



January 15, 2026

Tariff Advice Letter No. 580-18

Regulatory Commission of Alaska  
Department of Commerce and  
Economic Development  
State of Alaska  
701 W. Eighth Avenue, Suite 300  
Anchorage, AK 99501

Subject: Approval of Third Amendment to Gas Sale and Purchase Agreement with Hilcorp Alaska, LLC

Commissioners:

The tariff filing described below is being transmitted to you for filing in compliance with the Alaska Public Utilities Regulatory Act, 3 AAC 48.200 - 430, and 3 AAC 52.470(e). The following tariff sheet is affected by this filing:

<u>Tariff Sheet No.</u>	<u>Revision</u>	<u>Cancels Sheet No.</u>	<u>Revision</u>	<u>Schedule</u>
92.1.1	8 <sup>th</sup>	92.1.1	7 <sup>th</sup>	Cost of Power Adjustment

Matanuska Electric Association, Inc. (“MEA”) respectfully submits this filing for Regulatory Commission of Alaska (“Commission”) approval of the Third Amendment to the Gas Sale and Purchase Agreement, between Hilcorp Alaska, LLC (“Hilcorp”) and MEA, dated December 10, 2025 (collectively, the “Third Amendment”). The overarching Gas Sale and Purchase Agreement has previously been approved and designated as “MEA-02” in MEA’s tariff.

Approval of the Third Amendment is critical to ensuring MEA’s ability to provide reliable, affordable service to its approximately 73,000 consumers. This filing does not propose any new rates or changes to existing schedules and will not negatively impact MEA’s revenues. On the contrary, the Third Amendment delivers substantial benefits, most importantly securing MEA’s natural gas supply for an additional Contract Year (“CY”) to MEA-02, through March 31, 2029.

Concurrent with this filing, MEA has also submitted a related tariff filing, designated as TA581-18,<sup>1</sup> which seeks Commission approval for a new cost element in MEA’s Cost of Power Adjustment (“COPA”) mechanism associated with gas storage at Hilcorp Alaska Gas Storage,

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<sup>1</sup> TA581-18 was filed on January 15, 2026.

LLC's ("HAGS") recently certificated storage facilities. Gas storage is an essential component of the Third Amendment and necessary for MEA to secure the contractual volumes addressed therein. Without Commission approval for both filings, MEA will have no contracted firm gas supply after March 31, 2028. In that scenario, MEA would be forced to burn diesel to meet the majority of our retail load, which will be a costly and less environmentally desirable alternative that would dramatically increase member bills and likely result in rate shock for many of MEA's members. By contrast, approval of the Third Amendment and the separate but related COPA cost element, ensures continuity of service, price certainty, cost recovery, and provides crucial additional time to pursue long-term fuel supply and energy diversification solutions.

MEA has dedicated significant resources negotiating with Hilcorp and collaborating with other Railbelt stakeholders to secure additional gas supply, particularly supply that is dependable and meets firm delivery commitments. Those efforts have not yet yielded other tangible alternatives than the Third Amendment. The Third Amendment represents the only feasible short-term path forward to maintaining reliability and affordability for MEA's members in the near term during the developing regional gas uncertainty.

For these reasons, MEA respectfully requests that this filing become effective at the conclusion of the Commission's 45-day statutory notice period, which is March 2, 2026, so that the agreed contractual terms of the Third Amendment can take effect without delay.

## **BACKGROUND**

In TA470-18 the Commission approved MEA-02, which is MEA's current, and only, long-term natural gas supply agreement ("GSA") with Hilcorp.<sup>2</sup> MEA-02 is an all-requirements contract which requires Hilcorp to follow MEA's native load and consequently, supply all the gas needed to meet it. MEA originally filed MEA-02 with the Commission on April 19, 2016, in TA470-18 and the Commission approved it with Letter Order No. L1600245, dated May 31, 2016.

The First Amendment to MEA-02 ("First Amendment") was entered into by the Parties and dated as of December 1, 2018. MEA filed the First Amendment with the Commission on January 29, 2019, in TA504-18. The First Amendment was approved by the Commission with Letter Order No. L1900106, dated March 13, 2019.

The Second Amendment to MEA-02 ("Second Amendment") was entered into by the Parties and dated as of July 1, 2020. MEA filed the Second Agreement with the Commission on July 30, 2020, in TA522-18. The Second Amendment was approved by the Commission by Letter Order No. L2000338, dated September 4, 2020. Under the terms of the Second Amendment, MEA has firm gas supply until the end of Contract Year 10, which is March 31<sup>st</sup>, 2028, after which MEA has no gas supply at all.

As the Commission is aware, conditions in Cook Inlet have changed significantly since the Second Amendment was approved in 2020 and natural gas reserves in the region continue to decline, threatening the reliability and affordability of electricity for Alaska's Railbelt utilities. The Third Amendment represents Hilcorp's first extension of gas supply following its April

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<sup>2</sup> MEA's former GSA with Hilcorp, which was designated as "MEA-01", expired on March 31, 2018. MEA-02 became effective immediately thereafter on April 1, 2018, and remains in place today.

2022 announcement<sup>3</sup> relating to future supply uncertainty, and MEA believes this extension was made possible only through innovative collaboration with Hilcorp over the past several months.

If approved, the Third Amendment:

1. Secures an additional year of *firm* gas supply through March 31, 2029. This is critical given the current Cook Inlet natural gas uncertainty and would buy crucial time for MEA to continue to work on a long-term solution for fuel security.
2. Attains storage flexibility. MEA will be able to store unused gas from prior and future CYs in HAGS's storage facilities, helping manage seasonal demand, mitigate cost shifts and avoid supply shortages.
3. Attains pricing certainty. The fuel price is locked in for the added CY, even though the Cook Inlet "market" has become volatile and uncertain.
4. Receives access to new gas volumes from Hilcorp in CY11, which when coupled with gas in storage, will provide MEA with enough gas to meet its retail load.
5. Reduces MEA's gas supply risk beyond the term of the Third Amendment by providing MEA with about 1 Bcf of gas after CY11, which could be incorporated in future amendments to MEA-02.
6. Receives the benefit of lower Minimum Annual Volumes for CYs 8-10 and for CY11 the Minimum Annual Volume is zero, allowing MEA the opportunity to pursue alternative energy supply along with an opportunity to purchase gas from other producers within the Cook Inlet, if available.
7. Receives the continued unmatched reliability of Hilcorp's gas deliverability. Hilcorp is the Cook Inlet producer with the best proven track record of being able to fulfill its delivery commitments, offering peace of mind that the terms in the Third Amendment will be fulfilled.

In short: The Third Amendment provides MEA with essential short-term security and flexibility- extending guaranteed gas supply through March 31, 2029, with potential for additional volumes beyond that- at a critical time for the region.

### **KEY FEATURES OF THE THIRD AMENDMENT**

Key provisions of the Third Amendment are summarized below. Capitalized terms used but not defined herein have the meanings provided in MEA-02 as revised by the Third Amendment:

#### **Gas Supply and Purchase Commitment**

Commission approval is a condition precedent to the Third Amendment taking effect<sup>4</sup>. The Third Amendment sets a revised, lower, Minimum Annual Volumes for each remaining CY through March 31, 2028 (i.e. CYs 8-10) and provides terms and conditions for gas volumes and pricing extending through March 31, 2029 (i.e. CY11). The Third Amendment provides MEA with the flexibility to source natural gas from any third-party suppliers, along with

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<sup>3</sup> Hilcorp Warns Alaska Utilities About Uncertain Cook Inlet Natural Gas Supplies:

<https://www.adn.com/business-economy/energy/2022/05/17/hilcorp-warns-alaska-utilities-about-uncertain-cook-inlet-natural-gas-supplies/>, dated May 17, 2022.

<sup>4</sup> Third Amendment, at 6.

corresponding adjustments to contract quantities and management of excess volumes. It also creates an opportunity for MEA to aggressively pursue Economy Energy purchases from other utilities such as for example, GVEA during periods when they have excess energy available from coal fired generation, which will help reduce MEA's natural gas consumption. Additionally, the Third Amendment removes the original Turndown Option terms, which would have resulted in the loss of load-following services from Hilcorp under the existing MEA-02 contract. Yet, with the Turndown Option being eliminated, under the Third Amendment, Hilcorp will continue to follow MEA's load as discussed in detail below.

MEA believes the revised Minimum Annual Volumes will comport favorably with MEA's current and projected gas needs. The Minimum and Maximum Annual Volumes agreed upon in the Third Amendment are as follows:<sup>5</sup>

**Table 1:**

<b>Contract Years</b>	<b>Third Amendment Minimum Annual Volume</b>	<b>Third Amendment Maximum Annual Volume</b>
8 - 10 (4/01/2025 - 3/31/2028)	5,000 MMcf <sup>6</sup> (reduced from 5,600 MMcf in the Second Amendment)	6,300 MMcf (NOTE: no change from the Second Amendment)
11 (4/01/28-3/31/29)	0 MMcf	4,500 MMcf

#### Annual Excess Volumes

Under the terms of the Third Amendment, each year, by March 15<sup>th</sup>, MEA must provide Hilcorp with a Forecast of MEA's purchase requirements for the upcoming CY, both in aggregate and by month. This Forecast must fall between the Minimum Annual Volume and Maximum Annual Volume stated in the Third Amendment. The difference between the Maximum Annual Volume and the Forecast is defined as Forecasted Annual Excess Volumes, which MEA will now have the ability to purchase for future fuel requirements.<sup>7</sup> The Forecasted Annual Excess Volumes that are purchased will then either be delivered to HAGS under a Firm Storage Service ("FSS") agreement<sup>8</sup> for storage services ("Gas Storage Delivery") or effectuated through a transfer of gas volumes held in storage by the Hilcorp ("Gas Storage Transfer"). Gas Storage Deliveries may only occur between May 1 and September 30 and cannot exceed 5,000 Mcf/day.<sup>9</sup> Following each CY, the parties will reconcile actual versus forecasted excess volumes through a True-Up process, with adjustments completed by June 30. This ensures that any over- or under-deliveries are balanced via Gas Storage Transfers.

<sup>5</sup> Second Amendment, at 2.

<sup>6</sup> MMcf means Million cubic feet.

<sup>7</sup> Third Amendment, at 2.

<sup>8</sup> MEA entered into an FSS Agreement with HAGS in December 2025. HAGS has requested approval of the FSS Agreement in TA2-787, filed January 15, 2026.

<sup>9</sup> Third Amendment, at 3.

