

**Yadkin Hydroelectric Project (FERC No. 2197)
County Economic Impacts IAG
March 14, 2003
Alcoa Conference Center
Badin, North Carolina**

Final Meeting Summary

Agenda

See Attachment 1.

Meeting Attendees

See Attachment 2.

Welcome and Introductions

Gene Ellis, Yadkin, opened the meeting with introductions and a review of the agenda. Gene distributed copies of the issue/comment/study requests tables regarding regional economics (see Attachment 3). He said that Yadkin had received requests to evaluate the economic impact to the five surrounding counties associated with existing and alternative reservoir levels. Gene explained that Yadkin had not hired a consultant to study regional economics as it had for Fish and Aquatics; Water Quality; Wetlands, Wildlife and Botanical; and Recreation and Aesthetics. He said that it was first necessary to better understand what questions need to be answered.

Relicensing Process Issues

Jane Peeples, Meeting Director, said that she had distributed copies of "Issue Advisory Groups Outline of Purpose and Suggested Process", a document distributed originally at the February 28, 2003 Issue Advisory Group (IAG) Organizational Meeting to those who did not have a copy (see Attachment 4). Jane reviewed the three-stage relicensing process schedule. She noted that at the February 28 meeting the following IAG meeting dates were set: April 8-10, 2003; May 20-22, 2003; June 3-5, 2003; July 8-10; August 5-7, 2003; September 2-4, 2003; October 7-9, 2003; November 4-6, 2003; and December 2-4, 2003.

Having just adjourned the Operations Model IAG meeting, Jane noted that it was unclear if the Operations Model IAG would meet in April 2003. Larry Jones, High Rock Lake Association, asked to be made aware of any meetings between the states and Yadkin and/or Progress Energy regarding Project operations modeling or basinwide modeling (an issue raised and discussed at the Operations Model IAG meeting).

Jane mentioned that the issue of resolving study disputes was discussed briefly at the February 28 meeting, but was not resolved. Based on the discussions at the February 28 meeting, Jane said that she had prepared a single "IAG Dispute Resolution Process" document that could be used by all of the IAGs (for consistency of process). Jane distributed copies of this document (see

Attachment 5) to those who did not have a copy. There were no new suggested revisions to the IAG Dispute Resolution Process, as proposed. Jane agreed to revise the document based on earlier comments by Larry Jones and Steve Reed, North Carolina Division of Water Resources (NCDWR) (see Attachment 6).

Concerning the issue of Project operations modeling and basinwide modeling raised during the Operations Model IAG meeting, those attending the County Economic Impacts IAG agreed that the issue was not yet appropriate for the IAG Dispute Resolution Process. Larry asked that any meetings or conference calls on the issue be summarized so that there could be no “backroom politics”. Harry Saunders, Badin Lake Association, said that he appreciated Yadkin’s position on the issue (see March 14, 2003 Operations Model IAG Meeting Summary) and agreed that everyone should do their own part.

Don Rayno, NCDWR, asked if net meetings would be available in the future. Gene said that Yadkin would arrange for net meetings upon request.

Regional Economic Issues

Referring to the study scoping objectives outlined in the previous IAG meetings (see below), Jane asked that the group specifically respond to Question 3 – “What are the study objectives or what questions does the study need to answer?” She said that the questions posed should be related to the operation of the Project (Project nexus) and that the geographic scopes of the studies would be limited to the five county region contiguous to the Project.

1. What is the issue?
2. What is the relationship to the resource and the Project or its operation?
3. What are the study objectives or what questions does the study need to answer?
4. What is the appropriate geographic scope?
5. Are there any timing/scheduling issues?
6. Are there any methodological issues?
7. Are there opportunities to coordinate studies?

The following is a bulleted summary of the questions/issues posed by the County Economic Impacts IAG for Yadkin’s consideration. Jane clarified that Yadkin was listening to the study requests, but not committing to conducting all studies requested.

