

**Yadkin Project Relicensing (FERC No. 2197)
County Economic Impacts IAG Meeting
November 5, 2003**

**Alcoa Conference Center
Badin, North Carolina**

Final Meeting Summary

Meeting Agenda

See Attachment 1.

Meeting Attendees

See Attachment 2.

Welcome and Introductions

Jane Peeples, Meeting Director, opened the meeting with a welcome and introductions. Jane provided a copy of the “Meeting Guidelines” established by the Issue Advisory Groups (IAG) at previous IAG meetings to anyone new to the process.

Review of March 14, 2003 County Economic Impacts IAG Meeting

Wendy Bley, Long View Associates, distributed a document titled “Five-County Economic Issues Identified” (see Attachment 3). She reviewed the discussions at the last County Economics IAG meeting on March 14, 2003. She said that at that meeting, Jane Peeples facilitated a brainstorming session on the potential effects of Project operations on the economies of the surrounding five counties (Davie, Davidson, Rowan, Stanly, and Montgomery). Wendy explained that she took the list of issues/questions from that meeting and categorized them as either 1) reservoir related businesses, 2) reservoir contributions to property values and the tax base, and 3) recreational use, tourism, and visitors. This list was then used in a Request for Proposals (RFP) sent to several consulting firms.

Wendy said that the RFP was sent to qualified consulting firms, at least one of which was recommended by the IAG. She said that Yadkin selected Research Triangle Institute (RTI), a local group with experience in North Carolina, to develop a study plan based on the issues identified by the County Economic Impacts IAG in March 2003. She explained that Yadkin asked RTI to attend today’s meeting to discuss the issues further before developing a draft study plan.

After a review of the issues listed in Attachment 3, Ray Allen, City of Albemarle, said that the issue of the dependence of business and industry on the Project reservoirs as a source of potable water was missing from the issues list. He said that if the reservoirs drop below certain levels, businesses and industries might be unable to withdraw water from the reservoirs for treatment

and use. He asked that this issue be addressed in the study conducted by RTI. Randy Benn, Yadkin counsel, stated that as a FERC licensee, Yadkin is only responsible for Project impacts on the environment and recreation, not potable water. He clarified that the regulations do not say that FERC should make decisions on potable water.

Donna Davis, Stanly County Utilities, asked about Project impacts on water quality in general. Randy answered that Yadkin is responsible for Project impacts to water quality. Donna said that water quality affects how the county treats the water. Randy said that Yadkin would evaluate Project impacts to water quality (as an impact on the environment).

Larry Jones, High Rock Lake Association, noted that each of the three categories in Attachment 3 reference impacts of varying water levels on environmental or recreational resources. Larry suggested that to better measure the impacts of varying water levels on these resources, the focus should be on long-term trends rather than daily fluctuations in water levels. Larry said that major bass fishing tournaments have been cancelled at High Rock Reservoir because the water level is not dependable (i.e. stable water levels are not a long-term trend). Additionally, despite High Rock Reservoir being full all summer, recreational use was far below normal. He said that people make plans to visit other regional reservoirs because they know that they will be full. Larry asked that the issues list and/or study plan specifically address the long-term trends, rather than the daily, short-term fluctuations in water levels. Wendy envisioned the study plan addressing both the short-term effects of the drought and the longer-term effects of Project operations under a new FERC license.

Introduce Research Triangle Institute

Wendy introduced Katherine Heller, an environmental and natural resource economist with RTI, who introduced her team: Sam Leaman, a planner; Steve Johnston, an energy economist and local economic development expert; and Jeff Petrusa, Geographical Information Systems (GIS). Katherine explained that RTI is a non-profit research organization founded by three universities: Duke University, University of North Carolina at Chapel Hill, and North Carolina State University. RTI employs more than 2,000 employees in many different disciplines.

Review and Discuss Outline for County Economic Impacts Study

Katherine Heller distributed a “Surrounding County Economic Impact Study Plan Outline” (see Attachment 4). She stated that the overall objective of the study is to document and analyze the impacts of the Project on the economies of the five surrounding counties under current and alternative reservoir operations. Katherine explained that RTI would first characterize the reservoir-related commercial and industrial businesses at the Project (description, number and type, and estimated sales and employment). This information would then be used to estimate the reservoir-related share of employment and expenditures in the counties. Katherine said that RTI would then apply county tax rates to the estimated expenditures to determine the tax impacts of reservoir-related business and associated consumer expenditures. These data will represent the baseline situation. RTI proposed to next estimate the impacts of alternative operating scenarios (e.g. a greater drawdown at Narrows Reservoir) on the county economies using IMPLAN. She noted that the alternative operating scenarios would be identified by the IAG.

