to Buyer after the Closing), instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement and the Ancillary Documents.

ARTICLE VII CONDITIONS TO CLOSING

Section 7.01 Conditions to Obligations of All Parties. The obligations of each party to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions:

- (a) The RCA Approval shall have been received.
- (b) No Governmental Authority shall have enacted, issued, promulgated, enforced, or entered any Governmental Order that is in effect and has the effect of making the transactions contemplated by this Agreement illegal, otherwise restraining or prohibiting consummation of such transactions, or causing any of the transactions contemplated hereunder to be rescinded following completion thereof.
- (c) Seller shall have received all consents, authorizations, orders, and approvals from the Governmental Authorities referred to in Section 4.03 and Buyer shall have received all consents, authorizations, orders and approvals from the Governmental Authorities referred to in Section 5.03, in each case, in form and substance reasonably satisfactory to Buyer and Seller, and no such consent, authorization, order and approval shall have been revoked.

Section 7.02 Conditions to Obligations of Buyer. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or Buyer’s waiver, at or prior to the Closing, of each of the following conditions:

- (a) Other than the representations and warranties of Seller contained in Section 4.01, Section 4.02, Section 4.04, and Section 4.24, the representations and warranties of Seller contained in this Agreement, the Ancillary Documents and any certificate or other writing delivered pursuant hereto shall be true and correct in all

respects (in the case of any representation or warranty qualified by materiality or Material Adverse Effect) or in all material respects (in the case of any representation or warranty not qualified by materiality or Material Adverse Effect) on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects). The representations and warranties of Seller contained in Section 4.01, Section 4.02, Section 4.04, and Section 4.24 shall be true and correct in all respects on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects).

(b) Seller shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement and each of the Ancillary Documents to be performed or complied with by it prior to or on the Closing Date; *provided*, that, with respect to agreements, covenants and conditions that are qualified by materiality, Seller shall have performed such agreements, covenants and conditions, as so qualified, in all respects.

(c) No Action shall have been commenced against Buyer or Seller, which would prevent the Closing. No injunction or restraining order shall have been issued by any Governmental Authority, and be in effect, which restrains or prohibits any transaction contemplated hereby.

(d) All approvals, consents and waivers that are listed on Section 4.03 of the Disclosure Schedules shall have been received, and executed counterparts thereof shall have been delivered to Buyer at or prior to the Closing.

(e) From the date of this Agreement, there shall not have occurred any Material Adverse Effect, nor shall any event or events have occurred that, individually or in the aggregate, with or without the lapse of time, would reasonably be expected to result in a Material Adverse Effect.

(f) Seller shall have delivered to Buyer duly executed counterparts to the Ancillary Documents and such other documents and deliveries set forth in Section 3.02(a).

(g) Buyer shall have received all Permits that are necessary for it to conduct the Business as conducted by Seller as of the Closing Date.

(h) All Encumbrances relating to the Purchased Assets and those listed on Section 4.10(a)(i) of the Disclosure Schedules shall have been released in full, other than Permitted Encumbrances, and Seller shall have delivered to Buyer written evidence, in form satisfactory to Buyer in its sole discretion, of the release of such Encumbrances.

(i) Buyer shall have received a certificate, dated the Closing Date and signed by a duly authorized officer of Seller, that each of the conditions set forth in Section 7.02(a) and Section 7.02(b) have been satisfied (the “**Seller Closing Certificate**”).

(j) Buyer shall have received a certificate of the Clerk of Seller certifying that attached thereto are true and complete copies of all resolutions adopted by the assembly of Seller authorizing the execution, delivery and performance of this Agreement and the Ancillary Documents and the consummation of the transactions contemplated hereby and thereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby.

(k) Buyer shall have received a certificate of the Clerk of Seller certifying the names and signatures of the officers of Seller authorized to sign this Agreement, the Ancillary Documents and the other documents to be delivered hereunder and thereunder.

(l) Buyer shall have received a certificate pursuant to Treasury Regulations Section 1.1445-2(b) (the “**FIRPTA Certificate**”) that Seller is not a foreign person within the meaning of Section 1445 of the Code duly executed by Seller.

(m) Buyer shall have completed the Additional Buyer Due Diligence and the results of such due diligence shall be satisfactory to Buyer in its sole discretion.

(n) Seller shall have delivered an opinion of counsel, from counsel satisfactory to Buyer, in form and substance satisfactory to Buyer, that execution and delivery of the transactions to be consummated hereby will not cause outstanding Bradley Lake Tax Exempt Debt to lose its tax exempt status.

(o) Seller shall have delivered (i) the financial statements referred to in Section 6.17 and (ii) all Updated Financial Statements required by this Agreement, including ML&P’s 2018 audited financial statements. Buyer shall have such other financial statements and information it needs that meets the requirements of Item 9.01 of Form 8-K promulgated by the SEC that permits Buyer to file a Form 8-K pursuant to Item 2.01 of Form 8-K following the Closing in a timely manner.

(p) Buyer shall have received the opinion of bond counsel referenced in Section 3.02(c), in the form attached hereto as Exhibit P, and the independent certified public accountant’s report referenced in Section 3.02(c).

(q) The IBEW Collective Bargaining Agreement shall be in full force and effect and shall not have expired.

(r) Provided that the Transition Agreement is in full force and effect, Buyer shall have received a certificate of a duly authorized official of Seller certifying that Seller has satisfied each and all of the requirements of AO No. 2018-1(S) that are applicable to Seller.

(s) Seller shall have entered into the ARRC Modifications.

(t) Seller shall have entered into the Co-Location Agreement on terms reasonably acceptable to Buyer, and AWWU shall have consented to the assignment of the Co-Location Agreement by Seller to Buyer effective upon the Closing.

(u) Seller shall have delivered to Buyer such other documents or instruments as Buyer reasonably requests and are reasonably necessary to consummate the transactions contemplated by this Agreement.

Section 7.03 Conditions to Obligations of Seller. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or Seller's waiver, at or prior to the Closing, of each of the following conditions:

(a) Other than the representations and warranties of Buyer contained in Section 5.01, Section 5.02, and Section 5.04, the representations and warranties of Buyer contained in this Agreement, the Ancillary Documents and any certificate or other writing delivered pursuant hereto shall be true and correct in all respects (in the case of any representation or warranty qualified by materiality or Material Adverse Effect) or in all material respects (in the case of any representation or warranty not qualified by materiality or Material Adverse Effect) on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects). The representations and warranties of Buyer contained in Section 5.01, Section 5.02, and Section 5.04 shall be true and correct in all respects on and as of the date hereof and on and as of the Closing Date with the same effect as though made at and as of such date (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all respects).

(b) Buyer shall have duly performed and complied in all material respects with all agreements, covenants, and conditions required by this Agreement and each of the Ancillary Documents to be performed or complied with by it prior to or on the Closing Date; *provided*, that, with respect to agreements, covenants and conditions that are qualified by materiality, Buyer shall have performed such agreements, covenants, and conditions, as so qualified, in all respects.

(c) No injunction or restraining order shall have been issued by any Governmental Authority, and be in effect, which restrains or prohibits any material transaction contemplated hereby.

(d) All approvals, consents, and waivers that are listed on Section 5.03 of the Disclosure Schedules shall have been received, and executed counterparts thereof shall have been delivered to Seller at or prior to the Closing.

(e) Buyer shall have delivered to Seller duly executed counterparts to the Ancillary Documents and such other documents and deliveries set forth in Section 3.02(b).

(f) Seller shall have received a certificate, dated the Closing Date and signed by a duly authorized officer of Buyer, that each of the conditions set forth in Section 7.03(a) and Section 7.03(b) have been satisfied (the “**Buyer Closing Certificate**”).

(g) Seller shall have received a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of Buyer certifying that attached thereto are true and complete copies of all resolutions adopted by the board of directors of Buyer authorizing the execution, delivery and performance of this Agreement and the Ancillary Documents and the consummation of the transactions contemplated hereby and thereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby.

(h) Seller shall have received a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of Buyer certifying the names and signatures of the officers of Buyer authorized to sign this Agreement, the Ancillary Documents and the other documents to be delivered hereunder and thereunder.

(i) Seller shall have completed the Additional Seller Due Diligence and the results of such due diligence shall be satisfactory to Seller in its sole discretion.

(j) Seller shall have received the opinion(s) of bond counsel and the independent certified public accountant’s report referred to in Section 3.02(c) in the form attached hereto as Exhibit Q.

(k) Seller shall have received a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of Buyer certifying that Buyer has satisfied each and all of the requirements of AO No. 2018-1(S) that are applicable to Buyer.

(l) If the Transition Agreement is in full force and effect, Seller shall have received a copy of the Transition Agreement as duly executed by Buyer and the IBEW.

(m) Buyer shall have delivered to Seller such other documents or instruments as Seller reasonably requests and are reasonably necessary to consummate the transactions contemplated by this Agreement.

ARTICLE VIII INDEMNIFICATION

Section 8.01 Survival. Subject to the limitations and other provisions of this Agreement, the representations and warranties contained herein shall survive the Closing and shall remain in full force and effect until the date that is three (3) years from the Closing Date; *provided*, that the representations and warranties in (i) Section 4.01, Section 4.02, Section 4.08, Section 4.24, Section 5.01, Section 5.02,

and Section 5.04 shall survive indefinitely or if shorter for the maximum period allowed by Law, (ii) Section 4.18 shall survive for a period of five (5) years after the Closing or if shorter for the maximum period allowed by Law, and (iii) Section 4.19 and Section 4.21 shall survive for the full period of all applicable statutes of limitations including those statutes of limitations related to the underlying subject matter of the applicable representation or warranty (giving effect to any waiver, mitigation or extension thereof) plus sixty (60) days. All covenants and agreements of the parties contained herein shall survive the Closing indefinitely or for the period explicitly specified therein. To the extent any survival time period set forth herein exceeds the applicable statute of limitations or similar statute or judicial doctrine, each party hereto hereby waives the specific applicability of any such statute of limitations, similar statute, or judicial doctrine. Notwithstanding the foregoing, any claims asserted in good faith with reasonable specificity (to the extent known at such time) and in writing by notice from the non-breaching party to the breaching party prior to the expiration date of the applicable survival period shall not thereafter be barred by the expiration of the relevant representation or warranty and such claims shall survive until finally resolved.

Section 8.02 Indemnification By Seller. Subject to the other terms and conditions of this ARTICLE VIII, and subject to appropriation of the requisite funds by the Assembly of Seller, Seller shall, to the furthest extent permitted by applicable Law, indemnify and defend Buyer and each and all of its Representatives (collectively, the “**Buyer Indemnitees**”) against, and shall hold each of them harmless from and against, and shall pay and reimburse each of them for, any and all Losses incurred or sustained by, or imposed upon, the Buyer Indemnitees based upon, arising out of, with respect to or by reason of:

(a) any inaccuracy in or breach of any of the representations or warranties of Seller contained in this Agreement, the Ancillary Documents, or in any certificate or instrument delivered by or on behalf of Seller pursuant to this Agreement, as of the date such representation or warranty was made or as if such representation or warranty was made on and as of the Closing Date (except for representations and warranties that expressly relate to a specified date, the inaccuracy in or breach of which will be determined with reference to such specified date);

(b) any breach or non-fulfillment of any covenant, agreement, or obligation to be performed by Seller pursuant to this Agreement, or any certificate or instrument delivered by or on behalf of Seller pursuant to this Agreement;

(c) any Excluded Asset or any Excluded Liability;

(d) the Assumed Environmental Liabilities, to the extent, if any, that Losses incurred by Buyer in connection with the same prior to the tenth (10th) anniversary of the Closing Date exceed the amount of \$25,000,000 in the aggregate, but not in any event including any Environmental Claims, Liabilities, or Losses arising directly out of any asset retirement obligations or arising solely by reason of Buyer’s ownership and operation of the Purchased Assets following the Closing Date.

Nothing in this Section 8.02 shall preclude Buyer from commencing litigation to enforce the provisions of this Section 8.02 and enforcing any related judgement if the requirements for commencement of litigation in this ARTICLE VIII have otherwise been satisfied.

Section 8.03 Indemnification By Buyer. Subject to the other terms and conditions of this ARTICLE VIII, Buyer shall, to the furthest extent permitted by applicable Law, indemnify and defend Seller and each and all of its Representatives (collectively, the “**Seller Indemnitees**”) against, and shall hold each of them harmless from and against, and shall pay and reimburse each of them for, any and all Losses incurred or sustained by, or imposed upon, the Seller Indemnitees based upon, arising out of, with respect to or by reason of:

(a) any inaccuracy in or breach of any of the representations or warranties of Buyer contained in this Agreement or in any certificate or instrument delivered by or on behalf of Buyer pursuant to this Agreement, as of the date such representation or warranty was made or as if such representation or warranty was made on and as of the Closing Date (except for representations and warranties that expressly relate to a specified date, the inaccuracy in or breach of which will be determined with reference to such specified date);

(b) any breach or non-fulfillment of any covenant, agreement, or obligation to be performed by Buyer pursuant to this Agreement or any certificate or instrument delivered by or on behalf of Buyer pursuant to this Agreement;

(c) any Assumed Liability except to the extent that Seller is obligated to indemnify Buyer pursuant to Section 8.02(d) above; or

(d) Buyer’s ownership and operation of the Purchased Assets following the Closing, except to the extent of any Losses (i) arising from or constituting an Excluded Liability or (ii) arising out of Seller’s operation of the Purchased Assets prior to the Closing Date, except to the extent of any Losses constituting an Assumed Environmental Liability under Section 2.03(d) of this Agreement.

Section 8.04 Certain Limitations. The indemnification provided for in Section 8.02 and Section 8.03 shall be subject to the following limitations:

(a) Seller shall not be liable to the Buyer Indemnitees for indemnification under Section 8.02(a) until the aggregate amount of all Losses in respect of indemnification under Section 8.02(a) exceeds \$2,000,000 (the “**Basket**”), in which event Seller shall be required to pay or be liable for all such Losses in excess of the first \$1,000,000 of such Losses. The aggregate amount of all Losses for which Seller shall be liable pursuant to Section 8.02(a) shall not exceed \$30,000,000 (the “**Cap**”).

(b) Buyer shall not be liable to the Seller Indemnitees for indemnification under Section 8.03(a) until the aggregate amount of all Losses in respect of indemnification under Section 8.03(a) exceeds the Basket, in which event Buyer shall be required to pay or be liable for all such Losses in excess of the first \$1,000,000 of such

Losses. The aggregate amount of all Losses for which Buyer shall be liable pursuant to Section 8.03(a) shall not exceed the Cap.

(c) Notwithstanding the foregoing, the limitations set forth in Section 8.04(a) and Section 8.04(b) shall not apply to Losses based upon, arising out of, with respect to or by reason of (x) fraud, criminal activity, or willful misconduct of any party hereto or (y) any inaccuracy in or breach of any representation or warranty in Section 4.01, Section 4.02, Section 4.08, Section 4.18, Section 4.19, Section 4.21, Section 4.24, Section 5.01, Section 5.02, or Section 5.04; *provided, however*, that the aggregate amount of all Losses for which either party shall be liable based upon, arising out of, with respect to or by reason of any inaccuracy in or breach of any of the representations or warranties referenced in this clause (y), other than the representations and warranties in Section 4.18, and other than as set forth in clause (x) of this Section 8.04(c), shall not exceed the Upfront Payment; and *provided, further*, that the aggregate amount of all Losses for which Seller shall be liable based upon, arising out of, with respect to or by reason of any inaccuracy in or breach of Section 4.18 shall not, other than as set forth in clause (x) of this Section 8.04(c), exceed the amount of \$10,000,000.

(d) For purposes of this ARTICLE VIII, the amount of any Losses caused by, resulting from, or arising out of any inaccuracy in or breach of any representation or warranty shall be determined without regard to any materiality, Material Adverse Effect or other similar qualification contained in or otherwise applicable to such representation or warranty.

Section 8.05 Indemnification Procedures. The party making a claim under this ARTICLE VIII is referred to as the “**Indemnified Party**,” and the party against whom such claims are asserted under this ARTICLE VIII is referred to as the “**Indemnifying Party**”.

(a) **Third Party Claims.** If any Indemnified Party receives notice of the assertion or commencement of any Action made or brought by any Person who is not a party to this Agreement or a Representative of the foregoing (a “**Third Party Claim**”) against such Indemnified Party with respect to which the Indemnifying Party is obligated to provide indemnification under this Agreement, the Indemnified Party shall give the Indemnifying Party written notice thereof as promptly as reasonably practicable, but in any event not later than thirty (30) calendar days after receipt of such notice of such Third Party Claim. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations except and only to the extent that such failure causes the Indemnifying Party to forfeit rights or defenses. Such notice by the Indemnified Party shall describe the Third Party Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have the right to participate in, or by giving written notice to the Indemnified Party, to assume the defense of any Third Party Claim at the Indemnifying Party’s expense and by the Indemnifying Party’s own counsel, and the Indemnified Party shall cooperate in good faith in such defense; *provided*, that the Indemnifying Party may not elect to assume the defense of such Third Party Claim

unless it agrees in writing that it will be liable for any Losses resulting from the Third Party Claim pursuant to the indemnification provisions of this ARTICLE VIII; *provided, further*, that if the Indemnifying Party is Seller, such Indemnifying Party shall not have the right to defend or direct the defense of any such Third Party Claim that (x) is asserted directly by or on behalf of a Person that is a supplier or customer of the Business, or (y) seeks an injunction or other equitable relief against the Indemnified Party. In the event that the Indemnifying Party assumes the defense of any Third Party Claim, subject to Section 8.05(b), the Indemnifying Party shall have the right to take such action as it deems necessary to avoid, dispute, defend, appeal or make counterclaims pertaining to any such Third Party Claim in the name and on behalf of the Indemnified Party. If the Indemnifying Party assumes the defense of such Third Party Claim, the Indemnified Party shall have the right to participate in the defense of any such Third Party Claim with counsel selected by it subject to the Indemnifying Party's right to control the defense thereof. The fees and disbursements of such counsel shall be at the expense of the Indemnified Party, *provided*, that if in the reasonable opinion of counsel to the Indemnified Party, (A) there are legal defenses available to an Indemnified Party that are different from or additional to those available to the Indemnifying Party; or (B) there exists a conflict of interest between the Indemnifying Party and the Indemnified Party that cannot be waived, the Indemnifying Party shall be liable for the reasonable fees and expenses of counsel to the Indemnified Party in each jurisdiction for which the Indemnified Party reasonably determines that such counsel is required. If the Indemnifying Party elects not to compromise or defend such Third Party Claim, fails to promptly notify the Indemnified Party in writing of the Indemnifying Party's election to defend as provided in this Agreement, or fails to diligently prosecute the defense of such Third Party Claim, the Indemnified Party may, subject to Section 8.05(b), pay, compromise, and defend against such Third Party Claim and seek indemnification for any and all Losses based upon, arising from, or relating to such Third Party Claim. Seller and Buyer shall cooperate with each other in all reasonable respects in connection with the defense of any Third Party Claim, including making available records relating to such Third Party Claim and furnishing, without expense (other than reimbursement of actual out-of-pocket expenses) to the defending party, management employees of the non-defending party as may be reasonably necessary for the preparation of the defense of such Third Party Claim.

(b) Settlement of Third Party Claims. Notwithstanding any other provision of this Agreement, the Indemnifying Party shall not enter into settlement of any Third Party Claim without the prior written consent of the Indemnified Party, except as provided in this Section 8.05(b). If a firm offer is made to settle a Third Party Claim without leading to liability or the creation of a financial or other obligation on the part of the Indemnified Party and provides, in customary form, for the unconditional release of each Indemnified Party from all liabilities and obligations in connection with such Third Party Claim, and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party shall give written notice to that effect to the Indemnified Party. If the Indemnified Party fails to consent to such firm offer within fifteen (15) days after its receipt of such notice, the Indemnified Party may continue to contest or defend such Third Party Claim and in

such event, the maximum liability of the Indemnifying Party as to such Third Party Claim shall not exceed the amount of such settlement offer. If the Indemnified Party fails to consent to such firm offer and also fails to assume defense of such Third Party Claim, the Indemnifying Party may settle the Third Party Claim upon the terms set forth in such firm offer to settle such Third Party Claim. If the Indemnified Party has assumed the defense pursuant to Section 8.05(a), it shall not agree to any settlement without the written consent of the Indemnifying Party (which consent shall not be unreasonably withheld or delayed).

(c) **Direct Claims.** Any Action by an Indemnified Party on account of a Loss that does not result from a Third Party Claim (a “**Direct Claim**”) shall be asserted by the Indemnified Party giving the Indemnifying Party written notice thereof as promptly as reasonably practicable, but in any event not later than thirty (30) days after the Indemnified Party becomes aware of such Direct Claim. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations except and only to the extent that such failure causes the Indemnifying Party to forfeit rights or defenses. Such notice by the Indemnified Party shall describe the Direct Claim in reasonable detail, shall include copies of all material written evidence thereof, and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or may be sustained by the Indemnified Party. The Indemnifying Party shall have thirty (30) days after its receipt of such notice to respond in writing to such Direct Claim. The Indemnified Party shall allow the Indemnifying Party and its professional advisors to investigate the matter or circumstance alleged to give rise to the Direct Claim, and whether and to what extent any amount is payable in respect of the Direct Claim and the Indemnified Party shall assist the Indemnifying Party’s investigation by giving such information and assistance (including access, upon reasonable advance notice and upon reasonable terms and conditions, to the Indemnified Party’s premises and personnel and the right to examine and copy any accounts, documents or records) as the Indemnifying Party or any of its professional advisors may reasonably request. If the Indemnifying Party does not so respond within such thirty (30)-day period, the Indemnifying Party shall be deemed to have rejected such claim, in which case the Indemnified Party shall be free to pursue such remedies as may be available to the Indemnified Party on the terms and subject to the provisions of this Agreement.

Section 8.06 Limitation of Liability. NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY CONSEQUENTIAL, SPECIAL, INDIRECT (INCLUDING INDIRECT DAMAGES IN THE NATURE OF LOST PROFITS OR BUSINESS, DIMINUTION IN VALUE, AND LOSS OF USE), SPECULATIVE, EXEMPLARY, OR PUNITIVE DAMAGES FOR ANY REASON WITH RESPECT TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT, WHETHER BASED ON STATUTE, CONTRACT, TORT, OR OTHERWISE AND WHETHER OR NOT ARISING FROM THE OTHER PARTY’S SOLE, JOINT, OR CONCURRENT NEGLIGENCE, STRICT LIABILITY OR OTHER FAULT (“**Non-reimbursable Damages**”); *PROVIDED, HOWEVER, THAT IN NO EVENT SHALL THE FOREGOING LIMITATIONS ON*

LIABILITY OR DAMAGES LIMIT THE LIABILITY OF ANY PARTY TO ANY OTHER PARTY FOR THIRD PARTY CLAIMS.

