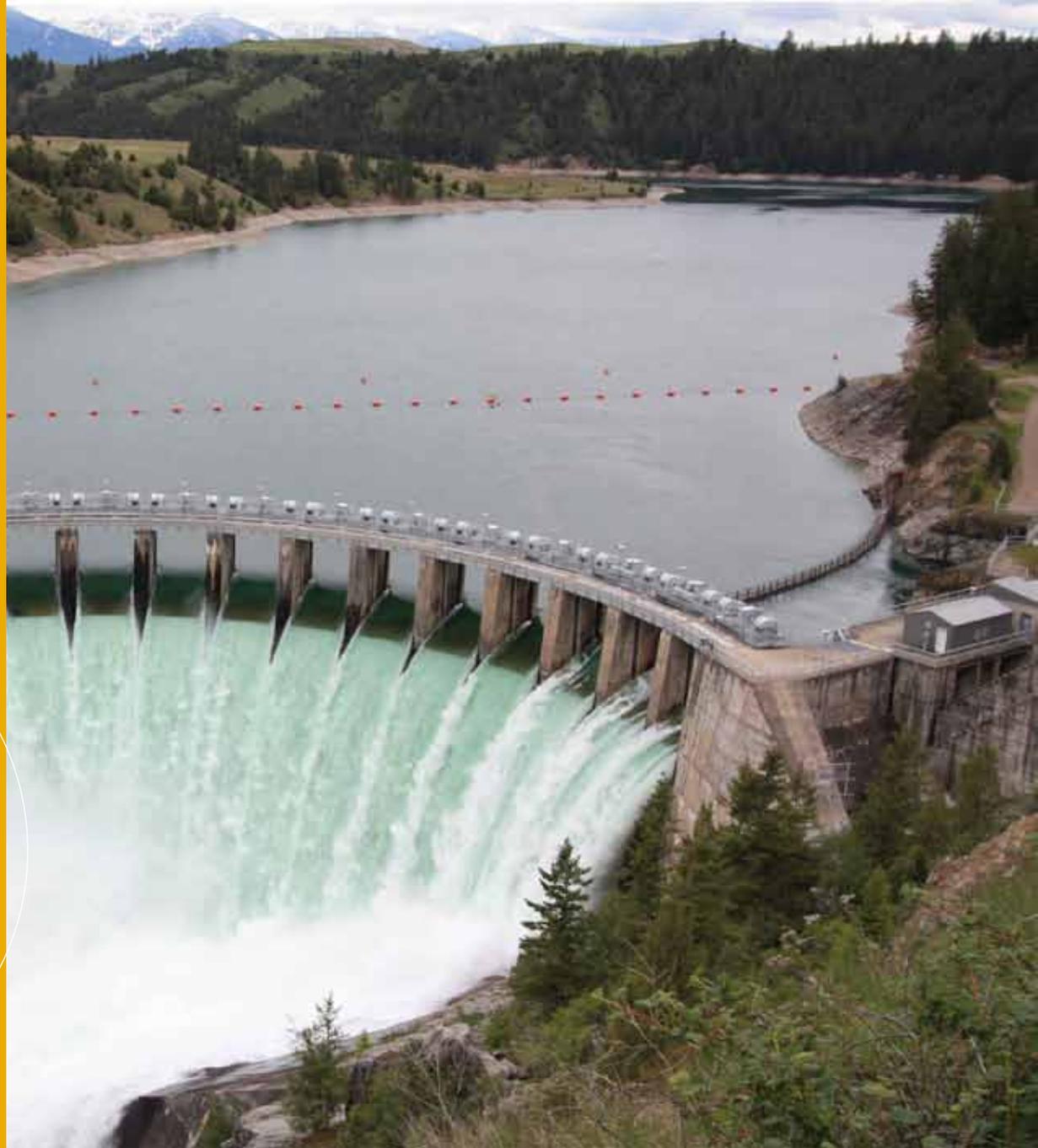


CONFEDERATED
SALISH AND KOOTENAI
TRIBES OF THE
FLATHEAD NATION

Acquisition of Kerr Dam
& Establishment of
Wholesale Power
Generation Corporation



CSKT - Our Land & People

- § Salish, Kootenai & Pend d'Oreille
- § Shared territory historically
- § 7,500 Enrolled Members



by Martin



CSKT - Our Resources

- § Reservation established by Hellgate Treaty of 1855
- § 1.3 Million Acres in size ~ 2,000 sq. miles
- § Northwestern Montana



