



November 22, 2017

Via Email

Steve Kantor
Hilltop Securities
Steven.Kantor@HilltopSecurities.com

Mark Johnston
Municipal Light & Power
JohnstonMA@muni.org

Re: Municipal Light & Power Non-Binding Expression of Interest

Dear Steve & Mark:

On behalf of Ares Energy Investors Fund V, L.P. (“AEIF V”) and its affiliates, Ares EIF Management, LLC (“Ares EIF”) is pleased to submit this non-binding expression of interest (the “Indicative Bid”) pursuant to which the Purchaser (defined below) would acquire a 100% equity interest in Municipal Light & Power (the “Company”), an integrated electric utility located in Anchorage, Alaska (the “Transaction”).

Based on the historical reports and filings provided to Ares EIF in the data room, and subject to further due diligence, we propose a total enterprise value of \$625,000,000 to \$645,000,000 for 100% of the Company. The purchase price assumes a transaction closing date of January 1, 2019. The Purchaser expects to consummate the Transaction with \$275,000,000 to \$295,000,000 in equity provided by AEIF V or one or more of its affiliates, and \$350,000,000 million from the debt market. The proposed purchase price is conditioned upon obtaining third-party debt financing.

Consistent with the direction of the seller, Ares EIF does not plan to terminate any employees as part of the Transaction. The AEIF V expression of interest contemplates satisfactory resolution of the rate case currently before the Regulatory Commission of Alaska as requested, and has not modeled any rate increases beyond that.

A full due diligence plan has not been created for the proposed Transaction, but at a minimum, due diligence would include a full third-party engineering report, a third-party market study, thorough review of all material contracts, environmental site assessments, regulatory review, and other legal/tax arrangements.

The purchaser will be a special purpose Delaware limited liability company to be created solely for the Proposed Transaction (the “Purchaser”). The Purchaser will be a wholly owned subsidiary of AEIF V and/or one of its affiliates. AEIF V is an \$800 million private equity fund. AEIF V’s strategy is to develop, build and acquire power assets in the United States. Ares EIF manages the capital and investments of AEIF V. Ares EIF is an indirect wholly-owned subsidiary of Ares Management, L.P. (“Ares”). Ares EIF was founded in 1987 as one of the first private equity fund managers focused on the power industry. Ares EIF has raised over \$5 billion in equity capital and currently manages multiple private equity funds from its offices in Boston, New York and San Francisco. These funds have made over 100 diversified investments with an underlying asset value approaching \$20 billion. Ares EIF-managed funds own approximately 5,200 net MW of power generation either under construction or in operation. Furthermore, Ares EIF has rights to approximately 3,900 net MW of additional power generation and transmission projects that are in various stages of development.

ARES MANAGEMENT LLC
245 PARK AVENUE, 44TH FLOOR
NEW YORK, NY 10167
MAIN 212-750-7300
FAX 212-750-1777



The Indicative Bid outlined herein has been approved by the Ares EIF Investment Committee, but is subject to satisfactory final due diligence, the negotiation and execution of legal documentation mutually acceptable to all parties and final Ares EIF Investment Committee approval. The Ares EIF Investment Committee has the authority to approve final investment decisions without any additional board or shareholder approvals.

Ares EIF's deal team for this Proposed Transaction would be staffed by the following experienced investment professionals in our New York, NY office:

<u>Name</u>	<u>Title</u>	<u>Phone</u>	<u>Email</u>
Andrew Schroeder	Partner	(212) 564-1276	aschroeder@aresmgmt.com
Ben Pike	Vice President	(212) 564-3465	bpik@aresmgmt.com

Our team is available immediately to commence due diligence.

The construction and interpretation of and the rights and obligations of the parties pursuant to this letter shall be governed by the laws of the State of New York. This letter and the Indicative Bid herein shall expire, unless otherwise extended in writing by Ares EIF, on December 21, 2017, following which Ares EIF shall have no obligation to continue discussion of or implementation of the proposed transaction contemplated in this letter. Ares EIF anticipates extending the effective period of this letter if Ares EIF is selected to participate in the next round of bidding.

This proposal letter is not and shall not be deemed to be legally binding, and shall not impose any obligations or liabilities on Ares EIF, AEIF V or any of their affiliates in any manner. Any legally binding obligations are contingent upon: (i) satisfactory completion of due diligence, (ii) final Ares EIF Investment Committee approval, (iii) the receipt of any and all third-party approvals necessary to consummate the Proposed Transaction, and (iv) the negotiation and execution of legal documentation mutually acceptable to all parties.

Please contact Ben Pike with any questions or clarifications regarding this Indicative Bid. We are enthusiastic about the opportunity to enter into this Proposed Transaction and look forward to hearing from you shortly.

Best regards,

ARES ENERGY INVESTORS FUND V, L.P.

A handwritten signature in blue ink, appearing to read "ASchroeder".

Andrew Schroeder
Authorized Representative

cc: Ares EIF Investment Committee