

**BRADLEY LAKE PROJECT MANAGEMENT COMMITTEE  
RESOLUTION NO. 22-08**

**APPROVAL OF FINANCING OF THE PROPOSED TRANSACTION**

**PURPOSE OF RESOLUTION**

This Resolution No. 22-08, provides the formal support of the Bradley Lake Project Management Committee (“BPMC”) for (1) the use of Excess Payments to finance a series of Required Projects that will improve efficiency, stability and upgrade the transmission system throughout the Bradley Lake Project (the “Project”); and (2) to approve a term sheet offered to the Alaska Energy Authority (the “Authority”) for financing the Proposed Transaction described below.

The BPMC is responsible for the management, operation, maintenance, and improvement of the Project, subject to the non-delegable duties of the Alaska Energy Authority. It receives its authority under the Bradley Lake Hydroelectric Project Agreement for the Sale and Purchase of electric Power (“Power Sales Agreement”).

**BACKGROUND**

**The BPMC Required Project Work**

The BPMC began evaluating project improvements over the past 18 months. It reviewed a series of essential improvements and upgrades to the Project to be financed through the use of existing funds for agreed-upon Required Project Work<sup>1</sup>. Through the use of Project funds already being paid by the purchasing utilities purchasing energy produced by the Project (the “Purchasers”) the BPMC will be able to fund work that will benefit the Project, and enhance the deliverability of the Project’s energy. This work will serve to fully realize the benefits of the Project throughout the Railbelt Transmission System.

In 2021, the BPMC appointed a Special Committee to evaluate these needed Project improvements and develop a finance plan. The Special Committee has made recommendations to the BPMC regarding the improvements, whether they constitute Required Project Work under the BPMC’s Power Sales Agreement, and how to finance the proposed improvements.

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<sup>1</sup> Required Work is defined in the Power Sales Agreement to mean “...repairs, maintenance, renewals, replacements, improvements or betterments required by federal or state law, a licensing or regulatory agency with jurisdiction over the Project, or this Agreement, or otherwise necessary to keep the Project in good and efficient operating condition, consistent with (1) sound economics for the Project and the Purchasers, and (2) national standards for the industry.” See PSA at Required Project Work, Section 1(hh).

After considerable review by the Special Committee of the BPMC, it determined that the projects selected all constituted “Required Work” as provided in the PSA. Listed below are the projects:

1. The upgrade to the Sterling to Quartz Creek Line;
2. The Bradley to Soldotna Junction Line upgrade;
3. The upgrade of the Soldotna to Sterling Line; and
4. The acquisition of Battery Energy Storage Systems for the three Load Balancing Areas of the Railbelt.

At the request of the BPMC, the Department of Law for the State of Alaska (DOL) reviewed each of the projects listed above.<sup>2</sup>The above listed transmission upgrades serve to relieve transmission constraints on the Project, and the placement of Battery Electric Storage Systems (“BESS”) in each of the three load balancing areas served by the Project serves to address long term, inherent instability in the Project (collectively the “Project List”<sup>3</sup>, Exhibit 1). The Department of Law has determined in its opinion that each project met the definition of Required Project Work in the Power Sales Agreement, and can be funded out of Excess Payments. After review by the Department of Law, the Project List was approved by the BPMC pursuant to BPMC Resolution No. 22-04.

#### Financing of the Proposed Transaction

The BPMC is responsible for selecting between alternative methods for funding Required Project Work. The Authority has received a term sheet outlining the key terms and conditions for financing the Proposed Transaction, Exhibit 2. The BPMC and its Special Committee have reviewed the term sheet.

Each of the Purchasing Utilities has briefed their respective boards and councils on the Proposed Transaction, and each board and council has approved it. All parties understand that in no event will the payments in support of the Proposed Transaction exceed the Excess Payment amounts as provided in the Power Sales Agreement for the Project.

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<sup>2</sup> This process – the review by the DOL was also used in the review and eventual approval of the SSQ Transactions, previously approved by the BPMC, each participating utility and AEA. BPMC Resolutions No. 20-03 and No. 20-05 approved and authorized the financing necessary for the SSQ Transactions.