- What are the reservoir-related businesses at the Yadkin Project, by industry type, and what economic impact do they have on the community (sales and payroll)? How long does it take for the regional economy to feel the effects of the water fluctuations within the Project? (Scott Slatton, Town of Badin)
- What are the collateral effects of reservoir-related businesses closing? (Harry Saunders, Badin Lake Association)
- What portion of the county’s tax base do reservoir residents represent? (Harry Saunders, Badin Lake Association)

- The geographic scope of potential economic impacts is greater than the five counties contiguous to the Yadkin Project (e.g. boat manufacturers are affected as far away as Minnesota, Tennessee, and Georgia). (Stephany Farquhar, High Rock Lake Business Owners Association)
- What is the economic value of all Yadkin's holdings (land, water, dams and powerhouses)? (Roger Dick, Yadkin Pee Dee Relicensing Coalition)
- What are the economic impacts of fluctuating water levels on the tax base, real estate values, and the marketability of property and the maintenance of property values? (Greg Scarborough, Rowan Association of Realtors)
- Model the potential economic impacts of additional recreational opportunities at the Yadkin Project (based on demand and potential future use). (Ann Bass, Yadkin Pee Dee Lakes Project)
- What are the property values around High Rock Reservoir if the reservoir is operated in a store-and-release mode as compared to run-of-river? How does the operation of High Rock Reservoir impact tax revenues and real estate values? (Larry Jones, High Rock Lake Association)
- If the Project reservoirs are operated differently, are there opportunities for reservoir-related businesses, such as marinas, to expand? (Don Rayno, North Carolina Division of Water Resources)
- Quantify the impact of reservoir fluctuations on the cost of water treatment in Stanly County. (Donna Davis, Stanly County Utilities)
- What is the economic impact if reservoir fluctuations cause the curtailment of potable water? (Ray Allen, City of Albemarle)
- How many businesses went out of business over the last three years and what was the associated economic impact? (Stephany Farquhar, High Rock Lake Business Owners Association)
- Are there any income generating opportunities at the Project's recreational areas/facilities (e.g. improved management of the areas/facilities). If so, what are they? (Ann Bass, Yadkin Pee Dee Lakes Project)
- What is the economic impact of opening historic and cultural sites to the public (i.e. the value of an interpretive system/increased tourism)? (Tom Garrison, Town of Badin)
- At what point does the level of development start to impact the resource negatively (i.e. how much is too much)? (Bill Medlin, Yadkin Pee Dee Lakes Project)

- Study the net change in Alcoa payroll if High Rock Lake is operated in Run-of-River mode as compared to current Store-Release mode (Larry Jones, High Rock Lake Association)
- How do reservoir fluctuations affect Yadkin's business at a local level? (Scott Slatton, Town of Badin)
- Long-term optimization over the life of the FERC license. (Ann Bass, Yadkin Pee Dee Lakes Project)
- What is the value of power generated at the thermal plant versus the hydropower developments? (Drew German, Duke Buck Steam Station)
- Do reservoir fluctuations have any impact on generation at Duke's Buck Steam Station? (Stephany Farquhar, High Rock Lake Business Owners Association)
- Is there an economic value associated with Yadkin being designated as a clean power producer? (Ann Bass, Yadkin Pee Dee Lakes Project)
- If water is withdrawn upstream of the Yadkin Project, what is the economic impact on the regional economy (those counties surrounding the Yadkin Project)? (Roger Dick, Yadkin Pee Dee Relicensing Coalition)
- How is the water resource best optimized (power generation, recreational use, drinking water)? (Ann Bass, Yadkin Pee Dee Lakes Project)

Randy Benn, Yadkin counsel, reminded the group that Yadkin has riparian rights (i.e. a right to the reasonable use of the water), due to its ownership of riparian lands, and that if those rights were diminished by other users of the water, Yadkin would be due just compensation. Larry Jones noted that he owns land under High Rock Reservoir.

- Why are the five counties contiguous to the Yadkin Project economically depressed while rich in water resources (i.e. economic parity)? What is the best balance between the company's and community's interests? (Roger Dick, Yadkin Pee Dee Relicensing Coalition)

Wrap-up

Jane Peebles said that Yadkin would reconvene the County Economic Impacts IAG once an economics consultant has been hired to discuss/scope economic studies further.

Roger Dick commented that the geographic scope of potential economic impacts is greater than the five counties contiguous to the Yadkin Project. He opined that the entire southeast is affected by the Yadkin Pee Dee River Basin. Gene emphasized that the question/issue raised must have a Project nexus.

