

Action Plan

Grantee: COLVILLE CONFEDERATED TRIBES

Grant: R-U1-1W-AI-0045

LOCCS Authorized Amount: \$ 799,750.00
Grant Award Amount: \$ 799,750.00
Status: Reviewed and Approved

Estimated PI/RL Funds:

Total Budget: \$ 799,750.00

Funding Sources

Funding Source	Funding Type
Tribal Energy	Tribal Funds

Narratives

1. Capacity of the Applicant and Relevant Organizational Experience:

The Colville Tribes have long utilized a land purchase program that has returned to tribal control the lands lost to various federal actions on the Colville Indian reservation. Additionally, the CCT utilizes the BIA Realty, Range, Forestry and Environmental Trust offices to assist its efforts in land management. These same departments are key partners in developing and utilizing a well-developed body of knowledge around the technical, scientific, and engineering capabilities in relation to the aspects of energy development, co-generation power development, water quality issues, environmental regulations, surrounding power generation. The CCT Environmental Trust Department has over 30 years of experience dealing with the complex arena of state, federal and local environmental quality standards. Environmental Trust provides a strong partner in performing the environmental monitoring and assessment, regulatory monitoring development. The Colville Tribal Enterprise Corporation (CTEC) provides the CCT Energy Department with assistance in the financial/revenue management. CTEC have developed businesses for the Colville Tribes for over 20 years and consistently provides sound financial support to the existing Tribal businesses on the Colville Reservation lands.

The management at CIPV, Colville Business Council and Colville Tribal Enterprise Corporation (CTEC) are committed to ensuring the best and highest use of the capabilities of the existing CIPV facility and expertise of staff to meet tribal economic and energy objectives. The tribe is willing to pursue all technically and economically viable options. The Colville Tribes created the Tribal Energy Department to develop the plans for future and existing power generation opportunities surrounding the hydro-electric plants currently located on the Colville Tribal lands. The Energy Department finalized an Energy Strategic Plan in 2007 and delivered it to the Colville Business Council, who approved its attempt to develop current and future energy production possibilities. In doing so, the CCT will better provide energy sources and revenue generations options for its membership. The Energy Department has already put work into possible wind generation farms, solar power generation and other bio-fuels developments.

The tribe has devoted significant staff and financial resources to the investigation of biomass resource availability and the operation of CIPV and the associated power plant. The CCT has every incentive to optimize the operation of the plant and all stakeholders are continually seeking to improve plant performance. The CCT Energy Program has four (4) full-time staff members to continue to pursue energy opportunities both in the near-term and as a long-term development strategy. The combined value of these positions is greater than \$250,000 per year, and this does not include the value of legal consulting assistance the tribe is paying for to develop a tribal utility ordinance and other related legal matters.

The CCT has shown its commitment to develop technically and economically viable options for biomass heating and power generation on multiple levels over the long-term. The Business Council and CIPV approved and undertook a multi-million dollar renovation of boiler, turbine, generator and control systems at the power plant in anticipation of operating the power plant at higher capacity. Following that renovation, plant reliability increased. However, power markets were not adequate and the boiler system renovations were not sufficient to justify consistent power generation throughout 2006 through today. However, regulatory compliance and other expanding renewable energy markets and improved technology promise to help overcome those hurdles. A sound economic and technical analysis is needed of these emerging markets and competitive



nature of fuel supplies and alternatives. Today, the Colville Tribes Energy Department has taken the Colville Tribes on leaps and bounds toward taking control of their energy production possibilities and how to provide better energy options for its membership and local communities. The Energy Department is developing possible wind generation farms, solar power generation and other bio-fuels developments.

2. Need and Extent of the Problem:

The Confederated Tribes, governed by the Colville Business Council, oversees a multimillion dollar administration that employs 800 individuals, 500 permanent and 300 seasonal employees. This total is down from 1,200 positions in 2008. The Colville Tribes operates on a yearly budget that is primarily funded from revenues generated from the sale of the Tribes' timber products and from other sources including federal, state and private contributions. Tribal revenue has decreased by over 15% in the past 3 years, due to the current economic climate affecting timber sales and reductions in a settlement case that has provided a substantial portion of Tribal revenue over the past 15 years. The downward trend is expected to continue for at least the next several years before the positive impact of restructuring the Tribes' business enterprises.