<sup>3</sup> The requested study to route energy off the Kenai Peninsula has not been reviewed by DOL.

## **RESOLUTION NO. 22-08**

**WHEREAS**, on May 20, 2022 the BPMC adopted Resolution No. 22-04 accepting the recommendations from its Special Committee that the Project List it prepared constituted Required Project Work. The Project List approved by the BPMC is attached to this Resolution as Exhibit 1 and incorporated as if fully set forth herein.

**WHEREAS**, the BPMC has determined that the Project List contained projects that are essential for the removal of the transmission constraints on the deliverability of energy generated by the Project and can be financed using the Excess Payment funds for the Required Project Work.

**WHEREAS**, each of the projects listed in the Project List have been reviewed by the Department of Law at the request of the Authority and the Purchasers, and the Department of Law has determined that the Project List constitutes Required Project Work consistent with the Power Sales Agreement.

**WHEREAS**, the BPMC supports the Proposed Transaction and understands that the final Proposed Transaction will not exceed the amount that can be funded by the Excess Payments.

**WHEREAS**, the Boards of Directors of Chugach Electric Association, Inc., the Golden Valley Electric Association, Inc., Matanuska Electric Association, Inc., and Homer Electric Association, Inc., and the City Council on behalf of Seward Electric System have reviewed and considered the Project List, and the Resolutions approved by the BPMC, and each have authorized their BPMC representatives to approve the Proposed Transaction.

**WHEREAS**, the BPMC is responsible for the selection among alternative methods for funding Required Project Work.

**WHEREAS**, the Special Committee of the BPMC has reviewed the term sheet for the Proposed Transaction, attached and incorporated herein by this reference as Exhibit 2,

**THEREFORE, BE IT RESOLVED THAT** the BPMC incorporates the above recitals into this resolution as if fully set forth herein.

**BE IT ALSO RESOLVED THAT** based upon the opinions and determinations of the Special Committee and the DOL it agrees that the Project List constitutes Required Project Work pursuant to the Power Sales Agreement.

**BE IT ALSO RESOLVED THAT** the BPMC supports and agrees to use the Excess Payments for the financing of the Proposed Transaction.

**BE IT ALSO RESOLVED THAT** the BPMC based upon the review by its Special Committee, approves the terms and conditions of the term sheet for the Proposed Transaction.

DATED at Anchorage Alaska, this \_\_\_\_ day of September, 2022.

**BRADLEY LAKE PROJECT MANAGEMENT COMMITTEE**



Bradley P. Janorschke, Chair

Attest:   
Secretary, Curtis Thayer

## EXHIBIT 1

### REQUIRED PROJECT WORK

7/13/2022

[illegible]

**EXHIBIT 2  
TERM SHEET**

Alaska Energy Authority  
Up to \$270,000,000 Secured Term Loan

**SUMMARY OF TERMS AND CONDITIONS**

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| <b>Lender</b>                                               | National Cooperative Services Corporation (“NCSC”).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Borrower</b>                                             | Alaska Energy Authority (“AEA”).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Bradley Lake Project Participants / Power Purchasers</b> | AEA, Chugach Electric Association, Inc., Golden Valley Electric Association, Inc., Alaska Electric Generation & Transmission Cooperative, Inc. (acting on behalf of Matanuska Electric Association), Alaska Electric and Energy Cooperative, Inc., (acting on behalf of Homer Electric Association, Inc.), and the City of Seward (collectively, the “Power Purchasers”) participate in the Bradley Lake Hydroelectric Facility Project (the “BLHF Project”).                                                                                                                                                                                                                                                                                                                                                               |
| <b>Purpose</b>                                              | Loan proceeds shall be used to finance capital projects identified by the Power Purchasers and approved by AEA and determined by the State of Alaska Department of Law as qualified required project work under the Power Sales Agreement (PSA) which is the main agreement governing the Bradley Lake Project. The capital projects will be competitively bid.                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Amount</b>                                               | Not to exceed \$270,000,000.00 (the “Term Loan”).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Closing/Funding</b>                                      | No later than December 31, 2022 (“Closing Date”).<br><br>There shall be a single advance of all Term Loan proceeds.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Term and Amortization</b>                                | Term of up to thirty (30) years. Borrower’s choice of Level Debt Service, Level Principal, or other custom amortization schedule agreed to by NCSC.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Security</b>                                             | Secured under AEA’s Power and Revenue Bond Resolution adopted September 7, 1989 (as amended, the “Bond Resolution”) on a parity with all other outstanding bonds related to the BLHF Project by a pledge of (i) the revenues from the BLHF Project, including all payments made under the Agreement for the Sale and Purchase of Electric Power, dated as of December 8, 1987, by and among AEA, Chugach Electric Association, Inc., Golden Valley Electric Association, Inc., Alaska Electric Generation & Transmission Cooperative, Inc. (acting on behalf of Matanuska Electric Association), Alaska Electric and Energy Cooperative, Inc., (acting on behalf of Homer Electric Association, Inc.), and the City of Seward (collectively, the “Power Purchasers”) (“Power Contract”) and (ii) the Power Contract itself. |

