HIGH ROCK LAKE

Summer of 2002

"The Summer we lost our lake"

by Larry O. Jones

As this is written in Mid-August 2002, nearly everyone with an interest in the Yadkin River or High Rock Lake knows we have experienced a devastating loss this summer. We will long remember the Year 2002 as the year Alcoa drained the lake. We will also remember this year as one of our worst drought years ever, giving rise to efforts by many special interest groups to lay claim to the waters of the Yadkin and High Rock Lake.

The Citizens of North Carolina must act now to protect our water resources, and be certain lakes and rivers within our State are managed for the good of North Carolina. While we have a moral and ethical obligation to maintain water quality and quantity in measures provided by Nature in our rivers which flow into neighboring states, North Carolina certainly has no obligation to supplement Mother Nature for the benefit of our neighbors.

South Carolina officials are being quoted as demanding certain discharges from the lakes on the Yadkin River in North Carolina. Other than perhaps Kerr Scott Reservoir, all the Alcoa and CP&L dams were built by private companies for the benefit of those companies. The original dam builders purchased all the land required for the lake projects with private funds and the projects were entirely financed in the private sector. South Carolina has no right to demand these private facilities be used for South Carolina's benefit, nor for the benefit of private companies operating in the State of South Carolina. South Carolina is entitled to the natural flow of the river, and any mandated discharge of the Alcoa/CP&L dams should be no more than the natural inflow to High Rock, Tuckertown, Badin, Falls, Tillery, and Blewett Falls lakes. If South Carolina deems it necessary to regulate the flow of the Pee Dee River in South Carolina, then it should invest in its own reservoir(s) to accomplish such purpose.

When preparing to build High Rock Lake, Alcoa made extensive land purchases, covering far more area than the lake. Later, throughout the years, Alcoa sold properties surrounding High Rock Lake for farms and lakeside homes. These homes were often built as second homes by citizens wanting to have a place for recreation and relaxation by the water. In the Sixties, Seventies, and Eighties Alcoa was actively developing lakeside communities. Many of these developments, such as Anchor Downs in Rowan County, were marketed by Alcoa as exclusive lakeside communities, and many fine homes were built as full time residencies. Those people investing with Alcoa for these home sites were willing to pay premium dollars for the land offered by Alcoa, due the desirability of the benefits promised by lakeside living.

When the current license was issued to Alcoa by the Federal Power Commission in 1958, there was minimum development on High Rock Lake. Most of the houses then existing were built upon land that was part of a few large farms that bordered High Rock. It is believed Alcoa did not inform the Federal Power Commission of any plans to begin extensive land development around High Rock Lake when applying for the 1958 license. The Commission had little reason to address the rights of lakefront property owners, and very little was considered in the License issuance process with regard to recreation. That is possibly due to the very rural nature of the area surrounding the Yadkin Project in 1958.

The point of this review of the lake history, and the lands surrounding the lake, is to emphasize the obligation Alcoa has incurred to purchasers of land that surrounds and abuts High Rock Lake. Alcoa provided no warning to prospective buyers of this property that the buyer should expect the lake to be drained periodically for purposes of producing electricity or for purposes of fulfilling sales contracts of certain water quantities to CP&L. The lakefront land was offered as prime waterfront property, with at minimum, an implied promise that purchasers could expect to enjoy the benefits of lakefront living.

The extensive shoreline development of High Rock Lake during the past forty years, led by the efforts of developers such as Alcoa, has resulted in a lake that is tremendously different than when Alcoa received its license in 1958, or even when the Federal Power Commission codified a private contract between Alcoa and CP&L in 1968, whereby Alcoa agreed to provide a certain flow of water at all times to CP&L facilities downstream of Alcoa in exchange for an annual fee of $68,000.00. This is the only "Order" we can find addressing any obligation of Alcoa to provide water for "downstream Users". Even so, why must all the water come from High Rock?

