

Change in advertise date of Blue lake Expansion General Construction Contract 9

On October 17, 2011, the City of Sitka made the decision to delay advertising for bid the General Construction Contract for our Blue Lake Expansion Project. We had planned to advertise for bids on October 31, 2011, leading to a Notice to Proceed on about April 1, 2012. The City feels that the April 1, 2012 Notice to Proceed date is essentially a “late start” date, in that a delay beyond this date would seriously jeopardize any contractor’s ability to complete the first season’s work for the new intake structure. We are now concerned that there are several factors that could likely lead to delay from this current schedule. If these delays were to occur, we would essentially lose a year – pushing the Generation Outage from September 2013 to September 2014.

The factors driving our decision are described below.

POSSIBLE DELAY IN BIDDING DOCUMENTS

We are concerned that a complete set of bidding documents may not be available on October 31, 2011. We feel that the contract could be bid on October 31, only if a number of the plans and specs were to be added or revised by addendum during the bid period. We would not be in a position to extend the bid opening date beyond January 17, 2012. We feel such a situation would not be fair to bidders, might result in higher bid prices and might delay Notice to Proceed.

MITIGATION PLANS REQUIRED BY FERC AMENDMENT

We expect to receive the FERC License Amendment in December, 2011. This is about a month later than we anticipated. The Amendment will require the City to prepare, issue for review, and obtain Agency approval of a series of mitigation plans prior to any ground disturbing activities. It is possible that the Amendment itself may be delayed beyond December. It is also possible that late Agency approval of mitigation plans might delay FERC’s OK for us to begin ground disturbing activities in mid 2012. Either event would delay the April 2012 Notice to Proceed.

ALTERNATE DRINKING WATER SOURCE

We were informed by Alaska DEC that our planned temporary drinking water source (pumping from Indian River into the water system, to be used during the Generation Outage) would require us to issue a “Boil Water” notice to our water customers. This would essentially shut down commercial businesses in Sitka during the two-month Generation Outage. This is not acceptable to us and we now need to develop a different alternate water source. The alternate source may be a direct tap of Blue Lake with a pipeline in the Blue Lake road, or, new groundwater wells near town, or some other system. We feel there is not enough time to define, design and construct this alternate system in time for it to be available in September 2013.

ADVANTAGE FOR DELAY

If bidding is delayed to mid-2012 we will be able to offer bidders a full “first year” construction season in 2013, allowing much more time for the first year’s construction of the intake structure, tunnels and powerhouse. We feel this allows much greater certainty that the Project can be completed in a two year construction effort, lessening the risk of losing a full year due to weather and construction-progress driven delays. The City is continuing with our procurement of turbine-generators, the powerhouse building, penstock, bridge crane, transformers, and switchgear. We expect to include vendor shop drawings for most of this equipment and materials in our General Construction bidding documents. Also we expect to have these equipment items and materials on-site well in advance of the time required by the General Contractor.

We now intend to issue the General Construction contract documents for bid in early May 2012, followed by Notice to Proceed in September or October, 2012. This would allow the contractor to mobilize in late 2012, and to begin your major construction efforts in the lake and powerhouse areas in January 2013.

Your interest in our project is very much appreciated. We hope that this delay does not diminish your interest in the Blue Lake Expansion Project. This is a critically important undertaking for our community and we want it to have the greatest possibility of success, for all parties involved.

If you have questions about the delay or the project, please feel free to contact me.

Dean Orbison.