

January 3, 2006

Mr. Gene Ellis
Licensing and Property Manager
Alcoa Power Generating Inc.
PO Box 576
Badin, North Carolina 28009-0576

Re: Yadkin Hydroelectric Project (FERC No. 2197)
Draft Application for New License

Dear Mr. Ellis:

This responds to your October 5, 2005 letter requesting comments on the above-referenced Draft License Application (DLA) for the Alcoa Power Generating Inc. (APGI) Yadkin Hydroelectric Project. We have reviewed the DLA you provided and hereby submit the following comments for your consideration.

The South Carolina Department of Natural Resources (SCDNR) has participated in APGI's enhanced-traditional FERC relicensing process since its inception in 2002 and is a Party to the relicensing proceeding and signatory to the Meetings and Negotiations Protocol for the Yadkin Project. SCDNR is the state agency in South Carolina charged by law (Titles 48 and 50, South Carolina Code of Laws, 1976, as amended) with the management, protection and enhancement of the state's wildlife and fisheries resources. We are also charged with regulating watercraft operation and associated recreation, including establishing boating safety standards. Title 49, South Carolina Code of Laws, authorizes SCDNR as the state agency responsible for considering water supply (domestic, municipal, agricultural and industrial) issues, water quality facilities and controls, navigation facilities, hydroelectric power generation, outdoor recreation and fish and wildlife opportunities, as well as other water and land resource interests. This Title also charges SCDNR with comprehensive drought response planning and coordination and the conservation, protection and use of floodplain lands.

Operation of APGI's Yadkin Project and Progress Energy's Yadkin-Pee Dee River Project, located immediately downstream, together have significant control over the Pee Dee River flow entering South Carolina. Due to the method of operation of these two Projects, flows entering our state are highly variable and frequently much lower than would occur under unregulated conditions. While the Progress Energy Project has most direct control over flows coming to us, the major component of flow entering that Project

is delivered from the APCI Project, consequently, operation of the two Projects in concert determines the amount and variability of flows entering South Carolina. SCDNR's interests in FERC relicensing of both the APCI and Progress Energy Projects are in the area of restoring more natural instream flow in the South Carolina portion of the Pee Dee River in order to protect aquatic habitat for fish and other biota, navigation, water supply, wastewater assimilation/water quality, diadromous fish migration, the integrity of the designated Pee Dee State Scenic River and Great Pee Dee River Heritage Preserve, and to prevent detrimental salinity intrusion in the lower Pee Dee River and Atlantic Intracoastal Waterway (AIWW). In addition, we are interested in the development of a Low Inflow Protocol that will specify how available water will be managed during periods when inflow is insufficient to fully meet all needs.

During the ongoing relicensing process, a number of methods are being used to determine the levels of instream flows needed to protect South Carolina's interests. The Instream Flow Incremental Methodology (IFIM), as well as guidance from the South Carolina Water Plan (2004), Instream Flow Study-Phase II (1988) and South Carolina Instream Flow Studies (1989) (all FERC approved Comprehensive Plans), are being employed to identify suitable flows for aquatic habitat for resident and migratory species. Navigation flow needs are being determined through use of the method and criteria described in the South Carolina Water Plan and Instream Flow Study-Phase II. Flows needed to meet water supply and wastewater assimilation requirements are determined through studies conducted by the Pee Dee River Coalition, which includes the major water suppliers and wastewater dischargers on the Pee Dee River in South Carolina. Salinity intrusion prevention flows are being identified through use of a salinity intrusion model developed by the U. S. Geological Survey, with funding provided by the Pee Dee River Coalition, Progress Energy, APCI and SCDNR. It was determined by SCDNR that flows needed to protect aquatic habitat and navigation would also be sufficient to protect the integrity of the Pee Dee State Scenic River and the Great Pee Dee River Heritage Preserve.

Through use of the above methods, we have determined that an instantaneous flow of at least 1200 cubic feet per second (cfs) released from Progress Energy's Blewett Falls facility would be needed to protect navigation, water supply and wastewater assimilation uses in the South Carolina portion of the Pee Dee River. We have also determined that a minimum release of 900 cfs from Blewett Falls is needed to prevent detrimental salinity intrusion in the lower Pee Dee River and AIWW. Analyses are in progress to identify appropriate instream flows for aquatic habitat and diadromous fish migration in South Carolina. Minimum flow releases and the Low Inflow Protocol are addressed in Sections B.6.6.1, B.6.6.3, E.2.4 and E.3.13.3 of the APCI DLA. These Sections indicate that APCI is proposing to operate the Yadkin Project with a year round weekly average minimum release from Falls Reservoir of 900 cfs. It is also indicated that APCI intends to operate the Yadkin Project in accordance with a Low Inflow Protocol that is currently being developed. Our primary concern with this proposal is whether the 900 cfs weekly average release from Falls Reservoir would be sufficient to allow Progress Energy to release flows from their Blewett Falls facility to meet South Carolina's needs. This concern can be addressed by completing the ongoing analyses to determine all instream flow requirements and utilizing the OASIS and CHEOPS Operations Models to evaluate

the amount and periodicity of releases from APGI needed to allow Progress Energy to meet these requirements.

SCDNR is currently participating in the ongoing analyses to finalize all instream flow needs for South Carolina and in the settlement negotiations process intended to address the interests of all stakeholders involved. We are hopeful that these analyses and this process will be concluded successfully and that a mutually acceptable settlement agreement will result. Thank you for the opportunity to participate in the relicensing process and to submit comments on the DLA. Please contact Danny Johnson at (803)734-9099 or JohnsonD@dnr.sc.gov if you have questions regarding our comments.

Sincerely,

Robert E. Duncan
Environmental Programs Director