
PUBLIC POWER GENERATION AGENCY

SECOND SUPPLEMENTAL

WHELAN ENERGY CENTER UNIT 2 REVENUE BOND RESOLUTION

relating to

Whelan Energy Center Unit 2 Revenue Bonds

2009 Series

Adopted June 19, 2009

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**SECOND SUPPLEMENTAL
WHELAN ENERGY CENTER UNIT 2 REVENUE BOND RESOLUTION**

authorizing
Whelan Energy Center Unit 2 Revenue Bonds
2009 Series

WHEREAS, the Public Power Generation Agency (the "Agency") is authorized, pursuant to the provisions of Sections 13-801 *et seq.*, Reissue Revised Statutes of Nebraska, 1997, as amended, the same being the Interlocal Corporation Act (the "Act"), to issue its revenue bonds for the purposes for which it was created; and

WHEREAS, the Agency was created by the Interlocal Agreement dated as of September 1, 2005, by and among the Members of the Agency for the purpose, among other things, of financing the Project; and

WHEREAS, the Board of Directors of the Agency adopted on January 4, 2007, its Whelan Energy Center Unit 2 General Revenue Bond Resolution (the "General Bond Resolution") providing for the issuance, pursuant to resolutions supplemental to the General Bond Resolution, of Whelan Energy Center Unit 2 Revenue Bonds (the "Bonds") to finance Project Costs; and

WHEREAS, pursuant to the Act and the General Bond Resolution as supplemented by the First Supplemental Whelan Energy Center Unit 2 Revenue Bond Resolution adopted by the Board of Directors of the Agency on January 4, 2007, the Agency issued a Series of Bonds for the purpose of financing a portion of the Project Costs; and

WHEREAS, the Board of Directors of the Agency hereby determines that it is in the best interests of the Agency to issue, pursuant to and in accordance with the Act and the General Bond Resolution, an additional Series of Bonds and to apply the proceeds thereof for the purpose of financing an additional portion of the Project Costs; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Public Power Generation Agency, as follows:

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

Section 1.01. Supplemental Resolution; Authority. This Second Supplemental Whelan Energy Center Unit 2 General Revenue Bond Resolution (the "Second Supplemental Resolution") is supplemental to, and is adopted in accordance with Article II and Article X of, the General Bond Resolution, and is adopted pursuant to the provisions of the Act.

Section 1.02. Definitions.

(a) All terms which are defined in Section 1.01 of the General Bond Resolution shall have the same meanings for purposes of this Second Supplemental Resolution, including the preambles hereto, unless otherwise defined herein.

(b) In this Second Supplemental Resolution:

"Bond Counsel" shall mean the counsel retained by the Agency for the purpose of rendering advice to the Agency with respect to the validity of, and if applicable the exclusion from gross income for Federal income taxation purposes of the interest on, the 2009 Series Bonds.

"Certificate of Determination" shall mean a certificate or certificates of an Authorized Officer of the Agency delivered pursuant to Section 2.03 of this Second Supplemental Resolution, setting forth certain terms and provisions of the 2009 Series Bonds, as such certificate(s) may be amended and supplemented.

"Debt Service" for any period shall mean, as of any date of calculation and with respect to the 2009 Series Bonds, an amount equal to the sum of (i) the interest accruing during such period on the 2009 Series Bonds, and (ii) that portion of each Principal Installment for the 2009 Series Bonds which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for the 2009 Series Bonds (or from the date of issuance of the 2009 Series Bonds, whichever date is later). Such interest and Principal Installments for the 2009 Series Bonds shall be calculated on the assumption that no 2009 Series Bonds Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

"Debt Service Reserve Account" shall mean, for purposes of this Second Supplemental Resolution, the 2009 Series Bonds Debt Service Reserve Account created in the Bond Fund by Section 3.01 hereof.

"Debt Service Reserve Account Requirement" shall mean, as of any date of calculation, an amount equal to the lesser of (i) (A) the maximum aggregate Debt Service in any Fiscal Year thereafter (or for the balance of the then current Fiscal Year) on all 2009 Series Bonds then Outstanding less (B) 35% of any interest accruing during such period with respect to any 2009 Series Build America Bonds or (ii) the least of (A) 10% of the aggregate principal amount of 2009 Series Bonds upon original issuance, or, in the event of more than a *de minimis*

amount of original issue discount or premium, 10% of the issue price (net of pre-issuance accrued interest) of the 2009 Series Bonds upon original issuance (determined based on Code principles), (B) as of the original issuance of the 2009 Series Bonds, the maximum aggregate Debt Service in any Fiscal Year (including the then current Fiscal Year) on all 2009 Series Bonds originally issued, or (C) as of the original issuance of the 2009 Series Bonds, 125% of the average of the Debt Service during any Fiscal Year (including the then current Fiscal Year) on all 2009 Series Bonds originally issued.

"Defaulted Interest" shall have the meaning specified in Section 2.05 hereof.

"DTC" shall mean The Depository Trust Company, New York, New York, or its successors.

"Person" shall mean any individual, corporation, partnership, limited partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability corporation or partnership, or governmental entity or any agency or subdivision thereof, or other legal entity or group of entities.

"Policy" shall mean any insurance policy or, collectively, policies guaranteeing the scheduled payment of principal of and interest on 2009 Series Bonds when due.

"Qualified Reserve Policy Provider" shall mean an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in the highest whole rating category (without regard to any qualifier) by each Rating Agency, or a letter of credit issuer which shall be a bank or trust company which on the date of issuance of the letter of credit has an outstanding unsecured, uninsured and unguaranteed debt issue which is rated not lower than the second highest whole rating category (without regard to any qualifier) by each Rating Agency.

"Rebate Account" shall mean, for purposes of this Second Supplemental Resolution, the 2009 Series Bonds Rebate Account created in the Revenue Fund by Section 2.09 hereof.

"Record Date" shall mean a Regular Record Date or a Special Record Date, as appropriate.

"Regular Record Date" shall mean the 15th day (whether or not a Business Day) of the calendar month next preceding each Interest Payment Date.

"Reserve Policy" shall mean any credit facility, insurance policy, surety bond, letter of credit or other credit support agreement or mechanism obtained by the Agency from a Qualified Reserve Policy Provider to satisfy all or a portion of its obligation to fund the Debt Service Reserve Requirement for the 2009 Series Bonds. The Reserve Policy shall provide that amounts may be drawn thereunder by the Trustee (upon the giving of notice as required thereunder) on any due date on which moneys will be required to be withdrawn from the Debt Service Reserve Account and applied to the payment of a Principal Installment of or interest on any 2009 Series Bonds and such withdrawal cannot be met by amounts on deposit in the Debt Service Reserve Account.

"Securities Depository" shall mean DTC or its successors.

"Special Record Date" shall have the meaning set forth in Section 2.05 hereof.

"2009 Series Bonds" shall mean the Bonds authorized to be issued pursuant to Section 2.01 hereof.

"2009 Series Build America Bonds" shall mean any 2009 Series Bonds which the Agency has elected to treat as "build america bonds" within the meaning of Section 54AA(d) of the Code that are "qualified bonds" within the meaning of Section 54AA(g) of the Code.

ARTICLE II

AUTHORIZATION OF BONDS

Section 2.01. Principal Amount, Designation, Series and Interest Bearing. Pursuant to the provisions of the General Bond Resolution, a Series of Bonds entitled to the benefit, protection and security of such provisions is hereby authorized in an aggregate principal amount not to exceed \$225,000,000. All such Bonds shall be designated as "Whelan Energy Center Unit 2 Revenue Bonds" and such Bonds of each Series shall be distinguished from the Bonds of all other Series by an additional Series designation as shall be specified in a Series Certificate. References herein to the 2009 Series Bonds shall be deemed to refer to all or any 2009 Series Bonds of a single Series, or to all or any 2009 Series Bonds bearing different Series designations as so authorized, as appropriate.

Such Bonds shall be issued as Interest Bearing Bonds.

Section 2.02. Purpose. The 2009 Series Bonds shall be issued for the purpose of paying a portion of the Project Costs.