CSKT - Our Government and Businesses

- § Sovereign Entity with Government-to-government relationship with US
- § Tribal Council
- § CSKT - 30 Agencies/Departments, 1200 Employees
- § Mission Valley Power
- § CSKT has several businesses



I. Project Description

- § Acquiring the Kerr Hydro Project by September 5, 2015
- § Establishment of effective and efficient wholesale power generation corporation
- § Manage the plant, balance the resources and market the power from the Kerr Project

History of Kerr Dam



1921 Applications Filed to build dam

1930 FPC issues 50-year license to RMP Company

1939 RMP Company transfers interest in the License to MPC and Kerr begins generation.

1976 CSKT files competing application with FERC to re-license Kerr

1980 First License expires - Series of 1-year licenses

1985 Co-licensee status obtained and new 50-year license includes option for CSKT to acquire Kerr as sole owner in 2015 for remaining 20 years of license.

§ **1999** PPL Montana (PPLM") acquires Kerr from MPC and FERC transfers MPC's License interest to PPLM.

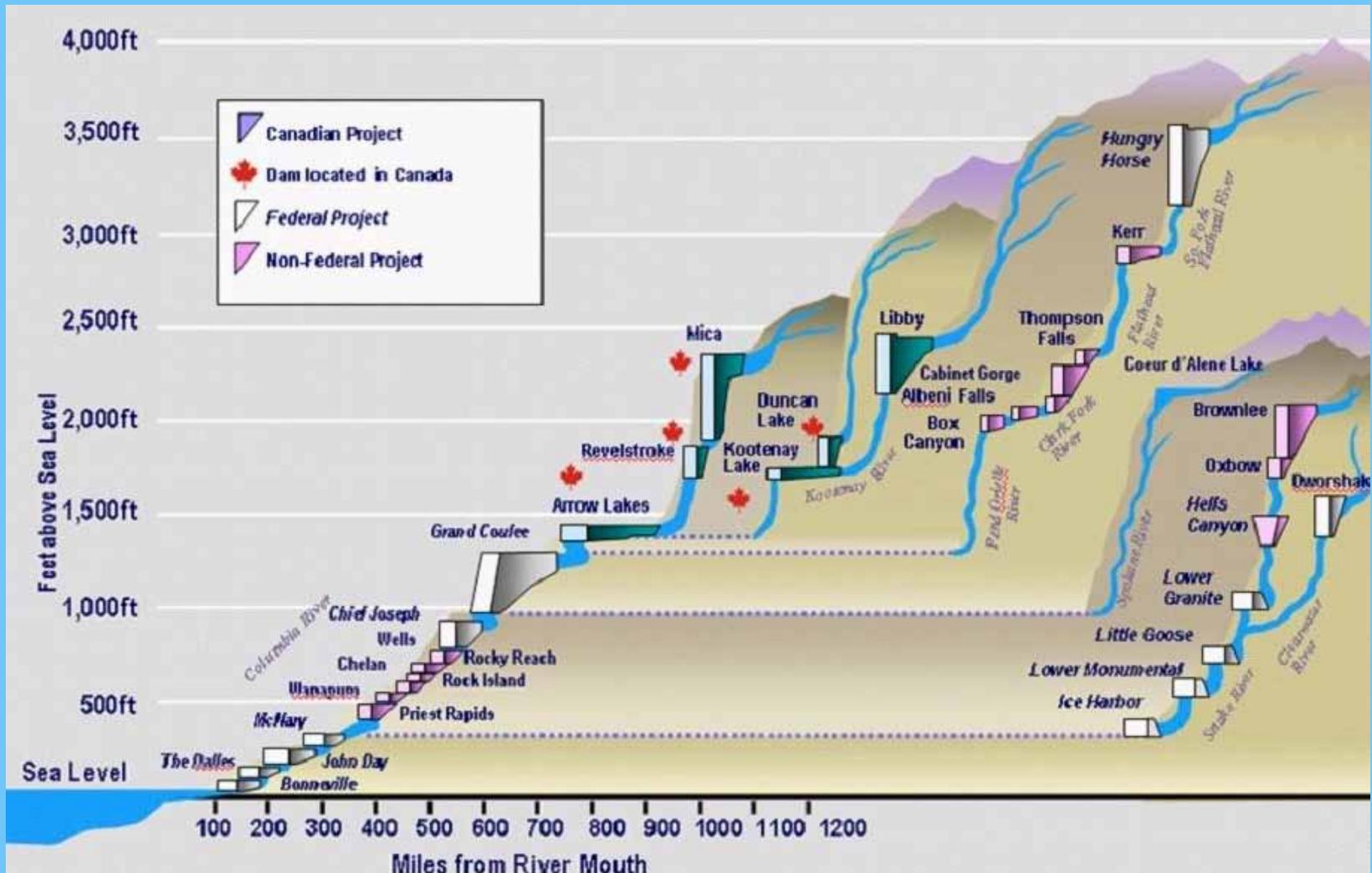
§ **2011** CSKT prepares for acquisition in September 2015 and plans to exercise option as soon as possible