Additionally, Hilcorp will transfer 1,108,000 Mcf of Prior Period Undelivered Annual Excess Volumes to MEA at a fixed price of \$9.00 per Mcf, payable within 10 Business Days of transfer.<sup>10</sup> MEA may also purchase Third Party Gas Volumes, provided that total annual purchases do not fall below the Minimum Annual Volume. Except for the Prior Period Undelivered Annual Excess Volumes, all deliveries or transfers under this section will be priced at the sales price then in effect, and Gas Storage Transfers will incur the HAGS's Fuel Use/LAUF Percentage Charge and FSS Injection Commodity Fee.<sup>11</sup>

**Additional Contract Year Secured**

As stated previously, under the Third Amendment, the termination date has been extended to March 31, 2029, providing an additional CY of gas for MEA's retail load.<sup>12</sup>

One of the key terms of the Third Amendment, during Contract Year 11 (i.e. April 1, 2028, to March 31, 2029), ensures all gas under the Agreement will remain Firm and subject to Article 2, with certain modified terms. The Sales Price will be \$11.75/Mcf, the Maximum Annual Volume will be 4,500 MMcf, and the Minimum Annual Volume will be 0 MMcf. The daily Maximum Delivery Volume is limited to 12,500 Mcf per day and no more than 525 Mcf per Hour. Hilcorp's liability for any Delivery Shortfall Volumes or related damages will be capped at 50% of the amount otherwise payable under Section 2.4.<sup>13</sup> Although Hilcorp's risk of liability is being reduced, MEA believes this is acceptable as the Third Amendment maintains the incentive for Hilcorp to continue to meet contractual obligations while also incentivizing MEA to seek the most cost-effective alternative supply in the event of Delivery Shortfall.

Additionally, MEA and Hilcorp will coordinate with each other to efficiently meet MEA's Buyer's Requirements. If MEA's Buyer's Requirements during Contract Year 11 would result in Overrun Storage Service fees under the FSS Agreement, the Parties will cooperate in good faith and use commercially reasonable efforts to mitigate such fees.<sup>14</sup>

**Sales Price**

The Sales Price under the Third Amendment has been adjusted for CYs 9 and 10; the adjusted pricing, along with the pricing for the new CY11, is outlined below:<sup>15</sup>

**Table 2:**

Contract Year	Pricing Periods	Sales Price (Dollars per Mcf)
9	04/01/2026 through 03/31/2027	\$9.00
10	04/01/2027 through 03/31/2028	\$10.25
11	04/01/2028 through 03/31/2029	\$11.75

<sup>10</sup> Third Amendment, at 3.

<sup>11</sup> Third Amendment, at 4.

<sup>12</sup> Third Amendment, at 4.

<sup>13</sup> Third Amendment, at 5

<sup>14</sup> Third Amendment, at 5.

<sup>15</sup> Third Amendment, at 5.

Throughout MEA's efforts to secure additional firm gas supply post March 31, 2028; MEA has remained cognizant of potential rate-shock to its membership. As indicated in Berkley Research Group's ("BRG") Phase I Report<sup>16</sup>, the potential cost of Imported Liquified Natural Gas ("LNG") may fall between \$12.00/Mcf to \$14.20/Mcf which would be approximately a 50% to 90% increase compared to MEA's current cost of gas<sup>17</sup>. The cost of gas in the Cook Inlet has also increased over the last year. For example, under ENSTAR Natural Gas, LLC's ("ENSTAR") Sixth Amendment to its Furie Operating Alaska, LLC ("Furie") gas supply agreement, the Sales Price will be \$12.30/Mcf starting April 1, 2026<sup>18</sup>. Originally the Sixth Amendment had a Sales Price of \$13.69/Mcf starting April 1, 2026, but Furie's application for Royalty Relief through the Department of Natural Resources ("DNR") was approved bringing the cost of gas down to \$12.30/Mcf per the Commission approved Sixth Amendment. During ENSTAR's presentation to the Commission on August 27, 2025, it was disclosed that cost of Discretionary Gas has ranged from \$12.88/Mcf to \$13.50/Mcf for volumes secured during January 2024 through September 2025.<sup>19</sup> Under the most recently filed U-26-003 docket<sup>20</sup>, ENSTAR has an interruptible agreement with BlueCrest Energy, LLC where the parties have agreed to interruptible volumes of gas between September 1, 2026 through August 31, 2027 at \$12.30/Mcf.

Although rising gas prices are beyond MEA's control and never ideal, the Third Amendment helps mitigate the impact by phasing in price adjustments beginning in Contract Year 9. This structure reduces the risk of sudden, steep rate increases and provides a more manageable transition to the higher costs expected in the market. Importantly, the negotiated prices remain consistently below other recently approved gas supply agreements, reflecting MEA's efforts to protect members from unnecessary cost escalation. In addition, the gas supplied under the Third Amendment will continue to come from multiple fields throughout the Cook Inlet Basin, reducing the risk of undelivered volumes during the contract term.

Under MEA's Certificate of Public Convenience and Necessity, MEA has a legal obligation and duty to serve, and MEA will fulfill that duty. The Third Amendment provides MEA with needed security and flexibility by extending firm, reliable gas supply through March 31, 2029, with potential additional volumes beyond that, during a period of regional gas constraints. Approving the Third Amendment delays any near-term decision on investments in additional diesel infrastructure and reduces the risk of significant regret costs for MEA members.

If the Commission does not approve the Third Amendment, or if an investigation extends into the period when MEA would otherwise need to commit to diesel infrastructure to be able to continue meeting MEA's retail load, MEA will be obligated to take the necessary steps to ensure reliability because there currently are no other firm options. In that case, MEA would use diesel as an alternative firm source of fuel. This switch would cost MEA's members about

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<sup>16</sup> BRG/Cornerstone Energy Services' Alaska Utilities Working Group Phase I Assessment: Cook Inlet Gas Supply Project, dated June 28, 2023, at page 36: <https://www.enstarnaturalgas.com/wp-content/uploads/2023/06/CIGSP-Phase-I-Report-BRG-28June2023.pdf>

<sup>17</sup> RCA Public Meeting, *Presentation: ENSTAR/Berkley Research Group – Cook Inlet Gas Supply, Phase I Assessment (John Sims, Lieza Wilcox)*, June 28, 2023.

<sup>18</sup> L2500019: *TA349-4 ENSTAR Natural Gas Company (ENSTAR) - Contract - Gas Sales Agreement (6th Amendment to GSA with Furie Operating Alaska, LLC)*, dated February 26, 2025.

<sup>19</sup> RCA Public Meeting, *Presentation: ENSTAR Natural Gas Company Update on Operations (John Sims)*, August 27, 2025.

<sup>20</sup> U-26-003: *Petition of ENSTAR Natural Gas Company, LLC, for Advance Determination of Decisional Prudence and Request for Expedited Consideration*, filed January 12, 2026.

**\$45 million** more than gas costs would be under the Third Amendment. It would also require tens of millions of dollars in new infrastructure at the Eklutna Generation Station (“EGS”), including major air permit modifications and additional storage facilities for diesel and ammonia, to accommodate increased diesel consumption. MEA would need to make the investment decision in the first half of 2026 to have this infrastructure operational by April 1, 2028, when the Second Amendment would otherwise expire.

Under the diesel scenario, the overall monthly retail bill for a typical MEA single-phase consumer using about 642 kWh, all else equal, would increase by approximately 48%, or \$71.37, starting April 1, 2028. By comparison, under the Third Amendment, the same member bill would increase by about 5%, or \$7.58, beginning April 1, 2026.

MEA asserts that the Third Amendment is unequivocally the superior choice, as it strategically delays the necessity for substantial diesel infrastructure investment by at least one year. This extension is vital, granting MEA additional time to thoroughly assess and pursue longer-term fuel supply and energy diversification strategies. While the Third Amendment does not entirely eliminate the future possibility of diesel reliance, its approval decisively protects MEA members from immediate, significant financial burdens and unnecessary risk. By choosing the Third Amendment, MEA proactively safeguards both reliability and affordability for its members, ensuring the organization can continue to seek more sustainable and cost-effective energy solutions without being forced into costly, premature commitments.

#### *Turndown Option Deleted*

Another key provision in the Third Amendment is that it removes the Turndown Option<sup>21</sup> while still reducing MEA’s Annual Volume Commitment and preserving Hilcorp’s obligation to follow MEA’s load. The original Turndown Option in MEA-02 gave MEA a one-time, irrevocable right to lower the Minimum Annual Volume it was required to purchase from Hilcorp each calendar year. This was intended to provide flexibility to purchase less expensive gas from another supplier if one became available. However, that opportunity never materialized, and exercising the Turndown Option would have eliminated Hilcorp’s contractual obligation to follow MEA’s load. By deleting the Turndown Option and maintaining load-following obligations, the Third Amendment achieves both flexibility and reliability.

#### **STATUTORY STANDARD**

AS 42.05.141(d) requires specific consideration by the Commission when determining whether to approve a gas supply contract that provides a reliable supply of gas for a reasonable price. That statute requires the Commission to (1) recognize the public benefits of allowing the utility to negotiate different pricing mechanisms with different suppliers and to maintain a diversified portfolio of gas supply contracts (thereby protecting consumers from the risks of inadequate supply or excessive cost that may arise from a single pricing mechanism), and (2) consider whether the utility could meet its responsibility to the public in a timely manner and without undue risk to the public if the Commission fails to approve the proposed gas supply contract.

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<sup>21</sup> Third Amendment, at 5.

When the Commission issued Letter Order L1600245, approving MEA-02 in TA470-18, the Commission found that MEA-02 meets both prongs of AS 42.05.141(d).<sup>22</sup> The Third Amendment proposed herein does not alter any terms or conditions of MEA-02 that would impact or otherwise jeopardize the Commission's previous determination that the MEA-02 GSA meets these standards, and MEA respectfully incorporates by reference its original discussion in TA470-18, requesting approval of MEA-02.

## FILING REQUIREMENTS

3 AAC 52.470(e), specifies the information that must be filed when a utility enters into a fuel supply agreement with a non-regulated vendor. That information includes (1) a copy of the proposed contract; (2) the load forecasting data that justifies the need for the contract; and (3) documentation that the contract is the most feasible means available for meeting the forecasted load. MEA addresses these requirements as follows:

(1) A Copy of the Proposed Contract

A copy of the executed Third Amendment is enclosed with this filing as Attachment 1.

