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Washington

June 2, 2014

**MEMORANDUM**

**TO:** Council Members

**FROM:** Kerry Berg

**SUBJECT:** Update on the acquisition of Kerr Dam

Brian Lipscomb, President/Chief Executive Officer of Energy Keepers, Inc. will update the Council on the acquisition of Kerr Dam by the Confederated Salish and Kootenai Tribes. Energy Keepers, Inc. is the tribally owned corporation of the Confederated Salish and Kootenai Tribes tasked with managing the acquisition of the Kerr Hydroelectric Project on the Flathead Indian Reservation.

This and other information can be found on the Energy Keepers, Inc. website at <http://energykeepersinc.com/>.

CSKT/EKI  
Acquisition of Kerr  
Dam

June 11, 2014



**ENERGY KEEPERS, INC.**

A CORPORATION OF THE CONFEDERATED SALISH & KOOTENAI TRIBES

**450**

***days to "go live"***

# Lower Flathead River Before Kerr Dam



Significant sight  
from cultural,  
religious, and  
resource purposes

# CSKT – Our People

- The Tribal confederacy is comprised of the Bitterroot Salish, the Pend d'Oreille, and the Kootenai Tribes.
- Historically, the three tribes were allies with ancestors who shared territory in areas now known as western Montana, parts of Idaho, British Columbia, and Wyoming.
- Presently, there are approximately 7,500 Tribal members.



# CSKT – Our Resources

- The Tribes preserved the Flathead Indian Reservation as a permanent homeland for Tribal people by the terms of the Hellgate Treaty of 1855.
- The Reservation is 1.317 million acres in size. Although the Reservation was opened to non-Indian settlement as a result of historic federal policies, CSKT has diligently protected its ownership interests and diligently pursued reacquisition of federally-divested interests so that CSKT now owns over 70% of Reservation lands including the bed and banks of the south half of Flathead Lake.
- The Reservation is located in the mountains and valleys of Northwest Montana in the upper Columbia River Basin.
- The Kerr Plant is located on CSKT-owned land on and adjacent to the Flathead River six miles downstream from Flathead Lake.



# CSKT - Our Government and Businesses

- The Hellgate Treaty establishes the Tribes as a sovereign entity and formalizes our government-to-government relationship with the United States.
- The Tribal government was established in 1934 pursuant to the terms of the Indian Reorganization Act; CSKT is a constitutional government governed by a popularly-elected ten-member Tribal Council.



- CSKT administers 30 government agencies with a collective annual budget of approximately \$110 million and employs approximately 1,200 government workers.
- CSKT owns eight for-profit businesses engaged in electronics manufacturing, information technology, engineering, aerospace, environmental restoration, gaming, and hotel/hospitality services.
- CSKT operates Mission Valley Power, a federally-owned electrical utility, serving approximately 22,000 customers, located on the reservation, with annual revenue of approximately \$23.8 million.

# CSKT – Kerr History



- The Kerr Project was developed as result federal assimilation polices implemented on the Flathead Indian Reservation from 1908-1934
  - Allotting of the land
  - Creation of the Flathead Indian Irrigation Project (irrigation and power)
  - Development of power sites by non-Indian business entities
- **1921** Applications are filed for licenses to develop five power sites on the Flathead River within the Flathead Reservation.
- **1930** The Federal Power Commission issued the first 50-year license to the Rocky Mountain Power Company for the Kerr Dam site.
- **1939** Rocky Mountain Power Company transferred its interest in the License to the Montana Power Company (“MPC”). Kerr Dam began producing power.
- **1976** CSKT filed a competing application with the Federal Energy Regulatory Commission (“FERC”) for relicensure of Kerr .
- **1980** The first license expired and FERC issued a series of one-year licenses to MPC.
- **1985** the Tribes successfully negotiate co-licensee status with the MPC and the option to acquire Kerr as the sole owner in 2015. New License issued to MPC and CSKT for a 50-year term through 2035.
- **1999** PPL Montana (PPLM”) acquires Kerr from MPC and FERC transfers MPC’s License interest to PPLM.
- **2011+** CSKT prepares to exercise its exclusive and unilateral right to acquire Kerr and create its energy enterprise