Kerr Dam Facts

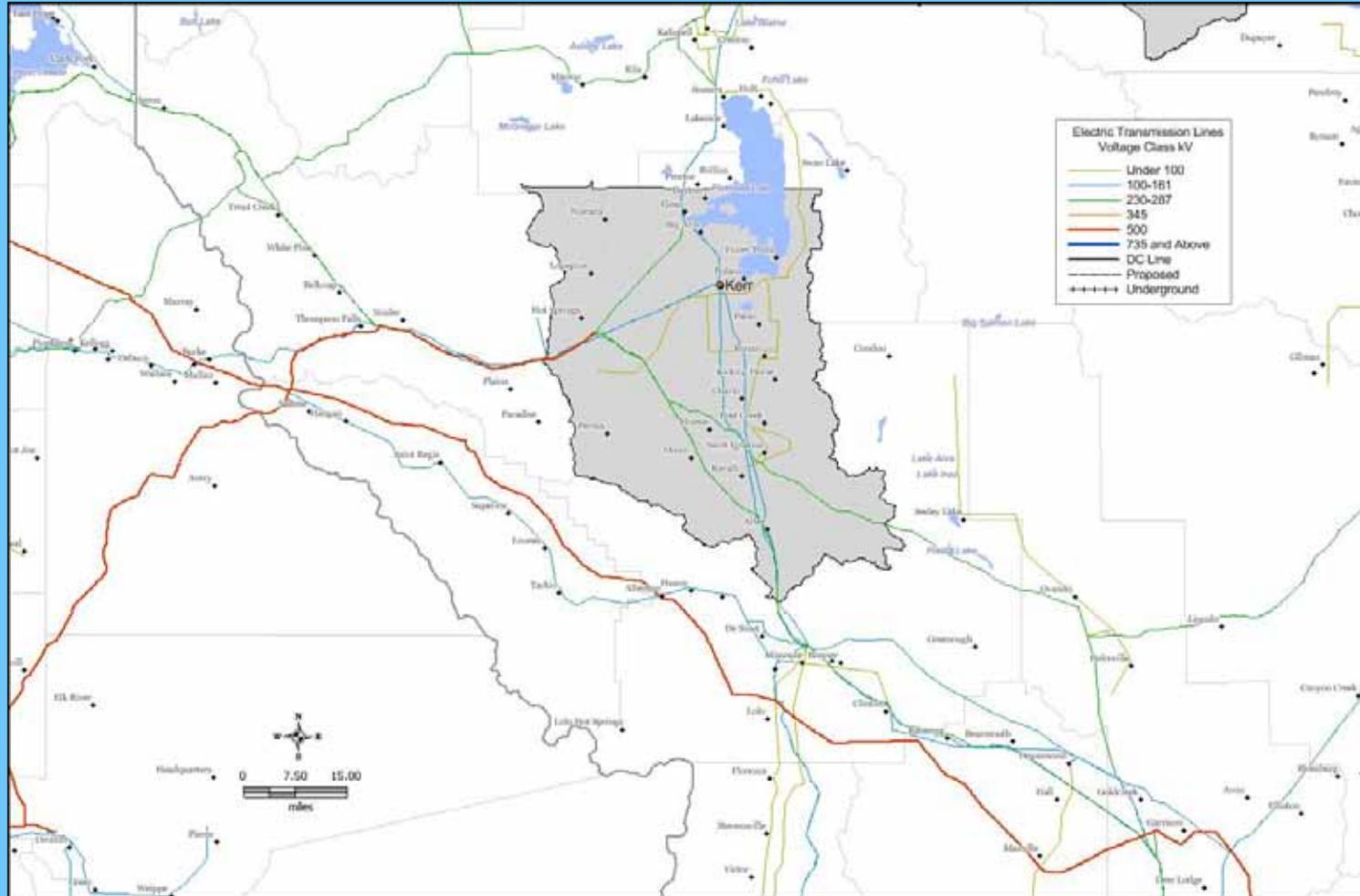


- 3 turbines - 188.25 MW
- 1,100,000 MWH / year average
- 14 spillway sections
- Reservoir is 1,219,000 acre feet-top ten feet of Flathead Lake
- Kerr is connected to NorthWestern Energy Corporation's control area
- Kerr is part of Columbia River Basin flood control system
- Recent Studies indicate Kerr's useful life will go beyond relicensing in 2035

