

Kenai Hydro, LLC

3977 Lake Street
Homer, AK 99603

August 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: Third Six-Month Preliminary Permit Progress Report for the Grant Lake (Project No. 13212), March 1, 2013 – August 31, 2013

Dear Secretary Bose:

Kenai Hydro, LLC (KHL) hereby submits its third six-month progress report, for the period of March 1, 2013 through August 31, 2013 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.

From January to May of this year, KHL acquired all necessary permits for the field season and worked with their natural resource consultant to develop a sound logistical approach for completing all field work outlined in its 2013 study plans. Field work commenced in late March and the consultants are currently in the field and completing their tasks consistent with the schedules put forth in the respective final study plans that have been filed with FERC (March 21, 2013).

Later this fall, as field work is completed and data analysis is conducted, KHL will schedule meetings with the stakeholders to discuss the results of the studies, engineering feasibility work conducted to date and the remainder of the licensing schedule, which ultimately, will lead to the development, review and submittal of a FERC License Application.

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ACTIVITIES DURING THE REPORTING PERIOD (March 2013 – August 2013)

Stakeholder Outreach and Consultation

- KHL consulted with all requisite stakeholders to acquire all necessary permits for the 2013 natural resource studies. Once all coordination had occurred, the permits acquired include:
 - Alaska Department of Natural Resources (ADNR) Special Park Use Permits – fisheries investigations and Grant Creek stream gauge
 - ADNR Land Use Permit – thermistor string in Grant Lake
 - ADNR Field Archeology Permit – archaeology surveys of Project area
 - Alaska Department of Fish and Game (ADF&G) Fish Habitat Permit – fisheries research, stream gauge on Grant Creek, and sediment analysis
 - ADF&G Resource Permit – fisheries resource investigations
 - USDA Forest Service Amendments to Existing Special Use Permit – general investigations, wetlands and cultural assessments

- KHL consulted with ADF&G related to scale and genetic samples and potential alternatives for analyzing the associated data.

- KHL consulted with ADF&G representatives associated with the final placement of the weir and man camp on Grant Creek.

- KHL consulted with the State Historic Preservation Office (SHPO) related to the appropriate Area of Potential Effect (APE) for Cultural Resource Studies.

- KHL reviewed and responded to informal comments from ADF&G received on June 11, 2013 based upon 2013 study plans presented to the Stakeholders during the December 12, 2012 meeting.

- KHL's licensing consultant had a call with Ken Hogan (FERC) in June 2012 to discuss the appropriate approach for reviewing, responding to, and filing the aforementioned comments from ADF&G based upon their informal nature and the overall Traditional Licensing Process.

- KHL secured a recreation/visual resource consultant to continue efforts associated with the development of the Iditarod National Historic Trail (INHT) as it relates to the Grant Lake Project. KHL's licensing consultant and the recreation/visual consultant will be working in concert over the next period to conduct a site visit with stakeholders and hopefully reach consensus on the appropriate location for the proposed trail within the Project Boundary.

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- KHL scheduled a stakeholder site visit on Grant Creek for September 5, 2013 with the intent of giving stakeholders a tour of the current study area, proposed Project infrastructure and preliminarily discuss some of the data collected thus far in 2013.
- KHL developed and presented a Grant Lake Project exhibit for the Renewable Energy Alaska Project's (REAP) Business of Clean Energy Conference held in Anchorage.
- 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 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
- Aquatic Resources
 - Aquatic Resource field studies began in late March and to date, have included:
 - Installation of fish weir on Grant Creek
 - Installation of man camp for weir monitoring and maintenance
 - Installation of two incline plane traps
 - Winter fish sampling
 - Adult rainbow trout migration monitoring
 - Anadromous and resident juvenile outmigration monitoring and habitat utilization
 - Grant Creek aquatic habitat mapping
 - Grant Creek instream flow study
 - Benthic macroinvertebrate assessment
 - Assessment of periphyton in Grant Creek
 - Trail Lake Narrows fish and aquatic habitat assessments
 - Reach 5 (canyon reach) analysis
 - Begin salmon escapement and distribution of spawning salmon analysis

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- Water Resources
 - Water Resource field studies began in late March and to date, have included:
 - Installation of a stream gauge on Grant Creek
 - Installation of multiple thermologgers in Grant Creek and Trail Lake Narrows
 - Installation of a thermistor string in Grant Lake
 - Collection of water quality samples in multiple locations on Grant Creek
 - Collection of water quality samples on Grant Lake
 - Collection of water quality samples in the Trail Lake Narrows area
 - Monitoring of and maintenance (as needed) to the Grant Creek stream gauge including regular downloads and discharge measurements at a variety of flows
 - Grant Lake shoreline erosion inventory
 - Grant Creek spawning substrate recruitment assessment

- Terrestrial Resources
 - Terrestrial Resource field studies began in May and to date, have included:
 - Vegetation mapping survey
 - Sensitive plant survey
 - Invasive plant survey
 - Wetland mapping surveys
 - Wetland secondary impact surveys
 - Raptor nesting surveys
 - Breeding landbird and shorebird surveys

- Cultural Resources
 - Cultural Resource field studies began in June and were completed in late July (per the 2013 study plans). This work included:
 - Subsistence and cultural use study
 - Historical and archeological study
 - Cultural resources evaluation

- Recreation and Visual Resources
 - Recreation and Visual Resource field studies began in March and to date, have included:
 - Winter use field surveys
 - Recreation use studies
 - Visual resource studies

Engineering

- KHL has selected an engineering contractor to conduct the feasibility analysis associated with the Grant Lake Project and is in the final phase of contracting with the consultant. KHL anticipates feasibility work beginning in September 2013 with the intention of completing this work in parallel with the natural resource investigations. Consultation

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and collaboration with stakeholders in an engineering capacity will begin once preliminary engineering analysis has begun and infrastructural variables and operational scenarios are refined.

CONTINUING ACTIVITIES IN SUPPORT OF LICENSE APPLICATION DEVELOPMENT

Over the course of the next six-month period, KHL anticipates completion of a majority of the field work outlined in the 2013 study plans, increased consultation and collaboration with stakeholders related to field study results/analysis and the commencement of engineering feasibility efforts. As plans associated with the aforementioned efforts are refined, KHL will continue to be committed to keeping FERC apprised of all developments and scheduled activities.

Environmental Studies

- KHL's natural resource consultant will continue with all aspects of the fieldwork outlined in the 2013 study plans.
- KHL, their licensing and natural resource project manager and the aquatics lead will lead the aforementioned Stakeholder site visit on September 5th on Grant Creek.
- KHL's natural resource consultant will collaborate with the licensing consultant to develop the set of natural resource study plans consistent with those outlined in the 2013 study plans.
- Certain aspects of the Terrestrial Resource Studies (as outlined in the 2013 study plan), will take place in 2014. A supplement to the Terrestrial Study Report will be developed once the aforementioned tasks are completed and analysis has occurred.
- Once the study plan reports are developed, KHL will consult with the Stakeholders related to their content and ultimately have meeting to discuss results, analysis and schedule for 2014 and beyond.
- KHL will continue efforts to engage the appropriate agencies in discussions related to the re-route of a small portion of the INHT.

Engineering

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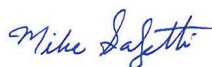
engineering capacity will begin once preliminary engineering analysis has begun and infrastructural variables and operational scenarios are refined.

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.
- KHL will remain committed to keeping FERC apprised of all developments and scheduled events associated with the licensing effort.

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