Section 8.07 No Other Representations; Reliance; Effect of Investigation.

(a) Each of Seller and Buyer acknowledges that (i) the other party has not made any representations, warranties, covenants, or agreements, express or implied, with respect to any of the matters that are the subject of this Agreement or any of the other Ancillary Documents, except as expressly made in this Agreement, the Ancillary Documents, or any certificate or instrument delivered by such party pursuant to this Agreement or any Ancillary Document, and (ii) in consummating the transactions described herein, neither party is relying on or has relied on any representation, warranty, covenant, or agreement whatsoever regarding the subject matter of this Agreement or any Ancillary Document, whether express or implied, other than as expressly made in this Agreement, the Ancillary Documents, or any certificate or instrument delivered by such party pursuant to this Agreement or any Ancillary Document.

(b) The representations and warranties of the Indemnifying Party, and the Indemnified Party's right to indemnification with respect thereto, shall not be affected or deemed waived by reason of any investigation made by or on behalf of the Indemnified Party (including by any of its Representatives) or by reason of the fact that the Indemnified Party or any of its Representatives knew or should have known that any such representation or warranty is, was, or might be inaccurate or by reason of the Indemnified Party's waiver of any condition set forth in Section 7.02 or Section 7.03, as the case may be.

Section 8.08 Exclusive Remedies. Subject to Section 10.13, the parties acknowledge and agree that their sole and exclusive remedy with respect to any and all claims (other than claims arising from fraud, criminal activity, or willful misconduct on the part of a party hereto in connection with the transactions contemplated by this Agreement) for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement, shall be pursuant to the indemnification provisions set forth in this ARTICLE VIII. In furtherance of the foregoing, each party hereby waives, to the fullest extent permitted under Law, any and all rights, claims, and causes of action for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement it may have against the other parties hereto and their respective Representatives arising under or based upon any Law, except pursuant to the indemnification provisions set forth in this ARTICLE VIII. Nothing in this Section 8.08 shall limit any Person's right to seek and obtain any equitable relief to which any Person shall be entitled or to seek any remedy on account of any party's fraud, criminal activity, or intentional misconduct.

Section 8.09 Set-off.

(a) In the event that (i) Buyer has notified Seller under Section 8.05 that Buyer is entitled to indemnification from Seller with respect to any Third Party Claim or Direct Claim, (ii) Seller has notified Buyer that (A) Seller has determined that it will

assume the defense of such Third Party Claim or (B) Seller acknowledges that Buyer is entitled to indemnification from Seller for such Direct Claim, and (iii) either (A) Seller has not, within sixty (60) days after delivery of any such notice to Buyer, requested an appropriation of funds from the Assembly of Seller for purposes of paying any amount required to be paid or reimbursed in connection with such Third Party Claim or Direct Claim, or (B) Seller has requested an appropriation of funds from the Assembly of Seller for such purposes but has not received an appropriation of such funds, Buyer will be entitled to withhold all or part of any amount due to Seller under the PILT Agreement or the Eklutna Power Purchase Agreement for purposes of paying or reimbursing any Losses that have been determined, in accordance with the provisions of ARTICLE VIII, to be due and owing from Seller to any Buyer Indemnitee under ARTICLE VIII in connection with such Third Party Claim or Direct Claim. In the event that (i) Buyer has notified Seller under Section 8.05 that Buyer is entitled to indemnification from Seller with respect to any Third Party Claim or Direct Claim, (ii) Seller fails to assume the defense of such Third Party Claim or provide indemnification for such Direct Claim, (iii) Buyer, in accordance with the provisions of ARTICLE VIII, pursues its available legal remedies against Seller for such failure and obtains a final judgment requiring Seller to indemnify Buyer in accordance with ARTICLE VIII for Buyer's Losses in connection with such Third Party Claim or Direct Claim, and (iv) either (A) Seller has not, within sixty (60) days after issuance of such judgment, requested an appropriation of funds from the Assembly of Seller for purposes of paying such Losses, or (B) Seller has requested an appropriation of funds from the Assembly of Seller for such purposes but has not received an appropriation of such funds, Buyer will be entitled to withhold all or part of any amount due to Seller under the PILT Agreement or the Eklutna Power Purchase Agreement for purposes of paying or reimbursing such Losses.

(b) Set-off shall not be Buyer's exclusive remedy with respect to any indemnification claim.

ARTICLE IX TERMINATION

Section 9.01 Termination. This Agreement may be terminated at any time prior to the Closing:

- (a) by the mutual written consent of Seller and Buyer;
- (b) by Buyer by written notice to Seller if:
 - (i) Buyer is not then in material breach of any provision of this Agreement and there has been a breach, inaccuracy in, or failure to perform any representation, warranty, covenant, or agreement made by Seller pursuant to this Agreement that would give rise to the failure of any of the conditions specified in ARTICLE VII and such breach, inaccuracy, or failure has not been cured by

Seller within thirty (30) days after Seller's receipt of written notice of such breach from Buyer; or

(ii) any of the conditions set forth in Section 7.01 or Section 7.02 shall not have been, or if it becomes apparent that any of such conditions will not be, fulfilled by March 31, 2020, unless such failure shall be due to the failure of Buyer to perform or comply with any of the covenants, agreements, or conditions hereof to be performed or complied with by it prior to the Closing; or

(iii) Buyer makes an election under Section 6.18(b)(ii)(1) or Section 6.19.

(c) by Seller by written notice to Buyer if:

(i) Seller is not then in material breach of any provision of this Agreement and there has been a breach, inaccuracy in, or failure to perform any representation, warranty, covenant, or agreement made by Buyer pursuant to this Agreement that would give rise to the failure of any of the conditions specified in ARTICLE VII and such breach, inaccuracy, or failure has not been cured by Buyer within thirty (30) days after Buyer's receipt of written notice of such breach from Seller; or

(ii) any of the conditions set forth in Section 7.01 or Section 7.03 shall not have been, or if it becomes apparent that any of such conditions will not be, fulfilled by March 31, 2020, unless such failure shall be due to the failure of Seller to perform or comply with any of the covenants, agreements, or conditions hereof to be performed or complied with by it prior to the Closing; or

(d) by Buyer or Seller in the event that (i) there shall be any Law that makes consummation of the transactions contemplated by this Agreement illegal or otherwise prohibited or (ii) any Governmental Authority shall have issued a Governmental Order restraining or enjoining the transactions contemplated by this Agreement, and such Governmental Order shall have become final and non-appealable.

Section 9.02 Effect of Termination. In the event of the termination of this Agreement in accordance with this Article, all obligations under this Agreement shall terminate and shall be of no further force or effect and there shall be no liability on the part of Seller or Buyer to each other for or as a result of such termination; *provided, however*, that (i) the rights and obligations of the parties set forth in Section 6.09, ARTICLE VIII, and ARTICLE X, inclusive, shall survive such termination, and (ii) notwithstanding anything to the contrary contained herein, no termination of this Agreement shall release, or be construed as releasing, any party from any liability to any other party which may have arisen under this Agreement prior to termination, including as a result of any willful breach by any party of any representation, warranty, or covenant contained herein.

**ARTICLE X
MISCELLANEOUS**

Section 10.01 Expenses. Except as otherwise expressly provided herein, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses, whether or not the Closing shall have occurred.

Section 10.02 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 10.02):

If to Seller:	Municipality of Anchorage 632 W. 6th Avenue, Suite 850 Anchorage, AK 99501 E-mail: william.falsey@anchorageak.gov Attention: William D. Falsey, Municipal Manager
with a copy to:	Municipality of Anchorage 632 W. 6th Avenue, Suite 850 Anchorage, AK 99501 E-mail: rebecca.windtpearson@anchorageak.gov Attention: Rebecca A. Windt Pearson, Municipal Attorney
and a copy to:	K&L Gates LLP 925 Fourth Avenue, Suite 2900 Seattle, WA 98104-1158 E-mail: eric.freedman@klgates.com Attention: Eric E. Freedman
If to Buyer:	Chugach Electric Association, Inc. 5601 Electron Drive Anchorage, AK 99518 E-mail: Lee_Thibert@chugachelectric.com Attention: Lee D. Thibert, Chief Executive Officer

with a copy to: Chugach Electric Association, Inc.
5601 Electron Drive
Anchorage, AK 99518
E-mail: Matthew_Clarkson@chugachelectric.com
Attention: Matthew C. Clarkson, General Counsel

and a copy to: Stinson Leonard Street LLP
Suite 2600
50 South Sixth Street
Minneapolis, MN 55402
E-mail: james.bertrand@stinson.com
Attention: James J. Bertrand

Section 10.03 Interpretation. For purposes of this Agreement:

(a) the words “include,” “includes” and “including” shall be deemed to be followed by the words “without limitation;”

(b) references to “or” will be deemed to be disjunctive but not necessarily exclusive (*i.e.*, unless the context dictates otherwise, “or” will be interpreted to mean “and/or” rather than “either/or”);

(c) the words “herein,” “hereof,” “hereby,” “hereto” and “hereunder” refer to this Agreement as a whole;

(d) unless the context otherwise requires, references herein: (i) to Articles, Sections, Disclosure Schedules and Exhibits mean the Articles and Sections of, and Disclosure Schedules and Exhibits attached to, this Agreement; (ii) to an agreement, instrument or other document mean such agreement, instrument or other document as novated, amended, modified, revised, supplemented, replaced or restated from time to time in accordance with the relevant provisions thereof, (iii) to a statute mean such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder; and (iv) to any other Law will be deemed to include all prior and subsequent enactments, amendments, and modifications pertaining thereto.

(e) the Disclosure Schedules and Exhibits referred to herein shall be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein;

(f) words singular and plural will be deemed to include the other, and pronouns having masculine or feminine gender will be deemed to include the other;

(g) unless expressly stated otherwise, (i) reference to any Person includes such Person’s successors and assigns but, in the case of a party to this Agreement, only if such successors and assigns are permitted by this Agreement, (ii) reference to a Person in a particular capacity excludes such Person in any other capacity or individuality, and (iii)

reference to a Governmental Authority include any Person succeeding to its functions and capacities;

(h) unless otherwise provided, a reference to a specific time for the performance of an obligation is a reference to that time in the place where that obligation is to be performed;

(i) any term defined or provision incorporated in this Agreement by reference to another document, instrument or agreement will continue to have the meaning or effect ascribed thereto whether or not such other document, instrument or agreement is in effect;

(j) unless otherwise expressly provided for as set forth herein, the term “day” will mean a calendar day, and whenever an event is to be performed or payment, act, matter or thing hereunder would occur on a day that is not a Business Day, then such event will be performed and such payment, act, matter or thing will, unless otherwise expressly provided for herein, occur on the next succeeding Business Day;

(k) relative to the determination of any period of time, “from” means “from and including,” “to” means “to but excluding,” and “through” means “through and including;”

(l) any words or phrases (including electrical, natural gas, and utility industry terms) not otherwise defined herein will have their common meanings; and

(m) this Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

Section 10.04 Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

Section 10.05 Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 10.06 Disclosure Generally. For the avoidance of doubt, any disclosure or exception set forth by a party in one section of the Disclosure Schedules shall be effective as a disclosure or exception with respect to other sections of the Disclosure Schedules (and to the representations, warranties, and covenants to which such section pertains), to the extent that the relevance of such disclosure or exception to such other sections is reasonably apparent on its face. The inclusion of any

information in the Disclosure Schedules shall not be deemed to be an admission or acknowledgment by Seller, in and of itself, that such information is material to or outside the ordinary course of the business of Seller or ML&P. All references to this Agreement herein or in the Disclosure Schedules shall be deemed to refer to this entire Agreement, including the Disclosure Schedules.

Section 10.07 Entire Agreement. This Agreement and the Ancillary Documents constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein and therein, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Agreement and those in the Ancillary Documents, the Exhibits and Disclosure Schedules (other than an exception expressly set forth as such in the Disclosure Schedules), the statements in the body of this Agreement will control.

Section 10.08 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld, conditioned or delayed. No assignment shall relieve the assigning party of any of its obligations hereunder.

Section 10.09 No Third-Party Beneficiaries. Except as provided in ARTICLE VIII, this Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 10.10 Amendment and Modification; Waiver. This Agreement may be amended, modified, or supplemented only by an agreement in writing signed by each party hereto. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Section 10.11 Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.

(a) This Agreement shall be governed by and construed in accordance with the internal laws of the State of Alaska, without reference to conflicts of laws principles that would result in the application of the laws of any other jurisdiction.

(b) ANY LEGAL SUIT, ACTION OR PROCEEDING ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE ANCILLARY DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY MAY BE INSTITUTED IN THE SUPERIOR COURT OF THE STATE OF ALASKA IN THE

THIRD JUDICIAL DISTRICT, LOCATED IN ANCHORAGE, ALASKA, AND EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURT IN ANY SUCH SUIT, ACTION OR PROCEEDING. SERVICE OF PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT BY MAIL TO SUCH PARTY'S ADDRESS SET FORTH HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN SUCH COURT. THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR ANY PROCEEDING IN SUCH COURT AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT OR THE ANCILLARY DOCUMENTS IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE ANCILLARY DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY TO THIS AGREEMENT CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION, (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS Section 10.11(c).

Section 10.12 Changes in Law. If and to the extent that any Laws (other than Laws of Seller) that govern any aspect of this Agreement shall change, so as to make any aspect of the transaction described in this Agreement onerous, the parties shall negotiate such changes to this Agreement as may be reasonably necessary for this Agreement to accommodate any such legal or regulatory changes, without materially changing the overall benefits or consideration expected hereunder by either party.

Section 10.13 Specific Performance. The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

Section 10.14 Waiver of Sovereign Immunity. Seller agrees that it is subject to civil and commercial suit for any breach of contract obligations under this Agreement and any of the Ancillary Documents. To the extent that Seller may be entitled to claim sovereign, governmental, or municipal

immunity from any liability in such a civil or commercial suit by Buyer, Seller hereby agrees not to claim, and hereby waives, such sovereign, governmental, or municipal immunity.

Section 10.15 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers and officials thereunto duly authorized.

MUNICIPALITY OF ANCHORAGE,
ALASKA

By 

Name: William D. Falsey
Title: Municipal Manager

CHUGACH ELECTRIC ASSOCIATION,
INC.

By _____

Name: Lee D. Thibert
Title: Chief Executive Officer

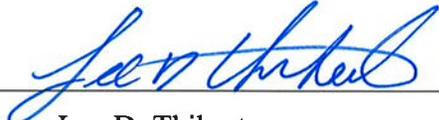
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers and officials thereunto duly authorized.

MUNICIPALITY OF ANCHORAGE,
ALASKA

By _____

Name: William D. Falsey
Title: Municipal Manager

CHUGACH ELECTRIC ASSOCIATION,
INC.

By  _____

Name: Lee D. Thibert
Title: Chief Executive Officer

Signature Page to
Asset Purchase and Sale Agreement
by and between
Municipality of Anchorage, Alaska, and Chugach Electric Association, Inc.

**EKLUTNA
POWER PURCHASE AGREEMENT**

BETWEEN

**CHUGACH ELECTRIC ASSOCIATION, INC.
("PURCHASER")**

AND

**MUNICIPALITY OF ANCHORAGE
("SELLER")**

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**EKLUTNA
POWER PURCHASE AGREEMENT
BETWEEN
CHUGACH ELECTRIC ASSOCIATION, INC.
AND
MUNICIPALITY OF ANCHORAGE**

This Eklutna Power Purchase Agreement (this “**PPA**”), dated as of December 28, 2018 (the “**Effective Date**”), is made and entered into by and between (i) **CHUGACH ELECTRIC ASSOCIATION, INC.**, an Alaska not-for-profit electric cooperative corporation (“**Purchaser**”), and (ii) the **MUNICIPALITY OF ANCHORAGE**, a political subdivision organized under the laws of the State of Alaska (“**Seller**”). Purchaser and Seller are hereinafter referred to individually as a “**Party**” and collectively as the “**Parties**”.

WHEREAS, as of the Effective Date, Purchaser is the owner of a 30% undivided interest in the Facility (as defined herein) (the “**Purchaser’s Interest**”) and Seller is the owner of a 53.33% undivided interest in the Facility (the “**Seller’s Interest**”); and

WHEREAS, the Facility is subject to the terms of the Transition Plan (as defined herein), which provides for the sale of interests in the Facility by the Owners (as defined herein); and

WHEREAS, Seller desires to sell and deliver and Purchaser desires to accept and receive and pay for certain Power (as defined herein) delivered from the Facility to the Delivery Point on the terms and conditions, including the prices, set forth in this PPA; and

WHEREAS, in connection with the sale of such Power, Seller desires to grant to Purchaser an option to purchase all or a portion of the Seller’s Interest, subject to the terms of the Transition Plan; and

WHEREAS, in order to determine the size of the interest in the Facility that will be subject to the terms of this PPA, the Parties intend to comply with the terms of the Transition Plan by following the procedure set forth herein.

NOW THEREFORE, in consideration of the mutual covenants herein contained, the sufficiency and adequacy of which are hereby acknowledged, the Parties agree to the following:

**ARTICLE 1
RULES OF INTERPRETATION**

Section 1.1 Interpretation.

(A) Capitalized terms listed in this PPA shall have the meanings set forth in Exhibit A or as otherwise defined in this PPA, whether in the singular or the plural or in the present or past tense. Words not otherwise defined in this PPA shall (i) have meanings as

commonly used in the English language, (ii) be given their generally accepted meaning consistent with Prudent Utility Practice, and (iii) be given their well-known and generally accepted technical or trade meanings.

(B) For purposes of this PPA, (1) the words “include,” “includes” and “including” shall be deemed to be followed by the words “without limitation”; (2) the word “or” is not exclusive; (3) the masculine shall include the feminine and neuter; and (4) the words “herein,” “hereof,” “hereby,” “hereto” and “hereunder” refer to this PPA as a whole. Unless the context otherwise requires, references herein: (x) to Articles, Sections, and Exhibits means the Articles, Sections and Exhibits contained in and attached to this PPA; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This PPA shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

Section 1.2 Consents and Approvals; Commercially Reasonable Standard. Unless expressly provided otherwise in this PPA, (a) when this PPA requires the consent, approval, or similar action by a Party, such consent or approval shall not be unreasonably withheld, conditioned or delayed, and (b) wherever this PPA gives a Party a right to determine, require, specify or take similar action with respect to a matter, such determination, requirement, specification or similar action shall be Commercially Reasonable.

Section 1.3 Waiver. The failure of either Party to enforce or insist upon compliance with or strict performance of any of the terms or conditions of this PPA, or to take advantage of any of its rights hereunder, shall not constitute a waiver or relinquishment of any such terms, conditions, or rights, but the same shall be and remain at all times in full force and effect.

ARTICLE 2 DETERMINATION OF CHUGACH PORTION

Section 2.1 Offer to MEA. MEA is the owner of a 16.67% undivided interest in the Facility. Seller has offered to MEA the option either to (A) purchase from Seller at fair market value a portion of the Seller’s Interest, on a pro rata basis with Purchaser, equal to a 35.71% share of the Seller’s Interest and a 19.04% interest in the Facility (the “**MEA Proportionate Interest**”), or (B) enter into a power purchase agreement with Seller with respect to the MEA Proportionate Interest on terms and conditions comparable to those set forth herein, in each case on the terms set forth in Exhibit C (such alternative offers, collectively, the “**MEA Offer**”).

Section 2.2 Determination of Chugach Portion.

(A) If, prior to the fulfillment or waiver of all PPA Contingencies, MEA accepts the MEA Offer and consummates a purchase of the MEA Proportionate Interest (or enters into a binding power purchase agreement for the purchase of all of the Power attributable to the MEA Proportionate Interest), the “**Chugach Portion**” shall equal 64.29% of the Seller’s

Interest. Such percentage interest, when combined with Purchaser's existing ownership of 30% of the Facility, will give Purchaser rights to 64.29% of the Facility.

(B) If, prior to the fulfillment or waiver of all other PPA Contingencies, MEA conclusively rejects (or is deemed to have conclusively rejected) the MEA Offer, the "**Chugach Portion**" shall, for the duration of the Term, be a percentage interest equal to the Seller's Interest.

(C) If, on the day that all other PPA Contingencies have been fulfilled or waived, MEA has either accepted or has not conclusively rejected the MEA Offer but has not yet either (i) consummated a purchase of the MEA Proportionate Interest or (ii) entered into a binding power purchase agreement without contingencies for all of the Power attributable to the MEA Proportionate Interest, the "**Chugach Portion**" shall be deemed to be a percentage interest equal to the Seller's Interest; *provided, however*, that if MEA consummates a purchase of the MEA Proportionate Interest or a lesser portion of the Seller's Interest (or enters into a binding power purchase agreement without contingencies for all of the Power attributable to the MEA Proportionate Interest or a lesser portion of the Seller's Interest) at the Closing under the Asset Purchase Agreement, the Chugach Portion shall, effective as of the effectiveness of such acquisition or such power purchase agreement, be reduced by that portion of the Seller's Interest acquired by MEA (or by the Power attributable to that portion of the Seller's Interest with respect to which MEA enters into a binding power purchase agreement).

ARTICLE 3 TERM AND TERMINATION

Section 3.1 PPA Contingencies. This PPA and the Parties' obligations set forth herein are contingent upon the occurrence or waiver of each of the following events (the "**PPA Contingencies**"):

(A) The Parties shall have determined the Chugach Portion in accordance with ARTICLE 2 and shall have memorialized the determination in a writing agreed to by the Parties;

(B) The Closing (as defined in the Asset Purchase Agreement) shall have occurred;

(C) RCA PPA Approval shall have been obtained;

(D) Seller shall have received an original, fully executed copy of the Officers' Certificate of Excludable Property, and evidence of delivery and recording of the Trustee's release of its lien in such Excludable Property, pursuant to Section 15.14(B); and

(E) The representations and warranties of Purchaser in Section 15.14(B) shall have been true and correct as of the Effective Date and the Commencement Date.