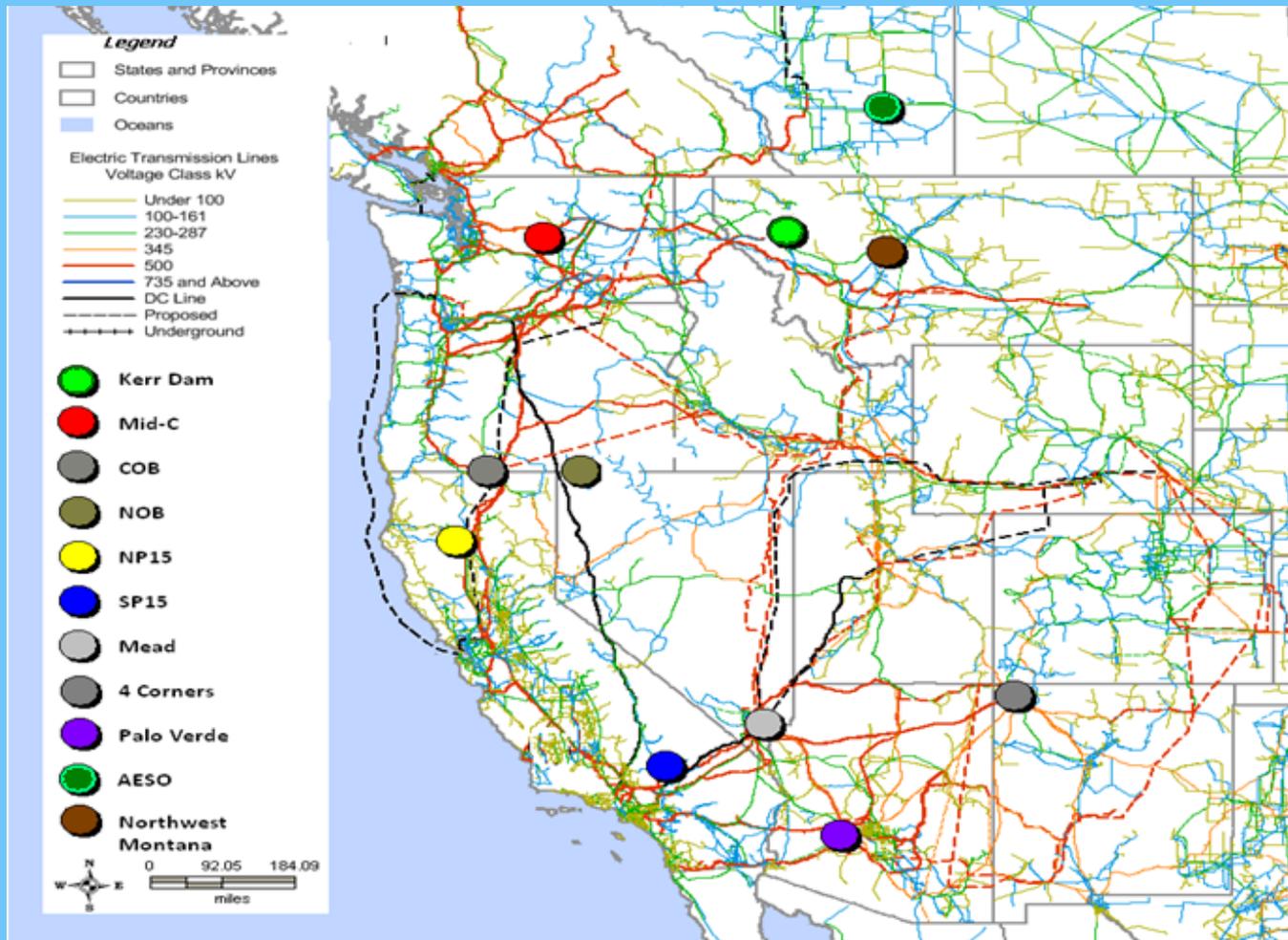
Kerr Dam In Relation to Other Dams in Columbia River Basin



