



The Bowersock Mills & Power Company

February 12, 2009

City of Lawrence
P.O. Box 708
Lawrence, Kansas 66044-0708

Stephen H. Hill
President

Dear Mr. Corliss:

Thank you for taking the time to meet with us last Friday. We appreciate the time you have put into discussing the Bowersock Dam over the last year.

Bowersock agrees with your proposal to hold a study session with Commissioners, as it will help us all to plan for any upcoming repairs with an eye for long-term costs to the city. In these difficult budget times it is critical that we spend every dollar as wisely as possible. To that end, we suggest that Bowersock and the City consider all the viable options for repairs of the dam – only 2 of which have been seriously considered.

Bowersock is confident that the right thing for the dam for the long term is to conduct more comprehensive repairs than those proposed. While this would entail curtailment of the power plant's production (keeping the millpond down as required by FERC) Bowersock could sustain this until August, 2009. With a coffer dam, a thorough, effective repair could be completed on the front and back of the dam. Bowersock also suggests that the City of Lawrence put this project out for competing bids. After discussions with two different engineering firms in the region, we feel that there is a good possibility that a competing engineering firm could propose alternative methods that could limit the costs of the project while achieving the same effect.

We have all made the point that there are stakeholders in the Bowersock Dam beyond just Bowersock and the City water department. Since Friday I have spoken with Matt Scherer, the head of the Kansas Department of Agriculture's Division of Dam Safety, David Barfield, Chief Engineer of the Kansas Department of Agriculture's Division of Water Resources, and Earl Lewis, the Assistant Director of the Kansas Water Office. All three have expressed interest in attending this study session. They recognize that this issue is of significant importance to the state as well as the City, and would like to attend if at all possible. Do you have a timeline for when the study session could be scheduled? My father is out of town until February 26th, and he would like to be involved in

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Stephen H. Hill
President

Eric S. Nelson
Vice-President

Sarah Hill - Nelson
Secretary - Treasurer

the session if at all possible, so any time after that and through the first two weeks of March would work well for us.

In the meantime, however, it is our understanding that the City is continuing to invest money in the proposed immediate-term emergency repairs. As we discussed last Friday, the engineering costs for this project are mounting. In this morning's conference call, FERC asked Black and Veatch for yet another letter providing rationale for their newest proposal. Bowersock would like to express our concerns regarding this new plan of repairs. We are, as explained, concerned about the increasing engineering costs, but perhaps more importantly, we are skeptical that this plan will be able to achieve repairs that are worth the total cost. Under the new Black and Veatch plan, the City would spend critical dollars on what Philip Ciecieski has termed a "band-aid," "cosmetic" solution. We appreciate that the City has made an effort to expedite these repairs due to the recent FERC order. In spite of the problems the lowered millpond will cause for Bowersock production, we firmly believe the best course of action for the dam is to save the remaining dollars allocated for the emergency repairs and put them into a more comprehensive solution.

Specifically, Bowersock is concerned that stopping flow through and under the flashboards at the projected river levels in order to carry out Black and Veatch's emergency repairs will be very difficult, if not impossible. After investigation, we have confirmed that all the rubber seals which prevent flow underneath the boards have been ripped off the dam. Bowersock's experiences in grouting the dam with water flowing through have not been positive. There have been repeated instances in which repairs done without a cofferdam have been short-lived and limited in their effectiveness. Furthermore, as of February 12th, flows in the Kansas River are projected to go to 9,000 CFS. While these are flows that might have been accommodated by a coffer dam, they would not allow the proposed solution to take place. No matter the season, it will be impossible to guarantee good working conditions on the river without the assistance of a coffer dam.

As we consider the effectiveness of the emergency repairs as planned, we must consider (as noted below) that Black and Veatch's new proposed solution will include some additional costs that were not anticipated.

Philip Ciecieski writes: *We have spoken to Barcus this morning and they are interested in pursuing the work as discussed Friday afternoon. They are currently reviewing their previously estimated costs from 09/08 as well as estimating additional tasks to reinforce and seal the flashboards and provide temporary access across the north spillway that would allow the spillway to remain in use to keep the pool level low. I should have this information late Tuesday or early Wednesday and may alter the estimate provided above.*

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These additional costs further call into question the cost effectiveness of this new proposed solution.

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Bowersock suggests that an intermediary repair (Stage 1.7) could allow for more comprehensive repairs that would last longer than the emergency repairs for a lower cost over time. Based on the numbers provided by the Black and Veatch Report of 2007, their Stage 2 repairs minus extra items such as automated flashboards would cost in the range of \$10 M in 2007 dollars. Adjusting the scope of the project and putting it out for competitive bid could provide significant savings over the long term. Towards this end, Bowersock would like to assist in the process of getting estimates on the construction of a coffer dam. As soon as river levels allow, Bowersock will take soundings in the river to determine the actual depth where a coffer dam would be placed. With these figures, Bowersock would ascertain if it is possible to build a coffer dam for less than the figure of \$1,000,000 which Black and Veatch gave in the conference call of February 11th.

Eric S. Nelson
Vice-President

In summary, given Bowersock's experience and the above concerns, we recommend that the City take a hard look at the cost effectiveness of Black and Veatch's new proposal in the context of the river conditions that are not likely to be ideal. Further, Bowersock recommends that the City assess alternative options before spending any additional dollars in planning or executing the emergency repairs to the dam.

Sarah Hill - Nelson
Secretary - Treasurer

Thanks very much for your time and consideration of this David. We are glad to provide any further information that you think could be helpful in this process. As the risk of dam failure continues to be the primary concern for Bowersock, time is of the essence in this process. We'll look forward to a study session with the Commissioners and concerned parties.

Sincerely,

Sarah Hill-Nelson, Owner/Operator
Stephen Hill, Owner/Operator

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