Section 3.2 Commencement Date. The commencement date under this PPA (the “**Commencement Date**”) shall be the date that is the later of (a) the Effective Date and (b) the date on which each of the PPA Contingencies has occurred or has been waived by the Parties.

Section 3.3 Term.

(A) The term of this PPA shall commence on the Commencement Date, and shall continue in full force and effect until 11:59 p.m. (Facility local time) on the Scheduled Termination Date, subject to early termination or extension as provided in this PPA or otherwise agreed to by the Parties (the “**Term**”).

(B) The effectiveness of this Agreement is expressly contingent upon the occurrence of the Closing provided for under the Asset Purchase Agreement. In the event that the Asset Purchase Agreement is terminated before the Commencement Date, this PPA shall automatically terminate, and become null and void, at the same time as the termination of the Asset Purchase Agreement.

**ARTICLE 4
FACILITY DESCRIPTION AND OPERATION**

Section 4.1 Description. The Facility is described in Exhibit B. A scaled map that identifies the Site, the location of the Facility, the Delivery Point and other important facilities, is included in Exhibit B.

Section 4.2 Operation of the Facility.

(A) In accordance with the Operations Agreement (as may be amended by the Operations Agreement Amendment), during the Term Purchaser shall manage, control, operate and maintain the Chugach Portion in a manner consistent with Prudent Utility Practice.

(B) During the Term, Seller shall, in consultation with Purchaser, select the person to serve as Seller’s representative to the Operating Committee (the “**Seller’s Representative**”). The Seller’s Representative shall make all decisions on the Operating Committee consistent with Prudent Utility Practice and the rights and obligations of the Parties under this PPA. Seller’s Representative shall also be Seller’s representative for any consultation, study, and implementation processes required under the Fish and Wildlife Agreement relating to the Facility. The Seller’s Representative shall make all decisions with respect to any processes required under the Fish and Wildlife Agreement with due regard for the rights and obligations of the Parties under this PPA.

(C) The Parties acknowledge and agree that Seller has prior rights to not less than 41 million gallons of water per day from Eklutna Lake for public water supply pursuant to the Act of October 30, 1984, 98 Stat. 2823; Alaska Statutes 46.15.150(a); and Certificate of Appropriation ADL 44944. The Parties agree that during the Term, the supply of water available for production of Power by the Seller’s Interest shall be net of all water taken by Anchorage Water and Wastewater Utility for public water supply purposes.

Section 4.3 Books and Records. Seller and Purchaser shall each keep complete and accurate books and records and all other data required by each of them for the purposes of metering, billing, payment, and administration of this PPA, including such Operating Records and other records as may be required by Applicable Law, Governmental Authorities, NERC, or any ERO or ISO. Each Party shall maintain such books and records in accordance with relevant accounting standards, as applicable, and shall provide the other Party Commercially Reasonable access to such books and records. All books and records pertaining to the operation of the Facility shall be maintained on the premises of the Facility or such other location as is mutually agreed to by the Parties. Either Party may audit and examine any such books and records from time to time upon request and during normal business hours. Each Party shall maintain any books and records that it is required to keep under this Section 4.3 for a period of at least six (6) years after the preparation of such books or records.

ARTICLE 5 DELIVERY

Section 5.1 Electric Delivery Arrangements.

(A) During the Term, Purchaser shall be responsible for maintaining and paying the costs associated with the interconnection of the Facility to Purchaser's transmission system at the Delivery Point.

(B) Purchaser shall be responsible for all electric losses, transmission and ancillary service arrangements, and costs and expenses required for delivery of the Power from the Facility to the Delivery Point and for transportation and delivery of the Power from and after the Delivery Point.

Section 5.2 Electric Metering. The Facility Metering used to measure Energy delivered to the Delivery Point under this PPA shall be owned, installed, and maintained by Purchaser at the Delivery Point, or as close thereto as is reasonably possible.

Section 5.3 Scheduling. Purchaser shall nominate and schedule for delivery to Purchaser (in accordance with Prudent Utility Practice) all Energy attributable to the Chugach Portion.

ARTICLE 6 SALE AND PURCHASE

Section 6.1 General Obligation.

(A) Beginning on the Commencement Date and continuing thereafter throughout the Term, Seller shall generate from the Facility, deliver to the Delivery Point, and sell to Purchaser, and Purchaser shall receive and purchase at the Delivery Point, all Energy, Capacity, Renewable Attributes, and Ancillary Services (collectively, the "**Power**") that are

available from the Facility and attributable to the Chugach Portion, in accordance with Applicable Law.

(B) Seller shall not curtail or interrupt deliveries of Power from the Facility except as required by Applicable Law or Prudent Utility Practice.

(C) Title to the Power shall transfer from Seller to Purchaser at the Delivery Point free and clear of all liens, security interests, claims and encumbrances or any interest therein or thereto by any other Person.

Section 6.2 Additional Products; Ancillary Services.

(A) The Parties acknowledge that existing and future Applicable Laws create value in the ownership, use, or allocation of Renewable Attributes. To the full extent allowed by Applicable Law, Purchaser shall own and be entitled to claim all Renewable Attributes attributable to the Chugach Portion from the Commencement Date until the end of the Term, to the extent such Renewable Attributes may exist or be created during such period. For purposes of effectuating the foregoing, the following shall apply:

1. Seller hereby automatically and irrevocably assigns to Purchaser all rights, title and authority for Purchaser to register the Facility and own, hold, and manage the Renewable Attributes attributable to the Chugach Portion in Purchaser's own name and to Purchaser's account, including any rights associated with any renewable energy information or tracking system that exists or may be established (including but not limited to participants in any applicable REC Registration Program and the United States government) with regard to monitoring, registering, tracking, certifying, or trading Renewable Attributes. Seller hereby authorizes Purchaser to act as its agent for the purposes of registering the Facility for such purposes, and tracking and certifying Renewable Attributes, and Purchaser shall have full authority to hold, sell, or trade Renewable Attributes attributable to the Chugach Portion for its own account in connection with any renewable energy information or tracking systems. Upon the request of Purchaser, at Purchaser's cost and expense, (i) Seller shall deliver or cause to be delivered to Purchaser such attestations/certifications of Renewable Attributes attributable to the Chugach Portion, and (ii) Seller shall cooperate with Purchaser's registration and certification of Renewable Attributes attributable to the Chugach Portion.

2. Prior to the Commencement Date and as required thereafter for Purchaser to claim, own, or realize the available benefits of any Renewable Attributes attributable to the Chugach Portion, Seller shall, at Purchaser's cost and expense, make all applications or filings required by Applicable Law for Renewable Attribute accreditation and for the provision of such Renewable Attributes to Purchaser.

(B) On and after the Commencement Date until the end of the Term, Seller shall make available to Purchaser all Ancillary Services attributable to the Chugach Portion at no additional charge under this PPA. Any compensation that Seller receives under Applicable Law or otherwise for Ancillary Services attributable to the Chugach Portion during such period shall be provided to Purchaser at no additional cost to Purchaser under this PPA. Seller shall credit

Purchaser, as a reduction to Seller's monthly invoice or other mutually-agreed mechanism, for any compensation that Seller receives for Ancillary Services attributable to the Chugach Portion during such period.

1. Seller shall, at the request of Purchaser, use Commercially Reasonable Efforts to maximize the availability of such Ancillary Services during such period; *provided, however*, that Seller shall not be required to make any capital expenditures or incur any operating expenses in connection with such efforts.

2. In the event any Governmental Authority implements new or revised requirements for generators to create, modify, change, or supply Ancillary Services requiring Seller to install additional equipment after the Commencement Date to meet such requirements, Purchaser shall, in accordance with the provisions of Section 7.2, be responsible for payment of any costs and expenses of such additional equipment; provided that such costs and expenses shall be includable in the net book value of the Chugach Portion for purposes of determination of the Purchase Price pursuant to Section 14.3(B).

ARTICLE 7 PAYMENT FOR POWER

Section 7.1 Annual Payment.

(A) As consideration for Seller's sale of the Power attributable to the Chugach Portion, Purchaser shall pay Seller for such Power at the annual rate set forth in Exhibit D (the "**Annual Payments**"). Purchaser and Seller acknowledge and agree that the Annual Payments are structured to include all required compensation for any and all Power (including, for the avoidance of doubt, any and all Capacity, Ancillary Services, and Renewable Attributes) required to be delivered to Purchaser under this PPA during the Term and that Purchaser is not required to make any additional payments to Seller therefor.

(B) From and after the Commencement Date, Purchaser's obligation to make all Annual Payments hereunder throughout the Term, and the rights of the Seller in and to such Annual Payments, shall, except as expressly provided in Section 8.2 and Section 8.3, be absolute, unconditional, and irrevocable and shall not be affected by any circumstance of any nature or character whatsoever. Without limiting the foregoing, the following events shall not affect Purchaser's obligation to make all Annual Payments:

1. Any occurrence of Force Majeure;
2. Any Forced Outage or any other interruption or curtailment of the output of the Facility for any environmental, economic, or other reason other than by Seller in breach of this PPA;
3. Any casualty to or condemnation of the Facility or any of the property of either Party;

4. Any change in Applicable Law;
5. Any decision by the Owners to modify, reduce, or cease operations of the Facility; and
6. Any Event of Default with respect to Purchaser.

Section 7.2 Additional Consideration. As additional consideration for Seller's sale of the Power attributable to the Chugach Portion, Purchaser shall during the Term be responsible for payment of all capital expenditures and operating and maintenance expenses that are payable with respect to the Chugach Portion, including any expenditures or capital investment related to any environmental compliance or other compliance with requirements of Governmental Authorities applicable to the Chugach Portion. In the event that Seller pays any such expenditure or expense, Purchaser shall reimburse Seller for such expenditure or expense within thirty (30) days after Purchaser's receipt of an invoice or other Commercially Reasonable evidence of such expenditure or expense.

ARTICLE 8 BILLING AND PAYMENT

Section 8.1 Billing.

(A) The billing period shall be the calendar month. Purchaser shall pay in arrears one-twelfth of the Annual Payment due to Seller for the applicable Contract Year by ACH (automated clearinghouse) transfer (or any other mutually acceptable method) on or before the fifteenth (15th) Day of the calendar month, or if such fifteenth (15th) Day falls on a Day that is not a Business Day, the next Business Day.

(B) If a payment by either Party under this PPA is late, interest, calculated using the annual prime rate of interest as published on the date of the invoice in *The Wall Street Journal* (or, if unavailable, an equivalent publication on or about that date) plus two percent (2%) per year, shall accrue on the unpaid balance for the number of days payment was late and shall be added to the next billing statement.

(C) Seller and Purchaser shall net their obligations to each other under this PPA, and payment of the net amount will discharge all mutual undisputed obligations between the Parties.

Section 8.2 Set Off.

(A) In the event that (i) Purchaser has notified Seller under Section 8.05 of the Asset Purchase Agreement that Purchaser is entitled to indemnification from Seller with respect to any Third Party Claim (as defined in the Asset Purchase Agreement) or Direct Claim (as defined in the Asset Purchase Agreement), (ii) Seller has notified Purchaser that (A) Seller has determined that it will assume the defense of such Third Party Claim or (B) Seller acknowledges that Purchaser is entitled to indemnification from Seller for such Direct Claim, and (iii) either

(A) Seller has not, within sixty (60) days after delivery of any such notice to Purchaser, requested an appropriation of funds from the Assembly of Seller for purposes of paying any amount required to be paid or reimbursed in connection with such Third Party Claim or Direct Claim, or (B) Seller has requested an appropriation of funds from the Assembly of Seller for such purposes but has not received an appropriation of such funds, Purchaser will be entitled to withhold all or part of any amount due to Seller under this PPA for purposes of paying or reimbursing any Losses (as defined in the Asset Purchase Agreement) that have been determined, in accordance with the provisions of ARTICLE VIII of the Asset Purchase Agreement, to be due and owing from Seller to any Purchaser Indemnitee under ARTICLE VIII of the Asset Purchase Agreement in connection with such Third Party Claim or Direct Claim. In the event that (i) Purchaser has notified Seller under Section 8.05 of the Asset Purchase Agreement, that Purchaser is entitled to indemnification from Seller with respect to any Third Party Claim or Direct Claim, (ii) Seller fails to assume the defense of such Third Party Claim or provide indemnification for such Direct Claim, (iii) Purchaser, in accordance with the provisions of ARTICLE VIII of the Asset Purchase Agreement, pursues its available legal remedies against Seller for such failure and obtains a final judgment requiring Seller to indemnify Purchaser in accordance with ARTICLE VIII of the Asset Purchase Agreement for Purchaser's Losses in connection with such Third Party Claim or Direct Claim, and (iv) either (A) Seller has not, within sixty (60) days after issuance of such judgment, requested an appropriation of funds from the Assembly of Seller for purposes of paying such Losses, or (B) Seller has requested an appropriation of funds from the Assembly of Seller for such purposes but has not received an appropriation of such funds, Purchaser will be entitled to withhold all or part of any amount due to Seller under this PPA for purposes of paying or reimbursing such Losses.

(B) Set-off shall not be Purchaser's exclusive remedy with respect to any indemnification claim.

Section 8.3 Subordination. The Parties agree that Purchaser's payment obligations hereunder are payable on a parity with Purchaser's other operating expenditures, but subordinate to (i.e., neither on a parity with nor superior to) Purchaser's payment obligations under the Bradley Lake Agreement only if and to the extent, and for the period, that making such payments would prevent Purchaser from making timely payment of any amounts due from it under the Bradley Lake Agreement.

Section 8.4 Billing Disputes. Either Party may dispute invoiced amounts, but shall pay at least the undisputed portion on or before the date due. To resolve any billing dispute, the Parties shall use the procedures set forth in Article 10. When the billing dispute is resolved, the Party owing any amount shall pay such amount within five (5) Business Days after the date of such resolution, together with late payment interest as provided in Section 8.1(B).

ARTICLE 9 DEFAULT AND REMEDIES

Section 9.1 Events of Default. Any of the following events shall constitute an Event of Default with respect to the specified Party, which shall be the defaulting Party with respect to

such Event of Default, if such event has not been cured within the cure period specified for such event:

(A) Such Party's failure to pay any amount due to the other Party as required by this PPA, Actual Damages, any required indemnification, or any other required payment, and such amount remains unpaid for a period of ten (10) Business Days after the date such Party receives Notice from the non-defaulting Party that the amount is overdue.

(B) Such Party's application for, or consent (by admission of material allegations of a petition or otherwise) to, or failure to oppose the appointment of a receiver, trustee or liquidator for a Party or for all or substantially all of its assets, or its authorization of such application or consent, or the commencement or institution of any proceedings seeking such appointment against a Party which proceedings continue undismissed or unstayed for a period of sixty (60) Days from their inception.

(C) Such Party's authorization or filing of a voluntary petition in bankruptcy, or its application for, or consent (by admission of material allegations of a petition or otherwise) to, or failure to oppose an involuntary petition in bankruptcy, or the application of any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction to a Party, or the commencement or institution of any such proceedings against a Party which proceedings remain undismissed or unstayed for sixty (60) Days from its inception or which result in adjudication of bankruptcy or insolvency within such time.

(D) Such Party's unauthorized assignment of this PPA, which unauthorized assignment shall be an Event of Default immediately upon its occurrence and without further notice from the non-defaulting Party.

(E) There is any lien or security interest in or on any assets of Purchaser that encumbers the Collateral as of the Commencement Date, and such lien or security interest continues to encumber the Collateral thirty (30) Days after Notice thereof shall have been given by Seller to Purchaser.

(F) The failure by either Party to perform or observe any other material obligation to the other Party under this PPA, which failure is not excused by Force Majeure and remains unremedied for thirty (30) Days after Notice thereof shall have been given by the non-defaulting Party; *provided, however*, that if the failure is not reasonably capable of being cured within the thirty (30) Day period, the defaulting Party will have such additional time (not exceeding an additional ninety (90) Days) as is reasonably necessary to cure the failure, so long as the Party promptly commences and diligently pursues the cure.

(G) An event of default has occurred with respect to such Party under the Asset Purchase Agreement or the PILT Agreement (as defined in the Asset Purchase Agreement), and such event of default has not been cured within any applicable cure, notice, or grace period.

Section 9.2 Remedies. Upon the occurrence of any Event of Default of this PPA, the non-defaulting Party may pursue all rights and remedies available to it at law and in equity and in accordance with the terms of this PPA. Except as explicitly provided to the contrary in this PPA, each right or remedy of the Parties provided for in this PPA shall be cumulative of and shall be in addition to every other right or remedy provided for in this PPA, and the exercise of one or more of the rights or remedies provided for herein shall not preclude the simultaneous or later exercise by such Party of any other rights or remedies provided for herein.

(A) Termination and Damages. For any uncured Event of Default, the non-defaulting Party may, at its option do any, some, or all of the following:

1. Net from any payments due from the non-defaulting Party any amount otherwise due from the defaulting Party under or in connection with this PPA, including any unpaid Actual Damages;
2. Seek Actual Damages in such amounts and on such basis for the default as authorized by this PPA;
3. Terminate this PPA immediately upon Notice, without penalty or further obligation to the defaulting Party. Upon the termination of this PPA under this Section 9.2, the non-defaulting Party shall be entitled to receive from the defaulting Party all of the Actual Damages in connection with the Event of Default resulting in such termination.

(B) Damages for Events of Default. The non-defaulting Party shall be entitled to receive from the defaulting Party all direct damages incurred by the non-defaulting Party that are proximately caused by Event of Default (“**Actual Damages**”).

Section 9.3 Limitation on Damages. The Parties confirm that the express remedies and measures of damages provided in this PPA satisfy the essential purposes hereof. If no remedy or measure of damages is expressly herein provided, the obligor’s liability shall be limited to Actual Damages only. Neither Party shall be liable to the other Party for consequential, incidental, punitive, exemplary, special, equitable or indirect damages, lost profits or other business interruption damages by statute, in tort or contract (except to the extent expressly provided herein); *provided, however*, that if either Party is held liable to a third party for such damages and the Party held liable for such damages is entitled to indemnification from the other Party hereto, the indemnifying Party shall be liable for, and obligated to reimburse the indemnified Party for, such damages. To the extent any damages required to be paid hereunder are liquidated, the Parties acknowledge that the damages are difficult or impossible to determine, that otherwise obtaining an adequate remedy is inconvenient, and that the liquidated damages constitute a reasonable approximation of the harm or loss.

ARTICLE 10 DISPUTE RESOLUTION

Section 10.1 Dispute Resolution. In the event of any dispute arising under this PPA (a “**Dispute**”), within ten (10) Business Days following Notice by either Party, (i) each Party shall

appoint a representative, and (ii) the representatives shall meet, negotiate and attempt in good faith to resolve the Dispute quickly, informally and inexpensively. In the event the representatives cannot resolve the Dispute within thirty (30) Days after the first meeting, either Party may request that consideration and resolution of the Dispute be transferred to a designated representative of each Party's senior management. Within ten (10) Days following such a request, each Party shall submit a written summary of the Dispute describing the issues and claims to a senior officer of each Party designated to address the Dispute. Within ten (10) Business Days after receipt of each Party's Dispute summaries, the senior management representatives for both Parties shall negotiate in good faith to resolve the Dispute. If such senior management representatives are unable to resolve the Dispute within thirty (30) Days thereafter, either Party may pursue any available legal remedies; *provided, however*, that if and to the extent that a Dispute involves the Justness or Reasonableness Conditions, and the Dispute is not resolved by negotiations of senior management representatives of the Parties, neither Party shall have any right to pursue any further legal remedies to resolve such Dispute and such Dispute shall be deemed to be resolved finally and conclusively by enforcement of the obligation of Purchaser under this PPA to pay the Annual Payments set forth in Exhibit D.

ARTICLE 11 FORCE MAJEURE

Section 11.1 Applicability of Force Majeure. Except as explicitly provided otherwise herein, a Party shall be relieved of its obligations to perform this PPA and shall not be considered to be in default with respect to any obligation under this PPA to the extent that such Party is prevented from fulfilling such obligation by Force Majeure, *provided, however*, that: (i) such Party gives prompt Notice describing the circumstances and impact of the Force Majeure; (ii) the relief from its obligations sought by such Party is of no greater scope and of no longer duration than is required by the Force Majeure; (iii) such Party proceeds with due diligence to overcome the Force Majeure and resume performance of its obligations under this PPA; and (iv) such Party provides prompt Notice of the conclusion of the Force Majeure.

Section 11.2 Limitations on Effect of Force Majeure.

(A) Force Majeure shall relieve a Party from performing only such obligations as are actually prevented by the Force Majeure.

(B) Except to the extent that Force Majeure prevents a Party from completing a transfer of money to the other Party, Force Majeure shall not excuse a Party from making any payment to the other on or before the date that such payment becomes due and payable.

(C) In no event will the existence of Force Majeure extend this PPA beyond its stated Term.

ARTICLE 12 INSURANCE

Section 12.1 General Insurance Requirements. On or prior to the Commencement Date and thereafter throughout the Term, Purchaser shall use Commercially Reasonable efforts to obtain and maintain at its own cost and expense insurance coverages for the Chugach Portion satisfying the requirements of this ARTICLE 12 and of Exhibit E. No later than the Commencement Date and on or before June 1 of each year during the Term, Purchaser shall provide Seller with a copy of insurance certificates reasonably acceptable to Seller evidencing that insurance coverages for the Facility are in compliance with such requirements. Such certificates shall (a) name Seller as an additional insured (except worker's compensation); (b) provide that Seller shall receive thirty (30) Days prior Notice of non-renewal, cancellation of, or significant modification to any of the corresponding policies (except that such Notice shall be ten (10) Days for non-payment of premiums); (c) provide a waiver of any rights of subrogation against Seller, its Affiliates and their officers, directors, agents, subcontractors, and employees; and (d) indicate that the policies have been endorsed in accordance with the requirements set forth herein. All policies shall be written with insurers with an AM Best rating of at least A-VII. All policies shall be written on an occurrence basis, except as provided in Section 12.2. All policies shall contain an endorsement that Purchaser's policy shall be primary in all instances regardless of like coverages, if any, carried by Seller. Purchaser's liability under this PPA is not limited to the amount of insurance coverage required herein.

Section 12.2 Term and Modification of Insurance.

(A) All insurance required under this PPA shall cover occurrences during the Term and for a period of two (2) years after the Term. In the event that any insurance as required herein is commercially available only on a "claims-made" basis, such insurance shall provide for a retroactive date not later than the date of this PPA and such insurance shall be maintained by Seller for a minimum of six (6) years after the Term.

