



**POWER  
ANCHORAGE**

*Yes* on **10**



**CHUGACH**  
POWERING ALASKA'S FUTURE

## Chugach Acquisition of ML&P

The Alliance

February 22, 2018

More information at: [poweranchorage.com](http://poweranchorage.com)

This communication paid for by Chugach Electric Association, Anchorage, Alaska. Lee Thibert, CEO approves this message.

## **Cooperative Members**

Rates will not increase to pay for this transaction

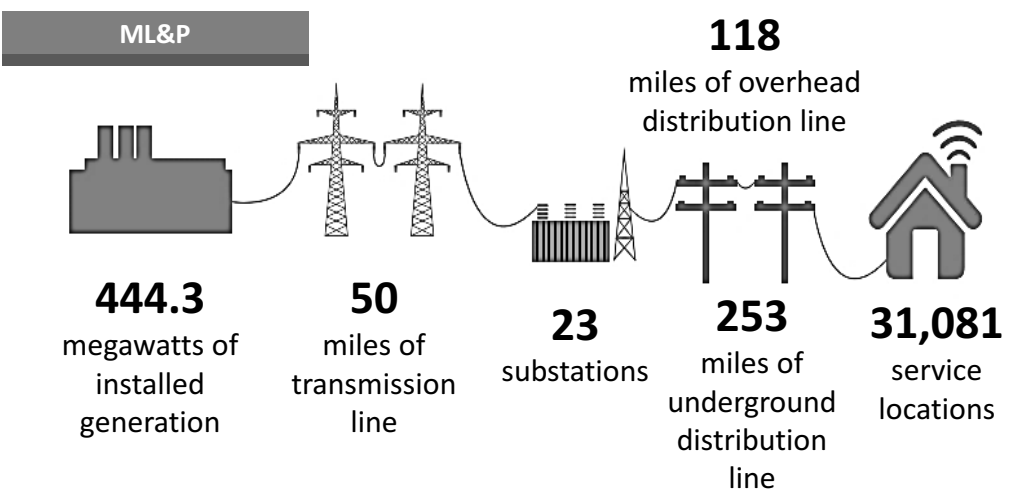
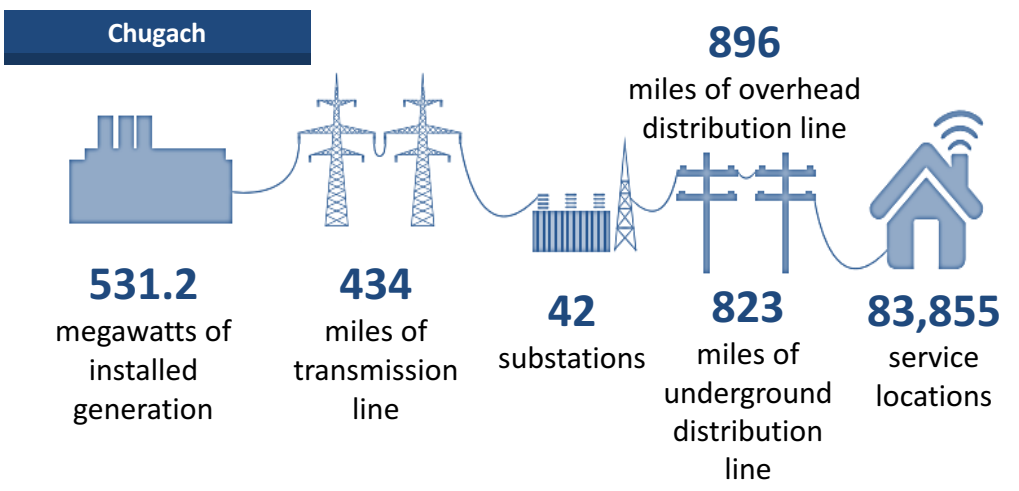
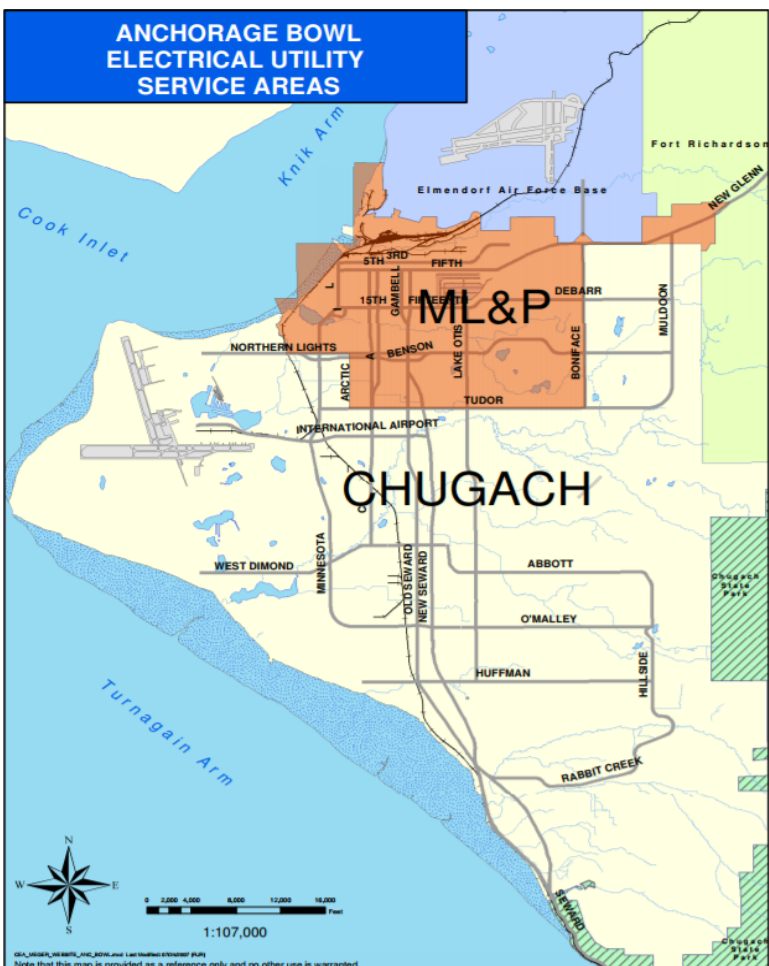
## **Employees**

