



ENERGY KEEPERS, INC.

A CORPORATION OF THE CONFEDERATED SALISH & KOOTENAI TRIBES

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We also herewith acknowledge the CSKT’s commitment to support and cost-share this project to assist in obtaining the highly qualified engineering staff and the training for the power marketing coordinator candidate. The cost to partner in these efforts is measured alongside so many priorities that serve the vast and growing needs of the tribal membership. A commitment such as this one is very proactive and visionary – which is difficult for some to get behind. The CSKT is not only behind the effort, but they have been in front of it and remain alongside. To the Salish, Pend d’ Orielle, and Kootenai people, we say “lem lemts” and “ksukiłkukni” (thank you)!

Executive Summary

The Confederated Salish and Kootenai Tribes (“CSKT”) is an Indian Tribal Government composed of three confederated tribes, including: 1) Salish; 2) Upper Pend d’ Oreille; and 3) Lower Kootenai. The Salish, Pend d’ Oreille and Kootenai people have lived in the Flathead, Clark Fork, and Bitterroot River basins for thousands of years. CSKT formed a relationship with the United States by signing the Hellgate Treaty on July 16, 1855 where they gave up most of their territory in exchange for reserving a permanent homeland called the Flathead Indian Reservation. The Kerr Project is located on the Flathead River in the center of the Flathead Indian Reservation. CSKT has an annual budget of about \$146.3 million to pay for its governmental activities. There are currently 7,972 members of the CSKT Tribes.



Figure 1: Sallish, Pend d' Orielle, and Kootenai Chiefs at the dedication of Kerr Dam circa 1939. Pictured left to right are Eneas Quequesah, Little Martin, Louie Hammer, Mose Michel, Antoine Quequesah, and Alex Berverhead.

The Kerr Project is a federally licensed hydropower project located on CSKT land within the boundaries of the Flathead Indian Reservation at river-mile six of the Lower Flathead River near the outlet of Flathead Lake.

Project Overview

The Rocky Mountain Power Company (RMPC), a subsidiary of the Montana Power Company (MPC), constructed the project infrastructure under permit by the Federal Energy Regulatory Commission (FERC). Construction of the Project Works was initiated in 1930 but was interrupted for several years due to depressed economic conditions, it later resumed and was completed in 1938. In 1930 the Federal Power Commission (now referred to as the Federal Energy Regulatory Commission, or FERC) issued a License for Project No. 005 for a 50-year period. RMPC transferred the license to MPC in 1938 upon completion of construction and initiation of operations. When the Project was due to be relicensed in 1976, CSKT competed with the MPC for the license. After nine years of dispute during which the FERC issued a series of one-year licenses to MPC, the CSKT and MPC finally reached settlement

resulting in a joint license being issued to both parties by the FERC in 1985. In the new license, MPC had the right to occupy and use the Project for the first 30-years of the license term (1985-2015) and CSKT had the right to occupy and use the Project for the last 20-years of the license term (2015-2035), as sole licensee.

Project History

- Built in Three Phases
 - 1934-39 (Dam and Unit1)
 - 1949 (Unit 2)
 - 1954 (Unit 3)
- Unit 3 Upgraded in 2006
- Over 25% of Operating U.S. hydro power plants are older than Kerr



MPC sold its interest in the Kerr Project to PPL Montana, LLC (PPL Montana) in 1999. PPL Montana has recently sold its interest in the Kerr Project to Northwestern Corporation (NWC). NWC became the new owner and co-licensee with CSKT on November 18, 2014.

Acquisition of Kerr Dam

Under the terms of the license, CSKT has the unilateral and exclusive right to acquire the Project on September 5, 2015 by paying a conveyance price equal to “original cost less depreciation”. The license renegotiation of 1985 specified the manner by which the project would transfer to the CSKT, if the option were to be exercised. Among the details was the formula to determine the conveyance price and the manner by which any discrepancies or failure to agree upon the conveyance price would be handled.

The CSKT has followed the process outlined to establish the Estimated Conveyance Price by attempting negotiations, which failed leading to an arbitration hearing. In March 2014, a three-judge American Arbitration Association panel issued an order that rejected the \$51.6 million Estimated Conveyance Price demanded by PPL Montana and established the proper amount to be \$18.3 million. The arbitration decision is final and binding. Immediately thereafter CSKT issued its official notice of intent to acquire the facility to the FERC and other parties.

