

U.S. DEPARTMENT OF
ENERGY

Energy Efficiency &
Renewable Energy

Tribal Energy Program

Colville Confederated Tribes TRIBAL ENERGY PROGRAM

-Feasibility Study for
Tribal Utility-



Colville Tribal Energy Recipient:

Grant Goals and objectives: Starting in September 2009 and ending June 2015 The Colville Confederated Tribal Business Council will review recommendations by Colville Tribal Energy Program regarding Feasibility Reports to consider what avenue to take regarding a Utility. Reviewing data compiled, and utilizing all relevant analysis of legal and regulatory framework and considering issues BPA Constraints, the tribe will decide what Utility Models appears to be feasible for Colville Confederated Tribes.

History of Colville Confederated Tribes:

- Established by Executive Order and signed July 1872
- Seated are 14 Elected Business Council Members, representing 4 Districts: Inchelium, Keller, Nespelem and Omak
- 1.4 million acres of land consisting 800,000 acres of forested, 600,000 acres of range and agricultural lands and bordered by the Columbia River and Okanogan River
- Grand Coulee Dam, Chief Joseph Dam, Wells Dam exist on the tribal lands along the Columbia River

Colville Tribes Natural Resources:

- The Colville Business Council saw the need to create an Energy Program in 2005 to look at all areas of the reservations Natural Resources, energy related efficiencies, all opportunities for the benefit of the Colville Tribes.
- Inclusive was the managing the forward sale of Hydro power from Wells Dam located on the Columbia River, a legal settlement.
- In 2008 the Tribal Energy Program finalized a Strategic Energy Plan that identified a vision for the potential development of energy projects
- The Colville Tribes Energy Program focused on: Woody Biomass, Hydro Forward Sales, Solar Projects, looking at potential Hydro agreements, Wind Feasibility Studies, Canola/Camelina Biofuels, and Energy Efficiency.



