

Alaska Electric & Energy Cooperative \$180 Million Project Financing

THE SITUATION

In 2006, the management team at Alaska Electric & Energy Cooperative (“AEEC”) began working to identify their options for power supply once their all requirements power supply contract expires at the end of 2013. The development of Project Independent Light initially considered approximately 80 different potential outcomes for power supply, many presenting unique financing challenges. After reviewing the many power supply options, AEEC determined that adding a 35 MW steam turbine generator to their existing co-generation facility and adding a 40 MW gas turbine for base load capacity and a 40 MW gas turbine for backup and spinning reserves provided the optimal solution for their power supply needs into the future.

THE CHALLENGE

While AEEC owns generation assets, they have relied upon a generation and transmission cooperative to supply them with necessary power and ancillary services to support the requirements of their members. The decision to pursue power “independently” of the traditional cooperative model of purchasing power from a generation and transmission cooperative on an “all-requirements” basis, has been considered for years, but AEEC was never certain they would be able to develop the optimal generation asset mix combined with the balance sheet capacity to “own” generation assets. AEEC engaged principals from CC Capital Advisors to secure financing for Project Independent Light. The significant challenge was not only securing the funds, but doing so in approximately a 90 day timeframe!

THE ACTIONS

The CCCA transaction team developed a comprehensive financial forecast model with input from the AEEC management team and other advisors to quantify for AEEC management and the Board of Directors the impact on cooperative member rates and the overall financial health and viability of AEEC. Once an “affordable” generation plan was identified, CCCA developed the requisite engineering and financial information to tell the Project Independent Light “story”. CCCA used this confidential information to solicit financing commitments from multiple financial sources and to advise on the negotiation of the terms and conditions consistent with AEEC’s long term plan.

THE OUTCOME

CCCA worked with AEEC to secure \$180 million for both construction financing and term financing options for Project Independent Light. According to Carrie Buckley, CFO, AEEC was “stunned with the terms negotiated, the fact we got capital plus the speed we got it. I fully realize that was due in large part to CC Capital”.

At the end of the day, AEEC was able to secure reliable, affordable and environmentally responsible sources of power generation that will allow the Kenai Peninsula to prosper.

ALASKA ELECTRIC & ENERGY COOPERATIVE

Alaska Electric & Energy Cooperative is a single-member generation and transmission cooperative that sells power exclusively to Homer Electric Association (HEA). HEA is an electric distribution cooperative providing electricity to over 28,000 meters on the Kenai Peninsula in Alaska.

ABOUT CC CAPITAL ADVISORS

CC Capital Advisors is a Kansas City-based investment banking firm, which is a division of Country Club Financial Services, Inc., a wholly owned subsidiary of Country Club Bank. CC Capital Advisors provides financial advisory services to electric utility cooperatives to secure project financing, execute mergers and acquisitions, and in evaluating financial and strategic planning opportunities.