

**Yadkin Hydroelectric Project (FERC No. 2197)
Issue Advisory Groups Joint Meeting
May 4, 2004**

**Alcoa Conference Center
Badin, North Carolina**

Final Meeting Summary

Meeting Agenda

See Attachment 1.

Meeting Attendees

See Attachment 2.

Introductions, Review Agenda

Jane Peeples, Meeting Director, said that joint meetings of each of the seven individual Issue Advisory Groups (IAG) was something discussed early in the process at the February 2003 IAG organizational meeting. She explained that the purpose of the meeting was to update everyone on the work of each of the IAGs over the past year, to describe the study report review process, and to discuss next steps. Jane announced that Yadkin had tentatively scheduled public meetings in each of the five counties surrounding the Project for June 29-30 and July 1, 2004. Exact times and locations will be provided at a later date.

Jody Cason, Long View Associates, explained that Yadkin had received a request from the media for a list of the IAG members and the agency/organization represented. On April 13, 2004 Yadkin asked each IAG member for their permission to provide this information to the media and to post it on the Yadkin website. Jody said that she had heard from many of the IAG members, but not all. She said that she planned to redistribute the list, as edited, based on responses to date, for a final review before providing it to the media and posting it on the website.

Update on Status of Resource Studies and Operations Model

Wendy Bley, Long View Associates, reviewed the meeting agenda and provided an update on the status of the 20+ ongoing resource studies and the OASIS model development (see Attachment 3). She noted that the studies will be ongoing through the spring of 2005. Wendy said that study results will be included in draft study reports, which will be released as the studies are completed. Wendy reminded those in attendance that the purpose of the studies is to provide Yadkin with information to develop the license application, to provide accurate, science-based information about the effect of Yadkin Project operations on resource issues, and to provide an understanding of how various issues and interests at the Project interrelate and impact each other. The table below describes the status of each of the ongoing resource studies (more detailed information is available in Attachment 3).

Study	Consultant	Status
Surrounding Counties Economic Impact Analysis	Research Triangle Institute	Data collection underway; assessment to begin in summer 2004
National Register of Historic Places Eligibility Study	Thomason and Associates	Field work complete; preliminary results 3 rd quarter 2004
Reservoir Fish and Aquatic Habitat Assessment	Normandeau Associates	Habitat mapping ongoing through summer 2004; draft report in 3 rd quarter 2004
Tailwater Fish and Aquatic Biota Assessment	Normandeau Associates	Tailwater sampling to be completed in spring 2004; draft report in 3 rd quarter 2004
Fish Entrainment Evaluation	Normandeau Associates	Draft report 2 nd quarter 2004
Habitat Fragmentation Study	Normandeau Associates	Study under discussion with resource agencies
Water Quality Monitoring Study	Normandeau Associates	Reservoir water quality data collection complete; tailwater and DO data collection through 2004; plans for additional study of options for improving tailwater DO; draft report in 3 rd quarter 2004
Sediment Fate and Transport Study	Normandeau Associates	Draft report 3 rd quarter 2004
Avian Inventory	Center for Conservation Biology	Field work ongoing; draft report 4 th quarter 2004
Wetland and Riparian Habitat Assessment	Normandeau Associates	Photo mapping of wetlands and upland land use completed by 4 th quarter 2004
RTE Species Inventory	Normandeau Associates	Surveys begin spring 2004; draft report 4 th quarter 2004
IEPP Inventory	Normandeau Associates	Fieldwork in 2004; draft report 4 th quarter 2004
T-line Habitat Assessment	Normandeau Associates	Fieldwork in 2004; draft report 4 th quarter 2004
Recreation Use Assessment	Environmental Resources Management	Data collection nearly complete; draft report 3 rd quarter 2004
Recreation Facility Inventory and Condition Assessment	Long View Associates	Fieldwork complete; study report 3 rd quarter 2004
Recreation Economic Impact Analysis	Environmental Resources Management	Data collection through RUA nearly complete; study report 3 rd quarter 2004
Regional Recreation Evaluation	Long View Associates	Study plan with IAG by mid 2004
SMP Comparison Study	Long View Associates	Completed and draft study report available in March 2004
Project-wide Aesthetics	Environmental Resources Management	Data collection nearly complete; study report 3 rd quarter 2004
Uwharrie National Forest Aesthetics	Environmental Resources Management	Data collection nearly complete; study report 3 rd quarter 2004
OASIS model development	Hydrologics and PB Power	Working with Progress Energy on common streamflow dataset for both CHEOPS and OASIS models
Instream Flow Study	Progress Energy and Devine Tarbell	Data collection through 4 th quarter 2004; draft report by mid 2005

Review and Discussion of Resource Study Report Review Process

Continuing, Wendy Bley outlined the study review process. She explained that as available, draft study reports would be e-mailed to the appropriate IAG for their review. A summary of the draft report will be posted on Yadkin's website. Wendy noted that the IAG would then have an

opportunity to meet with the consultant who conducted the study to review and discuss the draft report. A deadline for comments on the draft report would then be established. Next, the consultant will revise and finalize the study report, which will be distributed to the IAG, posted on the Yadkin website, made available in Yadkin's Public Reference Room, and filed with the Federal Energy Regulatory Commission (FERC) as part of the license application. Yadkin will also schedule public meetings periodically to provide updates on progress.