The local economy has struggled since 2002 when the plywood and lumbers mills were first closed. The Tribes purchased and reopened the mills, but a major fire in the plywood mill in 2006 and declining value of lumber since 2007 forced the mills to close again in 2008. Statistics from the Colville Tribal Enterprise Corporation show that 365 jobs were lost between 2008-2010 as a consequence of severe curtailment of the Tribes' logging operations and Tribally owned wood products facility on the Reservation (CTEC, Report 2010). This reality is not reflected in the 2000 Census data-the loss of these jobs dramatically increased local unemployment and decreased the median income.

(1) Poverty Rate for the target area

According to Mapping Tool - Local Poverty Rate (excluding unrelated individuals enrolled in college) - Target Area (Census 2000), 24.74%, is more than twice the National Average, 12.16%.

According to the U.S. Census Bureau, 20.6% of families on the Reservation, 41.2% of female-headed households, and 26.8% of individuals live below the poverty line and depend on the Tribe and other public assistance to survive (US Census 2000).

(2) Unemployment for the target area

Local unemployment rate, 9.88%, is greater than the National Average, 9.77% According to the US Census ACS, 2000, of those looking for work there is a reported 12.5% unemployment rate. According to Colville Tribes' Temporary Aid to Needy Families (TANF) records, 53.2% of the residents have no job. These grim statistics from 2000 do not take into account the layoffs within the Reservation from 2008-2010 related to the Tribal Forest Products Business or the layoffs resulting from the current national economic crisis.

(5) Other indicators of social or economic decline

The numbers from within the Colville Reservation illustrate an even more dire situation: 45% of the population is in the workforce and a per capita income is \$11,577 - less than 2/3 the National per capita income (US Census ACS, 2000). The median household income of the Colville Tribe of \$27,826 is less than Ferry County (\$30,388), Okanogan County (529,726) and Washington State (945,776) (US Census 2000).

(6) Demographics of Distress - Special Factors

Applicant claims 5 points for factor 6c, as the Confederated Tribes of the Colville Reservation are a federally recognized Indian tribe>

Consistency/Appropriateness of Proposed Activities with Identified Needs.

3.a.1 By launching the new business, Fuel Enterprises, CCT creates 16 direct jobs in an industry related to the mills that were closed in 2008. Most of those laid-off from the plywood and lumber mills are still unemployed. There are no other local industries that hire the mill workers for their skills. The jobs created by this project will draw from this population and will provide heavy equipment and fuel treatment training that will return the earning capacity of each new hire.

As the business grows, additional workers will be added to meet the forecasted demand as described in the Biomass Combined Heat & Power Feasibility Evaluation (McNeil Technologies, Inc. 2009). It is typical to hire crews through contracts for related forest management work. Applying this practice to Fuel Enterprise crews will give the start-up business a workforce without carrying the overhead of additional staff. Contract crews also serve to employ local workers, which in this rugged and remote region can make the difference between being able to reach the worksite and being unable to get to work because of adverse road conditions.

CCT Tribal Employment Rights Office (TERO) policy requires that contractors performing work on the reservation hire Native Americans when possible, ensuring that those hired are from the target served populations. TERO mandates that hiring managers provide preference to qualified Colville and other Indian business enterprises when contracting and [likewise] all contractors with the Tribes, or a tribal agency, when subcontracting.

3.a.3 The formation of a Tribally owned business that creates jobs while improving air quality and addresses two critical directives; those defined in the National Fire Plan and those mandated by the State of Washington. CCT will leverage currently under-utilized expertise and personnel to participate in an industry that is posed for grow in response to our nations need to reduce dependence on fossil fuels.

In 2001, Congress approved funds for federal and state agencies and local communities to better plan and prepare for future wildfire seasons. In response to the risks posed by heavy fuels loads -- the result of decades of fire suppression activities, sustained drought, and increasing insect, disease, and invasive plant infestations -- the National Fire Plan



established an intensive, long-term hazardous fuels reduction program.

Other federal initiatives applicable to the proposed project are in place. For instance, in June of 2003, a Memorandum of Understanding (MOU) on Policy Principles for Woody Biomass Utilization (WBU) for Restoration and Fuel Treatments on Forests, Woodlands, and Rangelands was signed by the Secretaries of Agriculture, Energy, and Interior. One of the eight policy objectives called out in this MOU is: Support Indian Tribes, as appropriate, in the development and establishment of WBU within Tribal communities as a means of creating jobs, establishing infrastructure, and supporting new economic opportunities.