(B) If any insurance required to be maintained by Purchaser hereunder ceases to be reasonably available and commercially feasible in the commercial insurance market, Purchaser shall provide Notice to Seller, accompanied by a certificate from an independent insurance advisor of recognized national standing, certifying that such insurance is not reasonably available and commercially feasible in the commercial insurance market for electric generating plants of similar type, geographic location and capacity. Upon receipt of such Notice, Purchaser shall use Commercially Reasonable attempts to obtain other insurance that would provide comparable protection against the risk to be insured.

Section 12.3 Application of Proceeds. Purchaser and Seller agree that, in the event of a catastrophic loss of all or a portion of the Facility, unless the Parties mutually agree otherwise, the Facility shall be repaired, replaced, or rebuilt, and any insurance proceeds received in connection with such loss shall be used only for such repair, replacement, or rebuilding. If the Parties have agreed that the Facility is to not be repaired, replaced, or rebuilt, any insurance proceeds received in connection with such loss shall be used first for purposes of the payment of remaining Annual Payments.

ARTICLE 13 INDEMNITY

Section 13.1 Indemnification. Each Party (the “**Indemnifying Party**”) agrees (but in the case of Seller as the Indemnifying Party, only subject to appropriation of the requisite funds by the Assembly of Seller) to indemnify, defend, and hold harmless the other Party (the “**Indemnified Party**”) from and against all third party claims, demands, losses, liabilities, penalties, and expenses (including attorneys’ fees) for personal injury or death to persons and damage to the Indemnified Party’s real property and tangible personal property or facilities or the property of any other Person to the extent arising out of, resulting from, or caused by any (i) Event of Default or other breach under this PPA, (ii) violation of Applicable Laws, (iii) negligent or tortious acts, errors, or omissions, or (iv) willful misconduct, in each case of the Indemnifying Party or any of its Affiliates, directors, officers, employees, or agents.

(A) The indemnification obligations of the Indemnifying Party shall apply notwithstanding any negligence of the Indemnified Party, but the Indemnifying Party’s liability to indemnify the Indemnified Party shall be reduced in proportion to the percentage by which the Indemnified Party’s negligent acts, errors, or omissions caused the damages.

(B) Neither Party shall be indemnified for its damages resulting from its sole negligence or willful misconduct. The indemnity provisions of this PPA shall not be construed to relieve any insurer of its obligation to pay claims consistent with the provisions of a valid insurance policy.

(C) Nothing in this Section 13.1 shall enlarge any liability of either Party to the other Party for any breach of this PPA or relieve either Party of any liability to the other Party for any breach of this PPA.

(D) A Party will not be liable more than once for the same losses, even if those losses may be recovered under multiple sections or subsections of this PPA or under both this PPA and the Asset Purchase Agreement. By way of example, if the Indemnified Party experiences losses for which the Indemnifying Party would be liable under the Asset Purchase Agreement, the Indemnifying Party’s liability for those specific losses under this ARTICLE 13 will be reduced or eliminated to the extent of any indemnification, payment, or reimbursement in respect of the same losses under the Asset Purchase Agreement to avoid a double recovery by the Indemnified Party with respect to such losses. Accordingly, the amount owing to the Indemnified Party under this ARTICLE 13 shall be reduced by any amount paid to the Indemnified Party under the indemnification provisions of the Asset Purchase Agreement for the same breach, event, violation, circumstance, act, error, omission, or condition.

Section 13.2 Notice of Claim. Promptly after receipt by a Party of any claim or notice of the commencement of any action, administrative proceeding, legal proceeding, or investigation as to which the indemnity provided for in this ARTICLE 13 may apply, the Indemnified Party shall provide Notice thereof to the Indemnifying Party. The Indemnifying Party shall assume the defense thereof with counsel designated by such Party and satisfactory to the Indemnified Party, *provided, however*, that if the defendants in any such action include both

the Indemnified Party and the Indemnifying Party and the Indemnified Party shall have reasonably concluded that there may be legal defenses available to it which are different from or additional to, or inconsistent with, those available to the Indemnifying Party, the Indemnified Party shall have the right to select and be represented by separate counsel, at the Indemnifying Party's expense, unless a liability insurer has agreed to pay such costs.

Section 13.3 Settlement of Claim. If the Indemnifying Party fails to assume the defense of a claim meriting indemnification, the Indemnified Party may, at the expense of the Indemnifying Party, contest, settle, or pay such claim, *provided, however*, that settlement or full payment of any such claim may be made only following consent of the Indemnifying Party, which consent will not be unreasonably withheld, conditioned, or delayed, or, absent such consent, written opinion of the Indemnified Party's counsel that such claim is meritorious or warrants settlement.

Section 13.4 Amounts Owed. Except as otherwise provided in this ARTICLE 13, in the event that a Party is obligated to indemnify and hold the other Party and its successors and assigns harmless under this ARTICLE 13, the amount owing to the Indemnified Party will be the amount of the Indemnified Party's actual loss net of any insurance proceeds received by the Indemnified Party following a Commercially Reasonable effort by the Indemnified Party to obtain such insurance proceeds (which Commercially Reasonable effort will not in any event include any obligation to initiate litigation or any other dispute resolution proceeding against any insurer).

Section 13.5 Survival. The provisions of this ARTICLE 13 shall survive the expiration or earlier termination of this PPA.

ARTICLE 14

ASSIGNMENT AND OTHER TRANSFER RESTRICTIONS; LENDER PROVISIONS

Section 14.1 Transfer Without Consent is Null and Void. Except as provided in ARTICLE 2, any sale, transfer, or assignment of any interest in the Seller's Interest or in this PPA made without fulfilling the requirements of this ARTICLE 14 shall be null and void and a breach of this PPA.

(A) Except as permitted in this Section 14.1, neither Party shall assign this PPA, or any right, title or interest therein, without the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned, or delayed; *provided, however*, that: (i) Notice of any proposed assignment requiring consent of the other Party shall be given to such other Party at least thirty (30) Days prior to the proposed effective date of such assignment; and (ii) with respect to any assignment hereunder, whether requiring consent or not, (a) except with respect to any assignment under Section 14.2, any assignee shall expressly assume the assignor's obligations under this PPA unless otherwise agreed by the other Party; (b) no assignment shall relieve the assignor of its obligations under this PPA in the event the assignee fails to perform, unless the other Party waives or releases in writing the assignor's continuing

obligations under this PPA; and (c) the assignment shall be subject to receipt of all such approvals as may be required by any applicable Governmental Authorities.

(B) Except as set forth in Section 15.14(B) with respect to the Collateral and Seller's consent rights with respect thereto, Purchaser shall have the right to assign all or a portion of its rights or obligations under this PPA without the prior written consent of Seller as follows:

1. to a Lender as collateral security for obligations under the Financing Documents entered into with such Lender, *provided* that: (i) Purchaser provides Seller with written Notice of such proposed collateral assignment not less than thirty (30) Days prior to such collateral assignment, and (ii) the applicable form of collateral assignment and related documentation is reasonably acceptable to Seller, as provided in Section 14.2;

2. to an Affiliate of Purchaser that is either (i) a Creditworthy Entity and Qualified Operator or (ii) a Creditworthy Entity that contracts with a Qualified Operator;

3. pursuant to Section 14.2, to a Creditworthy Entity and Qualified Operator or to a Creditworthy Entity that contracts with a Qualified Operator to operate the Facility after a Lender has exercised its foreclosure rights with respect to this PPA; and

4. to a Person succeeding to all or substantially all of the assets of Purchaser, *provided* that such Person's creditworthiness is equal to or better than that of Purchaser and such Person is a Qualified Operator or has contracted with a Qualified Operator to operate the Facility.

(C) Seller acknowledges that upon an event of default under any Financing Documents relating to this PPA, a Lender may (but shall not be obligated to) assume, or cause its designee to assume, all of the interests, rights, and obligations of Purchaser thereafter arising under this PPA, in which case such Lender or such designee shall assume and agree to be bound by all the terms and provisions of this PPA arising on or after the date of such assumption by such Lender or such designee; *provided* that, such designee shall be required to be a Qualified Operator; and *provided, further*, that, regardless of whether any such Lender or such designee assumes all of the interests, rights, and obligations of Purchaser thereafter arising under this PPA, Seller's interests, rights, and obligations under this PPA will remain in full force and effect.

Section 14.2 Lender Provisions.

(A) Except as set forth in Section 15.14(B) with respect to the Collateral and Seller's consent rights with respect thereto, Purchaser may, without approval of Seller, charge or otherwise encumber its interest under this PPA for security purposes in accordance with the provisions of Section 14.1 and this Section 14.2.

(B) Promptly after making any such encumbrance, Purchaser shall notify Seller in writing of the name, address, and telephone and facsimile numbers of each Lender to which Purchaser's interest under this PPA has been encumbered. Such Notice shall include the

names of the account managers or other representatives of the Lenders to whom all written and telephonic communications may be addressed.

(C) After giving Seller the initial Notice under Section 14.2(B), Purchaser shall promptly give Seller Notice of any change in the information provided in the initial Notice or any subsequent Notice.

(D) If Purchaser encumbers its interest under this PPA as permitted by this Section 14.2, the following provisions shall apply:

1. The Parties, except as provided by the terms of this PPA, shall not modify or cancel this PPA without the prior written consent of the Lender, such consent not to be unreasonably withheld, conditioned or delayed.

2. The Lender or its designees shall have the right, but not the obligation, to perform any act required to be performed by Purchaser under this PPA to prevent or cure an Event of Default with respect to Purchaser and such act performed by the Lender or its designees shall be as effective to prevent or cure an Event of Default as if done by Purchaser, *provided* that, if any such Lender or any such designee elects to perform any act required to be performed by Purchaser under this PPA to prevent or cure an Event of Default by Purchaser, Seller will not be deemed to have waived or relinquished any of its rights and remedies as provided in this PPA; and *provided, further*, that Purchaser hereby releases Seller, to the fullest extent permitted by Applicable Law, from any and all liability arising from Seller's performance under this PPA pursuant to instructions of the Lender following an event of default with respect to Purchaser under Lender's Financing Documents.

3. Seller shall, promptly following any request by Purchaser, execute statements certifying that this PPA is unmodified (or, if modified, stating the nature of the modification), in full force and effect and the absence or existence (and the nature thereof), to Seller's actual knowledge, of Events of Default hereunder by Purchaser and documents of consent to such assignment to the encumbrance and any assignment to such Lender, all in form and substance reasonably acceptable to Seller.

4. Promptly following the receipt of a written request from Purchaser or any Lender, Seller shall execute, or arrange for the delivery of, such reasonable certificates and other documents as may be reasonably necessary and appropriate in order for Purchaser to consummate any financing or refinancing of the Facility or any part thereof and enter into such reasonable agreements as may be reasonably requested by such Lender, which agreements will grant such rights to the Lender as are specifically provided for in such documents, including that (a) this PPA shall not be terminated (otherwise than pursuant to the terms of this PPA) without the consent of the Lender, which consent shall not be unreasonably withheld, conditioned, or delayed; (b) the Lender shall be given notice of, and the opportunity to cure any breach or default of this PPA by Purchaser in accordance with this PPA; (c) if the Lender forecloses, takes a deed in lieu of foreclosure, or otherwise exercises its remedies pursuant to any security documents, then (i) Seller shall, at the Lender's request, continue to perform all of its obligations hereunder, and the Lender or (without in any way limiting any obligation or liability of the Lender) its

nominee may perform in the place of Purchaser, and may assign this PPA to another Person that is a Creditworthy Entity and Qualified Operator in place of Purchaser, (ii) the Lender shall have no liability under this PPA except during the period of such Lender's ownership of the Purchaser's Interest or operation of the Facility, and (iii) Seller shall accept performance in accordance with this PPA by the Lender or its nominee; and (d) Seller shall make such representations and warranties to the Lender as Lender may reasonably request with regard to (1) Seller's authority to execute, deliver, and perform this PPA, (2) the binding nature on Seller of the document evidencing Seller's consent to assignment to the Lender and this PPA, and (3) the receipt of regulatory approvals by Seller with respect to its execution and performance under this PPA.

5. Purchaser shall reimburse Seller for the out-of-pocket costs and expenses (including the fees and expenses of counsel) incurred by Seller in connection with the preparation, negotiation, or execution of any statements, certificates, agreements, or other documents required under this Section 14.2.

Section 14.3 Purchase Option. Purchaser (or its designated Affiliate) shall have the option to purchase the Chugach Portion effective as of the expiration of the Term on the terms and conditions hereinafter set forth (the "**Purchase Option**"). On or before the thirtieth (30th) anniversary of the Commencement Date, Seller will deliver to Purchaser Notice of the date, location, and time of a joint meeting between Seller and Purchaser to discuss Purchaser's plan regarding the potential exercise the Purchase Option. During the last five (5) Contract Years, Purchaser shall have the right at any time prior to the last day of the Term to deliver Notice to Seller that Purchaser is exercising the Purchase Option. If Seller fails to provide Notice of such joint meeting or fails to meet with Purchaser, Seller shall not be in breach of this Agreement, but if Purchaser then fails to deliver Notice of exercise of the Purchase Option prior to the last day of the Term, the Term shall be extended for a period of one year beyond such date (the "**Term Extension**"), during which (i) Purchaser may deliver its Notice of exercise of the Purchase Option at any time prior to the last day of the Term Extension, and (ii) Purchaser shall continue to make Annual Payments equal to (x) the amount for Contract Year 35 as set forth on Exhibit D hereto, plus (y) an amount equal to one percent (1%) of such amount, until the earlier of the expiration of the Term Extension or the closing of the purchase and sale agreement for the Purchase Option. If Purchaser exercises its Purchase Option, Seller and Purchaser shall enter into a purchase and sale agreement for the Chugach Portion in a form to be mutually agreed by the Parties prior to the Closing under the Asset Purchase Agreement.

(A) Determination of Chugach Portion for Purposes of Purchase Option. If MEA has not accepted the MEA Offer and consummated a purchase of the MEA Proportionate Interest prior to the Commencement Date, the Chugach Portion shall be deemed to be a percentage interest equal to the Seller's Interest for purposes of the Purchase Option; *provided, however,* that if MEA, in connection with the exercise of the Purchase Option by Purchaser, exercises any rights that MEA may have under the Transition Plan to consummate a purchase of the MEA Proportionate Interest effective as of the expiration of the Term, the Chugach Portion shall, for purposes of the Purchase Option, be reduced by the MEA Proportionate Interest.

(B) Purchase Price. Upon any exercise of the Purchase Option, the purchase price for the Chugach Portion shall be the Purchase Price; *provided* that Purchaser may offset any Purchase Price Adjustment against the Purchase Price. The Parties agree that, for the purposes of calculating the Purchase Price, the following expenditures shall be capitalized or, if necessary, deferred and amortized, for purposes of determining the “net book value” of the Chugach Portion for purposes of determining the Purchase Price:

1. all overhaul costs for the Facility, whether treated as expenses or otherwise for purposes other than determining the Purchase Price, that have been paid by Purchaser with respect to the Seller’s Interest prior to any acquisition by MEA of all or any portion of the Seller’s Interest; and
2. any other expenditures or regulatory assets related to compliance with Applicable Law made by Purchaser with respect to the Seller’s Interest prior to any acquisition by MEA of all or any portion of the Seller’s Interest; and
3. any other improvement, contribution, or expense (other than operating expenses) made or paid by or on behalf of Purchaser with respect to the Facility to the extent that such improvement, contribution or expense increases the value of the Facility above the value of the Facility immediately before such improvement, contribution or expense is made or paid and that, after amortization, has a positive value that extends beyond the Term.

If, for any reason, any generation unit overhaul costs or expenditures related to environmental compliance or other compliance with Applicable Law are not capitalized on Seller’s financial statements, then such costs or expenditures shall be imputed as a capital investment in Seller’s Interest and deferred and amortized for the purposes of establishing “net book value.”

(C) Purchase Price Adjustment. If MEA acquires any portion of the Seller’s Interest from Seller at or prior to the time set forth in Section 14.3(D) so that the portion of the Seller’s Interest available to be purchased by Purchaser under the Purchase Option is less than the Chugach Portion as of the Effective Date, Seller will reimburse Purchaser, from the proceeds of such sale to MEA, for Purchaser’s pro-rata portion of the sum of the following amounts (the “**Purchase Price Adjustment**”):

1. All capital improvements or other capital contributions made by Purchaser with respect to such portion of the Seller’s Interest prior to MEA’s acquisition of such portion of the Seller’s Interest;
2. all overhaul costs for the Facility, whether treated as expenses or otherwise for purposes other than determining the Purchase Price or Purchase Price Adjustment, that have been paid by Purchaser with respect to such portion of the Seller’s Interest prior to MEA’s acquisition of such portion of the Seller’s Interest;

3. any other expenditures or regulatory assets related to compliance with Applicable Law made by Purchaser with respect to such portion of the Seller's Interest prior to the date of such acquisition; and

4. any other improvement, contribution, or expense (other than operating expenses) made or paid by or on behalf of Purchaser with respect to the Facility to the extent that such improvement, contribution or expense increases the value of the Facility above the value of the Facility immediately before such improvement, contribution or expense is made or paid and that, after amortization, has a positive value that extends beyond the Term.

As used in this Section 14.3(C), "pro-rata" means in accordance with the ratio of (i) that portion of the Seller's Interest acquired by MEA to (ii) the entire Seller's Interest. It is the intent of the Parties that the Purchase Price Adjustment fully reimburse Purchaser for any improvements to, or increased value of, the Facility to the extent that such improvement is acquired by MEA rather than by Purchaser pursuant to the Purchase Option.

(D) Closing. The closing of the purchase pursuant to any exercise of the Purchase Option will occur on a date selected by Purchaser, which date will be not less than five (5) months and not more than nine (9) months after Purchaser has exercised the Purchase Option. Purchaser will select the closing date by giving a minimum of 30 days written notice to Seller.

ARTICLE 15 MISCELLANEOUS

Section 15.1 Forward Contract; Forward Agreement. The Parties acknowledge and intend that (a) this PPA, the transactions contemplated hereby, and any instruments that may be provided by either Party hereunder will each, and together, constitute one and the same "forward contract" and "forward agreement" within the meaning of the Bankruptcy Code; (b) Purchaser and Seller are "forward contract merchants," "swap participants," and "master netting agreement participants" within the meaning of the Bankruptcy Code; (c) all payments made or to be made by one Party to the other Party pursuant to this PPA constitute "settlement payments" within the meaning of the Bankruptcy Code; (d) this PPA constitutes a "master netting agreement" within the meaning of the Bankruptcy Code; (e) the Annual Payments (including each monthly payment thereof) and all other amounts due from Purchaser hereunder are (i) settlement payments (as defined in the Bankruptcy Code), (ii) transfers in connection with a forward contract, swap agreement and master netting agreement (as used in Sections 546(e), 546(g) and 546(j) of the Bankruptcy Code), and (iii) attributable solely to the expected costs of acquiring the Energy attributable to the Chugach Portion during the Term (based on the anticipated minimum amount of Energy that will be generated by the Facility and attributable to the Chugach Portion during the Term), as determined as of the date hereof; (f) the date of each monthly payment of the Annual Payments is a "maturity date" (as used in the definition of "forward contract" in Section 101 of the Bankruptcy Code) with respect to the Energy attributable to the Chugach Portion delivered to Purchaser during the period since the prior monthly payment; and (h) this PPA was entered into by Purchaser for the purpose of hedging against price fluctuations in the market for

electricity, by paying a fixed price for the Energy attributable to the Chugach Portion during the Term; (i) Purchaser intends to pass on the costs of its Energy purchases hereunder to its own customers, subject to Applicable Law; and (j) all remedies for a non-defaulting Party hereunder (including as set forth in Section 9.2) are “contractual rights” as used in Sections 362(b)(6), 362(b)(17), 362(b)(27), 556, 560 and 561 of the Bankruptcy Code. Each Party agrees that it will not make any assertion or claim, in any dispute or otherwise, or otherwise take any position to the effect that this PPA, the transactions contemplated hereby, and any instrument(s) that may be provided by either Party hereunder do not each, and together, constitute one and the same “forward contract,” “commodity forward agreement,” and “master netting agreement” within the meaning of the Bankruptcy Code, or that Purchaser and Seller are not “forward contract merchants,” “swap participants,” and “master netting agreement participants” within the meaning of the Bankruptcy Code.

Section 15.2 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder (any of the foregoing, a “**Notice**”) shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 15.1):

If to Seller: Municipality of Anchorage
632 W. 6th Avenue, Suite 850
Anchorage, AK 99501
E-mail: william.falsey@anchorageak.gov
Attention: William D. Falsey, Municipal Manager

with a copy to: Municipality of Anchorage
632 W. 6th Avenue, Suite 850
Anchorage, AK 99501
E-mail: rebecca.windtpearson@anchorageak.gov
Attention: Rebecca A. Windt Pearson, Municipal Attorney

and a copy to: K&L Gates LLP
925 Fourth Avenue, Suite 2900
Seattle, WA 98104-1158
E-mail: eric.freedman@klgates.com
Attention: Eric E. Freedman

If to Purchaser: Chugach Electric Association, Inc.
5601 Electron Drive
Anchorage, AK 99518
E-mail: Lee_Thibert@chugachelectric.com
Attention: Lee D. Thibert, Chief Executive Officer

with a copy to: Chugach Electric Association, Inc.
5601 Electron Drive
Anchorage, AK 99518
E-mail: Matthew_Clarkson@chugachelectric.com
Attention: Matthew C. Clarkson, General Counsel

and a copy to: Stinson Leonard Street LLP
Suite 2600
50 South Sixth Street
Minneapolis, MN 55402
E-mail: james.bertrand@stinson.com
Attention: James J. Bertrand

Section 15.3 Compliance With Applicable Laws. Each Party shall at all times comply with all Applicable Laws; *provided, however* that any non-compliance with Applicable Law that, individually or in the aggregate, could not reasonably be expected to have a material adverse effect on the business or financial condition of the Party or its ability to fulfill its commitments hereunder shall not be deemed to be a breach of this PPA. Each Party shall promptly disclose to the other, any material violation of any Applicable Laws arising out of or in connection with the Facility and this PPA. This PPA will not take effect until the prior approval of the RCA as required by AS 42.05.431(b).

