



BUILDING A BETTER WORLD

November 14, 2013

Mr. Mark Davis
Deputy Director, Infrastructure Development
Alaska Industrial Development and Export Authority
813 W. Northern Lights Blvd.
Anchorage, AK 99503

Re: Northern Gas Supply Plant (NGSP) Final Term Sheet

Dear Mr. Davis,

In response to your letter of November 13, 2013 requesting a Final Term Sheet for the NGSP, MWH is pleased to submit the attached Term Sheet subject to the conditions outlined in your letter.

As you requested, Mr. Rick Adcock will be available at the November 19, 2013 AIDEA Board Meeting to present the Term Sheet to the Board.

Respectfully,
MWH Americas, Inc.

A handwritten signature in blue ink that reads "Chris Brown".

Chris Brown
Vice President, Alaska Regional Manager

cc: Cory Borgeson, CEO, Golden Valley Electric Association
Rick Adcock, Vice President, MWH Global

Attachment: Final Term Sheet for the NGSP

MWH Term Sheet

Item	Terms
<p>1. Borrower</p>	<p>LLC Owned by INVESTOR acting through Sponsor Party: may make use of existing LLC: North Slope LNG LLC, dba: Northern Gas Supply (“NGS”), a Delaware limited liability company formed to finance, own, design, permit, construct, operate and maintain the Northern Gas Supply Plant (“NGSP”) in order to produce and sell LNG for the Interior Alaska energy market. AIDEA will not be a member of this LLC.</p>
<p>2. Sponsor Party</p>	<p>MWH Americas, Inc. or its affiliate (“MWH”) acting on behalf of an as yet not identified Institutional Investor (“INVESTOR”)</p>
<p>3. Lender/Lessor</p>	<p>Alaska Industrial Development & Export Authority (“AIDEA”)</p>
<p>4. Project Description</p>	<p>The LLC will develop an LNG production facility with initial annual capacity based on demand, appropriate storage capacity and other requirements determined by NGS, located in the Prudhoe Bay Unit on the North Slope. In the event the Parties agree to a plant with less initial capacity than 9Bcf, all references to capital requirements shall be adjusted appropriately. The Plant will be developed to the following requirements:</p> <p>[NTD: General assumption: All agreements (e.g. off-take, supply, take-or-pay, lease, etc.) will have the same 30 year term duration.]</p> <p>[NTD: INVESTOR would envisage a more modular approach to the construction of the plant where the initial construction was sized to meet the initial demand, and capacity expansions would be undertaken to meet increases in demand, such expansions to be backed by a letter of credit, if necessary. Subsequent modules of the plant would be built-out in accordance with Section 16 of this draft term sheet.]</p> <p>NGSP Capacity Requirements</p> <ul style="list-style-type: none"> • First gas targeted for [September 1, 2015.] [NTD: need to confirm feasibility of this date.] <p>LNG Availability Requirements</p> <ul style="list-style-type: none"> • System designed, built & operated to North Slope requirements & standards • Redundant production capacity <ul style="list-style-type: none"> ▪ At least 2 trains ▪ At least 2 truck loaders • Adequate storage capacity for efficient plant operation

