

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672
5021 HRES SB 206

593

EXISTING FUNDS

TITLE OF FUND	MANAGED BY	STATUTE	TYPE	PURPOSE	FUNDING SOURCES	ORIGINAL LOAN	PRINC. BALANCE 6/30/86	NO. OF LOANS	INTEREST RATE	LOAN REPAYMENTS IN FY88		
										PRINCIPAL	INTEREST	TOTAL
POWER DEVELOPMENT REVOLVING LOAN FUND P D R L F	DC&ED	44.83.600	LOANS	LOANS TO APA FOR POWER PROJECTS UNDER ENERGY PROGRAM FOR ALASKA AS PER 44.83.380 - .425	- APPROPRIATIONS FROM LEGISLATURE - REPAYMENTS OF PRINCIPAL TO FUND - INTEREST ON LOANS FROM FUND - EARNINGS OF FUND	188,905,099.	185,104,130.	1	EST. AT 4.5%	- 0 -	BASED ON SALE EST. 6,373,792.	6,373,792.
POWER PROJECT FUND P P F	APA	44.83.170	LOANS	LOANS TO UTILITIES, MUNICIPALITIES, REGIONAL & VILLAGE CORPORATIONS, VILLAGE COUNCILS FOR STUDY, DESIGN, PERMITTING AND CONSTRUCTION OF POWER PROJECTS OR POTABLE WATER AS NOTED IN 44.83.170	- APPROPRIATIONS FROM LEGISLATURE (LOAN REPAYMENTS & INTEREST EARNED FROM LOANS GOES TO G.F.) - (MIN. INTEREST RATE IS 5%) (EXCEPT SITKA AT 4.00%)	36,317,336.	29,685,226.	26	4.00% TO 13.23%	696,857.	2,222,007.	2,918,864.
POWER DEVELOPMENT FUND P D F	APA	44.83.382	GRANTS	CARRY OUT PURPOSES OF ENERGY PROGRAM FOR ALASKA PER 44.83.380 - .425 I.E. TO CONDUCT STUDY, DESIGN, LICENSE AND OPERATE POWER PROJECTS. INCLUDES FINANCING/BONDING OF POWER PROJECTS.	- APPROPRIATIONS FROM LEGISLATURE - REVENUE BONDS	NA						NA
RURAL ELECTRIFICATION REVOLVING LOAN FUND R E R L F	APA	44.83.361	LOANS	TO EXTEND NEW ELECTRICAL SERVICE AS LONG AS IMMEDIATE SERVICE IS PROVIDED TO AT LEAST 3 CONSUMERS. UTILITIES MUST BE CERTIFIED BY APUC.	- APPROPRIATIONS FROM LEGISLATURE - REPAYMENTS OF PRINCIPAL TO FUND (INTEREST RATE IS 2%)	4,955,803.	3,830,508.	11	2.00%	22,832.	99,116.	121,948.
POWER COST EQUILIZATION FUND	APA	44.83.162	GRANTS	TO EQUILIZE POWER COSTS EQUAL TO MEAN OF COSTS IN ANCHORAGE, JUNEAU & FAIRBANKS	- APPROPRIATIONS FROM LEGISLATURE	NA						NA
RAILBELT ENERGY FUND R E F	DO R LEGISLATURE	CH 29 SLA 86 (HB 699)	LOANS OR GRANTS	TO FINANCE ENERGY PROJECTS IN THE RAILBELT	APPROPRIATION FROM THE LEGISLATURE		230 MILLION PLUS					
<u>PROPOSED FUND</u> (As in CSSB 206 (RULES) am)												
POWER PROJECT REVOLVING FUND P P R F	APA	44.83.170	LOANS & GRANTS	TO FUND/FINANCE ALL OF THE ABOVE	- APPROPRIATIONS FROM LEGISLATURE TO INCLUDE INTEREST ON LOANS AND EARNINGS OF THE FUND - REPAYMENTS OF PRINCIPAL TO FUND - REVENUE BONDS							

SB 206

- Sam - get The PSA's + check on proj. mgmt ct. (Sec 1)
- ABO re ~~the~~ appropriation at p. 3/15-19 - disposition of state assets
not req'g an appropriation? (Sec 4)
- limit amt. bondable ~~#~~ (Sec. 4)
- copy of L.R.'s list of proj's sugg'd by util's. (Sec 4)
- [statute bonding, max?] (Sec. 4)
- [need bill if hr. lev approval of bond issues ea. yr., proj's] (Sec. 4)

LONG-TERM POWER SALES AGREEMENT
FOUR DAM POOL - INITIAL PROJECT
OF THE ALASKA POWER AUTHORITY

THIS AGREEMENT is entered into by and among the CITY OF KETCHIKAN, the CITY OF WRANGELL, the CITY OF PETERSBURG, the COPPER VALLEY ELECTRIC ASSOCIATION, INC., and the KODIAK ELECTRIC ASSOCIATION, INC., hereafter referred to as PURCHASING UTILITIES, and the ALASKA POWER AUTHORITY to provide for the sale, delivery, and purchase of electric power from the Solomon Gulch, Swan Lake, Lake Tyee, and Terror Lake Hydroelectric facilities, collectively known as the Four Dam Pool or the Initial Project.

WITNESSETH

WHEREAS, the Alaska Power Authority (the "Authority") is a public corporation of the State of Alaska duly created, organized and existing pursuant to AS 44.83, and authorized by law to sell electric power generated by the facilities of the Initial Project; and

WHEREAS, the Purchasing Utilities are qualified utilities within the meaning of AS 44.83.425(5), and are authorized to operate, and entitled to purchase power at wholesale from, a power project acquired or constructed by the Authority; and

WHEREAS, this Agreement is for the sale of power from the Initial Project, financed with a loan under AS 44.33, and is fully consistent with the provisions thereof;

NOW THEREFORE, IN CONSIDERATION of the mutual covenants set forth herein, the parties hereto agree as follows:

SECTION 1. Parties, Facilities, and Authorities.

(a) The parties to this Agreement ("Parties") are:

(i) the Alaska Power Authority ("Authority");

(ii) the City of Ketchikan ("Ketchikan"), d.b.a. Ketchikan Public Utilities, a home rule municipality of the State of Alaska;

(iii) the City of Wrangell ("Wrangell"), d.b.a. Wrangell Municipal Light and Power, a home rule municipality of the State of Alaska;

(iv) the City of Petersburg ("Petersburg"), d.b.a. Petersburg Municipal Power and Light, a home rule municipality of the State of Alaska;

(v) Copper Valley Electric Association, Inc. ("Copper Valley"), an electric cooperative corporation of the State of Alaska; and

(vi) Kodiak Electric Association, Inc. ("Kodiak"), an electric cooperative corporation of the State of Alaska.

(b) The Parties shall include the respective successors and assigns of the above Parties, except as limited by Section 13.

(c) The Parties are also referred to herein as follows:

(i) Ketchikan, Wrangell, Petersburg, Copper Valley, and Kodiak are referred to as "Purchasing Utilities" or "Purchasers".

(ii) Ketchikan, Wrangell, and Petersburg are referred to as "Municipal Utilities".

(iii) Copper Valley and Kodiak are referred to as "Cooperative Utilities".

(iv) Wrangell and Petersburg are referred to as "Interconnected Utilities".

(d) Reference in this Agreement to any of the Parties shall include such officers or agents as may from time to time lawfully exercise responsibility and authority for and on behalf of such Parties, unless the context clearly requires otherwise.

(e) Each Party hereto warrants to the others that it is authorized and has taken all steps necessary pursuant to law to enter into this Agreement and to comply fully with its terms.

(f) Electric Power sold pursuant to this Agreement is Power from the Initial Project as defined in this Agreement. The Parties recognize that additional physical facilities may be constructed in the future and considered for addition to the Initial Project, but the Parties agree that facilities not included in the Initial Project as defined in this Agreement may not be added to the Initial Project for purposes of this Agreement except by subsequent agreement of the Parties.

SECTION 2. Term of Agreement.

(a) This Agreement shall take effect upon execution by the

authorized representatives of all Parties. The Parties recognize that execution by the Cooperative Utilities is subject to written approval by the Administrator of REA.

(b) The term of this Agreement shall be forty-five (45) years from the date on which it takes effect.

(c) No Party may terminate this Agreement except with the written consent of all other Parties.

(d) The Purchasing Utilities may renew this Agreement on the same terms and conditions as provided herein for any period, but not to exceed the remaining useful life of the Initial Project as reasonably determined by the Authority. There will be no Debt Service Component of the Wholesale Power Rate charged by the Authority for Power from the Initial Project under any such renewal of this Agreement. In the event that any Purchasing Utility elects not to renew this Agreement, the Wholesale Power Rate for those Purchasing Utilities which do elect to renew this Agreement shall be based on the Power Production Costs of those Dedicated Facilities for which at least one Purchasing Utility has elected to renew this Agreement.

SECTION 3. Sale and Purchase of Power.

(a) The Authority agrees to sell to each Purchasing Utility, and each Purchasing Utility agrees to buy, Electric Power in the amount of each Purchaser's Operating Demand.

(b) Each Purchaser shall pay for such Electric Power on the basis of its Billing Energy, at rates established in accordance with Section 5 of this Agreement.

(c) Each Party has a direct financial interest in ensuring the maximum practicable sale of power from the Initial Project under this Agreement. Therefore, to the extent that energy and capacity available to a Purchaser from the Initial Project are sufficient to meet that portion of the Purchaser's electric power load requirements that exceeds the capability of the Purchaser's existing hydroelectric resources (as shown on Exhibit C attached hereto), the Purchaser shall not meet that portion of its electric power load requirements or any part thereof with power generated by other electric power resources. This prohibition shall not apply to the extent that (i) the Authority and at least two of the other Purchasing Utilities consent in writing to the Purchaser's use of such other electric power resources, or (ii) the Purchaser is required by law to purchase power generated by such other resource.

(d) Any and all sales of Surplus Power as defined herein shall be subject to the following conditions and procedures:

(i) The Authority shall not sell Surplus Power except to a qualified utility as defined in AS 44.83.425(5). If a qualified utility other than a Purchasing Utility applies to the Authority to purchase power, the Authority shall notify the Purchasing Utilities of the application, and afford each Purchasing Utility, as appropriate, an opportunity to file a competing application to purchase power.

In the event that the Authority receives competing or conflicting applications for Surplus Power, the Authority shall give preference and priority to Purchasing Utilities in the sale of such Power.

(ii) The Authority shall not sell Surplus Power except with the written consent of the Purchaser or Purchasers at whose Dedicated Facility or Facilities the Surplus Power would be generated, unless the Authority sells such Surplus Power under terms and conditions that permit withdrawal of the Power to meet the actual electric power load requirements of such Purchaser or Purchasers.

(iii) Except with the written consent of the Purchasers, the Authority shall not sell Surplus Power on terms more favorable, or at rates which are lower, than those which apply to sales of Power to the Purchasers under this Agreement.

(iv) Revenue from sales of Surplus Power shall be used only to defray costs of the Initial Project under this Agreement. Specifically:

(A) A portion of such revenues shall be used to meet Power Production Costs and thereby to reduce the costs borne by the Purchasers. Such portion shall not be less in total dollar amount than the product of the Surplus Sales (in kilowatthours) multiplied by the Power Production Cost Component of the Wholesale Power Rate (in cents per kilowatthour) for the Contract Year(s) in which delivery of the Surplus Power occurs.

(B) The Authority shall use any remaining Surplus Power sales revenues to meet costs borne by the Authority under this Agreement, including (if the remainder is sufficient for this purpose) the cost of debt service on loans made to the Authority to finance the Initial Project.

(v) Before agreeing to make any sale of Surplus Power, the Authority shall afford the Purchasers a reasonable period of time in which to review and comment on the proposed sale and the proposed terms and conditions of that sale. The Authority shall not unreasonably refuse to implement suggestions for sales conditions, or unreasonably refuse to honor objections to proposed sales, that it receives from Purchasers.

(e) This Agreement is not intended to prevent the Purchasing Utilities from receiving the benefit of any legislative actions that permit the Purchasing Utilities to receive power from the Initial Project on terms more favorable than those set forth in this Agreement.

(f) The payment obligations of the Municipal Utilities under this Agreement are obligations payable solely out of the revenues of said Purchasing Utilities' Systems and are not general obligations of said Purchasers. In the event that any Purchasing Utility fails to perform its payment obligations under this Agreement, the Authority shall proceed to enforce such obligations against such Purchasing Utility in accordance with the provisions of Section 8 of this Agreement.

SECTION 4. Continuity Of Service.

(a) The Authority shall at all times, except when prevented by a cause or event not within the control of the Authority, make Power continuously available to each Purchasing Utility at that Utility's Delivery Point in the amount of that Purchaser's Operating Demand, subject to the following limitations:

(i) Interruptions or restrictions of deliveries caused by the reasonable need of the Authority or a Purchasing Utility to inspect, maintain, repair, test, or otherwise service its facilities or equipment in accordance with Prudent Utility Practice and standards shall excuse the Authority from its obligation to meet that Purchasing Utility's Operating Demand to the extent of such interruptions or restrictions, but such interruptions or restrictions shall be of reasonable duration, and shall, whenever practicable, be scheduled during light load hours or periods. All parties shall give the others as much notice as is reasonable and practicable of any planned interruption or restriction, the reasons therefor, and the probable duration thereof.

(ii) In order to protect facilities and equipment that might otherwise be damaged when service is restored or increased following an interruption or substantial restriction, all parties shall notify the others as reasonable, in advance, of an intent to resume or increase deliveries of or demand for Power from a Dedicated Facility, and the time of such resumption or increase.

(iii) This Agreement shall not create on the part of the Purchasing Utilities or the Authority any legal duty to maintain continuity of electric power service to any Purchaser's retail customers.

(b) All parties shall at all times construct, maintain and repair their respective facilities and equipment in accordance with Prudent Utility Practice and standards in order to prevent, minimize, or correct any failures or partial failures of such facilities or equipment.

(c) All parties shall operate, maintain and use their Utility Systems and related protective relays to minimize electric disturbances which may interfere with the System of another

party or any Interconnected System, or which may reduce the efficiency or increase the cost of operation of any Dedicated Facility.

(d) The Purchasing Utilities shall bear no risk of uninsured Facility failures, substandard Facility performance, inadequacy of the R & R Fund, or failure of any Purchasing Utility to make payments required by this Agreement. This agreed distribution of risk shall not excuse any Purchasing Utility's failure to perform its obligations under this Agreement, and the Authority shall enforce such obligations in accordance with the provisions of Section 8.

(e) If a Purchasing Utility reasonably determines that service from its Dedicated Facility is so erratic or unreliable as to (i) interfere substantially with the continuous delivery of electric Power to that Utility's retail customers, or (ii) threaten damage to its facilities or equipment, the Purchasing Utility may, upon notice to the Project Management Committee and the Authority, refuse to accept Power from its Dedicated Facility until reliability has been restored to industry standards. If such reliability problems are not so resolved within twelve (12) months after such notice, the Utility may terminate purchases pursuant to this Agreement and may meet its load requirements with any resources it deems appropriate, irrespective of the provisions of Sections 2(c) and 3(c) of this Agreement. The Authority and the Purchasing Utility may thereafter agree to resumption of purchases of power. In the event that purchases are so terminated, the Authority shall hold the remaining Purchasing Utilities harmless from any resulting increase in Wholesale Power Rates.

Section 5. Rates and Billing.

(a) Payment obligation and general billing practices.

(i) The payment obligation of each Purchaser in each Contract Year shall be the product of the Wholesale Power Rate for that Year (expressed in cents per kilowatt-hour) multiplied by that Purchaser's Billing Energy (expressed in kilowatthours) for that Year, each as finally determined after the end of that Year.

(ii) The Parties recognize that in practice neither the actual Wholesale Power Rate nor the actual Billing Energy of any Purchaser is capable of final determination for any Contract Year until after that Year has ended. Therefore, during each Contract Year each Purchaser will pay, on a monthly basis, amounts equal to the Purchaser's Billing Energy multiplied by the estimated Wholesale Power Rate then in effect.

(iii) Each Purchaser may offset against and deduct from its monthly payments all or a portion of the Facility

Operating Costs the Purchaser has incurred which are among the Facility Operating Costs included in and used to compute the Power Production Component of the Wholesale Power Rate, but all such costs shall be subject to audit and approval and to such other procedures as the Project Management Committee may from time to time prescribe.

(iv) The estimated Wholesale Power Rate may include separately identified surcharges or refunds that are estimated to be sufficient to collect from or to repay to the Purchasers within twelve months any revenue deficiency or surplus that results from a difference between (A) the Purchasers' total payment obligations as finally determined for a prior Contract Year, and (B) the total amount for which the Purchasers were actually billed for Power received during that prior Year. The final such deficiency or surplus, which can be determined only after the last Contract Year of this Agreement, shall constitute a continuing obligation to be collected or repaid during a reasonable period of time following such final Year, the provisions of Section 2(d) of this Agreement notwithstanding.

(b) The Wholesale Power Rate. The Wholesale Power Rate for each Contract Year shall be the sum of two components, a Power Production Cost Component and a Debt Service Component. The formula for computing the Wholesale Power Rate is set forth in Exhibit E.

(i) The Power Production Cost Component. The Power Production Cost Component of the Wholesale Power Rate for each Contract Year shall be the quotient of the total Power Production Costs for that Contract Year divided by the total of the kilowatthours of Billing Energy received by the Purchasers in that Contract Year plus the kilowatthours of Surplus Power sales, if any, in that Contract Year. The total Power Production Costs for any Contract Year shall be the sum of the following, in dollars:

- (A) the Facility Operating Costs in that Contract Year;
- (B) the Joint Costs of the Initial Project in that Contract Year, which shall include:
 - (I) Joint Insurance Costs,
 - (II) project-specific administrative and general costs of the Authority, and
 - (III) the costs of the Committee; and
- (C) Five hundred thousand dollars (\$500,000.00),

an amount which the Parties agree shall be the Purchasers' fixed contribution (paid in monthly installments) to the R & R Fund in each Contract Year. If the first or last Contract Year of this Agreement is less than twelve calendar months in duration, the Purchasers' contribution to the R & R Fund in such Year shall equal \$500,000.00 multiplied by a fraction, the numerator of which is the number of calendar months in such Year and the denominator of which is twelve.

(ii) The Debt Service Component. Subject to the Rate Reopener provisions of Section 9, the Debt Service Component of the Wholesale Power Rate in each Contract Year shall be the weighted average of the Debt Service Component for Contracted Forecast Sales and the Debt Service Component for Additional Sales set forth in the schedule attached hereto as Exhibit D. The formula for computing the Debt Service Component for any given Contract Year is set forth in Exhibit E.