Kerr Dam - A Market Resource



Kerr Dam's Location Amidst Western US Trading Hubs



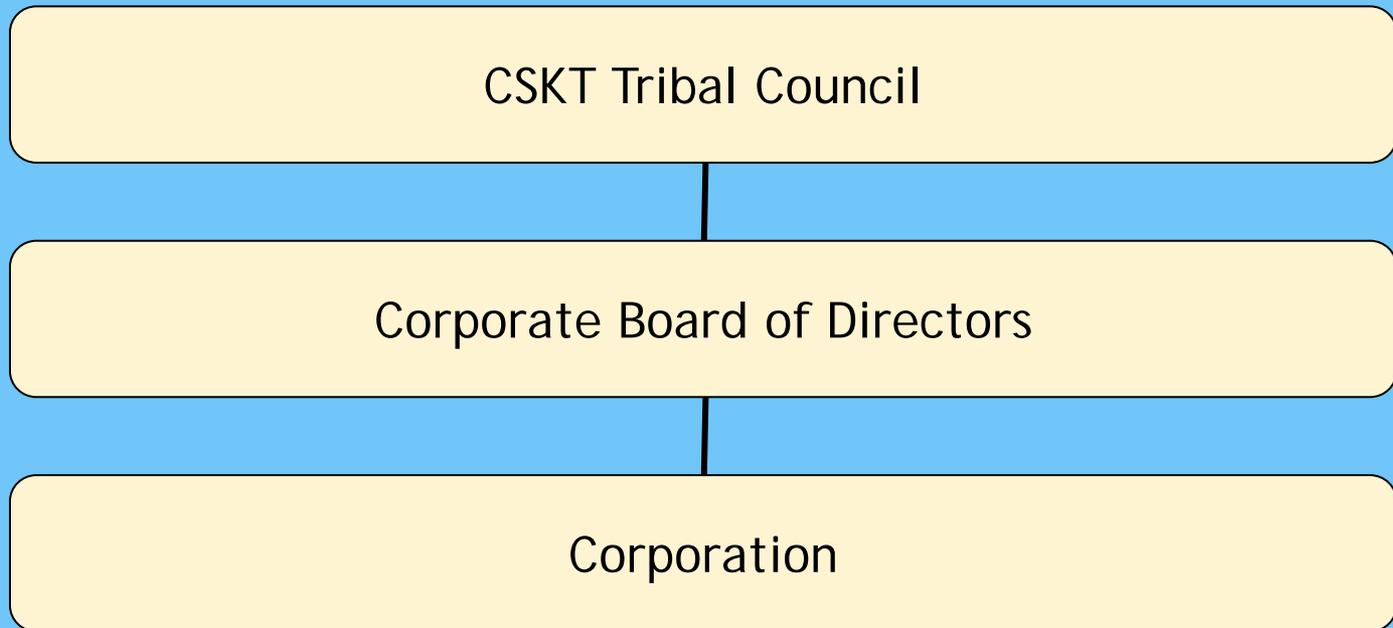
II. Level of Tribal Commitment

- § In May 2010, CSKT established a Tribal Department of Energy to oversee successful completion of goals
- § Hired Director of Department
- § Contracted with R.W. Beck, an engineering and consulting firm, for feasibility assessment and strategic planning
- § Developed “Energy Team” of newly hired Tribal DOE members, Tribal Council members, Legal Staff and Consultants to conduct essential business functions and prepare CSKT Energy for transition into corporation