(2) Load Forecast Data

Gas load forecast data was provided to the Commission as support for MEA-02 in TA470-18 and in subsequent amendments since then. To ensure continued compliance with 3 AAC 52.470(e)(2), below in Table 3 is an updated gas load forecast showing MEA's projected gas supply needs going through CY 11 (March 31, 2029). However, given that an integral part of the Third Amendment involves MEA taking untaken Annual Excess Volumes from prior CYs that MEA did not use and placing them into HAGS's storage facility for future use in CY 11, MEA is also providing historical volumes back to CY 03. Note, the volumes provided below are based on MEA's overall projected load met through its EGS thermal generation resources (volumes depicted below with a negative sign depict volumes being injected into storage):

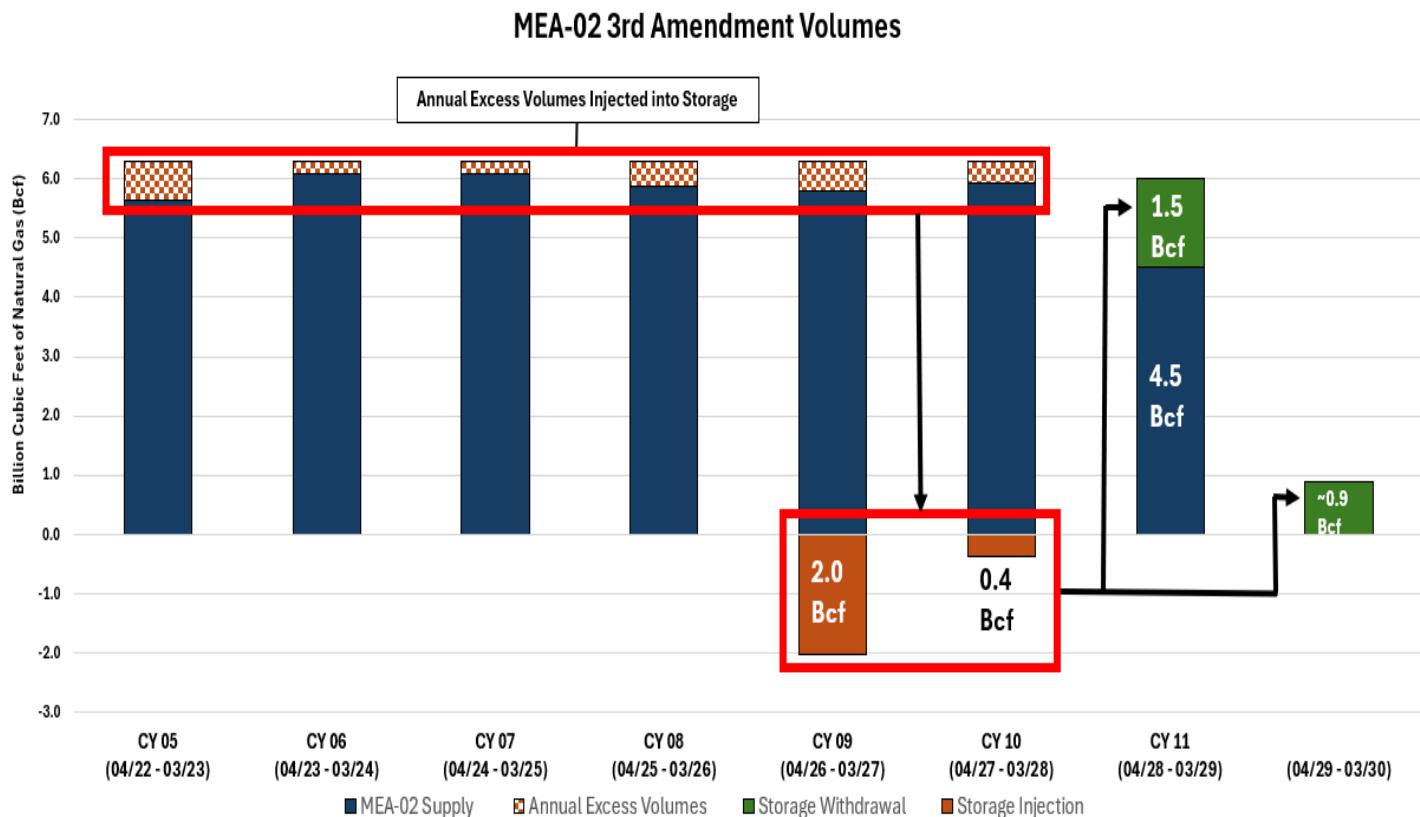
**Table 3:**

MEA-02 GSA: Amendment 3	MEA Gas Requirements	Maximum Annual Volume	Minimum Annual Volume	MEA- 02 Supply	Annual Excess Volumes	Storage Withdrawal	Storage Injection
CY 03 (04/20 - 03/21)	6.0	6.3	5.6	6.0			
CY 04 (04/21 - 03/22)	5.9	6.3	5.6	5.9			
CY 05 (04/22 - 03/23)	5.6	6.3	5.6	5.6	0.7		
CY 06 (04/23 - 03/24)	6.1	6.3	5.6	6.1	0.2		
CY 07 (04/24 - 03/25)	6.1	6.3	5.6	6.1	0.2		
CY 08 (04/25 - 03/26)	5.9	6.3	5.0	5.9	0.4		
CY 09 (04/26 - 03/27)	5.8	6.3	5.0	5.8	0.5		-2.0
CY 10 (04/27 - 03/28)	5.9	6.3	5.0	5.9	0.4		-0.4
CY 11 (04/28 - 03/29)	6.0	4.5	0.0	4.5		1.5	

<sup>22</sup> Letter Order L1600245, at 2.

MEA plans to use 2.4 Bcf of Annual Excess Volumes from previous calendar years, storing them in Hilcorp's storage facility for withdrawal in CY11. Additionally, Hilcorp will provide another 4.5 Bcf of firm gas under this amendment. This combined supply is expected to fully meet MEA's gas needs through March 2029, with approximately 0.9 Bcf remaining for additional use beyond that period. The approximately 0.9 Bcf reduces risk associated with load forecast error during the amendment period and also provides an opportunity to blend-in costs associated with the next tranche of gas supply post March 2029. To illustrate how critical gas storage will be to fulfilling MEA's fuel supply needs in CY11, please see the chart in Figure 1 below:

**Figure 1:**



### (3) Most Feasible Means

Hilcorp has consistently demonstrated reliability as a gas supplier through its proven production record and substantial reserves in Cook Inlet. While other producers exist, none match Hilcorp's scale of producing wells, investment in infrastructure, or track record of sustained deliverability. Hilcorp's legacy assets and proven volumes on the west side of Cook Inlet make it the most capable supplier of meeting MEA's forecasted demand with certainty. For these reasons, MEA continues to view the MEA-02 Gas Supply Agreement, as revised by the Third Amendment, as the most feasible means of satisfying its retail load.

MEA previously established this feasibility in TA470-18 and reaffirmed it in TA504-18 and TA522-18 with the First and Second Amendments. The Third Amendment not only preserves

this foundation but enhances reliability and flexibility during a critical period of Cook Inlet gas uncertainty. Most importantly, it obtains an extra year of firm gas supply through March 31, 2029 (and up to 0.9 Bcf afterward), which is essential to delay costly diesel generation and provides MEA crucial time to pursue a long-term solution.

The Third Amendment also attains storage flexibility, enabling MEA to store unused gas from prior CYs in HAGS facilities. This capability helps manage seasonal demand swings and ensures gas availability during peak periods. Coupled with access to new gas volumes in Contract Year 11, these provisions guarantee MEA can meet its retail load without interruption.

MEA further secures pricing certainty for the added Contract Year, locking in fuel costs despite volatility in the Cook Inlet market. In addition, the agreement lowers Minimum Annual Volume requirements for Contract Years 8–10 and sets the minimum at zero for CY11, ensuring MEA is not obligated to purchase gas it does not need and providing opportunity for MEA to secure gas supply from other suppliers.

Finally, the agreement preserves Hilcorp's unmatched reliability, the Cook Inlet producer with the best proven track record of fulfilling delivery commitments, offering peace of mind that the terms of the Third Amendment will be met. This reliability, combined with strategic benefits such as storage flexibility, pricing certainty, and extended supply, safeguards MEA's ability to deliver affordable, dependable service to its members.

Beyond reliability, the Third Amendment delivers additional strategic advantages:

- Diversification opportunities: MEA can source economy energy from other utilities, such as GVEA, if available, and purchase third-party gas without jeopardizing minimum volume requirements. The additional CY also provides time for MEA to continue to pursue energy diversification projects.
- Assignment Term: This provision creates a win-win for regional reliability and cost savings. Under the Assignment Term, MEA can temporarily assign some of its natural gas to ENSTAR during periods of extreme demand, known as a Peak Reduction Notice. This helps ENSTAR keep gas flowing to homes and businesses when the system is under stress. MEA can do this because of EGS's dual-fuel capability of being able to run on natural gas or diesel if needed. Because of this capability MEA will be eligible for ENSTAR's proposed Peak Reduction Credit which is estimated to provide MEA members estimated \$292,000<sup>23</sup> in savings per year through reduced gas transportation costs. The Assignment Term was carefully negotiated to maintain MEA's flexibility while meeting ENSTAR's program requirements, creating a practical solution that strengthens regional reliability and delivers measurable economic benefits to MEA's membership.

MEA negotiated these provisions as part of its ongoing strategy to enhance system reliability and minimize rate impacts to the extent possible. LNG import projects remain uncertain and are expected to cost more than the negotiated Third Amendment prices, assuming they could

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<sup>23</sup> For more information about the Peak Reduction Credit, see the *Prefiled Responsive Testimony of Kimberly A. Henkel* in Docket U-25-013/U-25-019, filed November 17, 2025, at pages 6-7.

even be available by April 1, 2028, which is highly unlikely. The Third Amendment provides guaranteed reliability for an additional year without a long-term commitment that would otherwise limit future energy choices. For these reasons, MEA strongly believes that approval of the Third Amendment is in the public interest, satisfies AS 42.05.141(d) by ensuring a reliable supply at a reasonable cost, and represents the most feasible means of meeting MEA's forecasted demand.

### **COST RECOVERY THROUGH THE COPA MECHANISM**

With the approval of MEA-02 in TA470-18, the Commission has already approved a cost element through which all fuel and related costs associated with MEA-02 may flow.<sup>24</sup> As such, no additional approval in this filing is needed to include gas costs as a result of the Third Amendment to MEA-02 in the COPA, and as explained previously, the request for a new COPA cost element for gas storage costs related to the Third Amendment is pending separately in the concurrent tariff filing designated as TA581-18.

### **EXPLANATION OF PROPOSED TARIFF CHANGES**

MEA proposes to revise Tariff Sheet No. 92.1.1 to incorporate the Third Amendment into MEA's tariff, including extending the contractual effective date by an additional year until March 31, 2029. Appropriate margin notations have been added where language revisions are proposed.

### **CONCLUSION**

Future Cook Inlet gas supply is uncertain, and MEA has an obligation to keep the lights on. After March 31, 2028, without the Third Amendment, there are no confirmed firm gas sources. Without approval of the Third Amendment and related storage provisions, MEA's only option is diesel, an inefficient, high-cost alternative that would:

- Increase member bills by an estimated 48% (about \$71/month for a typical bill).
- Add \$45 million in fuel costs compared to the Third Amendment.
- Require tens of millions in new diesel infrastructure at EGS.

What the Third Amendment does is:

- Secures reliability: Adds one extra year of *firm* gas supply through March 31, 2029, plus up to 0.9 Bcf beyond that for additional future needs.
- Provides storage flexibility: Allows MEA to store unused gas from prior years in Hilcorp's certificated storage facility (HAGS) for withdrawal to meet future requirements.
- Locks in pricing: Sets prices at \$9.00/Mcf in CY9, \$10.25/Mcf in CY10, and \$11.75/Mcf in CY11, all below current market rates and LNG alternatives (\$12–\$14/Mcf).
- Reduces risk: Minimum Annual Volume drops to zero in CY11, giving MEA freedom to pursue other supply or energy diversification options.
- Preserves reliability: Hilcorp continues load-following obligations even after removing the Turndown Option, ensuring MEA's gas needs are met.
- Adds economic benefit: Assignment Term earns MEA \$292,000 annually in ENSTAR Peak Reduction Credits simply because Eklutna can switch to diesel.

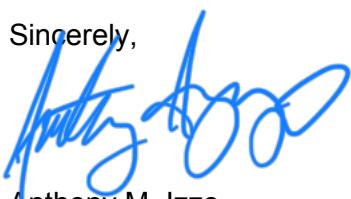
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<sup>24</sup> See Letter Order L1600245, at 3 regarding TA470-18.