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| <b>Interest Rate and Payment Dates</b> | <p>The term loan will bear interest at a fixed rate based on the weighted average life of the loan. The fixed rate may be locked in advance of the Closing Date.</p> <p>Interest shall be payable quarterly. Principal shall be payable in accordance with the selected amortization schedule.</p>                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Expenses</b>                        | <p>AEA will pay all expenses associated with the Term Loan, if any, regardless of closing.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Prepayment</b>                      | <p>AEA may at any time, on three (3) business days' prior written notice, prepay all or any portion of the Term Loan. All prepayments will be subject to a make-whole premium covering all costs in respect of breakage or redeployment costs incurred in connection with such prepayments.</p>                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Representations and Warranties</b>  | <p>As usual and customary in NCSC documentation for secured facilities, to include but not limited to the following: Good Standing, Authority, No Conflict, Taxes, Licenses and Permits, Litigation, Financial Statements, Material Adverse Change, Required Approvals, Compliance with Laws, Disclosure, No Other Liens, Environmental Matters and Power Contract.</p> <p>In addition, a representation from AEA that it has pledged, assigned and transferred to the Trustee, acting on behalf of all Bondholders, all of its rights under the Power Sales Agreement. The terms "Bondholders" and "Power Sales Agreement" have the meanings assigned to them in the Bond Resolution.</p> |
| <b>Loan Documentation</b>              | <p>The commitment is subject to underwriting due diligence, credit approval and to the preparation, execution and delivery of mutually acceptable loan documentation to contain: conditions precedent, representations and warranties, covenants, events of default and other provisions customary for facilities of this nature, including, but not limited to, those noted below.</p>                                                                                                                                                                                                                                                                                                    |