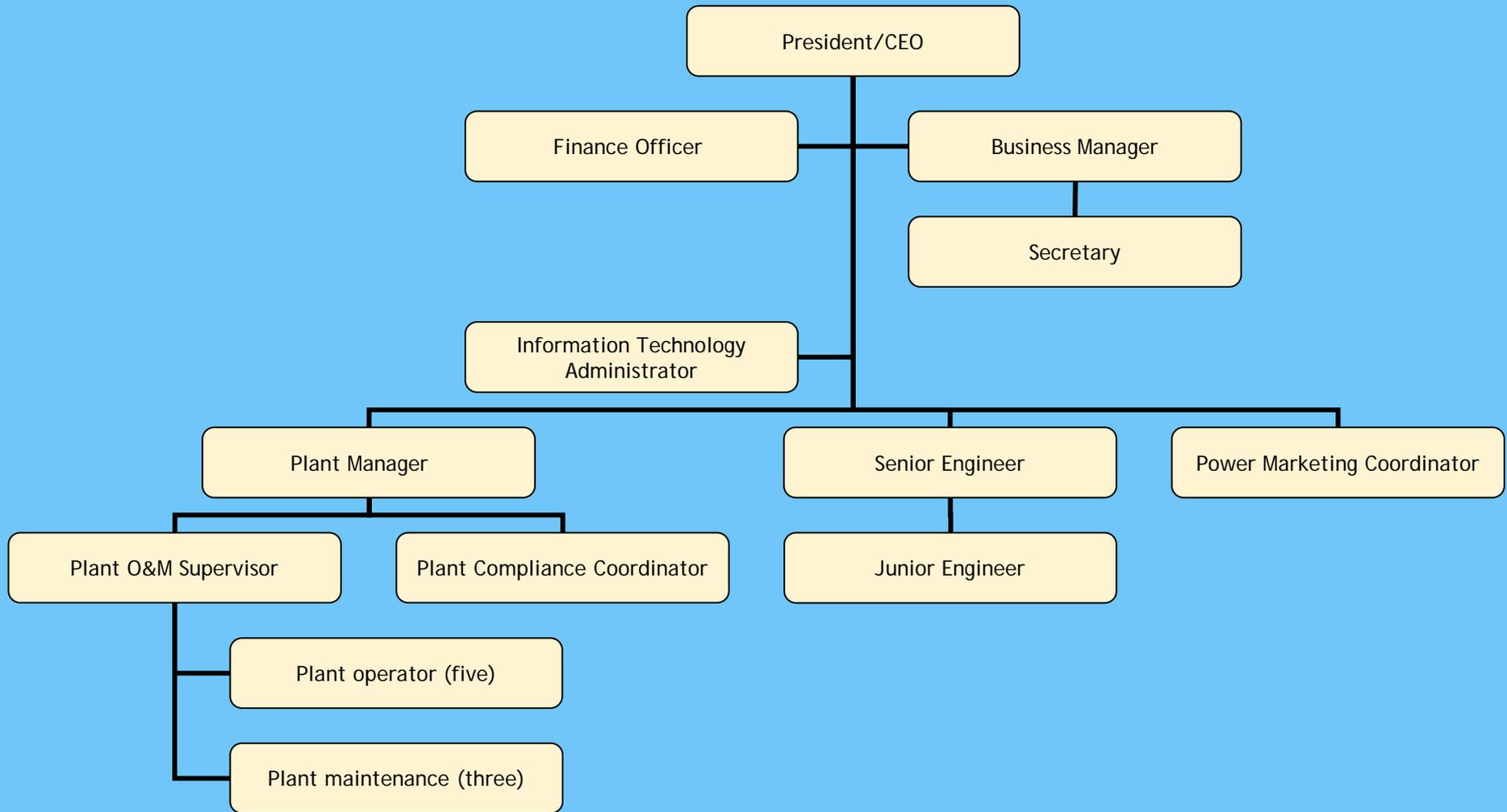
CSKT Strategy - Acquisition In Accordance With FERC License

- § CSKT intends to acquire Kerr consistent with the terms of the FERC license and become the sole owner of the Kerr Hydropower Project.
- § CSKT, as a government, will assume licensee status before the FERC and retain ownership of Kerr Project lands and assets.
- § CSKT will develop a new business enterprise (referred to as “NewCo” herein) that is separate from the CSKT government to possess, manage, and operate Kerr.
- § NewCo, 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.
- § CSKT intends to form a Section 17 corporation (“NewCo”) for future operation and management activities for Kerr.