No layoffs; right size through attrition

## **Community**

Provides revenue to the Municipality of Anchorage for critical services to the community

# Chugach and ML&P: at a Glance



Electric service provider based on location of home or business

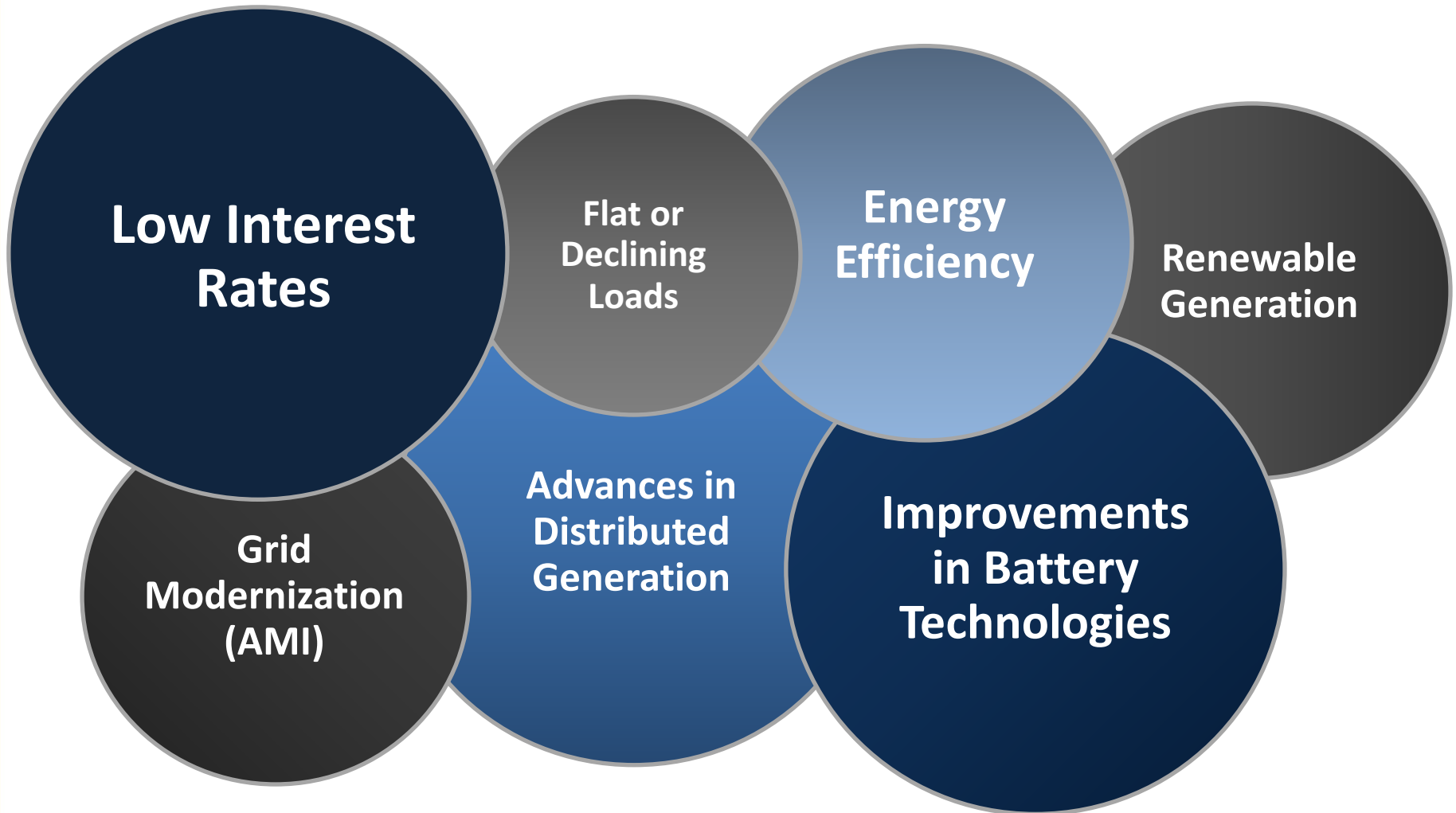
Chugach and ML&P **don't compete**. Each company is a regulated utility defined by service area

Both utilities are regulated by the Regulatory Commission of Alaska (RCA)