(c) Estimated Wholesale Power Rates. An estimated Wholesale Power Rate, based on estimated Power Production Costs and estimated Power sales, shall be established for each Contract Year and used for billing purposes during that Year. Such estimated Rates may include the separately identified surcharges and refunds described in Section 5(a)(iv) above, including any Additional Sales Rebate accrued in prior Contract Years.

(d) Mid-Year revision of estimated Wholesale Power Rates. Estimated Wholesale Power Rates may be revised if necessary during a Contract Year, if more recent estimates of costs and sales indicate that failure to revise the estimated Rates is likely to produce an unacceptably large revenue deficiency or surplus for that Contract Year. Recognizing that mid-Year revisions of such Rates may produce (among other problems) inequities among Purchasers and among retail consumers because of differing seasonal load patterns, the Parties agree that such mid-Year revisions should be made sparingly, that substantial mid-Year revisions should be avoided, and that surcharges and refunds should apply for twelve month periods whenever practicable, even though this may require that such surcharges and refunds span portions of a Contract Year and the succeeding Contract Year.

(e) Application of revenues by the Project Management Committee. Each Purchaser in each month shall make payment to the Project Management Committee in the amount of that Purchaser's bill for the prior month, net of any costs deducted as specified in Section 5(a)(iii) above. The Committee shall promptly establish, and deposit such payments in, the Initial Project Revenue Fund. From that Fund the Committee shall pay or reimburse or deposit, as appropriate, any remaining Facility Operating Costs, the R & R Fund contribution of the Purchasers, and the Joint

Costs of the Initial Project. Thereafter, the Committee shall pay over to the Authority at least annually any amount remaining in the Initial Project Revenue Fund, except in the circumstance described in the final sentence of Section 6(a) below. Amounts so paid over shall be available to the Authority to meet the Authority Debt Service Obligation.

(f) Statutory requirements. The Wholesale Power Rate established for the Initial Project pursuant to this Agreement is, as required by law, a Rate estimated to produce sufficient revenue to meet the Authority Debt Service Obligation and to pay the Initial Project's operation, maintenance, equipment replacement, safety inspection, and investigation costs.

SECTION 6. Risks and Reserves.

(a) Risks. The Authority's obligation to bear the risks set forth in Section 4(d) above is not contingent on the availability of funds to meet such obligation. The Parties recognize, however, that as a practical matter the interests of the Authority and of the Purchasers under this Agreement would be difficult if not impossible to protect if the Authority lacks immediate or at least prompt access to needed funds. Therefore, the Authority will take all steps reasonably necessary to obtain funds from any legally available source, including without limitation the State of Alaska. If the Authority fails to obtain promptly the funds needed to meet its Section 4(d) obligations, the Project Management Committee shall be entitled to provide all or a portion of the needed funds from the Initial Project Revenue Fund and to reduce accordingly the amounts paid under Section 5(e) above to the Authority from such Fund.

(b) The R & R Fund.

(i) Promptly after the effective date of this Agreement, the Project Management Committee shall establish the R & R Fund, which Fund shall have the features described below.

(ii) The R & R Fund shall not be used as a source of monies to deal with the risks borne by the Authority under Section 4(d), including the risk that facilities and equipment fail prematurely or fail to perform adequately, which risks are foreseeable but not expected to materialize. Instead, the R & R Fund shall be used as one source of monies for the routine renewal and replacement of existing facilities and equipment of the Initial Project, including reimbursement of the Authority for its Initial Project renewal and replacement expenditures.

(iii) The R & R Fund shall have the following features, and use of monies in the Fund shall be subject to the following conditions:

- (A) The Fund will be established and held by the Committee in an interest-bearing account in trust for the benefit of the Initial Project.
- (B) The monies in the Fund shall consist of the Purchasers' contributions under Section 5(b)(i)(C) of this Agreement, any contributions to the Fund from sources other than the Purchasers, and interest earned on all such contributions.
- (C) Proposed expenditures from the Fund shall be subject to approval by the Committee and consistent with criteria the Committee shall adopt.
- (D) In order to permit the Fund balance to increase as rapidly as possible, the Authority agrees that before expenditures are made from the Fund the Authority will use for renewal and replacement purposes, as necessary, all available and previously unexpended proceeds from the loan used to finance the Initial Project under AS 44.33.
- (E) The Fund and the Purchasers' contributions shall continue during the term of this Agreement and any period for which this Agreement is renewed. Thereafter, the Committee shall pay over to the Authority the unexpended balance of the Fund.

SECTION 7. Project Management Committee; Formation and Duties.

(a) The Parties hereby establish a Project Management Committee (the "Committee") to implement the provisions of this Agreement. The Committee shall consist of one representative of each Party.

(b) Each Party shall notify all other Parties in writing of its designated representative and of an alternate representative. Any Party may change its representative or alternate representative at any time and shall promptly provide written notice of such change to all other Parties.

(c) The Committee shall meet at least quarterly. Written minutes shall be kept for all meetings of the Committee.

(d) The Committee shall adopt, by majority approval, procedural rules governing the conduct of the Committee's affairs. Such rules shall address, among other matters, the periodic selection of Committee officers, procedures for the conduct of

Committee meetings, procedures for dispute resolution, and, to the extent not otherwise specified in this Agreement, voting requirements for approval of matters to be decided by the Committee.

(e) The following matters shall be determined by the Committee:

- (i) Annual budgets for items comprising the total Power Production Cost;
- (ii) The creation and administration of the R & R Fund, the Initial Project Revenue Fund, and any other funds created by the Committee;
- (iii) Provision for insurance of Initial Project facilities, including determination of coverage limits, choice of insurers, and disposition of insurance claim proceeds;
- (iv) Procedures and standards for budgeting and billing;
- (v) Auditing standards and procedures;
- (vi) Technical, operating, and maintenance standards;
- (vii) Calculation of the estimated Wholesale Power Rate pursuant to Section 5(c) of this Agreement and any revision of the estimated Wholesale Power Rate pursuant to Section 5(d);
- (viii) Load estimates as required under this Agreement, or as determined by the Committee to be necessary;
- (ix) Determination of standards for capital asset acquisition and accounting;
- (x) Standards for expenditures requiring the agreement of all Parties; and
- (xi) Such other matters as required by this Agreement or that a majority of the Committee determines appropriate, provided that the Committee shall have no authority to modify or amend the terms or conditions of the Agreement.

(f) Notwithstanding Sections 7(d) and 7(e) of this Agreement, the following matters shall require the concurrence of the Committee representatives of both the Authority and a majority of the Purchasers:

- (i) Adoption of procedural rules pursuant to Section 7(d) of this Agreement;

(ii) Annual budgets for items comprising the total Power Production Cost;

(iii) Minimum levels of insurance on the Initial Project facilities; and

(iv) Technical, operation, and maintenance standards for the Initial Project facilities.

(g) The Committee shall provide for the annual audit of all Power Production Costs, pursuant to procedures and standards adopted by the Committee.

(h) The Committee may create special purpose committees as appropriate, provided that the Committee may not delegate its decision-making duties to any such special purpose committees.

SECTION 8. Performance Pending Dispute Resolution.

(a) After adjudication by the Project Management Committee or by a body appointed pursuant to rules and procedures adopted by the Project Management Committee, any Party may file an action in the superior court of the State of Alaska with respect to the matter in dispute to obtain a decision resolving such dispute and to obtain any other remedy permitted by law. Unless the Parties to the dispute determine otherwise, such action shall be an original action on the merits in which each Party shall have the right to introduce testimony or other evidence concerning any such matter in dispute, including without limitation, the result of the adjudication, and each Party shall be entitled to a full hearing on the matter.

(b) Pending resolution of any disputed matter, the Parties shall continue performance of their respective obligations under this Agreement. The existence of an unresolved dispute shall not excuse the Authority from delivering power hereunder or excuse the Purchasing Utilities from making payment for such power. Rather, the Parties shall continue to perform while pursuing other remedies, including judicial remedies, available to them under this Agreement.

(c) Upon the failure of any Purchaser to make any payment under this Agreement, the Authority may bring any suit, action, or proceeding at law or in equity, including mandamus, injunction, and actions for specific performance, as may be necessary or appropriate to enforce that Purchaser's payment obligation.

(d) No remedy conferred upon or reserved the Parties is intended to be exclusive of any other remedy or remedies available hereunder or now or hereafter existing at law, in equity, by statute, or otherwise, but each and every such remedy shall be cumulative and shall be in addition to every other such remedy.

SECTION 9. Rate Reopeners.

(a) Fifteen years after the effective date of this Agreement, and at fifteen-year intervals thereafter until expiration of this Agreement, any Party may initiate renegotiation of the scheduled Debt Service Component of the Wholesale Power Rate. Such renegotiation shall be referred to as a "Rate Reopener". There shall be two "Reopener Periods", respectively commencing on the fifteen and thirtieth anniversaries of the effective date of this Agreement.

(b) In renegotiating the Debt Service Component, the Parties shall consider:

(i) the costs, during the Reopener Period, of alternative sources of power generation;

(ii) the effect of the Wholesale Power Rate on the retail power costs of the Purchasing Utilities;

(iii) the long-term benefits to consumers and the communities of the Purchasing Utilities of stable power costs;

(iv) the affordability of the wholesale power costs;

(v) the gradual change in payment schedule necessary to avoid significant rate increases to the consumer;

(vi) the excess capacity of the Initial Project at the time of the Rate Reopener;

(vii) the effects of increased capacity utilization, inflation, and alternative energy production costs over the remaining life of the Initial Project; and

(viii) the extent to which the Authority has been able to meet its obligations under Section 4(d) of this Agreement without requiring the Project Management Committee to take action under Section 6(a) of this Agreement.

Any decreases in the scheduled Debt Service Component shall require the consent of the Authority, and any increases in the scheduled Debt Service Component shall be limited in accordance with subsection (i) of this Section.

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after 3...
30 Oct 1997*

(c) At least two years prior to each Rate Reopener, each Purchaser shall submit to the Committee a forecast of its sales for the remainder of the term of this Agreement. The forecast shall be developed under standards adopted by the Committee and approved by the Authority, and shall be accompanied by supporting data and assumptions. If the Authority disagrees with any such forecast, that forecast shall be finally determined by a nationally recognized expert in electric power demand forecasting designated by the Authority and the Purchasers. The

forecasts as finally determined shall be incorporated in a revised schedule of Contracted Forecast Sales for the remainder of the term of this Agreement, in a new Exhibit D to be attached hereto. The total kilowatthour sales from the Initial Project projected for each Reopener Period shall be referred to, respectively, as "First Reopener Period Sales" and "Second Reopener Period Sales".

(d) The Project Management Committee shall compute the annual level debt service that would be necessary to amortize the Capital Component by means of monthly payments at eight percent (8%) interest over a period extending from the date of the Rate Reopener until the forty-fifth anniversary of the effective date of this Agreement. That annual payment amount, multiplied by fifteen (15), shall be referred to as the "Maximum Flat Revenue Total" for the appropriate Reopener Period.

(e) The Maximum Flat Revenue Total shall be divided by the Reopener Period Sales to obtain the "Maximum Computed Debt Service Rate" for a given Reopener Period.

(f) The Project Management Committee shall then calculate the weighted average retail rate (the quotient of total power sales revenues divided by total kilowatthour sales) of the Purchasing Utilities collectively which would be necessary to meet the Purchasers' collective revenue requirements if the Maximum Computed Debt Service Rate were to become the Debt Service Component of the Wholesale Power Rate at the time of the Rate Reopener. Such average retail rate shall be referred to as the "Computed Average Retail Rate".

(g) The Project Management Committee shall similarly calculate the weighted average retail rate for all electric power sold by utilities in the State of Alaska, including the Purchasers, at the time of the Rate Reopener (hereinafter referred to as the "Average Statewide Retail Rate"). If the Computed Average Retail Rate exceeds the Average Statewide Retail Rate, then the Committee shall calculate a "Revised Maximum Debt Service Component of the Wholesale Power Rate" designed to produce a weighted average retail rate for the Purchasing Utilities equal to the Average Statewide Retail Rate. If the Computed Average Retail Rate is less than the Average Statewide Retail Rate, then the Maximum Computed Debt Service Rate shall become the Revised Maximum Debt Service Component.

(h) A Revised Maximum Debt Service Rate Schedule shall be established in which the Debt Service Component of the Wholesale Power Rate shall be increased in equal increments over a five year period until it equals the Revised Maximum Debt Service Component, after which time it shall not be increased throughout the remainder of the Reopener Period.

(i) Any increases in the Debt Service Component of the Wholesale Power Rate established as a result of the Rate

Reopener shall not exceed the amounts stated in the Revised Maximum Debt Service Rate Schedule.

SECTION 10. Records.

In addition to meter records, the Parties shall keep log sheets and other records as may be needed for the purposes of this Agreement to the extent required to comply with FERC licensing requirements. In keeping books of account, the Parties shall, to the extent that different rules are not prescribed by this Agreement, federal and state laws, follow the system of accounts prescribed for public utilities and licensees by the Federal Energy Regulatory Commission, except that if and so long as a Purchasing Utility is a borrower from REA then it shall follow the system of accounts prescribed by REA for its electric borrowers.

SECTION 11. Inspection of Facilities.

For purposes of this Agreement, each Party may, but shall not be obligated to, inspect any other party's facilities at any time, but such inspection or failure to inspect shall not render the inspecting Party, its officers, agents or employees, liable or responsible for any injury, loss, damage, or accident resulting from defects in such facilities.

SECTION 12. Covenants to Maintain Integrity of Agreement.

(a) The Cooperative Utilities shall affirmatively and promptly pursue all administrative and judicial remedies necessary to secure Alaska Public Utility Commission approval of retail rates required to meet the terms of this Agreement where Commission approval is required.

(b) The Purchasing Utilities shall take all necessary steps to comply with applicable federal and state laws and regulations, licenses and permits relating to the use and operation of the Purchasing Utilities' Systems.

(c) Each Purchasing Utility agrees to continue to operate its electric utility properties for the term of this Agreement and renewal thereof in a sound and businesslike manner to provide electric services within its service area. Each Purchaser agrees to make its retail electric rates in accordance with generally accepted accounting principles, applicable regulatory requirements, and customary utility practice.

(d) Each Purchasing Utility covenants and agrees that it will establish, maintain, and collect rates or charges for Power and other services, facilities, and commodities sold, furnished, or supplied by it through any of its electric properties which shall be adequate to provide revenues sufficient to enable such Purchasing Utility to make the payments required under this

Agreement and to pay all other charges and obligations payable from or constituting a charge against or lien on such revenues.

(e) The Parties shall take all necessary steps within their control to comply with applicable federal and state laws, regulations, licenses and permits relating to the use and operation of the Dedicated Facilities, and without limitation, to comply with the terms of the Federal Energy Regulatory Commission licenses applicable to said Facilities. The Authority shall take all necessary steps to cause the Federal Energy Regulatory Commission license to be renewed, if necessary, so that it is in effect during the term of this Agreement or any extension thereof.

(f) This Agreement shall supersede and replace any power sales agreement currently in effect between any Purchasing Utility and the Authority and any reference to a power sales agreement in agreements currently in effect between the Parties hereto shall refer to this Agreement except where the context clearly requires otherwise.

SECTION 13. Assignment.

(a) This Agreement shall inure to the benefit of, and shall be binding upon the respective successors and assigns of the Parties to this Agreement; provided, however, that (i) neither this Agreement nor any interest herein shall be transferred or assigned by a Purchasing Utility to any other person unless prior consent of the Project Management Committee, which shall not be unreasonably withheld, has been obtained and the assignee or successor in interest complies with the statutory requirements for a purchaser of power under applicable statutes, and (ii) although the Authority may assign its rights under this Agreement to another party, the Authority may not assign its obligations under this Agreement to any party other than a party authorized and able to perform those obligations. Notwithstanding the provisions of clause (i) of the preceding sentence, the Cooperative Utilities may assign this Agreement, together with all of their rights and obligations thereunder, (i) to or in trust for any secured lender(s) of the Cooperative Utilities acceptable to REA, including without limitation, REA, for the purpose of securing obligations for borrowed money, or (ii) pursuant to the exercise by any secured lender(s) of the Cooperative Utilities of any of the rights, powers, or privileges provided for by the mortgages or other security instruments of the Cooperative Utilities for borrowed money; provided, that if any of the secured lender(s) of the Cooperative Utilities exercises any of the rights, powers, or privileges of said mortgages or other security instruments with respect to this Agreement, then and only then shall said secured lender(s) of the Cooperative Utilities assume the payment obligations and rights to purchase power of said Cooperative Utilities as provided for in this Agreement; provided further, that in the event any such secured lender exercises any of its rights, powers, or privileges under

said mortgages or other security agreements with respect to this Agreement, such secured lender may thereafter assign this Agreement, together with all the rights and obligations thereunder, to a third party authorized and able to perform the obligations and duties under this Agreement, which third party shall assume all the rights and obligations under this Agreement; and such assignment and assumption shall release such secured lender from any further liability, obligations, or duties under this Agreement.

(b) The Purchasers agree that for the purpose of increasing the security the Authority is able to offer to purchasers of bonds, notes, or other evidences of indebtedness used to finance future projects of the Authority, the Authority may assign to such purchasers, to other future lenders, or to other third parties acting as trustees for such purchasers or future lenders, by subordination or otherwise, its rights to receive payments under this Agreement.

SECTION 14. Notices and Computation of Time.

Any notice required by this Agreement to be given to any Party shall be effective when it is received by such Party. Whenever this Agreement calls for notice to (unless otherwise specifically provided) or notification by any Party, the same shall be in writing directed to the Authority's executive director or an official designated by the Purchaser.

SECTION 15. Availability of Information.

To the extent required for any calculation or determination to be made pursuant to this Agreement, the Parties shall make available to each other, for inspection and copying during business hours, all books, records, plans and other information relating to or supporting such calculation or determination.

SECTION 16. Waiver Not Continuing.

Any waiver at any time by any Party to this Agreement of its rights with respect to any default of any other Party hereto, or with respect to any other matter arising in connection with this Agreement, shall not be considered a waiver with respect to any subsequent default, right or matter.

SECTION 17. Section Headings.

The section headings in this Agreement are for convenience only, and do not purport to and shall not be deemed to define, limit or extend the scope or intent of the section to which they pertain.

SECTION 18. Multiple Copies.

This Agreement shall be executed in several counterparts,

each of which shall be an original, but all of which shall constitute one and the same instrument.

SECTION 19. Severability.