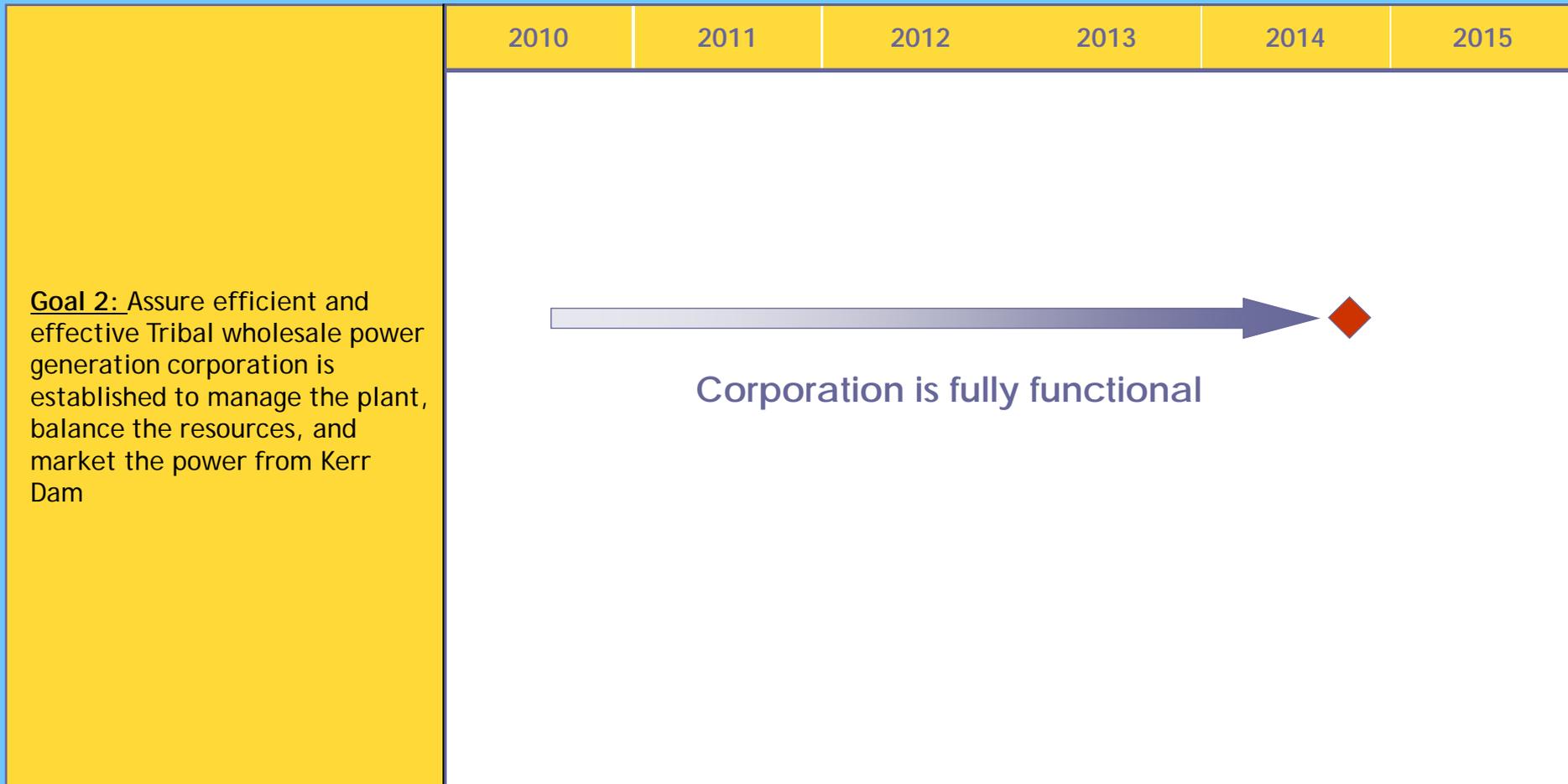
NewCo Governance



NewCo - Preliminary Corporation Organization Chart 2015



NewCo Development Timeline



Directives for CSKT Energy Department

- § **Goal 1:** Assure efficient and economical conveyance of Kerr Dam by September 5, 2015.
 - § A Set conveyance price
 - § B. Define and assess assets being acquired
 - § C. Effectuate the transfer
 - § D. Take Possession

- § **Goal 2:** Assure efficient and effective Tribal wholesale power generation corporation is established to manage the plant, balance the resources, and market the power from Kerr Dam
 - § *A. Establish the corporation*
 - § *B. Develop the organization (staffing)*
 - § *C. Develop and maintain contractor relationships*
 - § *D. Establish corporate policy*

- § **Goal 3:** Develop, assess, and implement a finance plan to cover the cost of acquisition of the dam and startup and establishment of a wholesale power generation corporation to operate the dam.
 - § *A. Develop and maintain a Proforma Model, Use of Funds forecast and Kerr Fund Spending Plan*
 - § *B. Assess External Financing*