Chugach will remain **regulated by the RCA**

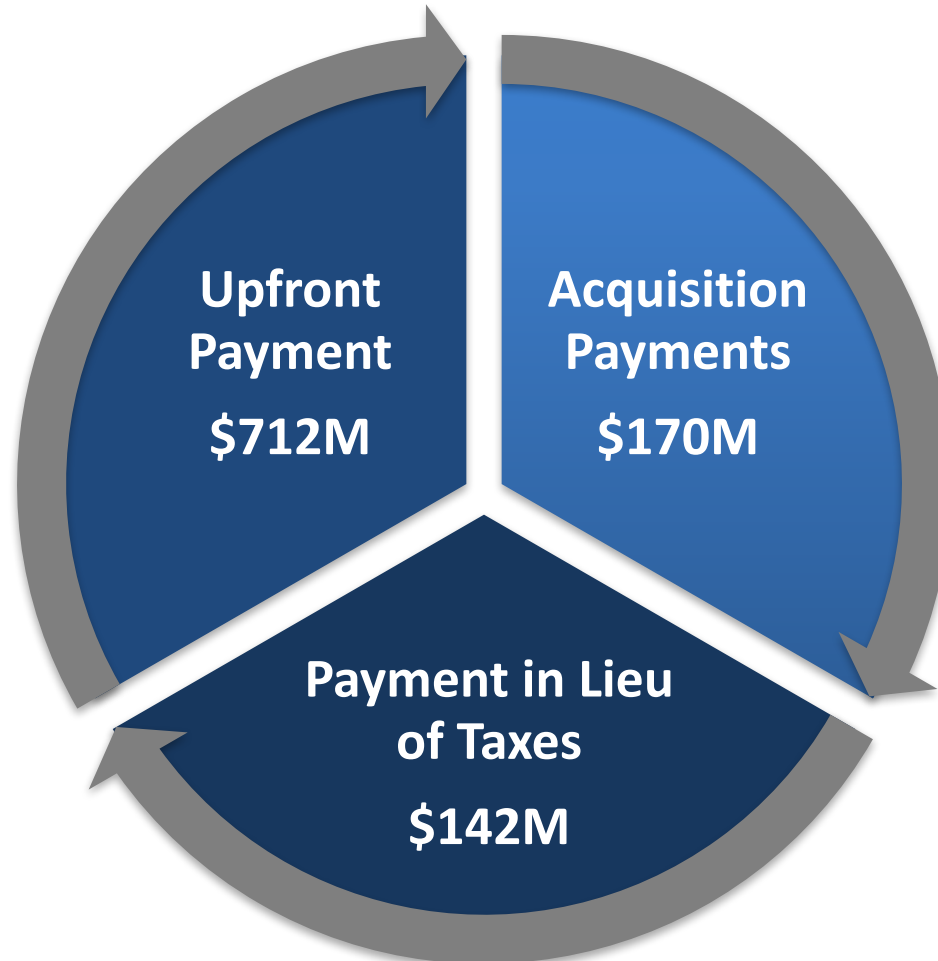
**The consumer is protected**

# Timing is Favorable



## Value of Acquisition

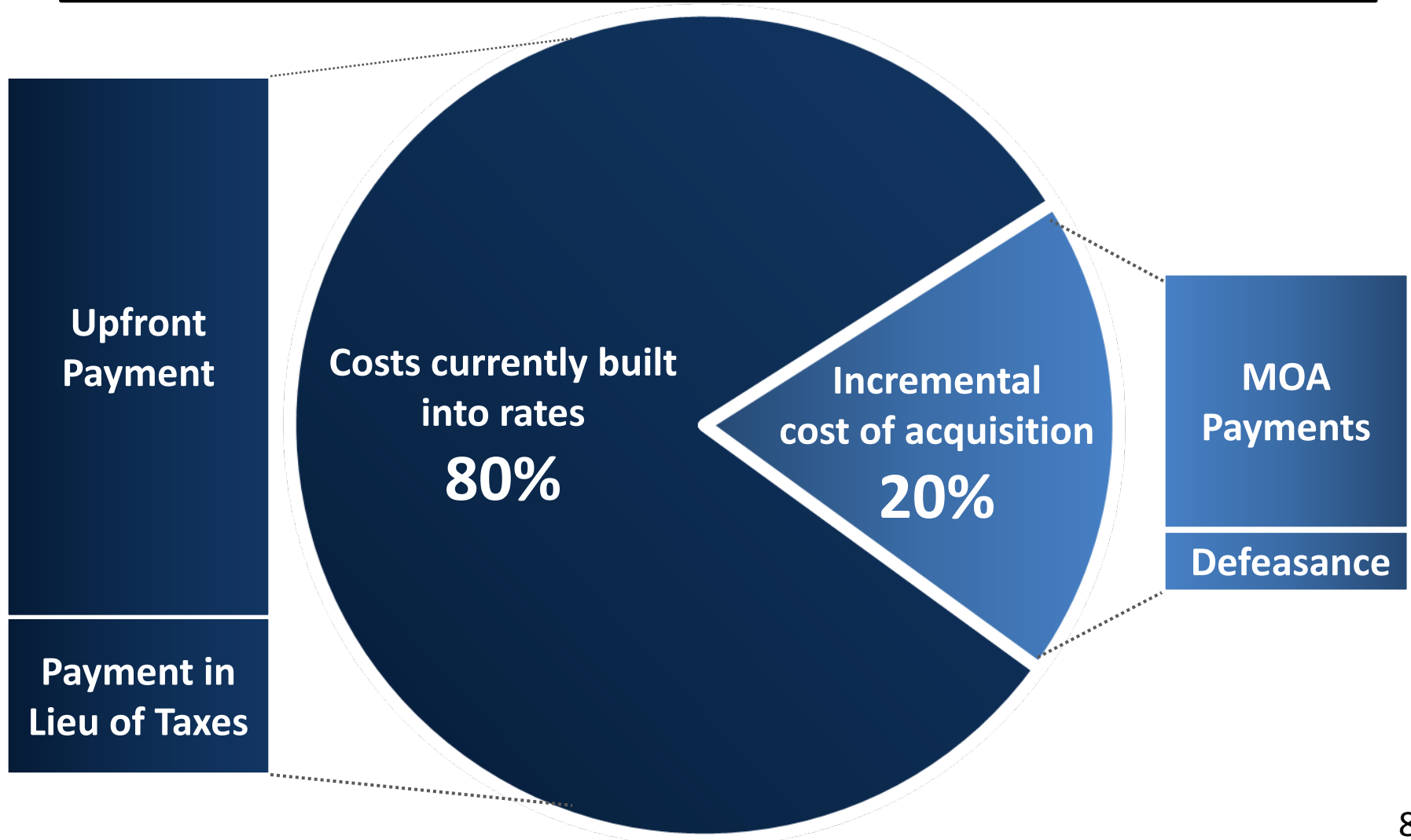
\$1,024,300,000



# Cost of Capital: Chugach vs. ML&P

Company	Capital Component	Capital Structure	Cost in Rates	WACC	Rate Base vs TIER (\$m)	Requirement (\$m)
<b>ML&amp;P</b>	Debt	64.6%	3.93%	2.54%		
	Equity	35.4%	13.00%	4.61%		
	Weighted Average Cost of Capital			<b>7.15%</b>	\$694	\$50
<b>Chugach</b> (on acquisition purchase price)	Debt	100%	5.00%	5.00%		
	Equity		0.35 TIER	1.75%		
	Weighted Average Cost of Capital			<b>6.75%</b>	\$722	\$49
Difference						(\$1)

**Incremental Cost of Acquisition < \$200m**





**Total Savings > Incremental Cost of Acquisition**

**Total Savings**

**\$280m - \$390m**

**Incremental Cost of Acquisition**

**Less than  
\$200m**

**Leads to Lower Long-term Rates**

# Where do savings come from?

*Typical O&M Expense Savings Realized: 8% to 12%  
(adjacent service territory savings of 15% to 20%)*

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## Overhead Savings

- Attrition
- Single headquarters building
- Single dispatch center
- Streamlined processes
- Beluga River Unit mgt.

## Technology Savings

- Financial & accounting software
- Customer information systems
- Dispatch & system communications
- Advanced metering infrastructure

## Other Savings

- Financing costs
- Generation resource management
- Fuel efficiencies
- Fire Island wind curtailment

## Long-Term Credit Ratings:

**Fitch Rating**  
**“A”**

**Standard & Poor's**  
**“A”**

## Credit Strengths:

Strong  
Liquidity

Supportive Regulatory  
Environment

Solid and Consistent  
Financial Metrics

## Financing Experience:

25 Years Experience in Capital Markets

Credit Profile Tested and Accepted in the Market

2011/2012 Financing Success -- \$525 Million

Solid Security Structure

# Consolidation Benefits

- ✓ Lower long-term electric rates
- ✓ No property tax increases
- ✓ No layoffs at either utility
- ✓ Member-owned cooperative
- ✓ Greater efficiency = lower costs
- ✓ Good for the economy

*Yes* on **10**



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**Questions?**

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