Clean Renewable Energy Bonds (CREBs)

August 14, 2007

Darron Scott, President/CEO

Kodiak Electric Association, Inc.

Introduction

- Clean Renewable Energy Bonds created by the Federal Government – Energy Policy Act of 2005
- Administered by the Internal Revenue Service.
- Non-profit incentive alternative to the production tax credits (PTC) for IOUs.
- Benefit – Low Cost Financing.

Qualified Issuer

- CREB Lender (CFC)

  Cooperative owned by; or has outstanding loans to 100 or more cooperative electric companies

- Cooperative Electric Company

  Defined as a mutual or cooperative described in Section 501 (c) 12 or Section 1381 (a)(2)(C).

- A Governmental Body

  Defined as any State, territory, possession of the United States, the District of Columbia, Tribal government or any political subdivision thereof.

Qualified Borrowers

- Cooperative Electric Company

  Defined as a mutual or cooperative described in Section 501 (c) 12 or Section 1381 (a)(2)(C).

- A Governmental Body

  Defined as any State, territory, possession of the United States, the District of Columbia, Tribal government or any political subdivision thereof.

Qualified Project

- Wind facility
- Biomass facility (open loop and closed loop)
- Geothermal or solar energy
- Small irrigation
- Landfill gas facility
- Trash combustion facility
- Refined coal production
- Qualified hydropower

(As defined in Section 45 (c) of the code.)

Application Requirements

- Must be submitted for a “qualified project” by a “qualified issuer” and must identify the “qualified borrower”.
- Describe the project to be financed and the location of the project
- Indicate the plan to obtain all necessary federal, state, and local regulatory approvals.

Application Requirements (Continued)

- Explain the plan of financing - include all sources of financing and the CREB request dollar amount.
- The application must contain certification from an “Independent Licensed Engineer” stating the project is a qualified facility and is technically viable.
- An entity (Cooperative or Governmental Body) may apply directly to the IRS.

Allocations

- **First Issue - $800 million**

  $500 million for municipal, local government and $300 million for electric cooperatives.

- **Second Issue - $400 million**

  $250 million for municipal, local government and $150 million for electric cooperatives.