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	<p>LNG Site Requirements Development plan adequate for ultimate 12-18 Bcf annual production system capacity at minimum</p> <ul style="list-style-type: none"> • Prudhoe Bay Unit Owner site standards/approval. Parties shall use reasonable efforts to obtain approvals, permitting, and site development in time for [Q3 2015] gas <p>Propane Availability</p> <ul style="list-style-type: none"> • propane capability that is commercially and economically feasible <p>Capital Cost</p> <ul style="list-style-type: none"> • MWH and INVESTOR have based their total capital cost of NGSP on AIDEA’s estimate in their financial model of \$217,674,873 (“Estimated Capital Cost”). This number assumes a 9Bcf plant, and is inclusive of inflation, contingency, and completion reserves. • The total capital cost is broken down as follows: <ul style="list-style-type: none"> ○ A pre-contingency, inflation, and reserve subtotal of \$176,925,579 ○ A 10% contingency in the amount of \$17,692,558 ○ A construction total (in 2012 dollars) of \$194,618,137. ○ Inflation to the end of 2014 at 3.3%/year of \$13,056,736 ○ A completions reserve of \$10,000,000, to be provided by AIDEA as described in Section 11 of this Term Sheet • The Estimated Capital Cost is limited by a) the accuracy and completeness of information upon which MWH and INVESTOR have reasonably relied, b) schedule constraints or scope limitations, c) unknown or variable site or other conditions, d) other factors beyond MWH’s and INVESTOR’s control. Any estimates as to construction costs are limited by a lack of control over financial and/or market conditions, including the future price of labor, materials, and prospective bidding environments and procedures. MWH and INVESTOR do not warrant or guarantee the accuracy or completeness of the Estimated Capital Cost to the extent impacted by these limitations <p>Annual Operating Cost</p> <ul style="list-style-type: none"> • MWH and INVESTOR have relied on estimates for both fixed and variable operating costs for the NGSP that appear in the financial model provided by AIDEA. • The fixed component is estimated at \$9,108,325 • The variable component cost estimates are as follows: <ul style="list-style-type: none"> ○ Raw Gas to be liquefied at \$3.30/MCF of final product ○ Fuel Gas to run the process at \$1.04/MCF of final product • Any estimates as to operating costs are limited by a lack of control

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	<p>over financial and market conditions, including the future price of labor, materials, and prospective bidding environments and procedures. MWH and INVESTOR do not warrant or guarantee the accuracy or completeness of the Annual Operating Cost to the extent impacted by these limitations</p>
<p>5. AIDEA SETS Loan</p>	<p>AIDEA SETS Loan for plant system acquisition and construction</p> <ul style="list-style-type: none"> • \$125.0 million • 30 year term • 3.00% annual interest • 30 year level debt service amortization • Capitalized interest payments during the development period (closing to commissioning) • Any principal deferred during the first 5 years to be re-amortized over the remaining 25 years <p>[NTD: The Parties need to come to an understanding about the credit worthiness of all Parties and obtain appropriate parent company guarantees, if necessary.]</p> <p>Subordination of cash flow:</p> <ul style="list-style-type: none"> • AIDEA will have a subordinate claim on NGS cash flows, as set forth in Section 13. If cash flows in any period are insufficient to fully pay principal and interest payments to AIDEA under the AIDEA SETS Loan that are due for such period, such unpaid amounts will be capitalized and accrue to later periods. <p>Security:</p> <ul style="list-style-type: none"> • AIDEA will have a security interest in all of the NGS Project assets and revenues, which security interest will be subordinate to the security interest in such Project assets and revenues that is held by a non-affiliated lender providing financing to NGS for the NGSP. AIDEA and such non-affiliated Project lender will enter into an Inter-creditor Agreement that will provide for the rights and remedies of AIDEA and such Project lender following an event of default under the AIDEA SETS Loan and/or such Project lender’s loan. <p>[NTD: AIDEA to confirm that Security is consistent with Section 13, and that AIDEA’s claim is subordinate to INVESTOR cash flows.]</p>
<p>6. AIDEA Site & Equipment Lease</p>	<p>AIDEA will finance certain permitting, site leasing, site improvements, infrastructure, pipeline connections and gas treatment equipment</p>

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	<p>(collectively the “AIDEA Site & Equipment Assets”) which will be leased to NGS:</p> <ul style="list-style-type: none"> • 30 year term • NGSP Operating lease payments to AIDEA based on actual annual costs to operate and maintain the AIDEA Site and Equipment assets • Capital lease payments recovery would be required in certain circumstances due to, for example, sale of assets, NGS events of default, etc. <p>[NTD: INVESTOR would anticipate all operating lease payments and capital lease payments would be known and fixed at closing on a real basis and subject to indexation.]</p> <p>The AIDEA SETS Loan and the AIDEA Site & Equipment Lease will be, collectively, the “AIDEA Financing”.</p>
<p>7. INVESTOR Investment</p>	<p>INVESTOR will fund up to \$85 million investment funded through a combination of debt or equity financing with a minimum of \$20 million funded as equity to NGS.</p> <p>INVESTOR’s blended nominal return on the equity investment will approximately [12-15]%. INVESTOR criteria based on this rate of return include, but are not limited to:</p> <ul style="list-style-type: none"> • Percent return based on a post corporate tax, pre withholding tax number • No demand risk • No commodity risk • Take-or-pay agreements for substantially all of plant capacity • All commercial agreements have the same term duration (e.g. 30 years) • Appropriate parent company guarantees • Complete subordination of the SETS loan <p>To the extent that additional funding is required from INVESTOR, it may be in the form of 3rd-party project debt in NGS, which will be priced to NGS on market terms.</p>
<p>8. Sources & Uses of Funds</p>	<p>The Project will be funded as detailed in <u>EXHIBIT A – SOURCES & USES</u></p> <p>Prior to reaching definitive agreement for the AIDEA Financing, NGS, INVESTOR and AIDEA will each be responsible for its own transaction costs except as provided under any Reimbursement Agreement between INVESTOR and AIDEA.</p>

