

**Kenai Hydro, LLC**

3977 Lake Street  
Homer, AK 99603

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March 31, 2011

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) and Falls Creek (Project No. 13211) Hydroelectric Project, October 2010 - March 2011**

Dear Secretary Bose:

Kenai Hydro, LLC (KHL) hereby submits its fifth six-month progress report, i.e., for the period of October 1, 2010 to March 31, 2011, for the proposed Grant Lake Project and Falls Creek Project, pursuant to Article 4 of the preliminary permits issued on October 7, 2008. KHL has determined that the Falls Creek Project is infeasible at this time and is submitting to FERC a petition to surrender the preliminary permit for the Falls Creek Project.

To fully evaluate Grant Lake Project design and consult with agencies regarding potential Project effects and associated study efforts, KHL determined that a revised Project development schedule was necessary. As a result, field studies were suspended in August 2010, pending resolution of the comments received on the proposed study plans. Field studies will resume, with modifications as necessary, following resolution of these issues.

**ACTIVITIES DURING THE REPORTING PERIOD (OCTOBER 2010 - MARCH 2011)**

Stakeholder Outreach and Consultation

- KHL received stakeholder comments regarding existing draft study plans.
- KHL/Homer Electric (HEA) hosted a legislative luncheon on December 18, 2010 in Kenai to discuss its generation plans, which include the Grant Lake Project. In attendance were state Senator Tom Wagoner and his aide Amy Seitz, state Representative Kurt Olson and his aide Jennifer Senette, and Speaker of the House Mike Chenault.
- On January 7, 2011, KHL/HEA representatives met with state Senate President Gary Stevens to discuss the Grant Lake Projects.
- KHL maintained the Kenai Hydro website ([www.kenaihydro.com](http://www.kenaihydro.com)) 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.

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### Engineering and Environmental Studies

- KHL developed a table of responses to address all stakeholder comments on draft study plans.
- KHL produced a status update of 2010 resource studies.
- KHL revised all resource study plans in accordance with stakeholder comments.
- KHL developed a revised Project schedule, which will allow for the implementation of the comments received on the draft study plans and resolve the conflict with the Iditarod National Historic Trail (INHT) (see below).

### Iditarod National Historic Trail

KHL continued its outreach to and consultation with concerned parties regarding possible resolutions of the conflict with the INHT.

- On October 8, 2010, KHL met with personnel from the Alaska Department of Natural Resources (AK-DNR) to discuss possible resolutions of the conflict with the INHT route.
- On February 7, 2011, KHL met with the Kenai Watershed Forum director to discuss possible resolutions to the conflict with the INHT route and to update the director on the progress of the Grant Lake Project.
- On February 10, 2011, KHL met with a few members of the Kenai River Special Management Area to discuss possible resolutions to the conflict with the INHT route and to update them on the progress of the Grant Lake Project.

### **ACTIVITIES PROPOSED FOR THE NEXT REPORTING PERIOD (APRIL 2011 - SEPTEMBER 2011)**

KHL will continue preparations for reinitiating resource studies, continue engineering design work, and continue efforts in support of its license application.

### Engineering and Environmental Studies

- KHL plans to finalize revised resource study plans in consultation with stakeholders and process 2010 field study data in preparation for reinitiating field studies.
- KHL plans to refine and finalize designs for Project facilities.

### Stakeholder Outreach and Consultation

- KHL plans to distribute the study plan comment-response table and revised study plans to stakeholders.
- KHL will continue consultation regarding the INHT location in the Project vicinity and steps needed to ameliorate potential Project impacts.
- KHL will consult with stakeholders regarding revised study plans and an updated consultation schedule for license application development.

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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 Nos. 13211 and 13212