Once CSKT pays the conveyance price NWC will no longer have any right or interest in the Project and CSKT will become the sole licensee owner with exclusive control over the entire Project for the remaining term.

Project Features

381' Main Arch Dam with

- Gravity and Earthen Dam Extensions
- Three Water Intakes, each leading to
- Three 23.3' Diameter Penstocks
- Concrete Surface Powerhouse with
- Three Generating Units – 194 MW Total
- Interconnected to the NorthWestern Energy Transmission System



Project Objectives

This project aimed at supporting one key component of a major multi-step undertaking on the part of the CSKT: the acquisition of the Kerr Hydroelectric project and its subsequent operation as a wholesale power generation facility. This project provided support to kick-start the development of the organizational structure to acquire and operate the facility by acquiring critical expertise necessary for the acquisition by funding in part two key personnel for the first two years of the four-year organizational development process. These individuals provided the Tribes with expert knowledge in the highly specialized areas of resource balancing, power marketing, and hydro-engineering; essential prerequisites to the Tribes' ability to build an organization for the operation of the Kerr Project and to securing financial backing for the acquisition.

Goals achieved:

- Establishing an efficient and economic conveyance process, and transition plans
- Establishing an efficient and effective Tribal wholesale power generation corporation to manage the plant, balance the resources, and market the power from the Kerr Project.

The success of this project, which is essential to the Tribes' acquisition of the Kerr Hydroelectric facility, helps to address poverty and unemployment among Tribal members by generating a number of highly skilled and specialized, high-paying Tribal member jobs and providing a stream of income from power sales that will be used for Tribal economic development.

Objectives achieved:

The project supported the position of Power Plant Operations and Maintenance engineer and power marketing coordinator positions. These are key, in part, to the Tribes' successful acquisition and operation of the facility because they will enable the Tribes to gain the very specialized expertise required to operate a large wholesale power generation facility. Specific objectives include:

- Objective 1: Hire a power marketing coordinator to develop and coordinate the appropriate power marketing strategy for the sale of power generated by the operation of Kerr Dam.
- Objective 2: Hire a staff engineer.

**Daniel Howlett***Wholesale Power Marketing Assistant Manager*

Daniel's contribution towards the acquisition of Kerr began in 2008 as he was finishing his Bachelors Degree in Business Administration. At the time, Daniel approached the CSKT Tribal Council and developed a 'game plan' to assist him through graduate school and bring his knowledge and skill set home to work with the 'to-be' corporation, which is now Energy Keepers Inc. In 2011, he received his Masters Degree in Global Energy Management (GEM) from the University of Colorado Denver, which is essentially a MBA program with an energy focus. Daniel was the first-ever Native American to finish this program. In 2014, the Board and stakeholders of his graduate program recognized him for personifying excellence in the energy industry, career advancement and exemplifying the ideals of the program. Daniel began working with the CSKT Tribal Energy Department in 2011, as Power Marketing Coordinator, then moving over to Energy Keepers with the rest of the Tribal DOE staff in 2012. From June 2012 to April 2014, Daniel worked "on detail" with the Bonneville Power Administration (BPA), a federal agency under the Department of Energy, responsible for marketing the power from 31 hydro dams in the Columbia River Basin. While at BPA, Daniel worked with the Trading Floor, Market Analysis group, Preschedule group and Risk Management Group all giving him invaluable experience in the Pacific Northwest power market. Since May 2014, Daniel has served as the Wholesale Power Marketing Assistant Manager, responsible for revenue projections, development of the EKI hedging strategy, management of work efforts for third-party marketing agent and most importantly, ensuring Kerr power is sold by working through contract negotiations with key counterparty companies in the West. Daniel is also one of EKI's representatives to the Western Systems Power Pool, an industry power trading group.

**Angelo Muzzin***Director of Power Management*

Angelo has 37 years of experience in the electric utility industry. Prior to joining EKI earlier this year, Mr. Muzzin was a management consultant with clients in all facets of the industry. Mr. Muzzin's consulting activities related to Kerr started in 2007. Since rejoining R.W. Beck in 2000, his consulting activities focused on helping the electric stakeholders expand their missions and markets in the new competitive environment. This includes strategic business planning, marketing strategies at the wholesale and retail levels, structuring alliances, and organizational restructuring to meet emerging market needs. Mr. Muzzin's professional experience includes general company management, sales and marketing management, product development and research, competitor analysis, customer service management, mergers and acquisitions, financial feasibility studies, wholesale bulk power arrangements, generation capital investment evaluations, and regional bulk power pricing, availability, and risk management.