Darlene Kucken, NC Division of Water Quality (NCDWQ), asked when the next public meetings are scheduled. Wendy Bley said that Yadkin has scheduled public meetings in each of the five counties surrounding the Project on June 29-30 and July 1, 2004. Wendy said that Yadkin would probably schedule another round of public meetings in late 2004 or early 2005. Darlene asked if there would then be another round of public meetings prior to Yadkin filing its license application. Gene Ellis, APGI, Yadkin Division, answered that he was unsure and that it is possible that any subsequent public meetings (after the late 2004 or early 2005 meetings) would be after Yadkin filed its license application.

Ann Brownlee, Trading Ford Historic District Preservation Association, asked how a Shoreline Management Plan (SMP) could be developed without cultural resources being included. Wendy Bley clarified that the SMP Comparison Study is a study that compares the existing Yadkin Project SMP with other southeastern SMPs.

Next Steps in the Yadkin Project Relicensing

Gene Ellis reviewed the three-stage relicensing process (see Attachment 3). He said that in September 2002 Yadkin distributed an Initial Consultation Document (ICD) and in January 2003 received comments and study requests. Yadkin formed seven IAGs in February 2003. Stage Two of the process includes the conduct of studies, the review of study results, and preparing and filing the license application. Gene noted that the April 30, 2006 application filing date is inflexible. During Stage Three, the FERC reviews the license application, conducts an environmental assessment, and issues a new license.

Gene said that Yadkin wants to clearly communicate its interests to the IAGs and to ensure its understanding of the interests of the IAG members. He said that many interests have been identified already. Gene described these interests as:

State and federal agencies; citizens of states – concerned for water quality and habitat throughout the basin; NC and SC agencies cooperate but have different interests with regard to water supply for their respective states

NC municipalities – Salisbury, Denton, Albemarle need water intakes for municipal water supply

Reservoir users/homeowners/businesses – want reservoir levels for recreational use and economic support of local businesses

Local governments – desire help in establishing region as tourist destination

Progress Energy – also part of Yadkin Pee Dee watershed and in relicensing process; operate Tillery and Blewett Falls dams

Economic development NGOs – desire economic development of the region

Industrial users – major employers need water supply to operate; assurance of consistent flow

SC municipalities – Florence, Myrtle Beach, Georgetown concerned about water supply for economic development; have no major reservoirs of their own to support drinking water or industrial use needs

Alcoa-Yadkin – maintaining an economically viable hydropower project and meeting state and federal (FERC) requirements

Gene said that further clarification of these broad interests is needed. He thought that the IAG forum could be used to clarify interests. Gene suggested that the appropriate time for a more formal conversation about interests is when the study results are published. Gene stated that the interest clarification process would lead to understanding and serve as a foundation for moving toward settlement negotiations.

Gene showed a project timeline for the Yadkin Project relicensing (see Attachment 3). Gene said that Yadkin would propose a settlement negotiations protocol sometime in the third quarter of 2004, which would lead to further negotiations planning through mid 2005. He anticipated beginning settlement negotiations in the second quarter 2005. Gene said that the final license application would be filed with FERC no later than April 30, 2006. He admitted that it is an aggressive time table, but he thought is possible to follow given the good working relationships that had been developed.

Gerrit Jobsis, SC Coastal Conservation League and American Rivers, asked Yadkin to consider providing a negotiations training session or workshop to afford those who may not have participated in a FERC relicensing before, an opportunity to achieve a common level of understanding. Gene said that he understood the need to discuss interest-based negotiations and how the negotiations will work.

Continuing, Gene said that a settlement can be achieved. He used APCI's Tapoco Project as an example. Gene noted that on Friday, May 7 APCI plans to file a comprehensive relicensing settlement agreement on behalf of the parties participating in the Tapoco relicensing. He said that several lessons had been learned from the Tapoco experience: wins can be achieved for the licensee, agencies, and other parties; settlement negotiations must be supported by facts and science; and a confidence in the analytical tools (OASIS model) is required. Gene stated that competing interests will require the participants to be flexible. He said the participants would need to work together to develop and support negotiations protocols. Gene reiterated that Yadkin would be working over the next couple of months to develop the details of the negotiations process.

In summary, Gene said that the IAGs would continue to work toward the completion of the resource studies and the OASIS model development. He said that the stage will then be set for interest clarification and settlement negotiations. Gene added that the Tapoco experience says that Alcoa is capable of working with the participants to find an appropriate balance. Given all of this, is asked the IAG members if they were interested in continuing.

Larry Jones, High Rock Lake Association, said that he had been upset by an e-mail that read “reaching agreement and consensus is not a goal of the IAGs”. Larry said that the messages delivered today seemed to contradict the earlier statement. For clarification, Gene said that the IAGs will continue to track the progress of the resource studies and to identify interests. He noted however, that the group of people who actually participate in settlement negotiations could be different from the IAG membership. Jane Peoples added that the email Larry referred to was specific to the study review process and clarified that Yadkin never expected that the study reports would reflect a consensus of the IAG membership. Larry asked that Yadkin send out an e-mail clarifying that point. Jane said that she would make the distinction at the May 5 Recreation, Aesthetics, and Shoreline Management IAG meeting before the IAG began reviewing the very first draft study report.