Section 15.4 Rates, Terms, and Conditions Binding. The Parties agree that the rates (including Annual Payments), terms, and conditions for products and services specified in this PPA shall remain in effect for the Term. In addition, to the fullest extent permitted by Applicable Law, each Party, for itself and its successors and assigns, hereby expressly and irrevocably (i) waives any rights that it may have, now or in the future, whether under AS 42.05.431(a), AS 42.05.431(b), or otherwise, to seek to obtain from the RCA by any means, directly or indirectly (through complaint, investigation, or otherwise), and (ii) covenants and agrees not at any time to seek so to obtain, an order from the RCA changing any section of this PPA specifying the rate, charge, or classification (“**Justness or Reasonableness Conditions**”) agreed to by the Parties, it being the express intent of the Parties that, to the fullest extent permitted by Applicable Law, neither Party will unilaterally seek to obtain from the RCA any relief changing the Justness or Reasonableness Conditions of this PPA, notwithstanding any subsequent changes that may occur in Applicable Law or market conditions.

Section 15.5 Public Announcements. Neither Party shall at any time make, with respect to the transactions to be consummated by this PPA, publish, or communicate to any

Person in any public forum any defamatory, maliciously false, or disparaging remarks, comments, or statements concerning the other Party or any of its employees, officers, officials or directors.

Section 15.6 No Third-Party Beneficiaries. This PPA is for the sole benefit of the Parties and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this PPA.

Section 15.7 Amendment and Modification; Waiver. This PPA may only be amended, modified or supplemented by an agreement in writing signed by each Party. No waiver by any Party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the Party so waiving. No waiver by any Party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this PPA shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Section 15.8 Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.

(A) This PPA shall be governed by and construed in accordance with the internal laws of the State of Alaska, without regard to conflict of law principles that would result in the application of the laws of any other jurisdiction.

(B) ANY LEGAL SUIT, ACTION OR PROCEEDING ARISING OUT OF OR BASED UPON THIS PPA OR THE TRANSACTIONS CONTEMPLATED HEREBY MAY BE INSTITUTED IN THE SUPERIOR COURT OF THE STATE OF ALASKA IN IN THE THIRD JUDICIAL DISTRICT, LOCATED IN ANCHORAGE, ALASKA, AND EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURT IN ANY SUCH SUIT, ACTION OR PROCEEDING. SERVICE OF PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT BY MAIL TO SUCH PARTY'S ADDRESS SET FORTH HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN SUCH COURT. THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR ANY PROCEEDING IN SUCH COURT AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS PPA IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR

RELATING TO THIS PPA OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY TO THIS PPA CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION, (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS PPA BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 15.8.

Section 15.9 Specific Enforcement. The Parties agree that irreparable damage would occur if any provision of this PPA were not performed in accordance with the terms hereof and that the Parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity. The Parties acknowledge and agree that (A) the Parties shall be entitled to an injunction, specific performance or other equitable relief to prevent breaches of this PPA and to enforce specifically the terms and provisions hereto, without proof of damages, this being in addition to any other remedy to which they are entitled under this PPA and (B) the right to specific enforcement is an integral part of the transactions contemplated by this PPA and without that right, neither Seller nor Purchaser would have entered into this PPA. Each Party agrees that it will not oppose the granting of specific performance and other equitable relief on the basis that the other Party has an adequate remedy at law or that an award of specific performance is not an appropriate remedy for any reason at law or equity. The Parties acknowledge and agree that any Party seeking an injunction to prevent breaches of this PPA and to enforce specifically the terms and provisions of this PPA in accordance with this Section 15.9 shall not be required to provide any bond or other security in connection with any such injunction.

Section 15.10 Waiver of Sovereign Immunity. Seller agrees that it is subject to civil and commercial suit for any breach of contract obligations under this PPA. To the extent that Seller may be entitled to claim sovereign, governmental, or municipal immunity from any liability in such a civil or commercial suit by Purchaser, Seller hereby agrees not to claim, and hereby waives, such sovereign, governmental, or municipal immunity.

Section 15.11 RCA PPA Approval. Seller and Purchaser will use Commercially Reasonable efforts to cooperate and each advocate to obtain an order from the Regulatory Commission of Alaska (the “RCA”) approving the amendment of the certificate of public convenience and necessity of each of Purchaser and Seller to reflect the transactions to be consummated hereby, which order includes approval of (A) recovery by Purchaser in future rates of payments made under this PPA and (B) this PPA; and which order from the RCA shall not contain any condition or conditions materially adverse to either Purchaser or Seller, as determined by Purchaser or Seller with respect to itself in good faith and in the exercise of its Commercially Reasonable business judgment (“RCA PPA Approval”). In addition, Seller and Purchaser will use commercially reasonable efforts to cooperate and advocate to obtain an order from the RCA approving, as part of the transactions to be consummated hereby, recovery by Buyer in future rates of the costs associated with consummating the transactions to be consummated hereby.

Section 15.12 Relationship of the Parties. This PPA shall not be interpreted to create an association, joint venture, or partnership between the Parties or to impose any partnership obligation or liability upon either Party. Except as specifically provided for in this PPA to the contrary, neither Party shall have any right, power, or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as an agent or representative of, the other Party.

Section 15.13 Successors and Assigns. Subject to the provisions of Section 14.1, Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors and permitted assigns. No assignment shall relieve the assigning party of any of its obligations hereunder.

Section 15.14 Security Interest.

(A) The Parties agree, acknowledge and intend that the legal status of this PPA is and shall be as a power purchase agreement, a forward contract (as defined in the Bankruptcy Code), a commodity forward agreement (and thus a swap agreement as defined in the Bankruptcy Code), and a master netting agreement (as defined in the Bankruptcy Code), and not a secured purchase of the Chugach Portion or any other alternative form of transaction, and that Seller will at all times during the Term have and retain full undivided ownership of the Chugach Portion. Accordingly, each Party acknowledges and agrees that: (1) it shall not assert that the transactions contemplated under this PPA are a secured financing of any sort; and (2) it shall cooperate with the other Party in defending against any assertion by a third party that the transactions contemplated hereunder constitute a secured financing.

(B) Notwithstanding the foregoing, as security for the prompt payment and performance of all obligations of Purchaser under this PPA, including the payment of all Annual Payments to Seller, and solely as a precaution in the event that this PPA should be construed as a secured financing such that Purchaser shall be deemed to have acquired title to the Chugach Portion at any time (other than by exercise of the Purchase Option under Section 14.3), Purchaser hereby grants to Seller a senior, first priority purchase money lien on and security interest in and to, and right of set-off with respect to, all right, title, and interest of Purchaser in and to the Chugach Portion (including all right, title, and interest in and to any Power attributable to the Chugach Portion, except as and to the extent that such Power is delivered to Purchaser at the Delivery Point under and in accordance with the express provisions of this PPA) and all proceeds thereof (collectively, the “**Collateral**”). In addition, notwithstanding ARTICLE 14, Purchaser (i) represents and warrants to Seller as of each of the Effective Date and the Commencement Date that (a) Purchaser has provided Seller with a true and correct copy of the Trust Indenture, including all supplements and amendments thereto that were executed after January 20, 2011 and (b) there are no liens or security interests in or on the assets of Purchaser that encumber the Collateral as of the Effective Date, and that there will be no liens or security interests in or on the assets of Purchaser that will encumber the Collateral as of the Commencement Date; (ii) covenants and agrees that Purchaser shall provide to Seller, at or prior to the Closing under the Asset Purchase Agreement, (a) an original, fully executed copy of an Officers’ Certificate of Excludable Property (as such terms are defined in the Trust Indenture), in form and substance reasonably satisfactory to Seller, identifying the Collateral as Excludable Property under the Trust Indenture and including a confirmation by the Trustee (as defined in the

Trust Indenture) that the Collateral is Excludable Property and is not subject to the lien of the Trust Indenture pursuant to a release under Section 6.10 of the Trust Indenture, in form and substance reasonably satisfactory to Seller, (b) evidence of Purchaser's delivery of such Officers' Certificate to the Trustee and the Trustee's execution of such release, and (c) evidence of the recording of such release in all recording offices in the State of Alaska in which the lien of the Trust Indenture has been recorded; and (iii) covenants and agrees that Purchaser shall not, without Seller's prior written consent, grant any security interest in the Collateral, including (a) in connection with this PPA, the Asset Purchase Agreement, and the transactions contemplated hereunder and thereunder, or (b) any grant of a lien to the Trustee pursuant to Granting Clause Third of the Trust Indenture or otherwise. In connection with the lien and security interest granted in this Section 15.14(B), Seller shall have the rights and remedies of a secured party or mortgagee under Applicable Law, including the UCC. Purchaser hereby authorizes Seller to file UCC financing statements and to record instruments with any appropriate Governmental Authority, and to make other similar filings and recordings with respect hereto as Seller shall elect in its sole discretion for the purposes of recording and perfecting its lien and security interest in the Collateral.

Section 15.15 Survival of Obligations. The applicable provisions of this PPA shall continue in effect after termination to the extent necessary to (A) provide for final billings, payments, and adjustments, (B) enforce or complete the duties, obligations, or responsibilities of the Parties, and (C) address any remedies or indemnification rights arising prior to termination. Cancellation, expiration, or earlier termination of this PPA shall not relieve the Parties of obligations, including warranties, remedies, or indemnities, that by their nature should survive such cancellation, expiration, or termination, which obligations shall survive for the period of the applicable statute(s) of limitation.

Section 15.16 Further Assurances. Upon the receipt of a written request from the other Party, each Party shall execute such reasonable additional documents, instruments and assurances and take such additional actions as are reasonably necessary and desirable to carry out the terms and intent hereof. Neither Party shall unreasonably withhold, condition, or delay its compliance with any reasonable request made pursuant to this Section 15.16.

Section 15.17 Severability. If any term or provision of this PPA is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this PPA or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Parties shall negotiate in good faith to modify this PPA so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 15.18 Complete Agreement. This PPA constitutes the sole and entire agreement of the Parties with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of a conflict between the terms of this PPA and the Asset Purchase Agreement, the terms of the Asset Purchase Agreement shall control.

Section 15.19 Headings. The headings in this PPA are for reference only and shall not affect the interpretation of this PPA.

Section 15.20 Counterparts. This PPA may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this PPA delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this PPA.

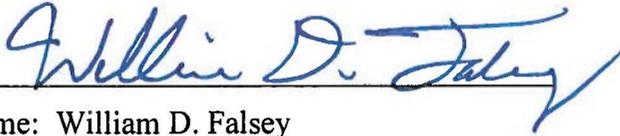
Section 15.21 Exhibits. Exhibits may be changed to the extent allowed by specific provisions of this PPA or with the mutual consent of both Parties.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have executed this PPA as of the Effective Date.

Seller:

MUNICIPALITY OF ANCHORAGE

By 

Name: William D. Falsey
Title: Municipal Manager

Purchaser:

CHUGACH ELECTRIC ASSOCIATION, INC.

By _____

Name: Lee D. Thibert
Title: Chief Executive Officer

IN WITNESS WHEREOF, the Parties have executed this PPA as of the Effective Date.

Seller:

MUNICIPALITY OF ANCHORAGE

By _____

Name: William D. Falsey

Title: Municipal Manager

Purchaser:

CHUGACH ELECTRIC ASSOCIATION, INC.

By  _____

Name: Lee D. Thibert

Title: Chief Executive Officer

EXHIBIT A

DEFINITIONS

The following terms shall have the meanings set forth herein:

“**Actual Damages**” has the meaning set forth in Section 9.2(B).

“**Affiliate**” of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

“**Ancillary Services**” all ancillary products associated, in accordance with Prudent Utility Practice, with the generation of Energy, including spinning reserves, non-spinning reserves, reactive power and voltage control.

“**Annual Payments**” has the meaning set forth in Section 7.1(A).

“**Applicable Law**” means any statute, law, ordinance, regulation, rule, code, order, constitution, treaty, common law, judgment, decree, Permit requirement, other binding requirement or rule of law of, or compulsory standard established by, any Governmental Authority.

“**Asset Purchase Agreement**” means that certain Asset Purchase and Sale Agreement dated as of December 28, 2018, 2018 pursuant to which Purchaser has acquired substantially all of the assets of Seller’s electric utility referred to as Municipal Light and Power (“**ML&P**”) other than the Seller’s Interest.

“**Bankruptcy Code**” means 11 U.S.C. §§ 101 et seq. (Title 11, United States Code).

“**Bradley Lake Agreement**” means the Bradley Lake Hydroelectric Project Agreement for the Sale and Purchase of Electric Power dated as of December 8, 1987 by and among the Alaska Energy Authority as successor to The Alaska Power Authority, Purchaser, The Golden Valley Electric Association, Inc., Seller, The City of Seward d/b/a/Seward Electric System, The Alaska Electric Generation & Transmission Cooperative, Inc., The Homer Electric Association, Inc., and MEA.

“**Business Day**” means any Day that is not a Saturday, a Sunday, NERC recognized holiday, or any other Day on which commercial banks in Anchorage, Alaska are required to be closed for business.

“**Capacity**” means the total electrical generating capacity of the Facility, including any capacity products that are able to be accredited under Applicable Law.

“**Chugach Portion**” means that portion of the Seller’s Interest as determined pursuant to Section 2.2 or Section 14.3(A).

“**Collateral**” shall have the meaning set forth in Section 15.14(B).

“**Commencement Date**” shall have the meaning set forth in Section 3.2.

“**Commercially Reasonable**” or “**Commercially Reasonable Efforts**” means, with respect to any action required to be made, attempted or taken by a Party under this PPA, the level of effort in light of the facts known to such Party at the time a decision is made that: (a) can reasonably be expected to accomplish the desired action at a reasonable cost; (b) is consistent with Prudent Utility Practice; and (c) takes into consideration the amount of advance notice required to take such action, the duration and type of action and the competitive environment in which such action occurs.

“**Contract Year**” has the following meaning: the first Contract Year means the period beginning on the Commencement Date and ending on the last calendar day of the month of the first anniversary of the Commencement Date. The second Contract Year and each subsequent Contract Year means the period beginning on the first day after the last day of the previous Contract Year and ending on the last day of the twelfth calendar month thereafter.

“**Credit Rating**” means (i) with respect to any entity other than a financial institution, the current (A) rating issued or maintained by S&P or Moody’s with respect to such entity’s long-term senior, unsecured, unsubordinated debt obligations (not supported by insurance provider or other third-party credit enhancements) or (B) corporate credit rating or long-term issuer rating issued or maintained with respect to such entity by S&P or Moody’s, or (ii) if such entity is a financial institution, the ratings issued or maintained by S&P or Moody’s with respect to such entity’s long-term, unsecured, unsubordinated deposits.

“**Creditworthy Entity**” means a Person having at the applicable time a Credit Rating of (a) BBB or better from S&P, or (b) Baa2 or better from Moody’s, or (c) if such Person has a Credit Rating at such time from both S&Ps and Moody’s, BBB or better from S&P and Baa2 or better from Moody’s.

“**Day**” means a calendar day.

“**Delivery Point**” means the low side of the step-up transformer(s) within the Facility switchyard.

“**Dispute**” shall have the meaning set forth in Section 10.1.

“**Effective Date**” shall have the meaning set forth in the preamble.

“**Eligible Energy Resource**” means any resource that qualifies as a renewable energy resource eligible to be certified to receive, claim, own or use renewable energy certificates pursuant to the protocols and procedures under any applicable REC Registration Program.

Exhibit A-2

“Energy” means the net electric energy that is generated from the Facility (or capable of being generated by any water spilled from the Facility) that is delivered to the Delivery Point, as measured in accordance with Section 5.2. Energy shall be net of energy self-generated and concurrently consumed by the Facility, and net of all losses prior to the Delivery Point, including line, inverter, and transformer losses.

“ERO” means the Electric Reliability Organization certified by FERC pursuant to Section 215 of the Federal Power Act or any successor organization.

“Event of Default” shall have the meaning set forth in Section 9.1.

“Extension Agreement” means that certain Agreement for Extension of 1996 Eklutna Hydroelectric Project Transition Plan dated October 2, 1997 by and among the Owners.

“Facility” means the Eklutna Hydroelectric Project, as further described in Exhibit B, including all of the following: all equipment, buildings, generators, inverters, step-up transformers, output breakers, protective and associated equipment, improvements, and other tangible assets, contract rights, easements, rights of way, surface use agreements and other interests or rights in real estate reasonably necessary for construction, operation, maintenance, generation and delivery of the Energy, Ancillary Services, and Capacity subject to this PPA.

“Facility Metering” means revenue quality meters, metering equipment and data processing equipment used to measure, record or transmit data relating to the output from the Facility, including the metering current transformers and the metering voltage transformers.

“Federal Power Act” means the provisions of 16 U.S.C. 791(A) et seq. and amendments or supplements thereto.

“FERC” means the Federal Energy Regulatory Commission or any successor agency.

“Financing Documents” means the loan and credit agreements, notes, bonds, indentures, security agreements, lease financing agreements, mortgages, deeds of trust, interest rate exchanges, swap agreements, and other documents relating to a Party’s financing transactions, including any credit enhancement, credit support, working capital financing, or refinancing documents, and any and all amendments, modifications, or supplements to the foregoing that may be entered into from time to time at the discretion of the Party.

“Fish and Wildlife Agreement” is the August 7, 1991 Agreement Between The Municipality of Anchorage, DBA Anchorage Municipal Light And Power, Chugach Electric Association, Inc., Matanuska Electric Association, Inc., U. S. Fish and Wildlife Service, National Marine Fisheries Service, Alaska Energy Authority and The State of Alaska, Relative to the Eklutna and Snettisham Hydroelectric Projects .

“Force Majeure” means an event or circumstance that prevents a Party from performing its obligations under this PPA, which event or circumstance (i) was not reasonably anticipated as of the Date of this PPA, (ii) is not within the reasonable control of or the result of the fault or negligence of the Party claiming its occurrence, and (iii) which by exercise of due diligence and

Exhibit A-3

foresight could not reasonably have been avoided, *provided, however*, that such an event or circumstance shall not include: (a) inability, or excess cost, to procure any equipment necessary to perform the obligations of this PPA; (b) delays or nonperformance by suppliers, vendors, or other third parties with which a Party has contracted, except to the extent that such delays or nonperformance were due to circumstances that would constitute “Force Majeure” as defined above; (c) mechanical or equipment breakdown or inability to operate unless caused by reason of Force Majeure; (d) changes in market conditions; (e) any labor strikes, slowdowns, work stoppages, or other labor disruptions limited only to a Party or a Party’s Affiliates; (f) Seller’s inability to obtain any credit or incentive in connection with the Facility, including any such inability that is attributable to any failure to meet placed-in-service or safe harbor provisions regardless of whether an event of Force Majeure may have caused or contributed to such failure, (g) the loss of Purchaser’s markets or Purchaser’s inability economically to use or resell any of the Power purchased hereunder, except to the extent that such loss of markets or inability to use or resell were due to circumstances that would constitute “Force Majeure” as defined above; (h) Purchaser’s failure to contract for and reserve sufficient firm transmission capacity to deliver the Power to any transmission point(s) of receipt or any delivery point(s); (i) Seller’s ability to sell Power to a market at a more advantageous price; or (j) Purchaser’s ability to purchase Power in or from any market at a more advantageous price.

“**Forced Outage**” means any condition at the Facility that requires the immediate and unplanned removal of the Facility, or at least ten percent thereof, from service, another outage state, or a reserve shutdown state, resulting from immediate mechanical/electrical/hydraulic control system trips and operator-initiated trips in response to abnormal Facility conditions or alarms.

“**Governmental Authority**” means any federal, state, local or foreign government, or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations, or orders of such organization or authority have the force of Law), or any arbitrator, court, or tribunal of competent jurisdiction. References to “Governmental Authority” shall exclude Seller except Seller is acting in a legislative or regulatory capacity as expressly authorized by Applicable Law.

“**Indemnified Party**” shall have the meaning set forth in Section 13.1.

“**Indemnifying Party**” shall have the meaning set forth in Section 13.1.

“**ISO**” means an independent system operator or regional transmission organization that coordinates, controls and monitors the operation of a public electrical power system or any similar operator or organization created by Applicable Law after the date of this PPA.

“**Justness or Reasonableness Conditions**” shall have the meaning set forth in Section 15.4.

“**Lender**” means any commercial bank, investment bank or trustee under Financing Documents that makes a loan to or extends other credit in favor of Purchaser.

Exhibit A-4

“**MEA**” means Matanuska Electric Association, Inc., a not-for-profit Alaska electric cooperative corporation.

“**MEA Offer**” shall have the meaning set forth in Section 2.1.

“**MEA Proportionate Interest**” shall have the meaning set forth in Section 2.1.

“**Moody’s**” means Moody’s Investors Services, Inc.

“**NERC**” means the North American Electric Reliability Council or any successor organization.

“**Notice**” shall have the meaning set forth in Section 15.1.

“**Operating Committee**” shall mean the “Eklutna Operating Committee” or “EOC” set forth in the Operations Agreement.

“**Operating Records**” means all agreements associated with the Facility, operating logs, blueprints for construction, operating manuals, all warranties on equipment, and all documents, whether in printed or electronic format, that Seller uses or maintains for the operation of the Facility.

“**Operations Agreement**” means the Eklutna Purchasers Manner of Acting, Functional Responsibilities, and Staffing, attached as Exhibit E to the Transition Plan, as the same has been amended from time to time by the Owners.

“**Operations Agreement Amendment**” shall have the meaning set forth in Section 3.1.

“**Owners**” means the owners of the Facility. As of the Effective Date, the Owners are Seller (with respect to the Seller’s Interest), Purchaser (with respect to the Purchaser’s Interest), and MEA (with respect to the remaining 5/30 (approximately 16.7%) undivided ownership interest in the Facility).

“**Party**” and “**Parties**” shall have the meanings set forth in the introductory paragraph.

“**Permit(s)**” means all applicable construction, land use, air quality, emissions control, environmental and other permits, licenses and approvals from any Governmental Authority required under Applicable Laws for construction, ownership, operation and maintenance of the Facility and the generation and delivery of any output from the Facility to Purchaser.

“**Person**” means an individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association or other entity.

“**Power**” shall have the meaning set forth in Section 6.1(A).

“**PPA Contingencies**” shall have the meaning set forth in Section 3.1.