(a) If any section, paragraph, clause, or provision of this Agreement or any agreement referred to in this Agreement shall be finally adjudicated by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall be unaffected by such adjudication and all the remaining provisions of this Agreement shall remain in full force and effect as if such section, paragraph, clause, or provision or any part thereof so adjudicated to be invalid had not been included herein, unless such invalidity or unenforceability materially impairs the benefit of the remainder of this Agreement.

(b) If any section, paragraph, clause, or provision of this Agreement or any agreement referred to in this Agreement shall be finally adjudicated by a court of competent jurisdiction to be invalid or unenforceable, then and in such event the Parties agree that they shall exercise their best efforts to correct such invalidation and substitute appropriate agreements and contractual arrangements to achieve the intent of this Agreement.

SECTION 20. Definitions.

(a) "Additional Sales" means any kilowatthours sold to the Purchasers from the Initial Project in excess of Contracted Forecast Sales as set forth in Exhibit D. Such Contracted Forecast Sales are subject to revision at fifteen year intervals as provided in Section 9 of this Agreement.

(b) "Additional Sales Rebate" means a discount, refund, or credit of one cent per kilowatthour applicable to the Debt Service Component of the Wholesale Power Rate for all Additional Sales and shared among the Purchasers pro rata on the basis of Billing Energy.

(c) "Agreement" means this Long-Term Power Sales Agreement.

(d) "Authority" or means the Alaska Power Authority.

(e) "Authority Debt Service Obligation" means the payment obligations of the Authority under one or more agreements for loans from the Power Development Revolving Loan Fund used to finance the Initial Project and payable in accordance with terms established pursuant to AS 44.33.600-630.

(f) "Billing Energy" means the amount of electric energy, measured in kilowatthours, actually delivered to and taken by a Purchaser from the Initial Project in accordance with Sections 3 and 4 of this Agreement, on the basis of which that Purchaser's

payment obligations are computed in accordance with Sections 3 and 5 of this Agreement.

(g) "Capital Component" means, for purposes of this Agreement, \$192,000,000.00, except that for purposes of Section 9 such Capital Component shall be adjusted in the following manner:

(i) If the Authority or the State of Alaska recovers any amount from engineers, contractors, or others (net of any amount which such engineers, contractors, or others recover from the Authority or the State of Alaska) in disputes concerning the design or construction of any Dedicated Facility, the \$192,000,000.00 Capital Component shall be reduced for purposes of Section 9 by an amount equal to that percentage of the recovery amount which equals the percentage of debt financing used in the design and construction of the Initial Project.

(ii) Any reduction in the Capital Component pursuant to paragraph (i) above shall, however, be offset for purposes of Section 9 by the amount, if any, by which the Authority's unreimbursed expenditures for renewal and replacement of facilities and equipment of the Initial Project exceeds the total of the funds available to the Authority for such purposes from the R & R Fund and from the specific loan proceeds referenced in Section 6(b)(iii)(D) of this Agreement.

(h) "Committee" means the Project Management Committee.

(i) "Contract Year" means, except for the first and last Contract Years, the twelve-month period used for budgeting and ratemaking purposes. The second through forty-fourth Contract Years shall each start on July 1 and shall end on June 30 of the next calendar year. The first Contract Year shall be that portion of the 12-month period between the effective date of this Agreement and the following June 30. The last Contract Year shall be that portion of the 12-month period between the end of the last full (i.e., 12 month) Contract Year and the expiration of this Agreement.

(j) "Contracted Forecast Sales" means the agreed forecast of sales from the Initial Project as set forth in the schedule in Exhibit D, which forecast is subject to revision at fifteen year intervals as provided in Section 9 of this Agreement.

(k) "Cooperative Utilities" means Copper Valley and Kodiak.

(l) "Debt Service Component of the Wholesale Power Rate" means the weighted average of the debt service components set forth in Exhibit D for Contracted Forecast Sales and for

Additional Sales, subject to the Rate Reopener provisions of Section 9.

(m) "Dedicated Facility" means, for each Purchaser, that power generation facility which is included in the Initial Project and which, at the time of this Agreement, is dedicated to the service of that Purchaser's electric power load requirements. For purposes of this Agreement, the Dedicated Facilities are as follows:

(i) The Swan Lake Hydroelectric facility shall be referred to as the Dedicated Facility of Ketchikan;

(ii) The Lake Tye Hydroelectric facility shall be referred to as the Dedicated Facility of the Interconnected Utilities;

(iii) The Solomon Gulch Hydroelectric facility shall be referred to as the Dedicated Facility of Copper Valley; and

(iv) The Terror Lake Hydroelectric facility shall be referred to as the Dedicated Facility of Kodiak.

(n) "Delivery Point" means the point or points designated in Exhibit A attached hereto and made a part hereof where

(i) electric power may actually be metered, or, if no meter exists at that point, the equivalent point adjusted mathematically for line losses from the nearest point of such actual metering; and

(ii) delivery normally occurs.

(o) "Facility Operator" means a qualified public utility or electric operating entity with responsibility for operating and maintaining a Dedicated Facility pursuant to this Agreement or a separate operating agreement.

(p) "Facility Operating Cost" means a cost actually and allowably incurred under the provisions of this Agreement in operating and maintaining a Dedicated Facility or Facilities.

(q) "Initial Project" or "Project" means, collectively, the Terror Lake, Solomon Gulch, Lake Tye and Swan Lake Hydroelectric facilities as described in Exhibit B attached hereto and made a part hereof, together with associated equipment and facilities owned by the Authority that are used or useful for the delivery of electric power from the Project to a Purchaser.

(r) "Initial Project Revenue Fund" means a trust fund established and administered by the Project Management Committee pursuant to Section 5(e) of this Agreement, on behalf of the Purchasers as owners of the monies in the Fund.

(s) "Interconnected System" means a Purchasing Utility's System, the Dedicated Facility of that Purchasing Utility, and any other system for the generation, transmission or distribution of electric power which is physically interconnected with the Purchasing Utility's System or its Dedicated Facility.

(t) "Interconnected Utilities" means Wrangell and Petersburg.

(u) "Joint Costs of the Initial Project" means those costs identified in Section 5(b) (i) (B) of this Agreement.

(v) "Joint Insurance Costs" means the Initial Project insurance costs collectively incurred in accordance with the provisions of this Agreement.

(w) "Municipal Utilities" means Ketchikan, Petersburg, and Wrangell.

(x) "Operating Demand" means a Purchaser's instantaneous demand for Electric Power (capacity and energy) from its Dedicated Facility at any and all times during the term of this Agreement.

(y) "Party" or "Parties" are terms that refer to parties named in Section 1(a) of this Agreement.

(z) "Power" or "Electric Power" means electric energy or electric capacity, or both, except where the context requires a distinction, in which case electric energy is expressed as such or in kilowatthours, and electric capacity is expressed as such or in kilowatts.

(aa) "Power Production Cost" means those costs of the Initial Project set forth in Section 5(b) (i) of this Agreement.

(bb) "Project Management Committee" means the committee established pursuant to Section 7 of this Agreement.

(cc) "Prudent Utility Practice" means, at any particular time, any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition, including but not limited to the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry prior thereto. In applying the standard of Prudent Utility Practice to any matter under this Agreement, equitable consideration should be given to the circumstances, requirements, and obligations of each of the Purchasing Utilities, and the fact that the Purchasing Utilities are cooperative corporations, public corporations, or political subdivisions of the State of Alaska. It is recognized that Prudent Utility Practice is not intended to be limited to the

optimum practices, methods, or acts to the exclusion of all others, but rather is a spectrum of possible practices, methods, or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. Prudent Utility Practice includes due regard for manufacturers' warranties and the requirements of governmental agencies of competent jurisdiction and shall apply not only to functional parts of the Initial Project, but also to appropriate structures, landscaping, painting, signs, lighting, and other facilities.

(dd) "Purchaser" or "Purchasing Utility" means Ketchikan, Wrangell, Petersburg, Copper Valley, or Kodiak, or any of them.

(ee) "Purchasing Utility's System" means a Purchaser's public utility system for the generation, transmission and distribution of electric power.

(ff) "REA" means the Rural Electrification Administration, an agency of the United States Department of Agriculture.

(gg) "R & R Fund" means the fund established pursuant to Section 6(b) of this Agreement, on behalf of the Purchasers as owners of the monies in the Fund, for renewals and replacements of facilities and equipment of the Initial Project.

(hh) "Surplus Power" means Power from the Initial Project other than power sold to a Purchasing Utility from that Purchasing Utility's Dedicated Facility.

(ii) "Wholesale Power Rate" means the rate, expressed in cents per kilowatthour, charged by the Authority to the Purchasers for Billing Energy, computed for each Contract Year in accordance with the provisions of this Agreement.

SECTION 21. Exhibits.

The following exhibits attached hereto are incorporated by reference herein:

- Exhibit A, Delivery Points and Single Line Diagrams
- Exhibit B, Description of the Initial Project
- Exhibit C, Description of Each Purchaser's Existing Hydroelectric Resources
- Exhibit D, Agreed Schedule of Forecast Sales and Debt Service Component of Wholesale Power Rates
- Exhibit E, Rate Formulas

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed, each on the date written below.

CITY OF KETCHIKAN

By

Charles E. Furrer

Title

MAYOR

Date


10-7-85

[S E A L]

A T T E S T:

Karen Miles
-City Clerk

CITY OF WRANGELL

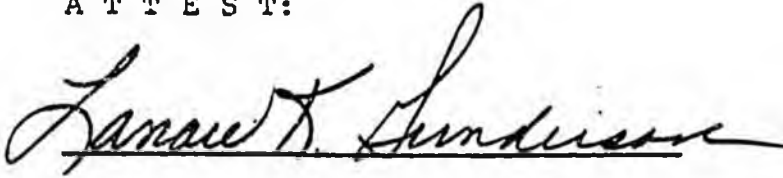
By 

Title William B. Privett, Mayor

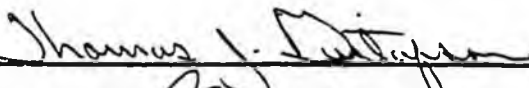
Date 10-22-85

[S E A L]

A T T E S T:



CITY OF PETERSBURG

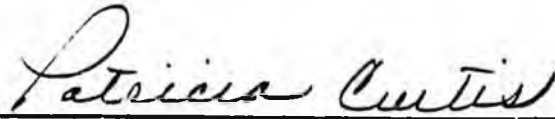
By 

Title Mayor

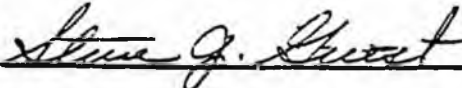
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[S E A L]

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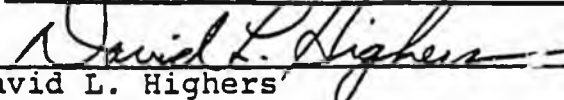


COPPER VALLEY ELECTRIC ASSOCIATION, INC.

By 

Title President

Date 10-10-85

[S E A L] By 

A T T E S T: Title General Manager

Date 10-11-85

KODIAK ELECTRIC ASSOCIATION, INC.

By Gene Sundberg
Gene Sundberg
Title President, Board of Directors
Date October 14, 1985

[S E A L]

A T T E S T:

Marion H. Soule
Marion H. Soule, Secretary-Treasurer

ALASKA POWER AUTHORITY

By Paul D. Keith
Title Executive Director
Date 10/28/85

APPROVED:

Carolyn S. Lee
Assistant Attorney General

EXHIBIT A

Delivery Points and Single Line Diagrams

The Delivery Points shown in this Exhibit may be changed, and additional Delivery Points may be added, by agreement between the Authority and individual Purchasing Utilities.

SWAN LAKE PROJECT

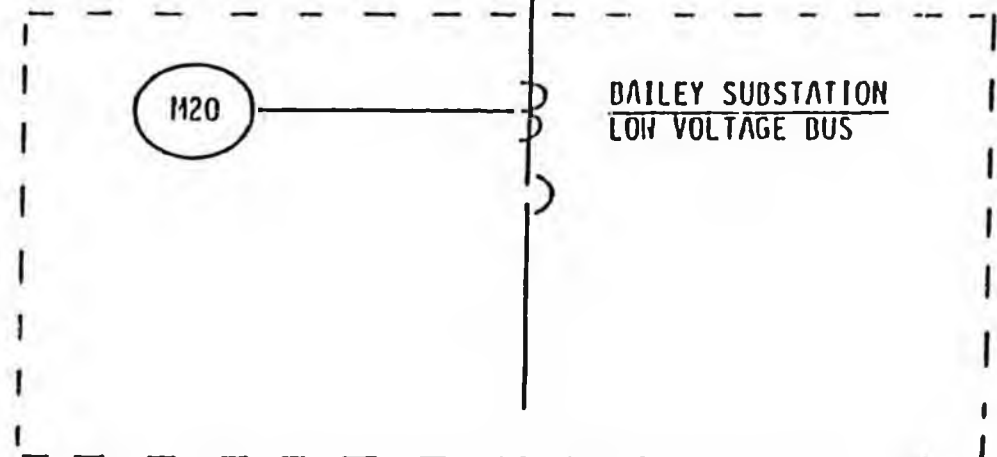
TURBINE NO. 1



TURBINE NO. 2



115 KV TRANSMISSION LINE



BAILEY SUBSTATION
LOW VOLTAGE BUS

DELIVERY POINTS AND SINGLE-LINE DIAGRAM

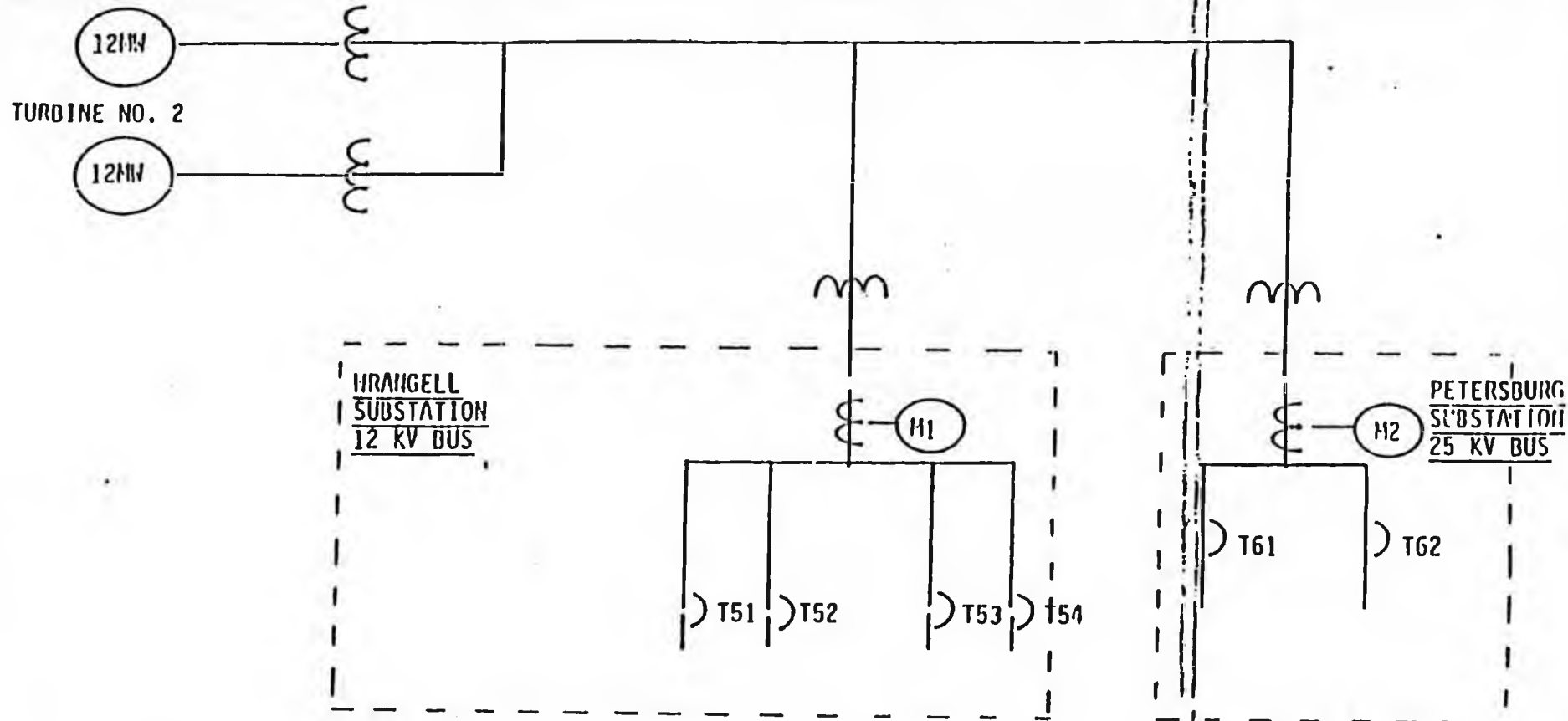
DELIVERY POINTS: ALL POWER IS DELIVERED ON THE KPU SIDE OF THE BAILEY SUBSTATION LOW VOLTAGE CIRCUIT BREAKERS.

REVENUE METER LOCATION: FOR POWER DELIVERED TO KPU REVENUE METERING IS LOCATED AT POSITION M20.

TYEE PROJECT

TURBINE NO. 1

69,000 VOLT TRANSMISSION



DELIVERY POINTS AND SINGLE-LINE DIAGRAM.

