



Alcoa Power Generating Inc.

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July 8, 2008

Secretary Kimberly D. Bose
Federal Energy Regulatory Commission
888 First Street NE
Washington, DC 20426

RE: Yadkin Hydroelectric Project (FERC No. 2197)
Request for Temporary License Variances

Dear Secretary Bose:

Alcoa Power Generating Inc. (APGI) met with representatives of the Drought Management Team (DMT) established by the Yadkin Project Drought Contingency Plan as approved by FERC in an order dated April 23, 2003 (Progress Energy, Duke Energy, NC Department of Environment and Natural Resources, NC Wildlife Resources Commission, SC Department of Health and Environmental Control, SC State Climatology Office, and the High Rock Lake Association) and others via teleconference on July 3, 2008 (see Attachment 1). The purpose of the teleconference was to discuss the extreme drought conditions that are affecting the Yadkin-Pee Dee River Basin (Basin) and how the water in the Yadkin Project reservoirs can be managed given the potential for continued low stream flow conditions and a prolonged drought. The DMT agreed, as it did last year under similar drought conditions, that it would be prudent on behalf of all water users in the Basin, to reduce minimum downstream releases from the Yadkin Project from 1,400 cfs to 1,000 cfs as soon as possible.

Accordingly, APGI respectfully requests a temporary variance from the minimum release requirements pursuant to Article 33 of its license from 1,400 cfs weekly average to 1,000 cfs weekly average, effective as soon as possible.

Additionally, because of the potential at 1,000 cfs for outflows to exceed inflows by a substantial margin and the increasing need to use storage from the Project reservoirs APGI, with concurrence of the DMT, is proposing a proportional drawdown of High Rock and Narrows reservoirs. However, the existing Project operating guides, approved by the Commission's predecessor, the Federal Power Commission, by Order dated March 29, 1968, requires High Rock Reservoir to be drawn down 30 feet before implementing substantial corresponding drawdowns at Narrows Reservoir. For this reason, APGI also respectfully requests a temporary variance from the reservoir drawdown limit at Narrows Reservoir.

Upon the Commission's approval of these requests and to keep the Commission apprised of the drought conditions in the Basin, APGI proposes to file a report by July 31, 2008 identifying the need to continue the license variances, modify the variances or return to license operating conditions.

Please feel free to contact me at (704) 422-5622 or marshall.olson@alcoa.com if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Marshall L. Olson".

Marshall L. Olson
Environmental and Natural Resources Manager

Attachment 1: July 3, 2008 DMT Conference Call Summary

Attachment 1

**Yadkin Project (FERC No. 2197)
Drought Contingency Plan Conference Call
July 3, 2008**

Participants: Alan Jones, Alcoa Power Generating Inc.
Allen Piner, US Army Corps of Engineers
Ashley Hatchell, US Army Corps of Engineers
Athena Strickland, Pee Dee River Coalition
Bill Brewer, City of Winston-Salem
Cecil Gurganus, Progress Energy
Dave Saunders, City of Winston-Salem
Deb Owen, NC Division of Water Quality
Drew Elliott, Progress Energy
Hope Mizzell, SC DNR Climatology Office
Jerry Ramsey, US Army Corps of Engineers
Jim Mead, NC Division of Water Resources
Jody Cason, Long View Associates
Kirsten Lackstrom, University of South Carolina
Larry Jones, High Rock Lake Association
Larry Turner, SC Department of Health and Environmental Control
Mark Cantrell, US Fish and Wildlife Service
Marshall Olson, Alcoa Power Generating Inc.
Max Gardner, Progress Energy
Robert Brown, Fitzpatrick Communications
Ron Hargrove, City of Winston-Salem
Ron Linville, NC Wildlife Resources Commission
Sam Call, Town of Wilkesboro
Todd Ewing, NC Wildlife Resources Commission

Members of the Drought Management Team (DMT) and others met via conference call on July 3, 2008 to continue discussing the severity of the drought in the Yadkin Pee Dee River Basin (Basin).

Marshall Olson updated the DMT on the conditions within the Basin. Conditions within the Basin had not improved since the last call. Based on the triggers established for the Low Inflow Protocol (LIP) Marshall stated that two of the four triggers (High Rock HWEL < NME minus 0 and US Drought Monitor =>0) for an LIP Stage 0 had been met.

July 1, 2008

High Rock HWEL	=	650.7 YAD (NME minus 0.3)
Actual 3-mo rolling ave inflows	=	2,616 cfs
Hist 3-mo rolling ave inflows	=	5350 cfs (Inflow Ratio = 0.49)
Drought Index Ratio = (2+2+2)/3	=	2.0

Stage 0: High Rock HWEL < NME minus 0.5 **NO**
OR High Rock HWEL < NME minus 0 **AND** US Drought Monitor => 0 **YES**
OR High Rock HWEL < NME minus 0 **AND** Average Inflow < 0.48 **NO**

Marshall said that while APGI is not required to do so, they are voluntarily implementing the LIP, to the extent possible, in the spirit of mitigating the effects of the drought. Marshall stated that, consistent with measures called for in LIP Stage 0, APGI would be requesting permission from

FERC to reduce the downstream flows from the 1400 cfs weekly as required by the current License to 1000 cfs. APGI will also be requesting permission to draw down Narrows and High Rock Reservoirs proportionately. Marshall then solicited feedback on the proposed reduction in downstream flows and the proportional drawdown.