At the state level, Washington's voters declared in 2006 that 15 percent of the state's electricity must come from alternative sources, including utilization of woody biomass, by 2020. As of 2009, there are 24 states plus the District of Columbia that have Renewable Portfolio Standards in place. Together these states account for more than half of the electricity sales in the United States.

The proposed Fuel Enterprise business leverages ongoing fuel management in our forests and delivers fuel to cogeneration power plants that generate electricity that will help the State of Washington meet its 2020 goal.

To understand the proposed business, we offer a short overview of the related industries; forest management, timber harvest, and woody biomass electric power generation.

Whether privately or publicly owned, healthy, sustainable forests require active forest management to maintain and improve the health, diversity, and productivity of forest ecosystems for the enjoyment of current and future generations. Forest management includes guidance, administration, and support of the agency's forest products management and sales programs.

Forests are used for many purposes ranging from recreation to forest harvest. Forest harvest removes marketable trees that are sold for lumber, plywood and a variety of products such as chip, paper and barkdust. Loggers bid for contracts to remove trees from parcels of land. Forest harvest roads are built to access forests and regulations determine the type and amount of trees that can be removed. These contracts also dictate what is to be done with the tree tops and limbs that are removed as a part of the forest harvest process.

Fuel management is the practice of addressing both the waste from forest harvest and the aspects of the forest that might contribute to high intensity forest fires. In 2006, the federal government spent \$1.5 billion dollars in the United States on fuel management. State and local governments spent additional funds. Fuel management practices determine what areas to thin, what deadfall to remove and how to manage the resulting waste materials, referred to as woody biomass in this proposal.

The Forest Service encourages the utilization of woody biomass from hazardous fuel reduction, restoration, and other management activities on public and private lands to help offset the costs of these activities, provide economic opportunities to rural communities, and enhance environmental benefits for the American public.

Timber harvest residuals can provide significant volumes of woody biomass material. Typically available as limbs, tops and un-merchantable logs, these residuals are by-products of commercial timber harvesting operations. As such, these residuals can be a relatively economic raw material fuel supply. Once collected and processed using portable grinders, this material is an excellent biomass fuel source. Fuel Enterprise converts this existing resource into a sellable commodity that is sold to cogeneration power plants. Fuel Enterprise enters the rapidly emerging market early to capture market share and employ displaced millworkers into working crew members through job training and job creation. With assistance from HUD, this new business will purchase start-up equipment needed to begin operations. Once in business, Fuel Enterprise sustains and grows through incremental increases in both crews and equipment, funded with sales of fuel.

3. Soundness of Approach:

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Management of this start-up will draw from CCT's current industry experts in both Forest Harvest and Energy. Dan Brudevold will have oversight responsibility for the Fuel enterprise project. Dan led the 2002 CCT project funded by the Department of Energy through a one-bay substation was built, through which the plywood plant electrical system was interconnected with the Okanogan Public Utility District by a link adjacent to the 13,200 Volt distribution line. The project retained 150 jobs at the plywood mill and positioned CCT to sell green power outside their normal service grid based on recent legislation passed by Washington State.

Dan will be supported by John Sirois and Bob Anderson. John will manage sales contracts with regional power plants as an extension of his current power sales responsibilities.

To supplement the internal resources and expertise described in Rating Factor 1, CCT has authorized several studies to assess and evaluate topics relevant to the Fuel Enterprise project. The details of this project are based in large part on the assessment and findings of these independent studies.

July 2009 Colville Biomass Facility Feasibility Study

McNeil Technologies, Inc.
Lakewood, Colorado



January 2009 Woody Fuel Supply Assessment

TSS Consultants
RanchoCordova,California

May 2009 Biomass Combined Heat & Power
Feasibility Evaluation

Pacific Energy Systems
Portland, Oregon

January 2011 Fuel Enterprise Business Plan
Portland, Oregon

The Beck Group

In 2009 there were 15 biomass power plants located in the State of Washington with approximately 419 MW of total generation capacity.

There are currently four existing power plants (including CIPV's retired facility) located in Central and Eastern Washington. The closest biomass power plant to Omak is the Avista facility at Kettle Falls. Due to significant haul distance advantage, a facility located at Omak would experience limited competition from existing power plants for biomass fuel generated within the target study area. Currently, Vaagen Bros. is the only operation sourcing biomass fuel material from the Omak area for its power plant at Colville. This material is primarily forest sourced biomass (timber harvest residuals, fuel treatment forest restorations or stand improvement projects).