DELIVERY POINTS:

WRANGELL

POWER IS DELIVERED ON THE CUSTOMER SIDE OF WRANGELL SUBSTATION 12KV BUS BREAKERS T51, T52, T53, T54

PETERSBURG

POWER IS DELIVERED ON THE CUSTOMER SIDE OF PETERSBURG SUBSTATION 25 KV RECLOSERS T61, T62

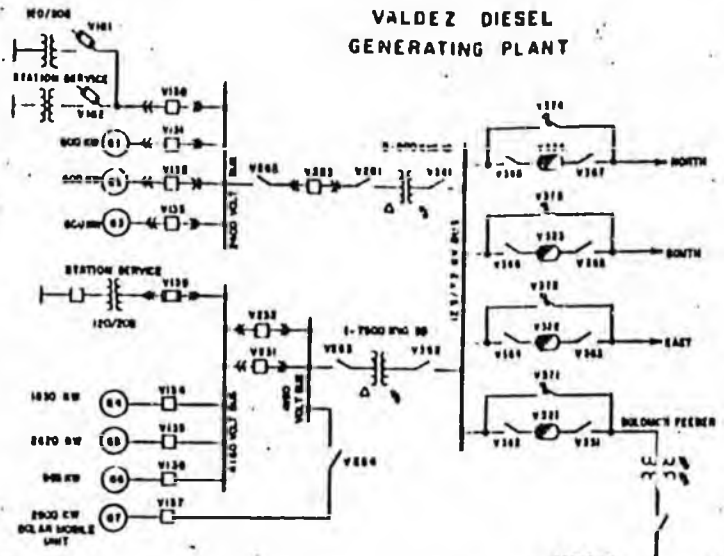
REVENUE METER LOCATION:

FOR POWER DELIVERED TO WRANGELL REVENUE METERING IS LOCATED AT POSITION M1

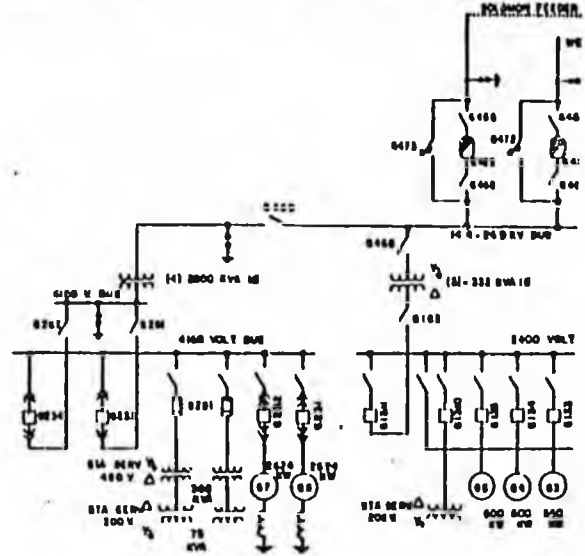
FOR POWER DELIVERED TO PETERSBURG REVENUE METERING IS LOCATED AT POSITION M2

FYRIBIT A 04

VALDEZ DIESEL GENERATING PLANT



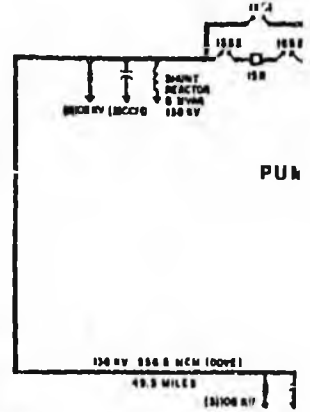
GLENNALLEN DIESEL GENERATING PLANT



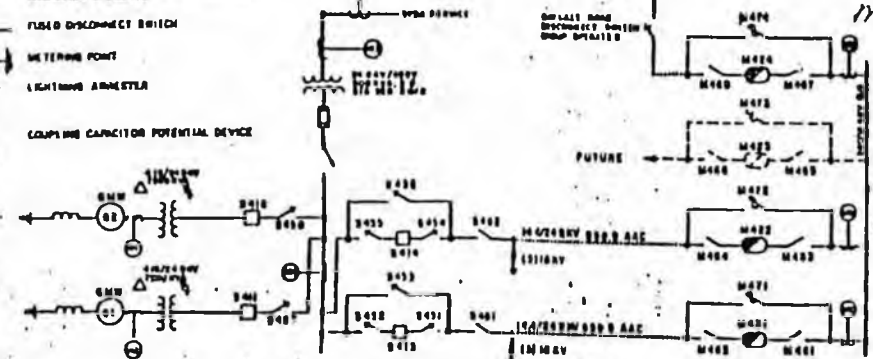
LEGEND

- OIL CIRCUIT BREAKER
- AIR CIRCUIT BREAKER
- DRAW OUT TYPE AIR CIRCUIT BREAKER
- DISCONNECT SWITCH, GROUP OPERATED
- DISCONNECT SWITCH, INDIVIDUAL OPERATED
- FUSE BREAK GROUP OPERATED BY DISCONNECT SWITCH
- CIRCUIT SWITCHER, 150 KV
- OIL CIRCUIT RECLOSER, 30
- OIL CIRCUIT RECLOSER, 45
- RECLOSER BY PASS FUSED DISCONNECT SWITCH OPERATED
- FUSED DISCONNECT SWITCH
- METERING POINT
- LIGHTNING ARRESTOR
- COUPLING CAPACITOR POTENTIAL DEVICE

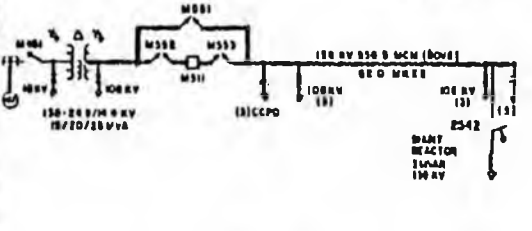
PUL



SOLOMON GULCH HYDRO-ELECTRIC GENERATING PLANT



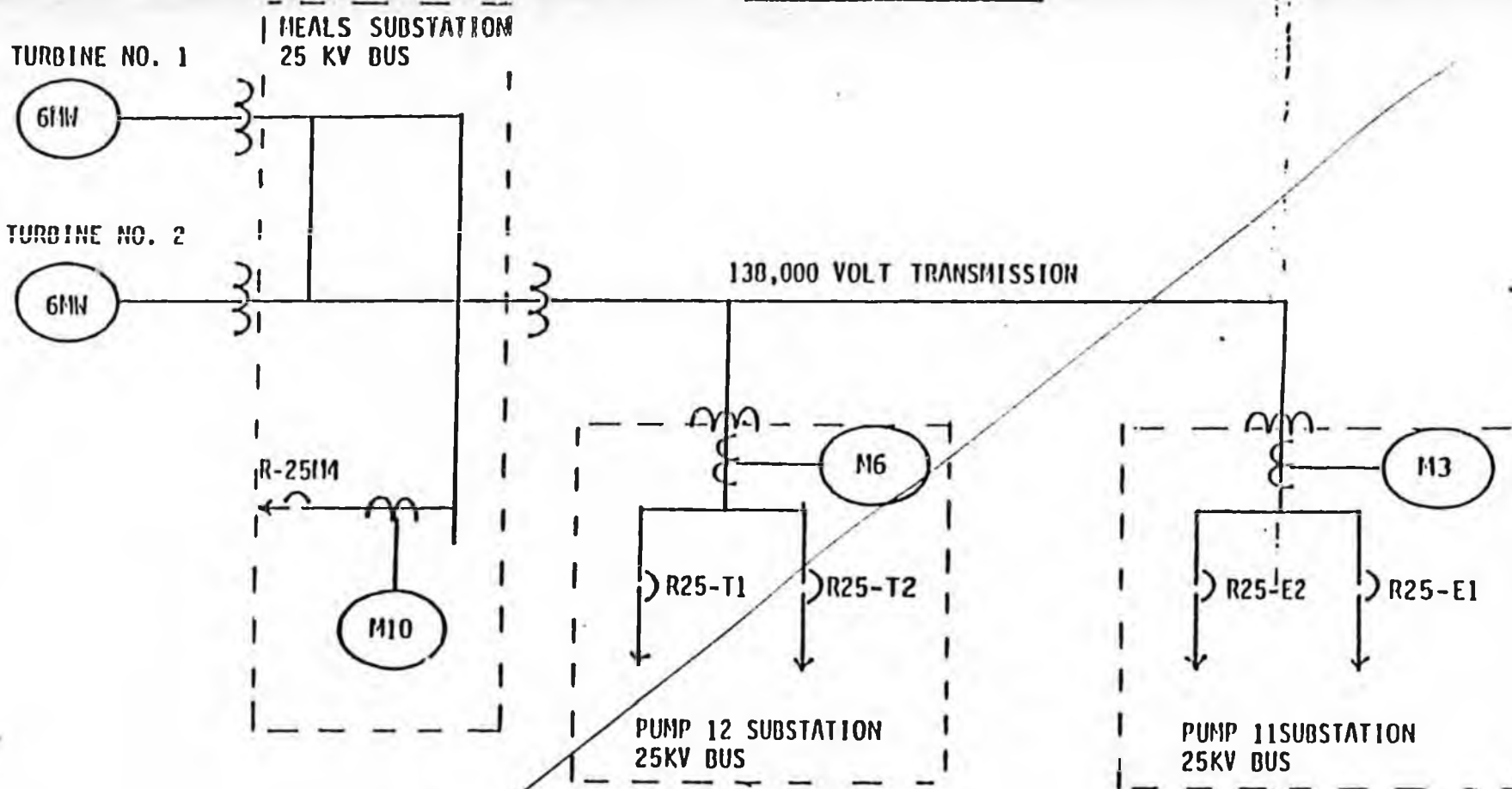
MEALS SUBSTATION



DATE	BY	REVISION	NAME AND TITLE	DATE	APPROVED
11-20-61	J. L. B.	1	COMPUTING ENGINEER	11-20-61	J. L. B.
			CHIEF ENGINEER		

ALASKA POWER AND LIGHT COMPANY

DELIVERY POINTS AND SINGLE-LINE DIAGRAM

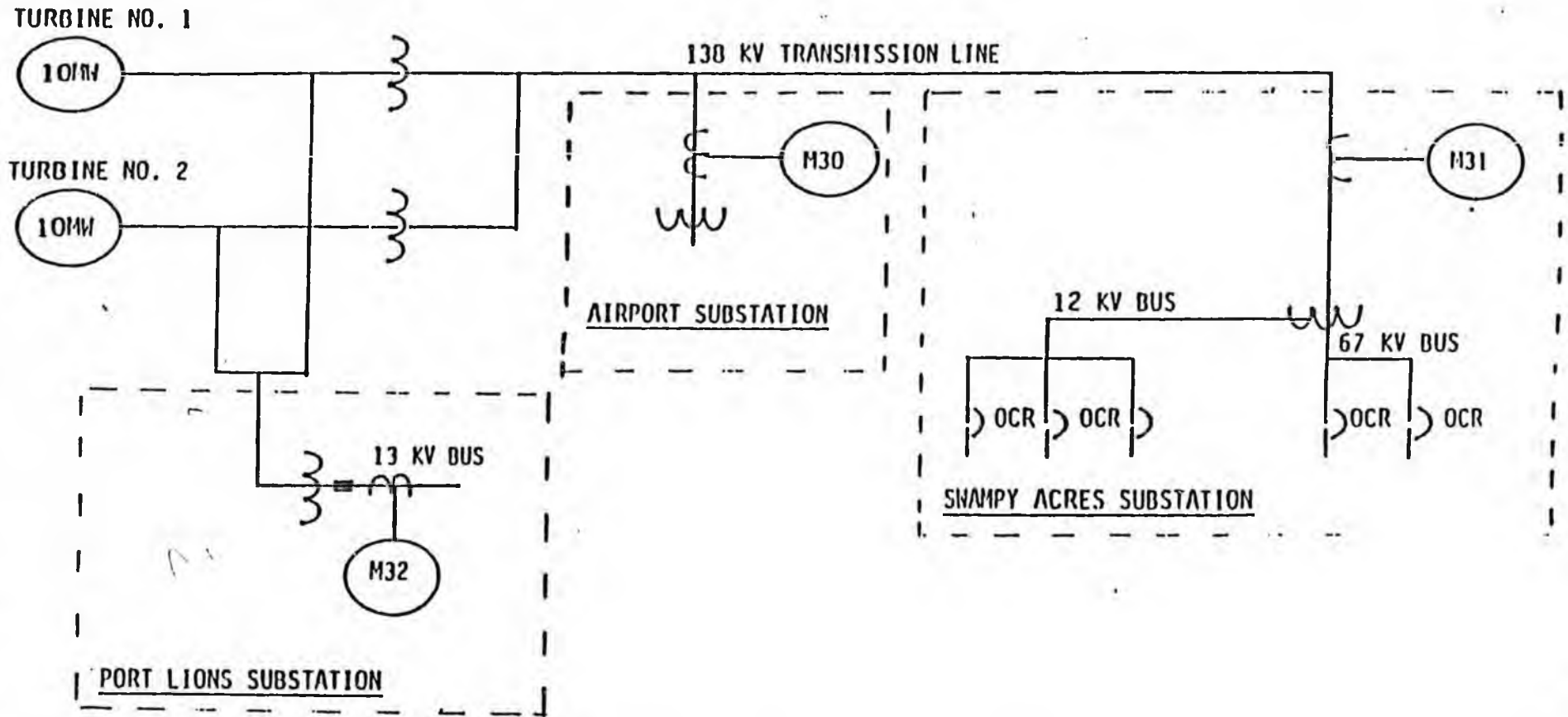


DELIVERY POINTS: ALL POWER IS DELIVERED ON THE CVEA SIDE OF THE FOLLOWING 25KV RECLOSERS R25-M4, R25-T1, R25-T2, R25-E1, R25-E2.

REVENUE METER LOCATIONS: FOR POWER DELIVERED TO CVEA, REVENUE METERING IS LOCATED AT POSITIONS M3, M6, AND M10.

TERROR LAKE PROJECT

DELIVERY POINTS AND SINGLE-LINE DIAGRAM



DELIVERY POINTS: ALL POWER IS DELIVERED ON THE KEA SIDE OF THE FOLLOWING LOCATIONS-

- 1) 13 KV SIDE OF THE PORT LIONS SUBSTATION SWITCH.
- 2) THE 138 KV TERMINALS OF THE AIRPORT SUBSTATION TRANSFORMER
- 3) THE SWAMPY ACRES SUBSTATION 67 KV AND 12 KV OIL CIRCUIT RECLOSERS AND BREAKERS.

REVENUE METER LOCATIONS: FOR POWER DELIVERED TO KEA, REVENUE METERING IS LOCATED AT POSITIONS M30, M31, AND M 32.

EXHIBIT B

Description of the Initial Project

Swan Lake	Page 2
Lake Tyee	Page 3
Solomon Gulch	Page 4
Terror Lake	Page 5

Description of Swan Lake Hydroelectric Project

The Swan Lake Hydroelectric Project located in the vicinity of Ketchikan, Alaska consists primarily of:

(1) All lands constituting the project area and enclosed by the project boundary, to the extent of the Authority's interests in those lands as generally described by exhibits to the application for the FERC license;

(2) Project works consisting of: (a) a concrete arch dam, 174 feet high and 430 feet long at its crest, located approximately 3/4 mile downstream from the mouth of the original Swan Lake and having an uncontrolled ogee spillway section, 100 feet long, with a crest elevation of 330 feet; (b) Swan Lake Reservoir, with a surface of 1,500 acres at normal maximum reservoir elevation and usable storage capacity of 80,000 acre-feet between elevations 330 and 271.5 feet; (c) a power tunnel, 2,200 feet long and 11 feet in diameter, leading from intake structure at the north abutment upstream of the dam to the powerhouse where it divides into two steel-lined penstocks, 5.5 feet in diameter; (d) an indoor-type, remotely controlled, concrete powerhouse containing two generating units with a total rated capacity of 22,000 kw and located at Carroll Inlet immediately north of the mouth of Falls Creek and also containing the Authority's one-half interest in the SCADA system; (e) a 13.8/115-kv substation to the extent of the Authority's interest therein located adjacent to the powerhouse; and (f) access facilities comprised of port facilities 1,000 feet north of the powerhouse, a staging area adjacent to the port facilities, and access roads from the port facilities to the powerhouse and dam;

(3) A 115-kv transmission line extending from the powerhouse substation 30.5 miles to the existing S.W. Bailey Substation; and

(4) All equipment, apparatus, structures and appurtenances, and property or interests therein necessary or desirable for the operation of the foregoing all as specified in plans and specifications therefor now on file with the Authority.

Description of Lake Tvee Hydroelectric Project

The Lake Tvee Hydroelectric Project located approximately 40 miles east-southeast of Wrangell, Alaska, consists primarily of the following facilities: all lands constituting the project area and enclosed by the project boundary, to the extent of the Authority's interests in those lands as generally described by exhibits to the application for the FERC license, a tunnel from the Lake, a powerhouse on the south side of the Bradfield River Valley and a switchplant adjacent to the powerhouse, and a 138-kv transmission system, approximately 81 miles long to the Cities of Wrangell and Petersburg, together with all equipment, apparatus, structures and appurtenances, and property or interests therein necessary or desirable for the operation of the foregoing, all as specified in plans and specifications therefor now on file with the Authority.

Description of Solomon Gulch Hydroelectric Project

The Solomon Gulch Hydroelectric Project consists primarily of the following facilities: all lands constituting the project area and enclosed by the project boundary, to the extent of the Authority's interests in those lands as generally described by exhibits to the application for the FERC license, a hydroelectric generating plant with associated dam, reservoir, dike, spillway and penstocks located approximately 4 miles south of Valdez, Alaska; approximately 5.50 miles of 14.4/24.9 KV new transmission and feeder lines; approximately 105.9 miles of 138 KV transmission line connecting the Valdez and Copper River Basin service districts of Copper Valley Electric Association, Inc.; three substations; system control and data acquisition facilities; and associated access roads, together with all equipment, apparatus, structures and appurtenances, and property or interests therein necessary or desirable for the operation of the foregoing, all as specified in plans and specifications therefor now on file with the Authority.

Description of Solomon Gulch Hydroelectric Project

The Solomon Gulch Hydroelectric Project consists primarily of the following facilities: all lands constituting the project area and enclosed by the project boundary, to the extent of the Authority's interests in those lands as generally described by exhibits to the application for the FERC license, a hydroelectric generating plant with associated dam, reservoir, dike, spillway and penstocks located approximately 4 miles south of Valdez, Alaska; approximately 1.75 miles of 14.4/24.9 KV new transmission and feeder lines; approximately a 105.9 miles of 138 KV transmission line connecting the Valdez and Copper River Basin service districts of Copper Valley Electric Association, Inc.; three substations; system control and data acquisition facilities; and associated access roads, together with all equipment, apparatus, structures and appurtenances, and property or interests therein necessary or desirable for the operation of the foregoing, all as specified in plans and specifications therefor now on file with the Authority.

Description of Terror Lake Hydroelectric Project

The Terror Lake Hydroelectric Project located on Kodiak Island approximately 25 miles southwest of the City of Kodiak, Alaska, consists primarily of the following facilities: all lands constituting the project area and enclosed by the project boundary, to the extent of the Authority's interests in those lands as generally described by exhibits to the application for the FERC license, a compacted-rockfill, concrete faced dam having a structural height of approximately 193 feet; a power tunnel approximately 26,300 feet in length from the dam site to the slopes of the Kizhuyak Valley; an inclined steel penstock approximately 3,100 feet in length, a powerhouse located in the Kizhuyak Valley consisting of two vertical-axis, 15,000-hp Pelton-type impulse turbines, each connected to a 10 MW generator; and an 18 mile long 138-kv transmission line from said powerhouse to the City of Kodiak together with related dock facilities at Kizhuyak Bay and all equipment, apparatus, structures and appurtenances, and property or interests therein necessary or desirable for the operation of the foregoing, all as specified in plans and specifications therefor now on file with the Authority.

