

Who is Agrilectric?



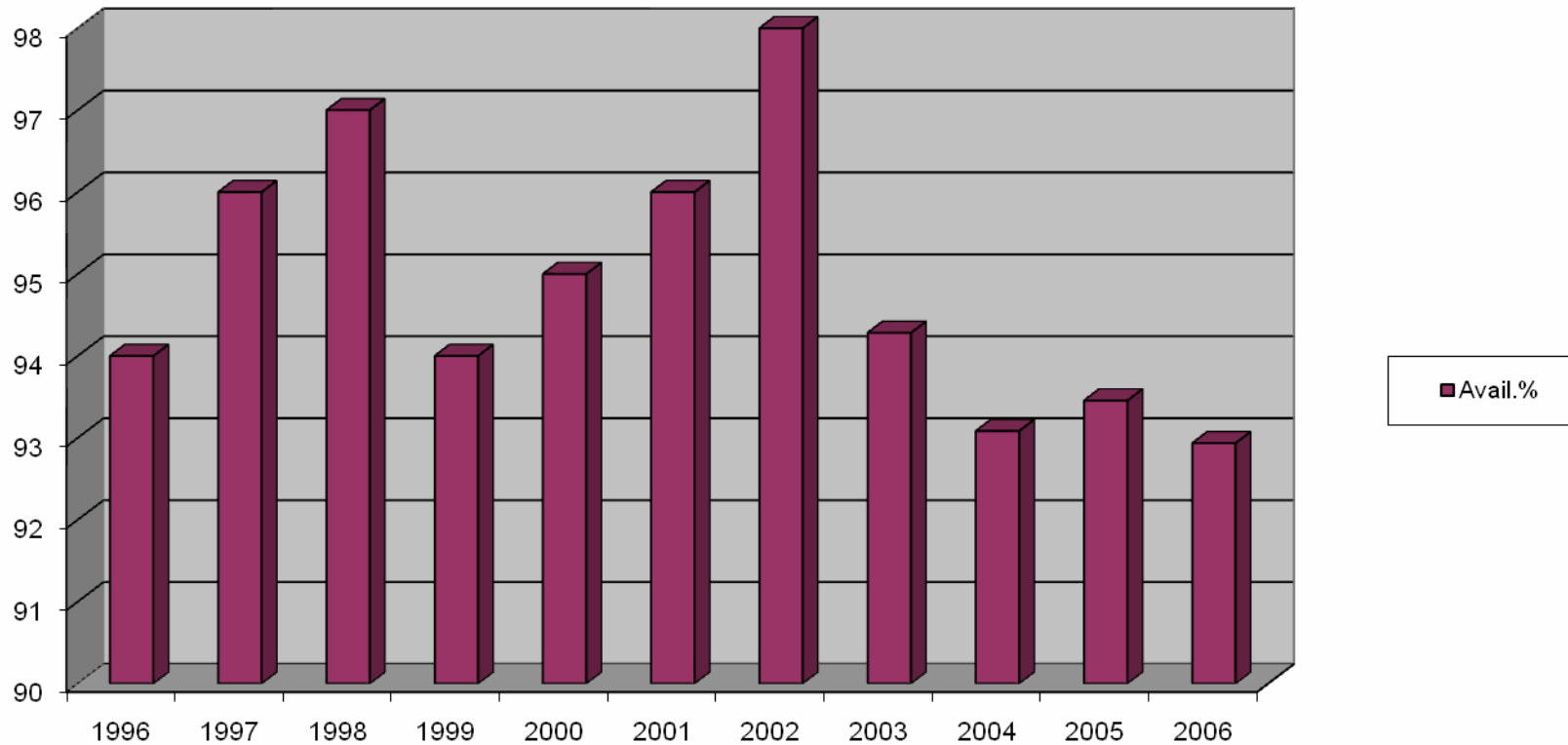


- **Agrilectric owns and operates a 13 -megawatt power plant (“Facility”) located adjacent to a rice mill near Lake Charles, Louisiana**
- **The Facility generates green power by burning rice hulls (300 tons per day) obtained from area rice millers**
- **The Facility was built in 1984 and is a Qualifying Facility under PURPA**
- **It supplies power to the adjacent rice mill and excess power is currently sold to the utility at avoided cost**
- **Has taken an environmental liability and**