Section 2.03. Delegation of Authority. There is hereby delegated to any Authorized Officer of the Agency, subject to the limitations contained herein, the power to determine and effectuate the following with respect to the 2009 Series Bonds:

(a) the aggregate principal amount of the 2009 Series Bonds, provided that such aggregate principal amount shall not exceed the amount specified in Section 2.01;

(b) the dated date or dates, maturity date or dates and the original principal amount of each maturity of the 2009 Series Bonds, provided that such maturity dates shall not extend beyond January 1, 2041;

(c) the interest rate or rates of the 2009 Series Bonds, the basis on which such rates shall be calculated and the Regular Record Date for the payment of such interest, provided that the interest rates to be borne by the 2009 Series Bonds shall not exceed seven and one-half percent (7-1/2%) per annum in the case of 2009 Series Bonds the interest on which is excluded from gross income for Federal income tax purposes and ten percent (10.0%) per annum in the case of 2009 Series Bonds the interest on which is included in gross income for Federal income tax purposes;

(d) the Interest Payment Date or Dates of the 2009 Series Bonds, including the initial Interest Payment Date or Dates, and the date or dates from which such Bonds shall bear interest;

(e) the deposits to Funds and Accounts, and application, of the proceeds of the 2009 Series Bonds, including deposits, if any, to fund interest on the 2009 Series Bonds, provided that interest shall not be funded in an amount which, together with projected investment earnings on and profit to be realized from the investment thereof, and any projected amounts contemplated by clause (l) below, will exceed the interest accruing on the 2009 Series Bonds, less 35% of such interest on any 2009 Series Build America Bonds, during the period ending not later than two (2) months after the projected date of commercial operation of the Project, or to such later date as may be approved by the Board of Directors of the Agency, which projections as determined by such Authorized Officer shall be conclusive;

(f) the 2009 Series Bonds to be retired from Sinking Fund Installments and the dates and the amounts thereof;

(g) the redemption provisions of the 2009 Series Bonds;

(h) the denominations of, and the manner of dating, numbering and lettering, the 2009 Series Bonds;

(i) the definitive form of the 2009 Series Bonds, assignment and Trustee's certificate of authentication thereon;

(j) matters contemplated by Section 4.01 hereof relating to the Policy, if any;

(k) matters contemplated by Section 4.02 hereof relating to the Reserve Policy, if any, for deposit in the Debt Service Reserve Account;

(l) the extent to which and the period of time for which investment earnings on and any profit realized from the liquidation of obligations held as part of a Fund or Account established under the Resolution (other than the Rebate Accounts or Debt Service Reserve Accounts, if any) shall be transferred to the Debt Service Account to pay interest on the 2009 Series Bonds;

(m) the portion of the 2009 Series Bonds which shall be issued as 2009 Series Build America Bonds and the matters contemplated by Section 2.09(iv) hereof relating to 2009 Series Build America Bonds; and

(n) any other provisions deemed advisable by an Authorized Officer of the Agency not materially in contrary to or inconsistent with the provisions of this Second Supplemental Resolution or of the General Bond Resolution.

An Authorized Officer of the Agency shall execute one or more certificates evidencing determinations or other actions taken pursuant to the authority granted herein, an executed copy of which shall be delivered to the Trustee. Each such certificate shall be deemed a Certificate of Determination and shall be conclusive evidence of the action or determination of

such officer as to the matters stated therein. The provisions of each Certificate of Determination shall be deemed to be incorporated in Article II hereof.

Section 2.04. Trustee and Paying Agent; Place of Payment.

(a) Wells Fargo Bank, N.A., heretofore has been appointed the Trustee under the Resolution, which appointment is hereby confirmed.

(b) The Agency hereby appoints the Trustee as the initial Paying Agent for the 2009 Series Bonds, and reserves the right to appoint any other or additional Paying Agents as permitted by the General Bond Resolution. Except as provided in Section 3.08 of the General Bond Resolution, the principal and Redemption Price of the 2009 Series Bonds shall be payable at the principal corporate trust office of the Paying Agent. The interest on 2009 Series Bonds shall be paid by check payable to the Holder and mailed by first class mail, postage prepaid, to the address of such Person as it shall appear on the books of the Agency kept at the office of the Bond Registrar, except as may be provided otherwise for 2009 Series Bonds held in a book-entry only system.

(c) Notwithstanding Sections 2.04(b) and 2.05 hereof, a Holder of \$1,000,000 or more in aggregate principal amount of 2009 Series Bonds of a Series, upon the written request of such Holder to the Trustee received on or prior to a Record Date, specifying the account or accounts to which such payment shall be made, payment of interest when due shall be made by wire transfer of immediately available funds. Any such direction or request shall remain in effect until revoked or revised by such Holder by an instrument in writing delivered to the Trustee.

Section 2.05. Payment of Interest on 2009 Series Bonds; Interest Rights Preserved. Interest on any 2009 Series Bonds, which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that 2009 Series Bond is registered at the close of business on the Regular Record Date.

Any interest on any 2009 Series Bond which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date ("Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such owner, and such Defaulted Interest shall be paid by the Agency to the Persons in whose names the 2009 Series Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Agency shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each 2009 Series Bond and the date of the proposed payment, and at the same time the Agency shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this subsection provided. Thereupon, the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment notice of the proposed payment. The Trustee shall promptly notify Agency of such Special Record Date and, in the name and at the expense of the Agency, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date

therefor to be mailed, first-class postage prepaid, to each 2009 Series Bondholder at his address as it appears in the books of registry kept by the Bond Registrar, not less than 10 days prior to such Special Record Date.

Subject to the foregoing provisions of this Section, each 2009 Series Bond delivered under the General Bond Resolution upon transfer of or in exchange for or in lieu of any other 2009 Series Bond shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other 2009 Series Bond.

Section 2.06. Regulations With Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging 2009 Series Bonds or transferring registered 2009 Series Bonds is exercised, the Agency shall execute and the Trustee shall authenticate and deliver 2009 Series Bonds, in accordance with the provisions of the General Bond Resolution. Upon the transfer of any 2009 Series Bond, the Agency shall issue in the name of the transferee a new 2009 Series Bond or Bonds of the same aggregate principal amount, interest rate and maturity as the surrendered 2009 Series Bond. All 2009 Series Bonds surrendered in any such exchanges or transfers shall forthwith be delivered to the Trustee and canceled or retained by the Trustee. For every such exchange or transfer of 2009 Series Bonds, the Agency or the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange, transfer or registration.

Neither the Agency nor the Bond Registrar shall be required to transfer or exchange any 2009 Series Bonds (i) during the period from and including any Regular Record Date to and including the next succeeding Interest Payment Date for the 2009 Series Bonds, (ii) during the period from and including the day 15 days prior to any Special Record Date to and including the date of the proposed payment pertaining thereto; (iii) during the period from and including the day 15 days prior to the mailing of notice calling any 2009 Series Bonds for redemption or for purchase in lieu of redemption to and including the date of such mailing; or (iv) any time following the mailing of notice of redemption or of purchase in lieu of redemption.

Section 2.07. Offices for Servicing Bonds. The Agency hereby appoints the Trustee as the Bond Registrar to maintain an agency for the registration, transfer or exchange of 2009 Series Bonds and for the service upon the Agency of notices, demands and other documents, and the Trustee shall continuously maintain or make arrangements to provide such services.

Section 2.08. Book-Entry Only. The 2009 Series Bonds initially shall be registered in the name of Cede & Co., as nominee of DTC. DTC is hereby designated the initial securities depository for the 2009 Series Bonds. So long as the Securities Depository or its nominee is the Holder of 2009 Series Bonds, individual purchases of beneficial ownership interests in such 2009 Series Bonds may be made only in book-entry form by or through participants of the Securities Depository, and purchasers of such beneficial ownership interests in such 2009 Series Bonds will not receive physical delivery of 2009 Series Bond certificates representing the beneficial ownership interest purchased.

Unless the Agency agrees otherwise, so long as the Securities Depository or its nominee is the Holder of 2009 Series Bonds, (i) payments of principal of and redemption

premium, if any, and interest on such 2009 Series Bonds will be made by the Agency by wire transfer to the Securities Depository or its nominee, and (ii) the Agency shall send notice of redemption of any such 2009 Series Bonds and any other notice required to be given pursuant to the Resolution, to the Securities Depository in a secure fashion (i.e., legible facsimile transmission, registered or certified mail, or overnight delivery service) in a timely manner designed to ensure that such notice is in the possession of the Securities Depository no later than the close of business on the Business Day before such notice otherwise is required to be given.

Notwithstanding anything in this Second Supplemental Resolution to the contrary, so long as the Securities Depository or its nominee is the Holder of 2009 Series Bonds, notice of redemption may be given in the manner, and presentation and surrender of such 2009 Series Bonds may be waived to the extent, agreed to by the Agency, the Trustee and the Securities Depository. Any failure of the Securities Depository or participant thereof to notify a beneficial owner of a Bond of any redemption shall not affect the sufficiency or the validity of the redemption of such 2009 Series Bond.

Notwithstanding anything in this Second Supplemental Resolution to the contrary, for so long as the Securities Depository or its nominee is the Holder of 2009 Series Bonds, payment of principal and sinking fund installments, if any, of and redemption premium, if any, and interest on such 2009 Series Bonds may be made in any manner agreed to by the Agency, the Trustee and the Securities Depository.

The Agency shall have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the 2009 Series Bonds or nominees thereof.