III. Roles, Responsibilities and Capabilities

- § Tribal Council has established a team to move forward with the Acquisition of Kerr and the establishment of NewCo.
- § “Energy Team” consists of newly hired Tribal DOE members, Tribal Council members, Legal Staff and Consultants to conduct essential business functions and prepare CSKT Energy for transition into corporation
- § Further Staffing, Training and Operational Readiness comes with help from DOE Grant Money

Interim Team - Acquisition & Start Up

§ CSKT Department of Energy

- § Brian Lipscomb, Director

- § Charmel Gillin, Business Manager

- § Daniel Howlett, Power Marketing Coordinator

§ CSKT Director of Financial Management

- § Vern Clairmont, Director of Financial Management

§ CSKT Tribal Council Members

- § Steve Lozar, Secretary

- § James Steele Jr., Councilman

Interim Team - Acquisition & Start Up Continued

§ CSKT Legal Department

- § Stacey Kiehn, Staff Attorney
- § Joe Hovenkotter, Staff Attorney
- § Stu Levitt, Staff Attorney
- § Jordan Thompson, Attorney-in-training

§ Energy/Legal Consultants

- § Angelo Muzzin, Management Consultant with A. Muzzin & Assoc.
- § Matthew Love, Consulting Counsel with VanNess Feldman

Power Marketing Coordinator - My Role

- § Conduct thorough analysis of Pacific Northwest power market to ensure CSKT maximizes our ability to sell output from the dam and we understand our risks
- § Develop business relationships with potential partners to facilitate seamless power sales once NewCo successfully acquires dam
- § Become familiar with products and services associated with the power generation at Kerr including long-term contracts, real-time energy, transmission rights and potential ancillary services.
- § Most of the comprehensive training will occur starting April 2012 at Bonneville Power Administration's headquarters in Portland, Or., lasting roughly 24 months
- § Work with power marketing firm or expert to collaborate on final power marketing strategy to guide our decisions regarding power sales

Energy Team & NewCo Needs

Highest Priority: Staff Engineer - Hydropower Experienced

Remaining Positions to be filled:

- § IT Specialist
- § Financial Officer
- § Business Secretary
- § Plant Manager
- § Plant Compliance Manager
- § Plant O&M Manager
- § Plant Operators (5) & Maintenance (3)
- § Power Marketing Firm/Consultant

Other Areas of Consideration for Management of Kerr Dam

- § **Operations and Plant Specialty Needs**
 - § Upgrades
 - § Equipment components, systems, and operations upgrades and assessments
 - § Maintenance program valuations
 - § Hazardous materials
- § **Regulatory Compliance**
 - § FERC structural and dam safety assessments
 - § NERC & WECC: reliability standards
- § **Risk Management**
 - § Property and liability insurance coverage
- § **Financial Auditing**
- § **Northwest Power Pool: Headwaters Benefits**



Services:

- Maintenance & Construction Services
- Operations & Maintenance
- Staffing Services
- Technical Support Services
- Turbine Services



Services:

- Long-term and short-term strategic power supply planning
- Fossil and Hydro system operational optimization
- Risk management
- Hourly, daily and long term load forecasting
- Power and transmission scheduling
- Power and natural gas purchasing and sales
- Accounting and settlement

IV. Project Activities, Timeline & Meetings

- § November 2011- Meeting with PPL-M to discuss conveyance price and business relations
- § December 2011- Meeting with financial consultants to discuss conveyance price; New Tribal Council elections
- § February 2012- Meeting with NorthWestern regarding power marketing, transmission and biomass potential
- § Early 2012- Hire Engineer
- § April 2012- Begin power marketing training at BPA
- § Mid 2012- Corporation Established
- § Mid 2012 through Early 2014 - Bylaws written, staffing

Further Goals Towards Acquisition

Goal 4: Create Public Relations Strategy

Goal 5: Create Political Strategy Focused on Kerr

Goal 6: Support the Tribes' Water Rights Issues relating to energy

Goal 7: Support the Tribes' Development of Small Hydro

Goal 8: Undertake Analysis of Further Energy Development including Biomass

Goal 9: Continue to Address Other Energy Resource Management Issues

Conclusion

- § CSKT Energy will be ready for acquisition September 5, 2015
- § Development of corporation, staffing and training of internal employees, as well as securing outside expertise are immediate needs to be met
- § Grant monies allow CSKT to extend employment opportunities to our people and surround the employees with industry experts to ensure successful management of a Wholesale Power Generation Corporation once established

Questions?

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