



**Matanuska Electric
Association, Inc.**

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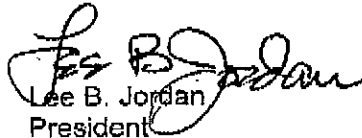
November 14, 2006

Mr. Mike Barry, Chairman
Alaska Energy Authority
813 West Northern Lights Boulevard
Anchorage, Alaska 99503

Dear Mr. Barry:

Matanuska Electric Association, Inc. requests that we be placed on the agenda for the Alaska Energy Authority's Board of Directors meeting on December 1, 2006 for the purpose of presenting a proposal to purchase the Alaska Intertie.

Sincerely,


Lee B. Jordan
President

cc: Ron Miller, Executive Director, Alaska Energy Authority

**December 1, 2006 Presentation of Matanuska Electric Association to the
Alaska Energy Authority Board of Directors Regarding Purchase of the Alaska Intertie**

by James L. Walker, Senior Counsel

Directors, Mr. Miller, I want to thank you for scheduling MEA into your meeting agenda. For those of you who do not know me, I am Jim Walker, Senior Counsel for Matanuska Electric Association.

Pursuant to Alaska Statute 44.83.080(7), and the Regulations at 3 AAC 105, this Authority has the power to sell any real or personal property that it owns or in which it otherwise has a legal interest. Any such sale must be found by this Board to further the corporate purposes of the Authority. Those purposes, are set out in Alaska Statute 44.83.070 as being to promote, develop, and advance the general prosperity and economic welfare of the people of this state by providing a means of financing and operating power projects. The Alaska Intertie is one of the power projects owned and operated by the Authority.

The Alaska Intertie has been primarily utilized to make excess generation capacity in the southern Railbelt area available for consumers in the northern Railbelt area served by Golden Valley Electric Association. It has also facilitated contractual transfer of comparatively low cost energy from the Authority's Bradley Lake Hydroelectric Project to consumers in the GVEA service territory and provided comparatively high cost transmission service to MEA's Stevens Substation.

The Alaska Intertie Agreement dated December 23, 1985, was intended to be the vehicle facilitating achievement of the Authority's purposes with the Alaska Intertie. The Authority has recently given notice terminating the Alaska Intertie Agreement, effective October 16, 2010. This notice was given after years of negotiations involving the participating utilities and Authority staff failed to produce a means for financing the long-term repair, rehabilitation, and improvements required for safe operation of the Alaska Intertie.

The State owned portion of the Alaska Intertie mostly runs through MEA's service territory, and energy transfers over the Alaska Intertie are dependent upon use of more than 20 miles of MEA facilities. The Alaska Intertie needs the continuous attention to maintenance, repair, rehabilitation, and improvements that a regulated public utility can provide.

MEA hereby offers to purchase the Alaska Intertie from the Authority pursuant to 3 AAC 105.400, for approximately \$50 million, under terms and conditions mutually agreeable to the Authority and MEA that provide for Commission approved rates and the long-term viability of the Alaska Intertie for all connected entities providing electric utility services in Alaska. MEA has developed terms upon which negotiations leading to its purchase of the Alaska Intertie could be based. However, for competitive business reasons MEA desires to keep these terms confidential while negotiations are in progress.

MEA is here today to specifically ask the Board to authorize its Executive Director to enter into confidential discussions regarding sale of the Alaska Intertie to MEA. The existing

unsatisfactory contractual arrangement under which the Alaska Intertie is operated will expire in roughly 46 months. The sale of this asset to MEA would best fulfill the public policy requirements of the Authority with respect to the Alaska Intertie.

If there are any general questions that you want to ask, we would be happy to answer them at this time. Thank you for your time and attention to this important issue.