- Provides MEA with valuable time to evaluate long-term fuel security options, minimizing regret costs for MEA members.

Approving the Third Amendment is the only feasible way to maintain reliable, affordable power for MEA members, avoid rate shock, and buy critical time to secure long-term energy solutions. For all the above reasons, MEA respectfully requests that the Commission approve the Third Amendment to MEA-02 to avoid additional investment requirements in diesel infrastructure. MEA requests such approval at the end of the 45-day statutory notice period for this filing, which is March 2, 2026. Please direct any questions concerning this filing to Tyler Clark, Sr. Manager, Financial Planning & Regulatory Affairs (ph. (907) 761-9257 /email [tyler.clark@mea.coop](mailto:tyler.clark@mea.coop)). Any physical correspondence may be sent to P.O. Box 2929 Palmer, AK 99645.

Sincerely,



Anthony M. Izzo  
Chief Executive Officer

Enclosures: The Third Amendment to Gas Sale and Purchase Agreement, MEA-02  
Proposed Tariff Sheet No. 92.1.1

RCA No. 18

8<sup>th</sup> Revised

Sheet No. 92.1.1

Canceling

7<sup>th</sup> Revised

Sheet No. 92.1.1

## **MATANUSKA ELECTRIC ASSOCIATION, INC.**

### **COST OF POWER ADJUSTMENT (Continued)**

#### **LONG-TERM FUEL SUPPLY AGREEMENTS and CONTRACTS**

Greater than one year and filed with the Regulatory Commission of Alaska in compliance with 3AAC 52.470(e):

1. MEA-02 – Gas Sale and Purchase Agreement between Hilcorp Alaska, LLC and Matanuska Electric Association, Inc., as amended (see the First Amendment to MEA-02 in TA504-18; the Second Amendment to MEA-02 in TA522-18; and the Third Amendment to MEA-02 in TA580-18) for fuel delivered April 1, 2018 – March 31, 2029. C  
C
2. MEA-04D – Contract between Matanuska Electric Association, Inc. and Crowley Fuels, LLC for the Furnishing of Ultra Low Sulfur Diesel Fuel (for fuel delivered January 1, 2025– December 31, 2026, with two, one- year extensions possible).

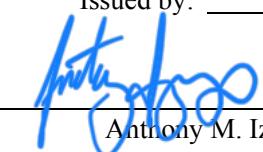
From time to time MEA is able to procure short-term sources of natural gas from a variety of fuel providers, which are not required to be filed with the Regulatory Commission of Alaska in compliance with 3 AAC 52.470(e), if the arrangements are less than one year in duration.

Tariff Advice No. TA580-18

Effective: March 2, 2026

Issued by: MATANUSKA ELECTRIC ASSOCIATION, INC.

By: \_\_\_\_\_



Anthony M. Izzo

Title: Chief Executive Officer

**THIRD AMENDMENT**  
**TO**  
**GAS SALE AND PURCHASE AGREEMENT**  
**BETWEEN**  
**HILCORP ALASKA, LLC**  
**AND**  
**MATANUSKA ELECTRIC ASSOCIATION, INC.**  
**MEA-02**

**Effective Date: December 10, 2025**

**Termination Date: March 31, 2029**

## **THIRD AMENDMENT TO THE GAS SALE AND PURCHASE AGREEMENT**

This THIRD AMENDMENT TO GAS SALE AND PURCHASE AGREEMENT (“Third Amendment”) is made by Hilcorp Alaska, LLC (“Seller”), a Delaware limited liability company, with offices located at 3800 Centerpoint Drive, Suite 1400, Anchorage, Alaska 99503, and Matanuska Electric Association, Inc. (“Buyer”), an Alaska nonprofit electric cooperative, with offices located at 163 E. Industrial Way, Palmer, Alaska 99645, collectively referred to as “Parties” and individually as “Party,” dated as of December 10, 2025 (the “Effective Date”).

### **RECITALS**

- A. Seller owns, controls, or has the right to dispose of Natural Gas produced from lands located in the Cook Inlet Area of Alaska.
- B. Buyer is a public utility that holds Certificate No. 18 from the Regulatory Commission of Alaska (“RCA”). Buyer provides electrical service in the Matanuska-Susitna Borough and the northern portion of the Municipality of Anchorage. Buyer desires to purchase Gas to generate electricity to distribute to customers in its area of service and along the Railbelt energy corridor.
- C. The Parties have entered into that certain Gas Sale and Purchase Agreement (“Agreement”) dated as of January 1, 2016 and numbered for the Parties’ convenience as MEA-02. Buyer filed the Agreement with the RCA on April 19, 2016, in Docket TA470-18. The Agreement was approved by the RCA by Letter Order No. L1600245, dated May 31, 2016.
- D. The First Amendment to the Gas Sale and Purchase Agreement (“First Amendment”) was entered into by the Parties and dated as of December 1, 2018. Buyer filed the Agreement with the RCA on January 29, 2019, in Docket TA504-18. The Agreement was approved by the RCA by Letter Order No. L1900106, dated March 13, 2019.
- E. The Second Amendment to the Gas Sale and Purchase Agreement (“Second Amendment”) was entered into by the Parties and dated as of July 1, 2020. Buyer filed the Agreement with the RCA on July 30, 2020, in Docket TA522-18. The Agreement was approved by the RCA by Letter Order No. L2000338, dated September 4, 2020.
- F. Buyer and Seller wish to modify the Agreement to allow for Buyer to divert certain volumes of Gas sold under the Agreement into storage.
- F. Seller and Buyer adopt the terms and conditions set forth herein to govern this transaction.

## AGREEMENT

1. The following sections are hereby amended as follows:

### **(a) GAS SALES.**

#### **2.3 Gas Sale and Purchase Commitment.**

*Section 2.3(A)(1) is amended to reduce the Minimum Annual Volume for Contract Years 8 through 10 as follows:*

(A) Buyer's Requirements: Seller shall deliver to Buyer and Buyer shall take from Seller all Gas necessary to supply the Gas needs of Buyer for Buyer's use for electrical power generation to meet the electrical needs of the members and ratepayers of Buyer ("Buyer's Requirements"). Buyer's Requirements are subject to the following rules:

(1) Minimum and Maximum Annual Volumes. Each Contract Year Seller shall sell and deliver, and Buyer shall buy and receive, an Annual Contract Quantity of Gas equal to or between the Minimum Annual Volume and the Maximum Annual Volume set forth below.

Contract Years	Period	Minimum Annual Volume	Maximum Annual Volume
8 -10	04/01/2025 - 03/31/2028	5,000 MMcf	6,300 MMcf

### **(b) ANNUAL EXCESS VOLUMES**

*Section 2.3 is amended by including a new Section 2.3(D) as follows:*

(D) Annual Excess Volumes:

(1) By March 15, prior to the beginning of each Contract Year, the Buyer will submit to Seller a Forecast of Buyer's Requirements, on an aggregate basis and on a monthly basis, for the upcoming Contract Year. Such Forecast shall not be less than the Minimum Annual Volume or greater than the Maximum Annual Volume. The difference between the Maximum Annual Volume and the Forecast shall be referred to as "Forecasted Annual Excess Volumes".

(2) Notwithstanding anything in this Agreement to the contrary, Seller agrees to deliver to Buyer, and Buyer agrees to purchase, an amount of Gas equal to the Forecasted Annual Excess Volumes in accordance with the terms of this Agreement. With respect to any Forecasted Annual Excess Volumes purchased by Buyer, Buyer further agrees that it will either (i) deliver such Gas to Hilcorp Alaska Gas Storage, LLC (“Gas Storage Provider”) for underground storage pursuant to a firm service agreement for storage services between Buyer and Gas Storage Provider (a “Gas Storage Delivery”), or (ii) effectuate the purchase and sale and storage of such Gas through a transfer of gas volumes being held in storage by Gas Storage Provider on behalf of Seller and Buyer respectively (a “Gas Storage Transfer”) in accordance with Section 2.3(D)(3) below. Buyer and Seller agree to cooperate in good faith to develop a process for determining when the Gas Storage Delivery option or the Gas Storage Transfer option are utilized; provided, however, a Gas Storage Delivery shall only occur between May 1 and September 30 of a Contract Year and in no event shall the volume of Gas for such Gas Storage Delivery exceed 5,000 Mcf/day.

(3) On or before April 15 following each Contract Year, the Parties shall agree upon the “True-Up Volumes” for the prior Contract Year. As used herein, the True-Up Volumes shall mean an amount equal to the difference between (A) the Actual Annual Excess Volumes (defined below) for such Contract Year, and the Forecasted Annual Excess Volumes, adjusted for any over or under deliveries or transfers into storage. The True-Up Volumes shall be settled via Gas Storage Transfer to occur on or before June 30 following each Contract Year, either from Seller to Buyer or from Buyer to Seller as appropriate. As used herein, the “Actual Annual Excess Volumes” shall mean, with respect to each Contract Year, the difference between (1) the Maximum Annual Volume for such Contract Year and (2) the actual volumes of Gas delivered to Buyer in such Contract Year under this Agreement.

(4) On or before the date that is twelve (12) months after the date Buyer enters into a firm service agreement for storage services with Hilcorp Alaska Gas Storage, LLC (“Gas Storage Provider”), Seller, in coordination with Gas Storage Provider, shall transfer to Buyer an amount equal to 1,108,000 Mcf of gas volumes being held in storage by Gas Storage Provider on behalf of Seller (the “Prior Period Undelivered Annual Excess Volumes”). The price for the Prior Period Undelivered Annual Excess Volumes and Contract Year 8’s Annual Excess Volumes shall be \$9.00 per mcf which shall

be paid to Seller within ten (10) Business Days of Seller's transfer of the Prior Period Undelivered Annual Excess Volumes.

- (5) Buyer may purchase Gas from other third-party sources in order to satisfy Buyer's Requirements (such Gas, "Third Party Gas Volumes"). The Buyer will inform the Seller within ten (10) days of acquiring any Third Party Gas Volumes to coordinate any necessary updates to the plan for delivering Buyer's Requirements. In no event shall Buyer's purchase of Third Party Gas cause Buyer to purchase an Annual Contract Quantity below the Minimum Annual Volume.
- (6) Except with respect to the Prior Period Undelivered Annual Excess Volumes, pricing for gas delivered or transferred under Section 2.3(D) shall be performed at the Sales Price then in effect at the time the delivery or transfer occurs. Gas Storage Transfers will be subject to Gas Storage Providers Fuel Use/LAUF Percentage Charge and the FSS Injection Commodity Fee.

**(c) ADDITIONAL CONTRACT YEAR**

*Section 1.1 is amended to revise the following definition:*

"Termination Date" means March 31, 2029.

*Article 2 is amended by including a new Section 2.13 as follows:*

**2.13 Additional Contract Year (Contract Year 11).**

- (A) Subject to Section 2.13(B), Seller and Buyer acknowledge and agree that during Contract Year 11 (April 1, 2028 to March 31, 2029), all Gas subject to this Agreement shall be Firm and subject to the terms and conditions of Article 2, except for the following terms:
  - (1) The Sales Price shall be \$11.75/Mcf.
  - (2) The Maximum Annual Volume shall be 4,500 MMcf.
  - (3) The Minimum Annual Volume shall be 0 MMcf.
  - (4) The daily "Maximum Delivery Volume" shall be 12,500 Mcf per Day and no more than 525 Mcf per Hour.