The Agency shall issue or caused to be issued 2009 Series Bond certificates directly to beneficial owners of the 2009 Series Bonds or to the Securities Depository, as specified by procedures of the Securities Depository, but only in the event that (i) the Securities Depository determines to discontinue providing its services with respect to such 2009 Series Bonds at any time by giving reasonable notice to the Agency or (ii) the Agency determines, subject to procedures of the Securities Depository, to discontinue use of the Securities Depository.

Section 2.09. Tax Covenants; Rebate Account. The Agency covenants with respect to the 2009 Series Bonds the interest on which is excluded from gross income for Federal income tax purposes that it shall comply with the applicable provisions of the Code relating to the exclusion of the interest paid by the Agency on such 2009 Series Bonds from gross income for Federal income taxation purposes. In furtherance of the foregoing covenant:

(i) The Agency shall not take or permit to be taken any action or actions with respect to the application and investment of any proceeds of such 2009 Series Bonds or any other funds of the Agency from whatever source derived, or the use, ownership or management of the Project or any portion thereof, which would cause any such 2009 Series Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code or "private activity bonds" within the meaning of Section 141 of the Code.

(ii) The Agency shall comply with the Tax Agreement executed and delivered by it and the letter of instructions, if any, delivered by Bond Counsel, in connection with the issuance of such 2009 Series Bonds as to compliance with applicable provisions of the Code, as such Tax Agreement and letter may be amended from time to time, as a source of guidance for achieving compliance with the Code, including, without limitation, timely payments of all rebate or other amounts to the United States Department of the Treasury under Section 148 of the Code.

(iii) The Agency shall cause, to the best of its ability and to the extent permitted by the Participation Agreement and applicable law, each Member to comply with the tax agreement executed and delivered by such Member and the letter of instructions, if any, delivered by Bond Counsel, in connection with the issuance of such 2009 Series Bonds as to compliance with applicable provisions of the Code, as such tax agreement and letter may be amended from time to time, as a source of guidance for achieving compliance with the Code.

(iv) Any Certificate of Determination authorizing 2009 Series Build America Bonds may include covenants, agreements or acknowledgements deemed appropriate, after consultation with Bond Counsel, relating to the status of such 2009 Series Build America Bonds under the Code and related matters.

There is hereby created and established pursuant to Section 5.04(c) of the General Bond Resolution a "2009 Series Bonds Rebate Account" (the Rebate Account) in the Revenue Fund for the purposes set forth in such Section 5.04(c) with respect to such 2009 Series Bonds. The Agency shall deposit moneys in the Rebate Account or withdraw moneys from the Rebate Account and otherwise administer the Rebate Account in compliance with the Tax Agreement executed and delivered by the Agency in connection with the issuance of such 2009 Series Bonds.

Section 2.10. Build America Bonds. The Agency may elect to treat any 2009 Series Bonds as 2009 Series Build America Bonds. Any cash payments received by the Agency from the United States Treasury with respect to 2009 Series Build America Bonds shall be deposited in the Revenue Fund and constitute and be treated as Revenues, anything in the General Bond Resolution to the contrary notwithstanding.

ARTICLE III

DEBT SERVICE RESERVE ACCOUNT

Section 3.01. Debt Service Reserve Account. (a) There is hereby established in the Debt Service Fund, pursuant to Section 5.02 of the General Bond Resolution, a "2009 Series Bonds Debt Service Reserve Account" (the Debt Service Reserve Account) for the purpose of further securing the 2009 Series Bonds.

Section 3.02. Deposit to Debt Service Reserve Account. There shall be deposited in the Debt Service Reserve Account simultaneously with the issuance of the 2009 Series Bonds either (i) moneys and/or Investment Securities or (ii) a Reserve Policy or (iii) a combination of moneys and/or Investment Securities and a Reserve Policy, in each case in an aggregate amount and value of Investment Securities equal to the Debt Service Reserve Account Requirement.

Section 3.03. Maintenance of Debt Service Reserve Account.

(a) If, on the due date of any Principal Installment of or interest on 2009 Series Bonds, the amount in the Debt Service Account shall be less than the amount required to be in such account pursuant to Section 5.06(a) of the General Bond Resolution for the payment of such Principal Installment or interest and there shall not be on deposit in the Reserve and Contingency Fund or in the General Reserve Fund available moneys to cure such deficiency, the Trustee shall apply amounts from the Debt Service Reserve Account to the extent necessary to cure the deficiency.

(b) Whenever the amounts on deposit in the Debt Service Reserve Account are less than the Debt Service Reserve Account Requirement, the Agency shall transfer amounts from the Revenue Fund, the Reserve and Contingency Fund, the General Revenue Fund or the Subordinated Indebtedness Fund, to the extent available, to the Trustee for deposit in the Debt Service Reserve Account pursuant to Sections 5.02, 5.09, 5.11 and 5.10, respectively, of the General Bond Resolution to the extent of such deficiency.

(c) Whenever the amounts on deposit in the Debt Service Reserve Account shall exceed the Debt Service Reserve Requirement, such excess shall be transferred by the Trustee to the Agency for deposit in the Revenue Fund.

(d) Whenever the amounts in the Debt Service Reserve Account, together with the amounts in the Debt Service Account for the payment of the 2009 Series Bonds, are sufficient to pay in full all Outstanding 2009 Series Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price of and interest thereon), the

funds on deposit in the Debt Service Reserve Account shall be transferred to the Debt Service Account from time to time to make the last such payments.

(e) The Agency may at any time cause to be deposited into the Debt Service Reserve Account for the benefit of the Holders of the 2009 Series Bonds one or more Reserve Policies in an aggregate amount equal to the difference between the Debt Service Reserve Account Requirement and the sums of moneys and/or value of Investment Securities then on deposit in the Debt Service Reserve Account, if any, and in connection therewith may cause to be withdrawn from the Debt Service Reserve Account any moneys and/or value of Investment Securities not required to cause the amounts on deposit in the Debt Service Reserve Account to at least equal the Debt Service Reserve Account Requirement.

If a disbursement is made pursuant to a Reserve Policy, the Agency shall within twelve months either (i) reinstate the maximum limits of such Reserve Policy or (ii) deposit into the Debt Service Reserve Account funds in the amount of the disbursement made under such Reserve Policy, or a combination of such alternatives, as shall provide that the amount in the Debt Service Reserve Account equals the Debt Service Reserve Account Requirement. In the event that the rating attributable to any Qualified Reserve Policy Provider providing a Reserve Policy held as above provided in the Debt Service Reserve Account shall fall below that required for such entity to qualify as a Qualified Reserve Policy Provider, the Agency shall within twelve months either (i) replace such Reserve Policy with a Reserve Policy from an entity that then qualifies as a Qualified Reserve Policy Provider or (ii) deposit into the Debt Service Reserve Account sufficient funds, or a combination of such alternatives, as shall provide that the amount in the Debt Service Reserve Account equals the Debt Service Reserve Account Requirement.

(f) In the event of the issuance of Refunding Bonds to refund 2009 Series Bonds (or any such Refunding Bonds), the Supplemental Resolution authorizing such Refunding Bonds may provide that the Debt Service Reserve Account shall apply to both such Refunding Bonds and the 2009 Series Bonds that will be Outstanding immediately following such refunding. In such event, references in this Second Supplemental Resolution to the 2009 Series Bonds in the definitions of Debt Service and Debt Service Reserve Account Requirement in Section 1.02 hereof and in this Section 3.03 shall be deemed to refer to such Refunding Bonds and Outstanding 2009 Series Bonds in the aggregate.

(g) In the event of the refunding of 2009 Series Bonds, the Trustee shall, upon the direction of the Agency; withdraw from the Debt Service Reserve Account amounts accumulated therein and deposit such amounts with itself as Trustee to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the 2009 Series Bonds being refunded, provided that such withdrawal shall not be made unless (i) immediately thereafter the 2009 Series Bonds being refunded shall be deemed to have been paid pursuant to Section 12.01(b) of the General Bond Resolution and (ii) the amount remaining in the Debt Service Reserve Account after such withdrawal shall not be less than the Debt Service Reserve Account Requirement.

ARTICLE IV

BOND AND RESERVE INSURANCE

Section 4.01. Authorization of Bond Insurance. In connection with the issuance of the 2009 Series Bonds, the Agency is authorized to purchase the Policy. The obtaining of the Policy, and the payment of the premium therefor and any bond rating fee required to be paid by the Agency relating thereto, are hereby authorized and approved. The Certificate of Determination may include any provisions necessary or desirable to satisfy conditions imposed by the issuer of the Policy upon issuance of the Policy, which may include reimbursements of amounts paid by the provider thereof together with interest on unreimbursed amounts.

