



THE BOWERSOCK MILLS & POWER COMPANY

June 18, 2010

City of Lawrence Commissioners
City of Lawrence
6 East 6th Street
Lawrence, Kansas 66044

STEPHEN H. HILL
PRESIDENT

Dear Lawrence City Commissioners:

I am writing on behalf of The Bowersock Mills and Power Company (BMPC) to request that the Lawrence City Commission make a resolution of intent to issue Qualified Energy Conservation Bonds (QECBs) for \$8,721,000 and Recovery Zone Allocation Bonds for up to \$8,300,000 the purposes of the construction of a new hydroelectric powerhouse (BMPC North) on the north bank of the Kansas River at the Bowersock Dam in Lawrence. Bowersock is now applying to the State of Kansas for the available QECBs. These bonds would provide a significant portion of the financing for construction of the proposed powerhouse.

The proposed expansion would add an additional 4.8 MW of energy production capacity to the current Bowersock Project capacity of 2.15 MW (BMPC South Powerhouse), for a total project capacity of approximately 6.8 MW (BMPC Expanded Kansas River Project). The proposed new powerhouse would replace the existing spillway on the Bowersock Dam and reduce the total concrete footprint of the Bowersock project. The new powerhouse would hold four additional turbine/generator sets of approximately 1,000 kWh each, the production from which would approximately triple the quantity of clean, renewable hydroelectric energy generated at the Bowersock Dam. For a complete list of project objectives, please see the attached "Proposed Expansion Project Objectives."

The proposed expansion will help further the economic and community development objectives as set by the City of Lawrence through Ordinance 8523 and the Horizon 2020 Plan. The proposed BMPC project does not present any competition with any other existing local businesses. Currently, The Bowersock Mills and Power Company South Powerhouse is the only commercial hydroelectric power plant in the state. The electricity produced from the expanded project is projected to be sold to consumers within the State of Kansas and will increase the amount of renewable energy generated within the state,

ERIC S. NELSON
VICE-PRESIDENT

SARAH HILL-NELSON
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thereby strengthening and diversifying the Kansas domestic energy portfolio. The proposed expansion will improve the economic viability of the existing Bowersock Project, allowing for the continued employment and improved benefits of existing staff, as well as the addition of one full-time employee.

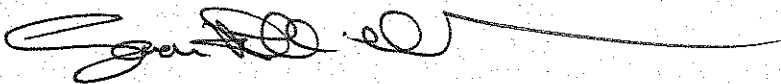
The project is intended to improve quality of life in Lawrence in a number of ways, but the most apparent will be an improvement of the environment at the north end of the Bowersock Dam. BMPC has worked with a local architect and the North Lawrence Improvement Association to design the North Powerhouse such that it is in keeping with the character of the neighborhood, and will be an aesthetically pleasing landmark on the Kansas River. BMPC has provided amenities for the public in the project, including a canoe portage from upstream to the downstream side of the dam, a fishing deck on the downstream side of the powerhouse, and improved and safer pedestrian access to the fishing deck and the river. BMPC anticipates that the improvements will make the area surrounding the project a safer, more appealing place in which to live and recreate.

The proposed project achieves public benefits by enhancing North Lawrence and promoting infill (in an otherwise undevelopable site). The powerhouse incorporates environmentally sustainable elements through its purpose, design, and operation, and achieves a Kansas state goal of increasing the production of clean, renewable energy.

The Bowersock Mills and Power Company anticipates the issuance of a license to construct and operate the proposed North Powerhouse from the Federal Energy Regulatory Commission (FERC) by the end of 2010. The Kansas Department of Commerce has approved a Qualified Energy Conservation Bond issuance in the amount of \$8,721,000 to BMPC. BMPC will apply for approximately \$8,300,000 of Recovery Zone Allocation Bonds in July, 2010. Issuance of these bonds would significantly facilitate Bowersock's efforts to finance the project. As a historic Lawrence business committed to the continued growth of the Lawrence community, BMPC respectfully requests the Commission's support for this project through the issuance of Qualified Energy Conservation Bonds and Recovery Zone Allocation Bonds for the Kansas River Expanded Project.

Please do not hesitate to contact me with any questions or comments.

Sincerely,



Sarah Hill-Nelson



THE BOWERSOCK MILLS & POWER COMPANY

The Bowersock Mills and Power Company Proposed Expansion Project Objectives

The Bowersock Mills and Power Company (BMPC) is proposing to expand hydroelectric power generation on the existing Bowersock Dam in Lawrence by building a new powerhouse on the north end of the Bowersock Dam. The construction of the nearly \$12 million powerhouse at the existing Bowersock Project (FERC Project P-2644), would create more than 137 construction jobs and 207 related jobs, and improve a critical piece of the region's energy infrastructure.

The project objectives include:

- (1) Increase hydropower generation capacity at the existing Bowersock Dam on the Kansas River from 2.15 MW to 6.8 MW while improving system flexibility and generation profiles with no modifications to the dam proper, minimal impacts to the environment, and a minimum of regulatory delay. BMPC will replace the existing spillway on the north end of the Bowersock Dam with an additional powerhouse (BMPC North) housing four additional turbine/generator sets of between 1,050 and 1,325 kWh each for a total additional capacity of approximately 4.75 MW (202% increase) and an overall increase in annual energy generation from approximately 11,448,187 kWh to a predicted 33,000,000 kWh for an annual increase of 21,551,813 kWh annually (188%).
- (2) Improve upon BMPC's record of superior environmental performance and preserve its "Low-Impact" status by adding an advanced-design crest gate system that will eliminate undesired fluctuations in river flows. The existing BMPC Project P-2644 is run-of-river, considered non-controversial, is required to preserve the City of Lawrence water supply, and earned certification as a "Low-Impact Hydropower Plant" through the Low-Impact Hydropower Institute in 2005.
- (3) Ensure the long-term economic viability of existing hydropower production on the Kansas River (BMPC South) and make it more economically sustainable by increasing overall BMPC revenue through the addition of new generation on the existing dam.
- (4) Increase the percentage of renewable energy generation in Kansas and help the state achieve renewable energy goals established by the Governor of Kansas and the Kansas State Legislature.
- (5) Help the Midwest achieve the larger goals of ARRA funding – to stimulate economic recovery by creating jobs and infrastructure investment, especially by encouraging environmentally sustainable innovations in renewable energy.

To date the proposed BMPC Expansion had been considered a non-controversial project by local, state and federal agencies as well as regional non-governmental organizations. With appropriate funding, the project can be completed with a minimum of regulatory delay. Proposed changes to the existing riverine ecosystem are minimal, and community acceptance of the proposed project is high, as demonstrated by the recent news article in the Lawrence Journal World, "Hydroelectric Project Generates Public Support at Unveiling," on August 14th, 2009.