Alan Jones said that they had hit another LIP trigger the previous evening with High Rock Reservoir reaching 4.5-ft below full pool. Until the reduction in flows is approved by FERC, APGI is obligated to continue releasing 1400 cfs from the Project. At that rate of release Alan estimated that both High Rock and Narrows would drop an additional .75-ft over the coming week.

Upon FERC approval of the requested variance, Alan stated that 740 cfs would be released from High Rock and 1000 cfs from Narrows. At this rate, using an assumed inflow of 468 cfs for July, Alan estimated High Rock and Narrows would both be approximately 6-ft below full pool by mid July.

Todd Ewing said that he and NCWRC appreciated the implementation of the LIP and concurred with the operational changes being proposed by APGI.

Jim Mead stated that the proposed reduction in downstream flows and proportional drawdown of High Rock and Narrows were reasonable requests and concurred with seeking FERC approval.

Jim Mead stated that there was a need to discuss the US Army Corps of Engineers proposal to reduce downstream releases from Kerr Scott. Ron Linville stated he was primarily interested in the upper end of the watershed and stated that if flows were to be reduced from W. Kerr Scott Reservoir, then water use restrictions should be put in place by those communities drawing drinking water from the reservoir. Ron was concerned about impacts to the river system and riparian ecosystems within the Basin. Deb Owen echoed Ron's concern that municipal stakeholders need to be involved in the water conservation should the US Army Corps of Engineers seek a reduction in downstream releases from Kerr Scott Reservoir.

Allen Piner updated the call participants on current conditions at Kerr Scott Reservoir. The current elevation of 1027.6-ft is approximately 2.5-ft below normal. The forecast for the next two to four weeks was not encouraging according to Piner. There was some hope that the current system in the eastern Atlantic may provide some relief. Marshall Olson asked why they were requesting a reduction from the current release of 140 cfs at this time. Allen Piner said the request to drop the release to 125 cfs was based on a request from the City of Winston Salem. Bill Brewer said that an issue with the gauge measuring the discharge from Kerr Scott had been addressed and that there was a need to conserve what water remained in Kerr Scott Reservoir. The Town of Wilkesboro also supported reducing the outflow from Kerr Scott to 125 cfs as the inflow is below the guide curve.

Mark Cantrell reported that the inflow into Kerr Scott was approximately 76 cfs and the outflow on that day was 138 cfs. The Corps stated that the inflow was a calculated number that took evaporation and changes in surface area into account. Piner also stated that the flows have dropped off more rapidly this year than they had last season. Ashley Hatchell said that the levels they are currently experiencing are consistent with what was seen in August and September of 2007. Ron Hargrove with Winston Salem reminded the group that the current release schedule is affected if the elevation of Kerr Scott drops below 1026-ft. Ashley confirmed that a reservoir elevation of 1023-ft triggers a downstream release of 125 cfs under the current

guidelines. Winston Salem made the request to intervene in the release schedule in order to conserve water in Kerr Scott.

Dave Saunders suggested that the impact of reducing the flows to 125 cfs now may be less than waiting until later in the summer. Jim Mead told the group that water quality monitoring standards were being met thus far, and reducing the discharge from Kerr Scott now may be of help later in the year. Should water quality below Kerr Scott begin to suffer flows may have to be bumped back up. Jim Mead asked the group what water conservation measures were currently being implemented by the City of Winston Salem. The City stated that voluntary conservation measures would be triggered should the river, as measured at the Enon USGS gauge, drop below 500 cfs for five consecutive days and the elevation of Kerr Scott Reservoir drops below 1027-ft. Mark Cantrell suggested the City tighten their belt now rather than wait until in a crisis. The City replied they did not want to move in and out of levels of water conservation and that usage had in fact decreased over the previous three weeks.

Marshall Olson suggested the group return to a discussion of the measures APGI was proposing.

Larry Jones said he and the High Rock Lake Association appreciated the voluntary implementation of the LIP and concurred with the variance request.

Progress Energy supported the Winston-Salem request to reduce flows from Kerr Scott and supported entry into LIP Stage 0 and making the variance request with FERC.

Athena Strickland said they have not had any members of the Yadkin Pee Dee River Coalition report problems within South Carolina thus far and agreed that it was prudent to go to LIP Stage 0.

Larry Turner said it was prudent to make the variance request with FERC.

Hope Mizzell updated the group on conditions in South Carolina. She said that on June 30, 2008 the South Carolina Drought Response Committee had upgraded the severity of the drought in the Pee Dee River Basin to Moderate. She said that the 6 to 10-day forecast calls for above normal precipitation, but recent, similar forecasts had not verified.

Athena Strickland asked if the proposed 1000 cfs downstream release from Blewett Falls would be a daily or weekly average. Marshall Olson stated it would be a weekly average from the Yadkin Project and noted that APGI is operating everyday, even on the weekends. Cecil Gurganus informed the group that the Progress Energy foot print at Blewett Falls would be 1000 cfs daily, 7 days a week. This scenario worked well for Progress last year. Larry Turner informed the DMT that Progress would not be operating by the conditions of the LIP (1200 cfs at Stage 0) as 1000 cfs would be the flow under an LIP Stage 2.

The Communications Subgroup agreed to meet to develop a press release regarding the proposed operational variances at the Yadkin Project and other relevant information.

Marshall Olson scheduled the next DMT conference call for Thursday, July 17, 2008 at 1:00 p.m.

Certificate of Service

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list in this proceeding in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure.

Dated at Badin, North Carolina this 8th day of July 2008.

A handwritten signature in cursive script that reads "Marshall L. Olson".

Marshall Olson
APGI Environmental and Natural Resources Manager
APGI Yadkin Division
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704-422-5622