

Kenai Hydro, LLC

3977 Lake Street
Homer, AK 99603

August 27, 2014

Secretary Kimberly D. Bose
Federal Energy Regulatory Commission
Attn: DHAC, PJ-12.2
888 First Street, NE
Washington, DC 20426

- FILED ELECTRONICALLY -

RE: Fifth Six-Month Preliminary Permit Progress Report for the Grant Lake (Project No. 13212), March 1, 2014 – August 31, 2014

Dear Secretary Bose:

Kenai Hydro, LLC (KHL) hereby submits its fifth six-month progress report, for the period of March 1, 2013 through August 31, 2014 for the proposed Grant Lake Project.

A second Preliminary Permit Application was submitted to the Federal Energy Regulatory Commission (FERC) and subsequently granted on March 23, 2012. KHL devoted the remainder of 2012 to hiring a natural resource consultant, refining study plans and working with stakeholders to comprehensively update them on developments related to more quantitative study plans and Project infrastructure. As a result, KHL adjusted the study schedule to allow resource studies to begin with the winter studies in 2012/2013 and the spring/summer/fall work to occur in 2013.

Over the past 6 months, KHL has had multiple meetings and workshops with Stakeholders in an effort to inform them of study results, infrastructural refinements and KHL's proposed operational regime. The other intent of these meetings, calls, etc. was to continue a collaborative process that hopefully assists in creating a comprehensive Draft License Application (DLA) and alleviates the need for extensive comment and subsequent revision prior to FERC submittal of a Final License Application (FLA).

Along with finalization of the 2013 Natural Resource Study Reports, KHL has significantly advanced the engineering feasibility efforts associated with the Project. Substantial refinement to infrastructure and operational regime has occurred. Specific emphasis has been placed on hydrologic, hydraulic and geotechnical aspects of Project development. As a result, engineering and natural resource results have been integrated to develop measures such as proposed instream flows in the bypass reach (Reach 5), defining habitat benefits in high quality habitat side channels as a result of Project operations and defining impacts (positive and negative) to mainstem aquatic habitat as a due to Project operations. In addition, KHL and Stakeholders have collaboratively discussed some enhancement opportunities on Grant Creek that have the potential to further benefit the watershed.

Beginning on March 18, 2014, KHL held 4 days of meetings to distribute and present final

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natural resource study results and discuss the positive and negative impacts associated with Project development. While not formal in nature, KHL solicited comments from Stakeholders at this time and subsequently utilized many of these comments to revise the reports prior to finalizing and filing with FERC. Along with the presentation of results during these meetings, substantive collaboration occurred with respect to additional data analysis, infrastructural and operational refinements. This meeting also resulted in the formation of an instream flow sub-committee.

On July 7, 2014 after utilizing the first half of the year to analyze engineering/operational options, KHL held a Stakeholder workshop to discuss results of their analysis, their proposed operational regime and associated integration with natural resource components of the Project. Significant discussion resulted during the workshop that has led to additional refinement, analysis and collaboration. KHL has committed to providing additional project engineering detail in advance of the DLA. All of this collaboration and open communication with Stakeholders related to analysis and intent is being done in advance of DLA distribution for comment in an effort to avoid any significant discrepancies in Project understanding and will hopefully assist in facilitating a seamless review process.

On July 15, 2014, KHL held a site visit with requisite Stakeholders to further discuss and preview the proposed location of the re-routed section of the Iditarod National Historic Trail. KHL is currently internally drafting a Memorandum of Agreement (MOA) that will be distributed for Stakeholder review. Assuming that an agreement can be reached in a timely fashion, documentation related to the re-route process will be included in the Draft and Final License Applications.

KHL is in the process of internally distributing appropriate sections of the DLA to authors and they will begin the drafting process shortly. Consistent with our commitment to Stakeholders during the aforementioned meetings, KHL intends to distribute a DLA for formal comment in February, 2015. In the interim, KHL fully intends to continue communicating with Stakeholders and is currently finalizing specific plans for a public meeting in Moose Pass, Ak, communicating engineering refinements with Stakeholders, and meeting with CIRI and the Alaska Energy Authority (AEA). Again, the intent of all of this analysis and collaboration is to develop the most comprehensive FLA possible for submittal to FERC.

ACTIVITIES DURING THE REPORTING PERIOD (September 2013 – February 2014)

Stakeholder Outreach and Consultation

- On March 18th, KHL presented the 2013 Natural Resources Study results to Stakeholders. The meeting on the 18th included presentations and group discussion on Engineering Feasibility, Terrestrial Resources, Water Resources, Recreational & Visual Resources and the anticipated Licensing Path Forward.
- On March 19th, KHL presented the 2013 Natural Resources Study results to interested Stakeholders. The meeting on the 19th included presentations and group discussion on Engineering Feasibility, Macroinvertebrate Study results, Fisheries Study results, and the anticipated Licensing Path Forward.