Another "Order" was issued by the Federal Power Commission in 1968, at least partially in response to public demands for better water levels in High Rock Lake during the summer recreation season. In that order, codifying

Alcoa "operating guidelines", a requirement was added which was intended to keep High Rock Lake above elevation 650 between May 15 and September 1 each year. That order is commonly referred to as the "Rule Curve". For years Alcoa generally complied with the operating guidelines, and the more stable water levels increased enjoyment of the lake by many people. It also led to increased property values, enjoyed by Alcoa's real estate sales group, as well as the taxing authorities of Rowan and Davidson Counties.

During the Nineties, Alcoa began experiencing tough global competition in the aluminum business, and the economic pressures began to change the way the Yadkin Project was operated. The Badin facility was given severe ultimatums by corporate officers in Pittsburgh to increase profitability. It is widely believed those mandates, plus the deregulation of the electrical generating industry, resulted in heretofore unprecedented demands on the operation of the four hydro electric facilities owned by Alcoa on the Yadkin River. High Rock, being the most upstream of the lakes, was the most abused. For every kilowatt Alcoa produced by flowing a gallon of water thru the High Rock Dam, it could produce about four more kilowatts before it released that its water to CP&L. For a financially strapped operation, the approximately $2,000,000.00 worth of power Alcoa produced the summer of 2002 by draining High Rock Lake was apparently a last ditch effort to satisfy Pittsburgh. Even this apparently failed, in light of Alcoa announcing the closing of its Badin Works on July 31, 2002.

The High Rock Lake Association has requested the Federal Energy Regulatory Commission's (the Commission) immediate action to intercede in behalf of the Public with respect to Alcoa's violation of Operating Guidelines for High Rock Lake. At present the lake is unfit for use by the public for recreation. We have witnessed extensive environmental damage, and the economic impact is incalculable. This is all resulting from management of the lake by Alcoa and/or its subsidiaries from what we believe to be a pure financial gain perspective, without concern for its other obligations to the Commission and the Public.

Naturally, Alcoa blames the drought conditions for High Rocks pitiful state, and they state they have "applied to FERC for relief from regulations that require certain discharge rates from the Yadkin Project". Given present conditions, it seems sort of foolish to argue about limiting flow to 900 cfs, 1,200 cfs, or any other figure. We have urgently requested that FERC order no less than total impoundment of all inflow until the lake is back to Rule Curve levels. Reservoirs upstream of us on the Yadkin are full, and so are reservoirs downstream of Alcoa. Why should we be any different?

If the Commission decides to require a minimum discharge from Project 2197, it should order Alcoa and/or its subsidiaries to create the discharge by utilizing an equal percentage of total storage from each of the projects 4 reservoirs. All inflow into High Rock Lake should be retained in High Rock until High Rock is returned to currently mandated level. I<u>t is reasonable and fair to limit any mandatory downstream requirements to be no more than the inflow to the project reservoirs</u>. The public who uses and depends upon the Yadkin Project 2197 lakes should not be expected to sacrifice their rights for the benefit and betterment of downstream users.

Alcoa and the Commission often quote Part III of the Operating Guides when talking of the necessity of releasing water from High Rock. Part III DOES NOT set forth a requirement for a **MINIMUM DISCHARGE** that Alcoa keeps talking about. The conditions imposed by Part III, 8 A, B, & C are limitations on flow. Nowhere does the terminology refer to maintaining the maximum flows permitted by 8A, 8B, or 8C. It is clear the Guidelines were intended to keep the level of the lake as shown by Line 7 of Figure 2.1 which is referenced by Part III. Apparently, Alcoa now reads the Guidelines as **<u>"Providing a discharge</u>**" instead of **<u>"Limit the discharge</u>**".