# Kerr Today

- A 200 foot high, 381 foot long concrete arch dam
- 194 MW facility producing 1.1M mwh/yr
- Kerr's reservoir is the top ten feet of Flathead Lake with 1.2 MAF



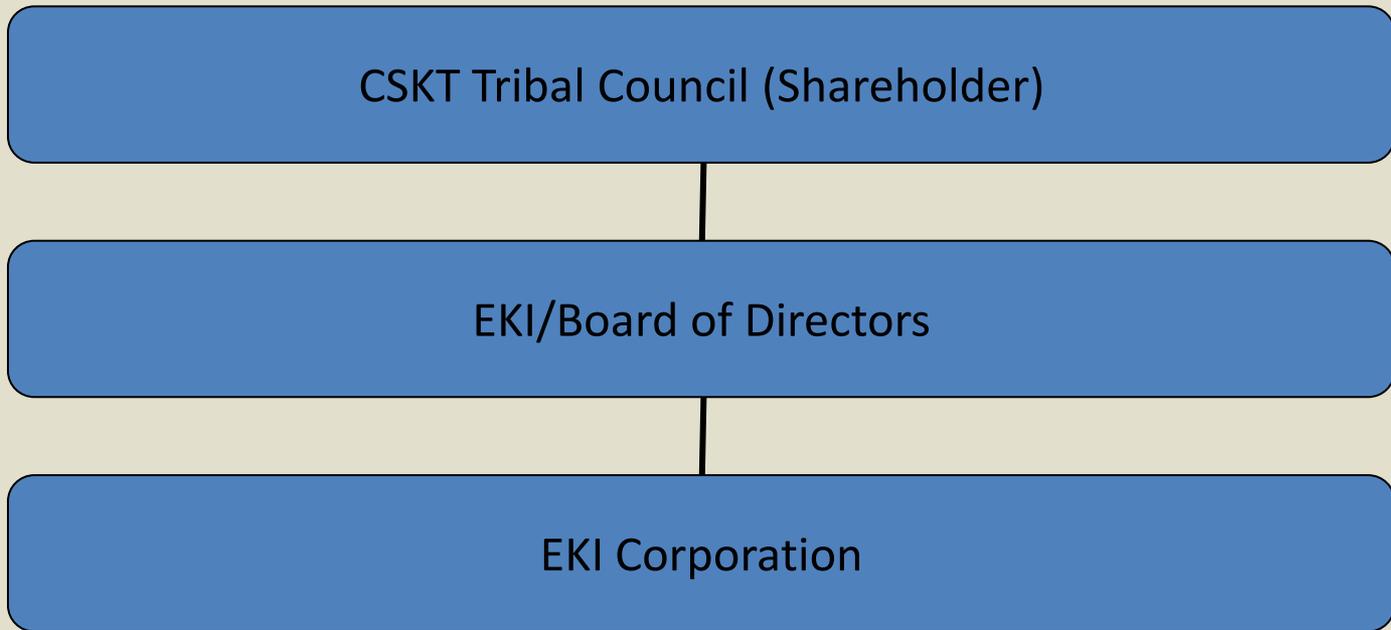
- Kerr is part of the Columbia River basin flood control system coordinated through the Pacific Northwest Coordination Agreement.
- Recent engineering and safety studies indicate the facility is in good operating order and has an expected useful life that exceeds the balance of the FERC license term (i.e. 2035)



# CSKT/EKI Strategy – Wholesale Generation

- The Estimated Conveyance Price has been set at \$18.3M
- CSKT has filed its notice of intent to acquire the Kerr Project on **September 5, 2015** consistent with the terms of the FERC license.
- CSKT, as a government, will assume licensee status before the FERC and retain ownership of the Kerr Project.
- To facilitate the relationship between CSKT and EKI before the FERC, it is planned that EKI will be co-licensee
- EKI, will assume possession and operation of Kerr and will sell the electrical output as a wholesale power generator to provide a long term stream of income to CSKT as the sole shareholder.

# EKI Governance



# Energy Keepers Inc.

