

Planning for the Future

With less than two years until September 2015, the date in which the Confederated Salish and Kootenai Tribes (CSKT) will have the right to acquire the Kerr Hydroelectric Project (Kerr Project), the Tribal corporate enterprise, Energy Keepers, Inc. (EKI), is preparing for this important acquisition of resources.

For CSKT, acquiring the Kerr Project is one way the Tribes will provide future, sustainable economic development for the Tribal community. More importantly though, by owning the Kerr Project, the Tribes regain control over an important cultural and natural resource site, historically linked to the Salish, Kootenai and Pend d'Oreille people. In addition, this acquisition will result in a higher level of financial return to the Tribes from the output of the Kerr Project.

EKI bylaws require the Board of Directors to develop and approve an annual operating plan that includes goals and key tasks necessary to complete the acquisition, transition and operation of the Kerr Project in 2015. The Board of Directors is then required to present this annual operating plan to the Shareholder's Representative (CSKT Tribal Council) for ratification at the biannual shareholder's meeting held in July each year.

The operating plan is designed to be the key management tool for the fiscal period, and serves the function of providing both direction and key performance measures for the corporation.

The major activities for FY 2014 will continue to provide support for the acquisition of the Kerr Project, develop funding sources and build a corporate structure capable of managing and operating the Kerr Project, with the goal of maximizing the value of the shareholder's investment.

To provide a sense of the preparations that EKI will be engaged in next year, a summary of the operations plan for fiscal year 2014 is provided below:

Legal Activities to Support the Acquisition of the Kerr Project

Legal activities include monitoring pending litigation, and ongoing consultation with the CSKT Tribal legal department, regarding Federal Energy Regulatory Commission (FERC) license articles.

Led by EKI General Counsel Joe Hovenkotter and EKI Associate Counsel Jordan Thompson, the legal team will also support a variety of corporate start-up activities of a contractual and transactional nature. Thompson's externship at Van Ness Feldman Law Offices will conclude this year, and will increase EKI's capacity for handling and addressing the extensive legal issues presented in the hydro power arena. Of primary importance, is the work they are conducting to successfully manage EKI's interest in the Kerr Project arbitration process. This arbitration process seeks to defend EKI's contention of a lower plant original cost. This process is scheduled to conclude in March 2014.

Corporate Development and Governance

The Board of Directors will work with the Shareholder's Representative to make decisions on payments in lieu of taxes for the Kerr Project and to determine the continued status of the "low cost block" of power.

Finance and Business Management

Finance and business management efforts include planning and evaluation of an accounting information system that will meet the long-term needs of EKI to be competitive in the wholesale power market while meeting regulatory reporting requirements. Transition into this new system will commence in FY14 in conjunction with the schedule to begin structuring long term power sales and financial transactions in compliance with the corporation's risk management policy.

Continued business policy development and the recruiting for critical positions will also be a major task. Additionally, EKI will assess the remaining training obligations of PPL-Montana according to Article 51 of the FERC license. The article was included in the license as an obligation of PPL-Montana to ensure EKI staff members are trained to operate and maintain the facility in the same manner and within the same standards as PPL-Montana. Upon completion of this assessment, EKI will continue to negotiate terms, and develop a training schedule for the balance of EKI personnel who will hold positions covered by Article 51.

Energy Risk Management Policy and Power Marketing Strategy

Taking control of the Kerr Project and selling the electricity generated in the wholesale energy market will generate a significantly greater return than the current arrangement with PPL-Montana. In order to maximize revenue and minimize risk, EKI has formed a Risk Oversight Committee (ROC) to supervise the development and implementation of an energy risk management policy and power marketing strategy. The ROC will meet regularly in FY14 to oversee this policy development and compliance of power sales structures with the policy.

Another critical task for 2014 will be the selection of a real time power marketing contractor. The initial activities of the selected firm will focus on assistance in developing systems and processes needed for EKI to take over the power marketing of energy from the Kerr Project. The work of the contractor will be conducted in conjunction with the staffing of a Power Marketing Manager who will lead the effort to complete the next version of the energy risk management policy and power marketing strategy.