(5) Seller's liability for any Delivery Shortfall Volumes or other damages arising from any failure by Seller to deliver Gas when required in accordance with this Agreement shall be limited to fifty percent (50%) of the amount that would otherwise be payable by Seller pursuant to Section 2.4.

(B) During Contract Year 11, Buyer and Seller will coordinate the use of both Parties Gas Storage assets and/or services to efficiently meet the Buyer's Requirements and agree that during Contract Year 11 if the demands of Buyer's Requirements would cause Buyer to incur "Overrun Storage Service" fees under the Buyer FSS Agreement, the Parties shall cooperate in good faith and exercise commercially reasonable efforts to mitigate such fees to the extent practicable.

**(d) SALES PRICE**

*Section 7.1 is amended to adjust prices for Contract Years 9 through 11 as follows:*

Contract Year	Pricing Periods	Sales Price (Dollars per Mcf)
9	04/01/2026 through 03/31/2027	\$9.00
10	04/01/2027 through 03/31/2028	\$10.25
11	04/01/2028 through 03/31/2029	\$11.75

**(e) UNTAKEN ACQ**

*Section 2.3(A)(4) is hereby deleted in its entirety and replaced with "[RESERVED]".*

**(f) TURNDOWN OPTION**

*Section 2.3(B) is hereby deleted in its entirety and replaced with "[RESERVED]".*

**(g) CUMULATIVE ADJUSTMENTS**

*Section 2.3(C) is hereby deleted in its entirety and replaced with "[RESERVED]".*

**(h) DELIVERY POINTS**

*The following location is hereby added to Exhibit B (Delivery Points):*

Kenai Gas Field Meters 502 / 400 A/B

1. Buyer will be eligible for ENSTAR's Tariff Section 2170 Very Large Firm Transportation

(VLFT) / South Central Power Pool Firm Transportation (SCPPFT) Peak Reduction Credit, if approved by the RCA. To meet the requirements of Section 2170a(3), Buyer and Seller agree to allow assignment of gas supply under this agreement to ENSTAR Natural Gas Company to allow diversion of gas supply in the event of a Peak Reduction Request.

2. **Agreement Remains in Force:** Except as otherwise provided in this Third Amendment, (i) the terms and conditions of the Agreement remain in full force and effect, and (ii) the definitions set forth in the Agreement apply to this Third Amendment.
3. **Regulatory Approval:** It is a condition precedent to the effectiveness of this Third Amendment that it has received RCA Approval (as defined below). Buyer will use commercially reasonable efforts to obtain regulatory approval of this Third Amendment. Seller shall have no responsibility to take any action or incur any cost to obtain regulatory approval of this Third Amendment. If the RCA issues an order that approves (conditionally or otherwise) this Third Amendment and imposes terms and conditions or modifications unacceptable to Buyer or Seller, each as determined in its sole and absolute discretion, Buyer or Seller may terminate this Third Amendment upon written notice to the other Party, such termination to take effect on the date outlined in any such written notice of termination. If RCA Approval has not been obtained by March 31, 2026, either Party may terminate this Third Amendment upon notice to the other Party, such termination to take effect on the date outlined in any such written notice of termination.

“RCA Approval” will be deemed to have occurred on the date that an RCA order approving the Third Amendment without conditions or modifications unacceptable to the Parties becomes final and is not subject to further reconsideration or appeal or on such other date as may be mutually agreed by the Parties in writing.

4. **Counterparts:** This Third Amendment may be executed by the Parties in any number of counterparts and on separate counterparts, including electronic transmittals, each of which when so executed will be deemed an original, but all such counterparts, when taken together, will constitute but one and the same Third Amendment. In the event one Party executes the Third Amendment, and the other Party does not execute the Third Amendment within ten (10) Days of the first Party’s execution, the execution of the Third Amendment by the first Party will be deemed null and void.

IN WITNESS WHEREOF, the Parties have executed this Third Amendment effective as of the date set forth in the preamble.

**HILCORP ALASKA, LLC**

**Signature:**



**Name:** Luke Saenger

**Title:** SVP - AK

**Date:** 12-11-2025

**MATANUSKA ELECTRIC  
ASSOCIATION, INC.**

**Signature:**



**Name:** Anthony M. Izzo

**Title:** Chief Executive Officer

**Date:** 12/10/2025



January 15, 2026

Tariff Advice Letter No. 581-18

Regulatory Commission of Alaska  
Department of Commerce and  
Economic Development  
State of Alaska  
701 W. Eighth Avenue, Suite 300  
Anchorage, AK 99501

Subject: Approval of COPA Cost Recovery and Related COPA Cost Element for Firm Gas Storage Services

Commissioners:

The tariff filing described below is being transmitted to you for filing in compliance with 3 AAC 48.230-3 AAC 48.340 and 3 AAC 52.504(c) of the Alaska Administrative Code.

Tariff sheets affected by this filing are as follows:

Tariff Sheet No.	Revision	Cancels Sheet No.	Revision No.	Schedule
92	7 <sup>th</sup> Revised	92	6 <sup>th</sup> Revised	Cost of Power Adjustment
92.1	2 <sup>nd</sup> Revised	92.1	1 <sup>st</sup> Revised	Cost of Power Adjustment
92.2	168 <sup>th</sup> Revised	92.2	167 <sup>th</sup> Revised	Cost of Power Adjustment

## Introduction

Matanuska Electric Association, Inc. ("MEA") respectfully submits this filing requesting Commission approval to add a new cost element to its Cost of Power Adjustment ("COPA") mechanism for recovery of costs associated with firm natural gas storage services. This filing is submitted concurrently with TA580-18, regarding MEA's related tariff request for approval of the Third Amendment to its Gas Sale and Purchase Agreement with Hilcorp Alaska, LLC ("Hilcorp") (cumulatively referred to as "Third Amendment"). Approval of both filings is critical to MEA securing additional gas supply and storage flexibility during an unprecedented Cook Inlet gas supply crisis.

## Background

As the Commission is aware, Cook Inlet's natural gas reserves are declining at a pace that threatens the reliability and affordability of electric service for Alaska's Railbelt utilities. MEA has been negotiating and collaborating with other utilities and fuel

providers over the past several years and only recently secured an extension of its current gas supply agreement with Hilcorp by way of the Third Amendment. In the absence of the Third Amendment and without immediate action, MEA faces the real prospect of no gas supply beginning on April 1, 2028, which would force reliance on costly diesel generation, an outcome that would cause dramatic rate increases to MEA's members.<sup>1</sup>

MEA has negotiated the Third Amendment to secure an additional year of firm gas supply through March 31, 2029. However, that additional year of gas supply is made possible in part by purchasing untaken volumes from prior and future Contract Years and placing those volumes into storage for future use in Hilcorp Alaska Gas Storage, LLC's ("HAGS")<sup>2</sup> recently certificated gas storage facility. MEA recently entered into a Firm Storage Service ("FSS") Agreement with HAGS for the provision of firm natural gas storage. To effectuate the FSS Agreement, HAGS has submitted it for Commission approval in TA2-787, filed on January 15, 2026. A copy of the FSS Agreement is included for reference as Attachment 1 to this filing. This storage capability made possible by the FSS Agreement, coupled with approval of the Third Amendment, is essential to ensuring MEA has gas available in 2029 to meet its members' electric generation demand. The Third Amendment and the executed FSS Agreement with HAGS, together represent the only viable strategy to maintain reliability and avoid rate shock while MEA continues to pursue long-term gas supply and energy diversification solutions.

### **Summary of Executed FSS Agreement**

MEA executed the FSS Agreement with HAGS on December 10, 2025. MEA is not requesting approval of the FSS Agreement in this filing as MEA's understanding is that HAGS, as the storage provider, bears that responsibility. Rather, MEA is providing the FSS Agreement in this filing as support for MEA's request for a COPA cost element to be able to flow through the gas storage costs associated with the Third Amendment. Needless to say, MEA expressly supports approval of the FSS Agreement and requests the Commission approve it in HAGS's TA2-787 tariff filing as soon as practicable. Key provisions of the FSS Agreement include:

- *Term:* Initial five-year term beginning April 1, 2026, with options for five successive one-year extensions at prevailing rates. Early termination is allowed under a Buyout Option, subject to payment of 50% of the remaining capacity and reservation charges.
- *Storage Rights:*
  - Maximum Storage Quantity: 3 Bcf
  - Contract Injection Quantity: 8.45 MMscfd
  - Contract Withdrawal Quantity: 10.26 MMscfd
- *Rates and Charges per HAGS's Tariff:*
  - Reservation Rate (Injection & Withdrawal): \$6.955/Mcf
  - Capacity Rate: \$0.012/Mcf
  - Commodity Rate (Injection/Withdrawal): \$0.936/Mcf

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<sup>1</sup> See TA580-18 for more detail on the decision timeline and cost estimates of what diesel reliance would entail.

<sup>2</sup> HAGS is an affiliate of Hilcorp.

- Overrun and Excess Storage Service Charges apply for volumes exceeding contracted limits.
- *Operational Flexibility:* Daily injection and withdrawal rights subject to ratchets and operational feasibility, ensuring MEA can manage seasonal demand and respond to emergencies.
- *Regulatory Approval:* The agreement is contingent on RCA approval of both the FSS Agreement and MEA's ability to recover associated costs through rates. As stated above, MEA expressly supports approval of the FSS Agreement.

The FSS Agreement provides MEA with guaranteed storage capacity and withdrawal rights, enabling MEA to store unused gas from prior and future Contract Years and withdraw it as needed during peak demand or supply disruptions in the future. These provisions are critical to maintaining reliability and affordability during the ongoing looming Cook Inlet gas shortage.

### **Accounting Treatment of Stored Gas**

Upon approval of this filing, MEA will establish *Account 151.1 – Stored Natural Gas* as a dedicated inventory account to capture all costs directly associated with gas placed into storage at HAGS's facility. This account will include:

- Gas acquisition costs for volumes purchased for storage
- Variable charges under the FSS Agreement consistent with HAGS's tariff, including:
  - Injection commodity charges, paid as gas is moved into storage
  - Fuel use charges
- Transportation costs to deliver gas to the storage facility

At the end of each month, MEA will calculate an average cost of gas in storage by dividing the total balance in Account 151.1 by the total stored volume. When gas is withdrawn for generation, Account 151.1 will be credited for the withdrawn volume at the calculated average cost based on the prior month end balance and volumes of gas. The same amount will be debited to Account 173.2 – Fuel Balancing. This ensures that the cost of stored gas flows into MEA's fuel expense accounts at the actual average cost when used.

In addition to variable charges under the FSS Agreement with HAGS, MEA will also incur fixed monthly charges consistent with HAGS's tariff under the FSS Agreement:

- Reservation Charges – charges to reserve storage space in HAGS's facilities; levied per Mcf/day of reserved injection and withdrawal rights
- Capacity Charges – charges related to how much gas MEA can store; levied per Mcf of storage volume reserved

These fixed charges represent the cost of securing guaranteed storage capacity and deliverability, which are essential to ensuring reliability during periods of supply uncertainty. MEA will record these fixed charges directly in Account 173.2 as incurred, along with withdrawal commodity charges and withdrawal-related transportation costs to generating facilities. Overrun or Excess Storage Service charges would be charged directly to Account 173.2 if they are incurred.