Avista is one of the largest biomass facilities in the state of Washington at 51 MW and is located at Kettle Falls on the east edge of the Colville Reservation. Currently their operation is fueled primarily by forest sourced material (beetle caused mortality) from Canada and supplemented with forest products manufacturing residuals. Avista utilizes a very minor amount of urban wood waste and orchard material.

4. Leveraging Resources:

Housed in the Tribes' Energy Program, the project will have the benefit of office space, equipment and supplies over the course of HUD support and beyond. Included in this level of support would be office assistance from the Program's support staff and access to Program vehicles.

The project would also enjoy the support and assistance of the Tribes' accounting program in all facets of its financial recordkeeping and reporting. The Tribes' accounting program also assists each grantee with compliance requirements over the term of each grant.

Dan Brudevold, director of the Land and Property Management Department of the Tribes, who brings decades of successful management experience to the Tribes' Forest Products enterprises, will provide project oversight including supervision of John Sirois, the Tribes' Energy Program Manager. Dan has good working relationships with all of the project participants.

In addition, the project will receive resources from BIA Forestry Management and CCT Forestry in the form of access to woody biomass gathered by both agencies. So, instead of piling and burning this biomass, both groups will make it available to project employees and/or contractors for processing and shipment to biomass customers.

The Tribes' commercial enterprise company, CTEC, will also contribute to the project through Bob Anderson's work as the person responsible for hiring the crews and scheduling the work. At least one third of Mr. Anderson's time will be spent overseeing the work done in the forest. Bob will train crews lead to provide onsite leadership and direction but will manage the crews as he currently manages crews for other CTEC work.

Financial Sustainability is achieved by maintaining the low cost of scrap woody biomass and keeping crew efficiency high. The Woody Fuel Supply Assessment done by TSS Associates in

2009 provides a detailed report on the volume of various sources of woody biomass within a 75-mile radius of the Omak power facility. The conclusion was that between 1,156,810 and 586,680 bone dry tons (BDT) are potentially and practically available on an annual basis.

Reducing the practically available fuel total to reflect woody biomass currently sourced and/or committed within and tributary to the service area leaves a total of 471,135 BDT of woody biomass fuel currently available on an annual basis. Logging operations, orchards, mills and urban waste generate this supply of materials that are needed to sustain Fuel Enterprises.

Another indicator of sustainability is the growing need for localized, renewable energy, along with wind and solar power, woody biomass is considered a renewable fuel source.

The 2009 Washington State University report Renewable Energy Industry Trends and Workforce Development in Washington State concludes that, "Developing or expanding renewable energy sources will enhance our ability to achieve important national, regional and state goals and objectives: reducing our dependence on foreign oil, limiting greenhouse gas emissions, re-invigorating our economy, and creating clean energy jobs that offer pathways out of poverty." That finding summarizes the growing and ongoing need for businesses just like Fuel E



5. Achieving Results, Program Evaluation and HUD's Policy Priorities:

The Fuel Enterprise Business Plan, approved and funded by CCT in January 2011, is scheduled for completion in June of 2011. Once complete, the business plan will be subjected to review and revisions prior to adoption by the Colville Business Council. The review cycle will be completed and the final plan approved in September of 2011. Equipment selection will be finalized and orders placed in anticipation of HUD funding to be released in October. Crew members will be hired for the remaining four months of the season. Training will be provided and will include field safety, equipment safety, basic equipment maintenance and. The training received, while specific to the work skills needed for this business will be highly transferable. The training and work experience gained through this employment opportunity will increase the skill level of the workers, thereby increasing each person's earning potential. Crew members will be cross-trained on different jobs to increase the efficiency of the work crews and expand workers' transferable skills.

At the close of the first season, when spring thaws prevent crews from being in the woods, crews will be moved to inactive status. This seasonality is common practice for jobs that are tied to working in the woods and is the reason the crew positions are not counted as a full FTE per person.

Timetable, measurable long and short term goals, including annual benchmarks

Method used to ensure on-time, on budget completion

Budget, broken out by line item, included documented projected costs from outside sources are required

Work plan in spreadsheet form, with rationale for proposed activities and assumptions used

Report coordination of efforts/activities with other organizations (demonstrate that our program is not operating in isolation.)