Mark Oden, High Rock Lake Business Owners Group, commented that if the same IAG members do not participate in the settlement negotiations a lot will be lost in the transition. Larry asked if the High Rock Lake Association would be expected to nominate a different representative to participate in the negotiations. Gene said that a lot of these details would be discussed in the very near future and noted that Yadkin wants to maintain some flexibility.

Chris Goudreau, NC Wildlife Resources Commission, said that in reality it is very difficult to make a clear break from the work of the IAGs and settlement negotiations. He said that it would be beneficial to all to understand the negotiations process sooner rather than later. He said that negotiations would really begin at the May 5 Recreation, Aesthetics, and Shoreline IAG meeting, with the presentation of the first study results.

Ben West, US Environmental Protection Agency, said that the IAGs could learn a lot from specific examples. He suggested that Yadkin continue to share their experiences with the Tapoco relicensing. Mark Oden agreed and said that it is not necessary to “reinvent the wheel”. Randy Benn, Yadkin counsel, said that Tapoco was very pleased with the outcome of the Tapoco relicensing. He said that Tapoco worked with the relicensing participants to identify interests, understand position versus interest based negotiations, develop a negotiations protocol, and name “authorized representatives” who participated in the negotiations. He said that Tapoco filed a license application in February 2003. Subsequent to this filing, Tapoco continued to work on settlement negotiations and in September 2003 executed five Agreements in Principles with many of the parties. The AIPs were then used as the basis for the comprehensive relicensing settlement agreement that will be filed with FERC in May 2004. Randy concluded that there is no magic to settlement negotiations, just hard work.

Randy Tinsley, City of Salisbury, asked Randy to estimate how many man hours it could take to participate in settlement negotiations. Steve Padula, Long View Associates, said that over the last year, participants probably met 2-3 days a month, with additional time spent preparing for the meetings. Randy Tinsley said that the time commitment could be onerous for local governments that might not have the resources to commit to such an involved process. Randy Benn recognized the reality of Randy Tinsley’s comment and said that local governments are important players and therefore, it is sometimes necessary for the licensee to go to the local government. Randy Benn noted that several major cities and counties signed the Tapoco Project settlement agreement.

Darlene Kucken, who is also participating in Duke's Catawba Wateree relicensing, commented that Duke's meetings are professionally facilitated. She asked if Yadkin intended to have the settlement negotiations facilitated by a professional. Darlene also commented that the person participating in the settlement negotiations, on behalf of an agency or organization, would be fully responsible for reporting back to his/her constituents (i.e. not everyone can be at the negotiations table).

Gene Ellis said that the IAGs were based on the idea that there would be a single person representing a larger agency or organization to ensure that meetings are manageable and productive. He thought this same idea would carry forward into settlement negotiations. Gene said that Yadkin would have to think more about the idea of professional facilitation.

Chris Goudreau explained that at the Tapoco Project Long View Associates did a great job running the meetings, but as the process moved toward negotiations there was a question whether Long View could maintain an unbiased approach. He said that Tapoco ended up working with staff from FERC's Office of Dispute Resolution, which ended up being a step backwards. He commented that it is very important that the settlement negotiations be effectively facilitated, whether it is by internal or external staff. Donley Hill, US Forest Service, agreed with Chris that it is counterproductive not to have good facilitation. He added that Kearns and West, who are facilitating the Catawba Wateree meetings, are good at what they do.

John Ellis, US Fish and Wildlife Service, clarified that the authorities outlined in Section 18 of the Federal Power Act and Section 401 of the Clean Water Act are not up for negotiation, but could be reflected in a settlement agreement. John also noted that Dominion Power recently filed the Roanoke Rapids relicensing settlement agreement with FERC. He said that FERC rather than accepting the agreement as-is, changed a lot of the content of the agreement. Don Rayno, NC Division of Water Resources, advised the IAGs to get as much done as possible to avoid giving FERC all of the control.

Chris Goudreau, suggested that the process used for interest identification at Yadkin be more systematic and structured than the process used at Tapoco. Gene Ellis said that as the study results come in, the first thing to do will be to determine if the objectives of the study have been met and then begin discussing and identifying interests. Don Rayno said that it would also be important to make sure that the study provides the information needed to address the interests expressed.

Rather than having interest-based discussions being triggered by a discussion of study results in the individual IAG meeting setting, Ben West thought any interest-based discussion should be in a joint IAG meeting. He thought that the IAG members, in a joint meeting, could develop written statements of interest even absent study results. Gene said Yadkin would consider all of these comments when contemplating how to move forward.

Closing

In closing, Jane Peeples said that the meeting presentation (Attachment 3) would also be used for the public meetings scheduled for June 29-30 and July 1. She solicited feedback on the presentation. The meeting adjourned at about 2:15.