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	<p>AIDEA will advance-fund certain AIDEA Site and Equipment Assets. INVESTOR will be required to commit equity at “closing” – when full development agreements and financing documents are completed and executed.</p> <p>Capital Structure</p> <ul style="list-style-type: none"> • As with any privately financed public project, the final capital structure will depend on a number of factors, some of which are not known at this stage. • The capital structure proposed consists of: <ul style="list-style-type: none"> ○ \$125 million in the form of the SETS loan from AIDEA, which would be fully subordinated to the required equity return. This amount could change if the size and/or cost of the plant is changed. ○ Balance (up to \$85 million) provided by INVESTOR. This funding could be brought as a combination of private equity and commercial debt sourced by the equity investor. A 65% - 35% debt/equity split for this portion has been discussed; however, the minimum equity contribution will be at least \$20,000,000.
<p>9. Development Process</p>	<p>The NGSP will be developed by NGS, with MWH serving as Owner’s Representative, in conformance with a Plan of Development as revised and adopted by GVEA, INVESTOR and AIDEA in the relevant financing agreements.</p> <p>AIDEA will provide assistance and guidance to NGS in determining the development process, specific plant configuration and elements, etc.</p> <p>MWH has contributed its services to the company as an in-kind equity contribution in an amount equal to [6]% of the aggregate enterprise value of the NGS, such contribution to be made at closing.</p>
<p>10. Escrow/ Disbursement of Project Funds</p>	<p>AIDEA and INVESTOR will enter into a Project Disbursement Agreement which will provide, among other things, that:</p> <ul style="list-style-type: none"> • AIDEA Financing and INVESTOR Investment will be escrowed in a Project Disbursement Fund • The Project Disbursement Agreement will cover contingencies in disbursement if plant cost completion estimates are below or above the figures set forth in item #8 above. If the cost of completion exceeds the

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	<p>figures set forth in item #8 above, those excess costs will be shared among the Parties on a [pro-rata based on distributions in Schedule A] basis.</p> <ul style="list-style-type: none"> Although AIDEA may expend certain funds on the AIDEA Site & Equipment Lease Assets early in order to meet development timelines, after closing, INVESTOR funds will be drawn pro rata with AIDEA funds.
<p>11. Project Completion Guarantee</p>	<p>AIDEA will require a development process that ensures that the INVESTOR Investment will be sufficient to complete the Project, with a maximum AIDEA completion reserve limited to \$10 million. This completion reserve will be used to cover any cost overruns associated with plant completion.</p> <p>In order to secure INVESTOR’s commitment to Project completion, INVESTOR will provide financing commitments totaling up to \$85 million available to NGS, with a minimum equity contribution of \$20 million.</p>
<p>12. Project Operations</p>	<p>The NGSP will be operated by NGS in accordance with an Operating Standards Agreement to be negotiated among GVEA, INVESTOR and AIDEA.</p>
<p>13. Operating Flow of Funds</p>	<p>The flow of funds for NGSP during the operating period of the Project will be as follows:</p> <ol style="list-style-type: none"> NGS operating costs AIDEA Site & Equipment Lease Operating Payments Debt service on NGS Project lender debt Deposits into reserves (as required under the terms of the AIDEA Financings) Base return on INVESTOR equity investment and return of INVESTOR equity AIDEA SETS financing payments and (to the extent applicable) Capital lease payments under AIDEA Site & Equipment Lease <p><i>IF funds are sufficient AND LNG pricing targets are met:</i></p> <ol style="list-style-type: none"> INVESTOR incentive return (terms to be negotiated)
<p>14. INVESTOR, GVEA Covenants</p>	<p>As a condition of the AIDEA SETS Financing and the AIDEA Site and Equipment Lease, INVESTOR, GVEA and any relevant INVESTOR Affiliates will:</p> <ul style="list-style-type: none"> GVEA will assess the feasibility of, and in its sole discretion, and subject to board approval:

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	<ul style="list-style-type: none"> ○ commit to purchase all of its LNG requirements from NGS, at a price based on market rates provided the rate of gas is less than the fixed rate of its take-or-pay agreement. ○ enter into an annual Take-or-Pay commitment of not less than 1.5Bcf and up to 3Bcf , ramping up from a partial year in 2015 based on plant commissioning date, at a fixed price subject to negotiations prior to “closing.” ● INVESTOR agrees that AIDEA must approve any NGS change of control that could affect NGSP terms, conditions, obligations and rights. AIDEA will agree to commercially reasonable change of control approval terms and conditions. ● INVESTOR will give AIDEA an option to buy out any INVESTOR or 3rd-Party debt in NGS, subject to make whole payments, on terms to be negotiated prior to closing. <ul style="list-style-type: none"> ▪ INVESTOR, GVEA and NGS will agree to financial transparency on all entities engaged in the NGSP and to cap returns to INVESTOR (in any form) on those entities. Any INVESTOR-owned or sponsored trucking entity carrying LNG from the North Slope plant – pricing of inter company transportation services will be subject to RCA review. Alternatively this contract can be subject to competitive bid.
<p>15. Supplying Preferred Customers</p>	<p>NGS will offer LNG FOB Deadhorse to preferred customers (“Preferred Customers”) that make appropriate volume and term commitments in the following priority:</p> <ol style="list-style-type: none"> 1. LNG sold under agreements to FNSB LDC(s) for residential and commercial space heating 2. LNG sold under an agreement with GVEA for electric utility purposes provided GVEA makes appropriate volume and term commitments 3. LNG sold under agreements with regulated utilities (LDCs and electric) outside of the FNSB 4. LNG sold under agreement to industrial customers located in Interior Alaska (e.g., refineries, mines) <p>For the avoidance of doubt, the following categories of users will not be considered Preferred Customers:</p> <ol style="list-style-type: none"> 1. Any use by parties that are not regulated utilities and are located outside of Interior Alaska. 2. Any use of LNG as a transportation fuel other than LNG used as fuel in the transport of LNG to Preferred Customers. <p>[NTD: INVESTOR understands the requirement for a set of Preferred Customers; however, there will be a need to ensure an appropriate and</p>

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	<p>commercial level of service is available to non-preferred customers.]</p> <p>All propane produced will be made available to Preferred Customers on the same priority basis as LNG.</p>
16. Expansion	<p>INVESTOR, with prior approval from AIDEA, such approval not to be unreasonably withheld, has the option to expand the NGSP using its own financing under the AIDEA Site and Equipment Assets lease agreement.</p> <p>AIDEA has the option to expand the NGSP using its own financing to ensure adequate capacity to provide LNG sales to Preferred Customers.</p>
17. Tax Incentives	<p>INVESTOR may apply for and receive the benefit of any applicable federal or state tax credits, deductions, depreciation treatment, or payments.</p>
18. Alternative Gas Supply	<p>The initial definition of Alternative Gas Supply will be a supply which:</p> <ul style="list-style-type: none"> • Brings a long-term, substantial supply of natural gas to FNSB, more than sufficient to meet the requirements of utilities that have or are purchasing LNG from the plant. • Otherwise meets the SB23 and other public policy objectives being addressed by the NGS North Slope LNG plant. <p>INVESTOR and AIDEA will make an annual determination whether there is significant probability that an Alternative Gas Supply will become available at a known future date. In the event of an Alternative Gas Supply Determination, INVESTOR would have a one-time option to terminate its future participation in NGS.</p> <p>Based on an Alternative Gas Supply Determination, and on the election of INVESTOR to terminate future participation, the AIDEA financing agreements will provide that:</p> <ul style="list-style-type: none"> • Payments on the AIDEA SETS Financing will be suspended • Distributions from NGS to INVESTOR or any other INVESTOR Affiliate will be suspended • All available NGS net revenues beyond scheduled Project lenders' debt service payments will be used to retire remaining INVESTOR equity principal, INVESTOR return on equity and the INVESTOR incentive return. • All Project assets will be transferred to AIDEA. <p>If INVESTOR elects to continue future participation, INVESTOR's ownership in NGS will continue and all related rights and all existing operations agreements, lease agreements, contracts, loan agreements, loan covenants, and conditions between NGS and AIDEA will remain in effect.</p>

