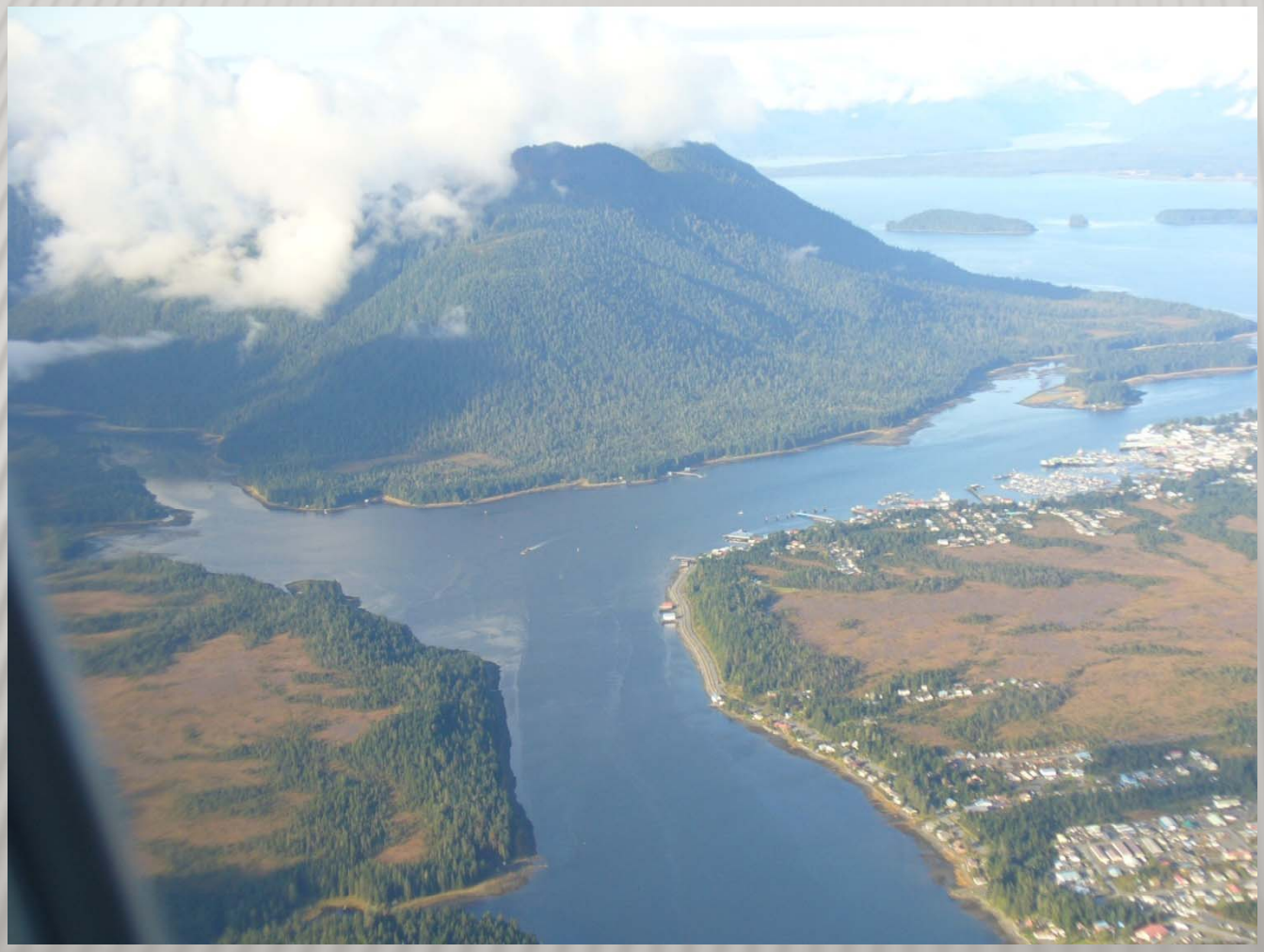


Project Status

Wrangell Narrows looking north at Petersburg.

Introduction

- Provide update on work that has been conducted since last September
- Present updated cost estimates
- Indicate activities that are expected to be conducted over the next few months