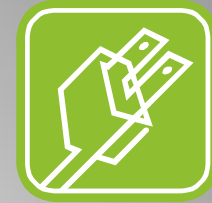


Availability Factor

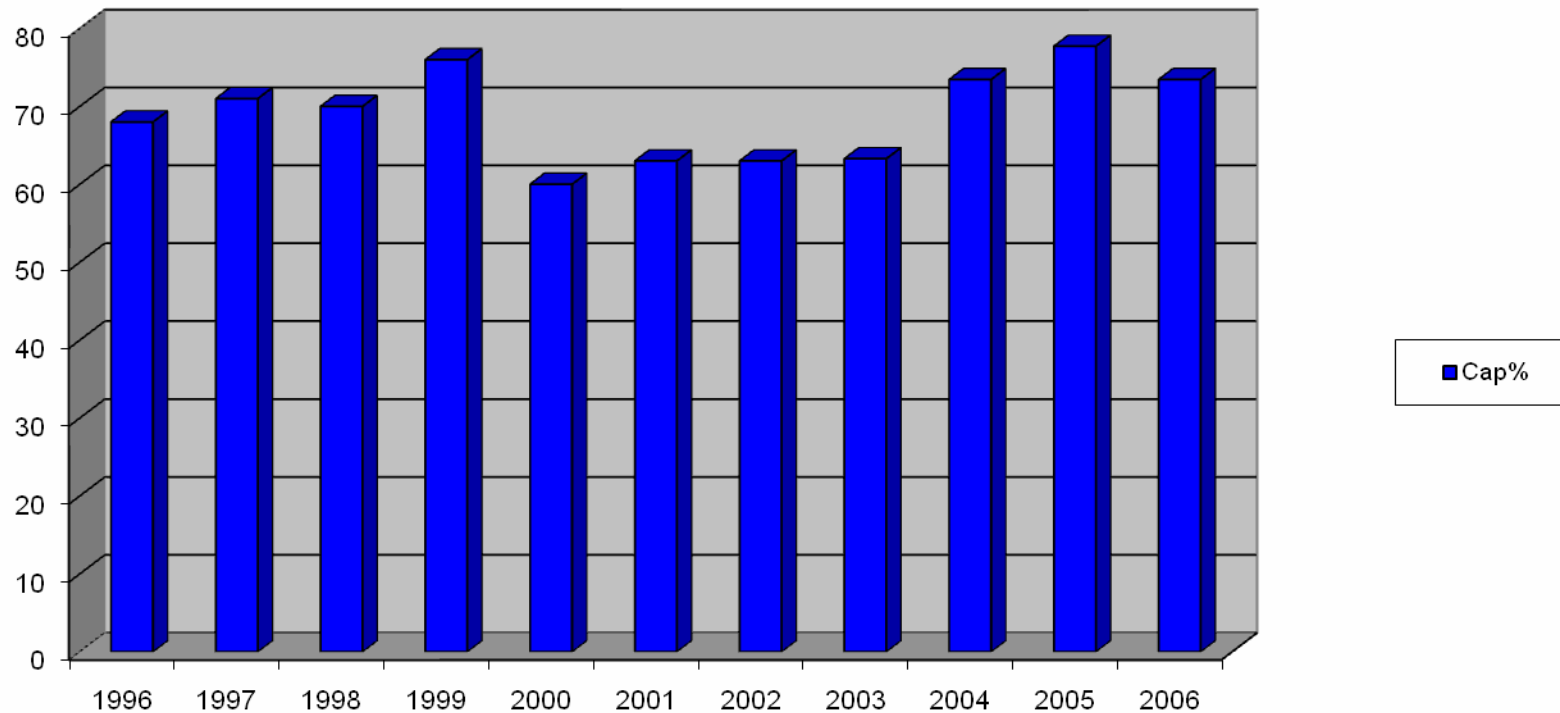
Agrilectric Power Availability



Capacity Factor



Agrilectric Power Unit Capacity





What is
Agrilectric doing
to promote **Green
Power** in the
United States?

Renewable energy options must satisfy three conditions:

1. Resource availability
2. Technical maturity
3. Policy and economic environment that supports commercialization

Agrilectric is a
leading member of the
United States of
America Biomass
Power Producer
Alliance



WWW.USABPPA.COM

The International Energy Agency (IEA)

- Estimates that renewable energy sources account for about 13% of the world's total primary energy supply.
- Nearly 80% of these renewable are in the form of combustible biomass-mostly wood, charcoal, crop residues, or other wastes.

