EXHIBIT C

BLUE LAKE PROJECT CONSTRUCTION HISTORY

BLUE LAKE HYDROELECTRIC PROJECT

FERC No. 2230

Final Application for License

City and Borough of Sitka, Alaska

March, 2006

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BLUE LAKE PROJECT CONSTRUCTION HISTORY

The Blue Lake Project was first conceived in 1944 as a joint project for pulp production and hydroelectric generation. The Federal Power Commission (FPC) Order issuing the original license is dated April 4, 1958. Construction began April 30, 1958 and commercial operation commenced July 23, 1961. In 1979, to meet increased electrical demands, the City obtained a license for the Green Lake project (FERC No. 2818), which was constructed in 1982 in the Vodopod River basin approximately 8 miles to the southeast of the Blue Lake project. The Blue Lake and Green Lake Projects operate conjunctively to supply the City's electrical needs.

The original Blue Lake license remains in effect, but with several amendments addressing various additions and upgrades to the original project design and/or operation. The following amendments are described relative to their provisions and respective issuance order dates:

- Due to increased loads and several dry years, an order amending the license to allow the current instream flow releases was issued on September 7, 1977, as described in subsequent sections;

- The construction of the Green Lake project necessitated upgrading of the Blue Lake transmission line capacity from 34.5 kV to 69 kV. The order amending the license for this change is dated June 12, 1980;

- An order was issued on November 15, 1983 to allow the 20" municipal water tap on the penstock.

- An amendment was ordered on September 6, 1991 to increase the Project nameplate capacity from 6000 kW to 7500 kW with the addition of the Fish Valve Unit and the Pulp Mill Feeder Unit (City and Borough of Sitka, 1990).

The Project maintains an excellent record of environmental license article compliance, dam safety and dependable generation. It's access roads and Blue Lake reservoir support excellent recreation opportunities for residents and visitors alike, and the reservoir is the primary source of Sitka's potable water. Sitka's predominantly hydroelectric generation base avoids use of approximately 7 million gallons of diesel fuel annually, significantly reducing air and noise pollution and fuel storage and transportation risks.

Construction History

The Federal Power Commission (FPC) Order issuing the original license is dated April 4, 1958. Construction began April 30, 1958 and commercial operation commenced July 23, 1961. The original project was planned to be developed in 3 phases as follows:

Phase 1 Construct the dam to 240'elevation, and construct the power conduit to the lower portal. This phase provided water for Alaska Lumber & Pulp. Phase 1 was completed in 1959.

Phase 2 Construct the Blue Lake hydro plant, switchyard, transmission line, and raise the dam to 342' elevation. This phase provided 6000 kW hydroelectric power generation and was completed in 1961.

Phase 3 Install a third generator at the hydro plant and raise the dam to 365' elevation. This phase has not been implemented yet, but is retained for future consideration.

During low water year in the early 1970 the City and Alaska Lumber & Pulp worked together to maximize the collective value of the Blue Lake water by a joint power generation agreement.

In 1979, to meet increased electrical demands, the City obtained a license for the Green Lake project (FERC No. 2818), which was constructed in 1982 in the Vodopod River basin approximately 8 miles to the southeast of the Blue Lake project. The Blue Lake and Green Lake Projects operate conjunctively from the Blue Lake control center to supply the City's electrical needs.

The Blue Lake facility has undergone several upgrades and license amendments addressing various additions to the original project design and/or operation. The following amendments and upgrades are described relative to their provisions and respective issuance order dates:

- Due to increased loads and several dry years in the early 1970s, an order amending the license to allow the current instream flow releases was issued on September 7, 1977.

- The construction of the Green Lake project necessitated upgrading of the Blue Lake transmission line and Blue Lake Switchyard voltage from 34.5 kV to 69 kV. The Blue Lake plant was designated as the electrical system control center. The order amending the license for the upgrade in the transmission system is dated June 12, 1980;

- An order was issued on November 15, 1983 to allow the 20" municipal water tap on the penstock. The city water supply was changed from Indian River to Blue Lake.

- In 1990 the Blue Lake Switchyard was expanded by 7500 kVA to provide additional and redundant capacity.

- An amendment was ordered on September 6, 1991 to increase the Project nameplate capacity from 6000 kW to 7500 kW with the addition of the Fish Valve

Unit and the Pulp Mill Feeder Unit. These additions provided concurrent use of Blue Lake water.

- In 1992 the Blue Lake control building was expanded to provide additional space for operations.

- In 1993 the Alaska Pulp Corporation was shutdown so the Pulp Mill Feeder Unit no longer provided concurrent use of the industrial water. The Pulp Mill Feeder Unit was maintained but operated intermittently until 2003. The Pulp Mill Feeder Unit is operated to aid system load distribution at this time.

- In 1996 the bypass gate at the intake structure was replaced and upgraded.

All other major construction done on the Blue Lake Project has been considered maintenance because significant upgrades have not taken place.

Major construction has taken place at the distribution substations and diesel generation plant but these facilities are not included in the Blue Lake Project.