Attachment 1 – Meeting Agenda

**Yadkin Project
(FERC No. 2197)
Communications Enhanced Three-Stage Relicensing Process**

Joint Issue Advisory Group Meeting

**Tuesday, May 4, 2004
Alcoa Conference Center
Badin, North Carolina**

1:00 PM – 4:00 PM

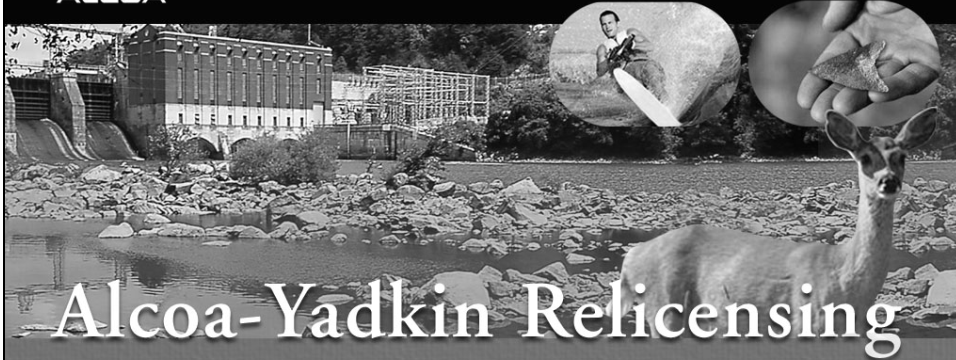
Preliminary Agenda

1. Introductions, Review Agenda
2. Update on Status of Resource Studies and Operations Model
3. Review and Discussion of Resource Study Report Review Process
4. Discuss Next Steps in Yadkin Project Relicensing Process

Attachment 2 – Meeting Attendees

Name	Organization
Andy Abramson	Land Trust
Ann Brownlee	Trading Ford Historic District Preservation Association
Ben West	US Environmental Protection Agency
Bob Smet	APGI, Yadkin
Brandon Harland	NC Wildlife Resources Commission
Chip Conner	Uwharrie Point Community Association
Chris Goudreau	NC Wildlife Resources Commission
Coralyn Benhart	Alcoa
Danny Johnson	SC Department of Natural Resources
Darlene Kucken	NC Division of Water Quality
Darren England	NC Division of Water Resources
Dean Vick	Concerned Property Owners of High Rock Lake
Don Rayno	NC Division of Water Resources
Donley Hill	US Forest Service
Elizabeth Wilson	High Rock Business Owners Group
Eric Horner	NC Division of Water Resources
Gene Ellis	APGI, Yadkin
Gerrit Jobsis	SC Coastal Conservation League and American Rivers
Gifford Delgrande	Yadkin Pee Dee Lakes Project
Greg Scarborough	Rowan/Salisbury Association of Realtors
Jane Peoples	Meeting director
Jean Sink	Concerned Property Owners of High Rock Lake
Jody Cason	Long View Associates
John Ellis	US Fish and Wildlife Service
John Vest	Salisbury/Rowan Utilities
Larry Jones	High Rock Lake Association
Lawrence Dorsey	NC Wildlife Resources Commission
Lee Hinson	Concerned Property Owners of High Rock Lake
Mark Oden	High Rock Business Owners Group
Marshall Olson	APGI, Yadkin
Pete Petree	SaveHighRockLake.org
Randy Benn	Yadkin counsel (LLGM)
Randy Tinsley	City of Salisbury
Ray Allen	City of Albemarle
Ray Johns	US Forest Service
Roy Rowe	Piedmont Boat Club
Ryan Heise	NC Wildlife Resources Commission
Steve Padula	Long View Associates
Todd Ewing	NC Wildlife Resources Commission
Wendy Bley	Long View Associates

Attachment 3 – Meeting Presentation



Review Progress and Next Steps
in the Relicensing Process

May 4, 2004

Agenda



- Status of Resource Studies and Model Development
- Study Review Process
- Next Steps

Yadkin Hydropower Project Relicensing



Status of Resource Studies and Model Development

Update on Work of Seven
Issue Advisory Groups

Yadkin Hydropower Project Relicensing



Resource Study Summary

- 23 Alcoa-Yadkin studies underway
 - ♦ Progress Energy IFIM study updates provided to IAG
- Study plans developed with seven Issue Advisory Groups, with more than 100 members participating
- Studies will be ongoing through spring of 2005, with results released as studies completed

Yadkin Hydropower Project Relicensing

Purpose of Studies



- Provide Alcoa-Yadkin with information to develop the license application
- Provide accurate, science-based information about existence and effect of Yadkin Project operations on resource issues
- Provide understanding of how various issues and interests in the Project interrelate and impact each other

Yadkin Hydropower Project Relicensing

County Economic Impacts



- Three meetings of IAG
- Research Triangle Institute conducting study
 - ◆ data collection underway
 - ◆ assessment to begin summer 2004
- Study to determine economic impact of the Project operations on five surrounding counties
- Study to be coordinated with Recreation Economics study being conducted by ERM

Yadkin Hydropower Project Relicensing

Cultural Resources



- Two meetings of IAG
- Thomason and Associates conducting National Register of Historic Places Eligibility Study, including cultural landscapes
 - ♦ preliminary results 3rd quarter, 2004
- Additional archaeological survey requested for UNF
 - ♦ Alcoa-Yadkin and USFS consulting on study scope

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Fish and Aquatics



- Four meetings of IAG
- Normandeau Associates conducting fish and aquatic habitat (*reservoir and tailwater*) studies
 - ♦ reservoir habitat mapping underway through summer 2004
 - ♦ tailwater studies sampling to be completed spring 2004
 - ♦ draft reports expected 3rd quarter, 2004
- Other Fish and Aquatics Studies
 - ♦ Fish Entrainment Evaluation – draft report 2nd quarter, 2004
 - ♦ Habitat Fragmentation Study under discussion with agencies