What is Open-Loop Biomass

- **Forest Sources (From Mills, Timber, Harvesting, Thinning, etc.)**
- **Solid Waste Wood (Except Treated Wood, MSW, or Commonly Recycled Paper)**
- **Lignin (Black Liquor)**
- **Agricultural Crop Residues**
- **No Fossil Fuel Co-firing, Except for Startup and Flame Stabilization**



USABPPA Legislative Agenda



Equity with other renewables
in current Section 45 Tax Credit



Clarification of Netting Rules



Extension of Current Tax Credit

Section 45 Electricity Credit for Open-Loop Biomass

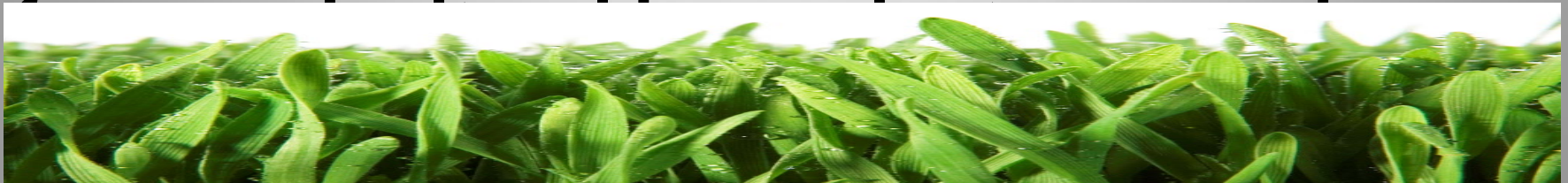
- **New Plants in Service after 8-8-05 through 12-31-08 (“New” means 80% New Property)**
- **Credit Life: 10 years from in Service Date for New Facilities (5 years ending 2009 for Used Plants)**
- **Credit Amount: 0.9 Cents/KWh in 2005, Adjusted Annually for Inflation (50% of “Wind”)**
- **Reduced up to 50% for Grants & Tax-Exempt Financing**



Geaux Green

It's a Good Choice for Louisiana!

- **Available for purchase in Louisiana, beginning April 2007**
- **Can be purchased voluntarily by consumers and businesses who want to do their part to reduce greenhouse gases and dependence on fossil fuels**
- **All power generated for this pilot program is produced in Louisiana, using biomass fuels**



Agrilectric's Participation in the Green Power Program:

- Will deliver 21,000 MWh from April 2007 through March 2008
- Green power will be priced at \$59 per MWh

Agrilectric's Concerns with the Renewable Energy Pilot Program:

- A one year pilot program, is simply too short of time, to properly gauge the feasibility of implementing a renewable portfolio standard.
- Any long term program should require that renewable suppliers bid in their product price, and allow competitive forces to determine the least cost renewable supplier.
- Providing preference to commercial operation that began after January 1, 1997 discriminates against and ignores the contributions of existing renewable suppliers in the state.
- There is no fixed cost power, being offered in the program, to rate-payers. Even though this power has a fixed cost to the utility. This could dramatically decrease the potential participation of commercial accounts.

Agrilectric's Concerns (cont.)

- The current program does not provide supplier with the greater of the renewable program pricing and usual Avoided Cost pricing.
- Suppliers must wait until completion of the program, to get paid for the net difference between the program pricing and Avoided Cost.
- Agrilectric questions incentive to Entergy, to make this program successful.

A
New
Era
For
Biomass

OVERVIEW

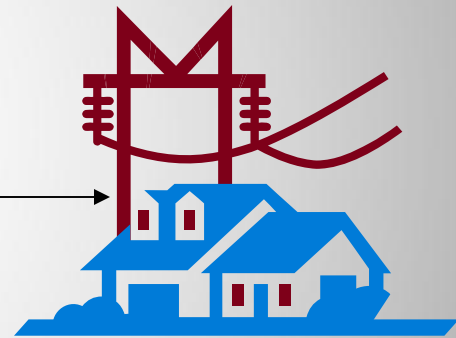
1. Paradigm Shift – From Selling Power to Selling Attributes
2. Renewable Energy Credits
 - A. Voluntary Markets
 - B. Involuntary Markets
 - C. Ownership
 - D. Challenges
3. Greenhouse Gas Credits