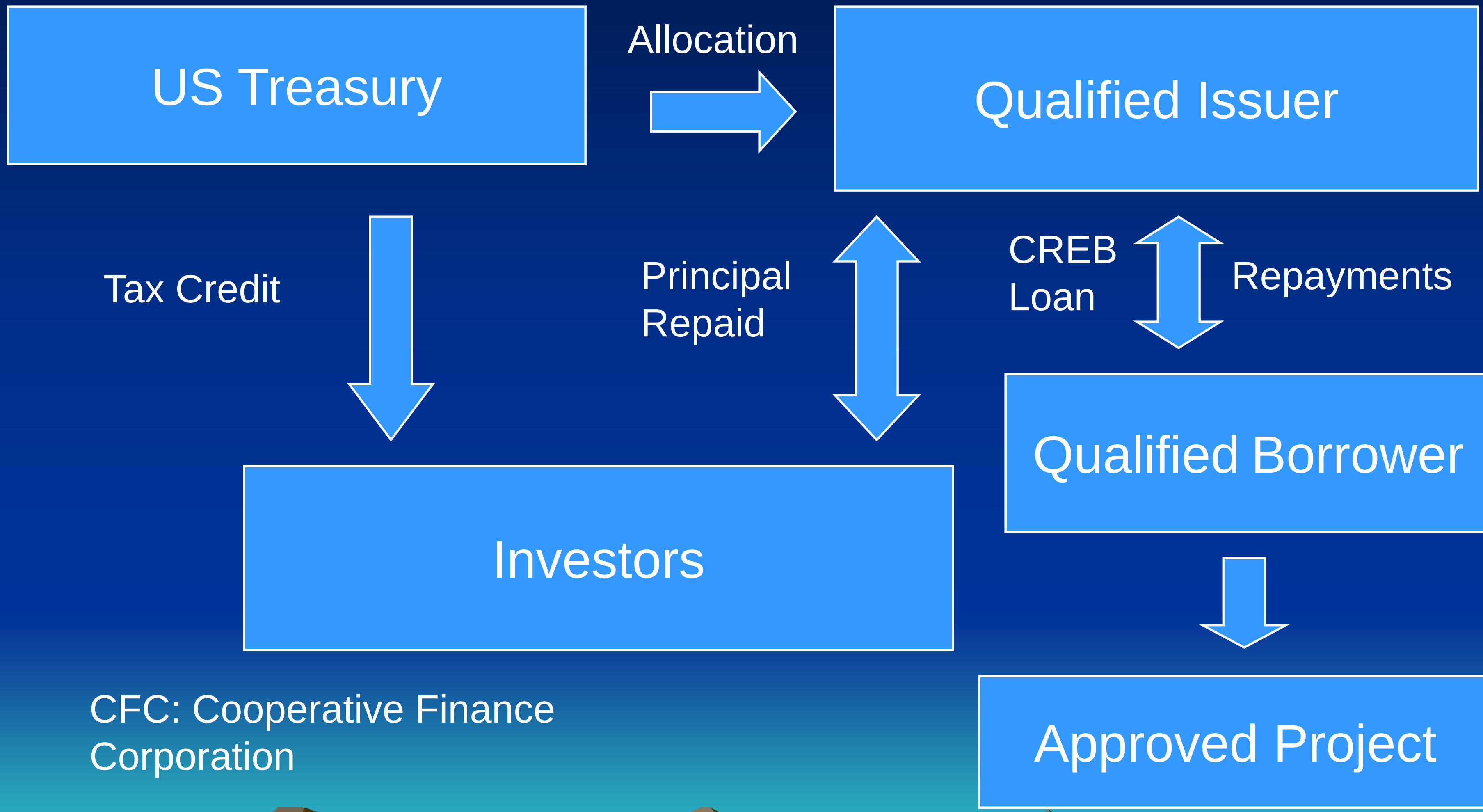
- **Future Issues** –

  There are draft proposals in both the House and the Senate for future CREB authorizations. Nothing has yet been approved.

Allocations (Continued)

- Qualified projects that meet all the requirements are allocated CREBs beginning with the projects requesting the smallest dollar amount and continuing with the next smallest request until the total amount of CREBs has been exhausted.
- All qualified projects located at the same site – owned by the same qualified borrower are treated as a single project.

How It Works



CFC: Cooperative Finance Corporation

CREB TERM

- Approximately 15 years

- Level annual repayments of principal.

Loan term and bond repayment triggered upon issuance.

Encourages loan funds to be used quickly.

Regulations

- The regulations regarding the issuance of CREBs for qualified projects that have approved funding have not yet been released by the U.S. Department of Treasury.
- Internal Revenue Bulletin 2005-52 issued in December 2005 (Notice 2005-98) “Clean Renewable Energy Bonds”

Lessons Learned

- KEA received $7 million CREB issue in the first round (November 2006).

  Announcement in December 2005 that funds were available – application deadline was April 2006 (short response time).

KEA Application

- Began developing our Wind Farm prior to CREB announcement.
- Begin pursuing clean renewable energy alternatives so you will have sufficient time to develop your project and have the necessary documentation in place prior to the “Third Round” announcement by the Federal Government.

Pillar Mountain Wind Project

- Install two (2) GE 1.5 MW Wind Turbines.
- Project has been in development for over three years.
- Expect to be operational in late 2009.
- Minimize the need for diesel generation; lower emissions.
- Integrate the wind power with 20 MW hydroelectric facility.

Vision Statement

- **Adopted by the KEA Board of Directors in February 2007:**

Endeavor to produce 95% of energy sales with cost effective renewable power solutions by the year 2020.