Yadkin Hydropower Project Relicensing

Water Quality



- Four meetings of IAG
- Normandeau Associates conducting Water Quality Monitoring Study
 - ♦ reservoir water quality data collection complete
 - ♦ tailwater DO/temperature data collection through 2004
 - ♦ preliminary data review with IAG ongoing
 - ♦ Plans for additional investigation in 2004 of potential options for improving tailwater DO under discussion
 - ♦ draft report expected 3rd quarter, 2004
- Normandeau and PB Power conducting Sediment Fate and Transport Study
 - ♦ draft report expected 3rd quarter, 2004

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Wetlands, Wildlife, Botanical



- Four meetings of IAG
- Avian Inventory study
 - ♦ draft report expected 4th quarter, 2004
- Wetland and Riparian Habitat Assessment
 - ♦ photo mapping of wetlands and upland land use completed 4th quarter, 2004

Yadkin Hydropower Project Relicensing

Wetlands, Wildlife, Botanical



- Rare, Threatened and Endangered Species Inventory
 - ◆ survey begins spring 2004
 - ◆ draft report expected 4th quarter, 2004
- Invasive, Exotic Plant Species Inventory and Transmission Line/Project Facility Habitat Assessment
 - ◆ fieldwork in 2004
 - ◆ draft reports expected 4th quarter

Yadkin Hydropower Project Relicensing

Recreation, Aesthetics and Shoreline Management



- Five meetings of IAGs
- Seven studies
 - ◆ Recreation Use Assessment
 - ◆ Recreation Facility Inventory and Condition Assessment
 - ◆ Recreation Economic Impact
 - ◆ Regional Recreation Evaluation
 - ◆ Shoreline Management Plan Comparison
 - ◆ Project-wide Aesthetics
 - ◆ Uwharrie National Forest Aesthetics

Yadkin Hydropower Project Relicensing

Recreation, Aesthetics and Shoreline Management



- ERM conducting recreation use, recreation economics and aesthetic studies
 - ◆ data collection nearly complete
 - ◆ draft reports expected 3rd quarter, 2004
- LVA conducting recreation facility inventory
- LVA completed and distributed draft SMP comparison study report, March 2004
- Regional Recreation Evaluation study plan
 - ◆ to be developed with IAG by mid-2004

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Operations Model



- Three meetings of IAG
- PB Power and Hydrologics developing OASIS model
 - ◆ model development, operation and database explained to IAG
 - ◆ working with Progress Energy on common streamflow dataset for both CHEOPS and OASIS models

Yadkin Hydropower Project Relicensing

Progress Energy IFIM



- DTA conducting instream flow study in lower river reaches
 - ◆ DTA and PE are working with Instream Flow Subgroup to scope study
 - ◆ Alcoa-Yadkin participating in Subgroup
 - ◆ data collection through 4th quarter, 2004
 - ◆ draft report expected by mid-2005

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Study Review Process



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Study Review Process



- *Draft study* report e-mailed to appropriate IAG
 - ◆ periodic media updates on study releases
 - ◆ summary of *draft study* report posted on the Alcoa-Yadkin Web site
- Technical consultants review and discuss *draft study* report with IAG
- IAG members review and comment (Due date for written or e-mail comments established)

Yadkin Hydropower Project Relicensing

Study Review Process



- Consultant prepares final report
- Final study report
 - ◆ posted on the Alcoa-Yadkin website and made available in Yadkin's public information room
 - ◆ report and comments filed with FERC as part of Application for New License
- Public meetings held periodically to provide updates on progress

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Next Steps

Yadkin Hydropower Project Relicensing

Three-Stage Relicensing Process



Stage One 2002-2003	Stage Two 2003-2006	Stage Three 2006-2008
① → ② → ③ →	④ → ⑤ → ⑥ → ⑦ → ⑧ →	⑨ → ⑩ → ⑪
1) Inform stakeholders and public 2) Receive input from stakeholders and public 3) Form Issue Advisory Groups	4) Conduct studies 5) Review studies w/ IAGs and public 6) Draft Application 7) Receive comments on draft Application 9) File Application	9) FERC Reviews Application and Comments 10) Conducts Environmental Assessment 11) Issues License

Yadkin Hydropower Project Relicensing

Completing Stage Two of Relicensing Process



- Complete studies and model
 - ◆ Resource studies
 - ◆ OASIS model
 - ◆ Instream flow study (Progress Energy)
- Review draft study reports with IAGs
- Prepare draft application for review and submit final application by April 2006

