



September 14, 2017

Via Email

Bob Bartholomew
Finance Director
City and Borough of Juneau
155 South Seward Street
Juneau, Alaska 99801

pfm

1200 Fifth Avenue
Suite 1220
Seattle, WA 98101
206.858.5370

pfm.com

Dear Mr. Bartholomew:

Thank you for your interest in PFM Financial Advisors LLC (PFM) and services we may be able to provide to the City and Borough of Juneau (CBJ). Pursuant to our previous conversations this letter serves as our proposal to provide consulting services to the CBJ regarding the proposed acquisition of Avista Corporation by Hydro One Ltd. CBJ is interested in better understanding the potential ramifications related to Alaska Energy Light & Power (AEL&P) which is a subsidiary of Avista and provides electric service to the CBJ area.

The details of our proposal are organized into the following sections:

- Scope of Work
- Project Timing
- Project Cost
- Project Team

We believe our extensive general governmental and public power experience will allow us to accomplish a comprehensive evaluation and inventory of topics and area CBJ should consider in determining a course of action in regards to AEL&P.

From our previous discussions on this topic we believe we have a good understanding of your needs at the stage and your goals for this work task. It is conceivable that we may need some additional discussion as we proceed towards completing the task and I expect we will want to discuss a draft version of the product before finalization.

If you have any questions regarding this proposal, please do not hesitate to contact me. We look forward to working with you on this matter.

Sincerely,

Fred Eoff
Director
PFM Financial Advisors LLC



Scope of Work

Our understanding is that the City and Borough of Juneau (CBJ) is interested in an independent identification of all factors and topics having potential ramifications for CBJ related to a potential acquisition of the assets of Alaska Energy Light & Power (AEL&P). To better determine the advisability of proceeding with a more extensive and comprehensive evaluation of this acquisition, CBJ desires a high level identification and summary of the various considerations and elements bearing on CBJ becoming the owner of the assets of AEL&P and operator of its power production and distribution system.

The work provided by PFM under this scope of work will identify issues which CBJ should consider as part of its decision process to proceed with further evaluation of a potential acquisition. If CBJ were to elect to proceed, CBJ should expect that these topics would need more exhaustive review and analysis. We expect to provide an overview of at least the following topics and may identify others in the course of completing the scope of work:

- Corporate governance arrangements which may be negotiated between Avista and Hydro One Ltd
- Financial position and income generation history and potential for CBJ subsequent to an acquisition
 - Power consumption trend and implications for costs and net income
- Risks related to the Snettisham hydroelectric facility
 - Factors to be considered by CBJ as operator
 - Ownership considerations
 - Implications of historic federal funding of Snettisham
 - Federal Energy Regulatory Commission (FERC) considerations
 - Potential for excessive capital leverage driven by Hydro One and implication for CBJ rate payers
- Financial process and costs for CBJ related to an acquisition of AEL&P and/or its assets
 - Due diligence, valuation, litigation
- Regulatory matters pursuant to an acquisition by CBJ
 - Regulatory Commission of Alaska(RCA)
- Value and opportunities related to non-utility land holdings of AEL&P
- Personnel matters
 - Treatment of existing AEL&P employees (compensation/benefits)
- Implications for the statement of non-interest in a sale by Hydro One/Avista
- Others as deemed appropriate

This is not intended to be an exhaustive research and analysis project but a higher level identification for CBJ management of areas likely to be key factors needing a more comprehensive and thorough evaluation should the AEL&P acquisition proposal proceed to more serious consideration.

We will incorporate our summary and recommendations in a final report to be provided to CBJ and be available in person or by phone for discussion at your request.



Project Timing

PFM's work on this project would commence immediately upon advice from CBJ to proceed. The goal will be to deliver a completed product to CBJ at the earliest opportunity but in no event later than October 16, 2017.

Project Cost

Compensation to PFM for this work would be paid pursuant to Section 4b and 4c of Appendix A of MR 16-109 "Contract for Financial Advisor Services" originally entered into with Western Financial Group LLC, a subsidiary entity of Public Financial Management Inc.

The above contract section specifies a flat hourly rate of \$275. Hours billed pursuant to this proposal will be limited to a maximum of 40 hours. We would additionally expect reimbursement for any travel to Juneau requested by CBJ.

Project Team

Fred Eoff, a Director with PFM Financial Advisors LLC, will serve as the project manager and primary contract for this work task. He will be assisted by Michael Berwanger, Managing Director and head of PFM's West Coast public power practice.

Following are summary resumes for the project team members.

Fred Eoff, Director

Project Manager

Fred Eoff is a Director in the Seattle office of PFM Financial Advisors LLC. He is responsible for providing advisory services to clients in the development of financial planning and debt issuance.

Mr. Eoff has been providing financial advisory services in a fiduciary capacity to clients since 2010. Previously he had an extensive career as an investment banker and underwriter for a broad spectrum of public sector clients. His prior work, and current clients, have included many city government entities which have been predominately on the West Coast. His current Alaska clients include the Alaska Railroad Corporation (ARRC), Alaska Energy Authority (AEA) and Alaska Industrial Development & Export Authority (AIDEA). In 2016 he represented AIDEA with a refinancing of debt related to the Snettisham Hydroelectric Project which is operated by AEL&P.

Mr. Eoff is a graduate of the University of Washington and holds BA and MBA degrees. He is a registered Municipal Advisory with both the SEC and MSRB.

Michael Berwanger, Managing Director

Project Team Member



Michael Berwanger is a Managing Director in the Los Angeles office of PFM Financial Advisors LLC. He leads the firm's public power practice in the West. His clients also include a number of California municipalities, including the cities of San Diego, Anaheim, Chula Vista, Long Beach and San Bernardino. .

Prior to joining PFM in 2008, Mr. Berwanger was an investment banker with Citigroup. He has represented some of the largest public power agencies in the United States including Los Angeles Department of Water & Power, Burbank Water & Power, Glendale Water & Power, Grand River Dam Authority, Snohomish Public Utility District and Grant County Public Utility District.

Mr. Berwanger is a graduate of Pace University and holds a BA in Business Administration. He is a registered Municipal Advisory with both the SEC and MSRB.