Donna Davis said that she represents a business that draws water out of Narrows Reservoir (Stanly County Utilities). She said that if her business were unable to draw water from the reservoir, it would go out of business. She asked why this water withdrawal for the purposes of providing potable water would not be considered a “reservoir-related business”. Randy Benn stated that if Alcoa Power Generating Inc. operated the Yadkin Project solely to optimize all the water dependent businesses in the area, Yadkin could not generate power. He said again that FERC looks at the impacts of Yadkin generating power on environmental and recreational resources.

Larry Jones commented that last year, during the drought, Yadkin justified the extreme drawdown of the Project reservoirs (specifically High Rock) as necessary to support drinking water supplies downstream. He asked why the local drinking water supplies were not as equally important. Randy said that the drought represents an extreme scenario. Larry suggested that Yadkin quit using the drought as an excuse. Jane Peebles interrupted and asked the IAG to focus on understanding what FERC does and does not require in hydropower relicensing. Randy emphasized that a FERC project is not run for the benefit of a potable water supply and therefore Yadkin is not required to study the impact of Project operations on the availability of potable water. Donna Davis questioned the scope of the study. She commented that all of the businesses proposed for inclusion in the study are water dependent (e.g. one cannot operate a marina without water). Gene Ellis, APGI Yadkin Division, made the distinction between “water-dependent” and “reservoir-dependent”. Randy stated that the FERC has no authority to deal with water supply issues.

Robert Petree, SaveHighRockLake.org, agreed with Larry that in the past, potable water supply was the first resource to be protected. He said that drinking water has been given first priority in the past and should be in the future. Randy explained that how APGI operated the Yadkin Project during the drought is not the company’s standard operating procedure. He said that during this extreme situation, Yadkin felt it had a responsibility to help extend municipal drinking water supplies by managing the reservoirs for their benefit rather than APGI’s, even though it was not required by the license. Randy agreed with Robert that the issue should be discussed in a “worst case” scenario and suggested that the issue be discussed during the development a drought management protocol.

Continuing, Katherine summarized the list of data sources that RTI intends to review as part of the study. Katherine solicited information on any other available data sources from the IAG. She noted that RTI would also rely on interviews with people living and working in the five counties. Steve Johnston, RTI, suggested using the expertise of the IAG to verify some of the data that RTI plans to use. Katherine said that RTI would be using data from 1999 to run IMPLAN (an input output model), which would need to be updated as much as possible. Wendy Bley asked how often the IMPLAN information is updated. Katherine noted that 2000 data is available, but that RTI had not purchased it. She emphasized the need to coordinate RTI’s IMPLAN work with ERM’s IMPLAN work on the Recreation Economic Impact Study. She said that if RTI makes adjustments to the data, ERM would also need to make the same adjustments (and vice versa).

Bryan Steen, Stanly County EDC, asked RTI to look at other studies for hydropower project relicensings to see how the potable water supply issue was addressed (i.e. if the issue was precluded in those cases as well). Wendy agreed that RTI could look for this type of information, but she was doubtful that any of the studies/data that RTI would use for the study would have been conducted in the FERC relicensing context because so few relicensings include this type of economic assessment.

Jane Peebles clarified that Yadkin was not questioning the importance of the potable water supply issue, but whether FERC requires Yadkin to consider the issue in the context of the Project relicensing.

Larry Jones asked how RTI proposes to quantify the impact of businesses and industry not currently at the reservoirs, but that might be if the Project was operated differently (e.g. if High Rock Reservoir is operated at full pool for the next 50 years, would the surrounding five counties see the economic benefit that those counties around Lake Norman have seen). He commented that currently restaurant owners would not invest in businesses around High Rock Reservoir because their customers would be looking at mud flats, rather than a full reservoir. Larry also said that in the last 10-20 years, many boat dealerships had failed in the area because people were not investing in boats because they did not have a reservoir to use them on. He thought more businesses would invest in the area if High Rock Reservoir were guaranteed to be full. Larry asked if RTI would be looking at other reservoirs. Steve Johnston said that RTI plans to build counterfactuals. Steve mentioned a comparison between Lakes Kerr and Gaston. He asked if the IAG had any suggestions for comparative reservoirs. Larry said that Lakes Gaston and Kerr are not comparable to the Yadkin reservoirs. He suggested that RTI look at Lake Norman and Lake Wylie. Larry also warned RTI against having a pre-conceived notion that High Rock Reservoir is a feeder to Narrows Reservoir, similar to Lake Kerr being a feeder to Lake Gaston (i.e. that one of the reservoirs will fluctuate while the other remains stable). Sam Leaman, RTI, clarified that RTI had used Lakes Kerr and Gaston as an example for comparison purposes only, and not as a template for the future of the Yadkin Project.