All amounts recorded in Account 173.2, including fixed reservation and capacity charges, variable injection/withdrawal charges, and transportation costs, will be recovered through the proposed gas storage cost element in this filing. This approach aligns with Commission precedent for other utilities that store natural gas and ensures transparency and timely recovery of costs.<sup>3</sup> By using the balancing account structure, recovery remains revenue-neutral, passing through on a dollar-for-dollar basis without any additional margin added.

### **Eligibility For a Cost Element Pursuant to 3 AAC 52.502(a)**

MEA respectfully requests Commission approval to include all costs associated with gas storage from the FSS Agreement as a new cost element for recovery in MEA's quarterly COPA updates. Recovery of storage costs through the COPA mechanism provides an equitable means of cost recovery because the rate adjustment process incorporates a balancing account that allows for the precise recovery of costs incurred- no more and no less.

Pursuant to 3 AAC 52.502(a), cost elements included in a COPA adjustment clause must be:

1. Subject to change at a rate that would cause financial harm if recovered exclusively in base rates
2. Beyond the control of the utility
3. Easily verifiable

MEA addresses each in turn as follows:

#### ***1. Subject to Change:***

Once MEA begins taking service from HAGS as a gas storage customer, MEA's storage costs will include both fixed and variable monthly components. While the gas storage transaction fees contained in the executed FSS Agreement are identified, the actual total cost of storing and delivering gas, including gas acquisition, transportation, and variable charges for injection and withdrawal, will vary significantly from month to month due to load levels, weather conditions, hydroelectric variability, and generation maintenance activity. These fluctuations make precise forecasting impossible, and mirror other fuel-related costs historically approved for COPA recovery. If these costs were recovered exclusively through base rates, the timing differences and unpredictability would create significant financial risk and margin erosion, even under the Simplified Rate Filing process.

Although the fixed reservation and capacity charges, when considered in isolation, may at the outset, not appear to meet the variability criterion, the Commission has previously authorized recovery of similar fixed fuel supply costs through adjustment clauses, recognizing that they are integral to ensuring reliable fuel availability.<sup>4</sup> These charges are properly categorized as fuel supply costs and treated consistently with Commission precedent, such as for example, the inclusion of Bradley Lake and Alaska Intertie fixed

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<sup>3</sup> TA340-8 was approved by the Commission in Letter Order L1200192 effective April 1, 2012

<sup>4</sup> For example, see Letter Order L00562, dated October 26, 2011.

components in COPA filings. This approach reflects the principle that all fuel-related costs, whether fixed or variable, should be recovered through the COPA to maintain transparency and avoid financial harm to the utility and its members.

**2. Beyond MEA's Control:**

MEA does not control the availability of gas for storage, the price of the natural gas molecules, third-party transportation tariffs, or HAGS's storage rates approved by the Commission. Operational requirements such as weather-driven load changes and hydroelectric variability further impact the timing and volume of storage injections and withdrawals. Accordingly, as a practical matter, the actual costs of fuel storage incurred are beyond MEA's control.

**3. Easily Verifiable:**

All gas storage costs will be documented through supplier invoices, transportation bills, and HAGS's billing statements under the executed FSS Agreement. MEA will provide these invoices and supporting calculations, including the stored gas inventory account balance and average cost in its quarterly COPA filings to ensure the Commission's staff can easily verify the costs incurred related to gas storage.

For the foregoing reasons, gas storage-related costs meet the criteria of the regulations for inclusion in MEA's COPA and should be approved for cost recovery pending approval of the Third Amendment.

**Description of Tariff Sheet Changes**

**Tariff Sheet No. 92:** A narrative explanation describing how gas storage costs will be treated in the COPA Balance Account has been added as two new descriptor items in Section C of this proposed tariff sheet. Subsection (C)(2) details the treatment of weighted average cost of gas withdrawn from storage, and subsection (C)(3) details the other costs directly associated with the storage of gas. With the addition of this language, some preexisting text has necessarily been relocated to Tariff Sheet No. 92.1 to make room for verbiage regarding the treatment of stored gas. Additionally, a minor textual change in subsection (C)(4) was included to distinguish the treatment of diesel costs, whereas without this clarification, the treatment of diesel costs was less apparent. To be clear, no new COPA treatment of diesel is proposed. This ministerial change was made simply for purposes of clarity in the tariff. Additionally former sub sections (C)(4) and (C)(5) has been renumbered as (C)(6) and (C)(7)

**Tariff Sheet No. 92.1:** Some language regarding the process for revisions to the COPA was relocated from Tariff Sheet No 92 (discussed above) to Tariff Sheet No. 92.1. Descriptor items (D)(6) and (D)(7) were added to section D to describe the exhibits for the weighted average cost of gas storage and diesel fuel Inventory. Again, no new treatment is proposed for diesel at this time. Rather, the diesel item is a minor

change to better reflect how diesel is already treated in the COPA. Finally, former subsections (D)(6) and (D)(7) have been renumbered to be (D)(8) and (D)(9).

**Tariff Sheet No. 92.2:** On this tariff sheet, which details MEA's COPA calculation, MEA proposes to add three new line items related to the gas storage cost element. The first line item will capture variable costs associated with withdrawals from storage under HAGS's services, including gas acquisition costs, transportation into storage charges, injection commodity charges, and fuel use charges.

The remaining two line items will reflect the other costs under the FSS Agreement. The first line is for fixed costs and associated storage fees to include: the capacity rate, the injection and withdrawal reservation, and commodity charges, as well as overrun and excess storage costs (if any). The second line is for charges related to transportation costs associated with the storage facility. Together, these additions ensure that both variable and fixed components of gas storage are accurately represented in MEA's COPA calculations.

### **Description of Changes to COPA Attachments and Exhibits**

Upon approval of this filing, MEA will revise its supporting COPA attachments to clearly identify stored gas as a source of supply, reflect the calculated average cost of gas in storage, and separately show transportation costs associated with storage. In addition, the attachments will include fixed storage charges such as reservation and capacity fees. Exhibits accompanying the COPA filing will provide sufficient detailed documentation, including invoices for gas purchases, transportation to and from storage, HAGS storage charges, and a calculation of the stored gas inventory account balance and related average cost to be included in the COPA.

### **Member Impact and Associated Revenues**

In accordance with 3 AAC 48.270(a)(5), this filing will affect all of MEA's approximately 73,000 consumers receiving retail electric service. Approval of this filing (and the related pending Third Amendment) will allow MEA to recover costs associated with firm gas storage services through the COPA mechanism in a revenue-neutral manner, as these costs will pass through on a dollar-for-dollar basis without any additional margin added.

Access to firm storage and the extended supply secured under the Third Amendment is expected to reduce overall fuel cost volatility and protect members from far more expensive alternatives, such as reliance on diesel generation as well as costly infrastructure upgrades if gas supply becomes unavailable after March 31, 2028. Diesel generation would significantly increase costs and create rate instability, whereas the proposed tariff revisions MEA is requesting provide a practical, cost-effective solution that safeguards reliability and affordability during a period of uncertainty in Cook Inlet.

## Conclusion

Cook Inlet's natural gas supply is extremely tight, and timely action is needed to maintain reliability and affordability for MEA's members. Without firm storage and the extended gas supply provided under the Third Amendment, MEA would face a gap in contracted gas after March 31, 2028, as no other firm supply is currently secured beyond that date. In that situation, MEA would be forced to rely on diesel generation, which would require substantial up-front investment in additional diesel infrastructure, is less practical, substantially more expensive, and would result in significantly higher costs for MEA's members.

Approval of this filing and the related Third Amendment pending in TA580-18, offers a practical, cost-effective solution. It defers the use of diesel, secures an additional year of firm gas supply through March 31, 2029, provides the ability to store unused gas from prior Contract Years for future use, locks in pricing during a volatile market, and reduces the risk of costly alternatives. Gas storage is a critical component of MEA's strategy to safeguard reliability and manage costs during a period of uncertainty in Cook Inlet. The proposed tariff revisions allow MEA to recover necessary costs transparently and in accordance with Commission precedent, while protecting members from financial and operational risks.

MEA respectfully requests that the Commission approve this filing at the conclusion of the 45-day statutory review period, which is March 2, 2026, so that MEA can implement the approved methodology in its next COPA filing.

Please direct any questions on this filing to Tyler Clark, Sr Manager, Regulatory Affairs & financial Planning (ph. (907) 761-9257 / email [tyler.clark@mea.coop](mailto:tyler.clark@mea.coop)). Any physical correspondence may be sent to P.O. Box 2929 Palmer, AK 99645.

Sincerely,



Anthony M. Izzo  
Chief Executive Officer

Enclosures: Hilcorp Alaska Gas Storage FSS Agreement  
Proposed Tariff Sheet Nos. 92, 92.1 and 92.2

Canceling

**MATANUSKA ELECTRIC ASSOCIATION, INC.****COST OF POWER ADJUSTMENT****A. Applicability**

The rates in all filed rate schedules shall be subject to adjustment by the Cost of Power Adjustment as set forth in Item E below.

**B. Cost of Power Adjustment (COPA)**

Billings to customers shall be subject to the applicable cost of power adjustment per kilowatt-hour in accordance with the procedure set forth in Item E below.

**C. Cost of Power Balance Account**

The Association shall maintain a Cost of Power Balance Account, commencing January 1, 1987, with a zero balance and with balances thereafter reflecting the sum of the debit and credit entries described as follows:

- (1) A debit entry equal to the actual fuel and purchased power costs for customers (excluding economy sales) for each month of the prior quarter;
- (2) The total cost of stored natural gas fuel withdrawn from inventory, calculated by multiplying the total units of fuel withdrawn from storage by the weighted average cost of stored fuel. The weighted average cost includes gas acquisition costs, transportation into storage charges, injection commodity charges, and fuel use charges.
- (3) Debit entries for capacity and reservation charges for withdrawal and injection of natural gas from storage, withdrawal commodity charges, gas overrun and excess storage fees (if any), transportation charges for withdrawal, and regulatory cost charges;
- (4) The cost of diesel fuel withdrawn from inventory, calculated by multiplying the total units of diesel fuel withdrawn from storage by the weighted average cost of diesel fuel;
- (5) Fuel transportation fees;
- (6) A credit entry equal to the kilowatt-hours sold to customers (excluding economy sales) during that month multiplied by the sum of the base cost of power (\$0.00000/kWh) plus the cost of power adjustment applied to the customer classes;
- (7) Debit or credit entries for adjustments for entries described in (1) – (6) above for prior periods.