Section 4.02. Authorization of Reserve Policy. In connection with the issuance of the 2009 Series Bonds, the Agency is authorized to purchase a Reserve Policy for deposit in the Debt Service Reserve Account. The obtaining of the Reserve Policy, and the payment of the premium therefor, and the execution and delivery of any agreement relating thereto, are hereby authorized and approved. The Certificate of Determination may include any provisions necessary or desirable to satisfy conditions imposed by the issuer of the Reserve Policy upon issuance of the Reserve Policy, which may include reimbursements of amounts paid by the provider thereof together with interest on unreimbursed amounts.

ARTICLE V

EFFECTIVE DATE

Section 5.01. Effective Date. This Second Supplemental Resolution shall take effect immediately upon the filing with the Trustee of (i) a copy of this Second Supplemental Resolution, certified by an Authorized Officer of the Agency, and (ii) the Opinion of Counsel required by Section 10.04(b) of the General Bond Resolution with respect to this Second Supplemental Resolution.

Adopted this 19th day of June, 2009.

CERTIFICATE OF DETERMINATION

I, the undersigned Chair of the Public Power Generation Agency (the "Agency"), pursuant to the authority granted by Section 2.02(a)(ii) of the Whelan Energy Center Unit 2 General Revenue Bond Resolution adopted by the Board of Directors of the Agency on January 4, 2007 (the "General Bond Resolution"), and Section 2.03 of the Second Supplemental Whelan Energy Center Unit 2 Revenue Bond Resolution adopted by the Board of Directors of the Agency on June 19, 2009 (the "Second Supplemental Bond Resolution" and, collectively with the General Bond Resolution, the "Resolution"), DO HEREBY CERTIFY AND DETERMINE as follows. All terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Resolution.

1. I am an Authorized Officer of the Agency.

2. The Resolution authorizes, among other things, the issuance and sale of up to \$225,000,000 aggregate principal amount of Whelan Energy Center Unit 2 Revenue Bonds (the "2009 Bonds") for the purposes stated therein. The 2009 Bonds shall be issued on the date hereof and shall consist of two Series, to wit: \$27,655,000 aggregate principal amount of Whelan Energy Center Unit 2 Revenue Bonds, 2009 Series A (the "Tax-Exempt Bonds") and \$185,185,000 aggregate principal amount of Whelan Energy Center Unit 2 Revenue Bonds, 2009 Series B (Direct Payment Build America Bonds) (the "Build America Bonds") as provided below.

3. A. The maturity dates of the Tax-Exempt Bonds, the respective principal amount maturing on each such date and the respective interest rate per annum to be borne by the Tax-Exempt Bonds of each such maturity are as follows:

<u>Maturity Date</u> <u>(January 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2012	\$ 745,000	2.25%
2012	1,095,000	2.75
2012	1,660,000	5.00
2013	320,000	3.00
2013	1,050,000	3.25
2013	2,260,000	5.00
2014	3,790,000	3.50
2015	1,445,000	4.00
2015	2,475,000	5.00
2016	4,105,000	4.00
2017	3,300,000	4.00
2017	965,000	5.00
2018	4,445,000	4.25

B. The Tax-Exempt Bonds shall be dated as of the date hereof and shall bear interest from such date. The Interest Payment Dates for the Tax-Exempt Bonds shall be each January 1 and July 1, commencing January 1, 2010 (or, if any such date is not a business day, then the next succeeding business day with no additional interest). Interest shall be calculated on

the basis of a 30-day month and a 360-day year. The Regular Record Date for the Tax-Exempt Bonds shall be the fifteenth (15th) day, whether or not a business day, of the calendar month next preceding each Interest Payment Date.

C. All of the Tax-Exempt Bonds shall be serial bonds.

D. The Tax-Exempt Bonds shall be issued in denominations of \$5,000 or any integral multiple thereof. The Tax-Exempt Bond numbers shall bear a prefix "2009A-", an additional prefix indicative of the respective years in which they mature and shall be numbered consecutively as issued, or otherwise as may be determined by the Trustee with the consent of an Authorized Officer of the Agency.

E. The Tax-Exempt Bonds shall not be subject to redemption prior to their respective stated maturities.

4. A. The maturity date of the Build America Bonds, the principal amount maturing on such date and the interest rate per annum to be borne by the Build America Bonds of such maturity are as follows:

<u>Maturity Date</u> <u>(January 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2041	\$185,185,000	7.242%

B. The Build America Bonds shall be dated as of the date hereof and shall bear interest from such date. The Interest Payment Dates for the Build America Bonds shall be each January 1 and July 1, commencing January 1, 2010 (or, if any such date is not a business day, then the next succeeding business day with no additional interest). Interest shall be calculated on the basis of a 30-day month and a 360-day year. The Regular Record Date for the Build America Bonds shall be the fifteenth (15th) day, whether or not a business day, of the calendar month next preceding each Interest Payment Date.

C. The Build America Bonds shall be term bonds subject to retirement from Sinking Fund Installments which shall be accumulated in the Debt Service Account by January 1 in each of the years and in the respective principal amounts as follows, subject to Sections 5.07(b) and (f) of the General Bond Resolution:

<u>Year</u>	<u>Sinking Fund</u> <u>Installment</u>	<u>Year</u>	<u>Sinking Fund</u> <u>Installment</u>	<u>Year</u>	<u>Sinking Fund</u> <u>Installment</u>
2019	\$4,635,000	2027	\$6,700,000	2035	\$ 9,675,000
2020	4,855,000	2028	7,015,000	2036	10,130,000
2021	5,080,000	2029	7,345,000	2037	10,610,000
2022	5,320,000	2030	7,690,000	2038	11,110,000
2023	5,570,000	2031	8,050,000	2039	11,630,000
2024	5,835,000	2032	8,430,000	2040	12,180,000
2025	6,110,000	2033	8,825,000	2041	12,755,000
2026	6,395,000	2034	9,240,000		Stated Maturity

D. (i) *Make-Whole Optional Redemption.* The Build America Bonds shall be subject to redemption prior to their stated maturities, at the option of the Agency, in whole or in part at any time at the "Make Whole Redemption Price." The Make Whole Redemption Price is equal to the greater of:

(a) the issue price of the Build America Bonds set forth below (but not less than 100%) of the principal amount of the Build America Bonds to be redeemed; or

(b) the sum of the present value of the remaining scheduled payments of principal of and interest on the Build America Bonds to be redeemed to the maturity date of such Build America Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Build America Bonds are to be redeemed, discounted to the date on which the Build America Bonds are to be redeemed on a semi annual basis, assuming a 360 day year containing twelve 30 day months, at the Treasury Rate (defined below) plus 50 basis points,

plus in each case accrued interest on the Build America Bonds to be redeemed to the redemption date.

The issue price of the Build America Bonds is 100.0%

"Treasury Rate" means, with respect to any redemption date for a particular Build America Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date, excluding inflation indexed securities, or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Build America Bonds to be redeemed; provided, however, that if the period from the redemption date to the maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

(ii) *Extraordinary Optional Redemption.* The Build America Bonds shall be subject to extraordinary optional redemption prior to their stated maturities, at the option of the Agency, upon the occurrence of an Extraordinary Event (defined below), in whole or in part at any time, at the "Extraordinary Make Whole Redemption Price." The Extraordinary Make Whole Redemption Price is equal to the greater of:

(a) the issue price of the Build America Bonds set forth above in "Make-Whole Optional Redemption" (but not less than 100%) of the principal amount of the Build America Bonds to be redeemed; or

(b) the sum of the present value of the remaining scheduled payments of principal of and interest on the Build America Bonds to be redeemed to the maturity date of such Build America Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Build America Bonds are to be redeemed, discounted to the date on which the Build

America Bonds are to be redeemed on a semi annual basis, assuming a 360 day year containing twelve 30 day months, at the Treasury Rate (defined in "Make-Whole Optional Redemption" above) plus 100 basis points,

plus in each case accrued interest on the Build America Bonds to be redeemed to the redemption date.

An "Extraordinary Event" will have occurred if the Agency determines that a material adverse change has occurred to Section 54AA or 6431 of the Code (as such Sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009, pertaining to "build America bonds") or there is a guidance published by the Internal Revenue Service or the United States Treasury with respect to such Sections or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of an act or omission by the Agency to satisfy the requirements to receive the 35 percent cash subsidy payment from the United States Treasury, pursuant to which the Agency's 35 percent cash subsidy payment from the United States Treasury is reduced or eliminated.

(iii) *Mandatory Sinking Fund Redemption.* The Build America Bonds also are subject to redemption prior to their maturity, on and after January 1, 2018, at the option of the Agency, in installments of \$5,000 or any integral multiple thereof, but only from the respective mandatory Sinking Fund Installments specified in Section 4.C above, in part from time to time at the redemption price of 100% of the principal amount or portion thereof to be redeemed, plus accrued interest, if any, on such principal amount to the redemption date, subject to Sections 5.07(b) and (f) of the General Bond Resolution.

