

Memorandum of Understanding

This Memorandum of Understanding ("MOU") is entered into this 17th day of February, 2010, between the Alaska Energy Authority ("AEA") and the Alaska Industrial Development and Export Authority ("AIDEA").

Recitals

- A. The power project fund ("PPF") is established as a separate fund of AEA under AS 42.45.010(a).
- B. AEA may make PPF loans for financing various activities related to the development of energy generation and transmission projects, bulk fuel storage facilities, waste energy, energy conservation, or alternative energy facilities, or may make loans to the bulk fuel revolving loan fund for the purposes described in AS 42.45.250(l).
- C. The Renewable Energy Grant Fund was established under AS 42.45.045 to finance certain energy projects in Alaska, with an emphasis on feasible energy projects that provide a cost benefit to Alaska ratepayers, and projects that will serve areas in which the average cost of energy exceeds the average cost of energy in other areas of the state.
- D. AEA makes PPF loans available to assist project developers meet their matching fund obligations under the Renewable Energy Fund Grant Recommendation Program. By doing so, AEA is able to leverage the funding available from each program to better promote the development of cost efficient, renewable energy projects for the benefit of Alaska ratepayers.
- E. The PPF currently has less than \$5,000,000 available for serving the purposes of the fund.
- F. AEA desires to sell, and AIDEA desires to purchase, the outstanding PPF loans identified in the attached Exhibit A.
- G. In this MOU, in order to maximize the amount AIDEA would be willing to pay for the PPF loans identified in Exhibit A and minimize financial risk to AIDEA from purchasing the PPF loans, AEA agrees to repurchase from AIDEA any outstanding loan if the borrower has a payment default after the sale.
- H. The outstanding PPF loans identified in Exhibit A have a combined current balance as of February 9, 2010, of \$24,700,452.23, and earn interest at annual rates that range from 0% to 6.16%.

- I. AEA and AIDEA agree that the outstanding loans identified in Exhibit A have a projected present value as of the closing date (expected to be in July 2010) of approximately \$20.6 million. This present value is the value of projected loan payments over the life of the outstanding loans, discounted at 6.02%, which was AIDEA's return on investments for the three year period ended September 30, 2009.
- J. AEA and AIDEA agree that the sale and purchase of the outstanding PPF loans identified in Exhibit A at the present value of the loans will both adequately capitalize the Power Project Fund and provide a reasonable investment for the revolving fund of AIDEA.
- K. The sale and purchase of the outstanding PPF loans identified in Exhibit A will require, among other things, the enactment of legislation approving the sale and purchase.
- L. This MOU is intended to set forth the principal terms and conditions under which AEA would sell, and AIDEA would purchase, the outstanding PPF loans identified in Exhibit A. The parties intend that this MOU be incorporated into legislation to be submitted to the Alaska State Legislature authorizing the sale and purchase of the loans.

NOW, THEREFORE, in exchange for the mutual promises contained herein and for other consideration the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

1. AEA agrees to sell, and AIDEA agrees to purchase, the outstanding PPF loans identified in Exhibit A on the closing date, expected to be in July 2010, for a purchase price equal to the present value as of the closing date of all PPF loans identified in Exhibit A.
2. In this MOU, the "present value" of a PPF loan means the present value of all scheduled loan payments on the PPF loan over the entire remaining life of the PPF loan, using a discount rate of 6.02%.
3. Based upon the definition of "present value," AIDEA and AEA estimate that the purchase price of all PPF loans identified in Exhibit A on the closing date will be approximately \$20.6 million.
4. AEA shall repurchase from AIDEA any outstanding PPF loan if the borrower defaults on payment after the sale. The repurchase price shall equal the present value of the loan determined on the date of the payment default by the borrower, less any payments received by AIDEA after the payment default date. AIDEA may exercise the right to have AEA repurchase a PPF loan by sending notice to AEA of the payment default.

AEA shall pay AIDEA within 30 days of the notice of payment default from unencumbered and uncommitted funds in the Power Project Fund. If the PPF has an inadequate amount of unencumbered and uncommitted funds to repurchase the PPF loan from AIDEA within 30 days of the notice of default, AEA shall make payments to AIDEA with unencumbered and uncommitted funds as they become available in the Power Project Fund (through repayments from other PPF loans or otherwise), with interest on the unpaid balance at the annual rate of four percent (4%) from the date 30 days after the notice of default. Nothing in this paragraph precludes AIDEA from rescinding a notice of default.

WHEREFORE the parties have executed this Agreement as of the date first written above.