Daniel Howlett, EKI Power Marketing Coordinator, will provide additional power marketing expertise when he completes his Bonneville Power Administration internship and returns in the spring of 2014 to the corporate offices.

An Asset Optimization Manager will also be hired to secure data sources and assist in the development of an optimization model. This model will be used to determine the

optimum timing of power generation from the power plant to assure maximum revenue production within the scope of the regulatory limitations. This effort will also provide information that will assist in the development of the energy risk management policy and power management plan.

Operation and Maintenance (O&M) Planning and Transition

O&M planning and transition is led by Plant Manager Bart Vanderhoof, who will continue the implementation of the O&M transition plan. Essential policies and procedures for O&M will focus on the following areas:

- Safety
- Operations
- Maintenance
- Operations engineering
- Environmental and regulatory compliance

EKI will staff an Operations Compliance Manager, a Powerplant Maintenance Engineer, and an Operations Supervisor in 2014, while the contracted firm and O&M specialist, NAES, will continue to assist EKI in O&M transition activities. Vanderhoof will also work toward execution of additional training agreements with PPL-Montana for plant management staff not covered in the operator/maintenance trainee agreements.

Plant Engineering

Plant engineering activities slated for 2014 include the design of a control system for the operations of the Kerr Project. In addition to this work, consulting engineers will assess spare generator windings that are being offered as part of the conveyance of the facility.

A senior dam safety engineer will be hired to coordinate these activities as well as begin the development of EKI's dam safety program, participate in safety inspections of the Kerr Project, and conduct ongoing refinement of the plan for capital improvements at the Kerr Project to assure its operation into the future.

Other projects on behalf of the Shareholder's Representative

Other projects assigned to EKI include support of the review of the Columbia River Treaty and conducting a detailed feasibility study for the development of a biomass power plant on the reservation through a grant from the U.S. Department of Energy. Both of these projects are outside of the direct line of acquiring the Kerr Project, but are important energy and resource issues for CSKT.

EKI Chief Executive Officer Brian Lipscomb will continue his leadership role on certain related activities for the Columbia River Treaty, while the entire EKI administrative team

will support the feasibility study to determine the technical and economic viability of a co-generation biomass fuel power plant for CSKT.

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Important Milestones in the Process of Acquiring the Kerr Project

- 1) The path toward acquiring the Kerr Project began in the late 1970s when the Confederated Salish and Kootenai Tribes negotiated an option to acquire Kerr.
- 2) In 2007, the Tribes began activities in earnest that specifically focused on the Kerr Project acquisition.
- 3) In 2010, the Tribes received the Estimated Conveyance Price for the Kerr Project from the current owner PPLM.
- 4) In 2010, a Tribal Energy Department was staffed to assist the Confederated Salish and Kootenai Tribes in the development and implementation of a strategic plan to accomplish the goal of acquiring the Kerr Project.
- 5) In 2012, the Tribes received the updated Estimated Conveyance Price for the Kerr Project from PPLM and subsequently disputed this estimate requesting a board of arbitration be convened to determine the appropriate estimated conveyance price.
- 6) In 2012, the tribal corporation, Energy Keepers, Inc. (EKI) was formed. EKI is tasked with protecting the Confederated Salish and Kootenai Tribes' assets while engaging in the activities necessary to acquire, operate and maintain the Kerr Project.
- 7) In 2013, foundational corporate activities were completed by EKI to continue building capacity, and to activate important business tasks as the acquisition date draws near.
- 8) In 2014, a board of arbitration will provide the estimated Conveyance Price for the Tribes to acquire the Kerr Project.
- 9) In 2014, the Tribes will officially designate a conveyance date and provide notice to the appropriate parties of this date.

10) Today, there are less than 22 months remaining before the Confederated Salish and Kootenai Tribes own the Kerr Project and take the reigns as sole operator in September 2015.