EXHIBIT C

Description of Each Purchaser's Existing Hydroelectric Resources

<u>Purchaser</u>	<u>Existing Hydroelectric Resources</u>
Ketchikan	1) Beaver Falls/Silvas Lake (FERC Proj. No. 1922) 2) Ketchikan Lakes Project (FERC Proj. No. 420)
Wrangell	None
Petersburg	Crystal Lake Hydroelectric Project (the Blind Slough Project) (FERC Proj. No. 201)
Copper Valley	None
Kodiak	None

181,496,000 kWh x
 # 0.0149/kwh =
 \$ 2,701,290.4

F-86

191,437,000 kWh
 x # 0.0149/kwh
 = \$ 2,852,411.3

F-87

EXHIB

Agreed Schedule of
and
Debt Service Component of Wholesale Power Rates

YEAR*	CONTRACTED FORECAST SALES (MWH)	DEBT SERVICE COMPONENT FOR FORECAST SALES (CENTS/KWH)	DEBT SERVICE COMPONENT FOR ADDITIONAL SALES (CENTS/KWH)
July 1 1985 thru June 30, 1986	181,496	2.6	1.6
1987	191,437	2.8	1.8
1988	199,181	3.2	2.2
1989	206,042	3.5	2.5
1990	212,994	4.0	3.0
1991	219,067	4.0	3.0
1992	226,907	4.0	3.0
1993	236,183	4.0	3.0
1994	245,893	4.0	3.0
1995	255,439	4.0	3.0
1996	260,533	4.0	3.0
1997	265,897	4.0	3.0
1998	271,482	4.0	3.0
1999	277,343	4.0	3.0
2000	283,488	4.0	3.0
2001	288,220	4.0	3.0
2002	290,043	4.0	3.0
2003	291,926	4.0	3.0
2004	293,889	4.0	3.0
2005	295,935	4.0	3.0
2006	298,067	4.0	3.0
2007	300,290	4.0	3.0
2008	302,608	4.0	3.0
2009	305,023	4.0	3.0
2010	307,541	4.0	3.0
2011	310,165	4.0	3.0
2012	312,901	4.0	3.0
2013	315,753	4.0	3.0
2014	318,725	4.0	3.0
2015	321,824	4.0	3.0
2016	325,053	4.0	3.0
2017	328,420	4.0	3.0
2018	331,929	4.0	3.0
2019	335,587	4.0	3.0
2020	339,400	4.0	3.0
2021	343,375	4.0	3.0
2022	347,518	4.0	3.0
2023	351,836	4.0	3.0
2024	356,338	4.0	3.0

<u>YEAR*</u>	<u>CONTRACTED FORECAST SALES (MWH)</u>	<u>DEBT SERVICE COMPONENT FOR FORECAST SALES (CENTS/KWH)</u>	<u>DEBT SERVICE COMPONENT FOR ADDITIONAL SALES (CENTS/KWH)</u>
2025	361,030	4.0	3.0
2026	365,921	4.0	3.0
2027	371,019	4.0	3.0
2028	376,334	4.0	3.0
2029	378,607	4.0	3.0
2030	378,607	4.0	3.0
2031	378,607	4.0	3.0

* Contract Years end on June 30 of the Years shown (except the final Contract Year, which ends on the 45th anniversary of the effective date of the Agreement). The Contracted Forecast Sales set forth in this schedule for the first and last Contract Years shall be prorated based upon the duration of those Contract Years.

EXHIBIT E

Rate Formulas

A. Wholesale Power Rate for a given Contract Year

The formula for computing the Wholesale Power Rate for any given Contract Year shall be:

$$R = P/E + D$$

Where:

- R = The Wholesale Power Rate, expressed in cents per kilowatthour;
- P = The total Power Production Cost for that Contract Year, expressed in dollars;
- E = The total kilowatthours of Billing Energy sold to the Purchasers plus Surplus Power sold in that Contract Year; and
- D = The Debt Service Component of the Wholesale Power Rate for that Contract Year, expressed in cents per kilowatthour.

B. The Debt Service Component of the Wholesale Power Rate

Subject to the Rate Reopener provisions of Section 9, the formula for computing the Debt Service Component of the Wholesale Power Rate for any given Contract Year in which actual Billing Energy exceeds Contracted Forecast Sales shall be:

$$D = \frac{(D_g \times E_f) + ((D_g - 1¢) \times (E - E_f))}{E}$$

Where:

- D = The Debt Service Component of the Wholesale Power Rate,
- D_g = The Debt Service Component for Contracted Forecast Sales (expressed in cents per kilowatthour) for that Contract Year, as set forth in Exhibit D,
- E_f = Contracted Forecast Sales in kilowatthours for that Contract Year as set forth in Exhibit D, and
- E = The total kilowatthours of Billing Energy sold to the Purchasers in the Contract Year.

C. Sequential steps in the Rate Reopener process

1. Develop a total sales forecast for the Reopener Period in accordance with Section 9(c) of this Agreement, and set forth that forecast in a new Exhibit D.

2. Calculate the Maximum Computed Debt Service Rate for the Reopener Period in accordance with Sections 9(d) and (e) of this Agreement. This calculation is represented by the following formula:

$$D_m = \frac{C \times CR_p}{\text{Average } E_f}$$

Where:

D_m = The Maximum Computed Debt Service Rate, expressed in cents per kilowatthour;

C = Capital Component, as defined in Section 20(g) of this Agreement, expressed in dollars;

CR_p = The capital recovery factor for the Reopener Period, calculated in accordance with Section 9(d) of this Agreement, namely 0.088052 for the first Reopener Period and 0.114678 for the second Reopener Period (derived by using 8%/12 months as the interest rate per month, and 360 months and 180 months as the number of months in the respective Reopener Periods); and

Average E_f = One-fifteenth of the sum of Contracted Forecast Sales for the Reopener Period as set forth in the new Exhibit D;

3. Calculate the Computed Average Retail Rate of the Purchasers in accordance with Section 9(f) of this Agreement by substituting, as provided in that Section, the Maximum Computed Debt Service Rate for the then-existing Debt Service Component of the Wholesale Power Rate, projecting an average retail rate that would be required as a result of such substitution.

4. Estimate the Average Statewide Retail Rate in accordance with Section 9(g) of this Agreement.

5. Select a Revised Maximum Debt Service Component of the Wholesale Power Rate, in accordance with Section 9(g) of this Agreement, after comparing the Computed Average and the Average Statewide Retail Rates.

6. Draw up a schedule in accordance with Section 9(h) of this Agreement, showing the maximum Debt Service Component of the Wholesale Power Rate for each year of the Reopener Period.

This schedule is referred to in Section 9(g) as the Revised Maximum Debt Service Rate Schedule.

7. Negotiate increases or decreases in the Debt Service Component of the Wholesale Power Rate, based on the considerations listed in Section 9(b) of this Agreement.

8. Finally, express the agreed increases or decreases in the new Exhibit D, or, in the absence of such agreement, the Authority may impose and may incorporate in the new Exhibit D increases that do not exceed in any year the amounts shown in the Revised Maximum Debt Service Rate Schedule.

BRADLEY LAKE HYDROELECTRIC PROJECT

AGREEMENT FOR THE SALE AND PURCHASE OF ELECTRIC POWER
("POWER SALES AGREEMENT")

by and among

THE ALASKA POWER AUTHORITY,
An Agency Of The State Of Alaska,
("Seller"),

and

The CHUGACH ELECTRIC ASSOCIATION, INC.,
The GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.,
The MUNICIPALITY OF ANCHORAGE d/b/a MUNICIPAL LIGHT AND POWER,
The CITY OF SEWARD d/b/a SEWARD ELECTRIC SYSTEM,
and
The ALASKA ELECTRIC GENERATION & TRANSMISSION COOPERATIVE, INC.,
("Purchasers")

and

The HOMER ELECTRIC ASSOCIATION, INC.,
and
The MATANUSKA ELECTRIC ASSOCIATION, INC.,
(Additional Parties)

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Exhibit "A", Bond Resolution

Exhibit "B", Delivery Point

Exhibit "C", Description Of The Project

Exhibit "D", Purchasers' Percentage Shares Of Project Capacity
And Of Annual Project Costs

Exhibit "E", Form Of Certain Supplemental Bond Resolutions

POWER SALES AGREEMENT

THIS AGREEMENT dated as of December 8, 1987, is entered into by and among the ALASKA POWER AUTHORITY (the "Authority") and the CHUGACH ELECTRIC ASSOCIATION, INC., the GOLDEN VALLEY ELECTRIC ASSOCIATION, INC., the MUNICIPALITY OF ANCHORAGE d/b/a MUNICIPAL LIGHT AND POWER, the CITY OF SEWARD d/b/a SEWARD ELECTRIC SYSTEM, and the ALASKA ELECTRIC GENERATION & TRANSMISSION COOPERATIVE, INC. (individually a "Purchaser," and collectively the "Purchasers"), and the HOMER ELECTRIC ASSOCIATION, INC., and the MATANUSKA ELECTRIC ASSOCIATION, INC. (as additional Parties with some, but not all, of the rights and responsibilities of Purchasers).

W I T N E S S E T H:

The Authority recites, agrees, represents and covenants as follows:

(1) The Authority is a public corporation of the State of Alaska duly created, organized and existing pursuant to AS 44.83;

(2) The Authority is authorized, and has taken all steps necessary pursuant to the Constitution and laws of the State of Alaska and the regulations and by-laws of the Authority, to enter into this Agreement and to comply fully with the terms hereof;

(3) The Authority desires to fulfill its legislatively established duty of providing residents of the State of Alaska with long-term, stable, and economic sources of power and an adequate, economic, and reliable long-term supply of power; and

(4) The Authority's execution and performance of this Agreement will not conflict with, violate, or constitute an event of default under any other resolution, contract, agreement, bond, note, mortgage, or other obligation of the Authority, or with respect to any order, ruling, or decree of any court or regulatory agency to which the Authority is subject at the time the Authority executes this Agreement.

Each Cooperative Purchaser (as hereinafter defined) and the Homer Electric Association, Inc. ("HEA") and the Matanuska Electric Association, Inc. ("MEA") recites, agrees, represents and covenants as follows:

(1) The Purchaser is a duly organized and constituted electric cooperative under the laws of the State of Alaska and is currently a borrower from the Rural Electrification Administration, United States Department of Agriculture, under the Rural Electrification Act of 1936 (7 U.S.C. § 901 et seq.);

(2) The Purchaser is authorized, and has taken all steps necessary pursuant to its articles of incorporation and by-laws and applicable laws and regulations, to enter into this Agreement and to comply fully with the terms hereof;

(3) The Purchaser performs the functions of a utility and is a wholesale power customer eligible to purchase power produced from a project pursuant to AS 44.83; and

(4) The Purchaser's execution and performance of this Agreement will not conflict with, violate, or constitute an event of default under any other resolution, contract, agreement, bond, note, mortgage, or other obligation of the Purchaser, or with respect to any order, ruling, or decree of any court or regulatory agency to which the Purchaser is subject at the time the Purchaser executes this Agreement.

Each Municipal Purchaser (as hereinafter defined) recites, agrees, represents and covenants as follows:

(1) The Purchaser is a duly organized and constituted municipal corporation under the Constitution and laws of the State of Alaska;

(2) The Purchaser is authorized, and has taken all steps necessary pursuant to the Constitution and laws of the State of Alaska and other applicable laws and regulations, and pursuant to its charter and ordinances, to enter into this Agreement and to comply fully with the terms hereof;

(3) The Purchaser performs the functions of a utility and is a wholesale power customer eligible to purchase power produced from a project pursuant to AS 44.83; and

(4) The Purchaser's execution and performance of this Agreement will not conflict with, violate, or constitute an event of default under any other charter, ordinance, resolution, contract, agreement, bond, note, mortgage, or other obligation of the Purchaser, or with respect to any order, ruling, or decree of any court or regulatory agency to which the Purchaser is subject at the time the Purchaser executes this Agreement.

NOW, THEREFORE, the parties agree as follows:

Section 1. Definitions. For the purposes of this Agreement, the following definitions apply:

(a) "Act" or references to AS 44.83 mean Title 44, Chapter 83 of the Alaska Statutes (AS 44.83) as the same may be amended or supplemented from time to time.

(b) "Agreement" means this Power Sales Agreement.

(c) "Annual Payment Obligation" means the total amount payable by a Purchaser in or for a Fiscal Year pursuant to this Agreement.

(d) "Annual Project Budget" means the budget for the Project as adopted or in effect for a particular Fiscal Year, and amended or supplemented from time to time, pursuant to Section 13.

(e) "Annual Project Costs" shall have the meaning given it in Section 8 of this Agreement.

(f) "Authority" means the Alaska Power Authority as established by the Act, and any successor agency thereto.

(g) "Bond Resolution" means (i) the document attached as Exhibit "A", or a resolution adopted by the Authority substantially in the form of Exhibit "A", as supplemented and amended from time to time in a manner consistent with Section 11 of this Agreement and with the provisions of the Act, or (ii) a further bond resolution, consistent with Section 11, adopted in connection with the issuance of bonds to refund the Bonds.

(h) "Bonds" means bonds, notes or other evidences of indebtedness (including refunding bonds) issued pursuant to the Bond Resolution, the proceeds of which are used to pay or reimburse Costs of Acquisition and Construction and Required or Optional Project Work.

(i) "Committee" means the Project Management Committee established pursuant to Section 13.

(j) "Consultant" means an independent individual or firm (i) of nationwide and favorable reputation, having demonstrated expertise in the field or the matter or the item referred to it under various specific provisions of this Agreement, and (ii) approved by the Authority and the Committee in accordance with rules of procedure to be adopted by the Committee to govern such approval, which approval shall not be unreasonably withheld.

(k) "Cooperative Purchasers" means Chugach Electric Association, Inc., Golden Valley Electric Association, Inc., and Alaska Electric Generation & Transmission Cooperative, Inc. The term "Cooperative Purchasers" includes Homer Electric Association, Inc., and Matanuska Electric Association, Inc., only to the extent specified in Section 30 of this Agreement.

(l) "Cost of Acquisition and Construction" means the Cost of Acquisition and Construction (as defined in Section 101 of the Bond Resolution) of the Project; provided, that for purposes of this Agreement the Cost of Acquisition and Construction of the Project shall not include the Cost of Acquisition and Construction of Capital Improvements (as defined in Section 101 of the Bond Resolution).

(m) "Date of Commercial Operation" means the date on which engineers retained for this purpose by the Authority have reasonably declared that the Project is fully available to be operated at not less than ninety megawatts (90 MW), and its output can be scheduled on a commercial basis.

(n) "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, as the same are scheduled to become due under the Bond Resolution, and not by reason of any acceleration.

(o) "Delivery Point" means the Bradley Junction facilities, as identified and further described in Exhibit B.

(p) "Electric power" or "power" means electric energy or electric capacity or both. Where the context of this Agreement requires a distinction, electric energy is specified and/or expressed in kilowatthours or megawatt-hours and electric capacity is specified and/or expressed in kilowatts or megawatts.

(q) "Excess Payment Amount" means the amounts, if any, computed as provided in Section 29 and included in Annual Project Costs.

(r) "Fiscal Year" means that twelve-month period starting July 1 of a calendar year through and including June 30 of the succeeding calendar year. The initial Fiscal Year for purposes of this Agreement is that portion of the twelve-month period starting on the Date of Commercial Operation through and including the following June 30. If the portion of the period is shorter than 90 days the parties shall determine the initial Fiscal Year, which must end on a June 30 and may not be longer than 456 days. The last Fiscal Year for purposes of this Agreement shall be that portion of the twelve-month period between the end of the last full (i.e., twelve month) Fiscal Year and the expiration of this Agreement.

(s) "Municipal Purchaser" means the Municipality of Anchorage d/b/a/ Municipal Light and Power, and the

City of Seward d/b/a Seward Electrical System.

(t) "Optional Project Work" means Project repairs, renewals and replacements, improvements, betterments, additions, or expansions that do not constitute Required Project Work.

(u) "Percentage Share" means the fraction, expressed as a percent and set forth for each Purchaser in Exhibit D as that Exhibit may be amended from time to time, used to compute the amount of each Purchaser's entitlement to Project Capacity and obligation to pay Annual Project Costs.

(v) "Project" means the Bradley Lake Hydroelectric Project as described in Exhibit C.

(w) "Project Capacity" means the amount of electric capacity capable of being produced by the Project (including capacity attributable to Required or Optional Project Work) at any and all times from the Date of Commercial Operation until the termination of this Agreement (or any renewal thereof) under the operating conditions that exist during such times, including periods when the Project may be not operating or inoperable or the operation thereof is suspended, interrupted, interfered with, reduced, or curtailed, in each case in whole or in part for any reason whatsoever, after corrections for station and Project use, and depletions required under any federal license for the Project.

(x) "Prudent Utility Practice" shall mean at a particular time any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry at such time, or which, in the exercise of reasonable judgment in light of facts known at such time, could have been expected to accomplish the desired results at the lowest reasonable cost consistent with good business practices, reliability, safety and reasonable expedition. Prudent Utility Practice is not required to be the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. Prudent Utility Practice includes due regard for manufacturers' warranties and the requirements of governmental agencies of competent jurisdiction and shall apply not only to functional parts of a Project, but also to appropriate structures, landscaping, painting, signs, lighting and other facilities. In evaluating whether any matter conforms to Prudent Utility Practice, the parties shall take into account (i) the nature of the parties

hereto under the laws of the State of Alaska and their statutory duties and responsibilities, and (ii) the objective of integrating Project Capacity with the generating resources of the Purchasers, including resources available under contract, to achieve optimum utilization of the resources and achieve efficient and economical operation of each Purchaser's System. For purposes of this Agreement, "national standards for the industry" means Prudent Utility Practice.

(y) "Purchaser" means, as of any particular time, such of the Municipality of Anchorage d/b/a Municipal Light and Power, Chugach Electric Association, Inc., Golden Valley Electric Association, Inc., the City of Seward as have executed this Agreement, and the Alaska Electric Generation & Transmission Cooperative, Inc. ("AEG&T"). The term "Purchaser" includes Homer Electric Association, Inc., and Matanuska Electric Association, Inc., only to the extent specified in Section 30 of this Agreement.