(iv) *Selection of Build America Bonds for Redemption.* If fewer than all of the Build America Bonds of like maturity are called for prior redemption or purchase in lieu of redemption, the particular Build America Bonds or portions of Build America Bonds to be redeemed or purchased will be selected by the Trustee pro rata as nearly as practicable in proportion to the principal amounts of the Build America Bonds owned by each registered owner, subject to the authorized denominations applicable to the Build America Bonds. This will be calculated based on the formula: (principal to be redeemed) x (principal amount owned by owner) / (principal amount outstanding). In such event, the particular Build America Bonds to be redeemed will be determined by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate.

E. The Build America Bonds shall be issued in denominations of \$5,000 or any integral multiple thereof. The Build America Bond numbers shall bear a prefix "2009B-", an additional prefix indicative of the respective years in which they mature and shall be numbered consecutively as issued, or otherwise as may be determined by the Trustee with the consent of an Authorized Officer of the Agency.

F. The Agency hereby agrees to do all things necessary or appropriate to ensure that the Build America Bonds qualify as "build America bonds" under Section 54AA and "qualified bonds" under Section 6431 of the Code.

5. The 2009 Bonds initially issued shall be registered in the name of "Cede & Co." The Agency shall deliver the 2009 Bonds in definitive form in New York, New York, on the date hereof, through The Depository Trust Company.

6. The forms of the 2009 Bonds, the forms of assignment, and the Trustee's Certificates of Authentication shall be in substantially the respective forms set forth in **Exhibits A** and **B** hereto, with necessary or appropriate variations, omissions and insertions as are incidental to their numbers, denominations, maturities, interest rate or rates, and other details thereof or as are otherwise permitted or required by law or by the Resolution, including the Second Supplemental Bond Resolution.

7. A. The Tax-Exempt Bonds are being sold under a Bond Purchase Contract dated July 10, 2009 (the "Bond Purchase Contract"), between the Agency and the Underwriters thereunder, the Representative of which Underwriters under the Bond Purchase Contract is Goldman, Sachs & Co., at an aggregate purchase price (including an aggregate original issue premium of \$318,733.30 and net of an aggregate underwriters' discount of \$153,640.56) of \$27,820,092.74 (the "Tax-Exempt Bonds Purchase Price").

B. The Tax-Exempt Bonds Purchase Price shall be applied as follows:

(i) \$9,150,141.41 shall be deposited in the Debt Service Fund for credit to the Debt Service Account for further credit to a "2009 Series A Bonds Debt Service Subaccount" (hereby created and established) therein to fund interest to accrue on the Tax-Exempt Bonds and a portion of interest to accrue on the Whelan Energy Center Unit 2 Revenue Bonds, 2007 Series A (the "2007 Bonds"), to a date no later than May 1, 2011, which date is three (3) months after the projected date of commercial operation of the Project of February 1, 2011, and interest to accrue on the Build America Bonds from February 1, 2011 to a date no later than May 1, 2011; provided, however, that any such amount not required to fund interest on such Bonds accruing to the actual date of commercial operation of the Project shall be applied as directed in the Tax Agreement relating to the Tax-Exempt Bonds; and

(ii) \$18,669,951.33 shall be deposited in the Construction Fund for credit to a "2009 Series A Bonds Construction Account" (hereby created and established) therein.

8. A. The Build America Bonds are being sold under the Bond Purchase Contract at an aggregate purchase price (net of an aggregate underwriters' discount of \$1,723,260.39) of \$183,461,739.61 (the "Build America Bonds Purchase Price").

B. The Build America Bonds Purchase Price shall be applied as follows:

(i) \$29,886,654.39 shall be deposited in the Debt Service Fund for credit to the Debt Service Account for further credit to a "2009 Series B Bonds Debt Service Subaccount" (hereby created and established) therein to fund interest to accrue on the Build America Bonds and a portion of interest to accrue on the 2007 Bonds to a date no later than February 1, 2011; provided, however, that any such amount, and any amount transferred to the 2009 Series B Bonds Debt Service Subaccount pursuant to the third paragraph of Section 9 below, not required to fund interest on such Bonds accruing to the actual date of the commercial operation of the Project shall be applied as directed in the Tax Agreement relating to the Build America Bonds;

(ii) \$13,355,416.12 shall be deposited in the Debt Service Fund for credit to the Debt Service Reserve Account; and

(iii) \$140,219,669.10 shall be deposited in the Construction Fund for credit to a "2009 Series B Construction Account" (hereby created and established) therein.

9. Investment earnings on and any profits realized from the liquidation of obligations held as part of the 2009 Series A Bonds Debt Service Subaccount and the 2009 Series A Bonds Construction Account as a result of the deposits required by paragraph 7(B) above and as a result of the investment of "2009 Series A and B Bonds Operating Account" (hereby created and established) in the Operating Fund shall from time to time be transferred to or retained in, as the case may be, the 2009 Series A and B Bonds Operating Account until a date determined by an Authorized Officer of the Agency that is no later than the date that is one (1) year after the date of commercial operation of the Project, and thereafter to the Revenue Fund.

Investment earnings on and any profits realized from the liquidation of obligations held as part of the 2009 Series B Bonds Debt Service Subaccount and the 2009 Series B Bonds Construction Account as a result of the deposits required by paragraph 8(B) above and the investment thereof shall be retained in such respective Accounts.

Any surplus monies on deposit in the Debt Service Reserve Account from time to time may be transferred to the 2009 Series B Bonds Debt Service Subaccount until a date no later than the actual date of commercial operation of the Project, and thereafter to the Revenue Fund. Any such amounts transferred to the Revenue Fund may be transferred to any other Fund or Account as may be permitted or required by the Resolution.

10. Following the expenditure of the proceeds of the 2009 Bonds on deposit in any of the 2009 Series A Bonds Debt Service Subaccount, 2009 Series A Bonds Construction Account, 2009 Series B Bonds Debt Service Subaccount, 2009 Series B Bonds Construction Account and 2009 Series A and B Bonds Operating Account, and the transfer or expenditure therefrom of investment earnings on and profits realized from the liquidation of obligations held as part thereof, such respective Subaccounts and Accounts may be discontinued.

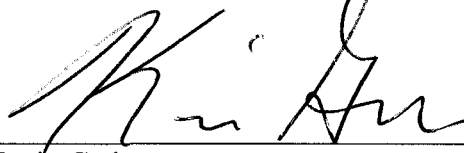
11. The Preliminary Official Statement of the Agency dated July 1, 2009, and the Official Statement of the Agency dated July 10, 2009, and the distribution thereof in connection with the public offering and sale of the 2009 Bonds are hereby ratified.

12. The Agency's previously approved Investment Policy for Placement of Bond Proceeds, attached hereto as **Exhibit C**, has not been supplemented or amended and is in full force and effect.

[Signature page follows]

IN WITNESS WHEREOF, I have hereunto set my hand as of this 16th day of
July, 2009.

PUBLIC POWER GENERATION AGENCY

A handwritten signature in black ink, appearing to read 'Kevin Gaden', written over a horizontal line.

Kevin Gaden
Chair

[Signature Page of Certificate of Determination]

**Exhibit A to
Certificate of
Determination**

FORM OF SERIES TAX-EXEMPT BONDS

No. 2009A-__-1

\$ _____

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Public Power Generation Agency or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

**UNITED STATES OF AMERICA
STATE OF NEBRASKA**

PUBLIC POWER GENERATION AGENCY

**Whelan Energy Center Unit 2 Revenue Bond
2009 Series A**

Interest Rate

_____%

Maturity Date

January 1, ____

CUSIP

744434 ____

Registered Holder: Cede & Co.

Principal Amount: _____ Dollars

PUBLIC POWER GENERATION AGENCY (herein called the "Agency"), a public body corporate and politic created and existing under and by virtue of the laws of the State of Nebraska, acknowledges itself indebted, and for value received hereby promises to pay, to the Registered Holder named above or registered assigns, but solely from the Revenues (as defined in the Resolution hereinafter mentioned) and other sources hereinafter mentioned and not otherwise, the Principal Amount specified above on the Maturity Date specified above in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and interest on such Principal Amount in like coin or currency and at the Interest Rate per annum specified above. Interest on this Bond shall be payable from the January 1 or July 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a January 1 or July 1, in which case from such date if interest has been paid to such date; provided, however, that such interest shall be payable on this Bond from July 16, 2009, if the date of authentication is prior to the first

interest payment date therefor. Interest on this Bond shall be payable on January 1, 2010 and semi-annually thereafter on each January 1 and July 1 (or if any such date is not a business day, then on the next succeeding business day with no additional interest), in each case to the Holder hereof as of the close of business on the fifteenth day (whether or not a business day) of the next preceding calendar month, such interest to be paid by the Trustee by check payable to the Holder hereof and mailed by first class mail, postage prepaid, to such Holder's address as it appears on the registry books kept at the office of the Bond Registrar, except as may be provided otherwise if this Bond is held in a book-entry-only system. Notwithstanding the foregoing, a Holder of \$1,000,000 or more in aggregate principal amount of 2009 Series A Bonds (as defined below), upon the written request of such Holder to the Trustee received on or prior to a Record Date, specifying the account or accounts to which such payment shall be made, payment of interest when due shall be made by wire transfer of immediately available funds, which direction or request shall remain in effect until revoked or revised by such Holder by an instrument in writing delivered to the Trustee. Interest shall be calculated on the basis of a 30-day month and a 360-day year. Principal of this Bond shall be payable at the principal corporate trust office of the Trustee upon presentation and surrender of this Bond, except as may be provided otherwise if this Bond is held in a book-entry-only system.