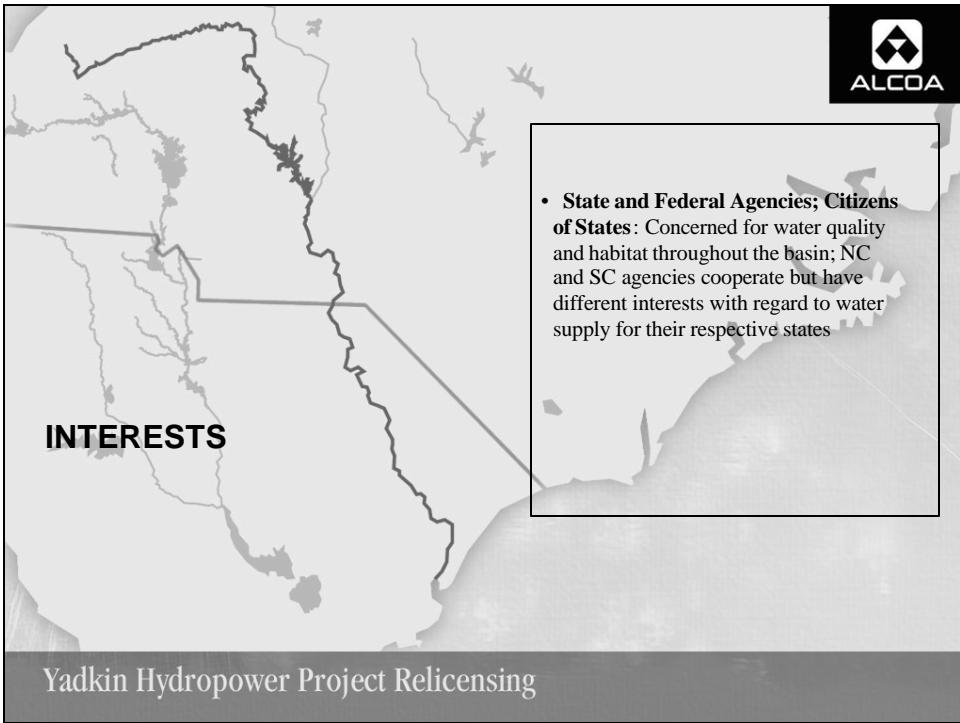
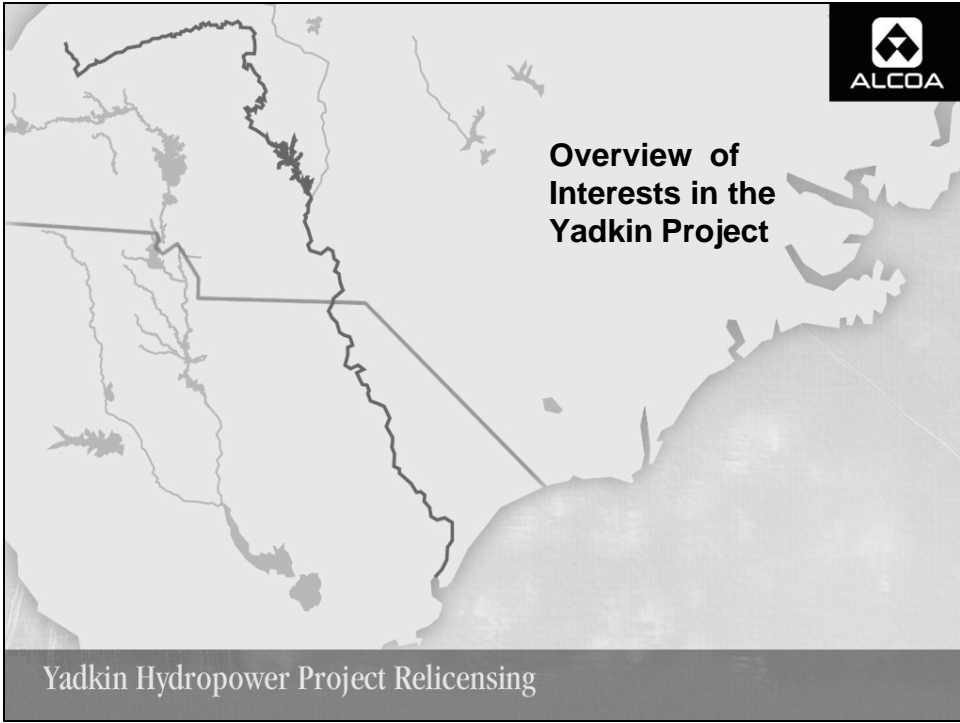
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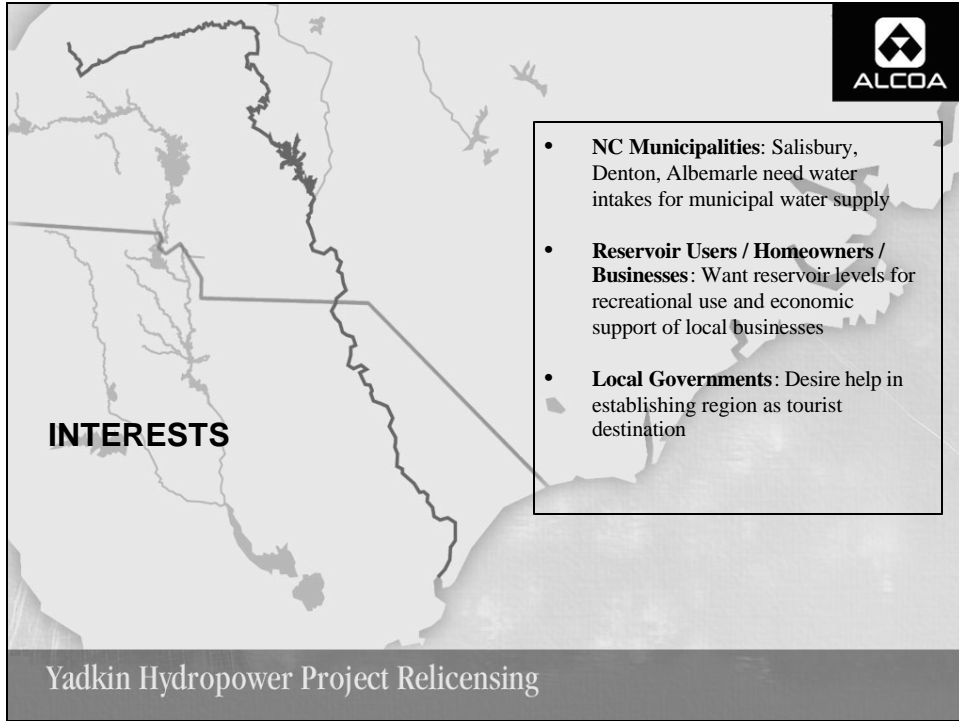
Understanding Interests