Alaska Energy Authority


by: Steve Haagenson
Executive Director

Alaska Industrial Development and Export Authority


by: Ted Leonard
Executive Director

Exhibit A

Alaska Energy Authority Power Project Loans as of 2/9/10

Payment Period	Loan #	Loan Name	Outstanding Commitment	Current Balance	Next Due Date	Interest Rate	Payment Amount	Maturity Date
Annually								
	40901044	QINARMIUT CORP	\$0.00	\$84,841.03	10/1/10	0.00	\$12,266.17	10/1/16
	40901045	CORDOVA ELEC CO OP	\$0.00	\$742,857.13	6/11/10	0.00	\$28,571.43	6/11/35
	40901047	ST PAUL, CITY OF	\$0.00	\$97,306.42	10/1/10	3.00	\$8,614.18	10/1/23
	40901048	WRANGELL, CITY OF	\$0.00	\$78,553.50	7/1/10	2.00	\$27,238.92	7/1/12
	40901050	PELICAN UTILITY DISTRICT	\$0.00	\$15,161.70	7/1/10	5.61	\$2,191.43	7/1/19
	40901057	ST PAUL, CITY OF	\$0.00	\$1,260,000.00	10/1/10	0.00	\$90,000.00	10/1/23
Total for Annually				\$2,278,719.78			\$168,882.13	
SemiAnnually								
	40901009	SITKA, CITY OF	\$0.00	\$9,178,074.93	7/1/10	4.00	\$307,037.96	1/1/33
	40901049	GWITCHYAA ZHEE UTILITY	\$0.00	\$145,384.29	7/1/10	6.16	\$9,844.52	1/1/20
	40901051	AP&T TOK DOT LAKE	\$0.00	\$232,837.77	7/1/10	0.00	\$12,254.63	7/1/19
	40901052	AP&T (TETLIN)	\$0.00	\$172,614.56	7/1/10	4.20	\$11,121.71	7/1/19
	40901059	AP&T (PRINCE OF WALES PROJECT)	\$0.00	\$893,333.30	7/1/10	0.00	\$20,000.00	1/1/37
	40901060	ELFIN COVE, COMMUNITY OF	\$0.00	\$550,325.15	7/1/10	0.00	\$13,102.98	1/1/31
	40901061	SOUTHERN ENERGY	\$0.00	\$517,673.38	7/1/10	5.60	\$21,480.18	7/1/30
	40901062	YAKUTAT, CITY & BOROUGH OF	\$0.00	\$125,792.95	7/1/10	3.00	\$7,325.59	1/1/20
	40901065	AVEC NIGHTMUTE	\$0.00	\$205,283.22	7/1/10	0.00	\$10,804.38	7/1/19
	40901068	AP&T (SKAGWAY)DYEA LINE EXTENSION	\$0.00	\$114,153.48	7/1/10	2.00	\$6,052.95	7/1/20
	40901071	TUNTUTULIAK COMMUNITY SERVICES A	\$0.00	\$129,509.64	7/1/10	0.00	\$5,396.23	1/1/22
	40901072	GUSTAVUS ELECTRIC COMPANY	\$0.00	\$118,626.84	7/1/10	5.40	\$10,288.01	1/1/17
	40901076	NAPASKIAK ELEC UTILITY	\$0.00	\$6,304.97	7/1/10	5.80	\$1,669.45	1/1/12
	40901079	TDX SAND POINT GENERATING INC	\$0.00	\$203,984.12	7/1/10	4.00	\$10,109.49	1/1/23
	40901080	AK POWER CO-POW SWITHGEAR PROJ.	\$0.00	\$167,889.70	7/1/10	5.45	\$7,639.46	1/1/27
	40901081	AK POWER CO-SKAGWAY LINE EXT	\$0.00	\$187,093.47	7/1/10	5.45	\$6,660.67	1/1/37
	40901084	AK POWER CO-SOUTH FORK HYDRO	\$0.00	\$1,576,590.23	7/1/10	5.45	\$57,000.66	1/1/36
	40901085	ADAK, CITY OF (DOWNSIZE GEN)	\$0.00	\$85,577.88	7/1/10	5.39	\$6,648.22	1/1/18
	40901086	TDX NORTH SLOPE GENERATING INC	\$0.00	\$796,539.85	7/1/10	3.00	\$34,972.27	1/1/24
	40901090	TDX NORTH SLOPE GENERATING INC	\$0.00	\$746,334.45	7/1/10	5.15	\$35,901.66	1/1/25
	40901091	TDX SAND POINT GENERATING INC	\$0.00	\$120,251.45	7/1/10	5.11	\$5,454.25	7/1/26
	40901092	AK POWER CO	\$0.00	\$63,010.57	7/1/10	5.11	\$2,912.94	1/1/26
	40901093	PORT HEIDEN, CITY OF	\$0.00	\$38,730.34	7/1/10	5.09	\$2,403.24	7/1/20
	40901094	YAKUTAT, CITY & BOROUGH OF	\$0.00	\$224,977.15	7/1/10	4.92	\$17,225.39	1/1/18
	40901095	TDX NORTH SLOPEGENERATING, INC	\$0.00	\$1,193,582.30	7/1/10	4.92	\$53,356.61	7/1/26
	40901096	CHENA POWER LLC	\$0.00	\$530,138.84	7/1/10	5.02	\$23,729.86	7/1/26
	40901097	CRAIG, CITY OF	\$0.00	\$482,653.23	7/1/10	5.05	\$19,908.31	1/1/29
	40901100	GUSTAVUS ELECTRIC, INC	\$0.00	\$928,029.76	7/1/10	4.69	\$29,659.32	7/1/38
	40901102	CHIGNIK LAGOON POWER UTILITY	\$0.00	\$30,920.85	7/1/10	4.62	\$5,599.19	1/1/13
	40901104	ALASKA WIND POWER, LLC	\$0.00	\$143,502.81	7/1/10	4.88	\$7,176.84	1/1/14
	40901106	NUSHAGAK ELECTRIC & TELEPHONE COC	\$0.00	\$12,010.97	7/1/10	4.99	\$4,820.30	1/1/15
	40901107	TDX NORTH SLOPE GENERATING, INC.	\$0.00	\$2,500,000.00	7/1/10	5.46	\$104,892.75	1/1/30
Total for SemiAnnually				\$22,421,732.45			\$872,450.02	
Grand Total				\$24,700,452.23				