(z) "Purchaser's System" means a Purchaser's electric utility system for the distribution, transmission, and generation of electrical power and which is owned and operated by the Purchaser. If Purchaser's electric utility system is combined with other utilities of the Purchaser, then "Purchaser's System" includes only those facilities, activities, and revenues properly allocable to Purchaser's electric utility service. "Purchaser's System" does not include the Project, regardless of whether the Purchaser operates the Project under a separate agreement with the Authority.

(aa) "Purchaser's Water Allocation" means the number of acre feet of water from the Project allocated for generation purposes by the Committee to a Purchaser from time to time, based on that Purchaser's Percentage Share.

(bb) "Railbelt" means the geographic area served by the Purchasers.

(cc) "Railbelt Energy Fund" means a fund created by the legislature, the use of which is intended only for approved power supply and transmission projects in the Railbelt.

(dd) "REA" means the Rural Electrification Administration, an agency of the United States Department of Agriculture.

(ee) "Recoverable Construction Cost" means an amount equal to \$175,000,000 less one half the amount, if

any, by which \$350,000,000 exceeds the Cost of Acquisition and Construction, plus the principal amount of additional Bonds (if any) issued pursuant to Section 31.

(ff) "Renewal and Contingency Reserve Fund" means the Renewal and Contingency Reserve Fund established pursuant to Section 502 of the Bond Resolution.

(gg) "Required Action" means an action that must be taken in order for the Authority to comply with federal or state law, the orders of licensing and regulatory agencies, the Bond Resolution, or this Agreement.

(hh) "Required Project Work" means 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.

(ii) "Revenue Fund" means the Revenue Fund established pursuant to Section 502 of the Bond Resolution.

(jj) "Trustee" means the trustee appointed pursuant to Article IX of the Bond Resolution, or that Trustee's successor or successors and any other corporation which may at any time be substituted in that Trustee's place under the Bond Resolution.

Section 2. Term Of Agreement.

(a) Effectiveness. This Agreement shall become effective on the first date when (i) the Agreement has been executed and delivered by all Purchasers and by the Authority, and (ii) each Purchaser has obtained all necessary approvals of this Agreement and of all transmission and/or services agreements for the transmission of Project power to the Purchasers. An approval shall not be considered "necessary" for purposes of this Section 2(a) unless, prior to or contemporaneously with delivery of this Agreement, the person or entity from which such approval must be obtained has been identified to the other parties in writing by the Purchaser requiring such approval. It is the intent of each Purchaser to take all steps reasonably within its power to obtain all necessary approvals from its governing body no later than December 1, 1987.

(b) Commencement of payment obligations. The payment obligations of each Purchaser under this Agreement shall commence on the Date of Commercial Operation; provided, that the Purchasers shall be obligated to pay those Committee costs referenced in the last sentence of Section

13(a) regardless of whether the Date of Commercial Operation occurs.

(c) Termination. This Agreement shall terminate (i) 50 years after the Date of Commercial Operation, or (ii) when no Bonds are Outstanding under the Bond Resolution and all payment obligations under this Agreement (other than any payment obligations under Section 29) have been satisfied or provided for, whichever occurs later; provided, that if the Date of Commercial Operation does not occur before January 1, 1996, then this Agreement shall terminate on January 1, 1996. The parties may mutually agree to terminate or to renew this Agreement prior to termination, subject, however, to the written approval of the Administrator of REA if such written approval is then required, and the terms and conditions of covenants and agreements between the Authority and holders of Bonds. If such approval is then required, no amendment of this Agreement shall take effect without the written approval of the Administrator of REA.

(d) Renewal. Any Purchaser may renew this Agreement on the same terms and conditions as provided herein for successive additional terms (such terms to equal forty (40) years or, if shorter, the remaining useful life of the Project), upon written notice to the Authority by the Purchaser given no less than six and no more than twenty-four months prior to the end of the term of this Agreement. Purchasers electing to renew this Agreement shall be entitled to have their Percentage Shares adjusted pro rata, based on their Percentage Shares as set forth in Exhibit D as that Exhibit exists twenty-four months prior to the end of the initial term of this Agreement, so that the adjusted Percentage Shares of the Purchasers renewing this Agreement total one hundred percent (100%). No renewing Purchaser shall be required to accept the entirety of the Percentage Share to which that Purchaser becomes entitled, but if the Percentage Shares of all renewing Purchasers do not total one hundred percent, the Authority may sell to any other utility that is a qualified purchaser of power under the Act any remaining Percentage Share or portion thereof upon the same terms and conditions applicable to the renewing Purchasers, if the Authority reasonably determines that such utility is able to carry out the obligations of a Purchaser under this Agreement and that such sale to such utility will not adversely affect the tax exemption of interest on any Bonds Outstanding under the Bond Resolution that originally were issued on a tax-exempt basis. The Authority shall not be obligated to renew this Agreement if, after reasonable notice to the renewing Purchasers, Percentage Shares that total one hundred percent have not been sold to such Purchasers or to other qualified utility purchasers.

Section 3. Exhibits. The following exhibits are incorporated by reference into this Agreement:

- (a) Exhibit "A", Bond Resolution,
- (b) Exhibit "B", Delivery Point,
- (c) Exhibit "C", Description of the Project,
- (d) Exhibit "D", Purchasers' Percentage Shares of Project Capacity and of Annual Project Costs, and
- (e) Exhibit "E", Form Of Certain Supplemental Bond Resolutions.

Section 4. Electric Service To be Furnished.

(a) Sale and purchase. The Authority hereby sells, and each Purchaser hereby purchases, that Purchaser's Percentage Share of Project Capacity (together with associated energy) from the Project in accordance with this Agreement. The actual delivery (if any) of electric capacity and associated energy to Purchasers from the Project shall be made in accordance with scheduling procedures adopted by the Committee.

(b) Available Power. The Authority shall at all times, except when prevented by a cause or event not within the control of the Authority, make power available to the Purchasers from the Project in an amount equal to the amount the Purchasers may schedule from the Project, within the limitations imposed by available Project capability, available water, and the scheduling procedures adopted by the Committee.

(c) Required Project Work. The Authority shall make or cause to be made all Required Project Work, provided that funds are legally available to the Authority for this purpose. The costs of Required Project Work shall be included in Annual Project Costs in the manner set forth in Section 8(a)(iv). The Authority shall give reasonable notification to all Purchasers prior to making or causing to be made any Required Project Work. Alternative methods (if any) of carrying out and funding Required Project Work shall be subject to approval by the Committee under rules of procedure to be adopted pursuant to Section 13.

(d) Optional Project Work. The Authority shall not make or cause to be made Optional Project Work unless such Optional Project Work is approved by the Committee. Any Optional Project Work shall be at the expense of the benefitted Purchaser(s), as determined in advance by the Committee, in proportion to the value of the benefit conferred upon each such Purchaser. If such Optional Project Work has an adverse impact upon the operations or finances of a Purchaser as determined by the Committee, the benefitted Purchaser(s) shall compensate the adversely affected Purchaser(s) for the increased costs and reduced benefits resulting from such impact. In the event the Purchasers are unable to agree as to how any increased costs or compensation will be apportioned, or as to the amount of any increased costs or appropriate compensation, the parties shall submit the question to dispute resolution in accordance with the dispute resolution procedures adopted by the Committee under Section 13.

Section 5. Electric Power Reserves For The Project

(a) Need for reserves. The parties recognize that (i) electric power from the Project may be unavailable periodically because of generation and transmission outages, repairs, maintenance, inspections, testing, and similar events, and (ii) under the Alaska Intertie Agreement or otherwise, each Purchaser is responsible for maintaining (or contracting for the use of) generation reserves in amounts sufficient to protect its own loads in the event that Project power is unavailable.

(b) Reserve procedures. Promptly after its establishment, the Committee shall adopt and implement procedures under which, in as cost-effective a manner as possible:

(i) the Authority shall have the right to require the operation of specific amounts of generating capacity owned by a Purchaser and made available to the Authority, and to use the power produced by such operation to provide reserves to requesting Purchasers for some or all Project power, to the extent such capacity would otherwise be idle or its output would otherwise not be needed by the owner of that capacity to enable that Purchaser to meet its own loads or to make power sales to other utilities;

(ii) the additional costs incurred by any Purchaser in making such capacity available to the Authority and in operating the same for the Authority shall be computed equitably and reimbursed promptly to such Purchaser by the Authority; and

(iii) the costs of so reimbursing any Purchaser shall be included in Annual Project Costs.

(c) Alternative reserves. Nothing in Section 5(b) shall:

(i) relieve any Purchaser of the responsibility set forth in Section 5(a)(ii);

(ii) require any Purchaser to make reserve capacity available to the Authority under Section 5(b)(i); or

(iii) require any Purchaser to avail itself of reserve power available from the Authority under Section 5(b)(i), or to bear any of the costs of such power if the Purchaser does not avail itself of such power, if the Purchaser chooses and is able to rely upon its own reserves to meet its loads when Project power is unavailable.

Section 6. Obligations Under Bond Resolution; Completion of Project.

(a) Assignment or payment to Trustee. The parties recognize and agree that (i) the Authority may assign its rights to receive payments under this Agreement as security for the payment of the Bonds to the Trustee under the Bond Resolution for the benefit of the holders of the Bonds, and (ii) the Authority may direct that amounts payable to it under this Agreement be paid directly to the Trustee.

(b) Project funding. The Authority shall issue Bonds, or otherwise obtain funds (including appropriations), sufficient to pay or reimburse the Cost of Acquisition and Construction. Annual Project Costs shall include Debt Service on Bonds issued to pay the Cost of Acquisition and Construction in an aggregate principal amount up to but not exceeding the Recoverable Construction Cost. The Authority may estimate the Recoverable Construction Cost and issue Bonds at any time in amounts up to the amount of such estimate. As soon as practicable after the Date of Commercial Operation, the Authority shall adjust (and re-adjust when necessary) Annual Project Costs to reflect actual Recoverable Construction Cost.

(c) Covenants of the Authority. The Authority covenants that it will not cause rates for Project Power to increase by reason of any bond resolution, covenant or agreement contained in any trust indenture or trust agreement entered into by the Authority in connection with a power project other than the Project, nor on account of any inadequacy in its actual or projected aggregate

revenues, other than revenues from the Project, nor will the Authority include in Annual Project Costs debt service payable on debt incurred for any purpose except in respect of the Project as provided herein.

(d) Project completion and operation. The Authority agrees to use its best efforts to complete the Project expeditiously and in accordance with sound engineering practice and with the provisions of the Bond Resolution. The Authority shall also use its best efforts consistent with Prudent Utility Practice to construct and complete, and to operate and maintain the Project (or to arrange for such operation and maintenance) to provide power at the lowest reasonable cost to the Purchasers in a manner that is compatible with the Purchasers' Systems and consistent with the Act, the Bond Resolution, and this Agreement.

(e) Best efforts by Committee members. To the extent that the cost of Project power is or may be affected by actions of the Committee under Section 13, each Purchaser in its capacity as a member of the Committee agrees to use its best efforts consistent with Prudent Utility Practice to assist in assuring that the Project provides power at the lowest reasonable cost to the Purchasers in a manner that is compatible with the Purchasers' Systems and consistent with the Act, the Bond Resolution, and this Agreement.

Section 7. Payment Obligation.

(a) Payment Obligation. Each Purchaser agrees to pay its Percentage Share of Annual Project Costs for each Fiscal Year. The procedures for determining the amount of and for making such payments are set forth in Section 13 of this Agreement.

(b) Purchaser's Obligations. Each Purchaser shall make payments in the amounts and at the times required by this Agreement notwithstanding a suspension or reduction in the amount of power supplied by the Project. Such payments shall not be subject to any reduction, by offset or otherwise. The parties intend and interpret the foregoing two sentences to mean that the obligation to make such payments shall be absolute and unconditional and unaffected by any interruption, interference, or curtailment in whole or in part of power supplied by the Project. In the event that (i) the Project is no longer operable, or its operation is interrupted or curtailed for any reason whatsoever in whole or in part, and (ii) the Authority does not restore the Project to full operation within a reasonable time, then the Purchasers may upon reasonable notice to the Authority and at their own expense take such action as they deem necessary to so restore the Project.

The taking of such action by the Purchasers shall not alter each Purchaser's obligation to pay its Percentage Share of Annual Project Costs.

Section 8. Annual Project Costs

(a) Annual Project Costs defined. Annual Project Costs means all of the costs resulting from the ownership, operation, maintenance of and renewals and replacements to the Project, properly incurred or paid during each Fiscal Year, including:

(i) Amounts required to be set aside by the Authority for the payment of Debt Service on Bonds issued to pay the Cost of Acquisition and Construction in an aggregate principal amount up to but not exceeding the Recoverable Construction Cost;

(ii) Amounts required to be set aside for the payment of Debt Service on other Bonds and debt service on other obligations approved in accordance with Sections 11 and 13;

(iii) Amounts required to restore the funds established under the Bond Resolution to the levels required by the Bond Resolution to be maintained therein;

(iv) Amounts which may be required to pay for Required Project Work, to the extent that such costs are not covered by insurance or Bond proceeds or by the Renewal and Contingency Reserve Fund;

(v) Other amounts determined by the Committee to be necessary or appropriate to supplement and to be paid into the Funds established under the Bond Resolution;

(vi) Excess Payment Amounts, if any, computed in accordance with Section 29;

(vii) All other costs of producing and delivering Project power (excluding depreciation) not accounted for by the payments out of funds and reserves specified in the foregoing sections and properly chargeable to the Project under the Uniform System of Accounts, less any credits against said costs by reason of revenues from sources other than the direct sale of power to Purchasers, and also less any credits for interest earned during construction and available for Project purposes; provided, that income from interest earned on reserve funds shall be used at least annually to accumulate and maintain said reserve funds in the amounts required under the Bond

Resolution or in such greater amounts as may be determined by the Committee, or to reduce Annual Project Costs. Such other costs shall include:

(A) Project operating and maintenance costs, in accordance with the Annual Budget adopted in accordance with Section 13;

(B) Costs of Project-related insurance, and, to the extent permitted with respect to each Purchaser under Section 5, the costs of electric power reserves for the Project;

(C) Project-specific administrative and general expenses of the Authority, such as costs of safety inspections and investigations;

(D) Costs of the Committee, whether incurred by the Authority or incurred by a Purchaser on behalf of the Committee; and

(E) Such other Project costs as the Committee may from time to time approve for inclusion in Annual Project Costs in accordance with procedures to be adopted by the Committee.

(b) Proceeds of a taking. Any payment received by the Authority as a result of a taking of the whole or any portion of the capacity, facilities, available water, or output of the Project by any state or federal government agency shall be used by the Authority, after consultation with the Committee, to (i) reduce Annual Project Costs, (ii) retire Bonds, or (iii) reimburse the State of Alaska for a portion of the State's capital contribution to the Project (recognizing the separate sources of Project funding under Section 6(b)), whichever of these uses or combination of such uses shall be equitable and proper under the circumstances existing at the time of the taking.

Section 9. Obligations In The Event Of Default.

(a) Enforcement. Upon failure of a Purchaser to perform any obligation herein, the Authority may bring any suit, action or proceeding at law or in equity ("Suit"), including mandamus, injunction and action for specific performance, as may be necessary or appropriate to enforce any covenant, agreement or obligation of this Agreement against that Purchaser. The Authority may bring such Suit (i) thirty days after giving the Purchaser a written demand for performance, in the case of default by the Purchaser on any obligation other than a payment obligation and (ii) immediately, in the case of default by the Purchaser on any payment obligation. Each Purchaser

shall continue to make payments in the event of any dispute regarding performance of any obligation by any party under this Agreement or in the event of any dispute under the Bond Resolution, and this obligation of continued payment pending resolution of disputes shall be immediately enforceable by any party upon application to any court of competent jurisdiction.

(b) Additional rights and remedies. In addition to the Authority's rights under Section 9(a), if a Purchaser has for any reason suspended or reduced, or has failed to make or has been prevented from making, payments required under this Agreement, the Authority may terminate or suspend the delivery of power to that non-paying Purchaser if, after consulting with the other Purchasers, the Authority reasonably determines that such termination or suspension is more effective than other available alternatives in minimizing adverse impacts on such other Purchasers.

(i) If the Authority so terminates or suspends deliveries, the Authority shall:

(A) offer to other Purchasers, on terms and conditions applicable to other power sold under this Agreement, any power not delivered to the non-paying Purchaser, and if necessary allocate such power pro rata on the basis of Percentage Shares among Purchasers accepting such offer;

(B) offer any power not sold under Section 9(b)(i)(A) to any qualified utility (including the other Purchasers) on terms and conditions deemed favorable by the Authority after consultation with the Committee; and

(C) if the Authority projects that the amounts to be deposited into the Revenue Fund will nonetheless be insufficient to pay Annual Project Costs, increase every other Purchaser's Percentage Share of Annual Project Costs and Project Capacity pro rata to the extent and for the period necessary to compensate for such insufficiency; provided, that no Purchaser's Percentage Share shall be increased by more than twenty-five (25) percent above the amount set forth in Exhibit D without the written consent of that Purchaser.

(ii) If the Authority determines that the process of offering power to others under Sections 9(b)(i)(A) or (B) would delay exercise of the Authority's rights under Section 9(b)(i)(C), and that as a

result the Authority will be unable to make deposits when required under the Bond Resolution, the Authority may exercise its rights under (C) immediately and take the actions required under (A) and (if necessary) under (B) as soon as practicable thereafter. No exercise by the Authority of any of its rights (or any failure by the Authority to exercise any of its rights) under this Section 9(b) shall relieve any non-paying Purchaser of any payment obligation under this Agreement or relieve such Purchaser of any liability for damages resulting from non-payment. In particular, sales of power under Section 9(b)(i)(A) and (B) are intended to reduce the financial impact of any Purchaser's non-payment on other, paying Purchasers. Such sales are not intended to, nor shall they, reduce the payment obligations of the non-paying Purchaser or the damages for which such non-paying Purchaser may be liable.

(iii) To the extent that the Authority uses Project reserve funds to permit it to make timely payments under the Bond Resolution following non-payment by a Purchaser, the amount needed to replenish such reserve funds shall be added to the Annual Payment Obligation of the non-paying Purchaser, and if the non-paying Purchaser fails to make payment of its Annual Payment Obligation as so increased, the Authority may exercise any of the rights available to it under this Section 9(b).

(c) Litigation. If Purchasers' Percentage Shares are increased pursuant to Section 9(b)(i)(C), then the Authority shall, and any other Purchaser(s) may, immediately initiate and diligently pursue litigation in any court of competent jurisdiction to compel full and timely payment by the non-paying Purchaser, to recover amounts needed to compensate Purchasers whose Percentage Shares have been increased, and to obtain such other relief as shall be fair and equitable. The same or similar litigation against any non-paying Purchaser may also be initiated and pursued by the Authority and/or by any paying Purchaser if in response to any non-payment the Authority takes action pursuant to Sections 9(b)(i)(A) or (B).