This Bond is one of a duly authorized issue of obligations of the Agency designated as its Whelan Energy Center Unit 2 Revenue Bonds (herein called the "Bonds") issued and to be issued in various series under and pursuant to Section 13-801 *et seq.*, Reissue Revised Statute of Nebraska, 2007, as amended, the same being the Interlocal Cooperation Act (herein called the "Act"), and under and pursuant to a resolution of the Agency adopted by its Board of Directors on January 4, 2007, entitled "Whelan Energy Center Unit 2 General Revenue Bond Resolution" (herein called the "General Bond Resolution"). The aggregate principal amount of Bonds which may be issued under the General Bond Resolution is not limited except as provided in the General Bond Resolution as the same may be supplemented and amended.

This Bond is one of a series of Bonds of various maturities designated as "2009 Series A" (herein called the "2009 Series A Bonds") issued in the aggregate principal amount of \$27,655,000 under the Act, the General Bond Resolution and a supplemental resolution of the Agency adopted by its Board of Directors on June 19, 2009, and entitled "Second Supplemental Whelan Energy Center Unit 2 Revenue Bond Resolution", including as a part thereof the Certificate of Determination dated July 16, 2009 (the "Second Supplemental Bond Resolution"). The General Bond Resolution, as supplemented by the Second Supplemental Bond Resolution and as the same may be further supplemented and amended, is herein collectively called the "Resolution".

Capitalized terms used herein and not otherwise defined herein shall have the meanings provided in the Resolution. Copies of the Resolution are on file at the office of the Agency and at the principal corporate trust office of Wells Fargo Bank, N.A., Lincoln, Nebraska, as Trustee under the Resolution, or its successor as such Trustee (herein called the "Trustee"). The Trustee is also Bond Registrar and Paying Agent for the 2009 Series A Bonds.

The Bonds are payable as to principal, Redemption Price and interest solely from and are equally and ratably secured solely by the Revenues and certain other moneys, securities, funds and accounts and rights pledged to such payment by the Resolution, subject to the

provisions of the Resolution permitting the application of such Revenues, moneys, securities, funds, accounts and rights to other purposes and on the terms and conditions set forth in the Resolution, including, without limitation, the prior application of Revenues to the payment of Operating Expenses. The Bonds are special obligations of the Agency payable solely from such Revenues, moneys, securities, funds, accounts and rights, and no other revenues or assets of the Agency shall be, or shall be deemed to be, pledged to the payment thereof.

Reference is hereby made to the Resolution, including without limitation the Second Supplemental Bond Resolution, to all of the provisions of which any Holder of this Bond by such Holder's acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the pledge and covenants securing the Bonds, including this Bond; the Revenues, moneys, securities, funds, accounts and rights pledged to the payment of the principal and Redemption Price of and interest on the Bonds issued thereunder; the nature and extent and manner of enforcement of the pledge; the conditions upon which Bonds may hereafter be issued thereunder and certain other obligations may be incurred, payable on a parity with the 2009 Series A Bonds from such Revenues, moneys, securities, funds, accounts and rights and equally and ratably secured therewith; the conditions upon which the Resolution may be amended or supplemented with or without the consent of the Holders of the Bonds; the rights and remedies of the Holders of the Bonds with respect to the Bonds and the Resolution, including the limitations therein contained upon the right of a Holder to institute any suit, action or proceeding in equity or at law; the rights, duties and obligations of the Agency and the Trustee thereunder; the terms and provisions upon which the pledges and covenants made therein may be discharged at or prior to the maturity of this Bond, and this Bond thereafter no longer be secured by the Resolution or be deemed to be Outstanding thereunder, if moneys or certain specified securities shall have been deposited with the Trustee sufficient and held in trust solely for the payment hereof; and for the other terms and provisions thereof.

THE PRINCIPAL OF BONDS MAY NOT BE DECLARED DUE AND PAYABLE BEFORE THE MATURITY THEREOF UPON THE OCCURRENCE OF AN EVENT OF DEFAULT.

The 2009 Series A Bonds are issuable in the form of registered Bonds without coupons in denominations of \$5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Resolution, this Bond may be exchanged at the office of the Bond Registrar for a like aggregate principal amount of 2009 Series A Bonds of other authorized denominations and of the same Series, maturity and interest rate.

This Bond is transferable, as provided in the Resolution, only upon the books of the Agency kept for that purpose at the principal office of the Bond Registrar by the Holder hereof in person, or by his attorney duly authorized in writing, subject to the limitations and upon payment of the charges, if any, provided in the Resolution, and thereupon a new registered Bond or Bonds, and in the same aggregate principal amount, Series, maturity and interest rate shall be issued to the transferee in exchange therefor.

The Agency and each Fiduciary may deem and treat the person in whose name this Bond is registered upon the books as the absolute owner hereof for the purpose of receiving

payment of principal and interest on this Bond and for all other purposes, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the Agency's liability upon this Bond to the extent of the sum or sums so paid, and neither the Agency nor any Fiduciary shall be affected by any notice to the contrary.

The 2009 Series A Bonds are not subject to redemption prior to their respective stated maturities.

No member of the Agency or of its Board of Directors, no officer, employee or agent of the Agency, and no person executing 2009 Series A Bonds, shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the 2009 Series A Bonds.

The Bonds shall not constitute a debt of any political subdivision (other than the Agency to the extent provided by the Resolution) or the State of Nebraska, and neither the State of Nebraska nor any political subdivision thereof (other than the Agency to the extent provided by the Resolution) shall be liable thereon. The Agency does not have the power to pledge the credit, the revenues or the taxing power of the State of Nebraska or any political subdivision thereof, and none of the credit, the revenues or the taxing power of the State of Nebraska or of any political subdivision thereof is or shall be or be deemed to be pledged to the payment of the Bonds.

It is hereby certified and recited that all conditions, acts and things required by law and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed and that the issuance of the 2009 Series A Bonds, together with all other indebtedness of the Agency, is within every debt and other limit prescribed by the laws of the State of Nebraska.

This Bond shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

[Signature Page Follows]

IN WITNESS WHEREOF, THE PUBLIC POWER GENERATION AGENCY has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Chair or Vice Chair, and its corporate seal (or a facsimile thereof) to be hereunto affixed, impressed, imprinted, engraved or otherwise reproduced and attested by the manual or facsimile signature of its Secretary-Treasurer, all as of July 16, 2009.

PUBLIC POWER GENERATION AGENCY

By: _____
Authorized Officer

[SEAL]

Attest:

Authorized Officer

Authentication Date: July 16, 2009

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the bonds of the series designated therein and described in the within-mentioned Resolution.

WELLS FARGO BANK, N.A.,
Trustee

By: _____
Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

Please insert Social Security or
Taxpayer Identification Number of Transferee

/ _____ /

(Please print or typewrite name and address, including zip code, of Transferee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

attorney to register the transfer of the within Bond on the books kept for registration thereof,
with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be
guaranteed by a member or participant
of a signature guarantee program

NOTICE: The signature above must
correspond with the name of the Holder as it
appears upon the front of this Bond in every
particular, without alteration or enlargement
or change whatsoever.

FORM OF SERIES 2009 SERIES B BONDS

No. 2009B-41-1

\$185,185,000

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Public Power Generation Agency or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

**UNITED STATES OF AMERICA
STATE OF NEBRASKA**

PUBLIC POWER GENERATION AGENCY

**Whelan Energy Center Unit 2 Revenue Bond
2009 Series B (Direct Payment Build America Bond)**

Interest Rate

7.242%

Maturity Date

January 1, 2041

CUSIP

744434 CW9

Registered Holder: Cede & Co.