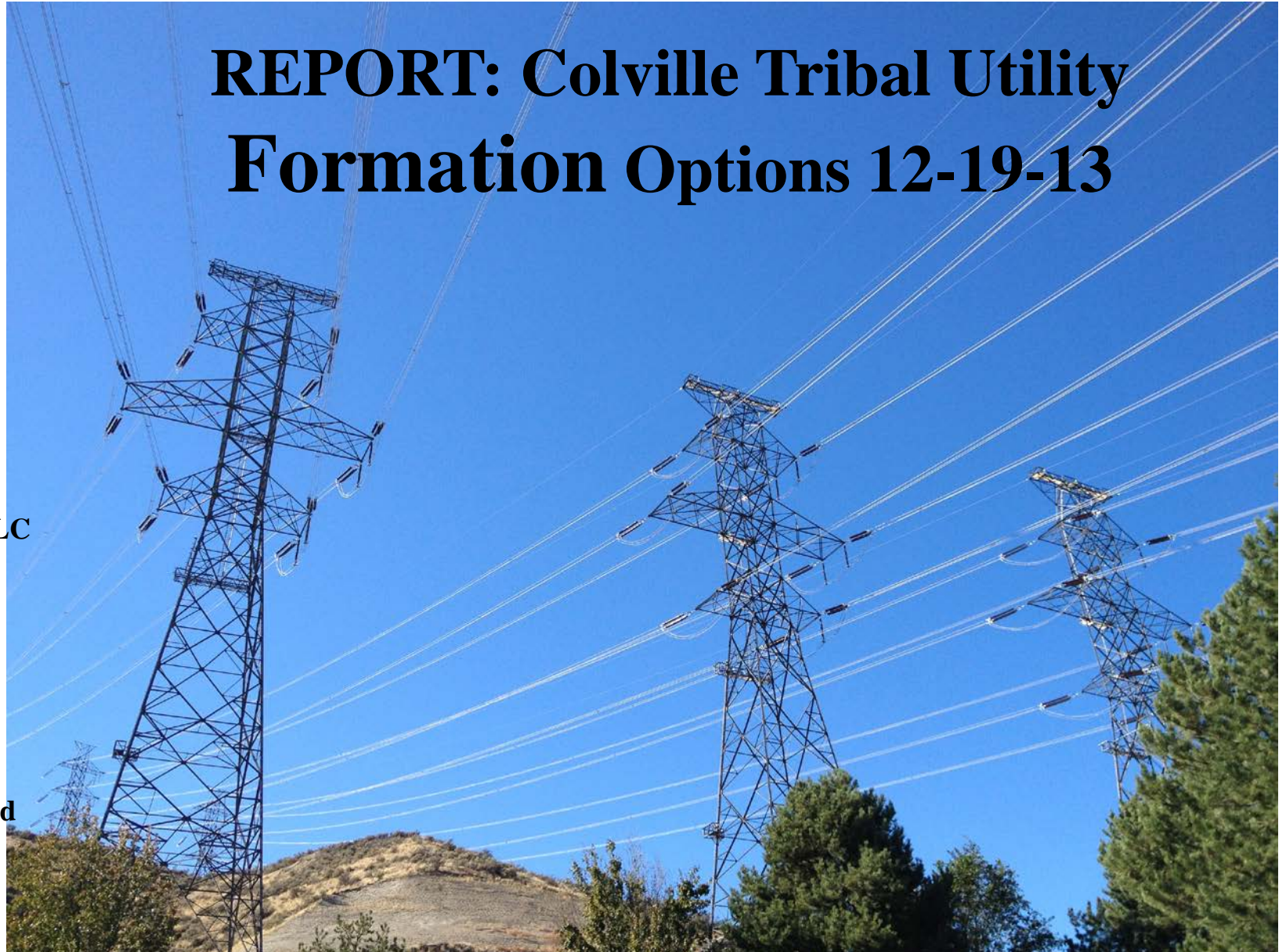
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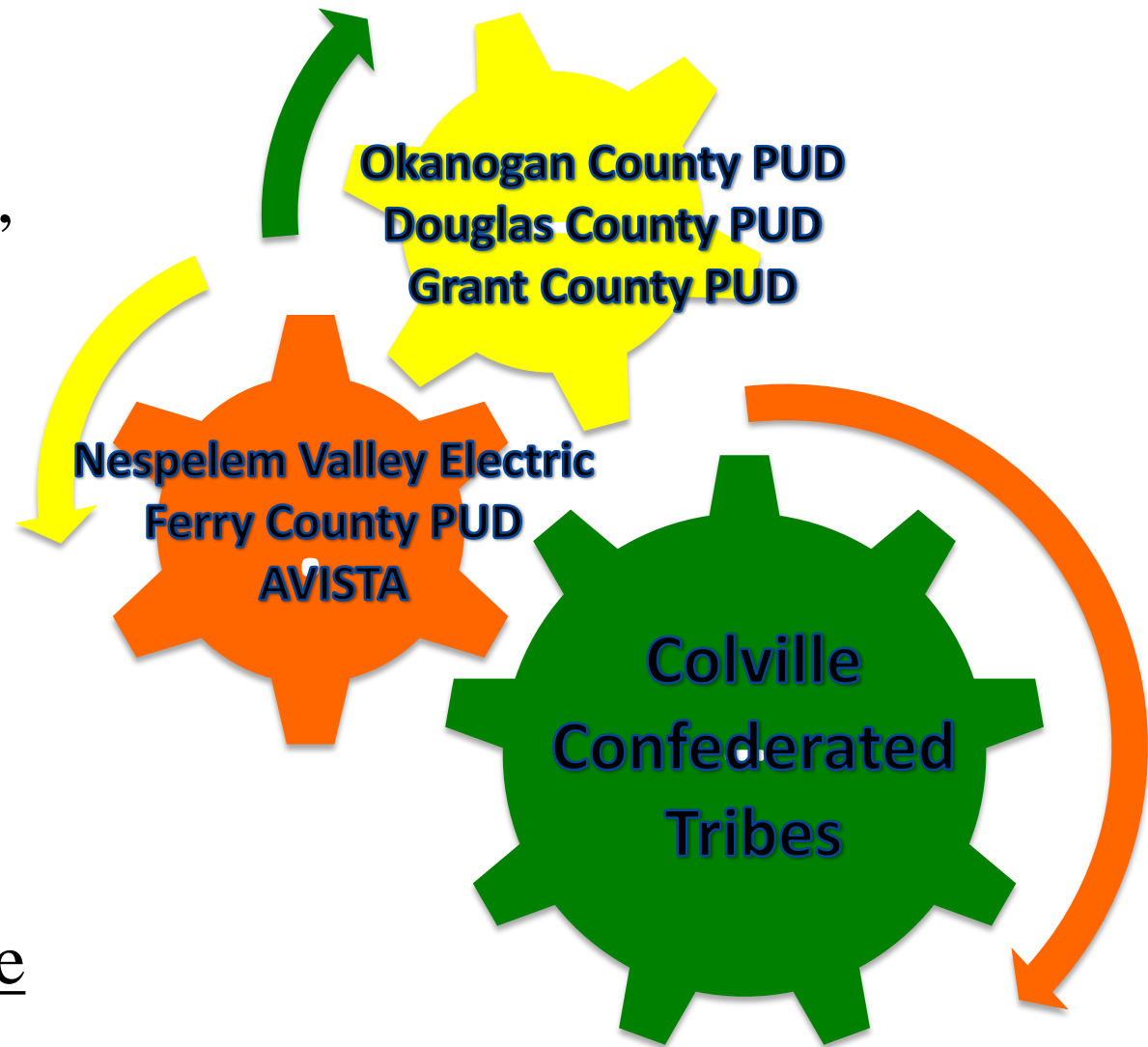
REPORT: Colville Tribal Utility Formation Options 12-19-13