(d) Default by the Authority. In the event of any default by the Authority under any covenant, agreement or obligation under this Agreement with respect to a Purchaser, that Purchaser may, upon thirty (30) days written notice to the Authority, bring any suit, action or proceeding, at law or in equity, including mandamus, injunction and action for specific performance, as may be necessary or appropriate to enforce any covenant, agreement or obligation of this Agreement against the Authority. No

payment obligation of a Purchaser under this Agreement is subject to offset, however.

Section 10. Purchasers' Systems.

(a) Character of expense. The amounts payable under this Agreement are operating expenses of each Purchaser's System, and are valid and binding obligations of each Purchaser, payable only from the gross revenues of said Purchaser's System as a cost of purchased electric power, and not payable from any taxes.

(b) Purchasers' rate covenants. In order to afford, permit, and make timely payments as specified in this Agreement, each Purchaser agrees that it will establish, charge and collect rates, fees, and charges with respect to that Purchaser's System in accordance with applicable law to provide revenues sufficient to meet its obligations under this Agreement and sufficient to pay, together with any other funds or monies available therefor, any and all other amounts payable from or which constitute or may constitute a charge and lien upon such revenues including, but not limited to, amounts sufficient to meet obligations to service debt incurred by the Purchaser to finance the Purchaser's System.

(c) Operation and maintenance of Purchasers' Systems. Each Purchaser covenants and agrees that it will operate and maintain its System in good repair, working order and condition, and in accordance with Prudent Utility Practice.

(d) Limitation on certain contracts. Each Purchaser covenants and agrees not to enter voluntarily into any contract or agreement to take or to take or pay for power, other than this Agreement, payable from the revenues of the Purchaser's System on a parity with or superior to the payment of its obligations under this Agreement, except that a Purchaser may enter into such a contract or agreement of not to exceed two years' duration under which the Purchaser's payment obligation is on a parity with the payment of its obligations under this Agreement. The limitations of this Section 10(d) shall not apply to contracts or agreements creating obligations on a parity with obligations under this Agreement if a written opinion from a Consultant is rendered that (i) the contract or agreement is reasonably expected to contribute to the conduct of the business of the Purchaser's System in an efficient and economical manner consistent with Prudent Utility Practice, and (ii) the contract or agreement will not impair the ability of the Purchaser to raise revenues sufficient to meet its obligations under this Agreement.

Section 11. Bond Resolution.

(a) Amendment or supplementation of Bond Resolution. Except as provided in Section 12, the Authority will not amend or supplement the Bond Resolution in any manner, or adopt a new Bond Resolution in connection with the refunding of the Bonds, which would materially adversely affect the ability of a Purchaser to fulfill the terms of this Agreement or impose any increased burden or obligation, financial or otherwise, on a Purchaser, without the consent of the Purchaser, unless:

(i) the Committee has approved the Authority's proposed action by a resolution adopted by the affirmative vote of members whose Percentage Shares equal or exceed eighty percent (80%) of Project Capacity and of Annual Project Costs; or

(ii) the Committee by majority vote of the Purchasers requests that Required Project Work be paid for out of the proceeds of Bonds, and such Work is projected to cost in excess of the amount of money then available in the Renewal and Contingency Reserve Fund established pursuant to the Bond Resolution, plus available insurance proceeds, in which event, if such Bonds can then be legally issued and can be sold, the Authority shall issue such Bonds, payable from the Revenues of the Project (as defined in the Bond Resolution), to pay the portion of such costs which exceed insurance proceeds, if any, and to restore said Reserve Fund to its required level.

(b) Insurance. The Authority will maintain physical loss insurance to the extent required by the Bond Resolution, and the Authority will consult with the Committee as provided in Sections 12 and 13 with respect to the disposition of proceeds of said insurance received as a consequence of physical destruction or impairment of the Project, including but not limited to disposition for the purpose of redemption of Bonds, replacement of the Project, or replacement of power. The Committee shall advise the Authority from time to time as to the appropriate extent of insurance coverage.

(c) Information. The Authority shall provide each Purchaser a copy of any report, certificate, letter, or other communication which the Authority is required to furnish to the Trustee under the Bond Resolution or that the Trustee furnishes to the Authority.

Section 12. Purchasers' Consent To Supplemental Bond Resolutions To Construct The Project. The Purchasers hereby consent to the adoption by the Authority of supplemental Bond Resolutions pursuant to Section 11(a), as necessary to comply

with the Authority's obligation to finance and construct the Project pursuant to Section 6(b) and the Authority's obligation under Section 6(d) to use its best efforts to complete the Project expeditiously and in accordance with sound engineering practices and with the provisions of the Bond Resolution. The Authority shall consult with the Purchasers regarding the provisions to be included in such supplemental Bond Resolutions, and shall use its reasonable best efforts to comply with the requests of the Purchasers with respect thereto. Unless otherwise approved in accordance with Section 11(a)(i), such supplemental Bond Resolutions shall:

(a) provide that the total amounts required for the payment of Debt Service when due shall be, on an annual basis, as nearly equal as practicable;

(b) provide that the final maturity of Bonds issued pursuant to such supplemental Bond Resolutions shall not be earlier than twenty-five (25) years from the date when the first of such Bonds is issued;

(c) be substantially in the form attached hereto as Exhibit E, except to the extent that the Authority finds that modifications are necessary to sell the Bonds on a tax-exempt basis; and

(d) be adopted no earlier than January 1, 1989.

Section 13. Establishment Of The Committee.

(a) Formation and composition of the Committee. The parties agree that a Project Management Committee ("Committee") shall be established on January 15, 1988, or on such earlier date as may be agreed to by the parties. The Committee shall consist of the Authority and the Purchasers (including as Purchasers for this purpose both Homer Electric Association, Inc., and Matanuska Electric Association, Inc., for themselves and for AEG&T as a Purchaser represented by and through those utilities). No Committee member shall obtain an additional vote through merger with, acquisition of, or assignment from any other Committee member, and AEG&T shall have no direct vote, but shall be represented by and through Homer Electric Association, Inc., and Matanuska Electric Association, Inc., each of which shall be entitled to vote as a Purchaser member for purposes of Committee procedure. Each Committee member entitled to vote shall name one representative to serve on the Committee and one designated alternate for that representative. Each such member shall notify all other members in writing of the names, addresses, and telephone numbers of its representative and designated alternate. After it is established, the Committee shall meet not less than once each quarter. Costs of the Committee (other than costs incurred by the Authority) which

are incurred prior to the Date of Commercial Operation shall be borne by the Purchasers in accordance with the Percentage Shares of each.

(b) Adoption of rules of procedure. The Committee shall adopt, by the affirmative vote of a majority of the Purchasers and the affirmative vote of the Authority, procedural rules governing the conduct of the Committee's affairs. Such rules shall address, among other matters, procedures for the periodic selection of Committee officers, the conduct of Committee meetings, dispute resolution, the approval (including possible pre-approval) of Consultants, and modification of the Committee's procedural rules, and, to the extent not otherwise specified in this Agreement, such rules shall also specify the applicable voting requirements for approval of matters to be decided by the Committee. Committee approval of operations and maintenance arrangements for the Project, the sufficiency of the annual budget and wholesale power rates, and the undertaking of Optional Project Work shall require the affirmative vote of a majority of the Purchasers and the affirmative vote of the Authority.

(c) Committee responsibilities: approval by the Authority.

(i) As the legal owner and licensee of the Project, the issuer of Project debt, and the agency charged by statute with various duties affecting or affected by the Project, the Authority has certain non-delegable rights, duties, and responsibilities with respect to the Project. Subject to such non-delegable rights, duties, and responsibilities, the Committee shall be responsible for the management, operation, maintenance, and improvement of the Project, in recognition that as take-or-pay purchasers of Project Capacity after the Date of Commercial Operation, the Purchasers have substantial long-term financial interests in, and service and planning responsibilities affected by, the Project.

(ii) The Committee shall take the following actions, subject to the provisions of the Bond Resolution, federal and state law, the requirements of licensing and regulatory agencies, and the rights of the Authority and the Purchasers under other provisions of this Agreement:

(A) Arrange for the operation and maintenance of the Project, and the scheduling, production, and dispatch of Project power;

(B) Establish procedures for the use of each Purchaser's Water Allocation in a manner

consistent with the needs and desires of other Purchasers and the capabilities of the Project;

(C) Adopt in each Fiscal Year (and revise as necessary or prudent during such Fiscal Year) a budget of Annual Project Costs for that Fiscal Year, which budget shall be in an amount estimated by the Committee to be sufficient to pay all Annual Project Costs;

(D) Establish for each Fiscal Year the estimated Annual Payment Obligation of each Purchaser, together with a schedule for each Purchaser of equal monthly payments that such Purchaser shall be required to make during that Fiscal Year, which payment schedule shall be (I) designed to recover such estimated Annual Payment Obligation from that Purchaser during the Fiscal Year, and (II) revised during such Year to reflect any revisions to the budget of Annual Project Costs for that Fiscal Year;

(E) Determine after the conclusion of each Fiscal Year the actual Annual Project Costs for that Fiscal Year, the actual Annual Payment Obligation of each Purchaser for that Fiscal Year, and the amount of any additional payment required from (or the amount of any refund to be returned to) each Purchaser to ensure that the total of all payments received from each Purchaser for each Fiscal Year is equal to that Purchaser's actual Annual Payment Obligation for that Fiscal Year;

(F) Evaluate and select among alternative methods (if any) of carrying out and funding (including through issuance of bonds) Required Project Work;

(G) Adopt provisions to evaluate and approve Optional Project Work, and to determine the compensation (if any) to be provided in accordance with Section 4(d) of this Agreement if the Committee approves any such Optional Project Work;

(H) Adopt procedures consistent with Section 13(f) for the resolution of disputes that may arise between or among the Purchasers and the Authority concerning the interpretation of this Agreement, the obligations created by this Agreement, or the performance of such obligations;

(I) Make an initial determination of "customary" insurance within the meaning of Section 714 of the Bond Resolution and determine the appropriate amount of, and obtain, insurance for or related to the Project, in addition to such insurance as may be required by the Bond Resolution;

(J) Adopt maintenance schedules for the Project that do not interfere unreasonably with the operations of the Purchasers;

(K) Adopt and implement procedures relating to electric power reserves for the Project in accordance with Section 5; and

(L) Consider the need for and approve any additional amount to be added to the Renewal and Contingency Reserve Fund over and above the Renewal and Contingency Reserve Requirement provided under the Bond Resolution.

(iii) If and when no Bonds are outstanding under the Bond Resolution, and the Bond Resolution is therefore no longer effective, the Committee shall provide for the establishment of such accounts and the taking of such actions as may be necessary to manage the Project.

(d) Payment obligation unimpaired. Notwithstanding any Committee action or inaction under this Agreement, each Purchaser's obligation to make the monthly payments necessary to pay its Purchaser's Percentage Share of Debt Service, costs of operation and maintenance, and all other amounts to be paid by Purchasers under this Agreement shall be absolute and unimpaired.

(e) The Authority's ability to take Required Action. In the event the Committee fails to take any of the actions set forth in Section 13(c)(ii)(C)-(E) in a timely fashion, or fails to take any other action which the Authority believes to be a Required Action, and as a result the Authority determines that it will be unable to meet any of its obligations imposed by statute, by the Bond Resolution, by this Agreement, or by any licensing or regulatory agency, then the Authority may (i) adopt a budget of Annual Project Costs, (ii) estimate the Annual Payment Obligation of each Purchaser, (iii) require each Purchaser to make payments on the basis of such estimated Annual Payment Obligation, and (iv) take such other action as the Authority deems necessary to meet such obligations. Failure of the Committee to adopt an Annual Project Budget by the ninetieth (90th) day prior to the beginning of a Fiscal Year shall permit the Authority to adopt an Annual

Project Budget pursuant to this subsection. All actions and determinations under this Section 13(e) shall be taken and made in accordance with Prudent Utility Practice.

(f) Purchasers' duties and rights of review. Each Purchaser shall make payment as required by the Authority as a result of any action taken by the Authority under Section 13(e), but such payment shall not constitute a waiver of any Purchaser's rights under this Agreement. Any Purchaser may seek review of such action in accordance with the dispute resolution procedures adopted by the Committee, or may seek to enforce this Agreement judicially in accordance with Section 9(d) if no applicable dispute resolution procedures have been adopted.

Section 14. End Of Project

(a) Authority's declaration. The Authority shall declare the Project ended, and the Authority's obligations to make power available to the Purchasers and to operate and maintain (or to assure the operation and maintenance of) the Project shall also end, if and when (i) such a declaration is required under Section 14(b), or (ii) the Project can no longer be operated in accordance with Prudent Utility Practice.

(b) Consultant's report. The Authority shall make the declaration described in Section 14(a) if all of the following conditions are met:

(i) The Project cannot be operated at full capacity in a manner consistent with Prudent Utility Practice absent repairs, modifications, or additions ("Repairs") to the Project;

(ii) a Consultant retained by the Committee concludes that such Repairs are not cost-effective in comparison with other power supply alternatives then available to the Purchasers; and

(iii) Committee members who are Purchasers and whose Percentage Shares total eighty percent (80%) vote that such Repairs should not be undertaken.

(c) Consequences of Authority's declaration. After the Authority has declared the Project ended, each Purchaser shall complete its payment obligation for Project Capacity and associated energy delivered to such Purchaser before the Project ended, and shall do so by paying its Percentage Share of Annual Project Costs until all Bonds have been paid or provision has been made for the payment of the Bonds in accordance with the Bond Resolution; provided, that from the date on which the Authority

declares the Project ended, Annual Project Costs shall no longer include (except with Committee approval) costs other than those set forth in Sections 8(a)(i), 8(a)(ii), 8(a)(iii), 8(a)(vii)(C), and 8(a)(vii)(D).

Section 15. Records. In addition to meter records, the parties shall keep log sheets and other records as may be needed for the purposes of this Agreement. In keeping books of account, each Purchaser will, to the extent that different rules are not prescribed by this Agreement or by federal and state laws or agencies, follow the system of accounts prescribed for public utilities and licensees by the Federal Energy Regulatory Commission, except that as long as a Purchaser is a borrower from REA then it shall follow the system of accounts prescribed by REA for its electric borrowers.

Section 16. Inspection Of Facilities. For purposes of this Agreement, each party may, but shall not be obligated to, inspect any other party's facilities relating to the Project at any time upon reasonable notice, but such inspection or failure to inspect shall not render the inspecting party, its officers, agents or employees, liable or responsible for any injury, loss, damage, or accident resulting from defects in such electric installation, or for violation of this Agreement.

Section 17. Covenants To Maintain Integrity Of Agreement.

(a) Retail rate approval. Each Purchaser will affirmatively and promptly pursue all administrative and judicial remedies necessary to secure Alaska Public Utility Commission approval of retail rates required to meet the terms of this Agreement where Commission approval is required.

(b) Compliance with law. Each Purchaser will take all necessary steps to comply with applicable federal and state laws and regulations, licenses and permits relating to the use and operation of the Purchaser's System.

(c) Sales, mergers, and assignments. No Purchaser shall abandon, sell, mortgage, lease or otherwise dispose of the Purchaser's System or any assets of that System (including by sale to or merger with any other utility), or assign this Agreement or any interest thereunder to any assignee or successor in interest, unless:

(1) such disposal or assignment accords with the terms of any of the Purchaser's covenants or agreements with the holders of the Purchaser's bonds, notes or other evidences of indebtedness relating to the abandonment, sale, mortgage, lease or other disposition of property of the Purchaser's System; and

(2) such disposal or assignment is:

(A) consented to in writing by a majority of the Committee, including the Authority's representative; or

(B) made to another utility that is already a Purchaser under this Agreement and is able to meet the obligations resulting from the disposal or assignment; or

(C) limited to assets that the Purchaser determines to be surplus to the needs of that Purchaser's System, but the depreciated value of assets so disposed of or assigned in any given year shall not exceed five percent (5%) of the depreciated value of the assets of the Purchaser's System prior to the disposal or assignment; or

(D) evaluated by a Consultant and that Consultant certifies that, taking into account the other obligations of the Purchaser or of the assignee or successor in interest (as the case may be), the Purchaser or the assignee or successor in interest will have (A) substantially the same or greater ability to produce sufficient revenues to meet its payment obligations as would the Purchaser absent the transaction, and (B) the ability to perform all obligations under this Agreement.

Any assignee of this Agreement must assume in writing all of the assigning Purchaser's obligations hereunder, must pay any amounts due and owing from the assigning Purchaser hereunder, and (unless the assignee is already a Purchaser) must provide the Authority and the Purchasers with an opinion of counsel that this Agreement is enforceable against the assignee.

(d) Status of Bonds. The parties will not take any action, including entry into power sales agreements, which would cause the interest on any Bond which is originally issued on a tax-exempt basis to become taxable under the Internal Revenue Code of 1986, as the same may be amended from time to time.

(e) Licenses and permits. The parties will take all necessary steps within their control to comply with applicable federal and state laws and regulations, and to obtain and thereafter comply with all applicable licenses and permits relating to the use and operation of the Project, including without limitation, the Federal Energy Regulatory Commission license applicable to the

Project. The Authority will take all necessary steps to cause the Federal Energy Regulatory Commission license to be renewed, if necessary, so that it is in effect during the term of this Agreement or any renewal hereof.

Section 18. Assignment.

(a) Assignment generally. This Agreement shall inure to the benefit of, and shall be binding upon the respective successors and assigns of the parties to this Agreement; provided, that this Agreement or any interest herein may be transferred or assigned by a Purchaser only in accordance with the provisions of Section 17(c).

(b) Specific rights and transactions. Notwithstanding Sections 17(c) and 18(a):

(1) A Cooperative Purchaser shall have the right to assign its assets, including its rights under this Agreement for security purposes to REA, or to a lender or guarantor in connection with loans to such Cooperative Purchaser where the proceeds of such loans are used to refinance obligations of such Cooperative Purchaser to REA or the Federal Financing Bank under Section 311 of the Rural Electrification Act or otherwise; provided, however, that (A) neither REA nor any secured lender or guarantor exercising any rights, powers or privileges with respect to this Agreement under any mortgage, deed of trust or other security agreement shall be entitled to exercise the rights of the Cooperative Purchaser under this Agreement unless the obligations of such Cooperative Purchaser hereunder shall have been performed, (B) no such assignment shall in any way relieve such Cooperative Purchaser of any obligations hereunder, and (C) no assignment shall be permitted hereunder if such assignment would adversely affect the tax exemption of interest on any Bonds Outstanding under the Bond Resolution that originally were issued on a tax-exempt basis.