Prior to joining EKI, Mr. Muzzin was a principal of R.W. Beck (now a subsidiary of SAIC), Mr. Muzzin was a Vice President of Corporate Development and Marketing for a major Midwest electric utility and President of Scott & Scott, a producer of electric distribution system analysis and outage management software for the electric utility market. Mr. Muzzin started his career at Consumers Power Company (now CMS) as a power resource planning engineer. Mr. Muzzin holds a B.S.E (Electrical Engineering – Power Systems) from the University of Michigan and a M.B.A. from Eastern Michigan University.



Bart Vanderhoof

Director of Power Plant Operations & Maintenance

Bart brings over 30 years of Power Plant O&M experience, with 15 years experience in the hydropower industry in positions such as Plant Operator, Plant O&M Manager, Glen Canyon Field Division Manager, and Upper Colorado Region Deputy Power Manager. Mr. Vanderhoof holds a Bachelor's Degree in electrical engineering from the University of North Carolina. His training and experience includes the United States Navy Nuclear Power Program and Commercial Nuclear, Fossil Fuel, and Waste to Energy power plant operations and maintenance.

Tasks Performed

The acquisition of Kerr and the building of an efficient and effective Tribal wholesale power generation corporation involves the implementation of dozens of inter related tasks to achieve objectives and goals over a 4.5 year period. This project, which will partially fund two positions, includes a subset of those overall project tasks. This subset includes:

Task 1: The Director of the Tribal Department of Energy will fill the Power Marketing Coordinator (PMC) position. Milestone 1: Power Marketing Coordinator is hired.

Task 1 was achieved in December of 2012, as the corporation was formed and brought Daniel Howlett on staff as the Power Marketing Coordinator Trainee.

Task 2: Establish appropriate intern opportunities with power marketing entities, and place the PMC into the internships. Milestone 2: Internships are established

Task 2 was achieved in March of 2013, when the inter-governmental agreement was entered into which began the 12-month internship for Daniel Howlett, Power Marketing Coordinator Trainee, to receive comprehensive training from Bonneville Power Administration through rotations in various divisions of BPA's power marketing division.

Task 3: Secure outside expertise to support the PMC. Milestone 3: Power marketing expertise is secured.

Task 3 was achieved in February 2014 when a contract with TEA Solutions Incorporated (TSI) was executed, bringing a full array of Real Time Power Marketing support on-board.

Task 4: The Director of the Tribal Department of Energy will fill the Staff Engineer position. Milestone 4: Staff Engineer is hired.

Task 4 was achieved in July of 2013 as EKI hired the first of four of its engineers. The first was placed as the Director of Power Plant O&M and subsequently joined by the Director of Power Management, the Power Plant Maintenance Engineer and a Dam Safety Engineer.

Task 5: Secure outside experts to support the Staff Engineer in engineering due-diligence activities to support acquisition. This will also provide needed expertise for the ongoing engineering activities associated with operation of the facility. Milestone 5: Outside engineering expertise is secured.

Task 5 was achieved in October 2012 when MWH Americas was contracted to provide engineering due-diligence activities to support acquisition. The contract has been renewed and the support continues as the acquisition comes to a close.

Conclusions and Recommendations

This project is very complex and demanding, pushing all limits and continually revealing a new aspect of project development along the way. We have concluded (and recommend) that meeting tribal objectives can be done in a way that brings forth critical elements that are found outside of the known tribal environment. Energy Keepers has brought on very enthusiastic technical expertise from external sources to support the challenges faced by the CSKT in this major hydro plant facility acquisition.

Project leads have been diligent to seek qualified and vetted professionals in the wholesale hydro power generation industry for support. The insistence for this quality is highly recommended to result in a widely received and credible project that will be rewarded with success in the long-run.

Lessons Learned

Some lessons learned though this project of establishing an efficient and effective Tribal wholesale power generation corporation to manage the plant, balance the resources, and market the power from the Kerr Project, are as follows:

- The hydro power generation industry is very mature with longevity built into its ranks. Unionization has added to the longevity. It is a challenge to recruit from this talent pool while competing with successful (asset rich) corporations and organizations. It requires a well-developed human resources approach based upon industry standards.
- Mission statements and values are important elements of understanding prior to recruiting personnel. After recruiting, it's imperative to retain the talent who will best fit into the mission, vision, and values.