Continuing, Katherine described the technical approach for measuring the impact of the Project on property values and the tax base. She proposed using GIS parcel data for each county (if available) to compare \$/acre and \$/square foot for parcels at varying distances from the reservoir shoreline. She noted that sales value information would be better but that this data is typically inconsistent. Using this information, RTI will estimate the share of the tax base represented by reservoir-dependent businesses, estimate the property value premium associated with the proximity to shorelines, and estimate the impact of different water level scenarios. Greg Scarborough, Rowan/Salisbury Association of Realtors, offered to provide multiple listing service data to RTI. He thought this data could be used to determine sale prices during periods of time when the reservoir was up or down. He suggested that RTI also talk with appraisers in the five counties. He asked that RTI also look at the lots' proximity to water access.

In conclusion, Katherine said that RTI would integrate the recreation impact with other impact measures (e.g. tourism and opportunities to increase tourism to the region).

Schedule and Agenda for Next Meeting

Jane Peoples reminded the various IAG members who committed to sharing information with RTI to get in touch with RTI as soon as possible.

Wendy Bley said that RTI would develop a draft study plan, which would then be distributed to the IAG for review and comment, probably by the end of the year. Wendy tentatively scheduled the next meeting of the County Economic Impacts IAG for February 4, 2004 (in the afternoon). At this meeting, the IAG will discuss the draft study plan. She noted that ERM will be at the meeting and therefore there will be an opportunity to discuss coordinating the use of the IMPLAN model for the two studies.

The meeting adjourned at about 10:45 a.m.

Attachment 1 – Meeting Agenda

**Yadkin Project
(FERC No. 2197)
Communications Enhanced Three-Stage Relicensing Process
County Economic Impacts Issue Advisory Group Meeting**

**Wednesday, November 5, 2003
Alcoa Conference Center
Badin, North Carolina**

9:00 AM – 12:00 PM

Preliminary Agenda

1. Introductions, Review Agenda
2. Review March 14, 2003 IAG Meeting
3. Introduce Research Triangle Institute (RTI)
4. Review and Discuss Outline for County Economic Impacts Study
5. Schedule and Agenda for Next Meeting

Attachment 2 – Meeting Attendees

Name	Organization	Email
Bryan Steen	Stanly County EDC	stanedc@vnet.net
Coralyn Benhart	Alcoa	coralyn.benhardt@alcoa.com
Donna Davis	Stanly County Utilities	ddavis@co.stanly.nc.us
Gene Ellis	APGI Yadkin Division	gene.ellis@alcoa.com
Greg Scarborough	Rowan/Salisbury Association of Realtors	gscarborough@cbiinternet.com
Jane Peeples	Meeting Director	jpeeples@carolinapr.com
Jean Sink	Concerned Property Owners	jean_sink1950@yahoo.com
Jeff Petrusa	RTI	jpetrusa@rti.org
Jody Cason	Long View Associates	jjcason@att.net
Katherine Heller	RTI	kbh@rti.org
Larry Jones	High Rock Lake Association	larry@foxbottomfarm.org
Matt Brinkley	Town of Badin	mbrinkley@badin.org
Randy Benn	Yadkin Counsel	rbenn@lfgm.com
Raymond Allen	City of Albemarle	rallen@ci.albemarle.nc.us
Robert Petree	SaveHighRockLake.org	pete@savehighrocklake.org
Roy Rowe	Piedmont Boat Club	rlowe@lexcom.net
Sam Leaman	RTI	shl@rti.org
Scott Leonard	Davidson County	sleonard@co.davidson.nc.us
Steve Johnston	RTI	saj@rti.org
Wendy Bley	Long View Associates	bleylva@aol.com