We believe it is long past time for FERC to require Alcoa to operate its lakes in a manner similar to that of other responsible Licensees such as Duke Power and CP&L. We use those two utilities as examples because of their proximity and location in our "drought area". CP&L operates Lake Tillery just downstream of the Alcoa project, and nearly <u>always</u> maintains "full pool". The same holds true for Lake Norman, operated by Duke. Upstream of High Rock, the W.Kerr Scott Reservoir is normally full. At 17-20 feet down, High Rock Lake is essentially a huge mud flat; in some cases waters edge is a mile or more from "lakefront" homes

Apparently, many of the Commissions Licensees recognize the most efficient hydro power is achieved when a facility is operated at maximum head. They must also recognize that a one-time draw-down of a reservoir (such as is occurring at High Rock Lake) is a trade off of a one-time bonus in sale of electricity against a huge offset to the other users of the lake and the surrounding economies. We believe that's why CP&L, Duke Power and many others maintain near full pool conditions even during drought conditions. We believe Alcoa recognizes this also, by the manner in which it operates Tuckertown, Falls, and its "flagship" Badin facility.

We are very concerned about Alcoa's misrepresentation of storage capacity of each of the four lakes. In many documents they have stated High Rock Lake is their major storage reservoir. In documents filed with FERC, they list the following as "Available Draw-Down"

High Rock Lake	30.0 ft.	Tuckertown	3.0 ft.
Narrows (Badin)	31.1 ft.	Falls	10.0 ft.

In fact, in a July 2002 letter to the Commission, Alcoa made the argument that maximum permissible drawdown at Badin is only 7.1 ft.!

As listed in FERC documents, water depth at the turbine inlets at High Rock is 55 ft. At Badin, it's 175 ft. Why does FERC accept a drawdown at High Rock that's 54% of the lake depth, and agree to a maximum draw-down at Badin that's only 18% of the lake's depth? At Tuckertown, the draw-down is shown as only 5% of total depth. Under drought conditions, any consideration of downstream release MUST RECOGNIZE the fact that Narrows (Badin Lake) probably has more storage than High Rock, Tuckertown, and the Falls combined!

In its Shoreline Management Plan (SMP), Alcoa points out that it owns practically all the land surrounding Tuckerton Lake. A drawdown of Tuckertown would therefore have no impact to property owners as it does at High Rock. At High Rock, most of the property for the 3,000+ homes was at one time sold for profit by Alcoa. Alcoa has acted as the developer for major subdivisions on High Rock, and we believe Alcoa profited handsomely from the sale of this "Prime Waterfront Property". Likewise, this waterfront property is highly valued by the local governmental taxing authorities, with land appraisals of up to $100,000.00 + per acre.

We believe Alcoa incurred a responsibility to keep those waterfront properties as esthetically attractive on a long term basis as they were when sold.

Users of High Rock Lake have long been represented by The High Rock Lake Association (HRLA). The HRLA has made many pleas for FERC to make beneficial changes in the way the lake is operated. This is a very serious situation, and it demands immediate attention by FERC and our Elected Officials. The High Rock Lake Association remains committed to its efforts to address these problems, and will continue the fight to make High Rock Lake all it can be!

The Officers, Directors, and general membership of the High Rock Lake Association mounted a major effort in 1992 to try and convince FERC that lake levels needed to be addressed. That effort was rebuffed by FERC and Alcoa. Similar attempts were made during Alcoa's creation of its infamous Shoreline Management Plan (SMP) which was eventually endorsed by FERC to Alcoa's satisfaction. HRLA intends to mount a renewed campaign to address the problems that exist with High Rock Lake and its management by Alcoa. The Directors of HRLA ask that the membership step up and support this effort. Any donation of time, talent, or resources will greatly assist in our current battle. The Directors are convinced this battle must be carried to our elected representatives, at local, state, and federal levels. FERC is a proven advocate of the power companies; and while tolerating our protests, have historically shown they will always favor the power companies. This may have been acceptable 50 years ago, but its not today!

If you are willing to assist in any way, please write or e-mail us today.

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