

Kenai Hydro, LLC

3977 Lake Street
Homer, AK 99603

February 27, 2013

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

- FILED ELECTRONICALLY -

RE: Second Six-Month Preliminary Permit Progress Report for the Grant Lake (Project No. 13212), September 1, 2012 – February 28, 2013

Dear Secretary Bose:

Kenai Hydro, LLC (KHL) hereby submits its second six-month progress report, for the period of September 1, 2012 through February 28, 2013 for the proposed Grant Lake Project.

With the expiration of the first preliminary permit on September 30, 2011, KHL submitted a second Preliminary Permit Application (PPA) with FERC that was subsequently granted on March 23, 2012. In parallel with the application for a second preliminary permit, KHL developed a Request For Proposal (RFP) for completing the natural resource evaluations for the proposed project. Due to the high demand for study consultants in Alaska, the bids came in unexpectedly high and without the detail required to put an acceptable contract in place for the 2012 summer study season. As a result, KHL adjusted the study schedule to allow resource studies to begin with the winter studies in late 2012 and the summer work to occur in 2013.

In May, KHL sent the natural resources RFP out a second time. Subsequently, KHL selected a consultant to conduct the natural resources work (McMillen, LLC). Since their contract was finalized, McMillen has been working with KHL's licensing consultant to update and refine the natural resource study plans, consult with the requisite agencies and prepare for the upcoming 2013 study season.

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ACTIVITIES DURING THE REPORTING PERIOD (September 2012 – February 2013)

Stakeholder Outreach and Consultation

- Presented a project update to the Iditarod Historic Trail Alliance on November 29, 2012.
- KHL's licensing coordinator had a call with Ken Hogan (FERC) in November 2012 to discuss KHL's path forward as it relates to the TLP Process and invited Mr. Hogan to participate in the upcoming, December 12th stakeholder meeting. Mr. Hogan accepted and subsequently took part in the meeting via conference call.
- On December 12th, KHL held a meeting with natural resource agencies and stakeholders to inform them of activities associated with the licensing process. During this meeting, a project overview and update was provided, a presentation on the licensing process was given, the updated Natural Resources Study Plans were reviewed and a copy of the Updated Natural Resources Study Plans and a comment response table were provided to all attendees. During the meeting, KHL noted that per the TLP Process, formal comments were not required but offered the stakeholders the informal opportunity to review the updated plans and ask any questions or clarifying points they may have prior to the finalization of the plans.
- KHL received comments/questions from NMFS-NOAA and the National Park Service pertaining to the Water Resources Plan, Aquatic Resources Plan and the Recreation and Visual Resources Plan. KHL is currently reviewing these comments/questions and evaluating their applicability as it relates to the study plans.
- KHL worked with the Kenai River Center and its associated agencies to apply for the appropriate set of permits for the natural resource studies.
- KHL worked with the US Forest Service (USFS) to amend the existing Special Use Permit to include all necessary methods for the studies to be conducted in 2013. The amendment was approved by the USFS and received by KHL in mid-February.
- 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.

Environmental Studies

- KHL worked with its licensing and natural resource consultants to update the natural resource study plans and make them more robust and quantitative in nature versus qualitative, per the formal comments received from stakeholders in 2010.

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- KHL worked intensively with the licensing and natural resource consultants to logistically prepare and mobilize equipment and manpower for the upcoming 2013 study season. Primary components included:
 - Applying for all necessary permits
 - Lodging for the natural resource team
 - Transportation
 - Initial site set-up dates and methods
 - All necessary equipment purchases
 - Logistics related to equipment and boat storage
 - Coordinating resource specific schedules
 - Secure data collection and offload practices
 - QA/QC methods for data collected
 - Procurement of fish tags and stream gauging equipment

- KHL revised its natural resource study schedule based upon discussions with stakeholders and internal discussions with its selected natural resource team. Modifications were minimal, developed with stakeholder thoughts in mind and primarily based on dates that were most likely to produce the highest quality data (resource dependent).

Engineering

- KHL refined a draft, Engineering RFP to support of the necessary feasibility work and analysis associated with filing the Draft License Application. A qualified engineer will be selected by KHL by April 15, 2013.

CONTINUING ACTIVITIES IN SUPPORT OF LICENSE APPLICATION DEVELOPMENT

In anticipation of the upcoming 2013 study season, KHL has reinitiated consultation with stakeholders, applied for all requisite permits (based upon stakeholder input) and conducted significant logistical and mobilization preparations. The next step for KHL will be to conduct the natural resource studies outlined in their study plans, contract with an engineering consultant to begin feasibility work and continue collaboration with the natural resource agencies and public.

Environmental Studies

- KHL's natural resource consultant will begin the 2013 study season with winter fish sampling in March. This will take the study team to the beginning of the bulk of their aquatics work in April which will extend to early November.

- Water Resources work will begin in April and sampling will continue into late October with the exception of stream gauging on Grant Creek which may go longer depending on weather conditions.

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- A bulk of the Terrestrial work will take place sporadically throughout the summer/fall of 2013 with some required 2nd year studies occurring in 2014 prior to License Application submittal.
- Cultural field work will take place in July and August of 2013.
- Recreation and Visual tasks will take place from late spring through late summer, early fall of 2013.
- All of the aforementioned field work will culminate in data analysis and study reports in late 2013 and early 2014. These tasks will be discussed in greater detail in upcoming progress reports as they near their implementation period.
- Collaboration with natural resource stakeholders will be ongoing during the study season and result in a study update meeting once a bulk of the data has been collected.
- KHL will continue efforts to engage the appropriate agencies in discussions related to the re-route of a small portion of the Iditarod National Historic Trail (INHT).

Engineering

- KHL will finalize the engineering RFP.
- An engineering firm will be selected and feasibility work related to the License Application will begin.

Stakeholder Outreach and Consultation

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

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