Attachment 3 – “Five County Economic Issues Identified”

**Yadkin Project Relicensing
County Economics Issue Advisory Group**

**Five-County Economic Issues Identified
March, 2003 IAG Meeting**

ISSUE AREAS

1. RESERVOIR RELATED BUSINESS

- Identify/Inventory reservoir related business
 - Commercial Businesses (Marinas, Restaurants, Bait/Tackle, Campgrounds, etc)
 - Industrial Businesses (Buck Steam, Alcoa Badin Works, Others?)
- Relationship of reservoir related businesses to reservoirs
 - Do reservoirs play a role in the business, and how?
 - Do reservoir water levels have the potential to effect the business, and how?
 - How would businesses be affected by certain changes in reservoir water levels?
 - Examples:
 - greater than normal drawdown during drought
 - extended period of near full water levels at High Rock
 - greater drawdown of Narrows Reservoir
- Economic contribution of these businesses to the five county area

2. RESERVOIR CONTRIBUTIONS TO PROPERTY VALUES AND TAX BASE

- Property value premiums associated with proximity to reservoir shorelines
- Portion of county residential and business development that is related to the Project reservoirs
- Portion of county tax base represented by Project-related businesses and residences
- Effects of changes in water levels on property values and tax base

3. RECREATIONAL USE, TOURISM AND VISITORS

- Contribution of recreation visitor use/expenditures to county economies
- Contribution of resident recreation use/expenditures to county economies
- Opportunities to increase tourism and visitors to region
- Economic potential to five county region associated with increased tourism

Attachment 4 – “Surrounding County Economic Impact Study Plan Outline”

Yadkin Project
Surrounding County Economic Impact Study
STUDY PLAN OUTLINE

- I. Introduction
 - A. Background—Use project description from APGI materials
 - B. Objectives—Document and analyze the impacts of the project on the economies of the surrounding five counties, under current reservoir operations and other water level scenarios.
 - C. Organization of the Study Plan
- II. Review data sources and evaluate for relevant data for the study
 - A. Existing Central Park Region Studies
 - B. Census data
 - C. Shoreline management plan
 - D. County economic development plans including comprehensive economic development strategies, if applicable.
 - E. County tax records, property tax rates
 - F. GIS databases for each county, if available
 - G. Expert elicitation—realtors, business owners and managers, economic development officials, chambers of commerce, and other stakeholders.
 - H. Others?
- III. Technical approach for measuring impact of Project reservoirs on economies of five surrounding counties
 - A. Reservoir-related business sectors. Work with IAG to identify sectors that should be included. (Note: Use of recreational related businesses is being captured through the ERM Recreation Economics Study). Preliminary list: industrial, non-recreation tourism, residential and commercial construction, agriculture, others?
 - i. Identify and characterize reservoir-related commercial and industrial businesses
 - 1. descriptive
 - 2. number and type
 - 3. estimated sales & employment

- ii. For these sectors, measure importance to county economies: estimate reservoir-related share of employment and expenditures. Use IMPLAN model to estimate county-wide impacts.
 - B. Tax impacts of reservoir-related business and consumer expenditures.
Apply county tax rates to estimated expenditures.
 - C. Project the impact of unusual or different water level scenarios
 - i. Characterize water level scenarios (e.g., extended season of high water levels at High Rock, greater drawdowns at Narrows, etc.)
 - ii. Estimate direct impacts of alternative water level scenarios on affected businesses
 - iii. Estimate impacts on county economies of different water level scenarios, using the same methods applied for baseline (IMPLAN model where appropriate).
- IV. Technical approach for measuring the impact of the project reservoirs on property values and tax base
 - A. Identify share of residential and business development that is related to project
 - i. Obtain Geographic Information Systems (GIS) parcel data for each county where available.
 - ii. Compare \$/acre, \$/square foot for parcels at varying distances from reservoir shorelines.
 - B. Estimate share of tax base represented by project-related businesses and residences, using assessed value data listed above.
 - C. Estimate property value premium associated with proximity to shorelines, based on metrics in A.ii., above. Other metrics?
 - D. Estimate impact of different water level scenarios
- V. Integrate recreation impact with other impact measures
 - A. Obtain results from ERM recreation impact study.
 - B. Combine recreation impact study results with results of analysis of impacts in other sectors of the economy.
 - C. Prepare integrated analysis and report.
- VI. Reporting
- VII. Project Schedule