Exhibit A-5

“Prudent Utility Practice” means any applicable practices, methods, and acts engaged in or approved by a significant portion of (a) as to Seller, the hydroelectric generating industry in the United States of America, or (b) as to Purchaser, the electric utility industry in the United States of America, during the relevant time period, or the practices, methods and acts which, in the exercise of reasonable judgment by a prudent hydroelectric generator operator (or prudent utility operator, if applicable to Purchaser) in light of the facts known or which should reasonably have been known at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability, safety, expedition and the requirements of any governing authority having jurisdiction. Without limitation of the foregoing, “Prudent Utility Practice” shall include the applicable operating policies, standards, criteria, or guidelines of any applicable governing authority and any manufacturer of a component of the Project. “Prudent Utility Practice” is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to the acceptable practices, methods or acts generally accepted (a) as to Seller, by the hydroelectric energy electric generating industry in the United States of America or (b) as to Purchaser, by the electric utility industry in the United States of America.

“Purchase Option” shall have the meaning set forth in Section 14.3.

“Purchase Price” means the sum of the net book value (or its equivalent) of the Chugach Portion as of the last day of the Term, as reduced (although not below zero) by the aggregate amount of the net book value of any capital expenditures made by Purchaser with respect to the Chugach Portion during the Term. For purposes of the Chugach Portion, “net book value” means gross plant in service (including customer-contributed plant) at original cost, less accumulated depreciation and amortization.

“Purchase Price Adjustment” shall have the meaning set forth in Section 14.3(C).

“Purchaser” shall have the meaning set forth in the first paragraph of this PPA.

“Purchaser’s Interest” shall have the meaning set forth in the second paragraph of this PPA.

“Qualified Operator” means an operator that operates one or more hydropower generating facilities of a type and size comparable to the Facility, is nationally recognized, and has not less than three years’ experience in the operation of one or more hydropower generating facilities.

“RCA” shall have the meaning set forth in Section 15.10.

“RCA PPA Approval” shall have the meaning set forth in Section 15.10.

“REC Registration Program” means any state, regional or federal program established to register Eligible Energy Resources and create and certify renewable energy certificates arising from energy generated from such Resource, including any rights associated with any renewable energy information or tracking system that exists or may be established by Applicable Law with regard to monitoring, registering, tracking, certifying, or trading such credits.

Exhibit A-6

“Renewable Attributes” means any and all renewable resource attributes (including renewable energy certificates or credits or similar rights arising out of any applicable REC Registration Program), green tags, emissions or carbon credits, reductions, offsets, and allowances, and any other environmentally related attributes that are, or in the future may be, recognized by any Governmental Authority, and that are attributable to the availability, production, purchase or sale of Energy from the Facility. For the avoidance of doubt, “Renewable Attributes” do not include any Tax Benefits.

“S&P” means the Standard & Poor’s Rating Group, a division of The McGraw-Hill Companies.

“Scheduled Termination Date” means the last day of the calendar month thirty-five (35) years after the Commencement Date.

“Seller” shall have the meaning set forth in the first paragraph of this PPA.

“Seller’s Interest” shall have the meaning set forth in the recitals to this PPA.

“Seller’s Representative” shall have the meaning set forth in Section 4.2.

“Site” means the parcel of real property on which the Facility is constructed and located, including any easements, rights of way, surface use agreements and other interests or rights in real estate reasonably necessary for the operation and maintenance of the Facility. The Site is more specifically described in Exhibit B to this PPA.

“Tax Benefits” means any and all (i) tax credits based on ownership of, investment in or energy production from the Facility or any portion thereof, (ii) grants based on ownership of, investment in or energy production from the Facility or any portion thereof, including the grant described in Section 1603 of the American Recovery and Reinvestment Tax Act of 2009 and (iii) other tax benefits, including depreciation and other cost recovery deductions, arising in connection with ownership of, investment in, or operation of the Facility, or any portion thereof, in each case allocated, allowed, allowable, assigned, awarded, certified or otherwise transferred or granted to Seller or Purchaser by any Governmental Authority in any jurisdiction in connection with the Facility.

“Term” means the period of time during which this PPA shall remain in full force and effect as further defined in Section 3.3 and as may be extended pursuant to Section 14.3.

“Term Extension” shall have the meaning set forth in Section 14.3.

“Transition Plan” means the 1996 Eklutna Hydroelectric Project Transition Plan dated May 28, 1996 by and among the United States of America d/b/a Alaska Power Administration, a unit of the Department of Energy, and the Owners, as the same has been amended and extended by the Extension Agreement.

“Trust Indenture” means that certain Second Amended and Restated Indenture of Trust, dated as of January 20, 2011, between Purchaser and U.S. Bank National Association, as Trustee, as recorded in Recording Dist.: 301 - Anchorage, State of Alaska, on January 20, 2011, under

Exhibit A-7

reference no. 2011-003688-0, in Recording Dist.: 302 - Kenai, State of Alaska, on January 20, 2011, under reference no. 2011-000608-0, in Recording Dist.: 314 - Seward, State of Alaska, on January 20, 2011, under reference no. 2011-000062-0, and in the Palmer, State of Alaska, Recording District on January 20, 2011, under reference no. 2011-001410-0, as the same has been or may be amended or supplemented from time to time.

“UCC” means the Uniform Commercial Code of the State of Alaska.

Exhibit A-8

EXHIBIT B
FACILITY DESCRIPTION AND SITE MAPS

Exhibit B-1

Eklutna Purchase Agreement
Exhibit A

August 2, 1989
Page 1 of 2

Lands, Easements and Rights-of-Way

Exhibit A consists of this narrative (pages 1 and 2 of 2) and the map prepared by BLM, signed and dated February 3, 1989.

This exhibit describes and displays present land status for the Eklutna Hydroelectric Project and describes in general terms the conveyances of land and land rights contemplated in the purchase agreement.

1. BLM - managed lands and military lands used for Eklutna Project for which BLM is to provide APAD rights-of-way sufficient for operation, maintenance, repair and replacement of Eklutna facilities, such rights-of-way to be assigned by APAD to the Purchasers.

Legend Symbols and Description.



Withdrawals. Refers to approximately 863 acres of public lands withdrawn for Eklutna at the "Intake Area," "Power Tunnel," "Eklutna Powerplant" and "Anchorage Substation." The total acreage is comprised of the following land:

- a. Approximately 320 acres withdrawn for the "Power Tunnel" under Public Land Order 1231 dated September 28, 1955.
- b. Approximately 230 acres utilized for the "Intake Area" and approximately 60 acres for a portion of "Eklutna Powerplant" as described by ANCSA 3(e) determination AA-51183 dated July 30, 1986.
- c. Approximately 243 acres utilized for "Eklutna Powerplant" as described by ANCSA 3(e) determination AA-42534 dated September 1, 1982.
- d. Approximately 10 acres withdrawn for "Anchorage Substation" under Secretarial Order dated April 4, 1952.



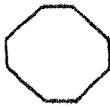
State Land-R/W. Refers to rights-of-way across State-selected lands covering the transmission line east of "Eklutna Powerplant" to the Knik River.



Military Land-R/W. Refers to rights-of-way across military lands used for Eklutna transmission lines.

Eklutna Purchase Agreement
Exhibit A

August 2, 1989
Page 2 of 2



Acquired-3(e). Refers to approximately 2.5 acres of acquired land used for "Reed Substation" as described by ANCSA 3(e) determination AA-45155 dated July 30, 1985.

2. ANCSA 17(b) Easements.

Map symbol:



Native Land - 17(b) Easements.

Refers to rights-of-way that are reserved for portions of the 115KV transmission line, access roads and other Eklutna facilities located on Native corporation lands, and exist as easement reservations in the ANCSA conveyances to the Native corporations pursuant to Section 17(b) of ANCSA. These easements will not be altered by the sale of Eklutna and the Purchasers may use these easements for their intended purposes.

3. APAd Acquired Land and Easements.

Refers to land and easements acquired by the Bureau of Reclamation (predecessor of APAd) during construction of Eklutna and now controlled by APAd. APAd will assign the land and easements to the Purchasers.

Legend Symbols and Description:



Acquired. Refers to approximately 0.8 acres of land owned by APAd at Palmer Substation.



Acquired-Easements. Refers to approximately 33 easements across private lands acquired by the Bureau of Reclamation (predecessor of APAd) and now held by APAd.

4. Other Easements on Private Land.

Map [Symbol]:

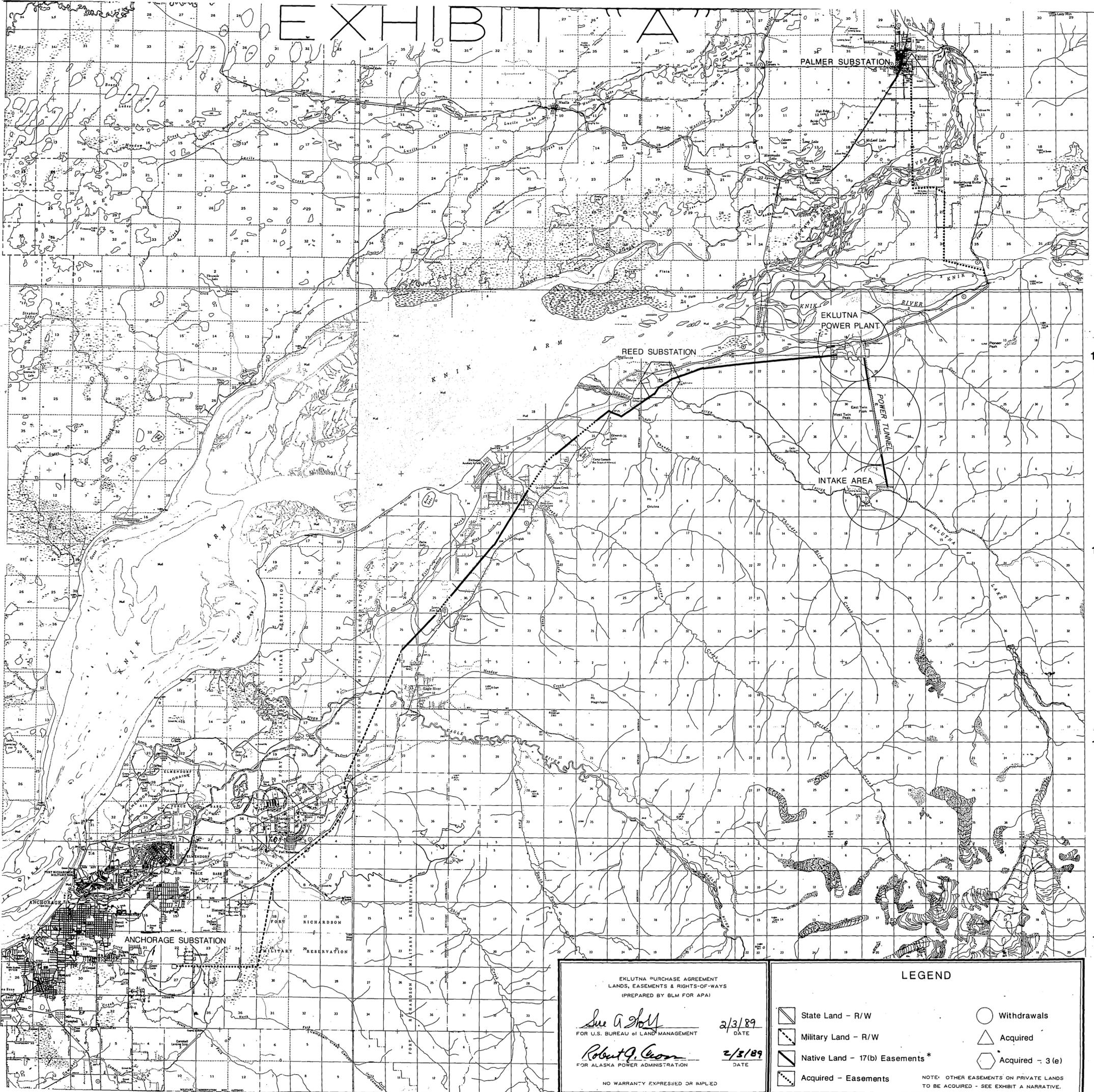
Note: Other Easements on Private Lands To Be Acquired - See Exhibit A Narrative

Refers to approximately two hundred and fifty (250) parcels of private land located along the 115KV transmission line, many of which require title curative action for purposes of perfecting assignable easement rights or rights-of-way for the Purchasers. APAd shall be responsible for acquiring assignable easement rights or rights-of-way across these lands, for subsequent assignment to Purchasers.

5. Reservoir.

Eklutna Lake as designated on the map is the reservoir described in the body of the Agreement.

EXHIBIT A



EKLUTNA PURCHASE AGREEMENT LANDS, EASEMENTS & RIGHTS-OF-WAYS (PREPARED BY BLM FOR APA)		LEGEND	
<i>Sue A. Kelly</i> FOR U.S. BUREAU OF LAND MANAGEMENT	2/3/89 DATE	State Land - R/W	Withdrawals
<i>Robert Q. Coon</i> FOR ALASKA POWER ADMINISTRATION	2/5/89 DATE	Military Land - R/W	Acquired
NO WARRANTY EXPRESSED OR IMPLIED		Native Land - 17(b) Easements*	Acquired - 3 (e)
		NOTE: OTHER EASEMENTS ON PRIVATE LANDS TO BE ACQUIRED - SEE EXHIBIT A NARRATIVE.	

R 3 W

R 2 W

R 1 W

R 1 E

R 2 E

T 18 N
T 17 N
T 16 N
T 15 N
T 14 N
T 13 N

EXHIBIT C

TERMS OF MEA OFFER

The MEA Offer must provide that the effectiveness of any purchase by MEA of the MEA Proportionate Interest and the effectiveness of any binding power purchase agreement between Seller and MEA with respect to the MEA Proportionate Interest must be conditioned on the occurrence of the Closing under the Asset Purchase Agreement.

Any purchase option for the MEA Portion in a PPA must be on terms and conditions substantially the same as those set forth in Section 14.3.

Exhibit C-1

EXHIBIT D

ANNUAL PAYMENTS

Annual Payments to the Municipality of Anchorage: 35-Year Term

Contract Year	PPA Annual Payments (Nominal \$)	
	<i>Chugach Portion: 100%</i>	<i>Chugach Portion: 64.29%</i>
1	\$3,908,021	\$2,512,467
2	\$3,947,101	\$2,537,591
3	\$3,986,572	\$2,562,967
4	\$4,026,438	\$2,588,597
5	\$4,066,702	\$2,614,483
6	\$4,107,369	\$2,640,628
7	\$4,148,443	\$2,667,034
8	\$4,189,927	\$2,693,704
9	\$4,231,827	\$2,720,641
10	\$4,274,145	\$2,747,848
11	\$4,316,886	\$2,775,326
12	\$4,360,055	\$2,803,080
13	\$4,403,656	\$2,831,110
14	\$4,447,692	\$2,859,421
15	\$4,492,169	\$2,888,016
16	\$4,537,091	\$2,916,896
17	\$4,582,462	\$2,946,065
18	\$4,628,287	\$2,975,525
19	\$4,674,569	\$3,005,281
20	\$4,721,315	\$3,035,334
21	\$4,768,528	\$3,065,687
22	\$4,816,214	\$3,096,344
23	\$4,864,376	\$3,127,307
24	\$4,913,019	\$3,158,580
25	\$4,962,150	\$3,190,166
26	\$5,011,771	\$3,222,068
27	\$5,061,889	\$3,254,288
28	\$5,112,508	\$3,286,831
29	\$5,163,633	\$3,319,700
30	\$5,215,269	\$3,352,897
31	\$5,267,422	\$3,386,426
32	\$5,320,096	\$3,420,290
33	\$5,373,297	\$3,454,493
34	\$5,427,030	\$3,489,038
35	\$5,481,300	\$3,523,928

Exhibit D-1

In the event that the Chugach Portion is neither 100% or 64.29%, the Annual Payment shall be pro-rated based on the percentage of the Chugach Portion.

Exhibit D-2

EXHIBIT E

INSURANCE COVERAGE

INSURANCE PROVISIONS SHOULD PROVIDE THAT CASUALTY COVERAGE SHOULD EQUAL OR EXCEED THE NET PRESENT VALUE OF THE AMOUNT OF REMAINING ANNUAL PAYMENTS USING A 5% DISCOUNT RATE; PROVIDED THAT IN NO EVENT SHALL PURCHASER BE REQUIRED TO PROVIDE CASUALTY INSURANCE IN EXCESS OF THE ACTUAL CASH VALUE OF THE CHUGACH PORTION.

Exhibit E-1

PAYMENT IN LIEU OF TAXES AGREEMENT

This Payment in Lieu of Taxes Agreement (this "**Agreement**"), dated as of December 28, 2018, is made and entered into between Municipality of Anchorage, Alaska, a political subdivision organized under the laws of the State of Alaska ("**Municipality**") and Chugach Electric Association, Inc., a not-for-profit electric cooperative corporation organized under the laws of the State of Alaska ("**Chugach**").

RECITALS

WHEREAS, Municipality and Chugach have entered into that certain Asset Purchase and Sale Agreement (the "**Asset Purchase Agreement**") dated as of December 28, 2018 pursuant to which Chugach has acquired substantially all of the assets of Municipality's electric utility referred to as Municipal Light and Power ("**ML&P**"). Capitalized terms used but not defined herein have the meanings set forth in the Asset Purchase Agreement.

WHEREAS, as an integral part of the transactions contemplated by the Asset Purchase Agreement, Chugach and Municipality have entered into this Agreement.

WHEREAS, ML&P previously paid Municipality municipal utility service assessments pursuant to AMC 26.10.025 for police and fire protection and other governmental services provided by Municipality and following the closing of the Asset Purchase Agreement Chugach has agreed to make the PILT Payments (as defined below) for such governmental services as set forth herein and accordingly such payments are meant to be a tax obligation.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

The following terms have the meanings specified or referred to in this **ARTICLE I**:

"Adjusted Net Book Value" means, for any year, the product of (i) the net book value of ML&P plant in service located within each district in the Legacy Territory as of the Closing Date and (ii) the Overall Plant in Service Change.

"Applicable Property" means property subject to PILT Payments.

"Asset Purchase Agreement" has the meaning set forth in the recitals.

"Calculation Spreadsheet" has the meaning set forth in Section 2.05.

"**Chugach's Accountants**" means KPMG LLP or its successor.

"**Independent Accountant**" means an independent regionally recognized financial consulting firm or a firm of independent certified public accountants, other than Municipality's Accountants, ML&P's accountants or Chugach's Accountants, mutually agreeable to Chugach and Municipality.

"**Legacy Territory**" means ML&P's service area as in existence at the Closing Date.

"**Millage Rate**" means the rate, as in effect at January 1 of each year, that is determined pursuant to AS 29.45.240 for property in each district of the Legacy Territory.

"**ML&P**" has the meaning set forth in the recitals.

"**Municipality's Accountants**" means BDO USA, LLP or its successor.

"**Objection Notice**" has the meaning set forth in Section 2.05.

"**Overall Plant in Service Change**" means a fraction of which (a) the numerator is the net book value of all Chugach plant in service located in the Municipality of Anchorage as of January 1 of the current year, and (b) the denominator is the sum of (x) the net book value of ML&P plant in service located within the Municipality of Anchorage on the Closing Date plus (y) the net book value of Chugach plant in service located within the Municipality of Anchorage on the Closing Date.

"**Payment Term**" has the meaning set forth in Section 2.06.

"**PILT Payment**" has the meaning set forth in Section 2.01.

ARTICLE II PILT PAYMENTS

Section 2.01 Payment in Lieu of Taxes. Chugach shall pay to Municipality an annual payment in lieu of taxes (the "**PILT Payment**") equal to the product, for each district in the Legacy Territory, of (i) the Adjusted Net Book Value for the current year, and (ii) the current Millage Rate for each such district. The PILT Payment shall be variable in amount and recalculated each year as set forth herein. Exhibit A sets forth an example of the calculation of PILT Payments for illustrative purposes only.

Section 2.02 Collection of PILT Payments. Chugach agrees that any amounts that Chugach collects from retail customers in connection with the PILT Payments will be collected solely from retail customers of Chugach in the Legacy Territory until December 31, 2033. Beginning on January 1, 2034, Chugach shall collect such amounts from retail customers of Chugach within the Municipality without restriction.

Section 2.03 Timing of PILT Payment. Chugach shall pay the PILT Payments on or before July 15 of such year.

Section 2.04 Commencement of PILT Payments. PILT Payments shall commence in the calendar year following ML&P’s last municipal utility service assessment payment under AMC 26.10.025.

Section 2.05 Annual Determination of PILT Payments. Not later than April 15 of each calendar year of the Payment Term, Chugach shall deliver to Municipality Chugach’s calculation of the PILT Payment to be made in such calendar year (the “**Calculation Spreadsheet**”). Following delivery of the Calculation Spreadsheet by Chugach, Municipality will be entitled to review the Calculation Spreadsheet and related supporting schedules, analyses, and work papers, and Chugach will cooperate reasonably with Municipality and its representatives in such examination, including by providing answers to questions asked by Municipality and its representatives and by making available to Municipality and its representatives any records under the reasonable control of Chugach or its representatives that are reasonably requested by Municipality in connection with its review of the Calculation Spreadsheet. If Municipality objects to all or part of the Calculation Spreadsheet as delivered by Chugach, Municipality must deliver written notice of any such objection to Chugach not more than 120 days after Chugach delivers such Calculation Spreadsheet to Municipality (an “**Objection Notice**”). Any Objection Notice will specify, in reasonable detail, the nature and amount, if discernable, of any and all items in dispute, the amounts of any proposed adjustments, and the basis for Municipality’s proposed adjustments. If Municipality does not deliver an Objection Notice to Chugach within such 120-day period, Municipality will be deemed to have accepted the calculation of the PILT Payment contained in the Calculation Spreadsheet delivered by Chugach. If Municipality delivers an Objection Notice to Chugach within such 120-day period, Chugach and Municipality will use commercially reasonable efforts to resolve all objections. If Chugach and Municipality do not reach a final resolution of all objections within 30 days after delivery of an Objection Notice, Chugach and Municipality will submit all unresolved objections to an Independent Accountant for resolution in accordance with Section 2.08(b)(iii) of the Asset Purchase Agreement. In the event a dispute regarding the calculation of a PILT Payment remains unresolved as of July 15 of the applicable calendar year, Chugach shall only be required to make such payments as are set forth in the applicable Calculation Spreadsheet until such time as the dispute is resolved, provided that Municipality’s acceptance of such payments from Chugach shall not operate or be construed as a waive in any respect of Municipality’s right to object to all or part of the Calculation Spreadsheet or exercise any other right, remedy, power or privilege arising from this Agreement.