There are four internal CCT programs within the Land and Property Management Department that are pertinent to this project include: Colville Fish and Wildlife, Tribal Forestry, Natural Resources, and Energy. Tribal programs are all integrally involved in preserving and Colville protecting all natural resources across the 1.4 million acres of the Reservation.

CCT Energy Department is a participating member of the Okanogan County Biomass Partnership which was formed to coordinate biomass development across the Okanogan County. This partnership was the venue for working with the Okanogan Conservation District as well as U.S. Forest Service, Winthrop Ranger District, WA Department of Natural Resources Okanogan County PUD #1, Okanogan County Energy, Inc., Bear Fight Institute, Light on the Land Natural Resources, Methow Forest Owners' Cooperative, and the Okanogan Community Development Council.

In year 2, demand for the fuel is projected to grow from 40,000 bdt to 80 bdt as availability of Canadian fuel becomes cost prohibitive. Export of fuel via trains will be added to the sales efforts to expand sales outside the 50 mile radius without incurring extraordinary transportation costs Year 2 will see the primary crew supplemented with contract crews to meet the needs of new customers.

Midway through year 3, the CCT power cogeneration plant will be nearing completion. Fuel Enterprise will increase production levels to create a stockpile equal to at least three months demand for CT. Year 4 and beyond will see production running at 150 bdt from forest materials with additional fuel being generated from orchard and mill materials.

Project Summary

Project #	Project Title	Grantee Activity #	Activity Title
001	Omak Biomass	1	Biomass Fuels
9999	Restricted Balance		<i>No activities in this project</i>



Activities

Project # / Title: 001 / Omak Biomass

Grantee Activity Number: 1
Activity Title: Biomass Fuels

Activity Type:
 RIF - Infrastructure and Public Improvements

Activity Status:
 Planned

Project Number:
 001

Project Title:
 Omak Biomass

Projected Start Date:
 08/01/2012

Projected End Date:
 09/30/2014

Project Draw Block by HUD:
 Not Blocked

Project Draw Block Date by HUD:

Activity Draw Block by HUD:
 Not Blocked

Activity Draw Block Date by HUD:

Block Drawdown By Grantee:
 Not Blocked

Total Budget: \$ 799,750.00
Other Funds Total: \$ 2,379,230.00
Total Funds Amount: \$ 3,178,980.00

National Objective:
 Rural Innovation Fund

Environmental Assessment:
 UNDERWAY

Benefit Report Type:
 Area Benefit (Census)

Proposed Beneficiaries	Total	Low	Mod	Low/Mod%
# of Green Building or Energy Jobs Created	16	2	14	100.00

Proposed Accomplishments	Total
# of Singlefamily Units	16
# of Housing Units	16
\$ of Leverage Funds- Tribal Organizations	2379230
# of Businesses	1

Activity is being carried out by Grantee:
 Yes

Activity is being carried out through:
 Grantee Employees

Organization carrying out Activity:
 Confederated Tribes of the Colville Reservation

Proposed budgets for organizations carrying out Activity:

Responsible Organization	Organization Type	Proposed
Confederated Tribes of the Colville Reservation	Local Government	\$ 799,750.00



Funding Source Name**Matching Funds****Funding Amount**

Tribal Energy

Yes

\$ 2,379,230.00

Location Description:

Within the bounds of the Confederated Tribes of the Colville Indian Reservation located in Omak, Washington.

Activity Description:

The scope of this activity is to establish a small, tribally owned business that will collect, process, and deliver woody biomass to regional cogeneration power plants, including that owned by the Colville Confederated Tribes (CCT).

HUD funds will be used to purchase the heavy equipment needed for turning woody biomass, waste from logging, orchards and mills, into fuel for power generation.

The Heavy Equipment includes; 1 Horizontal Grinder at \$575,000. 3 trucks and trailers, refurbished at \$43,250 each. And 1 loader with brush loading attachment, refurbished at \$95,000. For a total of \$799,750.00.

CCT will provide funding for 16 new positions at \$2,338,250 including fringe over the 3 year period. \$21,000 for training. \$18,000 for development of a Fuel Enterprise Business Plan. And \$1,980 for office supplies.

The 16 new positions include; 1 Project Manager, 2 Biomass Collection Leads, 4 Biomass Collection Truckers, 2 Biomass Loader Operators, 2 Biomass Chipper Operators, and 6 Biomass Collection Laborers.

Action Plan History**Version****Date**

R-U1-1W-AI-0045 AP#1

08/16/2012