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L1: Language in section D and subsection D(1) has been relocated to Tariff Sheet No. 92.1

Tariff Advice No. 581-18Effective: March 2, 2026Issued by: MATANUSKA ELECTRIC ASSOCIATION, INC.By: Anthony M. IzzoTitle: Chief Executive Officer

Canceling

**MATANUSKA ELECTRIC ASSOCIATION, INC.****COST OF POWER ADJUSTMENT**  
(Continued)**D. Revision of the Cost of Power Adjustment**

After the end of each calendar quarter and prior to implementing a revision to its COPA, the Association will, by tariff advice letter, file supporting information to evidence the cost of power balances and costs for the ensuing quarter. The Association may implement the revised COPA after filing, and prior to Commission approval, subject to subsequent review and adjustment by the Commission. Supporting information to be filed includes:

- (1) Calculation of the Cost of Power Adjustment as detailed in Item E. L<sub>1</sub>
- (2) A schedule calculating the estimated kilowatt-hour sales of energy to be sold in the next quarter. L<sub>1</sub>
- (3) A schedule of energy (kWh) generated per generating unit per month the quantity of power purchased per month for the 12 months ending with the prior quarter. N
- (4) A schedule identifying projected energy (kWh) generated and purchased the next quarter. N
- (5) A schedule of the quantity of fuel used per generating unit for the months ending with the prior quarter. Quantity data will be provided to the highest degree of detail available. N
- (6) A schedule of the monthly natural gas in storage inventory balance with the calculation of the weighted average unit cost for the prior quarter, identifying transactions associated with the FSS Agreement. T
- (7) A schedule of the monthly diesel fuel inventory balance with the calculation of the weighted average unit cost for the prior quarter. T
- (8) A schedule of actual monthly cost per kilowatt-hour for each fuel and purchased power source. T
- (9) Invoices and/or other documentation to substantiate the fuel and purchased power costs of the prior quarter. T

L<sub>1</sub>: Language from Section D, "Revision of the Cost of Power Adjustment" and related subsection D(1), has been relocated from Tariff Sheet No. 92

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 By: Anthony M. Izzo Title: Chief Executive Officer  
 Anthony M. Izzo

Canceling

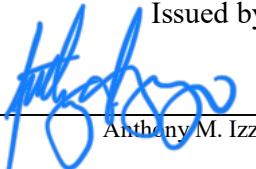
**MATANUSKA ELECTRIC ASSOCIATION, INC.****COST OF POWER ADJUSTMENT**

(Continued)

**E. Determination of Cost of Power Adjustment**

Estimated costs beginning March 2, 2026:

(1) Cost of Fuel		
(1.10) EGS - Hilcorp Alaska, LLC Fuel Gas (MEA-02, as amended)	\$14,038,218	
(1.11) Transportation Charges	\$770,833	
(1.20) EGS - Crowley Fuels, LLC ULSD Fuel (MEA-04D)	\$161,823	
(1.30) Hilcorp Alaska Gas Storage, LLC (HAGS FSS SA MEA-01) Gas Withdrawls	\$0	N
(1.31) HAGS - FSS and Fees	\$0	
(1.32) HAGS Transportation Costs	\$0	N
(1.35) Short-term Purchases of Natural Gas	\$0	
(1.40) Total Cost of Fuel and Transportation	\$14,970,874	
(1.50) <u>Projected Retail Sales (kWh)</u>	228,010,000	
(1.60) Fuel Cost (per kWh)	\$0.06566	
 (2) Cost of Purchased Power		
(2.10) Bradley Lake Purchases	\$883,962	
(2.11a) Inter-utility Sales	\$0	
(2.11b) Inter-utility Purchases	\$0	
(2.12) Other Purchases	\$0	
(2.13) Spinning Reserve Purchases	\$0	
(2.14) Wheeling Charges	\$344,718	
(2.15) Tight Power Pool Transactions (Net)	\$1,141,767	
(2.16a) MOA Eklutna Hydro Power Purchases	\$0	
(2.16b) Independent Power Producer Energy Purchases	\$0	
(2.20) Total Cost of Purchased Power	\$2,370,447	
(2.30) <u>Projected Retail Sales (kWh)</u>	228,010,000	
(2.40) Purchased Power Cost (per kWh)	\$0.01040	
 (3) Cost of Power Balance Account		
(3.10) Actual Balance as of September 30, 2025	\$472,235	
(3.20) Estimated Balance as of December 31, 2025	\$47,082	
(3.30) Balancing Account Estimate to be Recovered	\$47,082	
(3.40) <u>Projected Retail Sales (kWh)</u>	228,010,000	
(3.50) Balancing Account Estimate (per kWh)	\$0.00021	
 (4) Total Cost of Power to be Recovered:		
(4.10) Fuel Cost (per kWh)	\$0.06566	
(4.20) Purchased Power Cost (per kWh)	\$0.01040	
(4.30) <u>Balancing Account Estimate (per kWh)</u>	\$0.00021	
(4.40) Cost to be Recovered (per kWh)	\$0.07627	
 (5) Base Cost of Power		
(5.10) Base Cost of Power (per kWh)	\$0	
 (6) Cost of Power Adjustment		
(6.10) Line (4.40) Minus Line (5.10), (per kWh)	\$0.07627	

Tariff Advice No. TA581-18Effective March 2, 2026Issued by: **MATANUSKA ELECTRIC ASSOCIATION, INC.**By: Anthony M. IzzoTitle: Chief Executive Officer

Anthony M. Izzo

**FSS SERVICE AGREEMENT  
GAS STORAGE**

THIS FSS SERVICE AGREEMENT ("FSS Agreement"), is made and entered into this 10th day of December 2026 (the "*Effective Date*"), by and between Hilcorp Alaska Gas Storage, LLC ("**Storage Provider**") and Matanuska Electric Association, Inc. ("**Customer**"). Storage Provider and Customer are each individually referred to as "Party" and collectively referred to as "*Parties*."

WHEREAS, Storage Provider is the developer, owner, and operator of the KGF Facility, consisting of underground natural gas storage facilities located and developed by Storage Provider in the Kenai Peninsula Borough of Alaska, for the purpose of providing natural gas storage and related services; and

WHEREAS, Customer has requested Storage Provider to provide firm natural gas storage services on its behalf and Storage Provider is willing to provide such firm storage services under the terms and conditions of this Agreement and Storage Provider's tariff for storage service in intrastate commerce subject to jurisdiction of the Regulatory Commission of Alaska ("**Tariff**"), including without limitation Rate Schedule FSS.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, Storage Provider and Customer agree that the terms below, together with the terms and conditions of the Tariff, including without limitation Rate Schedule FSS, constitute the terms of storage service to be provided and set forth the rights and obligations of Storage Provider and Customer with respect thereto. All capitalized terms used but not defined here shall have the meanings given to such terms in the Tariff.

**Section 1.     Service to be Rendered - Injection.** Beginning on the Commencement Date and on any Day of the term hereof: (a) Storage Provider shall be obligated to accept for the account of Customer such quantities of Gas as Customer causes to be delivered for injection pursuant to the provisions hereof and of the Tariff, provided, however, that Storage Provider shall have no obligation to accept any quantities of Gas for injection which will cause Customer's Storage Quantity at any time to exceed Customer's Maximum Storage Quantity; and (b) Customer may cause to be delivered for injection such quantities of Gas at a daily rate not to exceed the Maximum Daily Injection Quantity. Customer shall furnish at the Point of Injection/Withdrawal, for each Dth delivered by Customer for injection, Storage Provider's Injection/Withdrawal Fuel Use and LAUF quantity utilizing the Current Injection/Withdrawal Fuel Use and LAUF Percentage. Although Storage Provider shall have no obligation to accept daily quantities of Gas in excess of the Maximum Daily Injection Quantity, Storage Provider may, at Customer's request, accept such daily quantities in excess thereof as Storage Provider, in its sole judgment, determines that it is able to accept without jeopardizing its ability to meet its other obligations and subject to the Overrun Storage Service Charge and Excess Storage Service Charge provisions as stated in Storage Provider's Tariff.

**Section 2.     Service to be Rendered - Withdrawal.** Beginning on the Commencement Date and on any Day of the term hereof, Storage Provider shall redeliver to Transporter for the account of Customer such quantities of the Storage Quantity as Customer may request for withdrawal subject to the limitations set forth below. The cumulative quantities of Gas redelivered by Storage Provider to Transporter for the account of Customer shall be at such daily rate as Customer may request but not in excess of the Maximum Daily Withdrawal Quantity without the consent of Storage Provider. Although Storage Provider shall have no obligation to redeliver daily quantities of Gas in excess of the Maximum Daily Withdrawal Quantity, Storage Provider may, at Customer's request, redeliver such daily quantities in excess thereof as Storage Provider, in its sole judgment, determines that it is able to redeliver without jeopardizing its ability to meet its other obligations and subject to the Overrun Storage Service Charge and Excess Storage Service Charge provisions as stated in Storage Provider's Tariff.

Section 3. Contract Quantities. The Maximum Storage Quantity, the Contract Injection Quantity, the Contract Withdrawal Quantity, the Maximum Daily Withdrawal Quantity, and Maximum Daily Injection Quantity (the “**Customer Storage Amounts**”) are set forth in Appendix A to this Service Agreement. During the Term, Customer may request an increase in the Maximum Storage Quantity per contract year. Such requests must be submitted in writing, specifying the requested adjustment amount and must be delivered at least sixty (60) days prior to the desired effective date. Storage Provider shall make reasonable efforts to accommodate such requests, which shall include: (a) timely review of the request; (b) assessment of available storage capacity and operational feasibility; and (c) notification to Customer of approval or denial within thirty (30) days of receipt of the request. Any approved adjustment shall be subject to any required regulatory approvals and shall become effective upon such approval. Approved adjustments shall be documented in an amendment to Appendix A or in a written notice acknowledged by both parties.

Section 4. Customer Guarantee Regarding Operational Flow Orders (OFOs). Customer hereby represents, warrants, and covenants that Storage Provider shall have the authority to issue an effective Operational Flow Order (“**OFO**”), as defined in the Tariff, to Customer and to any transporter, pipeline, shipper, or other owner of Gas being supplied to Customer in connection with this FSS Agreement, whether or not such OFO is effectuated at the Point of Injection/Withdrawal. Customer shall take all actions reasonably necessary to ensure that such transporters, pipelines, shippers, or other owners of Gas recognize and comply with any OFO issued by Storage Provider pursuant to this FSS Agreement and the Tariff.

Section 5. Rates. Beginning on the Commencement Date, unless agreed to otherwise by Storage Provider, Customer will pay Storage Provider Monthly, for the service provided for hereunder, the rates, charges, and fees in accordance with Storage Provider’s Tariff, and are further set forth on Appendix A to this Service Agreement. However, if the Commencement Date is any other than the first day of any Month, Customer will pay a pro-rata amount of the reservation and capacity fees based on the number of days of the Month that service has been made available divided by the total number days in the Month. If the RCA requires Storage Provider to adjust the Tariff rates charged for service hereunder pursuant to Rate Schedule FSS, then from and after the effective date of that rate adjustment, the adjusted rates shall become the effective rates hereunder pursuant to the Rate Schedule FSS.

