

Kenai Hydro, LLC

3977 Lake Street
Homer, AK 99603

August 28, 2011

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

- FILED ELECTRONICALLY -

RE: First Six-Month Preliminary Permit Progress Report for the Grant Lake (Project No. 13212), March 1, 2012 – August 31, 2012

Dear Secretary Bose:

Kenai Hydro, LLC (KHL) hereby submits its first six-month progress report, i.e., for the period of March 1, 2012 through August 31, 2012 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. KHL is currently in contract negotiations with the selected consultant to conduct the natural resources evaluations and re-engage stakeholders for a successful 2012 – 2013 study effort. An effort is currently underway to conduct certain components of natural resource tasks in late 2012 that will facilitate a more organized and efficient formal field study process from a logistical and schedule related standpoint.

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ACTIVITIES DURING THE REPORTING PERIOD (March 2012 – August 2012)

Stakeholder Outreach and Consultation

- Presented a project update to the Homer Electric Association Board of Directors and senior management.
- Developed a display and slide show for a booth at Homer Electric's annual meeting held on May 3rd.
- On May 4, an Iditarod National Historic Trails/Grant Lake resolution presentation was made to the Iditarod Historic Trail Alliance.
- Provided material for a Grant Lake Project display at the Regional National Hydropower Association Conference in Sitka, Alaska during the week of August 20th.
- 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 reviewed and evaluated the bids received from the February 24th RFP. KHL diligently worked with the low bidder but was unable to successfully negotiate a contract for the Natural Resources Studies.
- In early May of 2012, KHL issued the Natural Resources Studies RFP again. Contract negotiations have developed to a high level and KHL anticipates finalizing the contract by mid-September. Upon finalization of the contract, the selected natural resource consultant would begin the process of re-initiating the formal natural resource studies.
- KHL produced a style template for the Grant Lake Natural Resources Study Reports to facilitate study report standardization in order to streamline the construction of the draft FERC license application.
- KHL developed updated draft Natural Resources Studies and overall Licensing schedules for internal use and modification throughout the remainder of the licensing process.

Engineering

- KHL began the process of drafting an engineering RFP in support of the necessary feasibility work and analysis associated with filing the Draft License Application.
- KHL developed a list of qualified engineering firms to whom, the engineering RFP will be distributed once it is finalized.

Administrative

- On March 23rd, the FERC issued Kenai Hydro its second Preliminary Permit granting it priority with regard to filing a License Application.

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CONTINUING ACTIVITIES IN SUPPORT OF LICENSE APPLICATION DEVELOPMENT

In anticipation of signing a natural resources evaluation contract, KHL will prepare for reinitiating resource studies, completing engineering design work, and developing its license application for the Grant Lake Project.

Environmental Studies

- KHL plans to finalize contractual terms with a natural resource consultant by mid-September. Not long after, an internal kick-off meeting and site visit will occur during which, a series of proactive field tasks will take place in an effort to be as prepared as possible for the 2013 formal studies. These preliminary efforts will include:
- Assessment of the thermistor string in Grant Lake. All data will be downloaded and the existing loggers will either be redeployed or swapped out for operational equipment.
- Weather data will be downloaded and batteries replaced.
- A site near the weather sensor will be evaluated for stream gauge installation in 2013.
- Cross sections from the IFIM study in 2009 and 2010 will be found and reestablished (if necessary).
- Natural resource stakeholders will be formally re-engaged during a kick-off meeting. Subsequent meetings related to study plans and process may occur as well.
- 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 and distribute.
- 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.

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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 No. 13212