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<p>19. Right of first offer</p>	<p>AIDEA will have a right of first offer to purchase INVESTOR/NGS’s interest in the NGSP site and assets in the event that INVESTOR/NGS seeks to sell or otherwise dispose of the plant site and assets. [NTD: INVESTOR would anticipate the ROFO to be on commercially reasonable terms consistent with terms entered into between two private sector investors.]</p>
<p>20. Default</p>	<p>The NGSP financing agreements will include customary default conditions as well as provision for the treatment and effect of cross-defaults under any other relevant agreements. Without limitation, such defaults will include:</p> <ul style="list-style-type: none"> • Payment default • Covenant default • Abandonment of the Project • Failure of NGS or the Sponsor Parties to apply insurance proceeds as approved by AIDEA (and, if applicable, the Project lenders) following destruction of the NGSP • Cessation of operation of the Project other than a temporary suspension of operations resulting from a force majeure event • Cessation, delay in the expansion of the INVESTOR / FNG local distribution system expansion beyond an agreed expansion completion date, and assuming AIDEA financing has been provided as agreed. <p>Failure to complete or secure Conditions Precedent or Conditions Subsequent shall constitute events of default.</p> <p>In the event of an uncured default, customary remedies will be available to non-defaulting parties.</p>
<p>21. Conditions Precedent to Closing</p>	<p>Customary conditions precedent to closing, including, but not limited to:</p> <ul style="list-style-type: none"> • Negotiated NGSP development agreement • Completion of mutual due diligence • Completed gas supply contract • Site secured • Trucking system plan completed, appropriate entities established • All available permits secured • AIDEA will also commit \$10mm of the SETS “equity” to assist GVEA in the development of an LNG storage and regas facility at GVEA’s plan in North Pole. This capital commitment will not be subject to repayment by GVEA. • Take-or-pay agreements that represent substantially all of initial plant capacity. • Commodity risk managed to the satisfaction of all Parties.

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22. Transfer restrictions/Change of Control	<p>Neither INVESTOR, nor any INVESTOR affiliate, may transfer its interests or obligations under the NGS Operating Agreement or under the INVESTOR-AIDEA agreements without AIDEA's prior approval. NGS shall not sell all or substantially all of its assets without AIDEA's prior approval. [NTD: INVESTOR would anticipate this approval required AIDEA to be commercially reasonable and such approval cannot be unreasonably withheld.]</p>
23. Laws & Jurisdiction	<p>All AIDEA financing agreements and any related agreements will be governed by Alaska law.</p>
24. Agreements List	<p>TBD</p>

EXHIBIT A – SOURCES & USES

NORTHERN GAS SUPPLY SOURCES & USES			
	Low	Mid	High
USES OF FUNDS			
Northern Gas Supply Plant	165,000,000	180,000,000	200,000,000
GVEA Storage & Regas contribution	10,000,000	10,000,000	10,000,000
Working capital	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
TOTAL - USES OF FUNDS	\$ 185,000,000	\$ 200,000,000	\$ 220,000,000
SOURCES OF FUNDS			
INVESTOR Investment (equity & debt)	50,000,000	65,000,000	85,000,000
AIDEA - GVEA Storage & regas investment	10,000,000	10,000,000	10,000,000
AIDEA - SETS Loan Financing	<u>125,000,000</u>	<u>125,000,000</u>	<u>125,000,000</u>
TOTAL - SOURCES OF FUNDS	\$ 185,000,000	\$ 200,000,000	\$ 220,000,000

[NTD: Sources and uses will also need to accommodate transaction costs, the reimbursement of development expenses and the funding of any reserve accounts required by the SETS Loan Financing.]