Don Rayno commented that he was surprised that more of the counties and/or municipalities were not represented on the IAG. Representatives of the Town of Badin, City of Albemarle, and

Stanly County noted their participation in the meeting. Gene Ellis said that each county/municipality received a letter inviting them to participate in the relicensing process.

The meeting adjourned at about 11:30 a.m.

Attachment 1 – Agenda

**Alcoa Power Generating Inc. Yadkin Division (FERC No. 2197)
Communications Enhanced Three-Stage Relicensing Process**

Issue Advisory Group Meetings

**March 12-14, 2003
Alcoa Conference Center
Badin, North Carolina**

IAG Meeting Schedule

Wednesday, March 12 1:00 to 4:00 p.m.	Fish and Aquatics (RTE aquatic)
Thursday, March 13 8:00 to 10:00 a.m.	Water Quality
Thursday, March 13 10:00 to 12:00 noon	Wetlands, Wildlife, Botanical (RTE terrestrial)
Thursday, March 13 1:00 to 4:00 p.m.	Recreation, Aesthetics, Shoreline Management
Friday, March 14 8:00 to 10:00 a.m.	Operations Model
Friday, March 14 10:00 to 12:00 noon	County Economic Impacts

Agenda

(The following agenda applies to all individual IAG meetings)

1. Review of Meeting Schedule for 2003 and Procedures
2. Discussion of IAG Dispute Resolution Process
3. Introduction of Technical Consultants
4. Review and Discuss Study Requests and Study Scopes
5. Agenda for Next Meeting

Attachment 2 – Meeting Attendees

Name	Organization	Email
Andy Abramson	The Land Trust for Central NC	andy@landtrustcnc.org
Ann Bass	Yadkin Pee Dee Lakes Project	aliebenstein@vnet.net
Bill Medlin	Yadkin Pee Dee Lakes Project	bmedlin@ctc.net
Carl Davidson	Davie County	carl.davidson@co.davie.nc.us
Charlie Sink	Watership Downs	cpohrl@lexcominc.net
Chris Ey	Framatome-ANP	watguy@carolina.rr.com
Coralyn Benhart	Alcoa	coralyn.benhardt@alcoa.com
Don Rayno	NC Division of Water Resources	don.rayno@ncmail.net
Donna Davis	Stanly County Utilities	ddavis@co.stanly.nc.us
Drew German	Duke Energy	asgerman@duke-energy.com
Gene Ellis	APGI, Yadkin Division	gene.ellis@alcoa.com
Gerrit Jobsis	SC Coastal Conservation League	scribers@bellsouth.net
Greg Hankins	Journalist	ghankins@ac.net
Greg Scarborough	Rowan Association of Realtors	gscarborough@cbiinternet.com
Harry Hicks, Jr.	SaveHighRockLake.org	hicksh1@rjrt.com
Harry Saunders	Badin Lake Association	badinlake@rtmc.net
Jane Peeples	Meeting Director	jpeeples@carolinapr.com
Jean Sink	Watership Downs	cpohrl@lexcominc.net
Jody Cason	Long View Associates	jjcason@worldnet.att.net
Julian Polk	APGI, Yadkin Division	julian.polk@alcoa.com
Kim Orick	Uwharrie Point Community Association	upca@rtmc.net
Larry Jones	High Rock Lake Association	larry@foxborrowfarm.org
Mark Bowers	US Fish and Wildlife Service	mark_bowers@fws.gov
Mary Tibbetts	PB Power	tibbetts@pbworld.com
Randy Benn	Yadkin counsel	rbenn@llgm.com
Raymond Allen	City of Albemarle	rallen@ci.albemarle.nc.us
Roger Dick	Yadkin Pee Dee Lakes Relicensing Coalition	rdick@uwharrie.com
Roy Rowe	Piedmont Boat Club	rrowe@triad.rr.com
Scott Slatton	Town of Badin	sslatton@badin.org
Stephany Farquhar	High Rock Lake Business Owners Association	lfarquhar@lexcominc.net
Steve Reed	NC Division of Water Resources	steven.reed@ncmail.net
Tom Brooks	South Carolina	
Tom Garrison	Town of Badin	
Wendy Bley	Long View Associates	bleylva@aol.com

