

BRADLEY LAKE PROJECT MANAGEMENT COMMITTEE

RESOLUTION NO. 20-03

FINANCING OF THE PROPOSED TRANSACTION

INTRODUCTION

On May 22, 2020 Alaska Energy Authority (AEA) and HEA entered into a Letter of Intent containing the terms and conditions under which AEA would purchase and HEA would sell certain electric transmission facilities and properties that are currently used by HEA to provide electric service to Purchasers of the power generated by the Project (Proposed Transaction). The Department of Law for the State of Alaska (DOL) issued a Memorandum Opinion dated May 20, 2020 finding that the definition of "Required Work" set forth in the Power Sales Agreement could include the Proposed Transaction. The DOL Memorandum Opinion stated that additional analysis should be done with respect to whether the Proposed Transaction is consistent with sound economics and national standards. AEA deemed it appropriate for the O&D Committee to the BPMC (Bradley O&D) to perform the analysis to satisfy the requirement set forth in the DOL Memorandum Opinion. The BPMC O&D Committee has reviewed the Proposed Transaction and concluded that the Proposed Transaction is based on sound economics and is "Required Work" as that term is defined in the Power Purchase Agreement. The BPMC has adopted the Bradley O&D Report in Resolution No. 20-02. In its Resolution No. 20-02, the BPMC indicated its full support for the Proposed Transaction, subject to any required final approval of the governing bodies of the individual Members. The BPMC considers the Proposed Transaction as the foundation for future upgrades to the Railbelt Transmission System.

PURPOSE OF RESOLUTION

The Purchasers of the power generated by the Project are responsible for the cost of Required Work (i.e., the Proposed Transaction) under the terms of the Power Sales Agreement. AEA has been working with the Alaska Industrial and Development Export Authority (AIDEA) on financing the Proposed Transaction with Private Placement Funding under the Sustainable Energy Transmission and Supply (SETS) (AS 44.88.650 – 44.88.690). The BPMC is responsible for selection among alternative methods that involve AEA for funding Required Project Work.

BPMC Resolution No. 20-03 provides the preliminary approval of the preliminary terms and conditions for financing the Proposed Transaction. The final approval will be subject to approval of the governing bodies of the individual BPMC Members.

RESOLUTION NO. 20-03

WHEREAS, On May 22, 2020 AEA and HEA entered into the Proposed Transaction;

WHEREAS, The DOL issued a Memorandum Opinion dated May 20, 2020 finding that the definition of "Required Work" set forth in the Power Sales Agreement could include the Proposed Transaction and upgrades;

WHEREAS, The DOL Memorandum Opinion stated that additional analysis should be done with respect to how the Proposed Transaction is consistent with sound economics and national standards;

WHEREAS, AEA deemed it appropriate for the Bradley O&D to perform the analysis to satisfy the requirement set forth in the DOL Memorandum Opinion;

WHEREAS, On July 17, 2020 the Bradley O&D issued its Report on the Proposed Transaction concluding that the Proposed Transaction: (i) is based on sound economics, (ii) is fully consistent with the meaning of "Prudent Utility Practice" as defined by the Power Revenue Bond Resolution, (iii) meets the national standards for the electric utility industry and (iv) is "Required Work" as that term is defined in the Power Purchase Agreement;

WHEREAS, BPMC Resolution No. 20-02 dated July 24, 2020, adopted the Bradley O&D Report which contained the conclusion of the Bradley O&D that the Proposed Transaction is Required Work under the Power Sales Agreement.

WHEREAS, the BPMC is aware and understands that AEA will have the findings and conclusions of the Bradley O&D reviewed and certified by an independent consulting engineer;

WHEREAS, The BPMC supports the Proposed Transaction subject to any required final approval of the governing bodies of the individual Members;

WHEREAS, AEA has worked with AIDEA on financing the Proposed Transaction with Private Placement Funding under the Sustainable Energy Transmission and Supply (SETS) (AS 44.88.650 – 44.88.690).

WHEREAS, Attachment 1 to this Resolution No. 20-03 contains the preliminary terms and conditions for financing the Proposed Transaction;

WHEREAS, The BPMC is responsible for selection among alternative methods that involve AEA for funding Required Project Work;

WHEREAS, AEA would like an indication from the BPMC whether the terms and conditions for Financing the Proposed Transaction that AEA has worked out with AIDEA are acceptable to the BPMC;

WHEREAS, The BPMC has reviewed the preliminary terms and conditions for financing the Proposed Transaction as presented by AEA on Attachment 1 to this Resolution No. 20-03.

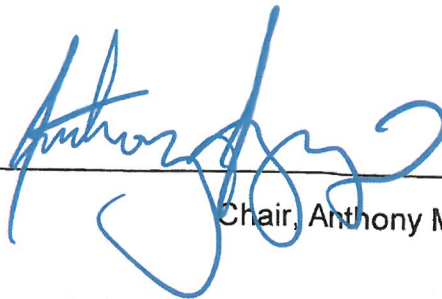
THEREFORE, BE IT RESOLVED THAT, the BPMC supports the Proposed Transaction subject to any required final approval of the governing bodies of the individual Members;

BE IT ALSO RESOLVED THAT, the BPMC desires an accommodation that all insurance requirements be consistent with requirements that are customary in connection with the operation of facilities of a type and size comparable to the Project and that the Memorandum Opinion issued by the Department of Law for the State of Alaska dated May 20, 2020 regarding the Proposed Transaction and upgrades being Required Project Work be referenced in Terms and Conditions as set forth in Attachment 2 this Resolution No. 20-03; and,

BE IT ALSO RESOLVED THAT, the BPMC has reviewed and approves the preliminary terms and conditions for financing the Proposed Transaction subject to the above-referenced changes are incorporated in the preliminary terms and conditions and any required final approval of the governing bodies of the individual Members.

DATED at Anchorage Alaska, this 24th day of July 2020.




Chair, Anthony M. Izzo

Attest:



Secretary, Curtis Thayer