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- On March 20th, KHL presented the 2013 Natural Resources Study results to interested Stakeholders. The meeting on the 20th included presentations and group discussion on Instream Flow Study results and an Integrated Natural Resources / Engineering discussion.
- On March 21st, KHL presented the 2013 Cultural Study results to interested Stakeholders.
- During the March meetings, an Instream Flow Sub-committee was established to collaborate on additional analysis needs and develop an instream flow regime for the bypass reach (Reach 5). That committee held 5 calls during the reporting period and corresponded via email extensively. This work resulted in a proposed instream flow regime that was presented to Stakeholders in July, 2014 and will be documented in the DLA for their formal review.
- Informal comments were solicited and subsequently received on the natural resource study reports. Many of the comments were incorporated into the reports prior to designating them as “Final”.
- On July 7th, KHL conducted a Grant Lake Project Operations and Instream Flow Workshop with interested Stakeholders. Points of primary discussion were associated with infrastructural and operational refinements along with a proposed instream flow regime for Reach 5.
- All materials (reports, presentation, meeting minutes, comment matrix, etc.) were filed with FERC and placed on the Kenai Hydro website.
- Developed and manned a Grant Lake Hydroelectric information booth for Home Electric Association’s annual meeting on held May 1st.
- Developed and displayed a Grant Lake poster for Renewable Energy Alaska Project’s (REAP) Business of Clean Energy conference held in Anchorage on May 1st and 2nd.
- Collaboration continued with requisite resource agencies (Alaska Department of Fish & Game, Alaska Department of Natural Resources, Forest Service, State Historical Preservation Office, Kenai Peninsula Borough, Army Corps of Engineers, etc. related to Natural Resources Study activities, permit compliance and study protocols.
- KHL maintained the Kenai Hydro website (www.kenaihydro.com) by posting the latest announcements and documents for public access. This site continues to serve as a conduit for information, including a library of existing information, a calendar of events, and a repository for contact information for interested parties.
- KHL maintained consistent communication with its FERC representative to provide updates on progress, process, schedule and intent to file a License Application in 2015.

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Environmental Studies

KHL continued work related to the following resource areas:

- *Aquatic Resources*
 - Presented results from the 2013 aquatic studies at the March Study Results Meeting with Stakeholders.
 - Developed a comment response table for comments received on the draft Fisheries Assessment Study Report
 - Incorporated Stakeholder comments into the Fisheries Assessment Study Report
 - Continued Grant Creek instream flow modeling and consultation with Stakeholders
 - Conducted Bi-weekly Instream Flow Work Group meetings to establish agreed upon instream flows in the bypass reach of Grant Creek.
 - Participated in and prepared a presentation for the Grant Lake Project Operations and Instream Flow Workshop

- *Water Resources*
 - Water Resource field studies conducted during the reporting period included:
 - Data collection and analysis from thermologgers in Grant Creek and Trail Lake Narrows
 - Data collection and analysis from the thermistor string in Grant Lake
 - Monitoring and maintenance of the Grant Creek stream gauge including regular downloads and discharge measurements at a variety of flows
 - Presented results from the 2013 water resources studies at the March Study Results Meeting with Stakeholders.
 - Developed a comment response table for comments received on the draft 2013 Water Quality, Hydrology and the Geomorphology Studies
 - Incorporated Stakeholder comments into the 2013 Water Quality, Hydrology and the Geomorphology Studies

- *Terrestrial Resources*
 - Terrestrial Resource field studies conducted during the reporting period included:
 - Conducted the 2nd set (for 2014) of Northern Goshawk surveys and summarized results
 - Presented results from the 2013 terrestrial studies at the March Study Results Meeting with Stakeholders.
 - Developed a comment response table for comments received on the draft 2013 Botanical, Wetlands and Wildlife Studies
 - Incorporated relevant Agency and Stakeholder comments into the 2013 Botanical, Wetlands and Wildlife Studies

- *Cultural Resources*
 - Presented results from the 2013 cultural studies at the March Study Results Meeting with Stakeholders.