The focus of this Task One of the project is to determine at a high-level the likelihood of a tribal electric utility providing a cost savings to the potential customers of such utility. If formed, will certainly have other benefits to Colville Tribes. For example a tribal utility would:

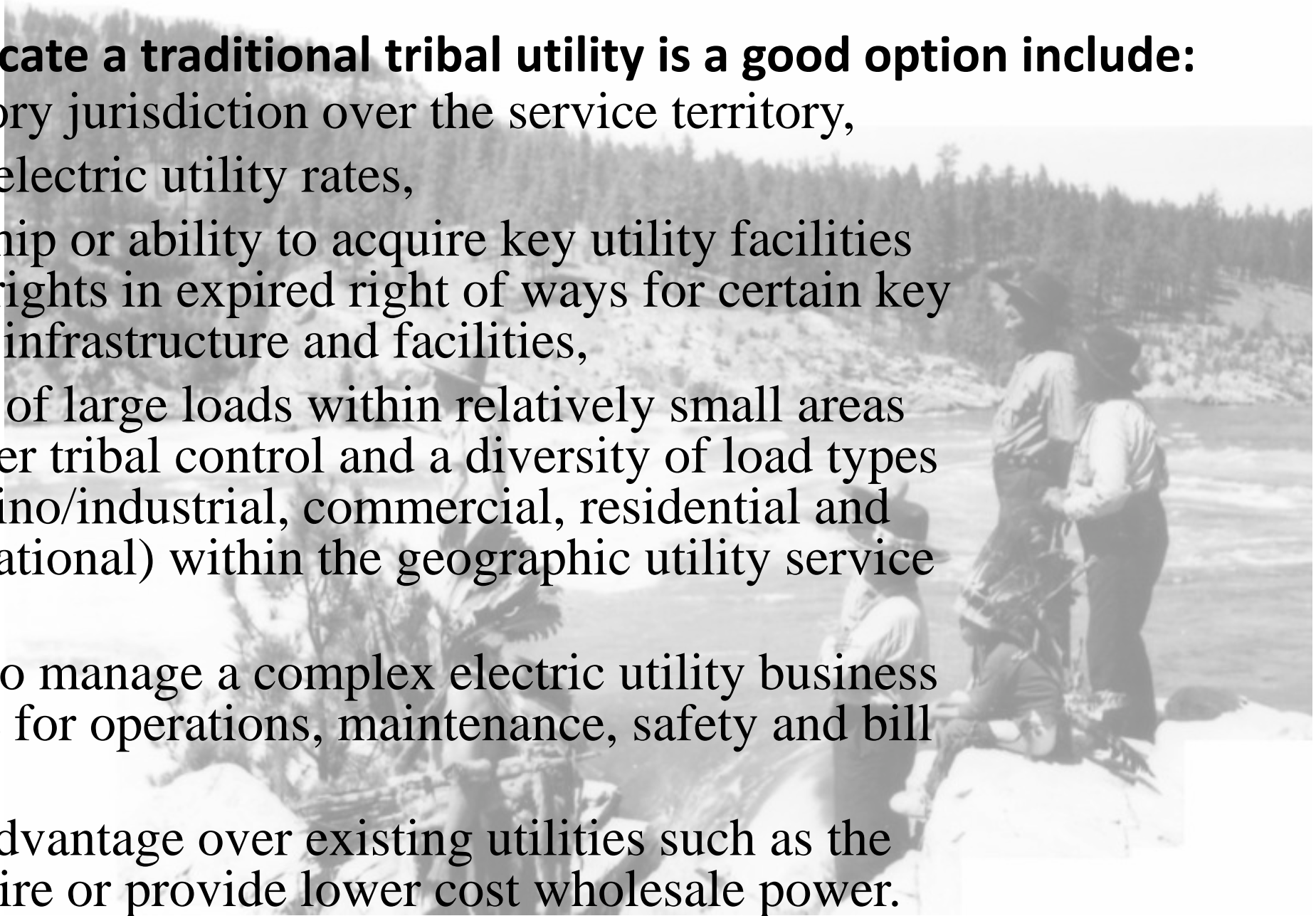
- Be an exercise of the tribes' sovereignty and authorities within its jurisdiction.
- Unify power rates and service to tribal customers now served by six separate electric utility companies.
- Provide a basis for the tribe to provide other utility services. Bring the existing utility jobs under tribal control.


If the projected costs of a tribal utility are significantly higher than the costs of existing electric utility service, the tribe will choose not to form a utility in these service territories. This task was therefore designed to provide an indication, in each of the six existing utility service territories serving Colville Tribes, where the best opportunities appear to be for tribal utility formation that will provide cost savings to the customers.



