

**KENAI PENINSULA BOROUGH**

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**JOHN J. WILLIAMS  
BOROUGH MAYOR**

October 2, 2007

VIA FACSIMILE 907-465-6861

David Pierce  
Certificate of Need Coordinator  
Health Planning & Systems Development  
Office of the Commissioner  
P.O. Box 110601  
Juneau, AK 99811

Dear Mr. Pierce:

Thank you for providing us with a copy of the letters from Commissioner Karleen K. Jackson, Ph.D., regarding the cease and desist order for the South Peninsula Hospital project in Homer. As was discussed, the Kenai Peninsula Borough stands committed to comply with the order. We have six questions on outstanding issues, most of which we discussed briefly with you and Stacie Kraly, Assistant Attorney General. Ms. Kraly has requested that we submit our questions to you in writing. The questions are as follows:

1. We have an outstanding invitation to bid for furniture that is intended to be used in the newly constructed area. The bids are scheduled for opening **tomorrow, Wednesday, October 3, 2007**. We estimate the cost will be about \$45,000.00. **Please advise us today if possible as to whether we can open the bids tomorrow and place this order without violating the cease and desist order.** Please note there will be a 6-week lead-time on this order.
2. The 2006 construction project met the substantial completion point on August 7, 2007, and all disciplines except mechanical have met the final completion point. Only a few items remain in mechanical. The largest is the humidification (dripping duct) issue we discussed yesterday, which is expected to cost about \$10,000. Parts are en route to resolve this problem but are not yet installed. We would like to know if can complete the punch list so that we can avoid further damage to the new construction.
3. Since our discussion yesterday, it has come to my attention that we are processing the Final Adjusting Change Order. This will match the contract to the current level of construction and therefore will include both credits and charges. It would not require additional work to be performed. Please verify that processing this Final Adjusting Change Order will not violate the cease and desist order.

Letter to David Pierce

October 2, 2007

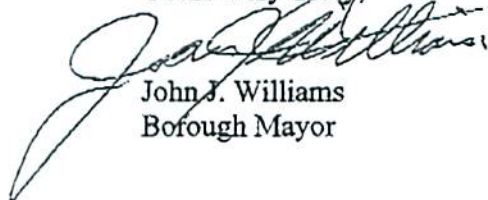
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4. We have encumbered purchase orders totaling a little more than \$300,000 for work that has already been done on the 2006 project. Would paying for this work violate the cease and desist order?
5. We have open purchase orders for approximately \$100,000 worth of equipment that is to be used in the newly constructed portion of the hospital. Some of this equipment had a six-month ordering lead-time and is currently en route to the hospital. Should we issue stop orders or allow the shipments and orders to proceed? Please note that if we issue stop orders, we will still be required to spend funds in the form of cancellation charges and return shipping costs.
6. Currently the Invitation to Bid ("ITB") on the next phase of the hospital has been advertised. The bids were originally due August 15, 2007. That deadline was postponed to October 17, 2007. Due to the recent correspondence, we have postponed the bid deadline to December 12, 2007. In any event, we will not award any contract prior to receipt of a Certificate of Need. We would like to confirm that there is no problem with continuing this bid process for the final phase of the project.

Your time and consideration is most appreciated.

Yours Very Truly,



John J. Williams  
Borough Mayor