Section 2.06 Term of PILT Payments. PILT Payments shall be made for a term of 50 years including the first such payment (the “**Payment Term**”).

Section 2.07 Sales of Property. In the event Chugach sells any Applicable Property, the transferee shall not be assessed a property tax on the same Applicable Property for the same year.

Section 2.08 No Other Taxes or Municipal Charges; Nondiscrimination.

(a) During the Payment Term, in the event that Municipality enacts, adopts, or applies a real or personal property tax on the Applicable Property, the amount of such tax paid by Chugach with respect to the Applicable Property shall be credited against amounts due to Municipality under this Agreement.

(b) In accordance with AMC 26.10.025B, the Millage Rates used to calculate the PILT Payments shall be the rates assessed owners of real and personal property in each district.

Section 2.09 Tax Obligation. Chugach and Municipality agree not to assert in any manner, including in a court, regulatory or bankruptcy proceeding, that the PILT Payments are not a tax obligation.

Section 2.10 Proofs of Claim. In the event that Chugach becomes a debtor in a bankruptcy proceeding, Chugach agrees and will be automatically, and without further documentation or agreement, be deemed to stipulate in such proceeding that:

(a) Municipality may file proof(s) of claim pursuant to 11 U.S.C. §501, §502(i), and / or §507(a)(8), as an allowed claim(s) by a governmental unit for all PILT Payments due and owing at the time of the bankruptcy filing;

(b) All of such PILT Payments shall constitute taxes as defined in 11 U.S.C. §507(a)(8)(A) and / or (C), and

(c) Municipality shall be treated in any plan of reorganization proposed by Chugach as, or on par with, the treatment of the tax claimants under 11 U.S.C. §502(i) or §507(a)(8), and shall be entitled to the identical priority treatment as other §507(a)(8) claimants in such plan of reorganization.

Section 2.11 Set Off. In the event that (i) Chugach has notified Municipality under Section 8.05 of the Asset Purchase Agreement that Chugach is entitled to indemnification from Municipality with respect to any Third Party Claim or Direct Claim, (ii) Municipality has notified Chugach that (A) Municipality has determined that it will assume the defense of such Third Party Claim or (B) Municipality acknowledges that Chugach is entitled to indemnification from Municipality for such Direct Claim, and (iii) either (A) Municipality has not, within sixty (60) days after delivery of any such notice to Chugach, requested an appropriation of funds from the Assembly of Municipality for purposes of paying any amount required to be paid or reimbursed in connection with such Third Party Claim or Direct Claim, or (B) Municipality has requested an appropriation of funds from the Assembly of Municipality for such purposes but has not received an appropriation of such funds, Chugach will be entitled to withhold all or part of any amount due to Municipality under this Agreement for purposes of paying or reimbursing any Losses that have been determined, in accordance with the provisions of ARTICLE VIII of the Asset Purchase Agreement, to be due and owing from Municipality to any Buyer Indemnitee under ARTICLE VIII of the Asset Purchase Agreement in connection with such Third Party Claim or Direct Claim. In the event that (i) Chugach has notified Municipality under Section 8.05 of the Asset Purchase Agreement that Chugach is entitled to indemnification from Municipality with respect to any Third Party Claim or Direct Claim, (ii) Municipality fails to assume the defense of such Third Party Claim or provide indemnification for such Direct Claim, (iii) Chugach, in accordance with the provisions of ARTICLE VIII of the Asset Purchase Agreement, pursues its available legal remedies against Municipality for such failure and obtains a final judgment requiring Municipality to indemnify Chugach in accordance with ARTICLE VIII of the Asset Purchase Agreement for Chugach's Losses in connection with such Third Party Claim or Direct Claim, and (iv) either (A) Municipality has not, within sixty (60) days after issuance of such judgment, requested an appropriation of funds from the Assembly of Municipality for purposes of paying such Losses, or (B) Municipality has requested an appropriation of funds from the Assembly of Municipality for such purposes but has

not received an appropriation of such funds, Chugach will be entitled to withhold all or part of any amount due to Municipality under this Agreement for purposes of paying or reimbursing such Losses.

Section 2.12 Remedies. All rights and remedies available to Municipality for the collection of taxes shall apply to the PILT Payments hereunder, including, but not limited to, the rights and remedies provided in AMC 12.15.060(C) and AMC 12.15.070, and all such rights and remedies are hereby reserved notwithstanding anything to the contrary herein.

ARTICLE III

MISCELLANEOUS

Section 3.01 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 3.01):

If to Municipality:

Municipality of Anchorage
632 W. 6th Avenue, Suite 850
Anchorage, AK 99501
E-mail: william.falsey@anchorageak.gov
Attention: William D. Falsey, Municipal Manager

with a copy to:

Municipality of Anchorage
632 W. 6th Avenue, Suite 850
Anchorage, AK 99501
E-mail: rebecca.windtpearson@anchorageak.gov
Attention: Rebecca A. Windt Pearson, Municipal Attorney

and a copy to:

K&L Gates LLP
925 Fourth Avenue, Suite 2900
Seattle, WA 98104-1158
E-mail: eric.freedman@klgates.com
Attention: Eric E. Freedman

If to Chugach:

Chugach Electric Association, Inc.
5601 Electron Drive
Anchorage, AK 99518
E-mail: Lee_Thibert@chugachelectric.com

Attention: Lee D. Thibert, Chief Executive Officer

with a copy to:

Chugach Electric Association, Inc.
5601 Electron Drive
Anchorage, AK 99518
E-mail: Matthew_Clarkson@chugachelectric.com
Attention: Matthew C. Clarkson, General Counsel

and a copy to:

Stinson Leonard Street LLP
Suite 2600
50 South Sixth Street
Minneapolis, MN 55402
E-mail: james.bertrand@stinson.com
Attention: James J. Bertrand

Section 3.02 Interpretation. For purposes of this Agreement, (a) the words "include," "includes" and "including" shall be deemed to be followed by the words "without limitation"; (b) the word "or" is not exclusive; and (c) the words "herein," "hereof," "hereby," "hereto" and "hereunder" refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (x) to Articles, Sections and Exhibits means the Articles, Sections and Exhibits attached to this Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

Section 3.03 Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

Section 3.04 Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 3.05 Entire Agreement. This Agreement constitutes the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of a conflict between the terms of this Agreement and the Asset Purchase Agreement, the terms of the Asset Purchase Agreement shall control.

Section 3.06 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed, except that Chugach may assign this Agreement to any Affiliate or any Person that acquires all or substantially all of its assets, whether by merger, asset purchase or otherwise. No assignment shall relieve the assigning party of any of its obligations hereunder.

Section 3.07 No Third-party Beneficiaries. This Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 3.08 Amendment and Modification; Waiver. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each party hereto. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Section 3.09 Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.

(a) This Agreement shall be governed by and construed in accordance with the internal laws of the State of Alaska without regard to conflict of law principles that would result in the application of the laws of any other jurisdiction.

(b) ANY LEGAL SUIT, ACTION OR PROCEEDING ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY MAY BE INSTITUTED IN THE SUPERIOR COURT OF THE STATE OF ALASKA IN THE THIRD JUDICIAL DISTRICT, LOCATED IN ANCHORAGE, ALASKA, AND EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURT IN ANY SUCH SUIT, ACTION OR PROCEEDING. SERVICE OF PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT BY MAIL TO SUCH PARTY'S ADDRESS SET FORTH HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN SUCH COURT. THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR ANY PROCEEDING IN SUCH COURT AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY TO THIS AGREEMENT CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION, (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS Section 3.09(c).

Section 3.10 Specific Enforcement. The parties agree that irreparable damage would occur if any provision of this Agreement (including timely payment of PILT Payments) were not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity. The parties acknowledge and agree that (a) the parties shall be entitled to an injunction, specific performance or other equitable relief to prevent breaches of this Agreement (including timely payment of PILT Payments) and to enforce specifically the terms and provisions hereto, without proof of damages, this being in addition to any other remedy to which they are entitled under this Agreement and (b) the right to specific enforcement is an integral part of the transactions contemplated by this Agreement and without that right, neither Municipality nor Chugach would have entered into this Agreement. Each party agrees that it will not oppose the granting of specific performance and other equitable relief on the basis that the other parties have an adequate remedy at law or that an award of specific performance is not an appropriate remedy for any reason at law or equity. The parties acknowledge and agree that any party seeking an injunction to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in accordance with this Section 3.10 shall not be required to provide any bond or other security in connection with any such injunction.

Section 3.11 Waiver of Sovereign Immunity. Municipality agrees that it is subject to civil and commercial suit for any breach of contract obligations under this Agreement. To the extent that Municipality may be entitled to claim sovereign, governmental, or municipal immunity from any liability in such a civil or commercial suit by Chugach, Municipality hereby agrees not to claim, and hereby waives, such sovereign, governmental, or municipal immunity.

Section 3.12 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

Section 3.13 Conditions Precedent. This Agreement and the Parties' obligations set forth herein are contingent upon the occurrence or waiver of each of the following events:

- (a) The Closing (as defined in the Asset Purchase Agreement) shall have occurred; and
- (b) RCA approval of this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Payment in Lieu of Taxes Agreement to be executed as of the date first written above by their respective officers and officials thereunto duly authorized.

MUNICIPALITY OF ANCHORAGE,
ALASKA

By 

Name: William D. Falsey
Title: Municipal Manager

CHUGACH ELECTRIC ASSOCIATION,
INC.

By _____

Name: Lee D. Thibert
Title: Chief Executive Officer

IN WITNESS WHEREOF, the parties hereto have caused this Payment in Lieu of Taxes Agreement to be executed as of the date first written above by their respective officers and officials thereunto duly authorized.

MUNICIPALITY OF ANCHORAGE,
ALASKA

By _____

Name: William D. Falsey
Title: Municipal Manager

CHUGACH ELECTRIC ASSOCIATION,
INC.

By  _____

Name: Lee D. Thibert
Title: Chief Executive Officer

Signature Page to
Payment in Lieu of Taxes Agreement
between
Municipality of Anchorage, Alaska, and Chugach Electric Association, Inc.

EXHIBIT A

PILT PAYMENTS CALCULATION EXAMPLE

PILT Agreement
Municipality of Anchorage and Chugach Electric Association, Inc.

Exhibit A
Example: Calculation of Payments in Lieu of Taxes (PILT)
For Illustrative Purposes Only

Summary Calculations - All Values Are for Illustrative Purposes Only

Line No.	[A]	[B]	[C]	[D]
	At Closing	Contract Year 1	Contract Year 2	Contract Year 3
1	NBV at Closing, ML&P Legacy Territory	\$ 704,901,046		
2	NBV at Closing, Chugach Legacy	\$ 626,025,041		
3	NBV at Closing, Total System	\$ 1,330,926,087	\$ 1,346,897,200	\$ 1,407,103,505
4	Incremental System NBV Growth Rate		1.20%	4.47%
5	Blended Mill Rate		13.57	13.84
				14.19
<u>Calculation (Terms as Defined in the PILT Agreement)</u>				
6	Overall Plant in Service Change <i>Line 3 / Line 3 Column [A]</i>		1.0120	1.0572
7	Adjusted Net Book Value <i>Line 1 Column [A] * Line 6</i>	\$ 704,901,046	\$ 713,359,859	\$ 745,247,044
8	PILT Payment <i>Line 7 * Line 5 / 1,000</i>		\$ 9,680,561	\$ 10,314,799
				\$ 10,307,978

Detailed Calculations - All Values Are for Illustrative Purposes Only

At Closing:			
Net Book Value (NBV) of Plant in Service within the Municipality of Anchorage (MOA)			
Service Area	NBV at Closing: Assets within MOA		System NBV
District	ML&P Legacy Territory	Chugach Legacy	at Closing ¹
1	\$211,740,497		
3	\$139,036,868		
5	\$15,132		
10	\$576,112		
16	\$348,326,106		
22	\$4,778,530		
51	\$427,801		
Total	\$704,901,046	\$626,025,041	\$1,330,926,087

¹ System net book value based on Chugach Electric Association, Inc.'s total net plant within the Municipality of Anchorage, at Closing. The net book value shall be based on account balances on the first day of the month following closing.

Contract Year 1

Overall Plant in Service Change

System NBV within MOA at Closing	\$1,330,926,087
System NBV within MOA on January 1, Contract Year 1	\$1,346,897,200
Difference	\$15,971,113
Percent Difference	1.20%

Service Area District	Net Plant - ML&P Legacy Territory at Closing	Overall Plant in Service Change	Adjusted NBV, Contract Year 1	Mill Levy	PILT
1	\$211,740,497	1.20%	\$214,281,383	16.40	\$3,514,215
3	\$139,036,868	1.20%	\$140,705,310	16.40	\$2,307,567
5	\$15,132	1.20%	\$15,314	13.45	\$206
10	\$576,112	1.20%	\$583,026	16.07	\$9,369
16	\$348,326,106	1.20%	\$352,506,019	10.70	\$3,771,814
22	\$4,778,530	1.20%	\$4,835,872	14.68	\$70,991
51	\$427,801	1.20%	\$432,935	14.78	\$6,399
Total	\$704,901,046		\$713,359,859		\$9,680,561

Contract Year 2

Overall Plant in Service Change

System NBV within MOA at Closing	\$1,330,926,087
System NBV within MOA on January 1, Contract Year 2	\$1,407,103,505
Difference	\$76,177,418
Percent Difference	5.72%

Service Area District	Net Plant - ML&P Legacy Territory at Closing	Overall Plant in Service Change	Adjusted NBV, Contract Year 2	Mill Levy	PILT
1	\$211,740,497	5.72%	\$223,859,761	16.73	\$3,745,174
3	\$139,036,868	5.72%	\$146,994,837	16.73	\$2,459,224
5	\$15,132	5.72%	\$15,998	13.72	\$219
10	\$576,112	5.72%	\$609,087	16.39	\$9,983
16	\$348,326,106	5.72%	\$368,263,038	10.91	\$4,017,750
22	\$4,778,530	5.72%	\$5,052,035	14.97	\$75,629
51	\$427,801	5.72%	\$452,287	15.08	\$6,820
Total	\$704,901,046		\$745,247,044		\$10,314,799

Contract Year 3

Overall Plant in Service Change

System NBV within MOA at Closing	\$1,330,926,087
System NBV within MOA on January 1, Contract Year 3	\$1,371,925,917
Difference	\$40,999,830
Percent Difference	3.08%

Service Area District	Net Plant - ML&P Legacy Territory at Closing	Overall Plant in Service Change	Adjusted NBV, Contract Year 3	Mill Levy	PILT
1	\$211,740,497	3.08%	\$218,263,267	17.15	\$3,743,215
3	\$139,036,868	3.08%	\$143,319,967	17.15	\$2,457,937
5	\$15,132	3.08%	\$15,598	14.06	\$219
10	\$576,112	3.08%	\$593,860	16.80	\$9,977
16	\$348,326,106	3.08%	\$359,056,462	11.18	\$4,014,251
22	\$4,778,530	3.08%	\$4,925,735	15.34	\$75,561
51	\$427,801	3.08%	\$440,980	15.46	\$6,818
Total	\$704,901,046		\$726,615,868		\$10,307,978

BRU FUEL AGREEMENT

This BRU Fuel Agreement (this “**Agreement**”), dated as of December 28, 2018, is made and entered into between Municipality of Anchorage, Alaska, a political subdivision organized under the laws of the State of Alaska (“**Municipality**”), and Chugach Electric Association, Inc., a not-for-profit electric cooperative corporation organized under the laws of the State of Alaska (“**Chugach**”).

RECITALS

WHEREAS, Municipality and Chugach have entered into that certain Asset Purchase and Sale Agreement (the “**Asset Purchase Agreement**”) dated as of December 28, 2018 pursuant to which Chugach has acquired substantially all of the assets of Municipality’s electric utility referred to as Municipal Light and Power (“**ML&P**”).

WHEREAS, as an integral part of the transactions contemplated by the Asset Purchase Agreement, Chugach and Municipality have agreed to enter into this Agreement to provide for the pass-through of BRU costs of production to customers of Chugach after the Closing as stated herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

Capitalized terms used but not defined herein have the meanings assigned to them in the Asset Purchase Agreement. In addition, the following terms have the meanings specified or referred to in this ARTICLE I:

“**Applicable Test Period**” means the annual period beginning on January 1 and ending on December 31 of each year.

“**Cost of Production**” means the allocable cost of production for the ML&P BRU Gas using all necessary capital costs and operating and maintenance expenses associated with the BRU Interest.

“**Excess BRU Gas**” means any ML&P BRU Gas not used by retail customers of Chugach in the Legacy Territory as and when such ML&P BRU Gas is produced.

“**Legacy Territory**” means ML&P’s retail service territory as in existence as of immediately prior to the Closing

“**ML&P BRU Gas**” means any and all gas produced that is attributable to the BRU Interest acquired by Chugach pursuant to the Asset Purchase Agreement.

“**ML&P BRU Gas Transfer Price**” means the quotient obtained by dividing (i) the estimated revenue requirement to generate ML&P BRU Gas during the Applicable Test Period by (ii) the forecasted production for such ML&P BRU Gas during the Applicable Test Period.

ARTICLE II USAGE OF ML&P BRU FUEL

Section 2.01 ML&P BRU Gas through December 31, 2033. From the Closing Date through and including December 31, 2033, Chugach will use (i) ML&P BRU Gas to serve retail customers of Chugach within the Legacy Territory at the ML&P BRU Gas Transfer Price and (ii) any Excess BRU Gas to serve other customers of Chugach at the ML&P BRU Gas Transfer Price, and will credit the proceeds of such use to ML&P's Deferred Regulatory Liability from Gas Sales account for the benefit of retail customers of Buyer within the ML&P legacy service area.

Section 2.02 ML&P BRU Gas after December 31, 2033. Chugach's obligations under Section 2.01 shall terminate on January 1, 2034. Beginning on January 1, 2034 and continuing thereafter, all Cost of Production will be recovered from all Chugach retail customers inside and outside of the Legacy Territory at the same rate.

ARTICLE III

MISCELLANEOUS

Section 3.01 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 3.01):

If to Municipality:

Municipality of Anchorage
632 W. 6th Avenue, Suite 850
Anchorage, AK 99501
E-mail: william.falsey@anchorageak.gov
Attention: William D. Falsey, Municipal Manager

with a copy to: Municipality of Anchorage
632 W. 6th Avenue, Suite 850
Anchorage, AK 99501
E-mail: rebecca.windtpearson@anchorageak.gov
Attention: Rebecca A. Windt Pearson, Municipal Attorney

and a copy to: K&L Gates LLP
925 Fourth Avenue, Suite 2900
Seattle, WA 98104-1158
E-mail: eric.freedman@klgates.com
Attention: Eric E. Freedman

If to Chugach: Chugach Electric Association, Inc.
5601 Electron Drive
Anchorage, AK 99518
E-mail: Lee_Thibert@chugachelectric.com
Attention: Lee D. Thibert, Chief Executive Officer

with a copy to: Chugach Electric Association, Inc.
5601 Electron Drive
Anchorage, AK 99518
E-mail: Matthew_Clarkson@chugachelectric.com
Attention: Matthew C. Clarkson, General Counsel

and a copy to: Stinson Leonard Street LLP
Suite 2600
50 South Sixth Street
Minneapolis, MN 55402
E-mail: james.bertrand@stinson.com
Attention: James J. Bertrand

Section 3.02 Interpretation. For purposes of this Agreement, (a) the words “include,” “includes” and “including” shall be deemed to be followed by the words “without limitation”; (b) the word “or” is not exclusive; and (c) the words “herein,” “hereof,” “hereby,” “hereto” and “hereunder” refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (x) to Articles, Sections and Exhibits means the Articles, Sections and Exhibits attached to this Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement shall be

construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

Section 3.03 Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

Section 3.04 Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 3.05 Entire Agreement. This Agreement constitutes the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. Notwithstanding the previous sentence, in the event of a conflict between the terms of this Agreement and the Asset Purchase Agreement, the terms of the Asset Purchase Agreement shall control.

Section 3.06 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed, except that Chugach may assign this Agreement to any Affiliate or any Person that acquires all or substantially all of its assets, whether by merger, asset purchase or otherwise. No assignment shall relieve the assigning party of any of its obligations hereunder.

Section 3.07 No Third-party Beneficiaries. This Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 3.08 Amendment and Modification; Waiver. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each party hereto. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Section 3.09 Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.

(a) This Agreement shall be governed by and construed in accordance with the internal laws of the State of Alaska, without regard to conflict of law principles that would result in the application of the laws of any other jurisdiction.

(b) ANY LEGAL SUIT, ACTION OR PROCEEDING ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY MAY BE INSTITUTED IN THE SUPERIOR COURT OF THE STATE OF ALASKA IN IN THE THIRD JUDICIAL DISTRICT, LOCATED IN ANCHORAGE, ALASKA, AND EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURT IN ANY SUCH SUIT, ACTION OR PROCEEDING. SERVICE OF PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT BY MAIL TO SUCH PARTY'S ADDRESS SET FORTH HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN SUCH COURT. THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR ANY PROCEEDING IN SUCH COURT AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY TO THIS AGREEMENT CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION, (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 3.09(c).

Section 3.10 Specific Enforcement. The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity. The parties acknowledge and agree that (a) the parties shall be entitled to an injunction, specific performance or other equitable relief to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereto, without proof of damages, this

being in addition to any other remedy to which they are entitled under this Agreement and (b) the right to specific enforcement is an integral part of the transactions contemplated by this Agreement and without that right, neither Municipality nor Chugach would have entered into this Agreement. Each party agrees that it will not oppose the granting of specific performance and other equitable relief on the basis that the other parties have an adequate remedy at law or that an award of specific performance is not an appropriate remedy for any reason at law or equity. The parties acknowledge and agree that any party seeking an injunction to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in accordance with this Section 3.10 shall not be required to provide any bond or other security in connection with any such injunction.

Section 3.11 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

Section 3.12 Conditions. This Agreement and the Parties' obligations set forth herein are contingent upon the occurrence of the Closing (as defined in the Asset Purchase Agreement). In addition, this Agreement (1) does not take effect until the prior approval of the RCA and (2) is, at all times, subject to revision by the RCA.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this BRU Fuel Agreement to be executed as of the date first written above by their respective officers and officials thereunto duly authorized.

MUNICIPALITY OF ANCHORAGE,
ALASKA

By William D. Falsey

Name: William D. Falsey
Title: Municipal Manager

CHUGACH ELECTRIC ASSOCIATION,
INC.