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| <p><b>Conditions<br/>Precedent to<br/>Closing</b></p> | <p>Conditions customary in long-term commitments of this type including, but not limited to:</p> <ul style="list-style-type: none"> <li>▪ The negotiation, execution and delivery of definitive documentation (including, without limitation, satisfactory legal opinions, corporate formation and authority documents and other customary closing documents) for the Term Loan satisfactory to NCSC.</li> <li>▪ There shall not have occurred a material adverse change in the business, assets, liabilities (actual or contingent), operations, condition (financial or otherwise) of AEA and or in the facts and information regarding such entity as represented to date.</li> <li>▪ The receipt and satisfactory review by NCSC of such financial information regarding AEA and its subsidiaries as they may reasonably request, to include quarterly and annual financials and a financial forecast.</li> <li>▪ The absence of material litigation, subject to certain exceptions previously disclosed and agreed to by NCSC.</li> <li>▪ AEA shall be in compliance with all existing material financial obligations.</li> <li>▪ AEA shall have obtained, in writing, all governmental and regulatory approvals necessary to close and fund the transaction.</li> <li>▪ AEA is not in default under any agreement for borrowed money.</li> <li>▪ The receipt of a legal opinion from AEA's counsel in form and substance satisfactory to NCSC.</li> <li>▪ The receipt of a legal opinion from counsel to the Power Purchasers and AEA as to the continued validity and enforceability of the Power Contract as to each Power Purchaser.</li> <li>▪ The receipt of a certificate from the General Manager and Chief Financial Officer (or other comparable positions) of each Power Purchaser and AEA to the effect that there is no litigation pending contesting the validity or enforceability of the Power Contract.</li> <li>▪ The payment of all reasonable out of pocket expenses incurred by NCSC including legal expenses associated with the Term Loan, if any.</li> <li>▪ Evidence that the State of Alaska Department of Law has determined through its internal review process that the capital projects to be funded with the Term Loan qualify as required project work as defined in the PSA, and that the amount of such project work with respect to which such conclusion was reached is equal to or greater than the amount of the Term Loan.</li> <li>▪ Evidence of funding of the Capital Reserve Fund (as defined in the Bond Resolution) so that the amount thereof is equal to Capital Reserve Fund Requirement (as defined in the Bond Resolution).</li> <li>▪ Execution of a Supplemental Resolution authorizing the Term Loan and pledging the Power Contract as additional security for the benefit of all Bondholders under the Bond Resolution and for the acceleration or mandatory redemption of the Term Loan upon an Event of Default.</li> <li>▪ Delivery of all documents required to be delivered to the Trustee for the Term Loan to be authenticated as an Additional Bond (as defined in the Bond Resolution) under the Bond Resolution.</li> </ul> |
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NCSC TERM  
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|                                                     | <ul style="list-style-type: none"> <li>Execution of an amendment to the definition of “Debt Service” in the Power Contract to: “Debt Service” means amounts that the Authority is required to set aside for the payment of principal of, premium, if any, sinking fund payments, and interest on the Bonds.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Covenants</b>                                    | Usual and customary for transactions of this type, to include without limitation: (i) delivery of financial statements, compliance certificates, government reports and notices of default, material litigation and material governmental and environmental proceedings; (ii) compliance with laws (including environmental laws and ERISA matters) and material contractual obligations; (iii) payment of taxes; (iv) maintenance of insurance; (v) preservation of existence and franchises; (vi) maintenance of books and records/inspection rights; (vii) use of proceeds; (viii) limitation on liens; (ix) providing notice of material changes to Power Contract; (x) no termination of Power Contract; (xi) prompt notice to NCSC, in writing, of any material event with respect to the BLHF Project or with respect to the Diversion Project; and (xii) AEA shall covenant to enforce the provisions of the Power Contract and will not amend the Power Contract so as to reduce the payments required thereunder or otherwise materially affect the security for the Term Loan. |
| <b>Financial Covenants</b>                          | Debt Service Coverage Ratio (“DSCR”) – AEA will maintain a minimum annual DSCR of 1.0x.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Loan Agreement Event of Default and Remedies</b> | NCSC standard loan documentation Events of Default, including cross default to other Bradley Lake Hydroelectric Project Bonds and Loans.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Default Rate</b>                                 | The default rate will be the interest rate in effect for the Term Loan plus 200 basis points (the “Default Rate”). If there is a payment default that continues for 30 days after the due date, then beginning on the 31 <sup>st</sup> day after the payment is due, the Term Loan will bear interest at the Default Rate. Upon the occurrence of an event of default (other than a payment default), the interest rate on the Term Loan will be at the Default Rate until the event of default is cured. In the event that more than one event of default exists at any time, the aggregate interest rate applicable to the Term Loan will be the Default Rate.                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Miscellaneous</b>                                | This term sheet is confidential and shall not be shared with any third party without the express written consent of NCSC. If not closed upon, the terms outlined herein shall expire on December 31, 2022 unless extended in writing by NCSC.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Governing Law</b>                                | <p>Virginia</p> <p>Jurisdiction will be with the Alaska Superior Court located in Anchorage Alaska.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

**FOR DISCUSSION PURPOSES ONLY – NOT A COMMITMENT TO LEND**

*This Term Sheet is not meant to be, nor shall be construed as either a binding commitment or an attempt to define all terms and conditions of the transaction described herein. This Term Sheet represents a proposal which NCSC may be willing to recommend for approval to senior management, provided that, among other things, all due diligence deemed necessary is completed to NCSC's satisfaction.*