- Alcoa-Yadkin wants to ensure its understanding of the interests of IAG members
- Alcoa-Yadkin wants to clearly communicate its interests to IAG members
- General interests have been identified as the Relicensing Process has progressed

Yadkin Hydropower Project Relicensing



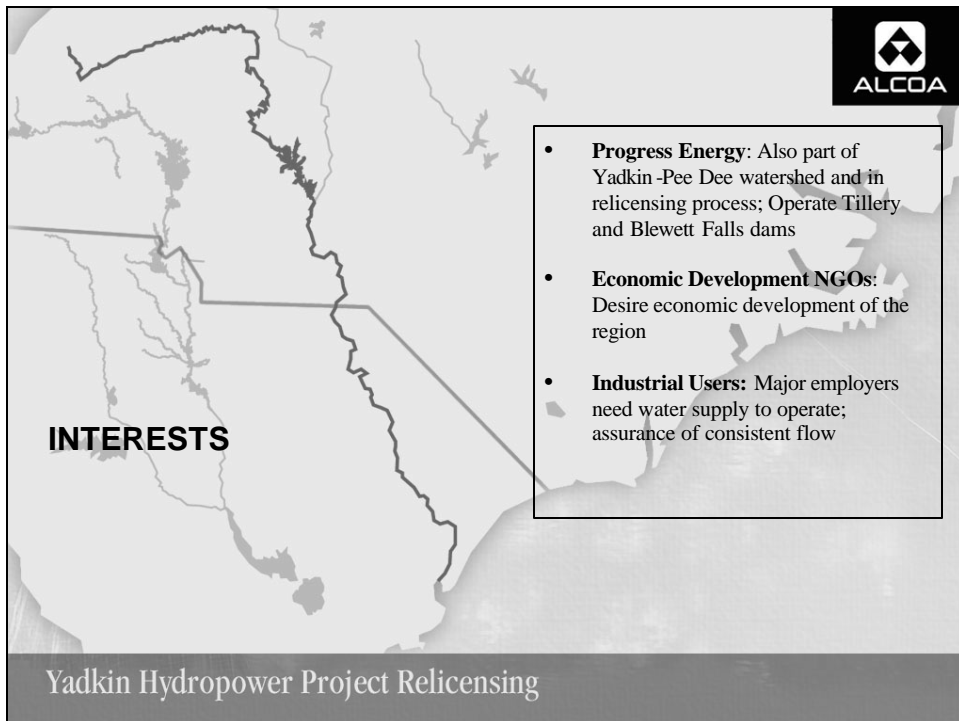


INTERESTS

- **NC Municipalities:** Salisbury, Denton, Albemarle need water intakes for municipal water supply
- **Reservoir Users / Homeowners / Businesses:** Want reservoir levels for recreational use and economic support of local businesses
- **Local Governments:** Desire help in establishing region as tourist destination

ALCOA

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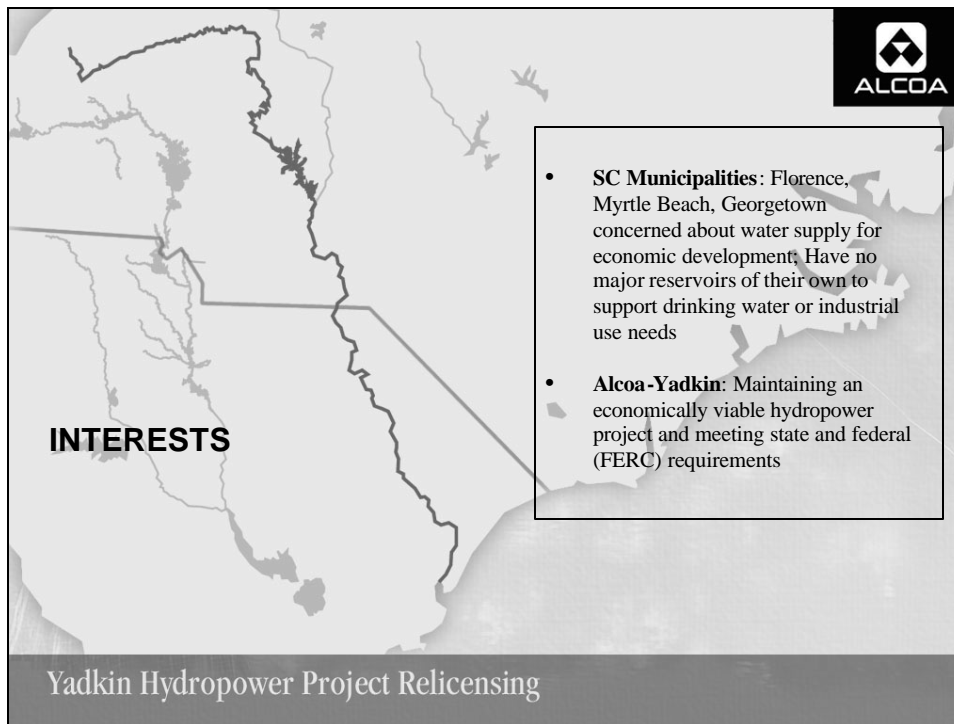


