

BOYCE HYDRO POWER LLC

A W.D. Boyce Trusts Legacy Enterprise

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4 January, 2011

Ms. Peggy A. Harding, PE
Regional Engineer
Chicago Regional Office
Federal Energy Regulatory Commission
230 South Dearborn Street, Room 3130
Chicago, IL 60604
tel: (312) 596-4438
peggy.harding@ferc.gov



Subject: Sanford FERC Hydroelectric Project No. 2785
Projected schedule for embankment toe drain repairs &
justification for delayed commencement of construction

Dear Ms. Harding:

I am writing in partial response to your letter of 14 December, 2010 regarding Boyce Hydro Power, LLC's proposed future schedule for completion of the Sanford Dam embankment toe drain repairs as described in General Manager, Frank Christie's, letter of 8 December, 2010.

You have stated that the April, 2011 schedule for commencement of the second phase of embankment toe drain repair proposed by Boyce Hydro Power, LLC is "unacceptable." Additionally you have requested a justification for why the construction will be delayed, and you have requested a detailed response to several other questions associated with the current circumstances pertaining to the Sanford Dam embankment wet spots that necessitated an emergency draw-down last August.

At this point in time I can respond specifically to the question about why the April, 2011 commencement date for the repair work was stated in Frank Christie's 8 December, 2010 letter. The funds (estimated at more than \$86,000) necessary to pay for this future work are presently non-existent. Moreover, it is not known precisely when the funds can be accumulated by Boyce Hydro Power, LLC. The first phase of embankment toe drain repair work that was completed between August and December, 2010 depleted Boyce Hydro Power, LLC's cash reserves by more than \$144,000. Final accounting of this construction cost amount is currently being completed and will soon be submitted to FERC.

Given the fact that the recent costs for embankment repairs represent approximately 34% of the Sanford hydroelectric project's average gross annual revenue, the following observation should be clearly evident: The economic viability of the Sanford hydroelectric project is vitiated by the stark reality of the present and future costs associated with the now-identified necessary repairs that are attributable to many years of prior ownership's deferred maintenance for the earthen dam embankment and associated civil structures that were constructed between 1923 and 1925. Therefore, absent a significant increase in the future annual revenue stream from the Sanford Project's hydroelectric production or from other outside sources, the funding capacity for dam repairs will be limited at best. Consequently, as a matter of prudent safety management, the current draw-down status of the Sanford Dam should remain in place until such time as funds for the next phase of embankment repair work become available.

Sincerely yours,

Lee W. Mueller, Co-Member Manager
Boyce Hydro Power, LLC

cc: Frank O. Christie, P.E.