Principal Amount: One Hundred Eighty-Five Million One Hundred Eighty-Five
Thousand Dollars

PUBLIC POWER GENERATION AGENCY (herein called the "Agency"), a public body corporate and politic created and existing under and by virtue of the laws of the State of Nebraska, acknowledges itself indebted, and for value received hereby promises to pay, to the Registered Holder named above or registered assigns, but solely from the Revenues (as defined in the Resolution hereinafter mentioned) and other sources hereinafter mentioned and not otherwise, the Principal Amount specified above on the Maturity Date specified above (subject to the right of prior redemption, if any, as hereinafter mentioned) in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and interest on such Principal Amount in like coin or currency and at the Interest Rate per annum specified above. Interest on this Bond shall be payable from the January 1 or July 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a January 1 or July 1, in which case from such date if

interest has been paid to such date; provided, however, that such interest shall be payable on this Bond from July 16, 2009, if the date of authentication is prior to the first interest payment date therefor. Interest on this Bond shall be payable on January 1, 2010 and semi-annually thereafter on each January 1 and July 1 (or if any such date is not a business day, then on the next succeeding business day with no additional interest), in each case to the Holder hereof as of the close of business on the fifteenth day (whether or not a business day) of the next preceding calendar month, such interest to be paid by the Trustee by check payable to the Holder hereof and mailed by first class mail, postage prepaid, to such Holder's address as it appears on the registry books kept at the office of the Bond Registrar, except as may be provided otherwise if this Bond is held in a book-entry-only system. Notwithstanding the foregoing, a Holder of \$1,000,000 or more in aggregate principal amount of 2009 Series B Bonds (as defined below), upon the written request of such Holder to the Trustee received on or prior to a Record Date, specifying the account or accounts to which such payment shall be made, payment of interest when due shall be made by wire transfer of immediately available funds, which direction or request shall remain in effect until revoked or revised by such Holder by an instrument in writing delivered to the Trustee. Interest shall be calculated on the basis of a 30-day month and a 360-day year. Principal of this Bond shall be payable at the principal corporate trust office of the Trustee upon presentation and surrender of this Bond, except as may be provided otherwise if this Bond is held in a book-entry-only system.

This Bond is one of a duly authorized issue of obligations of the Agency designated as its Whelan Energy Center Unit 2 Revenue Bonds (herein called the "Bonds") issued and to be issued in various series under and pursuant to Section 13-801 *et seq.*, Reissue Revised Statute of Nebraska, 2007, as amended, the same being the Interlocal Cooperation Act (herein called the "Act"), and under and pursuant to a resolution of the Agency adopted by its Board of Directors on January 4, 2007, entitled "Whelan Energy Center Unit 2 General Revenue Bond Resolution" (herein called the "General Bond Resolution"). The aggregate principal amount of Bonds which may be issued under the General Bond Resolution is not limited except as provided in the General Bond Resolution as the same may be supplemented and amended.

This Bond is one of a series of Bonds of various maturities designated as "2009 Series B (Direct Payment Build America Bonds)" (herein called the "2009 Series B Bonds") issued in the aggregate principal amount of \$185,185,000 under the Act, the General Bond Resolution and a supplemental resolution of the Agency adopted by its Board of Directors on June 19, 2009, and entitled "Second Supplemental Whelan Energy Center Unit 2 Revenue Bond Resolution", including as a part thereof the Certificate of Determination dated July 16, 2009 (the "Second Supplemental Bond Resolution"). The General Bond Resolution, as supplemented by the Second Supplemental Bond Resolution and as the same may be further supplemented and amended, is herein collectively called the "Resolution".

Capitalized terms used herein and not otherwise defined herein shall have the meanings provided in the Resolution. Copies of the Resolution are on file at the office of the Agency and at the principal corporate trust office of Wells Fargo Bank, N.A., Lincoln, Nebraska, as Trustee under the Resolution, or its successor as such Trustee (herein called the "Trustee"). The Trustee is also Bond Registrar and Paying Agent for the 2009 Series B Bonds.

The Bonds are payable as to principal, Redemption Price and interest solely from and are equally and ratably secured solely by the Revenues and certain other moneys, securities, funds and accounts and rights pledged to such payment by the Resolution, subject to the provisions of the Resolution permitting the application of such Revenues, moneys, securities, funds, accounts and rights to other purposes and on the terms and conditions set forth in the Resolution, including, without limitation, the prior application of Revenues to the payment of Operating Expenses. The Bonds are special obligations of the Agency payable solely from such Revenues, moneys, securities, funds, accounts and rights, and no other revenues or assets of the Agency shall be, or shall be deemed to be, pledged to the payment thereof.

Reference is hereby made to the Resolution, including without limitation the Second Supplemental Bond Resolution, to all of the provisions of which any Holder of this Bond by such Holder's acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the pledge and covenants securing the Bonds, including this Bond; the Revenues, moneys, securities, funds, accounts and rights pledged to the payment of the principal and Redemption Price of and interest on the Bonds issued thereunder; the nature and extent and manner of enforcement of the pledge; the conditions upon which Bonds may hereafter be issued thereunder and certain other obligations may be incurred, payable on a parity with the 2009 Series A Bonds from such Revenues, moneys, securities, funds, accounts and rights and equally and ratably secured therewith; the conditions upon which the Resolution may be amended or supplemented with or without the consent of the Holders of the Bonds; the rights and remedies of the Holders of the Bonds with respect to the Bonds and the Resolution, including the limitations therein contained upon the right of a Holder to institute any suit, action or proceeding in equity or at law; the rights, duties and obligations of the Agency and the Trustee thereunder; the terms and provisions upon which the pledges and covenants made therein may be discharged at or prior to the maturity of this Bond, and this Bond thereafter no longer be secured by the Resolution or be deemed to be Outstanding thereunder, if moneys or certain specified securities shall have been deposited with the Trustee sufficient and held in trust solely for the payment hereof; and for the other terms and provisions thereof.

THE PRINCIPAL OF BONDS MAY NOT BE DECLARED DUE AND PAYABLE BEFORE THE MATURITY THEREOF UPON THE OCCURRENCE OF AN EVENT OF DEFAULT.

The 2009 Series B Bonds are issuable in the form of registered Bonds without coupons in denominations of \$5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Resolution, this Bond may be exchanged at the office of the Bond Registrar for a like aggregate principal amount of 2009 Series B Bonds of other authorized denominations and of the same Series, maturity and interest rate.

This Bond is transferable, as provided in the Resolution, only upon the books of the Agency kept for that purpose at the principal office of the Bond Registrar by the Holder hereof in person, or by his attorney duly authorized in writing, subject to the limitations and upon payment of the charges, if any, provided in the Resolution, and thereupon a new registered Bond or Bonds, and in the same aggregate principal amount, Series, maturity and interest rate shall be issued to the transferee in exchange therefor.

The Agency and each Fiduciary may deem and treat the person in whose name this Bond is registered upon the books as the absolute owner hereof for the purpose of receiving payment of principal and interest on this Bond and for all other purposes, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the Agency's liability upon this Bond to the extent of the sum or sums so paid, and neither the Agency nor any Fiduciary shall be affected by any notice to the contrary.

The 2009 Series B Bonds maturing on January 1, 2041, are term bonds subject to retirement from Sinking Fund Installments which shall be accumulated by January 1 in each of the years and in the respective principal amounts as follows, subject to provisions of the General Bond Resolution providing for credits against such installments in the event of the purchase or redemption of 2009 Series B Bonds:

<u>Year</u>	<u>Sinking Fund Installment</u>	<u>Year</u>	<u>Sinking Fund Installment</u>	<u>Year</u>	<u>Sinking Fund Installment</u>
2019	\$4,635,000	2027	\$6,700,000	2035	\$ 9,675,000
2020	4,855,000	2028	7,015,000	2036	10,130,000
2021	5,080,000	2029	7,345,000	2037	10,610,000
2022	5,320,000	2030	7,690,000	2038	11,110,000
2023	5,570,000	2031	8,050,000	2039	11,630,000
2024	5,835,000	2032	8,430,000	2040	12,180,000
2025	6,110,000	2033	8,825,000	2041	12,755,000
2026	6,395,000	2034	9,240,000		Stated Maturity

Make-Whole Optional Redemption. The 2009 Series B Bonds shall be subject to redemption prior to their stated maturities, at the option of the Agency, in whole or in part at any time at the "Make Whole Redemption Price." The Make Whole Redemption Price is equal to the greater of:

(a) the issue price of the 2009 Series B Bonds set forth below (but not less than 100%) of the principal amount of the 2009 Series B Bonds to be redeemed; or

(b) the sum of the present value of the remaining scheduled payments of principal of and interest on the 2009 Series B Bonds to be redeemed to the maturity date of such 2009 Series B Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2009 Series B Bonds are to be redeemed, discounted to the date on which the 2009 Series B Bonds are to be redeemed on a semi annual basis, assuming a 360 day year containing twelve 30 day months, at the Treasury Rate (defined below) plus 50 basis points,

plus in each case accrued interest on the 2009 Series B Bonds to be redeemed to the redemption date.