Attachment 3 – Issue/Comment/Study Requests Tables



REGIONAL ECONOMICS

ISSUE/COMMENT	STUDY REQUEST
<p>Yadkin Project operations and resulting reservoir fluctuations have an economic impact on the 5 county region surrounding the Project.</p>	<p>Evaluate the economic impact to the five surrounding counties associated with existing and alternative reservoir operating levels.</p>

Attachment 4 - Issue Advisory Groups Outline of Purpose and Suggested Process Document



Alcoa Power Generating Inc. – Yadkin Division
Communications Enhanced Three-Stage Relicensing Process

Issue Advisory Groups

Outline of Purpose and Suggested Process

Purpose

Issue Advisory Groups (IAGs) are being formed to advise Yadkin on the important resource issues requiring study during the relicensing process. As a member of an IAG, your primary role will be to help identify issues that should be considered in the relicensing process, help determine information and study needs in support of those issues and to review study results.

Membership

IAGs are composed of representatives from state and federal agencies, legislatures, tribes, affected municipalities and recognized non-government organizations (NGOs). Recognized NGOs are those who meet the following criteria:

- represent interests not represented in already existing NGOs
- represent an interest that is directly affected by Yadkin's relicensing
- represent the interests of a group of stakeholders rather than an individual
- demonstrate a defined organizational structure
- have a designated representative who can speak for the organization

Time Line

The first objectives of the IAG process are to help Yadkin develop a scope of technical resource studies to be conducted and to review study plans. It is anticipated that IAGs will then meet as needed throughout 2003, 2004 and the first quarter of 2005 to review study results, as available, and refine/adjust studies, as needed.

Meeting Procedures

The following are suggested procedures for managing the work of the IAGs. These suggestions are open for discussion and revision within the IAG.

Meeting Schedule

- Yadkin will schedule the initial meetings. Subsequent meetings will be held on an as needed basis as determined by the IAG or Yadkin. Yadkin will try to provide notice to IAG members of all IAG meetings about 30 days prior to the meeting, if possible. Meetings may be scheduled with less than 30 days notice, if necessary. IAG members who are unable to attend the meeting in person will be given the opportunity to participate by conference call.
- It may be helpful to select a particular week of the month to convene IAGs in order to avoid conflict with other regional licensing processes.

Agenda and Information

- IAG meeting agendas will be prepared by Yadkin with input from IAG members and distributed to members at least 14 days prior to the meeting. IAG members may submit comments about the agenda in writing, by phone, e-mail or fax up to one week prior to the meeting. In addition, the agenda may be modified at the beginning of the meeting with agreement from those attending.
- Yadkin and IAG members should endeavor to make available all documents and other information necessary to prepare for the meeting at least one week prior to the meeting. As an alternative, materials may be provided at the meeting.

Meeting Summary Preparation and Distribution

- Yadkin will provide a draft meeting summary to all meeting attendees within about 15 days of the meeting. Meeting attendees should provide their comments on the meeting summary to Yadkin in writing or by phone, fax, or e-mail within about 15 days following the meeting. Yadkin will then finalize the meeting summary within about 30 days after receiving comments and will distribute a final meeting summary to all IAG members, regardless of their

(continued)

Issue Advisory Groups (continued)

participation in the meeting. If no corrections are submitted, the meeting summary will become final 30 days after the date of the meeting.

Meeting Norms

- Meetings begin and end on time
- Agenda is followed during the meeting
- Needed information resources are available during the meeting
- Tangible progress is made toward accomplishment of the tasks
- All decisions are brought to closure in a way that is clearly understood
- Agenda for next meeting discussed at close of each meeting
- Group members demonstrate effective meeting behaviors

- One speaker at a time, one subject at a time, limit war stories
- Respect for opinions of others, look for merit in ideas
- Active participation of all
- All members present at start of meeting
- All members arrive informed about previous meeting and agenda for present meeting

Resolving Study Disputes

- As the process unfolds, disagreements may surface regarding the type and scope of studies to be conducted. It is anticipated that IAGs will consider developing an appropriate dispute resolution process with the goal of

resolving any study disputes within the IAG. Under FERC's regulations, a licensee is expected to conduct all "reasonable and necessary" studies requested by resource agencies and tribes. If through its dispute resolution process an IAG is not able to resolve a dispute regarding whether or how a particular study should be conducted, then Yadkin may opt to send the dispute to FERC for formal dispute resolution.