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- Developed a comment response table for comments received on the draft 2013 Cultural Resources Studies
- Incorporated relevant Agency and Stakeholder comments into the 2013 Cultural Resources Studies

- Recreation and Visual Resources
 - Presented results from the 2013 recreation and visual studies at the March Study Results Meeting with Stakeholders.
 - Developed a comment response table for comments received on the draft 2013 Recreational and Visual Resource Studies
 - Incorporated relevant Agency and Stakeholder comments into the 2013 Recreational and Visual Resource Studies
 - Organized, prepared for and led the Iditarod National Historic Trail (INHT) field visit (July 15, 2014) to review the proposed reroute of the planned trail around project facilities.
 - Developed meeting minutes for aforementioned site visit of the INHT and internally drafted a Memorandum of Agreement (MOA) to be distributed to the requisite Stakeholders in September.
 - Monitored trail cams to further study recreational use of the project area.

Engineering

- KHL and their contracted engineer conducted an internal engineering workshop where seasonal generation scenarios were developed, energy output from these scenarios were discussed, the need for a dam was reviewed, turbine sizing was addressed, proposed bypass flows (Reach 5) were evaluated, the intake structure, detention pond and outflow were further refined.
- Financials related to engineering and associated scheduling aspects were discussed.
- KHL finalized and distributed the Hydrologic Analysis Technical Memo.
- KHL finalized and distributed the Hydraulic Analysis Technical Memo.
- KHL refined the Draft Geotechnical Analysis Technical Memo.
- Extensive operational modeling and energy analysis was conducted.
- KHL prepared and finalized the Project Operations and Fisheries Habitat Technical Memo.
- Significant integration of engineering analysis with natural resource information occurred in an effort to document optimal operational regimes and define parameters associated with variable such as instream flow regime in the bypass reach (Reach 5), benefits of operations to high quality habitat side channels and other potential enhancement opportunities.
- KHL organized and presented infrastructural/operational regime information at the Grant Lake Project Operations and Instream Flow Workshop.

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CONTINUING ACTIVITIES IN SUPPORT OF LICENSE APPLICATION DEVELOPMENT

Over the course of the next six-month period, KHL will be finalizing the DLA (on or before February 28, 2014). Prior to distribution of the DLA for formal Stakeholder comment, KHL anticipates further consultation with both FERC and the Stakeholders with respect to a variety of variables including:

Environmental

- KHL will finalize the analysis associated with the instream flow sub-committee work into an addendum to the Instream Flow Report and attach it to the Draft and Final License Applications.
- KHL will document the terrestrial work conducted earlier this summer and develop an addendum to the Terrestrial Report that will be attached to the DLA for review by the Stakeholders.
- KHL and their licensing and natural resource project manager will work with stakeholders to reach agreement on any outstanding issues and begin working toward the collaborative development of a Draft License Application.
- KHL will internally finalize the MOA associated with the INHT re-route and distribute to the requisite Stakeholders for review and comment. Additional conference calls/meetings may be necessary to finalize the agreement. A description of process and agreements made will be documented in the DLA.
- KHL and its authors will begin drafting requisite sections of the DLA with an anticipated distribution to Stakeholders in February.

Engineering

- KHL will continue refinements to the infrastructure and operational regime for the Project and a meeting will be held with Stakeholders to discuss the advancements in the plan.
- KHL and its authors will begin drafting requisite sections of the DLA with an anticipated distribution to Stakeholders in February.

Stakeholder Outreach and Consultation

- KHL is in the process of planning the following meetings and communications in advance of DLA distribution:
 - Public meeting in Moose Pass, Ak. to describe Project development, natural resource study results and schedule.
 - Distribute infrastructural and operations refinement to Stakeholders.
 - Meeting with CIRI management to discuss Project development.
 - Meeting with AEA to discuss Project development.
- KHL will internally finalize the MOA associated with the INHT re-route and distribute to the requisite Stakeholders for review and comment. Additional conference calls/meetings may be necessary to finalize the agreement. A description of process and agreements made will be documented in the DLA.

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- KHL will remain committed to keeping FERC apprised of all developments and scheduled events associated with the licensing effort. In addition and as the DLA development process progresses, KHL will be in touch with FERC to discuss progress and associated schedule of deliverables to both the Stakeholders and FERC.

KHL is very encouraged with the amount of collaboration and progress we have made over the past 6 months. We believe that the results of our studies, the subsequent amount of dialogue and resulting Project refinements will facilitate the development of a high quality License Application. We are now at a point where we can define the remainder of our schedule with respect to License Application development and submittal and look forward to working with FERC and the Stakeholders during that process.

Please feel free to contact me (907.283.2375 or msalzetti@homerelectric.com) with any questions regarding this filing.

Sincerely,



/s/ Mike Salzetti

Mike Salzetti
Project Manager
Kenai Hydro,
LLC

cc: Service List and Mailing List for Project No. 13212