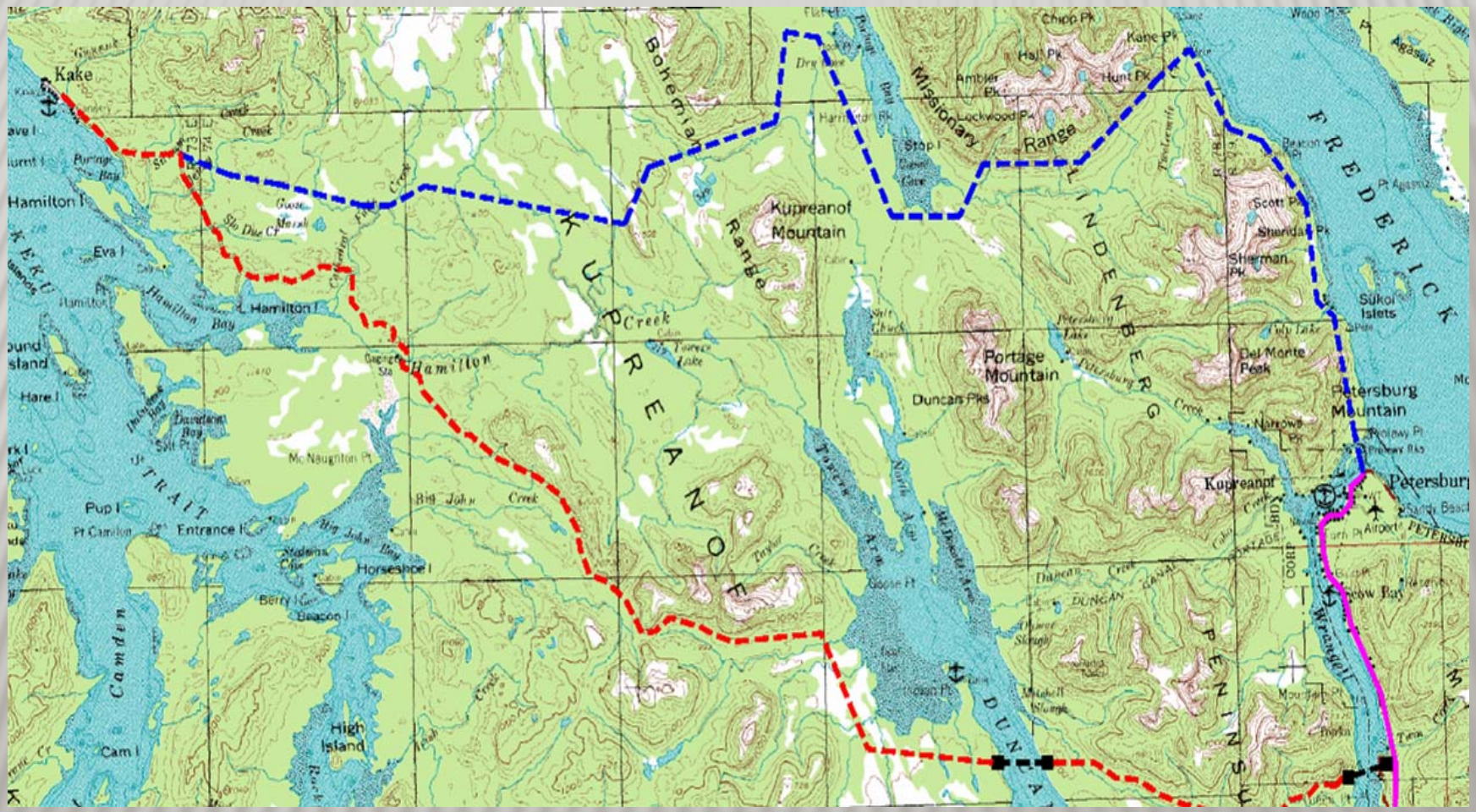
Purpose of Intertie

- Interconnect Kake to SEAPA power grid
- Bring lower cost power to Kake
  - Retail rates as high as 60 cents/kWh

Technical Configuration

- Single pole overhead construction, 69-kV
- Follow existing USFS roads or permanent road where possible
  - Existing utility corridor routes
- Integrate with fiber optic telecommunication system components
- 2-3 year construction, 5 years total development