Yadkin's Communications Enhanced Three-Stage Relicensing Process

Stage One 2002-2003	Stage Two 2003-2006	Stage Three 2006-2008
1) Inform stakeholders and public (publish ICD) 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 8) File Application	9) FERC Reviews Application and Comments 10) Conducts Environmental Assessment 11) Issues License

Attachment 5 – IAG Dispute Resolution Process Document

**Alcoa Power Generating Inc.—Yadkin Division (FERC No. 2197)
Communications Enhanced Three-Stage Relicensing Process**

IAG Dispute Resolution Process

As the Issue Advisory Group process unfolds, there will be situations in which the issue being discussed cannot easily be resolved within the normal IAG setting. When such disputes first present themselves, Yadkin and the IAG members will discuss the issue and attempt to resolve the dispute through discussion commensurate with the nature and importance of the dispute. Should initial discussions over the dispute cause an inordinate delay of the work of the IAG or become an obstacle to the progress of the IAG, Yadkin will implement the following process:

- (1) The issue will be delegated by Yadkin or the meeting manager to a smaller dispute resolution work group made up of Yadkin representative(s) and IAG members who have a vested interest in the issue.
- (2) The dispute resolution work group will convene outside of the regular IAG meeting to discuss the issue. Interested parties who are part of the dispute resolution work group will have responsibility for development of their position statements.¹
- (3) Yadkin will take into consideration the position statements prepared by the interested parties while making a decision on the disputed issue. Yadkin's decision on the disputed issue and the position statements of the interested parties will be reported back to the full IAG.
- (4) Both the position statements prepared by the dispute resolution work group 's interested parties and Yadkin's report to the full IAG will become part of the IAG meeting summary and the final consultation record, which will be reviewed by FERC.

¹ For instance, in cases where the dispute is over a request to conduct a study or gather information, the position statements prepared by the dispute resolution work group should at a minimum include 1) a description of the study or information being requested, 2) the purpose of the study or need for the information being requested, and 3) the relationship between Project operations and effects on the resource to be studied.

Attachment 6 – IAG Dispute Resolution Process Document as Revised

**Alcoa Power Generating Inc.—Yadkin Division (FERC No. 2197)
Communications Enhanced Three-Stage Relicensing Process**

IAG Dispute Resolution Process

As the Issue Advisory Group process unfolds, there will be situations in which the issue being discussed cannot easily be resolved within the normal IAG setting. When such disputes first present themselves, Yadkin and the IAG members will discuss the issue and attempt to resolve the dispute through discussion commensurate with the nature and importance of the issue. Should initial discussions over the dispute threaten an inordinate delay of the work of the IAG or become an obstacle to the progress of the IAG, Yadkin will implement the following process:

- (1) The issue will be delegated by Yadkin or the meeting manager to a smaller dispute resolution work group made up of a Yadkin representative(s) and IAG members who have an expressed interest in the issue.
- (2) The dispute resolution work group will convene outside of the regular IAG meeting to discuss the issue and attempt to resolve it. As part of this effort, IAG members who are part of the dispute resolution work group will develop a written statement of their positions.¹ It is expected that these efforts will take place before the commencement of the next meeting of the IAG.
- (3) If the dispute resolution work group is unable to reach a timely resolution of the issue, Yadkin will take into consideration the position statements prepared by the interested parties when making a decision on the disputed issue. Yadkin's decision on the disputed issue and the position statements of the interested parties will be reported back to the full IAG.
- (4) Both the position statements prepared by the dispute resolution work group's interested parties and Yadkin's report to the full IAG will become part of the IAG meeting summary and the final consultation record, which will be reviewed by FERC.
- (5) If through this dispute resolution process an IAG is not able to resolve a dispute regarding whether or how a particular study should be conducted, then Yadkin or the resource agencies may opt to send the dispute to FERC for formal dispute resolution.

¹ For instance, in cases where the dispute is over a request to conduct a study or gather information, the position statements prepared by the dispute resolution work group should at a minimum include 1) a description of the study or information being requested, 2) the purpose of the study or need for the information being requested, and 3) the relationship between Project operations and effects on the resource to be studied.