OLD WORLD



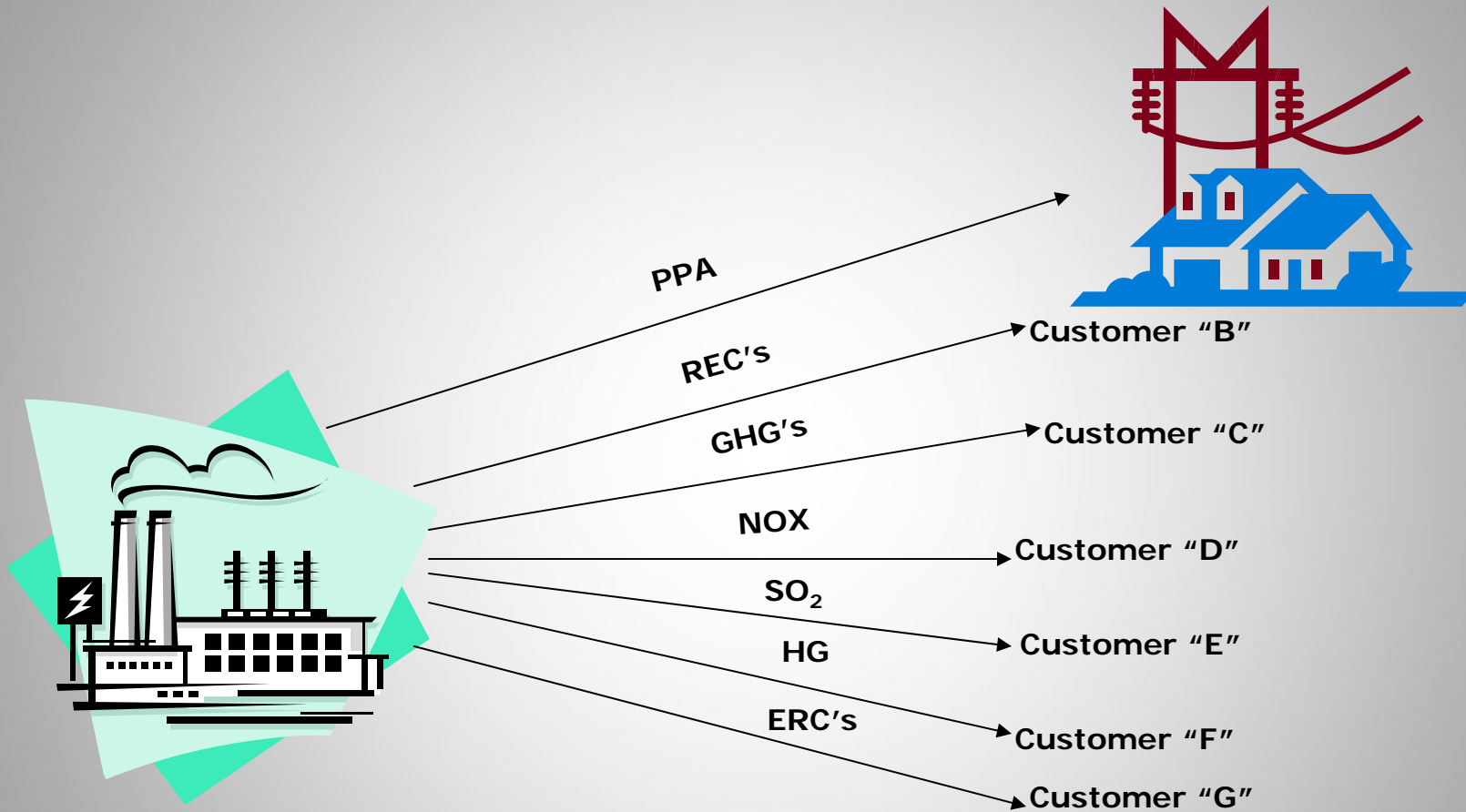
Power Plant

PPA



Utility/Buyer of
Commodity Power

NEW WORLD



RENEWABLE ENERGY CREDITS/REC'S

(aka TRC's, Tags, Attributes—They All Mean The Same!!)

- Value entirely a function of RPS mandate and the number of generators who qualify.
- Majority of States have some form of an RPS.
- *www.dsireusa.org*.

RPS Targets

1. Example from Various States

- **Maine:** 30% by 2000 (*includes natural gas*)
- **Massachusetts:** 4% by 2009, 1% thereafter,
(*limited to “new” and strict definition of biomass*)
- **California:** 20% by 2017
- **Minnesota:** 19% by 2015
- **Pennsylvania:** 25% by 2013

2. Different definitions of what constitutes “renewable”

makes REC markets a complicated patchwork of incentives

Who Participates in REC Markets?

- Sellers are Generators
- Buyers are (1) Parties who need to comply with RPS, (2) Hedge Funds, (3) Traders
- Brokers frequently participate and add value (Evolution, Element Markets, Natsource, Cantor Fitzgerald)
- State Renewable Funds offer price collars, i.e. Massachusetts Renewable Trust, Ct 100.

Value of Mandatory REC Markets

California:

Low liquidity. Low price. Spot prices \$0.50 MWh – 2007-2008 trades in \$3.00 range.

PJM:

NJ is regulatory driver: 2.5% by 2008. Compliance Cap is \$50.

Class I – \$7.00. Class II - \$4.00.

NEPOOL:


Wide variability in price. Massachusetts REC's trading north of \$50.00. CT REC's trading at high \$30's/low \$40's. Maine at \$0.50.

Definitional Issues

- Wide variety of opinion on who owns REC's in PURPA contracts. FERC and numerous states have ruled on issue. Issue remains unresolved.
- All new contracts will need to specifically define what is being conveyed and whether attributes include *all* “environmental attributes”.

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