Kake - Petersburg Intertie Study Update



Kake –Petersburg Intertie: Northern and Center-South Routes

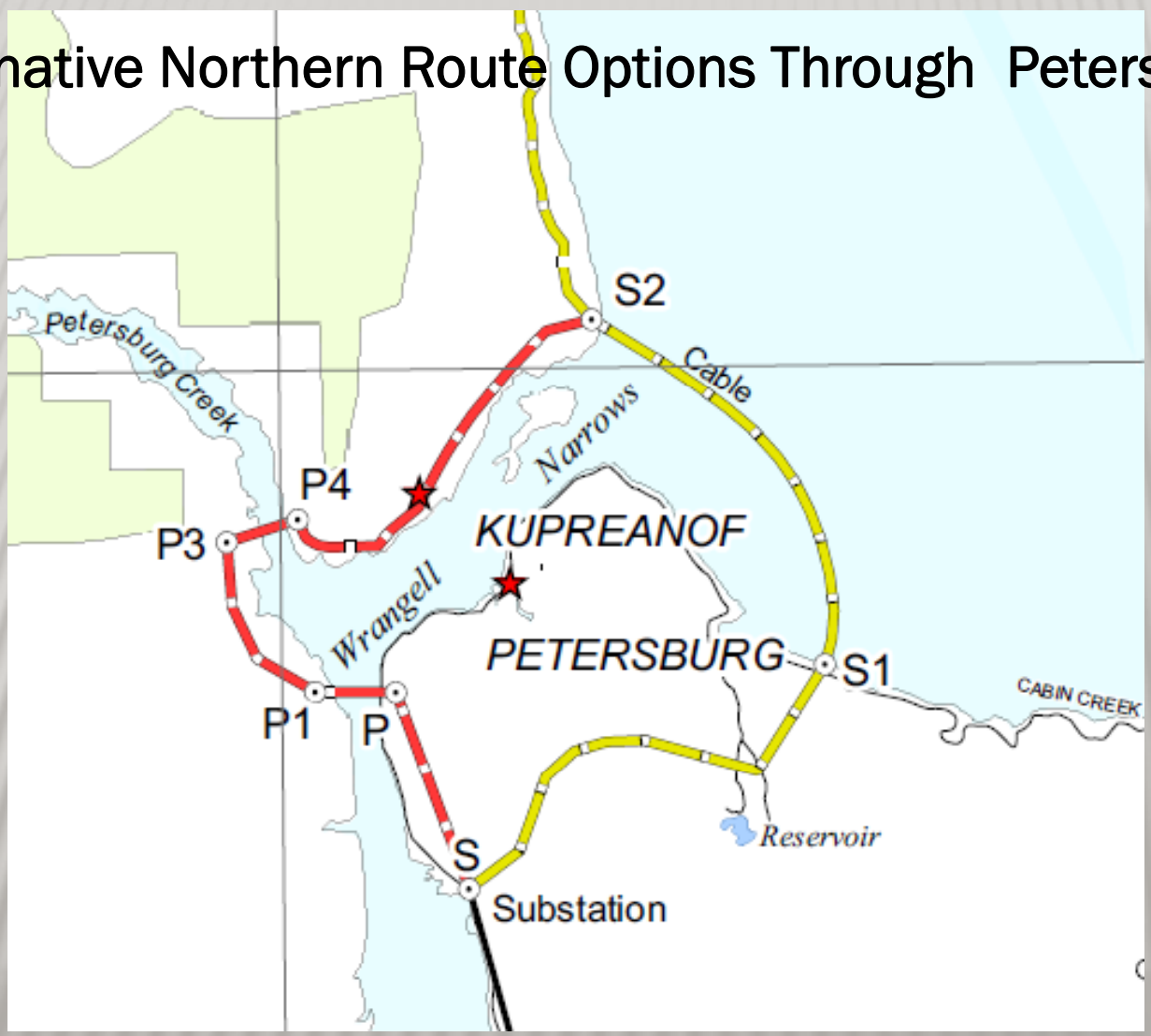
March 9, 2011

Typical USFS Road on Kupreanof Island

Alternative for Northern Route

- Horizontal directional bore under Wrangell Narrows and Petersburg Creek
- Power cable in pipe – about 10 inch diameter
- Overhead or underground line on Kupreanof Island

Alternative Northern Route Options Through Petersburg



Recent Permitting Activities

- Tetra Tech is conducting this work
- Met with US Forest Service several times
  - Established work plan
- Field investigations last fall
  - Streams, soils and hydrology
- Cultural resource study undertaken this winter

Upcoming Permitting Activities

- USFS needs to issue another Notice of Intent (NOI)
  - Would like to reference preferred route
- Field work to resume in June
  - Most intensive effort in July
  - Field logistics evaluation underway now
- More meetings with USFS
- Draft EIS in late 2011, Final EIS in 2012

Recent Engineering Work

- Completed preliminary design for northern route
  - Served as basis for field locations last fall
- Continuing discussions with geotechnical specialists regarding underwater crossing issues
- Evaluating alternatives for underwater crossings
  - Directional drilling for Center-South route
- Updated cost estimates

Upcoming Engineering Work

- Define scope of work for geotechnical studies
  - Undertake first phase of studies
- Conduct field evaluations of preliminary design
  - Update design as needed
- Conduct detailed evaluation of underwater crossing alternatives
  - Directional drilling
  - Submarine cables
- Potentially define preferred route

Estimated Construction Costs

- Costs of materials continue to rise
  - Metal and oil prices are a significant factor
- Labor costs also increasing
- Submarine cables are very expensive

Estimated Total Cost of Construction 69-kV ($000)

		Northern Route - No Road	
	Center - South w/Bore	With Submarine Cable	With Bore and UG Cable
Overhead Line	$ 17,924	$ 20,978	$ 23,484
Clearing and Road Construction	3,991	5,792	6,139
Underground Construction	-	-	3,365
Submarine Cables	4,007	7,892	-
Directional Bore Crossings	2,379	-	1,914
Switchyards and Substations	1,977	1,611	1,611
Subtotal - Direct Costs	$ 30,279	$ 36,272	$ 36,512
Indirect Costs	$ 2,422	$ 2,902	$ 2,921
Contingency (15%)	4,905	5,876	5,915
Total Costs	$ 37,606	$ 45,050	$ 45,348

Estimated Construction Costs

- Northern route would cost approximately $6 million less if a DOT road were in place before the intertie is built
- Northern route would cost about $3 million less if underground construction is not needed in and adjacent to Kupreanof
- Costs are about $3 million higher for 138-kV

Primary Benefits of Intertie

- Reduce diesel generation in Kake
- Lower electric rates in Kake
- Allow for economic incentive rate structures
- Extend the current SEAPA grid

Kake powerplant