

Kenai Hydro, LLC

3977 Lake Street
Homer, AK 99603

September 30, 2011

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

- FILED ELECTRONICALLY -

RE: Sixth Six-Month Preliminary Permit Progress Report for the Grant Lake (Project No. 13212), April 1, 2011 – September 30, 2011

Dear Secretary Bose:

Kenai Hydro, LLC (KHL) hereby submits its sixth six-month progress report, i.e., for the period of April 1, 2011 through September 30, 2011, for the proposed Grant Lake 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 certain elements of the project design, including the access road and transmission line corridors, which could have affected the remaining scope of study to support the license application. Field studies are expected to resume, with modifications as necessary, in 2012 following resolution of these issues.

With the expiration of this preliminary permit on September 30, 2011, KHL is submitting a second Preliminary Permit Application (PPA) with FERC. KHL is currently solidifying plans, in consultation with stakeholders, for completing resource evaluations; completing a detailed preliminary engineering design, including access and transmission corridors; assessing potential Project impacts; developing proposed protection, mitigation, and enhancement measures; and resolving any remaining outstanding issues. Based on the substantial progress to date, and plans for the near future, KHL believes the issuance by the Commission of a second preliminary permit for the proposed Grant Lake Project is justified.

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ACTIVITIES DURING THE REPORTING PERIOD (April 2011 – SEPTEMBER 2011)

Stakeholder Outreach and Consultation

- On April 14, a Grant Lake Project update was presented to the Kenai River Special Management Area (KRSMA) board.
- On May 4th, a meeting with the US Forest Service, Alaska Department of Natural Resources (ADNR), and Alaska State Parks was conducted to address the Iditarod National Historic Trail (INHT) and project road alignment issues. The proposed solution was generally accepted, but only ADNR could outline the process required to reroute the INHT as proposed. The USFS and State Parks are working to clarify their processes required to reroute the 0.5 mile of trail that is required to resolve this issue. This meeting was an important step in achieving a successful solution to this issue.
- In August and September, KHL provided the U.S. Fish and Wildlife Service with a draft copy of the revised IFIM study plan, the gps coordinates of the previously studied instream flow transects and aerial photography of the area to assist the USFWS with an IFIM training class that the USGS was conducting for the USFWS, ADF&G and NOAA Fisheries.
- KHL maintained the Kenai Hydro website (www.kenaihydro.com), posting the latest announcements and documents for public access. This site continues to serve as a conduit for information transmittal, including a library of existing information, a calendar of events, and a repository for contact information for interested parties.

Environmental Studies

- KHL posted a summary of the 2010 Field Investigations on the Kenai Hydro website.
- KHL posted the Response to Comments Table on the 2010 Study Plans on the Kenai Hydro website.
- In September, KHL reconnoitered and flagged the proposed 0.5 mile reroute of the INHT to further study the proposed rerouted area and to facilitate a future Agency field trip.
- In September, the weather station data on Grant Creek was downloaded and stored on the project server and the batteries in the weather station were changed.

Administrative

- KHL prepared and submitted the required deliverables to gain release of the unallocated Alaska Energy Authority (AEA) grant funds. An invoice in the amount of \$181,358 was submitted with Progress Report #11 and subsequently paid. Kenai Hydro has requested that AEA formally close out Grant #2195428.
- KHL met with several potential contractors to discuss their firms' capabilities and qualifications to participate in a planned competitive bid process to implement the 2012 field study plans.
- KHL received an AEA Round IV grant in the amount of \$1,184,000 to support the FERC licensing effort. A grant agreement was signed on August 9th.
- KHL submitted a \$4,000,000 AEA Round V grant application requesting future construction funding for the project should a FERC license be granted.

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- KHL presented a short Project overview at the 2011 Regional NHA Conference in Girdwood, Alaska.

CONTINUING ACTIVITIES IN SUPPORT OF LICENSE APPLICATION DEVELOPMENT

In anticipation of being granted a second preliminary permit by FERC, KHL will continue preparations for reinitiating resource studies, completing engineering design work, and developing its license application for the Grant Lake Project.

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 engineering designs for Project facilities.

Stakeholder Outreach and Consultation

- KHL plans to continue consultation with the resource agencies and other stakeholders on Project plans and resource studies.
- KHL plans to continue to work on the proposed rerouting of the INHT.

Administrative

- KHL plans to prepare a bid package for the 2012 field study efforts.

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