DOE Office of Indian Energy
Commercial-Scale Renewable Energy
Project Development & Finance Workshop
July 10, 2013
Southern Ute Statistics Today

- **Tribal Members**: 1,400+
- **Reservation**: 313,070 acres
  exterior: 681,306 acres
- **Unemployment**: 5-7%
- **Employment**: The Tribe is the largest employer in La Plata County with more than 1,300 employees.
Southern Ute Indian Tribe Growth Fund
Mission Statement

“Our mission is to provide economic prosperity for the Southern Ute Indian Tribe by managing the Tribe’s businesses effectively, building new businesses prudently, and investing its money wisely. We provide analysis and advice to the Tribal Council on the Tribe’s business and financial affairs, and we provide the day to day executive management of the Tribe’s business enterprises.”
Growth Fund Profile Today

- **Employees**: Over 600
- **Operations**: 12 states
- **Active in**:
  - Oil and gas exploration and production
  - Gas gathering and processing
  - Alternative energy investments
  - Real estate investment and development
  - Commercial and residential construction
  - Private equity investing
  - Tribal utilities: water, wastewater, natural gas and trash
Growth Fund Companies

**Energy**
- Red Willow Production Co.
- Red Cedar Gathering Co.
- Aka Energy Group, LLC
- Panther Energy Co., LLC
- Southern Ute Alternative Energy, LLC

**GF Real Estate Group**
- Regional Division - Tierra Group, LLC
- National Division - GF Properties Group, LLC

**Investment**
- GF Private Equity Group, LLC

**Tribal Departments**
- Department of Energy
- Southern Ute Utilities Division
- Sky Ute Fairgrounds
Southern Ute Alternative Energy

- Southern Ute Alternative Energy is the Tribe’s newest energy company. It was formed in early 2008 to invest in alternative and renewable energy.

- Alternative Energy’s objective is to focus on opportunities with
  - positive environmental impact
  - sound technologies
  - sound economics

- The initial areas of interest include:
  - Solar
  - Wind
  - Biofuels
  - Biomass
"It is fine to celebrate success, but it is more important to heed the lessons of failure.”
- Bill Gates

“I have not failed. I’ve just found 10,000 ways that won’t work.”
- Thomas Edison

“Failure is not fatal, but failure to change might be.”
- John Wooden
Lesson 1:

Understand what a project *is*.....

And, what it *is not*

“Your biggest enemy is the unknown and assumptions.”  - LTG Christianson
Lesson 1: Understand the Project
Lesson 1: Understand the Project

A large and expensive undertaking
- Transaction costs – small vs. large
- Partners
- Effort and time required

Slim margins and varying risk
- Risk vs. reward
- Execution and timing is key
- Time = $
Lesson 1: Understand the Project

- Long time period measured in years
  - Frenzied activity, prolonged anticipation and times of boredom
  - The pace of business & decisions

- Many different work activities which combine into a single result
Lesson 1: Understand the Project

Development

Process for determining project feasibility
- Site Identification ✔
- Wind Analysis ✔
- Environmental Studies ✔
- Electrical Interconnection Studies ✔
- Site Engineering ✔
- Lease & Right of Way ✔
- Power Offtake Agreement/PPA ✔
- Financing
- Turbine Supply Agreement
- Construction Agreement

Legend
- ✔ Completed
- ✔ In Progress

Construction ➔ Operation
Lesson 1: Understand the Project

Risks & Mitigation:

- Environmental
- Lease
- Timeline
- Tribal decisions & structure
- Tribal business entity decisions & structure
- Interconnection & Transmission
- Off-Take
- Land Use regulations
- FAA Permits
- State or County interface and policy issues
- Wind Resource
- Legal
- Changes in scope, budgets
- Etc…….
Lesson 1: Understand a project

- Big Picture influences and impacts

[Graph showing oil and natural gas prices with significant dates marked]

Southern Ute
Alternative Energy
Lesson 2:
Understand…

What the Tribe wants from the project, and what will the Tribe contribute to the project?

“A goal without a plan is just a wish.” Antoine de Saint-Exupery
Lesson 2: Wants/Contributions

What do you want or need to achieve?
- Ownership – active or passive
- Revenue stream
- Electric power
- Employment

What does it take to get there?
- Tribal support, regulatory or facilitation?
- Skilled team?
- Ongoing active role for 3 or 5 or 20 years?
- Money?
Lesson 2: Wants/Contributions

What risks is the Tribe willing to take?
- Investment dollars and/or project costs?
- Time & effort?

What will the Tribe "contribute"?
- Land
- Government Permits
- Investment dollars
- Project Management
Lesson 3:

Are Lessons # 1 and # 2 Compatible???
Lesson 3: Compatible?

What do all the players need?

Can a project meet ALL the goals?
  – Business structure
  – Viable economics

The balance of risk vs. reward?

What does it takes for success?
  – What is the work?
  – Who is doing what?
  – When does it need to be done?
Lesson 3: Compatible?
Lesson 4:

Be prepared to execute the work

“Vision without execution is hallucination.”  Thomas Edison
Lesson 4: Work Execution
Lesson 4: Work Execution

- Understand the big picture and how it evolves
- Ask lots of questions continuously

http://www.youtube.com/watch?v=vVcjMXhpfQw
Lesson 4: Work Execution

1. Anything that can go wrong, will go wrong - Murphy’s Law

2. The larger the number of people involved the greater certainty something will go wrong - Murphy

3. Anything that can go wrong, will at the worst possible moment - Finagle's Law of Dynamic Negatives

1. "An ounce of prevention is worth more than a pound of cure." - Benjamin Franklin
Lesson 4: Execution

How the customer explained it
How the Project Leader understood it
How the Analyst designed it
How the Programmer wrote it
How the Business Consultant described it

How the project was documented
What operations installed
How the customer was billed
How it was supported
What the customer really needed
Lesson 5:

Be an Effective Partner

“By failing to prepare, you are preparing to fail.” Benjamin Franklin
Lesson 5: Good Partnership

- Developer, Banker, etc…
  - Path of lease resistance and highest reward
  - Easy & known vs. complex & unknown

- Tribal land presents a different path
  - NEPA
  - TERO
  - Tribal Council approvals
  - BIA Regional and Local
Lesson 5: Good Partnership

Roles

- Landowner
- Government regulator
  - TERO
  - Zoning
  - Cultural / Biological
- Project Owner – minority partner or 100%
- Project Developer

Tribe on “all sides” creates a conflict of interest

- How will you regulate the project yet provide necessary support?
Lesson 5: Effective Partner

- Communication, communication, communication

- Be proactive

- Be responsive
Lesson 5: Execution

Which partner will you be?

- How the customer explained it
- How the Project Leader understood it
- How the Analyst designed it
- How the Programmer wrote it
- How the Business Consultant described it
- How the project was documented
- What operations installed
- How the customer was billed
- How it was supported
- What the customer really needed
Five Lessons to avoid Failure

➤ Know what a project is, and, know what it is not

➤ Know what the Tribe wants and what it will contribute

➤ Are #1 & #2 Really Compatible?

➤ Be prepared to execute the work

➤ Be an Effective Partner
Thank You!

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