The issue price of the 2009 Series B Bonds of each maturity is 100.0%

“Treasury Rate” means, with respect to any redemption date for a particular 2009 Series B Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date, excluding inflation indexed securities, or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the 2009 Series B Bonds to be redeemed; provided, however, that if the period from the redemption date to the maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

Extraordinary Optional Redemption. The 2009 Series B Bonds shall be subject to extraordinary optional redemption prior to their stated maturities, at the option of the Agency, upon the occurrence of an Extraordinary Event (defined below), in whole or in part at any time, at the “Extraordinary Make Whole Redemption Price.” The Extraordinary Make Whole Redemption Price is equal to the greater of:

(a) the issue price of the 2009 Series B Bonds set forth above in “Make-Whole Optional Redemption” (but not less than 100%) of the principal amount of the 2009 Series B Bonds to be redeemed; or

(b) the sum of the present value of the remaining scheduled payments of principal of and interest on the 2009 Series B Bonds to be redeemed to the maturity date of such 2009 Series B Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2009 Series B Bonds are to be redeemed, discounted to the date on which the 2009 Series B Bonds are to be redeemed on a semi annual basis, assuming a 360 day year containing twelve 30 day months, at the Treasury Rate (defined in “Make-Whole Optional Redemption” above) plus 100 basis points,

plus in each case accrued interest on the 2009 Series B Bonds to be redeemed to the redemption date.

An “Extraordinary Event” will have occurred if the Agency determines that a material adverse change has occurred to Section 54AA or 6431 of the Code (as such Sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009, pertaining to “build America bonds”) or there is a guidance published by the Internal Revenue Service or the United States Treasury with respect to such Sections or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of an act or omission by the Agency to satisfy the requirements to receive the 35 percent cash subsidy payment from the United States Treasury, pursuant to which the Agency’s 35 percent cash subsidy payment from the United States Treasury is reduced or eliminated.

The 2009 Series B Bonds also are subject to redemption prior to their maturity, on and after January 1, 2018, at the option of the Agency, in installments of \$5,000 or any integral multiple thereof, but only from the respective mandatory Sinking Fund Installments specified above, in part from time to time at the redemption price of 100% of the principal amount or

portion thereof to be redeemed, plus accrued interest, if any, on such principal amount to the redemption date.

If fewer than all of the 2009 Series B Bonds of like maturity are called for prior redemption or purchase in lieu of redemption, the particular 2009 Series B Bonds or portions of 2009 Series B Bonds to be redeemed or purchased will be selected by the Trustee pro rata as nearly as practicable in proportion to the principal amounts of the 2009 Series B Bonds owned by each registered owner, subject to the authorized denominations applicable to the 2009 Series B Bonds. This will be calculated based on the formula: $(\text{principal to be redeemed}) \times (\text{principal amount owned by owner}) / (\text{principal amount outstanding})$. In such event, the particular 2009 Series B Bonds to be redeemed will be determined by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate.

In the event this Bond is called for prior redemption, notice of such redemption shall be mailed, at least once not less than thirty days prior to the date fixed for the redemption hereof, to the Holder of this Bond at such Holder's address as shown on the books of registry. If this Bond be of a denomination in excess of the minimum authorized denomination, portions of the principal sum hereof in installments of authorized denominations may be redeemed, and in such case, upon the surrender of this Bond to the Trustee, there shall be issued to the Holder hereof, without charge therefor, for the then unredeemed balance of the principal sum hereof, registered 2009 Series B Bonds of like maturity and interest rate in any authorized denomination.

Any notice of optional redemption of 2009 Series B Bonds may state that it is conditional upon receipt by the Trustee of moneys sufficient to pay the redemption price of such 2009 Series A Bonds or upon the satisfaction of any other condition, and that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded if any such other event occurs. Notice of such rescission, failure to fund the redemption price or satisfaction of such other condition shall be given, as promptly thereafter as practicable, to affected Holders of 2009 Series B Bonds in the same manner as the conditional notice of redemption was given.

No member of the Agency or of its Board of Directors, no officer, employee or agent of the Agency, and no person executing 2009 Series B Bonds, shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the 2009 Series A Bonds.

The Bonds shall not constitute a debt of any political subdivision (other than the Agency to the extent provided by the Resolution) or the State of Nebraska, and neither the State of Nebraska nor any political subdivision thereof (other than the Agency to the extent provided by the Resolution) shall be liable thereon. The Agency does not have the power to pledge the credit, the revenues or the taxing power of the State of Nebraska or any political subdivision thereof, and none of the credit, the revenues or the taxing power of the State of Nebraska or of any political subdivision thereof is or shall be or be deemed to be pledged to the payment of the Bonds.

It is hereby certified and recited that all conditions, acts and things required by law and the Resolution to exist, to have happened and to have been performed precedent to and

in the issuance of this Bond, exist, have happened and have been performed and that the issuance of the 2009 Series B Bonds, together with all other indebtedness of the Agency, is within every debt and other limit prescribed by the laws of the State of Nebraska.

This Bond shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

[Signature Page Follows]

IN WITNESS WHEREOF, THE PUBLIC POWER GENERATION AGENCY has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Chair or Vice Chair, and its corporate seal (or a facsimile thereof) to be hereunto affixed, impressed, imprinted, engraved or otherwise reproduced and attested by the manual or facsimile signature of its Secretary-Treasurer, all as of July 16, 2009.

PUBLIC POWER GENERATION AGENCY

By: _____
Authorized Officer

[SEAL]

Attest:

Authorized Officer

Authentication Date: July 16, 2009

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the bonds of the series designated therein and described in the within-mentioned Resolution.

WELLS FARGO BANK, N.A.,
Trustee

By: _____
Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

Please insert Social Security or
Taxpayer Identification Number of Transferee

/ _____ /

(Please print or typewrite name and address, including zip code, of Transferee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

attorney to register the transfer of the within Bond on the books kept for registration thereof,
with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be
guaranteed by a member or participant
of a signature guarantee program

NOTICE: The signature above must
correspond with the name of the Holder as it
appears upon the front of this Bond in every
particular, without alteration or enlargement
or change whatsoever.

**Exhibit C to
Certificate of
Determination**

INVESTMENT POLICY FOR PLACEMENT OF BOND PROCEEDS

BOND PROCEEDS INVESTMENT POLICIES:

A. Scope

This policy applies to the investment of the bond proceeds related to the Whelan Energy Center Unit 2 project (the "Project") including, but not limited to the Public Power Generation Agency, Whelan Energy Center Unit 2 Revenue Bonds 2007 Series A. Other bond proceeds investment guidelines or restrictions may apply as determined by relevant bond documents.

B. Prudence

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of the capital, as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

C. Objective

The primary objective for the investment of the relevant bond proceeds, in order of priority, shall be:

1. Legality - conformance with federal, state and other legal requirements
2. Safety - preservation of capital and protection of investment principal
3. Liquidity - maintenance of sufficient liquidity to meet expenditure requirements
4. Yield - maximize interest earnings in the context of 1, 2, and 3 above

D. Permitted Investments

I. The following obligations to be used as permitted investments for all purposes, including defeasance investments in refunding escrow accounts.

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation),
- (2) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America (U.S.) or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
 - U.S. Treasury obligations
 - All direct or fully guaranteed obligations of the U.S.
 - Farmers Home Administration
 - General Services Administration
 - Guaranteed Title XI financing
 - Government National Mortgage Association (GNMA)
 - U.S. Treasury Obligations, State and Local Government Series (SLGS)

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the related debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

II. The following Obligations are to be used as Permitted Investments for all purposes other than

defeasance investments in refunding escrow accounts.

(1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the U.S., including:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration
- Federal Financing Bank

(2) Direct obligations or mortgage pass-through obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the U.S.:

- Senior debt obligations or mortgage pass-through obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations or mortgage pass-through obligations of the Federal Home Loan Bank System (FHLB)
- Senior debt obligations or mortgage pass-through obligations of other Government Sponsored Agencies approved by the bond insurer.

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(6) Pre-refunded municipal obligations defined as follows: any bonds or other obligations of any State of the U.S. or of any agency, instrumentality or local governmental unit of any such State which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

• (A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph 1.(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by an independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; [Pre-refunded municipal obligations meeting the requirements of

subsection (B) hereof may be used as permitted investments for annual appropriation lease transactions.]

- (7) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P.
- (8) Investment agreements with consent from the bond insurer (supported by appropriate opinions of counsel); and
- (9) other forms of investments (including repurchase agreements) with consent from the bond insurer.

III. The value of the above investments shall be determined as follows:

- a) For the purpose of determining the amount in any fund, all permitted investments credited to such fund shall be valued at current or fair market value plus accrued interest. The trustee, or custodian, as applicable, shall determine the current or fair market value plus accrued interest based upon accepted industry standards and from accepted industry providers.
- b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus, accrued interest thereon; and
- c) In any event, as agreed to in writing between PPGA, the trustee, and the bond insurer.