

Kerr Project Cost Hearings Start in January

A major question asked by tribal members and the general public regarding the Confederated Salish and Kootenai Tribes' (CSKT) efforts to purchase the Kerr Project has been, "What will it cost?"

This question will soon be answered and the Tribes anticipate it will result in an immediate resolution to the \$35 million challenge posed by CSKT regarding the conveyance price.

On January 22, a three-person American Arbitration Association (AAA) panel will begin hearing additional witness testimony from CSKT and the dam's current owner, PPL Montana in a process that will ultimately determine the conveyance price of the 194 MW facility located on the Flathead River. The hearing marks the beginning to an end of the disputed conveyance price negotiation and arbitration process in which CSKT and Energy Keepers, Inc. (EKI), the tribal corporation established to operate the Kerr Project and manage the acquisition process, have disputed the estimated conveyance price of \$49.4 million provided by PPL Montana in 2013.

CSKT and EKI assert the price for the Kerr Project should be much lower, \$13.5 million, when applying the terms of the agreement negotiated in 1985. The terms provide the conveyance price to be the "original cost of construction less depreciation," memorializing this agreement in the current Federal Energy Regulatory Commission (FERC) license.

CSKT and EKI have relied on several experts to determine that the stipulated conveyance price should include physical assets like the dam, penstocks, tunnels, powerhouse, generators, turbines, transformers, control room, transmission lines, switchyard, roads, bridges, gates, fences, maintenance shop, and related housing and landscaping.

PPL Montana has asserted the conveyance price should include additional items such as environmental mitigation, as well as the costs for a long-standing lawsuit the company has been involved in over the years regarding Flathead Lake shoreline erosion.

Efforts by CSKT and EKI to reach settlement with PPL Montana have been deadlocked. As a result the final decision is in the hands of the arbitrators.

"There is a lot riding on the arbitration panel's decision," says Energy Keepers, Inc. CEO Brian Lipscomb. "It will not only establish the basis for what we will pay in 2015, but will also determine if CSKT will have to pay the cost of mitigation for damages

caused to its resources by PPL Montana and the previous owner, Montana Power Company. We are not taking this arbitration process lightly. With over \$35 million at stake we have put in countless hours of preparation to assure the deal negotiated by our leaders in 1985 is honored today. We believe we have sound footing to stand on in our assertion of the price for the Kerr Project and are confident our arguments will have a positive influence on the arbitration board's ruling."

To date, EKI has provided 14 expert testimonies to the arbitration panel. These experts come from a broad spectrum of knowledge. Witnesses from the tribal community include Tony Incashola, Pend d'Oreille elder and Salish Pend d'Oreille Culture Committee Director; Joe Durglo, former Tribal Council Chairman; Vern Clairmont, CSKT Director of Financial Affairs; in addition to FERC auditors, engineers, and a former Montana Public Service Commissioner.

Each party will have an opportunity to cross-examine the opposing party's witnesses at the hearings beginning on January 22. Once the hearings are completed, EKI will submit written conclusions to the arbitration panel. The ruling will be issued no later than March 5, 2014.

For more complete details about the arbitration process, please visit:
www.energykeepersinc.com/resources/arbitration/

Alongside the management of the arbitration process, EKI faces less than 21 months until the acquisition date for the Kerr Project and continues to prepare for the management and operation of the hydroelectric facility.

One area of intensive preparation involves training EKI's future dam operators at the facility. Currently, four CSKT Tribal Members have been employed to gain hands-on experience working directly at the Kerr Project and other facilities owned by PPL Montana as Operator Trainees including: Dustin Shelby; Clifford Flammond, Jr.; Rodrick VanNess; and Daniel Trahan.

Finally, after the successful application, and award, of several grants, EKI has been able to significantly reduce the amount of capital CSKT will need to provide to the Kerr Project acquisition effort. This allows the Tribes to use these savings immediately and infuse it back into their budget for the benefit of other important Tribal programs.

For more information about Energy Keepers, Inc., please visit the website at
www.EnergyKeepersInc.com