Factors that indicate a traditional tribal utility is a good option include:

- Tribal regulatory jurisdiction over the service territory,
- Existing high electric utility rates,
- Tribal ownership or ability to acquire key utility facilities such as tribal rights in expired right of ways for certain key electric utility infrastructure and facilities,
- Consolidation of large loads within relatively small areas which are under tribal control and a diversity of load types (including casino/industrial, commercial, residential and seasonal recreational) within the geographic utility service area,
- Tribal ability to manage a complex electric utility business and to provide for operations, maintenance, safety and bill collection,
- Competitive advantage over existing utilities such as the ability to acquire or provide lower cost wholesale power.





The initial application of these factors to the Colville reservation indicates that the formation of a traditional tribal utility in most of the current utility service territories would be difficult mainly due to two factors:

The lack of consecutive tribal regulatory jurisdiction over the service territory of any of the existing utilities serving the reservation, and

The level of retail rates charged by 5 of the 6 utilities serving electric customers within the reservation and the unlikelihood that a traditional tribal utility could create any cost savings for customers except maybe for customers of Avista.

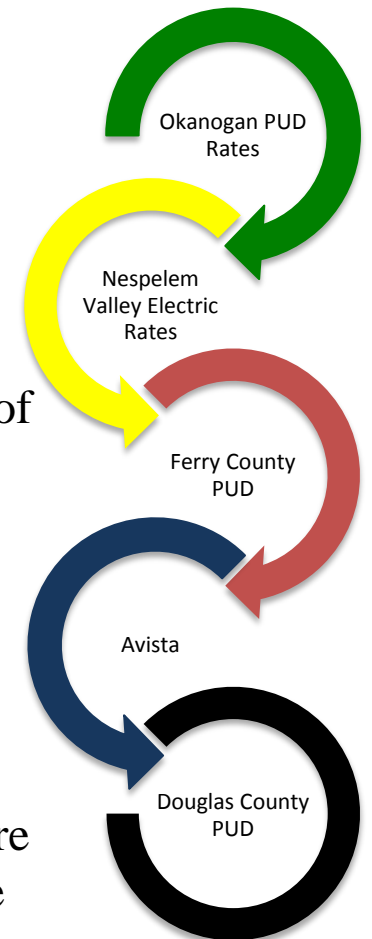
Currently, most of the utilities serving the reservation have consistent residential rates, except that Douglas County PUD No. 1's rates are considerably lower than the other utilities due to the low cost of the Wells dam power.

The average cost of service for Nespelem Coop, Okanagon County PUD, and Ferry County PUD are extremely close. However, the average cost for a residential customer (i.e. 1600 kWh/month) varies considerably.

Ferry County PUD's residential rate is the highest and is slightly higher than Avista. Ferry County PUD has a very low cost rate for large industrial customers such as their large gold mine load which appears to support the lower industrial rates with a higher residential rate. Avista has the highest cost of service over all customer types.

It is not likely that a tribal utility would provide a cost advantage, except possibly for the Avista system. The biggest uncertainties are the cost of acquiring Avista's distribution system, the size of the load that would be served and the cost of financing the acquisition. In fact, there is the real potential that the cost of a tribal utility to serve Avista's existing customers could be higher. Savings could be relatively small. Additional study is recommended if the tribe is interested in this option.

Ferry County PUD's rate structure favors its industrial customers over its residential customers. We are unaware of any tribal industrial loads or interests related to Ferry County, however the tribe may have economic interests or tribal member jobs at stake if the industrial rate were changed. The tribe does have leverage to address the rate issues, if that is in the tribe's best interests. More discussion of this option is recommended.



Recommendations include:

- 1) Tribal Utility Study In Avista Area: Do further costs analysis for a tribal utility on the current Avista system.
- 2) Ferry County PUD Residential Rates: Determine internally if the tribe has an interest in lowering Ferry County residential rates at the possible expense of the industrial rates. If so, engage Ferry County PUD on the issue of their residential rate helps support the industrial customers.
- 3) Targeted Utility Bill Reviews: Solicit tribal member residential or tribal commercial bills that appear significantly higher than the average bills noted here. The Tribal Energy Program could utilize one or more staff members with support from experts under contract to the Tribal Energy Program to research the reasons for the high bills and take steps necessary to resolve the problems.
- 4) Mill Agreements: Update reviews of power related agreements with Okanogan County PUD.
- 5) Partnerships: Establish one or more energy efficiency partnerships for energy audits, training, or energy efficiency measures on the reservation.
- 6) Coulee Dam Tribal Loads Review: Because we could not obtain the City of Coulee Dam's rate information from public sources, a review of the tribe's bills, if any, from this utility is warranted.

QUESTIONS?

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