(2) A Purchaser's agreement to resell power from the Project shall not be deemed a transfer or assignment of this Agreement, but neither shall any such resale of Project power relieve the Purchaser of any payment obligation under this Agreement.

Section 19. Notices, Computation Of Time And Holidays. Any notice required by this Agreement to be given to any party shall be effective when it is received by such party, and in computing any period of time from such notice, such period shall commence at 12:01 p.m. prevailing time at the place of receipt on the date of receipt of such notice. Whenever this Agreement calls for notice to or notification by any party the

same (unless otherwise specifically provided) shall be in writing directed to the Authority's executive director or a Purchaser's general manager. If the date for making any payment or performing any act is a day on which banking institutions are closed in the place where payment is to be made or a legal holiday, payment may be made or the act performed on the next succeeding day which is neither a legal holiday nor a day when banking institutions are closed in such place.

Section 20. Applicable Law. The laws of the State of Alaska (including without limitation the equal opportunity laws set forth in AS 18.80.220, as the same may be amended from time to time) shall govern the interpretation and application of this Agreement and the actions of the parties hereunder.

Section 21. Availability Of Information. The parties shall make available to each other, for inspection and copying during business hours, all books, records, plans and other information relating to any calculation or determination to be made pursuant to this Agreement.

Section 22. Severability.

(a) Severability generally. If any section, paragraph, clause or provision of this Agreement or any agreement referred to in this Agreement shall be finally adjudicated by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall be unaffected by such adjudication and all the remaining provisions of this Agreement shall remain in full force and effect as if such section, paragraph, clause or provision or any part thereof so adjudicated to be invalid had not been included herein.

(b) Correction and substitution. If any section, paragraph, clause or provision of this Agreement or any agreement referred to in this Agreement shall be finally adjudicated by a court of competent jurisdiction to be invalid or unenforceable, then and in such event the parties agree that they shall exercise their best efforts to correct such invalidation and substitute appropriate agreements and contractual arrangements to achieve the intent of this Agreement.

(c) References to REA. From and after the time any Cooperative Purchaser is no longer indebted to REA under any mortgage or other security agreement with REA, all references to REA and required approvals of the Administrator of REA provided for in this Agreement shall be of no further force and effect with respect to that Cooperative Purchaser.

Section 23. Remedies Cumulative. No remedy conferred upon or reserved to the parties hereto is intended to be

exclusive of any other remedy or remedies available hereunder or now or hereafter existing at law, in equity, by statute or otherwise, but each and every such remedy shall be cumulative and shall be in addition to every other such remedy.

Section 24. Waiver Not Continuing. Any waiver at any time by either party to this Agreement of its rights with respect to any default of the other party hereto, or with respect to any other matter arising in connection with this Agreement, shall not be considered a waiver with respect to any subsequent default, right or matter.

Section 25. Section Headings. The section headings in this Agreement are for convenience only, and do not purport to, and shall not be deemed to, define, limit or extend the scope or intent of the section to which they pertain.

Section 26. Multiple Copies. This Agreement shall be executed in several counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

Section 27. Covenant To Act In Good Faith. In order to permit this Agreement, throughout its term, to be fully effective in accordance with the original intent of the parties, each party agrees that it shall at all times act in good faith in performing its obligations and in exercising its rights under this Agreement.

Section 28. No Third Party Beneficiaries. Notwithstanding that the operation of this Agreement may and is intended to confer benefits on third parties who are not signatories to this Agreement, this Agreement shall be enforceable only in accordance with its provisions expressly governing enforcement. In promising performance to one another under this Agreement, the parties intend to create binding legal obligations to and rights of enforcement in (a) one another, and (b) such assignees or successors in interest of the parties as may enjoy a right to enforce this Agreement by virtue of provisions of this Agreement that expressly create such a right in such assignees or successors in interest. By entering into this Agreement, the parties expressly do not intend to create any obligation or promise any performance to any other third party, nor have the parties created for any other third party any right to enforce this Agreement.

Section 29. Excess Payments.

(a) Payments in Recognition of Efforts to Obtain Intertie. In recognition of the Railbelt Energy Council's commitment to continue efforts to obtain a satisfactory transmission intertie between Fairbanks and the Kenai Peninsula, and the Railbelt Energy Council's recognition of the importance of such an intertie to the well-

being of the Railbelt region and the Purchasers' ratepayers, and in anticipation of legislative funding of such an intertie, the Purchasers agree to make the payments described below in excess of actual debt service required for retirement of Bonds issued to pay Recoverable Construction Costs. The Purchasers' obligations to make payment under this Section 29 are not contingent upon the success of such continued efforts to obtain a satisfactory transmission intertie between Fairbanks and the Kenai Peninsula.

(b) Calculation of Excess Payment Amount. Subject to the limitations set forth in Sections 29(e) and 29(f), upon the retirement of all Bonds issued to pay Recoverable Construction Costs (and of all Bonds issued to refund such Bonds) and the consequent reduction of Debt Service includable in Annual Project Costs, there shall be added to and included in Annual Project Costs an amount (the "Excess Payment Amount") calculated as follows:

(i) The average annual Debt Service on such retired Bonds, less

(ii) any debt service included in Annual Project Costs that is associated with bonds or other debt issued to fund Required Project Work.

In no event shall the Excess Payment Amount be negative.

(c) Payment of Excess Payment Amount. Each Purchaser shall pay its Percentage Share of the Excess Payment Amount as part of that Purchaser's Annual Payment Obligation so long as that Purchaser continues to purchase Project power under this Agreement or any renewal thereof.

(d) Disposition of Payments. All Excess Payment Amounts received from Purchasers, and all additional charges paid pursuant to Section 29(b), shall be paid to the Authority for deposit into the Railbelt Energy Fund.

(e) Limitation. Notwithstanding any other provision of this Section 29, no Purchaser's Annual Payment Obligation shall include a charge with respect to any Excess Payment Amount in excess of four cents (\$0.04) per kilowatthour of Project power delivered to such Purchaser.

(f) Duration. The provisions of this Section 29 shall not serve to extend the term of this Agreement or any renewal thereof, and shall cease to be effective upon the expiration or termination of this Agreement (as the same may be extended through any renewal thereof).

Section 30. Special Arrangements Regarding AEG&T.

(a) Contracts acknowledged. The parties recognize that Homer Electric Association, Inc. ("HEA") and Matanuska Electric Association, Inc. ("MEA"), have previously entered into contracts with the Alaska Electric Generation & Transmission Cooperative, Inc. ("AEG&T"), and that under such contracts AEG&T is to sell and HEA and MEA are to buy electric power in amounts necessary to meet the full requirements of HEA and MEA, such power to be generated by AEG&T or to be purchased by AEG&T from other suppliers. Under this Agreement, therefore, AEG&T is a Purchaser on behalf of HEA and MEA, and AEG&T's payment obligations are secured by HEA's and MEA's respective obligations to provide at all times the monies necessary for the performance of AEG&T's payment obligations, as more fully described in Section 30(b).

(b) Treatment of HEA and MEA as Purchasers for certain purposes. HEA and MEA shall have all the rights and obligations of individual Purchasers and/or Cooperative Purchasers with respect to Sections 2(a), 4(d), 6(e), 8(a)(vii)(D), 10, 13(c), 13(d), 15, 17, 18, 31, and 32, unless the context otherwise requires. If AEG&T at any time fails to meet its payment obligations under this Agreement, then to the extent of such failure by AEG&T and for so long as such failure continues, HEA and MEA shall each be obligated to meet directly its respective share of AEG&T's payment obligations in the same manner as if HEA and MEA were individual Purchasers obligated to make payment in accordance with Section 7 and Section 9. All rights and remedies available to the Authority and/or to the other Purchasers against AEG&T shall also be available to the Authority and the other Purchasers against HEA and MEA to the extent of the respective individual share of HEA and/or MEA, as applicable. For purposes of this Section 30(b), HEA's share shall be a Percentage Share of Project Capacity equal to 12.0 percent, and MEA's share shall be a Percentage Share of Project Capacity equal to 13.8 percent.

(c) Arrangements among HEA, MEA, and AEG&T. In accordance with the provisions of Section 30(a) and subject to the provisions of Section 30(b), AEG&T as a Purchaser hereunder shall act on behalf of HEA and MEA for purposes of power deliveries, billing, payment, notification, and other communications under this Agreement. AEG&T shall be, on behalf of HEA and/or MEA, the Purchaser from the Authority and the re-seller to HEA and/or MEA of power to be taken by HEA and/or by MEA under this Agreement. Further, AEG&T will receive, on behalf of HEA and/or MEA, all billings and other communications under

this Agreement, and AEG&T will be required to pay such bills for and on behalf of HEA and/or MEA from funds made available to AEG&T by HEA and/or MEA for this purpose.

Section 31. Capitalization Of Certain Costs Of Purchasers.

(a) Promptly after the Committee is formed, and before the Authority first issues Bonds, the Purchaser members of the Committee shall determine by the affirmative vote of members whose Percentage Shares equal or exceed eighty percent (80%) of Project Capacity and of Annual Project Costs:

(i) whether and to what extent the costs borne by the Purchasers pursuant to the last sentence of Section 13(a) should be capitalized through issuance of additional Bonds, with the costs of debt service on those additional Bonds to be added to Annual Project Costs; and

(ii) whether and to what extent the costs incurred by the individual Purchasers in conjunction with this Agreement prior to the Date of Commercial Operation should be capitalized and reimbursed through issuance of additional Bonds, and whether and to what extent the costs of debt service on those additional Bonds should be added to Annual Project Costs and allocated among Purchasers either in accordance with their respective Percentage Shares or in some other manner.

(b) If the Purchasers provide the Authority with a written determination that additional Bonds should be issued for either or both of the foregoing purposes, then notwithstanding any other provision of this Agreement, the Authority shall issue additional Bonds in the requisite principal amount, allocate the proceeds of such additional Bonds among the appropriate Purchasers in accordance with such written determination, and include the costs of debt service on such additional Bonds in Annual Project Costs; provided, that the Authority shall not be obligated to issue such additional Bonds unless the Authority is reasonably able to do so in conjunction with the issuance of other Bonds; and provided further, that the allocation among Purchasers of the costs of debt service on additional Bonds issued for the purpose set forth in Section 31(a)(ii) shall be made in the manner specified in such written determination.

Section 32. Efforts To Obtain Intertie. The Purchasers recognize the importance of the completion of a satisfactory high-capacity Fairbanks to Kenai Peninsula transmission

intertie, and of full \$218 million funding for the Project, and agree to continue all reasonable efforts to obtain sufficient state funding for such transmission intertie and Bradley Lake.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed the day and year first above written.

THE ALASKA POWER AUTHORITY

By _____

As _____

ALASKA ELECTRIC GENERATION & TRANSMISSION COOPERATIVE, INC.

By _____

As _____

CHUGACH ELECTRIC ASSOCIATION, INC.

By _____

As _____

HOMER ELECTRIC ASSOCIATION, INC.

By _____

As _____

GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.

By _____

As _____

MATANUSKA ELECTRIC ASSOCIATION, INC.

By _____

As _____

By _____

As _____

THE MUNICIPALITY OF ANCHORAGE d/b/a MUNICIPAL LIGHT AND POWER

By _____

As _____

THE CITY OF SEWARD d/b/a SEWARD ELECTRIC SYSTEM

By _____

As _____

Senator John B. (Jack) Coghill
Alaska State Legislature




Box V
Juneau, Alaska 99811
(907) 465-4797

Box 55028
North Pole, Alaska 99705
(907) 488-0862

M E M O R A N D U M

To: Representative Sam Cotton, Co-Chair House Resources
Representative Adelheid Herrmann, Co-Chair House Resources

From: Senator John B. Coghill 

Re: SB 206

Date: April 27, 1988

This version of SB 206 allows the Alaska Power Authority to function more efficiently and effectively without a continual drain of the general fund.

While this committee substitute does not do nearly half as much as my original version, it is a concise bill which achieves two important purposes: assists rural energy consumers and gives needed bonding authority to the APA.

Sect. 1 Allows statutory recognition of the project management committees who used to operate and manage APA projects. Would decrease bond buyers' concerns.

Sect. 2 Amends the existing statute by adding school districts, regional education attendance areas and business enterprises to entities that qualify for loans from the power project fund. Also allows the loan fund to be used for consumer end-use conservation improvements and for acquisitions of bulk fuel other energy resources.

Sect. 3 Defines "business enterprise" as defined by the Alaska Industrial Development Authority.

Sect. 4 Allows APA to issue bonds for any programs, activities or projects allowed by the power project fund as enumerated in the statutes. Allows APA to pledge the principal and interest repayments and other earnings as collateral for the bonds.

Sect. 5 Allows Rural Electrification Revolving Loan Fund to be funded from the power project fund. Loan criteria are modified

to allocate half of the funds available to extend service along state highways.

Sect. 6 Changes loans evaluation criteria from economic to financial feasibility.

Sect. 7 Effective date clause

Alaska Power Authority

TO: Representative Sam Cotten, Co-Chair
Representative Adelheid Herrmann, Co-Chair

FROM: Robert E. LeResche
Executive Director
Alaska Power Authority

DATE: April 27, 1988

RE: HCS CSSB 206
Section Analysis

SEC. 1: Provides legislative recognition and statutory authority to the creation, under contract, of a project management committee. Project management committees, under current contracts with the Alaska Power Authority, operate and manage APA power projects. The powers of a project management, with respect to the power project, are to be determined by the contract and may include the responsibility for the management, operation and maintenance of the project. Allows the committee, as provided for in the contract, to have a separate legal existence and other powers necessary for its purposes.

SEC. 2: Adds school districts, regional educational attendance areas and business enterprises to entities that qualify for loans from the Power Project Fund. Additionally expands purpose of loans to include acquisition of bulk fuel or proven reserves of gas, oil, coal, geothermal or other energy resources and end-use improvements to reduce energy demand.

SEC. 3: Provides for the definition of "business enterprise" as having the same meaning as defined under AS 44.88.220" "Business enterprise means a single proprietorship, cooperative, corporation, firm, partnership, or other association of persons organized in any manner, for any credit worthy purpose."

SEC. 4: Allows the APA to issue bonds for any of the revenue producing programs, activities, or projects authorized under the Power Project Fund as enumerated in the statutes. Allows the APA to pledge a portion of the principal and interest from loan repayments to the Power Project Fund and other earnings as security for the bonds. Enhances the credit worthiness of power project bonds.

SEC. 5: Adds new language to existing statute relating to the types of loans the APA may make from the Rural Electrification Revolving Loan Fund (RERLF). Stipulates that RERLF applications for loans to extend service along state roads or highways shall be given priority for up to one-half of the funds available for RERLF loans.

SEC. 6: changes RERLF loan evaluation criteria from economic to financial feasibility.

89/J08/1

4/27 SB 472

Josephson

Karen Lee - will need an ARLF loan for purchasing the receivables of The Dairy - \$1 m accy but there's a limit for pur's fac's of \$250k - Karen Lee wants to buy the business assets - maybe w/ to go borrow pvt \$ -

→ will someone end up owning the corp? by mky loan etc.?

Mark Weaver -

→ Sam asks for financial stmt on the company -

11/22/12

At 10:00 AM

10:00 AM

10:00 AM

10:00 AM

10:00 AM



Alaska State Legislature

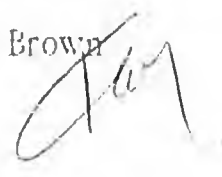
HOUSE OF REPRESENTATIVES

Committee on Finance

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

TO: Representative Sam Cotten

FROM: Representative Kay Brown 

DATE: April 21, 1988

SUBJ: HB 483/Bradley Loan Legislation
and HB 238/Integrated Resource Planning

As you know, HB 238 was recently reported out of the Resources Committee in a greatly compromised form which provides for the Railbelt utilities to prepare integrated resource plans which adequately address both supply-side and demand-side energy development opportunities.

During the evolution of HB 238 the utilities have argued that while they support integrated resource planning, they would urge an incentive-based approach. In the spirit of compromise, I have supported amendments to the bill which eliminated the enforcement mechanism originally included in the bill (ie, APUC pre-project approval). Accordingly, as the bill now stands, the quality of the planning process will largely depend on the good-faith efforts and self-interest of the utilities involved.

As I have noted to you previously and consistent with the utility position that integrated resource planning should be incentive-based, I would like to ask your support to ensure that the utilities have a sufficient incentive to prepare the integrated resource plans called for under the plan. To accomplish this, I would propose to condition the availability of future state subsidies for the Railbelt utilities upon having an approved integrated resource plan.

Specifically, I propose to attach the planning requirements of HB 238 as a condition of gaining access to state subsidies from the "Railbelt energy account" that would be established by HB 483. Conceptually, the loan for Bradley would be made as provided for in HB 483, but future borrowing or

financing from the fund would be conditioned by the necessity of having an approved integrated resource plan.

From a policy perspective, this would ensure that future state subsidies (in the form of low interest loans or public bond financing) would be consistent with a comprehensive planning effort. At the same time, attaching the planning requirements to HB 483 and making future subsidies contingent upon an approved plan would ensure that the planning requirements were taken seriously by the utilities. Again, this approach would be consistent with the utilities general philosophy of having the planning requirements based on incentives (ie, access to state financing or subsidies).

If you are receptive to this approach, please so indicate to Representative Adams as soon as possible so that we can schedule HB 238 and 239 for consideration in Representative Pourchot's subcommittee, which is considering HB 482 and 485.

Thank you.

SOME DRAFT LANGUAGE WHICH WOULD
TIE INTEGRATED RESOURCE PLANNING
TO FUTURE STATE FINANCING OR PROJECT
AMENDMENT DEVELOPMENT

5-0638Xa
Cramer

Offered in the HOUSE

By Brown

TO: CSHB 238()

Page 1, line 7:

Delete "reports"

Insert "plans; limiting construction of certain power projects; and providing for an effective date"

Page 6, line 18:

Delete "a new section"

Insert "new sections"

Page 6, after line 22:

Insert the following new material to read:

"Sec. 44.83.087. COMPLIANCE WITH INTEGRATED RESOURCE PLAN. The authority may not participate in the financing, acquiring, or constructing of a power project that is intended to provide electricity to an electric utility that is subject to AS 42.05.294 unless the project is consistent with the utility's approved integrated resource plan.

* Sec. 4. AS 44.83.230(4) is amended to read:

(4) "power project" or "project" means a plant, works, system, or facility, together with related or necessary facilities and appurtenances, including a divided or undivided interest in or a right