Section 6. Term. Service under this Service Agreement shall commence as of April 1, 2026 and shall continue in full force and effect until the date that is five (5) years thereafter (“**Initial Term**”). In the event any quantities of Gas remain in storage for Customer’s account on the Day this FSS Agreement terminates, such remaining quantities shall be handled under the terms stated in the Tariff. Customer shall also have the right to extend this FSS Agreement for up to five (5) successive twelve (12)-Month terms (each, an “**Extended Term**” and, together with the Initial Term, the “**Term**”), commencing at the expiration of the Initial Term or the then-current Extended Term, at the prevailing published FSS rates in effect at the beginning of each such Extended Term and for the then currently subscribed Customer Storage Amounts; provided, however, Customer may request to increase or decrease its Customer Storage Amounts (subject to the minimum MSQ of 1,000 MMcf set forth in the Tariff) by including such request in Customer’s Notice to extend. Customer must provide Notice of each such extension not less than six (6) Months prior to the expiration of the Initial Term or the then-current Extended Term, as applicable. Additionally, notwithstanding the foregoing, Customer shall have the right, upon not less than six (6) Months’ prior written Notice to Storage Provider, to terminate this FSS Agreement prior to the expiration of the Term by electing the “**Buyout Option**.” If Customer exercises the Buyout Option, Customer shall pay to Storage Provider (i) all amounts due and payable for services rendered through the effective date of termination, plus (ii) an early termination fee (the “**Buyout Fee**”). The Buyout Fee shall pertain only to Customers contracted working capacity, excluding capacity related to Customers contributed Base Gas, and shall be equal to fifty percent (50%) of the following amount:

The sum of:

1. # of months (including any partial month) remaining in the Term as of the termination date, *multiplied by the TCQ multiplied by the FSS Capacity Rate, plus*
2. # of months (including any partial month) remaining in the Term as of the termination date, *multiplied by the CWQ multiplied by the FSS Reservation Rate, plus*.
3. # of months (including any partial month) remaining in the Term as of the termination date, *multiplied by the CIQ multiplied by the FSS Reservation Rate.*

The Buyout Fee shall be invoiced upon Customer's election and shall be due and payable within thirty (30) Days thereafter; provided, however, this FSS Agreement shall not terminate until the Buyout Fee and all other undisputed amounts are paid in full. Upon such payment, Customer shall be relieved of any further obligations under this FSS Agreement with respect to the remainder of the Term. The Buyout Option applies only to the Term and is subject to the Tariff and any applicable regulatory approval.

*Example (for illustrative purposes only):* If Customer gives notice to exercise the Buyout Option at the end of Year 4 of the five (5)-year Initial Term (with 12 months remaining), the Buyout Fee would be calculated as follows:

- Total Contract Quantity Capacity Fee:  $(12 \text{ months} \times [\underline{3}] \text{ Bcf} \times \$0.012/\text{Mscf}) = \$[432,000]$
- Withdrawal Reservation Fee:  $(12 \text{ months} \times [\underline{10.26}] \text{ MMscfd} \times \$6.955/\text{Mscf}) = \$[856,563]$
- Injection Reservation Fee:  $(12 \text{ months} \times [\underline{8.45}] \text{ MMscfd} \times \$6.955/\text{Mscf}) = \$[705,017]$

**Buyout Fee:**  $(\$[432,000] + \$[856,563] + \$[705,017]) \times 50\% = \$[996,790]$

**Section 7. Notices.** Any notice, request, statements or other communication ("Notice") regarding this FSS Agreement or its performance may be transmitted by electronic mail to the address listed below and shall, unless otherwise provided, also be transmitted by personal delivery or United States Mail, postage prepaid, to the address listed below. Notice shall be effective as of the day of the electronic mail, if such electronic mail is in fact delivered to the receiving Party's electronic mail server on that day before 5 p.m. Alaska Time. Otherwise, notice shall be effective when the hard copy is delivered to the receiving Party. Any Party may change its address by providing written notice to that effect to the other Party. If the date specified in this Agreement for giving any notice or taking any action is not a Business Day (or if the period during which any notice is required to be given or any action taken expires on a date that is not a Business Day), then the date for giving such notice or taking such action (and the expiration date of such period during that notice is required to be given or action taken) shall be the next day that is a Business Day.

**A) If to Customer:**

Matanuska Electric Association, Inc.  
163 E. Industrial Way  
Palmer, Alaska 99645  
Attention: Kim Henkel  
Email: [kim.henkel@mea.coop](mailto:kim.henkel@mea.coop)

**B) If to Storage Provider:**

Hilcorp Alaska Gas Storage  
3800 Centerpoint Drive  
Anchorage, Alaska  
Attention: Rob Kinnear  
Email: [rob.kinnear@hilcorp.com](mailto:rob.kinnear@hilcorp.com)

**Section 8. Tariff.** The provisions of Storage Provider's FSS Rate Schedule and Tariff are applicable to this FSS Agreement and are specifically incorporated herein by reference and made a part

hereof. In the event of any inconsistency between Storage Provider's Tariff and this FSS Agreement, the terms of the FSS Agreement shall control. Storage Provider shall put into effect any changes in accordance with any applicable orders issued from the RCA or any applicable regulatory body with jurisdiction at any time to change the provisions of service and this FSS Agreement shall be deemed to include such changes and any changes which become effective by operation of law or regulation, without prejudice to Customer's right to protest the same.

Section 9. Representations and Warranties. Each Party represents and warrants to the other as follows:

- a. Such Party is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and will be in good standing in each other jurisdiction where the failure to so qualify would have a material adverse effect upon the business or financial condition of such Party or its ability to perform its obligations under this FSS Agreement.
- b. The execution, delivery and performance of this FSS Agreement by such Party has been duly authorized by all necessary action on the part of such Party in accordance with such Party's charter documents and does not and will not require the consent of any trustee or holder of any indebtedness or other obligation of such Party or any other party to any other agreement with such Party.
- c. This FSS Agreement has been duly executed and delivered by such Party. This FSS Agreement constitutes the legal, valid, binding and enforceable obligation of such Party, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws of general application relating to or affecting creditors.
- d. There is no existing or pending action or proceeding, third party lien, third party covenant, or, to such Party's actual knowledge, threatened action or proceeding affecting such Party before any court, government authority or arbitrator that could reasonably be expected to materially and adversely affect the financial condition or operations of such Party or the ability of such Party to perform its obligations hereunder, or that purports to affect the legality, validity or enforceability of this FSS Agreement.

Section 10. Alterations. No modification of the terms and provisions of this FSS Agreement shall be made except by the execution of a written agreement by both Storage Provider and Customer. If any term or provision of this FSS Agreement shall be declared to be invalid or incapable of being enforced by any rule of law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect, provided that the economic and legal substance of the transactions contemplated under this Agreement are not affected in any manner materially adverse to Storage Provider or Customer. In any such event, Storage Provider and Customer shall negotiate in good faith to modify this Agreement so as to effect the original intentions of Storage Provider and Customer as closely as possible in a mutually acceptable and legally enforceable manner, to the end that the activities and results contemplated under this Agreement may be effected to the maximum extent possible. This FSS Agreement is subject to all valid laws, rules and regulations of duly constituted authorities having jurisdiction over the subject matter hereof and to receipt of any and all such authorizations as may be required for the construction, ownership and operation of the KGF Facility and provision of the service contemplated herein.

Section 11. No Drafting Presumption. No presumption shall operate in favor of or against Storage Provider or Customer as a result of any responsibility or role that Storage Provider or Customer may have had in the drafting of this FSS Agreement.

Section 12. No Third-Party Beneficiaries. This FSS Agreement shall not create any rights in third parties, and no provisions hereof shall be construed as creating any obligation for the benefit of, or rights in favor of, any person or entity other than Storage Provider or Customer.

Section 13. Choice of Law. This Agreement shall be interpreted, performed, and enforced in accordance with the laws of the State of Alaska. Any dispute under this Agreement shall be resolved in Alaska Superior Court, Third Judicial District in Anchorage, Alaska.

Section 14. Counterparts. This FSS Agreement may be executed in counterparts, and all such executed counterparts shall form part of this FSS Agreement.

Section 15. RCA Approval; Conditions Precedent to Effectiveness. This FSS Agreement does not take effect without the prior approval of the RCA and is at all times subject to revisions by the RCA. In this case, prior approval from the RCA requires both (1) approval of this FSS Agreement, and (2) approval of Customer's ability to recover all costs associated with this FSS Agreement in rates.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Parties have caused this FSS Agreement to be duly executed as of the Effective Date.

**HILCORP ALASKA GAS STORAGE, LLC**

By: 

Name: Luke Saugier

Title: SVP - AK

Date: 12-11-2025

**MATANUSKA ELECTRIC ASSOCIATION, INC.**

By: 

Name: Anthony M. Izzo

Title: Chief Executive Officer

Date: 12/10/2025

## Appendix A

**Customer:** Matanuska Electric Association, Inc.

Service Agreement No.: *HAGS FSS SA MEA-Q1*

Base Gas Contribution ("BGC"): 0 Bcf ([0] Dth)

Total Contract Quantity ("TCQ"): 3 Bcf ([3,018.681] Dth)

Maximum Storage Quantity ("MSQ"): 3 Bcf ([3,018.681] Dth)

Contract Injection Quantity ("CIQ"): 8.45 MMscfd ([8,500] Dth/d)

Contract Withdrawal Quantity ("CWQ"): 10.26 MMscfd ([10,327] Dth/d)

Maximum Daily Injection Quantity ("MDIQ"): [see MDIQ Ratchets below]

Maximum Daily Withdrawal Quantity ("MDWQ"): [see MDWQ Ratchets below]

**Rates:** [BGC carries no Reservation or Capacity Rate]

FSS Reservation Rate (Withdrawal): \$6.955/Mcf

FSS Injection/Withdrawal Commodity Rate:  
\$0.936/Mcf

FSS Reservation Rate (Injection): \$6.955/Mcf

Overrun Storage Service Rate: \$2.005/Mcf

FSS Capacity Rate: \$0.012/Mcf

Excess Storage Service Charge: \$0.012/Mcf

### MDIQ Ratchets:

Gas in Place % (Bcf) (GIP)	System MDIQ Range* (MMscfd)	
	High End	Low End
0.0% - 25.0%	107	107
25.0% - 40.0%	107	98
40.0% - 50.0%	98	90
50.0% - 65.0%	90	78
65.0% - 78.0%	78	66
78.0% - 92.0%	66	53
>92.0% < 100.0%	53	44

System MDIQ =  $(-.0215 \cdot Bcf^2) - (1.2123 \cdot Bcf) + (121.17)$   
Customer MDIQ = System MDIQ \* (Cust TCQ + BGC) / System Capacity

\* Table for illustrative purposes only, actual MDIQ calculated daily based on formula above.

Gas in Place % (Bcf) (GIP)	System MDWQ Range* (MMscfd)	
	High End	Low End
100.0% - 90.0%	130.0	127.3
90.0% - 70.0%	127.3	94.2
70.0% - 50.0%	94.2	61.2
50.0% - 30.0%	61.2	28.1
30.0% - 10.0%	28.1	9.0
<10.0% > 0.0%	9.0	0.0

System MDWQ =  $(Bcf \cdot GIP \cdot 4.35) - (21.5)$   
Customer MDWQ = System MDWQ \* (Cust GIP + BGC) / System GIP

\* Table for illustrative purposes only, actual MDWQ calculated daily based on formula above.

**Note:** Billings are subject to the Regulatory Cost Charge and may also be subject to local sales tax. The Regulatory Cost Charge is a special surcharge applied to all retail Customer billings to pay the Company's share of the budget of the Commission. The Regulatory Cost Charge is an amount equal to 2.090% of the storage service billing, or as updated by the RCA from time to time.