By _____

Name: Lee D. Thibert
Title: Chief Executive Officer

IN WITNESS WHEREOF, the parties hereto have caused this BRU Fuel Agreement to be executed as of the date first written above by their respective officers and officials thereunto duly authorized.

MUNICIPALITY OF ANCHORAGE,
ALASKA

By _____

Name: William D. Falsey
Title: Municipal Manager

CHUGACH ELECTRIC ASSOCIATION,
INC.

By  _____

Name: Lee D. Thibert
Title: Chief Executive Officer

Signature Page to
BRU Fuel Agreement
by and between
Municipality of Anchorage, Alaska, and Chugach Electric Association, Inc.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is entered into by and between Brian Hickey ("Hickey") and Chugach Electric Association, Inc., an Alaska electrical cooperative association headquartered in Anchorage, Alaska ("Chugach" or "Employer")(Collectively "Parties").

WITNESSETH:

WHEREAS, Chugach is engaged in the business of production, transmission and distribution of electricity in Alaska;

WHEREAS, Hickey has skills and experience in electric utility management transmission and distribution of electricity; and

WHEREAS, Chugach desires to obtain Hickey's services as the Chief Operating Officer ("COO") of its business and Hickey desires to be employed in that position by Chugach;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein set forth, the Parties hereto agree as follows:

1. Employment. Chugach hereby employs Hickey as its Chief Operating Officer and Hickey hereby accepts such employment upon the terms and conditions hereinafter set forth. Hickey is an employee of Chugach and not the Board of Directors.

2. Duties.

a. Hickey shall serve as Chugach's Chief Operating Officer and shall perform his services as such within the framework of Chugach's bylaws, policies, procedures and goals.

In such capacity, Hickey's duties shall include the leadership and development of the Line Operations, Engineering, Technical Services, Dispatch, Generation, Distribution and other business units as determined by the Chugach CEO. Hickey will continue to participate in development activities and relationship building in preparation for future advancement with Chugach.

b. Hickey shall devote substantially all his business time, attention and energies to the performance of his duties and functions under this Agreement and shall not during the term of his employment hereunder be engaged in any other substantial business activity for gain, profit or other pecuniary advantage. Hickey shall faithfully, loyally and diligently perform his assigned duties and functions and shall not engage in any activities whatsoever that conflict with his obligations to Chugach during the term of his employment hereunder. Notwithstanding the foregoing, nothing in the foregoing shall be construed so as to limit or prohibit personal investments by Hickey; provided that

such investments shall not amount to a controlling interest in any entity (other than trusts, limited partnerships or other entities adopted by Hickey for estate planning purposes). Hickey also agrees that he will not participate in any political activity that will or may reflect adversely upon Chugach without obtaining the prior consent of the CEO.

c. Chugach shall furnish Hickey with an office and other facilities at Chugach's headquarters location and services that are suitable to his position and adequate for the performance of his duties and functions hereunder.

3. Term of Agreement. The term of this Agreement shall be for a period of five (5) years commencing with the date of signing by both parties. Absent notice of termination, this Agreement will automatically renew for one additional one-year period.

4. Compensation. Chugach shall pay to Hickey, in consideration of and as compensation for the services agreed to be rendered by Hickey hereunder, the following:

a. Salary. Chugach shall pay to Hickey an annual salary of Three Hundred Thirty-Two Thousand Dollars (\$332,000 US) (the "Base Salary"), payable in regular installments on Chugach's normal paydays, less any applicable withholdings required by law or any applicable deductions authorized by Hickey.

b. Pay Raises/Incentive Payments. Pay raises and pay incentive cash payments will be determined by the process applied to Chugach Executives.

5. Chugach Provided Benefits. During the term of this Agreement and if available then, Hickey shall be entitled to participate in all group health, pension, 401(k), deferred compensation plans, employer-paid long-term disability insurance and life insurance coverage and other fringe benefit programs maintained by Chugach and provided to its salaried administrative personnel, on the same terms as apply to participation therein by such personnel generally (except as otherwise provided herein).

6. Holidays, Sick Leave and Annual Leave. Hickey shall be entitled to such holidays, sick leave and annual leave as are provided to Chugach's salaried administrative personnel generally.

7. Expenses. During the term of this Agreement, Chugach shall reimburse Hickey for all reasonable travel, entertainment and other business expenses incurred or paid by Hickey in performing his duties and functions hereunder, subject to Hickey's accounting for and reporting such expenses pursuant to applicable Chugach policies.

8. Non-Competition. During the term of this Agreement, during any extension thereof, and for a period of six months after termination of this Agreement, Hickey shall not enter into or participate in any business competitive to the business carried on by Chugach in Southcentral Alaska or at such additional locations, if any, outside Southcentral Alaska at which Chugach conducts business. As used herein, the term "business competitive to the business carried on by Chugach" means any business that

involves the production, transmission or distribution of electricity, and the words "Southcentral Alaska" mean a business conducted in whole or in part within the boundaries of the Municipality of Anchorage, the Kenai Peninsula Borough, or the Matanuska-Susitna Borough. The provisions of this Section 8 shall survive the expiration and/or termination of this Agreement. If a court of competent jurisdiction should declare any or all of this provision unenforceable because of any unreasonable restriction of duration and/or geographical area, then such court shall have the express authority to reform this provision to provide for reasonable restrictions and/or to grant Chugach such other relief, at law or in equity, as is reasonably necessary to protect its interests.

9. Confidential Information. During the term of this Agreement and at all times thereafter, Hickey will not use for his own advantage or disclose to any unauthorized person any confidential information relating to the business operations or properties of Chugach and any affiliate of Chugach. Upon the expiration or termination of this Agreement, upon Chugach's request, Hickey will surrender and deliver to Chugach all documents and information of every kind relating to or connected with Chugach and its affiliates. As used herein "confidential information" means all information, whether written or oral, tangible or intangible, of a private, secret, proprietary or confidential nature, of or concerning Chugach and its business and operations, including without limitation, any trade-secrets or know-how, computer software programs in both source code and object code, information regarding any product or service, development, technology, technique, process or methodology, any sales, promotional or marketing plans, programs, techniques, practices or strategies, any expansion or acquisition plans, any operational and management guidelines, any cost, pricing or other financial data or projections, and any other information which is to be treated as confidential because of any duty of confidentiality owed by Chugach to any third party or any other information that Chugach shall, in the ordinary course of its business, possess or use and not release externally without restriction on use or disclosure. The foregoing confidential information provision shall not apply to information which: (i) is or becomes publicly known through no wrongful act of Hickey, (ii) is rightfully received from any third party without restriction and without breach by Hickey of this Agreement, or (iii) is independently developed by Hickey after the term of his employment hereunder or is independently developed by a competitor of Chugach at any time. The provisions of this Section 9 shall survive the expiration and/or termination of this Agreement.

10. Termination.

a. Termination for Cause. Chugach may terminate Hickey's employment for "cause" immediately upon written notice to Hickey, provided, however, that Hickey must be given ten (10) days written notice of cause for termination and the opportunity to cure such cause within that time if the CEO in his reasonable discretion determines that (1) the cause for termination is capable of being cured and (2) no similar conduct or failure that was previously cured has occurred. Such notice shall specify in reasonable detail the acts or omissions that constitute cause for termination. For purposes of this

Agreement, "cause" means a business-related reason that is not arbitrary, capricious or illegal and which is based on facts (i) supported by substantial evidence, and (ii) reasonably believed by the CEO to be true. Examples of "cause" for termination of employment are provided in Chugach Operating Policy 013 dated September 19, 2001, and are incorporated herein by reference to the extent they are consistent with this Agreement, and may also include the following: willful and repeated failure or refusal to carry out reasonable orders, instructions, or directives of the CEO or Board of Directors; material acts of dishonesty, disloyalty or competition related to the business of Chugach or its relationships with employees, suppliers, contractors, customers or others with whom Chugach does business; refusal or failure to furnish material information concerning Chugach's affairs as reasonably requested by or under the authority of the CEO or Board of Directors, or falsification or misrepresentation of such information, conviction of a crime constituting fraud, intentional dishonesty, moral turpitude, or other conduct that materially compromises the reputation of the employee or Chugach; or any other act, course of conduct, or omission that has or is reasonably likely to have a material adverse effect on Chugach, its business or financial position, or its goodwill or reputation.

In the event of the involuntary termination of his employment for cause, Hickey shall not be entitled to receive any compensation or benefits hereunder other than (1) his Salary earned through the effective date of Hickey's termination, (2) accrued, unused annual leave, and (3) vested employee benefits under the terms and conditions of the governing plan documents and policies. In the event of termination for cause under this Section, Hickey's obligations under Sections 8 and 9 shall continue under the terms and conditions of this Agreement.

Any grievance by Hickey regarding this Agreement shall be resolved in accordance with the terms of Chugach Operating Policy 004 and the procedure under Policy 004 shall constitute the sole and exclusive remedy for Hickey for any grievance regarding this Agreement.

b. Termination without Cause. Chugach may terminate Hickey's employment without cause at any time during the term of this Agreement or any extension thereof. Upon such termination without cause and provided that the Consideration Requirements (as defined below) are satisfied, Chugach shall pay the following subject to the terms below:

(i) Termination without Cause: a lump sum payment equal to 100% of his annual Base Salary payable within ninety (90) days of the termination of employment;

(ii) the full cost of any continuation coverage required under the Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985, as amended, for a period not in excess of 12 months on an after-tax basis and thereafter Hickey shall be charged the full cost of such coverage. If Hickey becomes reemployed with another employer and is eligible to participate in

such employer's health care plan, then Chugach shall not be obligated to pay the cost of any continued coverage after the date of such reemployment for Hickey and any of Hickey's dependents.

(iii) The amounts described above under (i) and (ii) above shall collectively be referred to as "Severance."

For purposes of this Agreement, "Consideration Requirements" means all of the following: (i) Hickey executes and returns to Chugach a separation agreement in a form acceptable to Chugach, which shall include a full waiver and release of all claims by Hickey against Chugach, its affiliates, and their officers, directors, employees and agents, (ii) the revocation period for the separation agreement has lapsed without revocation, and (iii) Hickey has not entered into a consulting agreement with Chugach, as contemplated by Section 11.

In the event of a termination without cause under this Section 10(b), Hickey also will be entitled to receive (1) his Salary earned through the effective date of Hickey's termination, (2) accrued, unused annual leave, and (3) vested employee benefits under the terms and conditions of the governing plan documents and policies. In the event of termination without cause under this Section, Hickey's obligations under Sections 8 and 9 shall continue under the terms and conditions of those Sections.

c. Voluntary Termination. Hickey may voluntarily terminate his employment under this Agreement at any time upon sixty (60) days' prior written notice to Chugach's CEO, whereupon Chugach's employment of Hickey shall terminate at the end of the sixty (60) day notice period. In the event of Hickey's voluntary termination of employment, he shall not be entitled to receive any compensation or benefits hereunder other than (1) his Salary accrued through the effective date of such termination, (2) accrued, unused annual leave, and (3) vested employee benefits under the terms and conditions of the governing plan documents and policies. In the event of voluntary termination under this Section, Hickey's obligations under Sections 8 and 9 shall continue under the terms and conditions of this Agreement.

d. Disability. Chugach may terminate Hickey's employment after having established Hickey's disability, subject to applicable state and/or federal law. For purposes of this Agreement, "Disability" means a physical or mental disability which impairs Hickey's ability to substantially perform his duties under this Agreement and which results in Hickey becoming eligible for long-term disability benefits under Chugach's long-term disability plan (or, if Chugach has no such plan in effect, which impairs Hickey's ability to substantially perform his duties under this Agreement for a period of 180 consecutive days). Hickey shall be entitled to the compensation and benefits under the terms and conditions of the governing plan documents or policies provided for under this Agreement for (i) any period during the term of this Agreement and prior to the establishment of Hickey's Disability during which Hickey is unable to work due to a physical or mental disability, or (ii) any period of Disability which is prior to Hickey's termination of employment pursuant to this Section. In the event of

termination due to disability under this Section, Hickey's obligations under Sections 8 and 9 shall continue under the terms and conditions of those Sections.

e. Death. This Agreement shall automatically terminate the day after Hickey's death if it has not already terminated prior to that date.

f. Miscellaneous. In the event of any termination or attempted termination hereof: (i) if multiple events, occurrences or circumstances are asserted as bases for such termination or attempted termination, the event, occurrence or circumstance that is earliest in time, and any termination or attempted termination found to be proper hereunder based thereon, shall take precedence over the others; (ii) no termination of this Agreement shall relieve or release either party from liability hereunder based on any breach of the terms hereof by such party occurring prior to the termination date; and (iii) the terms of this Agreement relevant to performance or satisfaction of any obligation hereunder expressly remaining to be performed or satisfied in whole or in part at the termination date shall continue in force until such full performance or satisfaction has been accomplished and otherwise neither party hereto shall have any other or further remaining obligations to the other party hereunder.

g. No Duty of Mitigation. In the event of any termination of Hickey's employment under subsection 10(b), Hickey shall be under no obligation to seek other employment and shall be entitled to all payments or benefits required to be made or provided to Hickey hereunder, without any duty of mitigation of damages and regardless of any other employment obtained by Hickey.

12. Injunctive Relief. It is agreed that the services of Hickey are unique and that any breach or threatened breach by Hickey of any provision of this Agreement cannot be remedied solely by damages. Accordingly, in the event of a breach by Hickey of his obligations under this Agreement, Chugach shall be entitled to seek and obtain interim restraints and permanent injunctive relief, restraining Hickey and any business, firm, partnership, individual, corporation or entity participating in such breach or attempted breach. Nothing herein, however, shall be construed as prohibiting either party from seeking injunctive relief to require resolution of disputes or controversies arising out of or relating to this Agreement.

13. Indemnification.

a. Chugach shall indemnify Hickey (as a "protected person") to the fullest extent permitted by AS 10.25.145 (the terms of which are incorporated herein by this reference) against all costs, expenses, liabilities and losses (including, without limitation, attorneys' fees, judgments, penalties and amounts paid in settlement) reasonably incurred by Hickey in connection with any action, suit or proceeding, whether civil, criminal, administrative or investigative in which Hickey is made, or is threatened to be made, a party to or a witness in such action, suit or proceeding by reason of the fact that he is or was an officer or agent of Chugach or of any of Chugach's controlled affiliates or is or

was serving as an officer, trustee, agent or fiduciary of any other entity at the request of Chugach (a "Proceeding").

b. Chugach shall advance to Hickey all reasonable costs and expenses incurred by him in connection with a Proceeding within twenty (20) days after receipt by Chugach of a written request for such advance, accompanied by an itemized list of the actual or anticipated costs and expenses and Hickey's written undertaking to repay to Chugach on demand the amount of such advance if it shall ultimately be determined that Hickey is not entitled to be indemnified against such costs and expenses. Hickey shall periodically account to Chugach for all such costs and expenses incurred by Hickey in connection with his defense of the Proceeding.

c. The indemnification provided to Hickey hereunder is in addition to, and not in lieu of, any additional indemnification to which he may be entitled pursuant to Chugach's Certificate of Incorporation or Bylaws, any insurance maintained by Chugach from time to time providing coverage to Hickey and other officers and directors of Chugach, or any separate written agreement with Hickey. The provisions of this Section 13 shall survive any termination of this Agreement.

14. Amendment and Modification. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof, and supersedes any and all prior agreements, arrangements or understandings between the parties hereto with respect to the subject matter hereof, whether written or oral. Notwithstanding the foregoing, nothing in this Agreement supersedes or restricts any of Hickey's existing obligations to Chugach to protect the confidentiality of information of Chugach and to assign intellectual property rights to it or otherwise protect its intellectual property and/or business interests, which remain in full force and effect. Subject to applicable law and upon the consent of Chugach's CEO, this Agreement may be amended, modified and supplemented by written agreement of Chugach and Hickey with respect to any of the terms contained herein.

15. Waiver of Compliance. Any failure of either party to comply with any obligation, covenant, agreement or condition on its part contained herein may be expressly waived in writing by the other party, but such waiver or failure to insist upon strict compliance shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of any party, such consent shall be given in writing.

16. Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand, sent by registered or certified U.S. Mail, postage prepaid, commercial overnight courier service or transmitted by facsimile and shall be deemed served or delivered to the addressee at the address for such notice specified below when hand delivered, upon confirmation of sending when sent by fax, on the day after being sent when sent by overnight delivery, or five (5) days after having been mailed, certified or registered, with postage prepaid:

<u>If to Chugach</u>	<u>If to Hickey</u>
Chugach Electric Association, Inc. P.O. Box 196300 Anchorage, Alaska 99519-6300 Facsimile: (907) 762-4888 Attn: Chief Executive Officer	Brian J. Hickey Mailing: 2449 Glenwood Street Anchorage, AK 99508 Physical same

Or, in the case of either such party, to such substitute address as such party may designate from time to time for purposes of notices to be given to such party hereunder, which substitute address shall be designated as such in a written notice given to the other party addressed as aforesaid.

17. Assignment. This Agreement shall inure to the benefit of Hickey and Chugach and be binding upon the successors and general assigns of Employer. This Agreement shall not be assignable by either party except to the extent set forth in Section 21.

18. Enforceability. In the event it is determined that this Agreement is unenforceable in any respect, it is the mutual intent of the parties that it be construed to apply and be enforceable to the maximum extent permitted by applicable law.

19. Applicable Law. This Agreement is made under and shall be governed by and construed in accordance with the laws of the State of Alaska without regard to conflicts of laws principles thereof, and shall further be construed and enforced in accordance with the laws applicable to contracts executed, delivered and fully to be performed in the State of Alaska.

20. Compliance with Section 409A. The intent of Hickey and Chugach is that all payments and benefits under this Agreement comply with or be exempt from Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), this Agreement be interpreted to be in compliance with Section 409A, and that such payments and benefits not be subject to any tax or interest under Section 409A. In the event any term or provision of the Agreement would be prohibited by or inconsistent with the requirements of Section 409A, or cause any payments or benefits to be subject to tax or interest under Section 409A, such term or provision will be deemed reformed and modified to the minimum extent reasonably appropriate to conform with Section 409A. In no event will Chugach or any of its employees or representatives have any liability to Hickey in the event that any payment or benefit provided under this Agreement becomes subject to tax or interest under Section 409A.

21. Beneficiaries: Executive's Representative. Hickey shall be entitled to select (and to change, from time to time, except to the extent prohibited under any applicable law) a beneficiary or beneficiaries to receive any payments, distributions or benefits to be made or distributed hereunder upon or following Hickey's death. Any such designation shall be made by written notice to Chugach. In the event of Hickey's death or of a

judicial determination of Hickey's incompetence, references in this Agreement to Hickey shall be deemed, as appropriate, to refer to his designated beneficiary, to his estate or to his executor or personal representative ("Hickey's Representative") solely for the purpose of providing a clear mechanism for the exercise of Hickey's rights hereunder in the case of Hickey's death or disability.

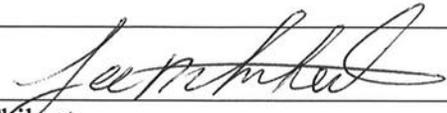
22. Jurisdiction. Any litigation arising out of or involving this Agreement will proceed only in the Third Judicial District, State of Alaska, and venue will be permissible only in Anchorage, Alaska.

23. Acknowledgement of Non-Reliance. Hickey acknowledges and agrees that he has executed this Agreement freely and voluntarily, and that no representation or promise not expressly contained in the Agreement has been made by Chugach.

24. Informed Agreement. All the terms and conditions in this Agreement have been reflected upon without haste. The undersigned parties acknowledge that neither is at a disadvantage, that each has been advised to seek representation of counsel in the negotiation and signing of this Agreement, that each has had the opportunity to seek legal representation, and that each is signing this Agreement without coercion.

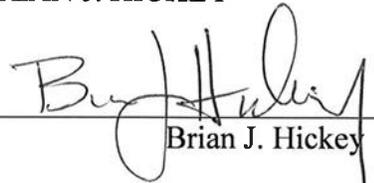
IN WITNESS WHEREOF, the parties have executed this Agreement, effective January 1, 2019.

CHUGACH ELECTRIC ASSOCIATION, INC.

Name: 
Lee D. Thibert

Title: _____
Chief Executive Officer

BRIAN J. HICKEY



Brian J. Hickey

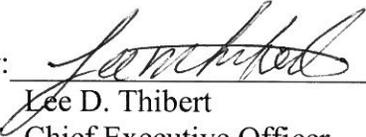
CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Certification Pursuant to 18 U.S.C. Section 1350 (Adopted Pursuant to Section 302
of the Sarbanes-Oxley Act of 2002)

I, Lee D. Thibert, certify that:

1. I have reviewed this annual report on Form 10-K of Chugach Electric Association, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 27, 2019

By: 

Lee D. Thibert
Chief Executive Officer
Principal Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Certification Pursuant to 18 U.S.C. Section 1350 (Adopted Pursuant to Section 302 of
the Sarbanes-Oxley Act of 2002)

I, Sherri L. Highers, certify that:

1. I have reviewed this annual report on Form 10-K of Chugach Electric Association, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 27, 2019

By: 

Sherri L. Highers
Chief Financial Officer
Principal Financial Officer

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
Certification Pursuant to 18 U.S.C. Section 1350 (Adopted Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002)

In connection with the annual report on Form 10-K of Chugach Electric Association, Inc. (the "Company") for the year ended December 31, 2018, as filed with the Securities and Exchange Commission (the "Report"), I, Lee D. Thibert, Chief Executive Officer and Principal Executive Officer of the Company, hereby certify as the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: March 27, 2019

By: _____



Lee D Thibert
Chief Executive Officer
Principal Executive Officer

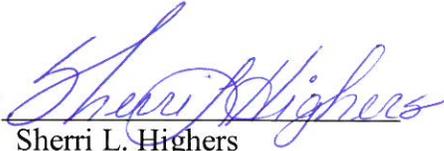
CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
Certification Pursuant to 18 U.S.C. Section 1350 (Adopted Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002)

In connection with the annual report on Form 10-K of Chugach Electric Association, Inc. (the "Company") for the year ended December 31, 2018, as filed with the Securities and Exchange Commission (the "Report"), I, Sherri L. Highers, Chief Financial Officer and Principal Financial Officer of the Company, hereby certify as the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: March 27, 2019

By:



Sherri L. Highers
Chief Financial Officer
Principal Financial Officer