INTERESTS

- **Progress Energy:** Also part of Yadkin-Pee Dee watershed and in relicensing process; Operate Tillery and Blewett Falls dams
- **Economic Development NGOs:** Desire economic development of the region
- **Industrial Users:** Major employers need water supply to operate; assurance of consistent flow

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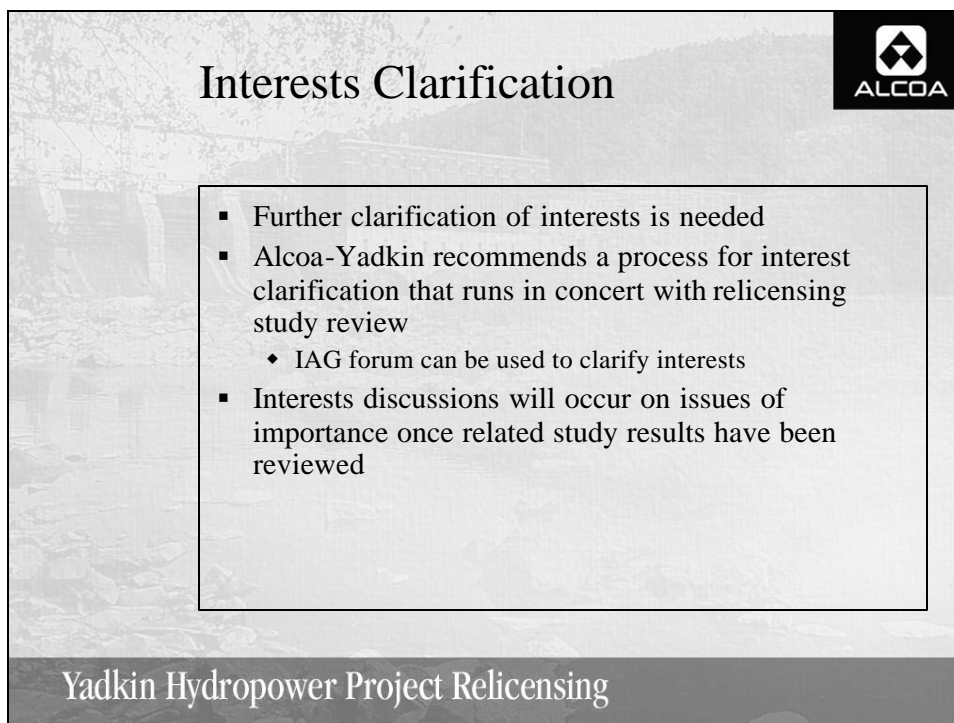


INTERESTS

- **SC Municipalities:** Florence, Myrtle Beach, Georgetown concerned about water supply for economic development. Have no major reservoirs of their own to support drinking water or industrial use needs
- **Alcoa-Yadkin:** Maintaining an economically viable hydropower project and meeting state and federal (FERC) requirements

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Yadkin Hydropower Project Relicensing



Interests Clarification

- Further clarification of interests is needed
- Alcoa-Yadkin recommends a process for interest clarification that runs in concert with relicensing study review
 - ◆ IAG forum can be used to clarify interests
- Interests discussions will occur on issues of importance once related study results have been reviewed

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Interests Clarification Leads to Understanding

- Alcoa-Yadkin chose a “communications enhanced” Three-Stage (or Traditional) Relicensing Process to create the right environment for settlement negotiations
- IAG members have invested time, learned about the issues and developed good working relationships
- Interest clarification process provides a foundation for parties to initiate settlement negotiations

Yadkin Hydropower Project Relicensing



Projected Timeline

ID	Task Name	2004				2005				2006		
		Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	Qtr3
1	IAG Process/Complete Studies		█									
2	IAG Interest Clarification		█									
3	Negotiations Planning			█								
4	Settlement Negotiations						█					
5	Draft License Application								◆			
6	File Final License Application										▶	

Deadline for Application

Yadkin Hydropower Project Relicensing

Achieving a Settlement



- Wins can be achieved for licensee, agencies and other parties
- All parties have an interest in working on settlement
- Settlement negotiations must be supported by facts and science
 - ♦ resource studies
- Confidence in analytical tools required
 - ♦ OASIS model

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Achieving a Settlement



- Competing interests require parties to be flexible
- Parties must work together to develop and support settlement negotiation protocols
- Negotiation process details will be developed over the next several months

Yadkin Hydropower Project Relicensing

Next Steps Summary



- Working toward completion and release of study results and model development
- Stage set for interest clarification and settlement negotiations
- Tapoco experience says Alcoa is capable of working with parties to find an appropriate balance
- Together we can proceed on the path toward successful settlement negotiations where possible
- Are you interested in continuing?

Yadkin Hydropower Project Relicensing

Questions?



Yadkin Hydropower Project Relicensing