

**High
Rock
Lake
Association, Inc.**

**P.O. Box 159
Southmont, NC 27351**

Tuesday, January 03, 2006

Mr. Gene Ellis
Alcoa Power Generating Inc.
Yadkin Division
P.O. Box 576
Badin, NC 28009

Subject: Draft License Application dated October 2005
FERC Project Number 2197

Dear Mr. Ellis,

The High Rock Lake Association Inc. (HRLA) is commenting on the Draft License Application (DLA) prepared by Alcoa during 2005. We have reviewed the DLA in detail, and we are dismayed that Alcoa is proposing future operations of the project, especially High Rock Lake, in a manner that virtually mirrors operations of the past 75 years.

At the invitation of Alcoa, in the fall of 2002 the HRLA began participation in the license renewal process; and for the past 3 years we have participated in studies, discussions, and negotiations with the understanding and belief that Alcoa actually wanted to make positive changes in terms of a new license that would mitigate or cure many of the problems that have been identified affecting High Rock Lake.

The studies conducted by various consulting firms retained by Alcoa have documented the negative effects of past operations at High Rock on every parameter studied, including water quality, fish and wildlife habitat, wetlands, aesthetics, sedimentation, bank erosion, conservation, recreation, and economics. In contrast, the same studies have documented the positive effects of past operations in all the same parameters at Tuckertown and Badin Lakes.

By summer 2005 it had become clear to most participants in the relicensing process that serious changes were needed in the operation of High Rock Lake. When proposals were submitted to Alcoa in August 2005 the negotiating parties (excepting Alcoa) were virtually unanimous in their opinion that the *most important change needed for High Rock Lake is a mode of operation that would result in relatively stable water levels on a year round basis.*

The issue of water quality is an example of Alcoa completely ignoring many positive benefits that could result from a change in operations at High Rock. The State of North Carolina must certify discharges from the dam meet Federal Water Quality standards before a license can be issued, and Alcoa has elected to promise future modifications to the turbines, just focusing on tailwater quality rather than make changes in operation to stabilize High Rock Lake water levels to improve lake water quality.. Considering High Rock's state of impairment; fish, wildlife, and humans need all the help possible that could be obtained from changing the mode of operation. But instead of stable water levels, the DLA Guide Curve presents a constantly changing lake level, except for the extreme drawdown period proposed for December through February.

As written, the DLA is an insult to most of the interested parties who have invested countless hours and resources participating in the IAG/Negotiations process. We accepted Alcoa's repeated promise of "good faith negotiations", and willingly participated with the belief that Alcoa would accept limitations in generating capability, when such limitations would produce benefits to the environment and to the public good. The DLA seems to indicate Alcoa never intended to compromise, in the least, its ability to maximize revenues from hydropower generation.

The sad part is, we are not asking for very much compromise on Alcoa's part. The generation models made public to date show operation per Alcoa's DLA mode would limit revenues annually by about \$260,000.00 compared to a theoretical "base case. By way of contrast, a model of the HRLA proposed operating mode limited revenues by \$1,150,000.00 annually. It seems Alcoa believes all the positive benefits derived from stabilization of High Rock waters are not worth \$890,000.00 average annual limitation on revenues.

Limiting revenues from \$41,000,000 to about \$40,100,000.00 (approximately 2%) seems a very reasonable compromise, when economic studies show a huge benefit to the region which would result from changing the mode of operation of High Rock. There is simply no justification on a regional basis for Alcoa to continue its habit of "Store and Release" operations. That mode may have been somewhat justifiable when the employment of 600+ employees at Badin was used for the argument, but that is history, not the future. We believe that "Store and Release" would not be justified for future operations if evaluated by an impartial panel considering all factors revealed by most of the studies and required by current legislation.

Upon release of the DLA we began to question the benefit of further participation in the Alcoa sponsored meetings, thinking that HRLA's resources could be better spent on other venues. However, recent correspondence from Alcoa has indicated that in the January 10 meeting we can expect to see a change in Alcoa's position which could lead to a settlement on these issues before the License Application is actually submitted to FERC on April 30, 2006. With that incentive, the HRLA will continue its good faith participation in the Relicensing Negotiations.

Sincerely,

Larry O. Jones
President